

2005 PUERTO RICO SUPPLEMENT



FOR USE IN IRS VOLUNTEER RETURN PREPARATION PROGRAMS

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

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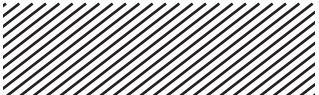
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STUDENT NOTES



PART I ***PUERTO RICO VITA SUPPLEMENT***

INTRODUCTION

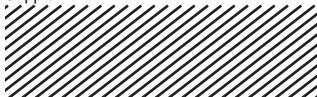
Part 1 of this publication supplements information in Publication 678, Volunteer’s Assistor’s Guide—Student Text. It is recommended that VITA Volunteers who do not have prior tax experience complete all the lessons in Publication 678 before completing this Supplement. Although it is not recommended, those volunteers that have prior experience may complete this text without reference to the VITA Coursebook. However, all volunteers must take the Publication 678 test and be certified in the basic section and either the wage earner section or the pension earner section. Volunteer training is available on the web at www.irs.gov/app/vita/index.jsp.

“If you are a bona fide resident of Puerto Rico who will file a U.S. Federal Income Tax Return, Form 1040 and claim an exclusion for income earned in Puerto Rico, you will have to make certain adjustments on your return. Publication 1321 explain such adjustments.”

Who Must File

In general, section 933 of the U.S. Internal Revenue Code requires that U.S. citizens who are bona fide residents of Puerto Rico during the entire taxable year, but who receive income from sources outside Puerto Rico and/or receive income as a civilian or military employee of the U.S. government in Puerto Rico, must file a U.S. Federal Income Tax Return. The income you receive from Puerto Rican sources is not subject to U.S. income tax. Because some of the income is exempt (under IRC section 933) a part of the itemized deductions or a part of the standard deduction amount on your U.S. return must be allocated to that exempt income.

STUDENT NOTES



FILING STATUS AND EXEMPTIONS

Lesson 1

Filing status and exemptions are the same as discussed in the Publication 678, Volunteer Assistor's Guide, Student Text. However, keep in mind that even though one spouse may exclude his/her income on Form 1040, they may still file a joint return and claim an exemption for their spouse. The filing status, married filing jointly, is not changed because one spouse has exempt income.

Example 1

Alda and Raul are married U.S. citizens and both are bonafide residents of Puerto Rico. Alda works for the federal government and earns \$34,489. Raul works for a private firm and earns \$25,250. Although Raul's income of \$25,250 is excluded from the Form 1040, they may file a joint return and claim personal exemptions for both of them.

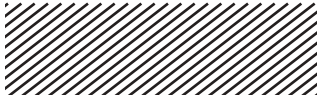
Exercise 1-1

Modesto and Laura are both under 65, U.S. citizens and bonafide residents of Puerto Rico. They are married. Modesto works for a small corporation in Hato Rey and Laura is a federal employee.

- a. May they file jointly?
- b. How many personal exemptions can they claim?

Answer _____

STUDENT NOTES



INTRODUCTION

When we speak of source of income, we are referring to its origin—either U.S., P.R., or foreign.

U.S. citizens and residents are taxed by the United States on their worldwide income, no matter where it originates. What then is the importance of the source of income? For those taxpayers who qualify for the exemption of income earned in Puerto Rico, the source of income is very important since only income from Puerto Rican sources may be exempt from U.S. tax. It is also important for those taxpayers who wish to claim a foreign tax credit; since the credit must be calculated on the basis of taxable foreign or Puerto Rican income. Refer to Exhibit 1 for help in determining the source of income.

The source of income is very important to nonresident aliens because they are taxed by the U.S. only on U.S. source income. However, special rules apply if they are nonresident alien, bonafide residents of P.R. In this lesson, we will concentrate on the U.S. citizen. Assume that any reference to a taxpayer or individual means a U.S. citizen.

SALARIES, WAGES, AND OTHER COMPENSATION

Wages, salaries, tips and other compensation as well as the amount of net earnings from self employment are earned income. The place where the services are performed is most important in determining source of earned income. Thus, if labor or personal services are performed in Puerto Rico, the source is Puerto Rican.

Example 1

Mr. Stan Jones, a U.S. citizen residing in P.R., is a consultant for a U.S. firm and works in their P.R. branch office. Mr. Jones's income is P.R. source since he is performing the services in Puerto Rico.

Example 2

Juan and Maria Hernandez live and work in San Juan. Their income is as follows:

- Wages of \$39,482 earned in Puerto Rico
- Wages of \$5,000 earned while on temporary assignment in New York

“You will find the answer for the exercises and problems in page 65.

- Wages of \$1,000 earned while on a business trip to Caracas
- The source of income would be broken down as follows:
- \$39,482 Puerto Rico source
 - \$5,000 U.S. source
 - \$1,000 foreign source

Exercise 2–1

Juan Mariposa, a resident of P.R., U.S. citizen and an employee of a P.R. corporation, is sent to the U.S. for one month on temporary assignment. His employer continues to pay his regular salary and the checks are deposited in his P.R. bank. Does this taxpayer have any U.S. source income?

Explain_____

OTHER INCOME

Interest

Interest from the United States, and interest from bonds, notes, or other interest bearing obligations of residents, corporations, or otherwise, will be treated as income from sources within the United States. It is the residence of the payer that determines the source of interest.

Example 3

Richard Rockero, a resident of Puerto Rico, receives interest from a personal loan made to France Guia, a U.S. resident and the payer. Since Mr. Guia is a resident of the U.S. the income is U.S. source.

Exercise 2–2

Mrs. Beatriz Pinzon lives and works in San German, Puerto Rico. All of her income is earned there, but she does deposit some of it in her bank in Boston, Massachusetts, where it earns interest.

What is the source of her interest income?
P.R. or U.S. source?

Dividends

To determine the source of dividends you need to know the location of the payer. Dividends from domestic corporations are U.S. source. Dividends from foreign corporations are foreign source.

Rent and Natural Resource Royalties

The location of rental property determines the source of the income. Rentals from property located in Puerto Rico are P.R. source. The same rule applies to natural resource royalties (oil, coal, etc.) because real property is involved.

Example 4

Bo Nanza owns rental property on Condado Beach in Puerto Rico. The rents from the property are deposited in his bank account in Chicago. The rental income is P.R. source.

Example 5

A U.S. citizen who lives in P.R. receives royalties from Canada Natural Gas Unlimited. The property is located in Canada and therefore the royalties are foreign sourced.

Other Royalties

Royalties for use of or for the privilege of using such instruments as patents, copyrights, secret processes and formulas, goodwill, trademarks, franchises, and other like property, are P.R. source income, if the property is used in Puerto Rico. For these types of royalties, the source is determined by where the property is used.

Example 6

A resident of P.R., and U.S. citizen, has a patent for a manufacturing process used in a factory in the U.S. The royalties from this patent are U.S. sourced.

Recall that the source of rents and natural resource royalties is where the property is located (where the building, the oil well, or the coal mine is physically situated). The source of royalties from patents, copyrights, etc., is where the property is used.

SALE OR EXCHANGE OF PERSONAL PROPERTY

The factor determining source of income on sale of noninventory property is the residence of the seller. U.S. citizens will be treated as residents of the U.S., unless an income tax equal to an effective rate of at least 10% of the income derived from the sale is actually paid to a foreign country. However, this 10% tax payment requirement does not apply to a person who is a bona fide resident of Puerto Rico for the entire taxable year.

“New legislation in process at the time this publication was printed, there may be some changes. Please check new law for changes.”

Example 7

Mrs. Bonita Bombon, a U.S. citizen and bonafide resident of Puerto Rico, sold stocks for 100% profit over the original cost. The sale of the stocks is a sale of personal property. Since Mrs. Bombon was a bonafide resident of Puerto Rico for the entire taxable year, the 10% tax payment requirement does not apply. The gain is Puerto Rico source income, with the residence of the seller being the determining factor.

Note

Inventory Property The rules for determining the source of income from the sale of inventory property have not changed. The source of income remains the place where title passes.

Depreciable Property In general, gain (not in excess of the depreciation adjustment) from sale of depreciable personal property shall be allocated between sources in the U.S. and sources outside the U.S.

SUMMARY EXERCISE

- a. Carol A., a bonafide resident of Puerto Rico, owns rental property in the U.S. She deposits \$1,000 (the rent) each month in her account with Banco Santurce. What is the source of her income?
- b. Don and Petra are married, filing jointly. They are bonafide residents of Puerto Rico. Their income consists of:
 - \$10,000 Wages from the local grocery
 - \$2,000 Interest paid by Banco Popular
 - \$1,000 Interest paid by the Bowery Bank in New York
 - \$5,000 Rental income from property in Miami

List the source of each type of income.

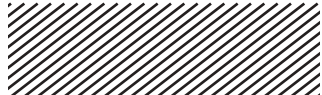
- c. Sofia lives in the U.S. but has an interest bearing account with Banco de Hato Rey. Her wages (\$20,000) are from her job in Chicago. What is the source of her income?

Exhibit 2-1 Determining Source of Income

| <i>SOURCE RULES</i> | |
|--|--|
| <i>Item of Income</i> | <i>Factor Determining Source</i> |
| Salaries and other compensation | Where the service is performed |
| Interest | Residence of the payer |
| Dividends | Location of payer |
| Rents | Location of property |
| Royalties: Natural resources Patents, copyrights, etc. | Location of property Where the property is used |
| Sale of stock or other nondepreciable personal property | Residence of seller. The gain of a U.S. citizen outside the United States is U.S. source unless a foreign income tax of at least 10% is actually paid to a foreign country. However, this 10% tax payment requirement does not apply to a person that is a bona fide resident of Puerto Rico for the entire taxable year. |
| Sale of Real Property | Location of Property |

“New legislation in process at the time this publication was printed, there may be some changes. Please check new law for changes.”

STUDENT NOTES



STANDARD DEDUCTION TAXPAYERS WHO DO NOT ITEMIZE

Lesson 3

Allocation of The Standard Deduction When the Taxpayer Has Exempt P.R. Source Income.

Note: If the taxpayer does not have Puerto Rico exempt income, the following allocation is not necessary. In this case, the taxpayer would take the full standard deduction.

For those taxpayers who do not itemize, the standard deduction must be apportioned on the ratio of gross income subject to federal tax over gross income from all sources. This adjustment must be made prior to entering the standard deduction on Line 40 of Form 1040.

| <i>If your filing status is:</i> | <i>Standard Deduction</i> |
|--|---------------------------|
| Single | \$5,000 |
| Married filing jointly, or Qualifying Widow(er) | \$10,000 |
| Married filing separately | \$5,000 |
| Head of Household | \$7,300 |

If the taxpayer is age 65 or older at the end of the year and/or blind he or she is allowed a higher standard deduction.

Use the following chart to compute the standard deduction for taxpayers 65 or over and/or blind.

| <i>If your Filing Status is:</i> | <i>and the number on Form 1040, line 40, is:</i> | <i>then the standard deduction is</i> |
|--|--|---|
| Single | 1 | \$5,000 |
| | 2 | \$7,250 |
| Married filing jointly, or Qualifying Widow(er) | 1 | \$10,000 |
| | 2 | \$11,600 |
| | 3 | \$12,550 |
| | 4 | \$13,500 |
| Married filing separately | 1 | \$5,000 |
| | 2 | \$6,750 |
| | 3 | \$7,700 |
| | 4 | \$8,650 |
| Head of Household | 1 | \$7,300 |
| | 2 | \$9,550 |

Use the following worksheet or Publication 1321 to compute the allowable portion of the standard deduction.

Exhibit 3-1

Worksheet for Puerto Rico Filers with Exempt Income under Section 933 Who Do Not Itemize Deductions

1. Enter STANDARD DEDUCTION; If you checked Form 1040, Filing Status box
- 1, enter \$5,000
 - 2, or 5, enter \$10,000
 - 3, enter \$5,000
 - 4, enter \$7,300

CAUTION: If you are 65 or over or blind, calculate your standard deduction using the chart in the Form 1040 instructions.

or

If someone can claim you as a dependent, use the Standard Deduction Worksheet for Dependents in the Form 1040 Instructions.

2. Allowable portion of STANDARD DEDUCTION:
- a. Gross income subject to U.S. tax
 - b. Total gross income from all sources (including exempt P.R. income)
 - c. Divide line 2a by line 2b
 - d. Multiply Standard Deduction (line 1) by line 2c and enter this amount on Form 1040 line 40 or Form 1040A line 24 (allowable portion of STANDARD DEDUCTION)

Write the following above line 40 Form 1040 or line 24 of Form 1040A:

“Standard Deduction modified due to exempt income under section 933.”

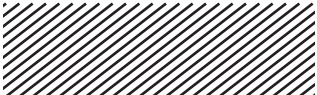
Example 3-1

Juan and Judith (both under 65), who are bonafide residents of Puerto Rico for the entire taxable year, are filing a joint return. Juan is a federal employee and during 2005 earned \$40,000; Judith had income of \$20,000 from P.R. sources not subject to U.S. tax. They are not itemizing their deductions.

They compute their allowable portion of standard deduction in the following manner:

$$\frac{\$40,000}{60,000} \times 10,000 = 6,700$$

Exhibit 3-2 illustrates the completion of Form 1040, Line 40



| Form 1040 (2005) | | Page 2 | |
|------------------------|------------|---|--|
| Tax and Credits | 38 | Amount from line 37 (adjusted gross income) | 38 40,000 00 |
| | 39a | Check <input type="checkbox"/> You were born before January 2, 1941, <input type="checkbox"/> Blind. } Total boxes if: <input type="checkbox"/> Spouse was born before January 2, 1941, <input type="checkbox"/> Blind. } checked ▶ 39a | Standard deduction modified due to exempt income under Section 933 |
| | b | If your spouse itemizes on a separate return or you were a dual-status alien, see page 31 and check here ▶ 39b <input type="checkbox"/> | |
| | 40 | Itemized deductions (from Schedule A) or your standard deduction (see left margin) | 40 6,700 00 |
| | 41 | Subtract line 40 from line 38 | 41 |
| | 42 | If line 38 is \$109,475 or less, multiply \$3,200 by the total number of exemptions claimed on line 6d. If line 38 is over \$109,475, see the worksheet on page 33 | 42 |
| | 43 | Taxable income. Subtract line 42 from line 41. If line 42 is more than line 41, enter -0- | 43 |
| | 44 | Tax (see page 33). Check if any tax is from: a <input type="checkbox"/> Form(s) 8814 b <input type="checkbox"/> Form 4972 | 44 |
| | 45 | Alternative minimum tax (see page 35). Attach Form 6251 | 45 |
| | 46 | Add lines 44 and 45 | 46 |

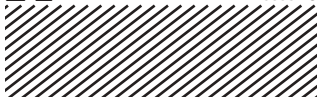
Standard Deduction for—

- People who checked any box on line 39a or 39b or who can be claimed as a dependent, see page 31.
- All others:

Exercises 3-1.

- a.** Martin (SSN 000-00-5678) and Cruz (000-00-1234) Paraiso are bonafide residents of Puerto Rico for the whole year. They are married filing a joint return and have two sons (Leo and Sam). Martin earned \$18,120 in wages from an accounting firm located in P.R. and Cruz earned \$25,893 in wages from the U.S. government. They have a joint bank account in Puerto Rico (Banco Isla) that earns \$1,200 interest. Both Martin and Cruz are under 65 and not blind. What is their standard deduction?
- b.** Monse is a single taxpayer residing in Puerto Rico as a bonafide resident and is 64 years of age. She has U.S. government wages of \$30,978. She says she has no other income. Figure her standard deduction.
- c.** Tino, a bonafide resident of Puerto Rico is single and retired from the Commonwealth of Puerto Rico but under age 65. He received \$19,250 from his Puerto Rico government pension. He also received \$8,000 dividends of interest from his bank account in the U.S. Figure Tino's standard deduction.
- d.** Carmen, age 68, is a single retired resident of Puerto Rico. She receives a U.S. civil service pension and her records indicate she has recovered all her cost in the pension. Her civil service job was in Puerto Rico. Figure Carmen's standard deduction.

STUDENT NOTES



INTRODUCTION

Deductions that apply to exempt Puerto Rico income are not deductible on a federal income tax return.

Deductions that do not specifically apply to a particular type of income must be apportioned between gross income subject to U.S. tax and total gross income from all sources.

Examples of deductions that do not specifically apply to a particular type of income are alimony payments and certain itemized deductions (such as medical expenses, charitable contributions, real estate taxes and mortgage interest on your personal residence.)

Allocation of Itemized Deductions to U.S. Income

When a taxpayer has exempt P.R. source income and is itemizing deductions, the taxpayer must apportion each deduction that does not apply to any specific type of income based on the ratio of gross income subject to U.S. tax to gross income from all sources.

Formula

Gross Income Subject to U.S. Tax

Gross Income From All Sources (including P.R. exempt income)

Example 1

Juan and Judith are filing a joint return. They are bonafide residents of Puerto Rico. Juan works for the federal government and Judith for Banco de Santurce. During 2005, Juan earned \$39,780 as a federal employee and Judith made \$19,520 from her job. They have itemized deductions of \$16,223 that do not apply to any specific type of income (medical & dental \$3,457, real estate taxes \$1,200, mortgage interest on their home \$9,480, and charitable contributions cash \$2,086). Each deduction is apportioned as follows:

The numerator of the fraction is the gross income reported to the U.S. and the denominator is the total gross income from all sources (including Puerto Rican exempt income). Round all fractions to four places.

Medical Expenses (doctor's fees)

$$\begin{array}{r} \$39,780 \\ 59,300 \end{array} \times \$3,457 = \$2,319 \text{ (enter on line 1 of Schedule A)}$$

Real Estate Taxes

$$\begin{array}{r} \$39,780 \\ 59,300 \end{array} \times \$1,200 = \$805 \text{ (enter on line 6 of Schedule A)}$$

Home Mortgage Interest

$$\begin{array}{r} \$39,780 \\ 59,300 \end{array} \times \$9,480 = \$6,359 \text{ (enter on line 10 of Schedule A)}$$

Charitable Contributions (cash)

$$\begin{array}{r} \$39,780 \\ 59,300 \end{array} \times \$2,086 = \$1,399 \text{ (enter on line 15 of Schedule A)}$$

NOTE: Enter on Schedule A only the allowable portion of each deduction.

Exhibit 4-1 contains Juan and Judith's Schedule A.

Exhibit 4-2 is page 2 of their Form 1040.

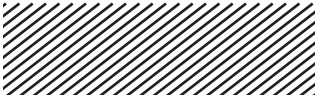


Exhibit 4-1 Allocation of itemized deduction for Juan and Judith

| | | |
|--|--|--|
| <p>SCHEDULES A & B (Form 1040)</p> <p>Department of the Treasury Internal Revenue Service (99)</p> | <p>Schedule A—Itemized Deductions</p> <p>(Schedule B is on back)</p> <p>▶ Attach to Form 1040. ▶ See Instructions for Schedules A and B (Form 1040).</p> | <p>OMB No. 1545-0074</p> <p>2005</p> <p>Attachment Sequence No. 07</p> |
| <p>Name(s) shown on Form 1040 Juan & Judith</p> | | <p>Your social security number xxx \| xx \| xx01</p> |
| <p>Medical and Dental Expenses</p> | <p>Caution. Do not include expenses reimbursed or paid by others.</p> <p>1 Medical and dental expenses (see page A-2) 1 2,319</p> <p>2 Enter amount from Form 1040, line 38 2 39,780</p> <p>3 Multiply line 2 by 7.5% (.075) 3 2,984</p> <p>4 Subtract line 3 from line 1. If line 3 is more than line 1, enter -0- 4 0</p> | <p>9 805</p> |
| <p>Taxes You Paid</p> <p>(See page A-2.)</p> | <p>5 State and local (check only one box):</p> <p style="margin-left: 20px;">a <input type="checkbox"/> Income taxes, or</p> <p style="margin-left: 20px;">b <input type="checkbox"/> General sales taxes (see page A-2) } 5</p> <p>6 Real estate taxes (see page A-3) 6 805</p> <p>7 Personal property taxes 7</p> <p>8 Other taxes. List type and amount ▶ 8</p> <p>9 Add lines 5 through 8 9 805</p> | <p>9 805</p> |
| <p>Interest You Paid</p> <p>(See page A-3.)</p> | <p>10 Home mortgage interest and points reported to you on Form 1098 10 6,359</p> <p>11 Home mortgage interest not reported to you on Form 1098. If paid to the person from whom you bought the home, see page A-4 and show that person's name, identifying no., and address ▶ 11</p> <p>Note. Personal interest is not deductible.</p> <p>12 Points not reported to you on Form 1098. See page A-4 for special rules 12</p> <p>13 Investment interest. Attach Form 4952 if required. (See page A-4.) 13</p> <p>14 Add lines 10 through 13 14 6,359</p> | <p>14 6,359</p> |
| <p>Gifts to Charity</p> <p>If you made a gift and got a benefit for it, see page A-4.</p> | <p>15 Gifts by cash or check. If you made any gift of \$250 or more, see page A-4 15 1,399</p> <p>16 Other than by cash or check. If any gift of \$250 or more, see page A-4. You must attach Form 8283 if over \$500 16</p> <p>17 Carryover from prior year 17</p> <p>18 Add lines 15 through 17 18 1,399</p> | <p>18 1,399</p> |
| <p>Casualty and Theft Losses</p> | <p>19 Casualty or theft loss(es). Attach Form 4684. (See page A-5.) 19</p> | <p>19</p> |
| <p>Job Expenses and Most Other Miscellaneous Deductions</p> <p>(See page A-5.)</p> | <p>20 Unreimbursed employee expenses—job travel, union dues, job education, etc. Attach Form 2106 or 2106-EZ if required. (See page A-6.) ▶ 20</p> <p>21 Tax preparation fees 21</p> <p>22 Other expenses—investment, safe deposit box, etc. List type and amount ▶ 22</p> <p>23 Add lines 20 through 22 23</p> <p>24 Enter amount from Form 1040, line 38 24</p> <p>25 Multiply line 24 by 2% (.02) 25</p> <p>26 Subtract line 25 from line 23. If line 25 is more than line 23, enter -0- 26</p> | <p>26</p> |
| <p>Other Miscellaneous Deductions</p> | <p>27 Other—from list on page A-6. List type and amount ▶ 27</p> | <p>27</p> |
| <p>Total Itemized Deductions</p> | <p>28 Is Form 1040, line 38, over \$145,950 (over \$72,975 if married filing separately)?</p> <p style="margin-left: 20px;"><input type="checkbox"/> No. Your deduction is not limited. Add the amounts in the far right column for lines 4 through 27. Also, enter this amount on Form 1040, line 40. } ▶</p> <p style="margin-left: 20px;"><input type="checkbox"/> Yes. Your deduction may be limited. See page A-6 for the amount to enter. }</p> <p>29 If you elect to itemize deductions even though they are less than your standard deduction, check here <input type="checkbox"/></p> | <p>28 8,563</p> |

Exhibit 4-2 Itemized Deductions modified due to exempt income under Section 933

| Form 1040 (2004) | | Page 2 | |
|---|--|--|--|
| Tax and Credits | 37 | Amount from line 36 (adjusted gross income) | 37 39,780 00 |
| Standard Deduction for— | 38a | Check <input type="checkbox"/> You were born before January 2, 1940, <input type="checkbox"/> Blind. } Total boxes if: <input type="checkbox"/> Spouse was born before January 2, 1940, <input type="checkbox"/> Blind. } checked ▶ 38a | Standard deduction modified due to exempt income under Section 933 |
| <ul style="list-style-type: none"> • People who checked any box on line 38a or 38b or who can be claimed as a dependent, see page 34. • All others: <ul style="list-style-type: none"> Single or Married filing separately, \$4,850 | b If you are married filing separately and your spouse itemizes deductions, or you were a dual-status alien, see page 34 and check here ▶ 38b <input type="checkbox"/> | | |
| | 39 | Itemized deductions (from Schedule A) or your standard deduction (see left margin) | 39 8,563 00 |
| | 40 | Subtract line 39 from line 37 | 40 |
| | 41 | If line 37 is \$107,025 or less, multiply \$3,100 by the total number of exemptions claimed on line 6d. If line 37 is over \$107,025, see the worksheet on page 35 | 41 |
| | 42 | Taxable income. Subtract line 41 from line 40. If line 41 is more than line 40, enter -0- | 42 |
| | 43 | Tax (see page 36). Check if any tax is from: a <input type="checkbox"/> Form(s) 8814 b <input type="checkbox"/> Form 4972 | 43 |
| | 44 | Alternative minimum tax (see page 38). Attach Form 6251 | 44 |
| | 45 | Add lines 43 and 44 | 45 |
| | 46 | Credit for child and dependent care expenses. Attach Form 2441 | 46 |
| | 47 | Credit for the elderly or the disabled. Attach Schedule R | 47 |

Example 2

Mr. and Mrs. Hernandez are bonafide residents of Puerto Rico for the entire tax year of 2005. Mr. Hernandez earns \$42,389 with the federal government and Mrs. Hernandez earns \$14,250 working in a beauty salon part-time. They are filing a joint return. They itemize their deductions and list their expenses as follows:

| | |
|---|---------|
| Medical and Dental Expenses (doctor’s fees) | \$2,950 |
| Home Mortgage Interest Expenses | 11,159 |
| Real Estate Taxes | 1,020 |
| Charitable Contributions | 1,700 |

They prepare Schedule A including only the allowable portion of each deduction. The computation is completed and the allowable portion is entered on the corresponding line.

Medical and Dental Expenses

$$\begin{array}{r} \$42,389 \\ 56,639 \end{array} \quad \times \$2,950 = \$2,212 \text{ (enter on line 1 of Schedule A)}$$

Real Estate Taxes

$$\begin{array}{r} \$42,389 \\ 56,639 \end{array} \quad \times \$1,020 = \$765 \text{ (enter on line 6 of Schedule A)}$$

Home Mortgage Interest

$$\begin{array}{r} \$42,389 \\ 56,639 \end{array} \quad \times \$11,159 = \$8,369 \text{ (enter on line 10 of Schedule A)}$$

Charitable Contributions (cash)

$$\begin{array}{r} \$42,389 \\ 56,639 \end{array} \quad \times \$1,700 = \$1,275 \text{ (enter on line 15 of Schedule A)}$$

See Exhibit 4-3 for their completed Schedule A.

Schedule A for Mr. & Mrs. Hernandez showing allocation of Itemized deductions.

| SCHEDULES A&B (Form 1040) | | Schedule A—Itemized Deductions (Schedule B is on back) | | | OMB No. 1545-0074 2005 Attachment Sequence No. 07 | |
|---|--|---|-----------|--|--|--------|
| Department of the Treasury Internal Revenue Service (99) | | ▶ Attach to Form 1040. ▶ See Instructions for Schedules A and B (Form 1040). | | | | |
| Name(s) shown on Form 1040 Mr. & Mrs. Hernandez | | | | Your social security number xxx : xx : xx02 | | |
| Medical and Dental Expenses | Caution. Do not include expenses reimbursed or paid by others. | | | | | |
| | 1 | Medical and dental expenses (see page A-2) | 1 | 2,212 | | |
| | 2 | Enter amount from Form 1040, line 38 2 42,389 | | | | |
| | 3 | Multiply line 2 by 7.5% (.075) | 3 | 3,179 | | |
| | 4 | Subtract line 3 from line 1. If line 3 is more than line 1, enter -0- | 4 | | | 0 |
| Taxes You Paid (See page A-2.) | 5 State and local (check only one box): a <input type="checkbox"/> Income taxes, or b <input type="checkbox"/> General sales taxes (see page A-2) | | 5 | | | |
| | 6 | Real estate taxes (see page A-3) | 6 | 765 | | |
| | 7 | Personal property taxes | 7 | | | |
| | 8 | Other taxes. List type and amount ▶ | 8 | | | |
| | 9 | Add lines 5 through 8 | 9 | | | 765 |
| Interest You Paid (See page A-3.) | 10 | Home mortgage interest and points reported to you on Form 1098 | 10 | 8,369 | | |
| | 11 | Home mortgage interest not reported to you on Form 1098. If paid to the person from whom you bought the home, see page A-4 and show that person's name, identifying no., and address ▶ | 11 | | | |
| | 12 | Points not reported to you on Form 1098. See page A-4 for special rules | 12 | | | |
| | 13 | Investment interest. Attach Form 4952 if required. (See page A-4.) | 13 | | | |
| Note. Personal interest is not deductible. | 14 | Add lines 10 through 13 | 14 | | | 8,369 |
| Gifts to Charity If you made a gift and got a benefit for it, see page A-4. | 15 | Gifts by cash or check. If you made any gift of \$250 or more, see page A-4 | 15 | 1,275 | | |
| | 16 | Other than by cash or check. If any gift of \$250 or more, see page A-4. You must attach Form 8283 if over \$500 | 16 | | | |
| | 17 | Carryover from prior year | 17 | | | |
| | 18 | Add lines 15 through 17 | 18 | | | 1,275 |
| Casualty and Theft Losses | 19 | Casualty or theft loss(es). Attach Form 4684. (See page A-5.) | 19 | | | |
| Job Expenses and Most Other Miscellaneous Deductions (See page A-5.) | 20 | Unreimbursed employee expenses—job travel, union dues, job education, etc. Attach Form 2106 or 2106-EZ if required. (See page A-6.) ▶ | 20 | | | |
| | 21 | Tax preparation fees | 21 | | | |
| | 22 | Other expenses—investment, safe deposit box, etc. List type and amount ▶ | 22 | | | |
| | 23 | Add lines 20 through 22 | 23 | | | |
| | 24 | Enter amount from Form 1040, line 38 24 | 24 | | | |
| | 25 | Multiply line 24 by 2% (.02) | 25 | | | |
| | 26 | Subtract line 25 from line 23. If line 25 is more than line 23, enter -0- | 26 | | | |
| Other Miscellaneous Deductions | 27 | Other—from list on page A-6. List type and amount ▶ | 27 | | | |
| Total Itemized Deductions | 28 | Is Form 1040, line 38, over \$145,950 (over \$72,975 if married filing separately)? <input type="checkbox"/> No. Your deduction is not limited. Add the amounts in the far right column for lines 4 through 27. Also, enter this amount on Form 1040, line 40. <input type="checkbox"/> Yes. Your deduction may be limited. See page A-6 for the amount to enter. | 28 | | | 10,409 |
| | 29 | If you elect to itemize deductions even though they are less than your standard deduction, check here <input type="checkbox"/> | | | | |

For Paperwork Reduction Act Notice, see Form 1040 instructions.

Cat. No. 11330X

Schedule A (Form 1040) 2005

Exercise 4-1

Elizabeth Gonzalez, a federal employee, living in Puerto Rico, requests your assistance in preparing her 2005 Federal Tax Return. She tells you that she and her husband, Matthew, are married, filing a joint return and living together. Elizabeth is age 48 and Matthew is age 49. Matthew manages a local restaurant in Old San Juan. He earned \$18,354. Elizabeth works for the U.S. Department of Agriculture and earned \$32,981.

Elizabeth tells you she doesn't think she has enough to itemize, but she gives you the following list. She is not sure which items are allowable.

| | |
|-------------------------------|------------|
| Real estate taxes | \$1,897.00 |
| Driver's license renewal | \$ 30.00 |
| Medical insurance premium | \$1,989.00 |
| Out of Pocket Doctor's fees | \$1,875.00 |
| Out of Pocket Dental expenses | \$ 685.00 |
| Veterinarian expenses | \$ 300.00 |
| Interest Home Mortgage | \$8,761.00 |

Compute their standard deduction.

Compute their allocated itemized deductions and complete Schedule A.

Exhibit 4-4 Schedule A for Elizabeth Gonzalez

| | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|--|--|---|--|--|--|--|---|--|--|--|--|--|----|--|--|--|----|----|--|--|--|--|----|--|--|--|---|----|--|--|--|----|----|--|--|--|---|----|--|--|--|--|----|--|--|--|--|----|--|--|--|--|----|--|--|--|--|----|--|--|--|--|----|--|--|--|--|----|--|--|--|--|----|--|--|--|--|
| <p>SCHEDULES A&B (Form 1040)</p> <p>Department of the Treasury Internal Revenue Service (99)</p> <p>Name(s) shown on Form 1040</p> | <p>Schedule A—Itemized Deductions</p> <p>(Schedule B is on back)</p> <p>▶ Attach to Form 1040. ▶ See Instructions for Schedules A and B (Form 1040).</p> | <p>OMB No. 1545-0074</p> <p style="font-size: 2em; font-weight: bold;">2005</p> <p>Attachment Sequence No. 07</p> <p>Your social security number</p> | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| <p>Medical and Dental Expenses</p> <p>Caution. Do not include expenses reimbursed or paid by others.</p> <p>1 Medical and dental expenses (see page A-2)</p> <p>2 Enter amount from Form 1040, line 38</p> <p>3 Multiply line 2 by 7.5% (.075)</p> <p>4 Subtract line 3 from line 1. If line 3 is more than line 1, enter -0-</p> | <table border="1" style="width:100%; border-collapse: collapse;"> <tr><td style="width:10%; text-align: center;">1</td><td style="width:10%;"></td><td style="width:10%;"></td><td style="width:10%;"></td><td style="width:10%;"></td></tr> <tr><td style="text-align: center;">2</td><td></td><td></td><td></td><td></td></tr> <tr><td style="text-align: center;">3</td><td></td><td></td><td></td><td></td></tr> <tr><td style="text-align: center;">4</td><td></td><td></td><td></td><td></td></tr> </table> | 1 | | | | | 2 | | | | | 3 | | | | | 4 | | | | | <table border="1" style="width:100%; border-collapse: collapse;"> <tr><td style="width:10%;"></td><td style="width:10%;"></td><td style="width:10%;"></td><td style="width:10%;"></td><td style="width:10%;"></td></tr> <tr><td style="text-align: center;">1</td><td></td><td></td><td></td><td></td></tr> <tr><td style="text-align: center;">2</td><td></td><td></td><td></td><td></td></tr> <tr><td style="text-align: center;">3</td><td></td><td></td><td></td><td></td></tr> <tr><td style="text-align: center;">4</td><td></td><td></td><td></td><td></td></tr> </table> | | | | | | 1 | | | | | 2 | | | | | 3 | | | | | 4 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
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| <p>Taxes You Paid</p> <p>(See page A-2.)</p> <p>5 State and local (check only one box):</p> <p style="margin-left: 20px;">a <input type="checkbox"/> Income taxes, or</p> <p style="margin-left: 20px;">b <input type="checkbox"/> General sales taxes (see page A-2)</p> <p>6 Real estate taxes (see page A-3)</p> <p>7 Personal property taxes</p> <p>8 Other taxes. List type and amount ▶</p> <p>9 Add lines 5 through 8</p> | <table border="1" style="width:100%; border-collapse: collapse;"> <tr><td style="width:10%; text-align: center;">5</td><td style="width:10%;"></td><td style="width:10%;"></td><td style="width:10%;"></td><td style="width:10%;"></td></tr> <tr><td style="text-align: center;">6</td><td></td><td></td><td></td><td></td></tr> <tr><td style="text-align: center;">7</td><td></td><td></td><td></td><td></td></tr> <tr><td style="text-align: center;">8</td><td></td><td></td><td></td><td></td></tr> <tr><td style="text-align: center;">9</td><td></td><td></td><td></td><td></td></tr> </table> | 5 | | | | | 6 | | | | | 7 | | | | | 8 | | | | | 9 | | | | | <table border="1" style="width:100%; border-collapse: collapse;"> <tr><td style="width:10%;"></td><td style="width:10%;"></td><td style="width:10%;"></td><td style="width:10%;"></td><td style="width:10%;"></td></tr> <tr><td style="text-align: center;">5</td><td></td><td></td><td></td><td></td></tr> <tr><td style="text-align: center;">6</td><td></td><td></td><td></td><td></td></tr> <tr><td style="text-align: center;">7</td><td></td><td></td><td></td><td></td></tr> <tr><td style="text-align: center;">8</td><td></td><td></td><td></td><td></td></tr> <tr><td style="text-align: center;">9</td><td></td><td></td><td></td><td></td></tr> </table> | | | | | | 5 | | | | | 6 | | | | | 7 | | | | | 8 | | | | | 9 | | | | | | | | | | | | | | | | | | | | | | | | |
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| <p>Interest You Paid</p> <p>(See page A-3.)</p> <p>10 Home mortgage interest and points reported to you on Form 1098</p> <p>11 Home mortgage interest not reported to you on Form 1098. If paid to the person from whom you bought the home, see page A-4 and show that person's name, identifying no., and address ▶</p> <p>Note. Personal interest is not deductible.</p> <p>12 Points not reported to you on Form 1098. See page A-4 for special rules</p> <p>13 Investment interest. Attach Form 4952 if required. (See page A-4.)</p> <p>14 Add lines 10 through 13</p> | <table border="1" style="width:100%; border-collapse: collapse;"> <tr><td style="width:10%; text-align: center;">10</td><td style="width:10%;"></td><td style="width:10%;"></td><td style="width:10%;"></td><td style="width:10%;"></td></tr> <tr><td style="text-align: center;">11</td><td></td><td></td><td></td><td></td></tr> <tr><td style="text-align: center;">12</td><td></td><td></td><td></td><td></td></tr> <tr><td style="text-align: center;">13</td><td></td><td></td><td></td><td></td></tr> <tr><td style="text-align: center;">14</td><td></td><td></td><td></td><td></td></tr> </table> | 10 | | | | | 11 | | | | | 12 | | | | | 13 | | | | | 14 | | | | | <table border="1" style="width:100%; border-collapse: collapse;"> <tr><td style="width:10%;"></td><td style="width:10%;"></td><td style="width:10%;"></td><td style="width:10%;"></td><td style="width:10%;"></td></tr> <tr><td style="text-align: center;">10</td><td></td><td></td><td></td><td></td></tr> <tr><td style="text-align: center;">11</td><td></td><td></td><td></td><td></td></tr> <tr><td style="text-align: center;">12</td><td></td><td></td><td></td><td></td></tr> <tr><td style="text-align: center;">13</td><td></td><td></td><td></td><td></td></tr> <tr><td style="text-align: center;">14</td><td></td><td></td><td></td><td></td></tr> </table> | | | | | | 10 | | | | | 11 | | | | | 12 | | | | | 13 | | | | | 14 | | | | | | | | | | | | | | | | | | | | | | | | |
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| <p>Gifts to Charity</p> <p>If you made a gift and got a benefit for it, see page A-4.</p> <p>15 Gifts by cash or check. If you made any gift of \$250 or more, see page A-4</p> <p>16 Other than by cash or check. If any gift of \$250 or more, see page A-4. You must attach Form 8283 if over \$500</p> <p>17 Carryover from prior year</p> <p>18 Add lines 15 through 17</p> | <table border="1" style="width:100%; border-collapse: collapse;"> <tr><td style="width:10%; text-align: center;">15</td><td style="width:10%;"></td><td style="width:10%;"></td><td style="width:10%;"></td><td style="width:10%;"></td></tr> <tr><td style="text-align: center;">16</td><td></td><td></td><td></td><td></td></tr> <tr><td style="text-align: center;">17</td><td></td><td></td><td></td><td></td></tr> <tr><td style="text-align: center;">18</td><td></td><td></td><td></td><td></td></tr> </table> | 15 | | | | | 16 | | | | | 17 | | | | | 18 | | | | | <table border="1" style="width:100%; border-collapse: collapse;"> <tr><td style="width:10%;"></td><td style="width:10%;"></td><td style="width:10%;"></td><td style="width:10%;"></td><td style="width:10%;"></td></tr> <tr><td style="text-align: center;">15</td><td></td><td></td><td></td><td></td></tr> <tr><td style="text-align: center;">16</td><td></td><td></td><td></td><td></td></tr> <tr><td style="text-align: center;">17</td><td></td><td></td><td></td><td></td></tr> <tr><td style="text-align: center;">18</td><td></td><td></td><td></td><td></td></tr> </table> | | | | | | 15 | | | | | 16 | | | | | 17 | | | | | 18 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
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| <p>Casualty and Theft Losses</p> <p>19 Casualty or theft loss(es). Attach Form 4684. (See page A-5.)</p> | <table border="1" style="width:100%; border-collapse: collapse;"> <tr><td style="width:10%; text-align: center;">19</td><td style="width:10%;"></td><td style="width:10%;"></td><td style="width:10%;"></td><td style="width:10%;"></td></tr> </table> | 19 | | | | | <table border="1" style="width:100%; border-collapse: collapse;"> <tr><td style="width:10%;"></td><td style="width:10%;"></td><td style="width:10%;"></td><td style="width:10%;"></td><td style="width:10%;"></td></tr> <tr><td style="text-align: center;">19</td><td></td><td></td><td></td><td></td></tr> </table> | | | | | | 19 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
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| <p>Other Miscellaneous Deductions</p> <p>27 Other—from list on page A-6. List type and amount ▶</p> | <table border="1" style="width:100%; border-collapse: collapse;"> <tr><td style="width:10%; text-align: center;">27</td><td style="width:10%;"></td><td style="width:10%;"></td><td style="width:10%;"></td><td style="width:10%;"></td></tr> </table> | 27 | | | | | <table border="1" style="width:100%; border-collapse: collapse;"> <tr><td style="width:10%;"></td><td style="width:10%;"></td><td style="width:10%;"></td><td style="width:10%;"></td><td style="width:10%;"></td></tr> <tr><td style="text-align: center;">27</td><td></td><td></td><td></td><td></td></tr> </table> | | | | | | 27 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
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| <p>Total Itemized Deductions</p> <p>28 Is Form 1040, line 38, over \$145,950 (over \$72,975 if married filing separately)?</p> <p style="margin-left: 20px;"><input type="checkbox"/> No. Your deduction is not limited. Add the amounts in the far right column for lines 4 through 27. Also, enter this amount on Form 1040, line 40.</p> <p style="margin-left: 20px;"><input type="checkbox"/> Yes. Your deduction may be limited. See page A-6 for the amount to enter.</p> <p>29 If you elect to itemize deductions even though they are less than your standard deduction, check here <input type="checkbox"/></p> | <table border="1" style="width:100%; border-collapse: collapse;"> <tr><td style="width:10%; text-align: center;">28</td><td style="width:10%;"></td><td style="width:10%;"></td><td style="width:10%;"></td><td style="width:10%;"></td></tr> <tr><td style="text-align: center;">29</td><td></td><td></td><td></td><td></td></tr> </table> | 28 | | | | | 29 | | | | | <table border="1" style="width:100%; border-collapse: collapse;"> <tr><td style="width:10%;"></td><td style="width:10%;"></td><td style="width:10%;"></td><td style="width:10%;"></td><td style="width:10%;"></td></tr> <tr><td style="text-align: center;">28</td><td></td><td></td><td></td><td></td></tr> <tr><td style="text-align: center;">29</td><td></td><td></td><td></td><td></td></tr> </table> | | | | | | 28 | | | | | 29 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
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Exercise 4-2

Guillermo and Esmeralda Goytisolo are bonafide residents of Puerto Rico and file a joint return. They have 2 children, Carlos and Anita. Guillermo works for the U.S. government and earns \$49,965. Esmeralda does not work but receives \$2,452 interest from her Banco Popular savings account. They have the following allowable itemized deductions:

| | |
|-------------------------------|---------|
| Out of Pocket Dental expenses | \$ 750 |
| Real Estate taxes | \$ 875 |
| Interest on home mortgage | \$9,200 |
| Charitable Contributions | \$1,821 |

They are not familiar with the allocation and ask you to assist them with this and the preparation of their return.

Complete their Schedule A.

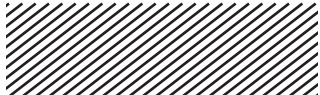
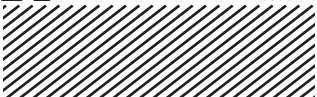


Exhibit 4-5 Schedule A for Guillermo amd Esmeralda Goytisoló

| | | |
|--|--|--|
| <p>SCHEDULES A&B (Form 1040)</p> <p>Department of the Treasury Internal Revenue Service (99)</p> <p>Name(s) shown on Form 1040</p> | <p>Schedule A—Itemized Deductions (Schedule B is on back)</p> <p>► Attach to Form 1040. ► See Instructions for Schedules A and B (Form 1040).</p> | <p>OMB No. 1545-0074</p> <p>2005 Attachment Sequence No. 07</p> <p>Your social security number</p> |
| <p>Medical and Dental Expenses</p> <p>Caution. Do not include expenses reimbursed or paid by others.</p> <p>1 Medical and dental expenses (see page A-2) 1</p> <p>2 Enter amount from Form 1040, line 38 2</p> <p>3 Multiply line 2 by 7.5% (.075) 3</p> <p>4 Subtract line 3 from line 1. If line 3 is more than line 1, enter -0- 4</p> | | |
| <p>Taxes You Paid</p> <p>(See page A-2.)</p> <p>5 State and local (check only one box):</p> <p style="margin-left: 20px;">a <input type="checkbox"/> Income taxes, or</p> <p style="margin-left: 20px;">b <input type="checkbox"/> General sales taxes (see page A-2) } 5</p> <p>6 Real estate taxes (see page A-3) 6</p> <p>7 Personal property taxes 7</p> <p>8 Other taxes. List type and amount ► 8</p> <p>9 Add lines 5 through 8 9</p> | | |
| <p>Interest You Paid</p> <p>(See page A-3.)</p> <p>10 Home mortgage interest and points reported to you on Form 1098 10</p> <p>11 Home mortgage interest not reported to you on Form 1098. If paid to the person from whom you bought the home, see page A-4 and show that person's name, identifying no., and address ► 11</p> <p>Note. Personal interest is not deductible.</p> <p>12 Points not reported to you on Form 1098. See page A-4 for special rules 12</p> <p>13 Investment interest. Attach Form 4952 if required. (See page A-4.) 13</p> <p>14 Add lines 10 through 13 14</p> | | |
| <p>Gifts to Charity</p> <p>If you made a gift and got a benefit for it, see page A-4.</p> <p>15 Gifts by cash or check. If you made any gift of \$250 or more, see page A-4 15</p> <p>16 Other than by cash or check. If any gift of \$250 or more, see page A-4. You must attach Form 8283 if over \$500 16</p> <p>17 Carryover from prior year 17</p> <p>18 Add lines 15 through 17 18</p> | | |
| <p>Casualty and Theft Losses</p> <p>19 Casualty or theft loss(es). Attach Form 4684. (See page A-5.) 19</p> | | |
| <p>Job Expenses and Most Other Miscellaneous Deductions</p> <p>(See page A-5.)</p> <p>20 Unreimbursed employee expenses—job travel, union dues, job education, etc. Attach Form 2106 or 2106-EZ if required. (See page A-6.) ► 20</p> <p>21 Tax preparation fees 21</p> <p>22 Other expenses—investment, safe deposit box, etc. List type and amount ► 22</p> <p>23 Add lines 20 through 22 23</p> <p>24 Enter amount from Form 1040, line 38 24</p> <p>25 Multiply line 24 by 2% (.02) 25</p> <p>26 Subtract line 25 from line 23. If line 25 is more than line 23, enter -0- 26</p> | | |
| <p>Other Miscellaneous Deductions</p> <p>27 Other—from list on page A-6. List type and amount ► 27</p> | | |
| <p>Total Itemized Deductions</p> <p>28 Is Form 1040, line 38, over \$145,950 (over \$72,975 if married filing separately)?</p> <p style="margin-left: 20px;"><input type="checkbox"/> No. Your deduction is not limited. Add the amounts in the far right column for lines 4 through 27. Also, enter this amount on Form 1040, line 40. ►</p> <p style="margin-left: 20px;"><input type="checkbox"/> Yes. Your deduction may be limited. See page A-6 for the amount to enter. } 28</p> <p>29 If you elect to itemize deductions even though they are less than your standard deduction, check here <input type="checkbox"/></p> | | |

STUDENT NOTES



A taxpayer, who is a bonafide resident of Puerto Rico for the whole taxable year, need not report any income on the Form 1040 from Puerto Rican sources; unless he/she works for the U.S. government. To qualify for this exemption of income the taxpayer must be a resident of Puerto Rico for the entire tax year (January 1–December 31).

Sec. 933. Income from Sources Within Puerto Rico

The following items shall not be included in gross income and shall be exempt from taxation under this subtitle:

(1) **RESIDENT OF PUERTO RICO FOR ENTIRE TAXABLE YEAR**—In the case of an individual who is a bonafide resident of Puerto Rico during the entire taxable year, income derived from sources within Puerto Rico (except amounts received for services performed as an employee of the United States or any agency thereof); but such individual shall not be allowed as a deduction from his gross income, any deductions (other than the deduction under section 151, relating to personal exemptions), or any credit properly allocable to or chargeable against amounts excluded from gross income under this paragraph.

(2) **TAXABLE YEAR OF CHANGE OF RESIDENCE FROM PUERTO RICO**—In the case of an individual citizen of the United States who has been a bonafide resident of Puerto Rico for a period of at least 2 years before the date on which he changes his residence from Puerto Rico, income derived from sources therein (except amounts received for services performed as an employee of the United States or any agency thereof) which is attributable to that part of such period of Puerto Rican residence before such date; but such individual shall not be allowed as a deduction from his gross income, any deductions (other than the deduction for personal exemptions under section 151), or any credit, properly allocable to or chargeable against amounts excluded from gross income under this paragraph.

“New legislation in process at the time this publication was printed, there may be some changes. Please check new law for changes.”

Example 1

John Garcy, a bonafide resident of P.R. for the taxable year, worked for Tienda New York and received a salary of \$27,281. That was his only income. John is not required to file a U.S. return (Form 1040). All of his income is excludable under IRC 933.

It is important to remember that the only income that is exempt is Puerto Rican source income (except amounts received as an employee of the U.S.). If a bonafide resident of P.R. has income from U.S. or foreign sources, he must report this income on a U.S. tax return. An allocation of the standard deduction will be needed when, in addition to his U.S. income he has exempt P.R. source income.

This computation must be made before you can determine if a taxpayer has a U.S. tax return filing requirement. The thresholds for determining U.S. filing requirements are based in part on the standard deduction. The following worksheet can be used to determine the allowable standard deduction and the U.S. tax return filing requirement.

Exhibit 5-1 Worksheet to determine the allowable standard deduction

| Who Must File Worksheet for Bona Fide Residents of P.R. with exempt income (under section 993) | |
|---|---|
| 1. Enter STANDARD DEDUCTION If your filing status is | |
| Single | under 65 enter \$5,000 65 or older enter \$6,250 |
| Married filing jointly | both under 65 enter \$10,000 one 65 or older enter \$11,000 both 65 or older enter \$12,000 |
| Head of household | under 65 enter \$7,300 65 or older enter \$8,550 |
| Qualifying widow(er) with dependent child | under 65 enter \$10,000 65 or older enter \$11,000 |
| Married filing separately | any age enter \$5,000 |
| CAUTION: If someone can claim you as a dependent, enter amount from the Standard Deduction Worksheet for Dependents in instructions for Form 1040 or amount from chart in instructions for Form 1040A. | |
| 2. Allowable portion of STANDARD DEDUCTION | |
| a. | Gross income subject to U.S. tax (include taxable social security benefits) |
| b. | Total gross income from all sources (including exempt P.R. Income) |
| c. | Divide line 2a by line 2b |
| d. | Multiply STANDARD DEDUCTION (line 1) by line 2c |
| 3. Enter: | |
| | married filing jointly \$6,400 |
| | if someone can claim you as a dependent enter "0" |
| | all others enter \$3,200 |
| 4. Add lines 2d and 3 | |
| You must file a return if your gross income subject to U.S. tax (line 2a) is equal to or more than line 4. | |

Example 2

Jose Sanchez, a single bonafide resident of P.R. for the whole taxable year, works for Banco Popular and received a salary of \$28,500. He also has a bank account in Miami that pays him interest income of \$4,100. The \$4,100 of interest income is reportable on his U.S. return. To determine whether Jose has a filing requirement, he must determine the allowable part of the standard deduction. Exhibit 5-2 shows the completed worksheet for determining his filing requirement. This special computation is necessary only if the taxpayer has both exempt and nonexempt income.

Exhibit 5-2 Allowable portion of standard deduction for Jose Sanchez

| Who Must File Worksheet for Bona Fide Residents of P.R. with exempt income (under section 993) | |
|---|---|
| 1. Enter STANDARD DEDUCTION If your filing status is | \$5,000 |
| Single | under 65 enter \$5,000 65 or older enter \$6,250 |
| Married filing jointly | both under 65 enter \$10,000 one 65 or older enter \$11,000 both 65 or older enter \$12,000 |
| Head of household | under 65 enter \$7,300 65 or older enter \$8,550 |
| Qualifying widow(er) with dependent child | under 65 enter \$10,000 65 or older enter \$11,000 |
| Married filing separately | any age enter \$5,000 |
| CAUTION: If someone can claim you as a dependent, enter amount from the Standard Deduction Worksheet for Dependents in instructions for Form 1040 or amount from chart in instructions for Form 1040A. | |
| 2. Allowable portion of STANDARD DEDUCTION | |
| a. Gross income subject to U.S. tax (include taxable social security benefits) | \$4,100 |
| b. Total gross income from all sources (including exempt P.R. Income) | \$32,600 |
| c. Divide line 2a by line 2b | .13 |
| d. Multiply STANDARD DEDUCTION (line 1) by line 2c | \$ 650 |
| 3. Enter: | |
| married filing jointly \$6,400 | |
| if someone can claim you as a dependent enter "0" | |
| all others enter \$3,200 | \$3,200 |
| 4. Add lines 2d and 3 | \$3,850 |
| You must file a return if your gross income subject to U.S. tax (line 2a) is equal to or more than line 4. | |

Employees of the U.S. or any Agency Thereof

Amounts received by an employee of the U.S. government who is a bonafide resident of Puerto Rico for the entire tax year are not exempt from U.S. tax. This is the only exception to the exemption under IRC 933.

Example 3

Maria Moreno has been a bonafide resident of Puerto Rico for her entire life. She started working for the federal government on January 3, 2005. She cannot exempt this income from taxation on her U.S. tax return (Form 1040).

You may encounter situations where a U.S. employee has both U.S. government income and other Puerto Rican income. The taxpayer may exempt Puerto Rican income from his/her U.S. tax return but not the amount received from a U.S. government agency.

Example 4

Fred, a bonafide resident of Puerto Rico, earns \$28,322 in 2005 for work with the federal government. He also has interest income from the Bank of Santurce of \$3,000. Fred reports only the \$28,322 government wage on his U.S. return.

Example 5

Rafael and Gloria are filing a joint U.S. income tax return Form 1040. Rafael works for the Puerto Rican government and earns \$26,200. Gloria works for the U.S. government and earns \$38,780. They will only report the \$38,780 U.S. government wages on their U.S. return.

Taxable Year of Change of Residence from Puerto Rico

If an individual citizen of the U.S. has been a bonafide resident of Puerto Rico for a period of at least two years before the date on which he changes his residence from Puerto Rico, income derived from sources in Puerto Rico (unless the amount is received as an employee of the U.S.) is exempt from U.S. tax in the year he changes his residence.

Example 6

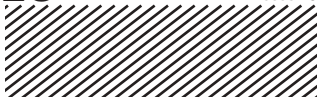
Pedro who has always been a bonafide resident of Puerto Rico moves to the U.S. in the middle of 2005. During the part of the year that he was a resident of P.R., he received income from Puerto Rican sources of \$21,549. After moving to the U.S. he received income of \$12,385. For 2004, Pedro will report \$12,385 on his income tax return (Form 1040).

A taxpayer who lives temporarily in Puerto Rico but is not a resident for the entire tax year must report all income on the U.S. tax return. He/she can claim a foreign tax credit which will be discussed in a later chapter.

Example 7

Sara moved to Puerto Rico in April 2005 on a temporary assignment for Perce, Inc. She returned to the U.S. in July, 2005. Sara earned \$10,000 in Puerto Rico and \$20,000 in the U.S. for 2005. Sara must report the U.S. and Puerto Rican source income of \$30,000 on her U.S. tax return.

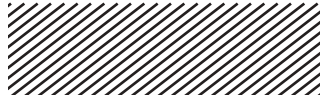
Remember that although the taxpayer may not have any requirement for filing a U.S. return, the income will need to be reported to Puerto Rico according to their filing requirements.



Exercise 5-1

- a.** Manuel and Luisa, bonafide residents of Puerto Rico, are married, filing a joint return. Manuel works for the Puerto Rico government earning \$27,000 and Luisa worked part time for the U.S. Department of Agriculture and earned \$9,600. Are they required to file a U.S. return?
- b.** Federico is single and earns \$27,000 at a local grocery store. He also has interest income of \$4,500 from the Bank of Miami in Florida. Must he file a Form 1040 return?
- c.** Mary and Louis are bonafide residents of Puerto Rico. Mary is a federal employee and earns \$32,000 while Louis works for a law firm and earns \$40,000. What income should be reported on Form 1040?
- d.** Carmen has always been a bonafide resident of Puerto Rico. In June 2005 she moved to Denver, Colorado to work. She earned \$10,000 while in Puerto Rico and \$25,000 while in Colorado. On Dec. 31, 2005 she moved back to P.R. What income must Carmen report on Form 1040?

STUDENT NOTES



IRAs

Bonafide residents of Puerto Rico may be able to contribute money to an IRA and take the IRA adjustment on their U.S. tax return. In order to take the adjustment, the taxpayer must have earned income from U.S. sources and meet the other rules for contributions. The IRA trust account must be maintained in the U.S. **Any earned income excluded under IRC 933 does not qualify for IRA deduction eligibility.**

Alimony Paid

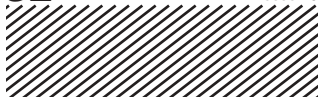
Alimony may be deducted even though the spouse is not reporting the income, because she/he lives in Puerto Rico.

Half Self-employment tax payment may not be deducted since self-employment income only considered as such no income tax is paid to the U.S. government.

Self-Employment Tax Deduction

If you are a bona fide resident of Puerto Rico, and you exclude your self-employment income from gross income, you cannot take the deduction on Form 1040, line 27, because the deduction is related to excluded income.

STUDENT NOTES



INTRODUCTION

The United States taxes its citizens and residents on their worldwide income. This means the U.S. citizen reports not only income derived from U.S. wages, gains, interest and other income, but also income earned overseas, such as interest from foreign banks, dividends from foreign corporations, or compensation for performing services in a foreign country. The foreign tax credit is designed to relieve U.S. taxpayers of the double burden imposed when their foreign income is taxed by both this country and the country from which it is derived. For Puerto Rico residents, the foreign tax credit reduces a taxpayer's tax liability by some or all of the Puerto Rico taxes paid or accrued during the tax year.

Puerto Rico residents must pay tax to the Puerto Rican government on their worldwide income. The portion of this tax allocable to the Puerto Rican exempt income will reduce the foreign tax credit.

Who May Take the Credit

Taxpayers who have taxable foreign source or Puerto Rican source income may take the foreign tax credit. Taxpayers cannot claim a foreign tax credit for taxes paid on excluded Puerto Rican income. All Puerto Rican taxes paid or accrued on both exempt and non-exempt income may be shown in Part II of Form 1116 when computing the credit. However, the taxes paid on exempt income must be determined (as shown below), and are not allowed as part of the foreign tax credit.

To find the amount allocable to the exempt income, multiply the taxes paid or accrued to Puerto Rico by a fraction. The numerator of the fraction is the exempt income from P.R. sources under IRC 933 less deductible expenses allocable to that income. The denominator is the total amount of income subject to P.R. tax less deductible expenses allocable to that income.

Exhibit 7-1 Formula to complete reduction in Foreign Taxes line 12 of Form 1116

| | | |
|--|----------------------------------|---------------------------------------|
| Income from P.R. sources not subject to federal tax under IRC 933 less deductible expenses allocable to that income <hr style="width: 50%; margin: 0 auto;"/> | x Tax paid or accrued to P.R. | = Reduction in Foreign taxes |
| Total income subject to Puerto Rico tax less deductible expenses allocable to that income) | | |

Example 1

John and Mary are bonafide residents of Puerto Rico filing jointly. John works for the federal government and received a salary of \$29,567 during 2005 and had employee business expenses allocable to that income of \$500. Mary works for a private industry and received a salary of \$18,231 and had employee business expenses of \$300 allocable to that income. Total taxes paid to Puerto Rico, \$4,135.

$$\frac{\$18,231}{47,298} \times \$4,135 = \$1,613$$

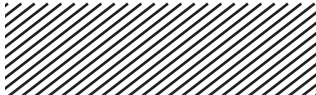
Taxes allocable to exempt
income; Form 1116 Part III,
Line 12”

When the Credit May Be Taken

A qualified foreign tax may be credited in the tax year in which it is paid or accrued depending upon the taxpayer’s method of accounting. When calculating the taxes paid or accrued, refer to the U.S. tax year for which the U.S. income tax return is filed (usually Jan. 1–Dec. 31).

Most taxpayers file their U.S. tax return on the cash receipts and disbursements method of accounting. Normally, a taxpayer filing under this method reports his/her income when received and deducts expenses when paid. In claiming a foreign tax credit, the taxpayer may choose to report the P.R. taxes available for credit under either the cash or accrual method. Under the cash method, the P.R. taxes are reported when actually paid. Payments and withholding to the P.R. government on wages qualify as taxes paid.

Accrued taxes are included on Form 1116 when the tax is assessed. Under the accrual method, the taxes are fixed as of the last day of the tax year. Even though the taxpayer has not actually paid any taxes to P.R., he/she may claim the credit for the amount of the taxes he or she is liable for. The tax is fixed under the accrual method in Puerto Rico on December 31 of each year. This method is normally used by U.S. government employees in P.R. because payment of P.R. taxes is usually not until after the close of the tax year.



Example 2

Rafael worked for the federal government earning \$27,034, for which they withheld U.S. tax of \$1,938. His wife Sara worked at a local grocery and earned \$17,351. They withheld \$981 of P.R. tax. At the end of the year they computed their tax liability to Puerto Rico and owed \$3,413. However, they may not claim the \$1,938 U.S. tax withholding against the P.R. tax liability. Under the accrual method, they may only claim Rafael's share of their P.R. tax liability against their U.S. tax.

COMPLETION OF FORM 1116

The Form 1116 is divided into four parts: Part I computes the P.R. and foreign taxable income. The P.R. taxes, paid or accrued, are reported in Part II. Part III is used to compute the credit allowable. Part IV is a summary of the credit. We will discuss each part separately.

Heading

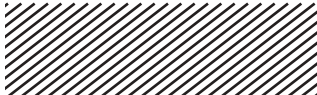
A separate Form 1116 must be completed for each category of income listed in the heading section.

The two most common categories of income you will encounter are:

1. Passive income which includes dividends, interest, royalties, rents, and annuities.
2. General limitation income which includes wages, salary, and overseas allowances of an individual as an employee.

Exhibit 7-2 Part I of Form 1116 Foreign Tax Credit

| Part I Taxable Income or Loss From Sources Outside the United States (for Category Checked Above) | | | | | |
|---|---|------------------------------------|---|---|--------------------------|
| | | Foreign Country or U.S. Possession | | | Total |
| | | A | B | C | (Add cols. A, B, and C.) |
| 1 | Enter the name of the foreign country or U.S. possession ▶ | | | | |
| 1 | Gross income from sources within country shown above and of the type checked above (see page 13 of the instructions): | | | | |
| | | | | | 1 |
| | Deductions and losses (<i>Caution: See pages 13 and 14 of the instructions</i>): | | | | |
| 2 | Expenses definitely related to the income on line 1 (attach statement) | | | | |
| 3 | Pro rata share of other deductions not definitely related : | | | | |
| a | Certain itemized deductions or standard deduction (see instructions) | | | | |
| b | Other deductions (attach statement) | | | | |
| c | Add lines 3a and 3b | | | | |
| d | Gross foreign source income (see instructions) | | | | |
| e | Gross income from all sources (see instructions) | | | | |
| f | Divide line 3d by line 3e (see instructions) | | | | |
| g | Multiply line 3c by line 3f. | | | | |
| 4 | Pro rata share of interest expense (see instructions): | | | | |
| a | Home mortgage interest (use worksheet on page 13 of the instructions) | | | | |
| b | Other interest expense | | | | |
| 5 | Losses from foreign sources | | | | |
| 6 | Add lines 2, 3g, 4a, 4b, and 5 | | | | 6 |
| 7 | Subtract line 6 from line 1. Enter the result here and on line 14, page 2 ▶ | | | | 7 |



Part I—Taxable Income from Sources Outside the United States

In order to arrive at the overall limitation which represents the maximum credit that can be claimed, a taxpayer must compare foreign income taxed by the U.S. with total income taxed by the U.S.

The first step in computing the credit is to determine the amount of gross foreign and P.R. source income. This is written in Part I, Line 1 of Form 1116 (See Exhibit 7-1).

It is important to correctly separate the foreign income which is entered on Form 1116, from the total income which appears on the Form 1040 and its attached forms and schedules.

Notice that the figures entered on Part I, Line 1 are gross income figures. Gross income does not include exempt income under IRC 933 and IRC 912.

A U.S. government employee reports his wages on Line 1 of Form 1116. He does not include the COLA or any exempt income under IRC 933.

Example 3

Ed Romero is a U.S. citizen and bona fide resident of Puerto Rico. Ed works for the U.S. government in San Juan and earned \$16,000 in wages and received \$1,200 in COLA. Ed will report \$16,000 on his 2005 Form 1116, Line 1. The COLA will not be included.

Allocation of Income

Sometimes an allocation must be made in Part I of Form 1116. This happens when you cannot segregate compensation for services performed partly within and partly outside of the U.S.

In order to determine how much income should be considered foreign for purposes of Form 1116, an apportionment should be made on a time basis. That is, you must include as foreign gross income the amount that results from multiplying the total amount received by a fraction, the numerator of which is the number of days you performed services in foreign countries and the denominator, which is the total number of days of service for which you receive payment.

Example 4

Jaime Torres, a merchant marine, earned \$25,345 during 2005. The number of days he worked to receive this income was 300 days. He worked in foreign ports during 135 of these days, the rest were performed coastwise in the U.S. The following allocation should be made to determine foreign source income.

$$\frac{135}{300} \times \$25,345 = \$11,405$$

It would appear on the Form 1116 as follows:

Exhibit 7-3 Form 1116 Categories of Income-General Limitation Income

| | | | | | | | | | | | | | | |
|--|---|--|---|--|---|--|---|--|--|---|--|--|--|---|
| Form 1116 Department of the Treasury Internal Revenue Service (99) | Foreign Tax Credit (Individual, Estate, or Trust) ▶ Attach to Form 1040, 1040NR, 1041, or 990-T. ▶ See separate instructions. | OMB No. 1545-0121 <div style="font-size: 2em; font-weight: bold; text-align: center;">2005</div> Attachment Sequence No. 19 | | | | | | | | | | | | |
| Name Jaime Torres | | Identifying number as shown on page 1 of your tax return 000-00-5862 | | | | | | | | | | | | |
| Use a separate Form 1116 for each category of income listed below. See Categories of Income on page 3 of the instructions. Check only one box on each Form 1116. Report all amounts in U.S. dollars except where specified in Part II below. | | | | | | | | | | | | | | |
| <table style="width:100%; border: none;"> <tr> <td style="width:33%;"><input type="checkbox"/> a Passive income</td> <td style="width:33%;"><input type="checkbox"/> d Shipping income</td> <td style="width:33%;"><input type="checkbox"/> g Lump-sum distributions</td> </tr> <tr> <td><input type="checkbox"/> b High withholding tax interest</td> <td><input type="checkbox"/> e Dividends from a DISC or former DISC</td> <td><input type="checkbox"/> h Section 901(j) income</td> </tr> <tr> <td><input type="checkbox"/> c Financial services income</td> <td><input type="checkbox"/> f Certain distributions from a foreign sales corporation (FSC) or former FSC</td> <td><input type="checkbox"/> i Certain income re-sourced by treaty</td> </tr> <tr> <td></td> <td></td> <td><input checked="" type="checkbox"/> j General limitation income</td> </tr> </table> | | | <input type="checkbox"/> a Passive income | <input type="checkbox"/> d Shipping income | <input type="checkbox"/> g Lump-sum distributions | <input type="checkbox"/> b High withholding tax interest | <input type="checkbox"/> e Dividends from a DISC or former DISC | <input type="checkbox"/> h Section 901(j) income | <input type="checkbox"/> c Financial services income | <input type="checkbox"/> f Certain distributions from a foreign sales corporation (FSC) or former FSC | <input type="checkbox"/> i Certain income re-sourced by treaty | | | <input checked="" type="checkbox"/> j General limitation income |
| <input type="checkbox"/> a Passive income | <input type="checkbox"/> d Shipping income | <input type="checkbox"/> g Lump-sum distributions | | | | | | | | | | | | |
| <input type="checkbox"/> b High withholding tax interest | <input type="checkbox"/> e Dividends from a DISC or former DISC | <input type="checkbox"/> h Section 901(j) income | | | | | | | | | | | | |
| <input type="checkbox"/> c Financial services income | <input type="checkbox"/> f Certain distributions from a foreign sales corporation (FSC) or former FSC | <input type="checkbox"/> i Certain income re-sourced by treaty | | | | | | | | | | | | |
| | | <input checked="" type="checkbox"/> j General limitation income | | | | | | | | | | | | |
| k Resident of (name of country) ▶ Puerto Rico | | | | | | | | | | | | | | |
| Note: If you paid taxes to only one foreign country or U.S. possession, use column A in Part I and line A in Part II. If you paid taxes to more than one foreign country or U.S. possession, use a separate column and line for each country or possession. | | | | | | | | | | | | | | |
| Part I Taxable Income or Loss From Sources Outside the United States (for Category Checked Above) | | | | | | | | | | | | | | |
| | Foreign Country or U.S. Possession | | | Total | | | | | | | | | | |
| | A | B | C | (Add cols. A, B, and C.) | | | | | | | | | | |
| I Enter the name of the foreign country or U.S. possession ▶ | PR | | | | | | | | | | | | | |
| 1 Gross income from sources within country shown above and of the type checked above (see page 13 of the instructions): | Wages 150/300 x 20,000 | | | | | | | | | | | | | |
| | 10,000.00 | | | 1 10,000.00 | | | | | | | | | | |

Pension Income

Enter on Line 1, Part I, the income received from a U.S. Civil Service pension whose services were performed 100% in Puerto Rico, or outside the U.S.

Example 5

Pedro Rivera is a U.S. civil service retiree. He received \$10,000 from his federal pension. Services for this pension were performed in P.R. Part I of Form 1116 will be completed as follows:

Exhibit 7-4 Form 1116 for Pedro Rivera

| | | | | | | | | | | | | | | |
|--|---|---|--|--|---|--|---|--|--|---|--|--|--|--|
| Form 1116 Department of the Treasury Internal Revenue Service (99) | Foreign Tax Credit (Individual, Estate, or Trust) ▶ Attach to Form 1040, 1040NR, 1041, or 990-T. ▶ See separate instructions. | OMB No. 1545-0121 <div style="font-size: 2em; font-weight: bold; margin: 5px 0;">2005</div> Attachment Sequence No. 19 | | | | | | | | | | | | |
| Name Pedro Rivera | | Identifying number as shown on page 1 of your tax return 000-00-7324 | | | | | | | | | | | | |
| Use a separate Form 1116 for each category of income listed below. See Categories of Income on page 3 of the instructions. Check only one box on each Form 1116. Report all amounts in U.S. dollars except where specified in Part II below. | | | | | | | | | | | | | | |
| <table style="width: 100%;"> <tr> <td style="width: 33%;">a <input checked="" type="checkbox"/> Passive income</td> <td style="width: 33%;">d <input type="checkbox"/> Shipping income</td> <td style="width: 33%;">g <input type="checkbox"/> Lump-sum distributions</td> </tr> <tr> <td>b <input type="checkbox"/> High withholding tax interest</td> <td>e <input type="checkbox"/> Dividends from a DISC or former DISC</td> <td>h <input type="checkbox"/> Section 901(j) income</td> </tr> <tr> <td>c <input type="checkbox"/> Financial services income</td> <td>f <input type="checkbox"/> Certain distributions from a foreign sales corporation (FSC) or former FSC</td> <td>i <input type="checkbox"/> Certain income re-sourced by treaty</td> </tr> <tr> <td></td> <td></td> <td>j <input type="checkbox"/> General limitation income</td> </tr> </table> | | | a <input checked="" type="checkbox"/> Passive income | d <input type="checkbox"/> Shipping income | g <input type="checkbox"/> Lump-sum distributions | b <input type="checkbox"/> High withholding tax interest | e <input type="checkbox"/> Dividends from a DISC or former DISC | h <input type="checkbox"/> Section 901(j) income | c <input type="checkbox"/> Financial services income | f <input type="checkbox"/> Certain distributions from a foreign sales corporation (FSC) or former FSC | i <input type="checkbox"/> Certain income re-sourced by treaty | | | j <input type="checkbox"/> General limitation income |
| a <input checked="" type="checkbox"/> Passive income | d <input type="checkbox"/> Shipping income | g <input type="checkbox"/> Lump-sum distributions | | | | | | | | | | | | |
| b <input type="checkbox"/> High withholding tax interest | e <input type="checkbox"/> Dividends from a DISC or former DISC | h <input type="checkbox"/> Section 901(j) income | | | | | | | | | | | | |
| c <input type="checkbox"/> Financial services income | f <input type="checkbox"/> Certain distributions from a foreign sales corporation (FSC) or former FSC | i <input type="checkbox"/> Certain income re-sourced by treaty | | | | | | | | | | | | |
| | | j <input type="checkbox"/> General limitation income | | | | | | | | | | | | |
| k Resident of (name of country) ▶ Puerto Rico | | | | | | | | | | | | | | |
| Note: If you paid taxes to only one foreign country or U.S. possession, use column A in Part I and line A in Part II. If you paid taxes to more than one foreign country or U.S. possession, use a separate column and line for each country or possession. | | | | | | | | | | | | | | |
| Part I Taxable Income or Loss From Sources Outside the United States (for Category Checked Above) | | | | | | | | | | | | | | |
| | Foreign Country or U.S. Possession | | | Total | | | | | | | | | | |
| | A | B | C | (Add cols. A, B, and C.) | | | | | | | | | | |
| I Enter the name of the foreign country or U.S. possession ▶ 1 Gross income from sources within country shown above and of the type checked above (see page 13 of the instructions): Pension | PR | | | | | | | | | | | | | |
| | 10,000.00 | | | 1 | 10,000.00 | | | | | | | | | |

“Taxpayers may receive pensions subject to federal tax when services for that pension were performed partly in the U.S. and partly in Puerto Rico or other foreign countries. When this occurs, an apportionment should be made on a year by year basis.” That is, you must include as foreign source income the amount that results from multiplying the total amount of income received from the pension by a fraction. The numerator is the number of years you performed services in foreign countries and the denominator, which is the total number of years of service for that pension.

$$\frac{\text{Years in foreign country}}{\text{Total years of service for the pension}} \times \text{Annual Pension} = \text{Foreign Amount}$$

Example 6

Santiago Lopez received \$22,000 in 2005 from a U.S. civil service pension. He worked 12 years in the U.S. and 13 years in Puerto Rico as a federal employee. The foreign income for 2004 is determined as follows:

$$\frac{13 \text{ years in Puerto Rico}}{25 \text{ years total services}} \times \$22,000 \text{ annual pension} = \$11,440 \text{ amount foreign source}$$

Exhibit 7-5 Form 1116 for Santiago Lopez

| | | | | | | | | | | | | | | |
|--|---|---|---|---|--|---|--|---|---|--|---|--|--|---|
| Form 1116 Department of the Treasury Internal Revenue Service (99) | Foreign Tax Credit (Individual, Estate, or Trust) ▶ Attach to Form 1040, 1040NR, 1041, or 990-T. ▶ See separate instructions. | OMB No. 1545-0121 <div style="font-size: 2em; font-weight: bold; text-align: center;">2005</div> Attachment Sequence No. 19 | | | | | | | | | | | | |
| Name Santiago Lopez | | Identifying number as shown on page 1 of your tax return 000-00-2436 | | | | | | | | | | | | |
| Use a separate Form 1116 for each category of income listed below. See Categories of Income on page 3 of the instructions. Check only one box on each Form 1116. Report all amounts in U.S. dollars except where specified in Part II below. | | | | | | | | | | | | | | |
| <table style="width:100%; border: none;"> <tr> <td style="width:33%;">a <input checked="" type="checkbox"/> Passive income</td> <td style="width:33%;">d <input type="checkbox"/> Shipping income</td> <td style="width:33%;">g <input type="checkbox"/> Lump-sum distributions</td> </tr> <tr> <td>b <input type="checkbox"/> High withholding tax interest</td> <td>e <input type="checkbox"/> Dividends from a DISC or former DISC</td> <td>h <input type="checkbox"/> Section 901(j) income</td> </tr> <tr> <td>c <input type="checkbox"/> Financial services income</td> <td>f <input type="checkbox"/> Certain distributions from a foreign sales corporation (FSC) or former FSC</td> <td>i <input type="checkbox"/> Certain income re-sourced by treaty</td> </tr> <tr> <td></td> <td></td> <td>j <input type="checkbox"/> General limitation income</td> </tr> </table> | | | a <input checked="" type="checkbox"/> Passive income | d <input type="checkbox"/> Shipping income | g <input type="checkbox"/> Lump-sum distributions | b <input type="checkbox"/> High withholding tax interest | e <input type="checkbox"/> Dividends from a DISC or former DISC | h <input type="checkbox"/> Section 901(j) income | c <input type="checkbox"/> Financial services income | f <input type="checkbox"/> Certain distributions from a foreign sales corporation (FSC) or former FSC | i <input type="checkbox"/> Certain income re-sourced by treaty | | | j <input type="checkbox"/> General limitation income |
| a <input checked="" type="checkbox"/> Passive income | d <input type="checkbox"/> Shipping income | g <input type="checkbox"/> Lump-sum distributions | | | | | | | | | | | | |
| b <input type="checkbox"/> High withholding tax interest | e <input type="checkbox"/> Dividends from a DISC or former DISC | h <input type="checkbox"/> Section 901(j) income | | | | | | | | | | | | |
| c <input type="checkbox"/> Financial services income | f <input type="checkbox"/> Certain distributions from a foreign sales corporation (FSC) or former FSC | i <input type="checkbox"/> Certain income re-sourced by treaty | | | | | | | | | | | | |
| | | j <input type="checkbox"/> General limitation income | | | | | | | | | | | | |
| k Resident of (name of country) ▶ Puerto Rico | | | | | | | | | | | | | | |
| Note: If you paid taxes to only one foreign country or U.S. possession, use column A in Part I and line A in Part II. If you paid taxes to more than one foreign country or U.S. possession, use a separate column and line for each country or possession. | | | | | | | | | | | | | | |
| Part I Taxable Income or Loss From Sources Outside the United States (for Category Checked Above) | | | | | | | | | | | | | | |
| | Foreign Country or U.S. Possession | | | Total | | | | | | | | | | |
| | A | B | C | (Add cols. A, B, and C.) | | | | | | | | | | |
| I Enter the name of the foreign country or U.S. possession ▶ | PR | | | | | | | | | | | | | |
| 1 Gross income from sources within country shown above and of the type checked above (see page 13 of the instructions): | 13/25 x 22,000 | | | | | | | | | | | | | |
| | 11,440.00 | | | 1 11,440.00 | | | | | | | | | | |

Deductions and Losses — Line 2

When computing taxable income from foreign sources for the foreign tax credit, you must deduct from foreign income the expenses, losses, etc., which are related to the foreign income.

Exhibit 7-6 Form 1116-Deduction and Losses

| | | | | |
|--|--|--|--|----------|
| Deductions and losses (<i>Caution: See pages 13 and 14 of the instructions</i>): | | | | |
| 2 Expenses definitely related to the income on line 1 (attach statement) | | | | |
| 3 Pro rata share of other deductions not definitely related : | | | | |
| a Certain itemized deductions or standard deduction (see instructions) | | | | |
| b Other deductions (attach statement) | | | | |
| c Add lines 3a and 3b | | | | |
| d Gross foreign source income (see instructions) | | | | |
| e Gross income from all sources (see instructions) | | | | |
| f Divide line 3d by line 3e (see instructions) | | | | |
| g Multiply line 3c by line 3f. | | | | |
| 4 Pro rata share of interest expense (see instructions): | | | | |
| a Home mortgage interest (use worksheet on page 13 of the instructions) | | | | |
| b Other interest expense | | | | |
| 5 Losses from foreign sources | | | | |
| 6 Add lines 2, 3g, 4a, 4b, and 5 | | | | 6 |
| 7 Subtract line 6 from line 1. Enter the result here and on line 14, page 2 ▶ | | | | 7 |

Deductions which are **definitely** related to the foreign income are entered on Line 2. The items listed below are examples of some of the deductions that are definitely related to specific income.

- 1) Business expenses
- 2) Moving expenses
- 3) Individual Retirement Account and Keogh contributions
- 4) Professional and Union dues

You must reduce foreign gross income by an allowable portion of other expenses and deductions (such as the adjustments for alimony paid, and certain itemized deductions or the standard deductions) which are not definitely related to specific items of income. No allocation is necessary for personal exemptions.

This allocation of deductions not definitely related to income is computed on Part I, Lines 3a–3g of Form 1116

If you do not itemize, you will enter the standard deduction. If the standard deduction was modified due to exempt income under IRC 933 (PR source income), you should enter on Line 3a of Form 1116 the allowable portion of the standard deduction as figured on Line 2d of Pub 1321 worksheet. The amount entered on line 3a, itemized deductions, is reported by taking these amounts from lines 4, 9, and 18 of Schedule A. Note that Schedule A will already show deductions modified due to exempt income under IRC 933 (P.R. source income).

The interest expense is subject to a separate allocation on line 4 of Form 1116. If the gross excluded P.R. income does not exceed \$5,000, all of the mortgage interest expense can be allocated to U.S. source income.

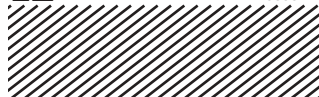
Note

For purpose of this allocation ONLY, “gross income” includes exempt and excluded income, such as the income exempt under IRC 933 PR Source income. REMEMBER: If an item of expenses or deduction cannot be related to specific income being reported, it must be prorated. When the expense was paid, from what income it was paid, or where it was paid are not determining factors.

Example 7

Miguel Rios is a U.S. citizen living and working in P.R. He is bonafide resident of Puerto Rico and will file a single return. Miguel earns \$29,750 working for the federal government; he also received COLA of \$3,421. He will not itemize deductions. Miguel will complete the Form 1116 thru Line 7 as follows:

Notice that the amount on Line 3a is the full amount of the standard deduction. No allocation was required on Pub 1321 worksheet because the taxpayer had no income exempt from U.S. taxation under IRC 933. Lines 3d & 3e do not include the COLA received. Lines 3d and 3e are the same because he had only P.R. source income.



Form **1116**
 Department of the Treasury
 Internal Revenue Service (99)

Foreign Tax Credit

(Individual, Estate, or Trust)

▶ Attach to Form 1040, 1040NR, 1041, or 990-T.

▶ See separate instructions.

OMB No. 1545-0121

2005

Attachment
 Sequence No. **19**

Name
 Miguel Rios

Identifying number as shown on page 1 of your tax return
 XXX-XX-XXXX

Use a separate Form 1116 for each category of income listed below. See **Categories of Income** on page 3 of the instructions. Check only one box on each Form 1116. Report all amounts in U.S. dollars except where specified in Part II below.

- a Passive income
- b High withholding tax interest
- c Financial services income
- d Shipping income
- e Dividends from a DISC or former DISC
- f Certain distributions from a foreign sales corporation (FSC) or former FSC
- g Lump-sum distributions
- h Section 901(j) income
- i Certain income re-sourced by treaty
- j General limitation income

k Resident of (name of country) ▶ Puerto Rico

Note: If you paid taxes to only one foreign country or U.S. possession, use column A in Part I and line A in Part II. If you paid taxes to more than one foreign country or U.S. possession, use a separate column and line for each country or possession.

Part I Taxable Income or Loss From Sources Outside the United States (for Category Checked Above)

| | Foreign Country or U.S. Possession | | | Total (Add cols. A, B, and C.) |
|--|------------------------------------|---|---|-----------------------------------|
| | A | B | C | |
| I Enter the name of the foreign country or U.S. possession ▶ | PR | | | |
| 1 Gross income from sources within country shown above and of the type checked above (see page 13 of the instructions): | | | | |
| Wages | 29,750.00 | | | 1 29,750.00 |
| Deductions and losses (<i>Caution:</i> See pages 13 and 14 of the instructions): | | | | |
| 2 Expenses definitely related to the income on line 1 (attach statement) | | | | |
| 3 Pro rata share of other deductions not definitely related : | | | | |
| a Certain itemized deductions or standard deduction (see instructions) | 5,000.00 | | | |
| b Other deductions (attach statement) | | | | |
| c Add lines 3a and 3b | 5,000.00 | | | |
| d Gross foreign source income (see instructions) | 29,750.00 | | | |
| e Gross income from all sources (see instructions) | 29,750.00 | | | |
| f Divide line 3d by line 3e (see instructions) | 1.00 | | | |
| g Multiply line 3c by line 3f. | 5,000.00 | | | |
| 4 Pro rata share of interest expense (see instructions): | | | | |
| a Home mortgage interest (use worksheet on page 13 of the instructions) | | | | |
| b Other interest expense | | | | |
| 5 Losses from foreign sources | | | | |
| 6 Add lines 2, 3g, 4a, 4b, and 5 | 5,000.00 | | | 6 5,000.00 |
| 7 Subtract line 6 from line 1. Enter the result here and on line 14, page 2 ▶ | | | | 7 24,750.00 |

Example 8

Isidro and Barbara are U.S. citizens living and working in Puerto Rico. Isidro has earnings of \$30,000 from his law practice and Barbara earns \$35,808 working for the federal government. She also has COLA of \$1,000. Before computing the foreign taxable income on line 7, Form 1116, Isidro and Barbara must first allocate their standard deduction.

Exhibit 7-8 Allocation of Standard Deduction

Worksheet for Puerto Rico Filers with Exempt Income under Section 933 Who Do Not Itemize Deductions

1. Enter STANDARD DEDUCTION; If you checked Form 1040, Filing Status box

1, enter \$5,000

2, or 5, enter \$10,000 10,000

3, enter \$5,000

4, enter \$7,300

CAUTION: If you are 65 or over or blind, calculate your standard deduction using the chart in the Form 1040 instructions.

or

If someone can claim you as a dependent, use the Standard Deduction Worksheet for Dependents in the Form 1040 Instructions.

2. Allowable portion of STANDARD DEDUCTION:

a. Gross income subject to U.S. tax 35,808

b. Total gross income from all sources (including exempt P.R. income) 65,808

c. Divide line 2a by line 2b54

d. Multiply Standard Deduction (line 1) by line 2c and enter this amount on Form 1040

line 40 or Form 1040A line 24 (allowable portion of STANDARD DEDUCTION) 5,400

Write the following above line 40 Form 1040 or line 24 of Form 1040A:

“Standard Deduction modified due to exempt income under section 933.”

Exhibit 7-9 Part I of Form 1116 for Isidro and Barbara

| Part I Taxable Income or Loss From Sources Outside the United States (for Category Checked Above) | | | | |
|--|------------------------------------|---|---|-----------------------------------|
| | Foreign Country or U.S. Possession | | | Total (Add cols. A, B, and C.) |
| | A | B | C | |
| 1 Enter the name of the foreign country or U.S. possession ▶ | PR | | | |
| 1 Gross income from sources within country shown above and of the type checked above (see page 13 of the instructions): | | | | |
| Wages | | | | |
| | 35,808.00 | | | 1 35,808.00 |
| Deductions and losses (Caution: See pages 13 and 14 of the instructions): | | | | |
| 2 Expenses definitely related to the income on line 1 (attach statement) | | | | |
| 3 Pro rata share of other deductions not definitely related: | | | | |
| a Certain itemized deductions or standard deduction (see instructions) | 5,400.00 | | | |
| b Other deductions (attach statement) | | | | |
| c Add lines 3a and 3b | 5,400.00 | | | |
| d Gross foreign source income (see instructions) | 65,808.00 | | | |
| e Gross income from all sources (see instructions) | 65,808.00 | | | |
| f Divide line 3d by line 3e (see instructions) | 1.00 | | | |
| g Multiply line 3c by line 3f. | 5,400.00 | | | |
| 4 Pro rata share of interest expense (see instructions): | | | | |
| a Home mortgage interest (use worksheet on page 13 of the instructions) | | | | |
| b Other interest expense | | | | |
| 5 Losses from foreign sources | | | | |
| 6 Add lines 2, 3g, 4a, 4b, and 5 | 5,400.00 | | | 6 5,400.00 |
| 7 Subtract line 6 from line 1. Enter the result here and on line 14, page 2 ▶ | | | | 7 30,408.00 |

Notice that the allocated standard deduction is entered on Line 3a. The standard deduction must be allocated because the taxpayers have exempt Puerto Rico income. Lines 3d and 3e are identical because the taxpayers have only Puerto Rico source income.

Part II—Foreign Taxes Paid or Accrued

This part of Form 1116 is used to establish the amount of qualified foreign taxes paid or accrued during the year.

Exhibit 7-10 Foreign Taxes Paid or Accrued

| Part II Foreign Taxes Paid or Accrued (see page 14 of the instructions) | | | | | | | | | |
|---|---|-------------------------------|--------------|---------------|---|------------------------------|--------------|--|---|
| Country | Credit is claimed for taxes (you must check one) (m) <input type="checkbox"/> Paid (n) <input type="checkbox"/> Accrued | Foreign taxes paid or accrued | | | | | | | |
| | | In foreign currency | | | | In U.S. dollars | | | |
| | | Taxes withheld at source on: | | | (s) Other foreign taxes paid or accrued | Taxes withheld at source on: | | | (w) Other foreign taxes paid or accrued | (x) Total foreign taxes paid or accrued (add cols. (t) through (w)) |
| (o) Date paid or accrued | (p) Dividends | (q) Rents and royalties | (r) Interest | (t) Dividends | | (u) Rents and royalties | (v) Interest | | |
| A | | | | | | | | | |
| B | | | | | | | | | |
| C | | | | | | | | | |
| 8 Add lines A through C, column (x). Enter the total here and on line 9, page 2 ▶ | | | | | | | | | 8 |

For Paperwork Reduction Act Notice, see page 18 of the instructions. Cat. No. 11440U Form **1116** (2005)

If the taxpayer must complete more than one Form 1116 (for example, the taxpayer has wages and interest) each Form 1116 Part II should show only the amount of foreign tax assessed on the type of income for which that Form 1116 is being filed.

A married couple who file a joint return are considered one taxpayer and may credit the total foreign tax of both spouses.

Example 9

John and Mary are married filing a joint return. John is a federal employee and earned \$43,200. Mary works for a private industry in Puerto Rico and earned \$22,000. They prepared their Puerto Rican income tax return and have a Puerto Rico tax liability of \$5,700.

Exhibit 7-11 Foreign Taxes paid by John and Mary

| Part II Foreign Taxes Paid or Accrued (see page 14 of the instructions) | | | | | | | | | | |
|---|--|-------------------------------|--------------|---------------|---|------------------------------|--------------|--|---|---|
| Country | Credit is claimed for taxes (you must check one) (m) <input checked="" type="checkbox"/> Paid (n) <input type="checkbox"/> Accrued | Foreign taxes paid or accrued | | | | | | | | |
| | | In foreign currency | | | | In U.S. dollars | | | | |
| | | Taxes withheld at source on: | | | (s) Other foreign taxes paid or accrued | Taxes withheld at source on: | | | (w) Other foreign taxes paid or accrued | (x) Total foreign taxes paid or accrued (add cols. (t) through (w)) |
| (o) Date paid or accrued | (p) Dividends | (q) Rents and royalties | (r) Interest | (t) Dividends | | (u) Rents and royalties | (v) Interest | | | |
| A | 12/31/04 | | | | | | | | 5,700 | 5,700 |
| B | | | | | | | | | | |
| C | | | | | | | | | | |
| 8 Add lines A through C, column (x). Enter the total here and on line 9, page 2 ▶ | | | | | | | | | 8 | 5,700 |

For Paperwork Reduction Act Notice, see page 18 of the instructions. Cat. No. 11440U Form **1116** (2005)

Part III—Figuring the Credit

In Part III we apply the overall limitation formula to determine the maximum amount of Foreign Tax Credit.

Exhibit 7-12 Part III of Form 1116-Figuring the Credit

| Part III Figuring the Credit | | | |
|---|---|-----------|-----------|
| 9 | Enter the amount from line 8. These are your total foreign taxes paid or accrued for the category of income checked above Part I | 9 | |
| 10 | Carryback or carryover (attach detailed computation) | 10 | |
| 11 | Add lines 9 and 10. | 11 | |
| 12 | Reduction in foreign taxes (see page 15 of the instructions) | 12 | |
| 13 | Subtract line 12 from line 11. This is the total amount of foreign taxes available for credit | | 13 |
| 14 | Enter the amount from line 7. This is your taxable income (or loss) from sources outside the United States (before adjustments) for the category of income checked above Part I (see page 15 of the instructions) | 14 | |
| 15 | Adjustments to line 14 (see page 16 of the instructions) | 15 | |
| 16 | Combine the amounts on lines 14 and 15. This is your net foreign source taxable income. (If the result is zero or less, you have no foreign source taxable income for the category of income you checked above Part I. Skip lines 17 through 21. However, if you are filing more than one Form 1116, you must complete line 19.) | 16 | |
| 17 | Individuals: Enter the amount from Form 1040, line 41. If you are a nonresident alien, enter the amount from Form 1040NR, line 38. Estates and trusts: Enter your taxable income without the deduction for your exemption. Caution: If you figured your tax using the lower rates on qualified dividends or capital gains, see page 17 of the instructions. | 17 | |
| 18 | Divide line 16 by line 17. If line 16 is more than line 17, enter "1" | | 18 |
| 19 | Individuals: Enter the amount from Form 1040, line 44. If you are a nonresident alien, enter the amount from Form 1040NR, line 41. Estates and trusts: Enter the amount from Form 1041, Schedule G, line 1a, or the total of Form 990-T, lines 36 and 37 Caution: If you are completing line 19 for separate category g (lump-sum distributions), see page 18 of the instructions. | | 19 |
| 20 | Multiply line 19 by line 18 (maximum amount of credit) | | 20 |
| 21 | Enter the smaller of line 13 or line 20. If this is the only Form 1116 you are filing, skip lines 22 through 30 and enter this amount on line 31. Otherwise, complete the appropriate line in Part IV (see page 18 of the instructions) | | 21 |
| Part IV Summary of Credits From Separate Parts III (see page 18 of the instructions) | | | |

Lines 9–10 show the amount of foreign taxes from Part II which, with certain adjustments, are available for the credit.

Line 12 shows the reduction in foreign taxes, if applicable. If you have income from P.R. sources not taxable on the U.S. tax return, you must reduce your foreign taxes paid or accrued by the taxes allocable to exempt income. Use the formula explained on page 32 under *Who May take the Credit*.

Lines 14 – 20 are the calculations to determine the maximum amount of the credit.

Line 21 is the allowable foreign tax credit—the lesser of the foreign taxes available for credit (Line 13) or the limitation (Line 20).

Part IV—Summary of Credits from Separate Parts III

Lines 22 through 29 must be completed if the taxpayer has more than one category of foreign income and multiple Forms 1116 were completed. If this occurs, only one of the Forms 1116, Part IV, should be completed.

If the taxpayer only claimed one type of foreign income, enter the amount from Line 21 on Line 31 then complete Lines 32 and 33.

Exhibit 7-13 Part IV of Form 1116 Summary of Credits

| Part IV Summary of Credits From Separate Parts III (see page 18 of the instructions) | | | |
|--|---|----|--|
| 22 | Credit for taxes on passive income | 22 | |
| 23 | Credit for taxes on high withholding tax interest | 23 | |
| 24 | Credit for taxes on financial services income | 24 | |
| 25 | Credit for taxes on shipping income | 25 | |
| 26 | Credit for taxes on dividends from a DISC or former DISC and certain distributions from a FSC or former FSC | 26 | |
| 27 | Credit for taxes on lump-sum distributions | 27 | |
| 28 | Credit for taxes on certain income re-sourced by treaty | 28 | |
| 29 | Credit for taxes on general limitation income | 29 | |
| 30 | Add lines 22 through 29 | 30 | |
| 31 | Enter the smaller of line 19 or line 30 | 31 | |
| 32 | Reduction of credit for international boycott operations. See instructions for line 12 on page 15 | 32 | |
| 33 | Subtract line 32 from line 31. This is your foreign tax credit . Enter here and on Form 1040, line 47; Form 1040NR, line 44; Form 1041, Schedule G, line 2a; or Form 990-T, line 40a ▶ | 33 | |

Printed on recycled paper

Form **1116** (2005)

Comprehensive Example:

Trevor and LaVonne, U.S. citizens and Puerto Rico residents, are filing jointly. They have \$2,300 in interest from savings at Maryland National Bank in the U.S. Trevor works at a resort hotel in San Juan and earns \$27,500. LaVonne works for the federal government and earns \$32,859. She also receives COLA of \$3,779. The U.S. government withheld \$2,789 in U.S. income tax. They will claim \$3,756 of tax liability accrued to Puerto Rico. They will not itemize deductions. Their return will be prepared as follows:

First, they will prepare the Form 1040 thru Line 37. The income reported is \$32,859 federal wages and \$2,300 interest from a bank in the U.S. Remember that the COLA of \$3,779 is exempt, as is Trevor's wages of \$27,500, under IRC 933. Even though Trevor does not report his income on the Form 1040, he may claim his personal exemption and file jointly with his wife.

Exhibit 7-14 Comprehensive Example-Form 1040 for Trevor Regalo

Form **1040**

Department of the Treasury—Internal Revenue Service
U.S. Individual Income Tax Return 2005

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

Label

(See instructions on page 16.)
Use the IRS label.
Otherwise, please print or type.

L
A
B
E
L

H
E
R
E

For the year Jan. 1–Dec. 31, 2005, or other tax year beginning _____, 2005, ending _____, 20

OMB No. 1545-0074

Your first name and initial

Last name

Trevor

Regalo

If a joint return, spouse's first name and initial

Last name

La Vonne

Medicina

Home address (number and street). If you have a P.O. box, see page 16.

Apt. no.

Calle Matienzo

City, town or post office, state, and ZIP code. If you have a foreign address, see page 16.

Isla Verde PR 00661

Your social security number
000:00:8527

Spouse's social security number
000:00:6281

▲ You must enter your SSN(s) above. ▲
Checking a box below will not change your tax or refund.

Presidential Election Campaign

► Check here if you, or your spouse if filing jointly, want \$3 to go to this fund (see page 16) You Spouse

Filing Status

- 1 Single
- 2 Married filing jointly (even if only one had income)
- 3 Married filing separately. Enter spouse's SSN above and full name here. ►
- 4 Head of household (with qualifying person). (See page 17.) If the qualifying person is a child but not your dependent, enter this child's name here. ►
- 5 Qualifying widow(er) with dependent child (see page 17)

Exemptions

- 6a Yourself. If someone can claim you as a dependent, do not check box 6a
 - b Spouse
 - c **Dependents:**
- | (1) First name | Last name | (2) Dependent's social security number | (3) Dependent's relationship to you | (4) <input checked="" type="checkbox"/> if qualifying child for child tax credit (see page 18) |
|----------------|-----------|--|-------------------------------------|--|
| | | | | <input type="checkbox"/> |
| | | | | <input type="checkbox"/> |
| | | | | <input type="checkbox"/> |
| | | | | <input type="checkbox"/> |
- If more than four dependents, see page 18.
- d Total number of exemptions claimed

Boxes checked on 6a and 6b
No. of children on 6c who:
• lived with you _____
• did not live with you due to divorce or separation (see page 18) _____
Dependents on 6c not entered above _____
Add numbers on lines above

Income

| | | | | |
|-----|---|-----|--------|----|
| 7 | Wages, salaries, tips, etc. Attach Form(s) W-2 | 7 | 32,859 | 00 |
| 8a | Taxable interest. Attach Schedule B if required | 8a | 2,300 | 00 |
| b | Tax-exempt interest. Do not include on line 8a | 8b | | |
| 9a | Ordinary dividends. Attach Schedule B if required | 9a | | |
| b | Qualified dividends (see page 20) | 9b | | |
| 10 | Taxable refunds, credits, or offsets of state and local income taxes (see page 20) | 10 | | |
| 11 | Alimony received | 11 | | |
| 12 | Business income or (loss). Attach Schedule C or C-EZ | 12 | | |
| 13 | Capital gain or (loss). Attach Schedule D if required. If not required, check here <input type="checkbox"/> | 13 | | |
| 14 | Other gains or (losses). Attach Form 4797 | 14 | | |
| 15a | IRA distributions | 15a | | |
| b | Taxable amount (see page 22) | 15b | | |
| 16a | Pensions and annuities | 16a | | |
| b | Taxable amount (see page 22) | 16b | | |
| 17 | Rental real estate, royalties, partnerships, S corporations, trusts, etc. Attach Schedule E | 17 | | |
| 18 | Farm income or (loss). Attach Schedule F | 18 | | |
| 19 | Unemployment compensation | 19 | | |
| 20a | Social security benefits | 20a | | |
| b | Taxable amount (see page 24) | 20b | | |
| 21 | Other income. List type and amount (see page 24) | 21 | | |
| 22 | Add the amounts in the far right column for lines 7 through 21. This is your total income ► | 22 | 35,159 | 00 |

Adjusted Gross Income

| | | | | |
|-----|--|-----|--------|----|
| 23 | Educator expenses (see page 26) | 23 | | |
| 24 | Certain business expenses of reservists, performing artists, and fee-basis government officials. Attach Form 2106 or 2106-EZ | 24 | | |
| 25 | Health savings account deduction. Attach Form 8889 | 25 | | |
| 26 | Moving expenses. Attach Form 3903 | 26 | | |
| 27 | One-half of self-employment tax. Attach Schedule SE | 27 | | |
| 28 | Self-employed SEP, SIMPLE, and qualified plans | 28 | | |
| 29 | Self-employed health insurance deduction (see page XX) | 29 | | |
| 30 | Penalty on early withdrawal of savings | 30 | | |
| 31a | Alimony paid b Recipient's SSN ► | 31a | | |
| 32 | IRA deduction (see page XX) | 32 | | |
| 33 | Student loan interest deduction (see page XX) | 33 | | |
| 34 | Tuition and fees deduction (see page XX) | 34 | | |
| 35 | Domestic production activities deduction. Attach Form 8903 | 35 | | |
| 36 | Add lines 23 through 31a and 32 through 35 | 36 | 0 | 00 |
| 37 | Subtract line 36 from line 22. This is your adjusted gross income ► | 37 | 35,159 | 00 |

For Disclosure, Privacy Act, and Paperwork Reduction Act Notice, see page 75.

Cat. No. 11320B

Form **1040** (2005)

Since Trevor and LaVonne have exempt income, they must allocate their standard deduction. The result is carried to Line 37 of Form 1040. It is important to write “Standard deduction modified due to exempt income under IRC 933” above Line 38 of Form 1040.

Form 1040 is then completed to line 41 computing the income tax liability.

Exhibit 7-15 Allocation of the allowable standard deduction for Trevor and LaVonne

**Worksheet for Puerto Rico Filers with Exempt Income
under Section 933 Who Do Not Itemize Deductions**

1. Enter STANDARD DEDUCTION; If you checked Form 1040, Filing Status box
- 1, enter \$5,000
 - 2, or 5, enter \$10,000 10,000
 - 3, enter \$5,000
 - 4, enter \$7,300

CAUTION: If you are 65 or over or blind, calculate your standard deduction using the chart in the Form 1040 instructions.

or

If someone can claim you as a dependent, use the Standard Deduction Worksheet for Dependents in the Form 1040 Instructions.

2. Allowable portion of STANDARD DEDUCTION:
- a. Gross income subject to U.S. tax 35,859
 - b. Total gross income from all sources (including exempt P.R. income) 63,359
 - c. Divide line 2a by line 2b57
 - d. Multiply Standard Deduction (line 1) by line 2c and enter this amount on Form 1040
line 40 or Form 1040A line 24 (allowable portion of STANDARD DEDUCTION) 5,700

Write the following above line 40 Form 1040 or line 24 of Form 1040A:

“Standard Deduction modified due to exempt income under section 933.”

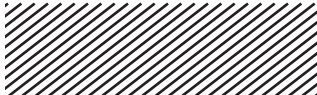


Exhibit 7-16 Page 2, Form 1040 for Trevor and LaVonne

| | | | |
|---|--|---------------------|--|
| Tax and Credits Standard Deduction for— <ul style="list-style-type: none"> • People who checked any box on line 39a or 39b or who can be claimed as a dependent, see page 31. • All others: Single or | 38 Amount from line 37 (adjusted gross income) | 38 35,159 00 | |
| | 39a Check <input type="checkbox"/> You were born before January 2, 1941, <input type="checkbox"/> Blind. } Total boxes if: <input type="checkbox"/> Spouse was born before January 2, 1941, <input type="checkbox"/> Blind. } checked ▶ 39a <input type="checkbox"/> | | |
| | b If your spouse itemizes on a separate return or you were a dual-status alien, see page 31 and check here ▶ 39b <input type="checkbox"/> | | |
| | 40 Itemized deductions (from Schedule A) or your standard deduction (see left margin) | 40 5,600 00 | |
| | 41 Subtract line 40 from line 38 | 41 29,559 00 | |
| | 42 If line 38 is \$109,475 or less, multiply \$3,200 by the total number of exemptions claimed on line 6d. If line 38 is over \$109,475, see the worksheet on page 33 | 42 6,400 00 | |
| | 43 Taxable income. Subtract line 42 from line 41. If line 42 is more than line 41, enter -0- | 43 23,159 00 | |
| | 44 Tax (see page 33). Check if any tax is from: a <input type="checkbox"/> Form(s) 8814 b <input type="checkbox"/> Form 4972 | 44 2,746 00 | |
| | 45 Alternative minimum tax (see page 35). Attach Form 6251 | 45 | |
| | 46 Add lines 44 and 45 | 46 | |
| 47 Foreign tax credit. Attach Form 1116 if required | 47 | | |

The next step is to complete the Form 1116 and determine the amount of foreign tax credit to enter on Form 1040, Line 47.

Part I, Line 3a, is completed using the allocated standard deduction from Exhibit 7-15. Also note that Line 3d includes both exempt and nonexempt foreign income. Line 3e includes the U.S. interest income of \$2,300.

| | | |
|---|---|--|
| Form 1116 Department of the Treasury Internal Revenue Service (99) | Foreign Tax Credit (Individual, Estate, or Trust) ▶ Attach to Form 1040, 1040NR, 1041, or 990-T. ▶ See separate instructions. | OMB No. 1545-0121 <div style="font-size: 2em; font-weight: bold; text-align: center;">2005</div> Attachment Sequence No. 19 |
|---|---|--|

Name Trevor Regalo & LaVonne Medicina Identifying number as shown on page 1 of your tax return 000-00-8527

Use a separate Form 1116 for each category of income listed below. See **Categories of Income** on page 3 of the instructions. Check only one box on each Form 1116. Report all amounts in U.S. dollars except where specified in Part II below.

- | | | |
|--|---|---|
| <input type="checkbox"/> a Passive income | <input type="checkbox"/> d Shipping income | <input type="checkbox"/> g Lump-sum distributions |
| <input type="checkbox"/> b High withholding tax interest | <input type="checkbox"/> e Dividends from a DISC or former DISC | <input type="checkbox"/> h Section 901(j) income |
| <input type="checkbox"/> c Financial services income | <input type="checkbox"/> f Certain distributions from a foreign sales corporation (FSC) or former FSC | <input checked="" type="checkbox"/> i Certain income re-sourced by treaty |
| | | <input checked="" type="checkbox"/> j General limitation income |

k Resident of (name of country) ▶ Puerto Rico

Note: If you paid taxes to only one foreign country or U.S. possession, use column A in Part I and line A in Part II. If you paid taxes to more than one foreign country or U.S. possession, use a separate column and line for each country or possession.

Part I Taxable Income or Loss From Sources Outside the United States (for Category Checked Above)

| | Foreign Country or U.S. Possession | | | Total (Add cols. A, B, and C.) |
|---|------------------------------------|---|---|-----------------------------------|
| | A | B | C | |
| 1 Enter the name of the foreign country or U.S. possession <u>PR</u> | | | | |
| 1 Gross income from sources within country shown above and of the type checked above (see page 13 of the instructions): <u>Salaries</u> | 32,859.00 | | | 1 32,859.00 |
| Deductions and losses (Caution: See pages 13 and 14 of the instructions): | | | | |
| 2 Expenses definitely related to the income on line 1 (attach statement) | | | | |
| 3 Pro rata share of other deductions not definitely related : | | | | |
| a Certain itemized deductions or standard deduction (see instructions) | 5,600.00 | | | |
| b Other deductions (attach statement) | | | | |
| c Add lines 3a and 3b | 5,600.00 | | | |
| d Gross foreign source income (see instructions) | 60,359.00 | | | |
| e Gross income from all sources (see instructions) | 62,659.00 | | | |
| f Divide line 3d by line 3e (see instructions) | .96 | | | |
| g Multiply line 3c by line 3f. | 5,376.00 | | | |
| 4 Pro rata share of interest expense (see instructions): | | | | |
| a Home mortgage interest (use worksheet on page 13 of the instructions) | | | | |
| b Other interest expense | | | | |
| 5 Losses from foreign sources | | | | |
| 6 Add lines 2, 3g, 4a, 4b, and 5 | 5,376.00 | | | 6 5,376.00 |
| 7 Subtract line 6 from line 1. Enter the result here and on line 14, page 2 | | | | 7 27,483.00 |

Part II Foreign Taxes Paid or Accrued (see page 14 of the instructions)

| Country | Foreign taxes paid or accrued | | | | | | | | | | |
|--|--|------------------------------|--------------|---------------|---|------------------------------|---|--|---|----------|---|
| | Credit is claimed for taxes (you must check one) | In foreign currency | | | | | In U.S. dollars | | | | (x) Total foreign taxes paid or accrued (add cols. (t) through (w)) |
| | (m) <input type="checkbox"/> Paid (n) <input checked="" type="checkbox"/> Accrued | Taxes withheld at source on: | | | (s) Other foreign taxes paid or accrued | Taxes withheld at source on: | | | (w) Other foreign taxes paid or accrued | | |
| (o) Date paid or accrued | (p) Dividends | (q) Rents and royalties | (r) Interest | (t) Dividends | (u) Rents and royalties | (v) Interest | (w) Other foreign taxes paid or accrued | | | | |
| A | | | | | | | | | | 3,756.00 | 3,756.00 |
| B | | | | | | | | | | | |
| C | | | | | | | | | | | 3,756.00 |
| 8 Add lines A through C, column (x). Enter the total here and on line 9, page 2 | | | | | | | | | | 8 | 3,756.00 |

For Paperwork Reduction Act Notice, see page 18 of the instructions. Cat. No. 11440U Form **1116** (2005)

Part III Figuring the Credit

| | | | | |
|----|--|----|-----------|-----------------------------------|
| 9 | Enter the amount from line 8. These are your total foreign taxes paid or accrued for the category of income checked above Part I | 9 | 3,756.00 | 27,500 x\$3,756=1,652 62659 |
| 10 | Carryback or carryover (attach detailed computation) | 10 | | |
| 11 | Add lines 9 and 10. | 11 | 3,756.00 | |
| 12 | Reduction in foreign taxes (see page 15 of the instructions) | 12 | 1,652.00 | |
| 13 | Subtract line 12 from line 11. This is the total amount of foreign taxes available for credit | 13 | | 2,104.00 |
| 14 | Enter the amount from line 7. This is your taxable income or (loss) from sources outside the United States (before adjustments) for the category of income checked above Part I (see page 15 of the instructions) | 14 | 27,483.00 | |
| 15 | Adjustments to line 14 (see page 16 of the instructions) | 15 | | |
| 16 | Combine the amounts on lines 14 and 15. This is your net foreign source taxable income. (If the result is zero or less, you have no foreign tax credit for the category of income you checked above Part I. Skip lines 17 through 21. However, if you are filing more than one Form 1116, you must complete line 19.) | 16 | 27,483.00 | |
| 17 | Individuals: Enter the amount from Form 1040, line 41. If you are a nonresident alien, enter the amount from Form 1040NR, line 38. Estates and trusts: Enter your taxable income without the deduction for your exemption. <i>Caution: If you figured your tax using the lower rates on qualified dividends or capital gains, see page 17 of the instructions.</i> | 17 | 29,559.00 | |
| 18 | Divide line 16 by line 17. If line 16 is more than line 17, enter "1" | 18 | | .93 |
| 19 | Individuals: Enter the amount from Form 1040, line 44. If you are a nonresident alien, enter the amount from Form 1040NR, line 41. Estates and trusts: Enter the amount from Form 1041, Schedule G, line 1a, or the total of Form 990-T, lines 36 and 37 <i>Caution: If you are completing line 19 for separate category g (lump-sum distributions), see page 18 of the instructions.</i> | 19 | | need this \$ |
| 20 | Multiply line 19 by line 18 (maximum amount of credit) | 20 | | need this \$ |
| 21 | Enter the smaller of line 13 or line 20. If this is the only Form 1116 you are filing, skip lines 22 through 30 and enter this amount on line 31. Otherwise, complete the appropriate line in Part IV (see page 18 of the instructions) ▶ | 21 | | need this \$ |

Part IV Summary of Credits From Separate Parts III (see page 18 of the instructions)

| | | | | |
|----|---|----|--|--------------|
| 22 | Credit for taxes on passive income | 22 | | |
| 23 | Credit for taxes on high withholding tax interest | 23 | | |
| 24 | Credit for taxes on financial services income | 24 | | |
| 25 | Credit for taxes on shipping income | 25 | | |
| 26 | Credit for taxes on dividends from a DISC or former DISC and certain distributions from a FSC or former FSC | 26 | | |
| 27 | Credit for taxes on lump-sum distributions | 27 | | |
| 28 | Credit for taxes on certain income re-sourced by treaty | 28 | | |
| 29 | Credit for taxes on general limitation income | 29 | | |
| 30 | Add lines 22 through 29 | 30 | | |
| 31 | Enter the smaller of line 19 or line 30 | 31 | | need this \$ |
| 32 | Reduction of credit for international boycott operations. See instructions for line 12 on page 15 | 32 | | |
| 33 | Subtract line 32 from line 31. This is your foreign tax credit . Enter here and on Form 1040, line 47; Form 1040NR, line 44; Form 1041, Schedule G, line 2a; or Form 990-T, line 40a ▶ | 33 | | need this \$ |

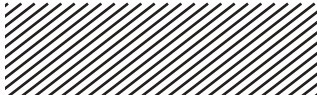
The entry on Line 12 must be reduced since the taxpayer has exempt income. The amount is calculated, using the steps discussed on page 34, as follows:

$$\begin{array}{r} 27,500 \\ \hline 62,659 \end{array} \quad \begin{array}{l} \text{Exempt income} \\ \text{Total income} \end{array} \quad \times 3,756 \quad \text{Tax paid} = 1,652$$

The amount on Line 33 on Form 1116 is then entered on Form 1040, line 47. The foreign tax credit is a nonrefundable credit and reduces the tax liability dollar for dollar down to zero.

Exercise 7-1

Miguel Candela is 35 years of age and single. He is a U.S. citizen and has lived in Puerto Rico for all of 2005. Miguel worked for the U.S. government and had \$39,596 in wages. His Puerto Rico income tax liability is \$4,921 and his federal Form 1040 tax liability on line 44 is \$4,331. Calculate his foreign tax credit using Exhibit-7-19 and 7-20.



| | | |
|---|---|--|
| Form 1116 Department of the Treasury Internal Revenue Service (99) | Foreign Tax Credit (Individual, Estate, or Trust) ▶ Attach to Form 1040, 1040NR, 1041, or 990-T. ▶ See separate instructions. | OMB No. 1545-0121 2005 Attachment Sequence No. 19 |
| Name _____ | | Identifying number as shown on page 1 of your tax return _____ |

Use a separate Form 1116 for each category of income listed below. See **Categories of Income** on page 3 of the instructions. Check only one box on each Form 1116. Report all amounts in U.S. dollars except where specified in Part II below.

- | | | |
|---|--|---|
| <input type="checkbox"/> a Passive income | <input type="checkbox"/> d Shipping income | <input type="checkbox"/> g Lump-sum distributions |
| <input type="checkbox"/> b High withholding tax interest | <input type="checkbox"/> e Dividends from a DISC or former DISC | <input type="checkbox"/> h Section 901(j) income |
| <input type="checkbox"/> c Financial services income | <input type="checkbox"/> f Certain distributions from a foreign sales corporation (FSC) or former FSC | <input type="checkbox"/> i Certain income re-sourced by treaty |
| | | <input type="checkbox"/> j General limitation income |

k Resident of (name of country) ▶ _____

Note: If you paid taxes to only one foreign country or U.S. possession, use column A in Part I and line A in Part II. If you paid taxes to more than one foreign country or U.S. possession, use a separate column and line for each country or possession.

Part I Taxable Income or Loss From Sources Outside the United States (for Category Checked Above)

| | Foreign Country or U.S. Possession | | | Total (Add cols. A, B, and C.) |
|--|------------------------------------|---|---|-----------------------------------|
| | A | B | C | |
| I Enter the name of the foreign country or U.S. possession ▶ | | | | |
| 1 Gross income from sources within country shown above and of the type checked above (see page 13 of the instructions): | | | | 1 |
| Deductions and losses (Caution: See pages 13 and 14 of the instructions): | | | | |
| 2 Expenses definitely related to the income on line 1 (attach statement) | | | | |
| 3 Pro rata share of other deductions not definitely related: | | | | |
| a Certain itemized deductions or standard deduction (see instructions) | | | | |
| b Other deductions (attach statement) | | | | |
| c Add lines 3a and 3b | | | | |
| d Gross foreign source income (see instructions) | | | | |
| e Gross income from all sources (see instructions) | | | | |
| f Divide line 3d by line 3e (see instructions) | | | | |
| g Multiply line 3c by line 3f. | | | | |
| 4 Pro rata share of interest expense (see instructions): | | | | |
| a Home mortgage interest (use worksheet on page 13 of the instructions) | | | | |
| b Other interest expense | | | | |
| 5 Losses from foreign sources | | | | |
| 6 Add lines 2, 3g, 4a, 4b, and 5 | | | | 6 |
| 7 Subtract line 6 from line 1. Enter the result here and on line 14, page 2 ▶ | | | | 7 |

Part II Foreign Taxes Paid or Accrued (see page 14 of the instructions)

| Country | Credit is claimed for taxes (you must check one) | | Foreign taxes paid or accrued | | | | | | | (x) Total foreign taxes paid or accrued (add cols. (t) through (w)) |
|--|---|------------------------------|-------------------------------|-------------------------|--------------|---|---------------|-------------------------|---|---|
| | (m) <input type="checkbox"/> Paid (n) <input type="checkbox"/> Accrued | In foreign currency | | | | In U.S. dollars | | | (w) Other foreign taxes paid or accrued | |
| | | Taxes withheld at source on: | | | | Taxes withheld at source on: | | | | |
| | | (o) Date paid or accrued | (p) Dividends | (q) Rents and royalties | (r) Interest | (s) Other foreign taxes paid or accrued | (t) Dividends | (u) Rents and royalties |  |  | (v) Interest |
| A | | | | | | | | | | |
| B | | | | | | | | | | |
| C | | | | | | | | | | |
| 8 Add lines A through C, column (x). Enter the total here and on line 9, page 2 ▶ | | | | | | | | | | 8 |

Part III Figuring the Credit

| | | | | |
|-----------|---|-----------|--|--|
| 9 | Enter the amount from line 8. These are your total foreign taxes paid or accrued for the category of income checked above Part I | 9 | | |
| 10 | Carryback or carryover (attach detailed computation) | 10 | | |
| 11 | Add lines 9 and 10. | 11 | | |
| 12 | Reduction in foreign taxes (see page 15 of the instructions) | 12 | | |
| 13 | Subtract line 12 from line 11. This is the total amount of foreign taxes available for credit | 13 | | |
| 14 | Enter the amount from line 7. This is your taxable income or (loss) from sources outside the United States (before adjustments) for the category of income checked above Part I (see page 15 of the instructions) | 14 | | |
| 15 | Adjustments to line 14 (see page 16 of the instructions) | 15 | | |
| 16 | Combine the amounts on lines 14 and 15. This is your net foreign source taxable income. (If the result is zero or less, you have no foreign tax credit for the category of income you checked above Part I. Skip lines 17 through 21. However, if you are filing more than one Form 1116, you must complete line 19.) | 16 | | |
| 17 | Individuals: Enter the amount from Form 1040, line 41. If you are a nonresident alien, enter the amount from Form 1040NR, line 38. Estates and trusts: Enter your taxable income without the deduction for your exemption. Caution: If you figured your tax using the lower rates on qualified dividends or capital gains, see page 17 of the instructions. | 17 | | |
| 18 | Divide line 16 by line 17. If line 16 is more than line 17, enter "1" | 18 | | |
| 19 | Individuals: Enter the amount from Form 1040, line 44. If you are a nonresident alien, enter the amount from Form 1040NR, line 41. Estates and trusts: Enter the amount from Form 1041, Schedule G, line 1a, or the total of Form 990-T, lines 36 and 37 Caution: If you are completing line 19 for separate category g (lump-sum distributions), see page 18 of the instructions. | 19 | | |
| 20 | Multiply line 19 by line 18 (maximum amount of credit) | 20 | | |
| 21 | Enter the smaller of line 13 or line 20. If this is the only Form 1116 you are filing, skip lines 22 through 30 and enter this amount on line 31. Otherwise, complete the appropriate line in Part IV (see page 18 of the instructions) ▶ | 21 | | |

Part IV Summary of Credits From Separate Parts III (see page 18 of the instructions)

| | | | | |
|-----------|---|-----------|--|--|
| 22 | Credit for taxes on passive income | 22 | | |
| 23 | Credit for taxes on high withholding tax interest | 23 | | |
| 24 | Credit for taxes on financial services income | 24 | | |
| 25 | Credit for taxes on shipping income | 25 | | |
| 26 | Credit for taxes on dividends from a DISC or former DISC and certain distributions from a FSC or former FSC | 26 | | |
| 27 | Credit for taxes on lump-sum distributions | 27 | | |
| 28 | Credit for taxes on certain income re-sourced by treaty | 28 | | |
| 29 | Credit for taxes on general limitation income | 29 | | |
| 30 | Add lines 22 through 29 | 30 | | |
| 31 | Enter the smaller of line 19 or line 30 | 31 | | |
| 32 | Reduction of credit for international boycott operations. See instructions for line 12 on page 15 | 32 | | |
| 33 | Subtract line 32 from line 31. This is your foreign tax credit . Enter here and on Form 1040, line 47; Form 1040NR, line 44; Form 1041, Schedule G, line 2a; or Form 990-T, line 40a ▶ | 33 | | |

COMPREHENSIVE PROBLEM 1

Dulce and Juan Vida are U.S. citizens, bona fide residents of P.R. and will file a joint return. Dulce worked for the Department of Agriculture and earned \$25,975. Juan worked for a local resort and earned \$22,534.

Their Form 1040 shows the following:

Taxable income\$14,634

Tax per tax tables\$1,479

US tax withheld.....\$650

Their Puerto Rico tax liability is \$4,398.

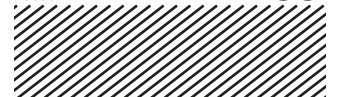
Complete the Form 1116 for Dulce and Juan on the next page.

Part III Figuring the Credit

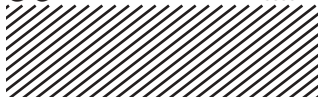
| | | | | |
|-----------|--|-----------|--|-----------|
| 9 | Enter the amount from line 8. These are your total foreign taxes paid or accrued for the category of income checked above Part I | 9 | | |
| 10 | Carryback or carryover (attach detailed computation) | 10 | | |
| 11 | Add lines 9 and 10. | 11 | | |
| 12 | Reduction in foreign taxes (see page 15 of the instructions) | 12 | | |
| 13 | Subtract line 12 from line 11. This is the total amount of foreign taxes available for credit | | | 13 |
| 14 | Enter the amount from line 7. This is your taxable income or (loss) from sources outside the United States (before adjustments) for the category of income checked above Part I (see page 15 of the instructions) | 14 | | |
| 15 | Adjustments to line 14 (see page 16 of the instructions) | 15 | | |
| 16 | Combine the amounts on lines 14 and 15. This is your net foreign source taxable income. (If the result is zero or less, you have no foreign tax credit for the category of income you checked above Part I. Skip lines 17 through 21. However, if you are filing more than one Form 1116, you must complete line 19.) | 16 | | |
| 17 | Individuals: Enter the amount from Form 1040, line 41. If you are a nonresident alien, enter the amount from Form 1040NR, line 38. Estates and trusts: Enter your taxable income without the deduction for your exemption. <i>Caution: If you figured your tax using the lower rates on qualified dividends or capital gains, see page 17 of the instructions.</i> | 17 | | |
| 18 | Divide line 16 by line 17. If line 16 is more than line 17, enter "1" | | | 18 |
| 19 | Individuals: Enter the amount from Form 1040, line 44. If you are a nonresident alien, enter the amount from Form 1040NR, line 41. Estates and trusts: Enter the amount from Form 1041, Schedule G, line 1a, or the total of Form 990-T, lines 36 and 37 <i>Caution: If you are completing line 19 for separate category g (lump-sum distributions), see page 18 of the instructions.</i> | | | 19 |
| 20 | Multiply line 19 by line 18 (maximum amount of credit) | | | 20 |
| 21 | Enter the smaller of line 13 or line 20. If this is the only Form 1116 you are filing, skip lines 22 through 30 and enter this amount on line 31. Otherwise, complete the appropriate line in Part IV (see page 18 of the instructions) ▶ | | | 21 |

Part IV Summary of Credits From Separate Parts III (see page 18 of the instructions)

| | | | | |
|-----------|---|-----------|--|-----------|
| 22 | Credit for taxes on passive income | 22 | | |
| 23 | Credit for taxes on high withholding tax interest | 23 | | |
| 24 | Credit for taxes on financial services income | 24 | | |
| 25 | Credit for taxes on shipping income | 25 | | |
| 26 | Credit for taxes on dividends from a DISC or former DISC and certain distributions from a FSC or former FSC | 26 | | |
| 27 | Credit for taxes on lump-sum distributions | 27 | | |
| 28 | Credit for taxes on certain income re-sourced by treaty | 28 | | |
| 29 | Credit for taxes on general limitation income | 29 | | |
| 30 | Add lines 22 through 29 | | | 30 |
| 31 | Enter the smaller of line 19 or line 30 | | | 31 |
| 32 | Reduction of credit for international boycott operations. See instructions for line 12 on page 15 | | | 32 |
| 33 | Subtract line 32 from line 31. This is your foreign tax credit . Enter here and on Form 1040, line 47; Form 1040NR, line 44; Form 1041, Schedule G, line 2a; or Form 990-T, line 40a ▶ | | | 33 |



STUDENT NOTES



Introduction

The Child Tax Credit was created by the Taxpayer Relief Act of 1997. It began in 1998 as a maximum credit of \$400 per qualifying child. The Additional Child Tax Credit is the refundable portion of this credit.

Individual who have Social Security and Medicare taxes withheld from their wages or who pay Self-employment tax may be entitled to claim the refundable “Additional Child Tax Credit” portion. This credit is available even though you do not have income subject to federal income tax laws. The credit valued at \$500 for years 2000, \$600 for years 2001 and 2002, and \$1,000 for years 2003 and 2004, and \$700 for 2005. This credit is refundable and it could be obtained by filing a tax return with the Internal Revenue Service.

Caution: “If you are a resident of Puerto Rico, who files a U.S. Federal Tax Return just to claim the Additional Child Tax Credit, you must comply with the requirements listed on Publication 4281, especially design for puerto rico residents who’s only income is from Puerto Rico sources.”

Who Qualifies?

To qualify you must meet the following conditions:

Have social Security and Medicare taxes withheld from your wages or pay self-employment tax.

Have three or more qualifying children.

A qualified child is the son or daughter, stepson or stepdaughter, adopted child, grandchild or eligible foster child. The child must be under the age of 17 at the end of the year, a citizen or resident of the United States and be claimed as a dependent on your tax return.

Starting in year 2000, a new definition for foster child was adopted; which states that a child could qualifies as a foster child if it meets all of the following conditions:

The child is your brother or sister, stepbrother or stepsister;

A descendent (such as a child, including an adopted child) of your brother, sister, stepbrother, stepsister, or

A child placed with you by an authorized placement agency. For example, if you acted as the parent or your niece or nephew, this child is considered your foster child.

The child lived with you all year.

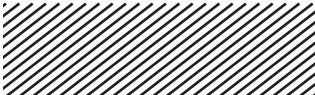
A key factor in determining if you can claim a child defined above is that you must provide more than one half of the child's support for the year. Support includes: food, clothing, shelter, education, medical and recreation expenses.

There also is an income limitation. The credit begins to phase out at the following income levels, \$110,000 for married filing a joint return, \$55,000 for married filing separate and \$75,000 for all other filers. For the purpose of this limitation you must consider all income received in Puerto Rico. If you exceed these income levels you must obtain a worksheet for the Additional Child Tax Credit and complete instructions from Publication 972 to figure your credit.

How to claim the credit

Note: Follow local instructions to complete these forms.

If you pay your self-employment tax contribution (Social Security and Medicare taxes) through Form 1040PR; you could claim this credit on the same form. Form 1040PR was redesigned to allow these type of taxpayers to claim the credit on the same form. Unfortunately this form cannot be filed electronically.

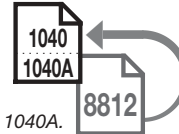


Form **8812**

Additional Child Tax Credit

Department of the Treasury
Internal Revenue Service (99)

Complete and attach to Form 1040 or Form 1040A.



OMB No. 1545-1620

2005

Attachment
Sequence No. **47**

Name(s) shown on return

Your social security number

Part I All Filers


| | | | | | |
|-----------|--|-----------|--|--|----------|
| 1 | Enter the amount from line 1 of your Child Tax Credit Worksheet on page 38 of the Form 1040 instructions or page 37 of the Form 1040A instructions. If you used Pub. 972, enter the amount from line 8 of the worksheet on page 4 of the publication | | | | 1 |
| 2 | Enter the amount from Form 1040, line 52, or Form 1040A, line 33 | | | | 2 |
| 3 | Subtract line 2 from line 1. If zero, stop ; you cannot take this credit | | | | 3 |
| 4a | Earned income (see instructions on back) | 4a | | | |
| b | Nontaxable combat pay from Form(s) W-2, box 12, with code Q. If married filing jointly, include your spouse's amounts with yours. | 4b | | | |
| 5 | Is the amount on line 4a more than \$11,000? <input type="checkbox"/> No. Leave line 5 blank and enter -0- on line 6. <input type="checkbox"/> Yes. Subtract \$11,000 from the amount on line 4a. Enter the result | 5 | | | |
| 6 | Multiply the amount on line 5 by 15% (.15) and enter the result Next. Do you have three or more qualifying children? <input type="checkbox"/> No. If line 6 is zero, stop ; you cannot take this credit. Otherwise, skip Part II and enter the smaller of line 3 or line 6 on line 13. <input type="checkbox"/> Yes. If line 6 is equal to or more than line 3, skip Part II and enter the amount from line 3 on line 13. Otherwise, go to line 7. | 6 | | | |

Part II Certain Filers Who Have Three or More Qualifying Children

| | | | | | |
|-----------|--|-----------|--|--|--|
| 7 | Withheld social security and Medicare taxes from Form(s) W-2, boxes 4 and 6. If married filing jointly, include your spouse's amounts with yours. If you worked for a railroad, see instructions on back | 7 | | | |
| 8 | 1040 filers: Enter the total of the amounts from Form 1040, lines 27 and 59, plus any uncollected social security and Medicare or tier 1 RRTA taxes included on line 63. } 1040A filers: Enter -0-. | 8 | | | |
| 9 | Add lines 7 and 8 | 9 | | | |
| 10 | 1040 filers: Enter the total of the amounts from Form 1040, lines 66a and 67. } 1040A filers: Enter the total of the amount from Form 1040A, line 41a, plus any excess social security and tier 1 RRTA taxes withheld that you entered to the left of line 43 (see instructions on back). | 10 | | | |
| 11 | Subtract line 10 from line 9. If zero or less, enter -0- | 11 | | | |
| 12 | Enter the larger of line 6 or line 11 Next, enter the smaller of line 3 or line 12 on line 13. | 12 | | | |

Part III Additional Child Tax Credit

| | | | | | |
|-----------|--|-----------|--|--|--|
| 13 | This is your additional child tax credit | 13 | | | |
|-----------|--|-----------|--|--|--|


 Enter this amount on
Form 1040, line 68, or
Form 1040A, line 42.

For Paperwork Reduction Act Notice, see back of form.

Cat. No. 10644E

Form **8812** (2005)

How to obtain the Forms

You may obtain the necessary forms and publications as follows:

By Telephone: 1-800-829-3676

By Fax: 1-787-759-4524

(To use this option you must call using the handset option on your fax machine and follow the instructions).

You may also obtain Forms from the IRS WEB Site at:

http://www.irs.gov/forms_pubs/index.html

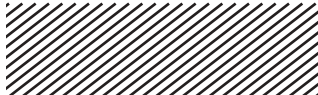
When to claim the Credit

Look at the table below to see until what date you could claim the credit for the different years:

| Year | Taxpayer has until...to file and claim the credit |
|-------------|--|
| 2002 | April 15, 2006 |
| 2003 | April 15, 2007 |
| 2004 | April 15, 2008 |
| 2005 | April 15, 2009 |

ADDITIONAL CHILD TAX CREDIT EXPANDED

The credit limit based on earned income is increased to 15% (previously 10%) of your earned income that exceeds \$10,750. If you were a member of the U.S. Armed Forces who served in a combat zone, your nontaxable combat pay counts as earned income when figuring this credit limit. See Form 8812, Additional Child Tax Credit, for more information.



ANSWERS TO EXERCISES/PROBLEMS

Lesson 1

- Exercise 1a. Yes
1b. Two.

Lesson 2

Exercise 2-1. Yes, the salary paid to Mr. Juan Mariposa for the one month on temporary assignment in the U.S. is U.S. source income.

Exercise 2-2. U.S. source income

Summary Exercise

- a. The rental property income is U.S. source.
Any interest income from Banco Santurce is Puerto Rico source income.
- b. \$10,000 wages - P.R. sourced
\$2,000 interest - P.R. sourced
\$1,000 interest - U.S. sourced
\$5,000 rental - U.S. sourced
- c. The interest from Banco de Hato Rey is Puerto Rico source. Her wages are U.S. source.

Lesson 3

- Exercises 3-1a. $(\$25,893/\$45,213) \times \$10,000 = \$5,700$
3-1b. $(\$30,978/\$30,978) \times \$5,000 = \$5,000$
3-1c. $(\$8,000/\$27,250) \times \$5,000 = \$1,450$
3-1d. \$6,050 She has no U.S. sourced income

Lesson 4

Exercise 4-1

The formula for allocation of itemized deductions is determined as follows:

$$\text{Formula: } \frac{\text{U.S. } \$18,354}{\text{Total } \$51,335} = .64$$

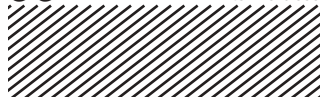
| | | | | | |
|------------------------|-----|---|---------|---|---------|
| Medical Expenses | .64 | x | \$4,549 | = | \$2,911 |
| Real Estate Taxes | .64 | x | \$1,897 | = | \$1,214 |
| Home Mortgage Interest | .64 | x | \$8,761 | = | \$5,607 |

Exercise 4-2

The formula for allocation of itemized deductions is determined as follows:

$$\text{Formula: } \frac{\text{U.S. } \$49,965}{\text{Total } \$52,417} = .95$$

| | | | | | |
|--------------------------|-----|---|---------|---|---------|
| Real Estate Taxes | .95 | x | \$875 | = | \$831 |
| Home Mortgage Interest | .95 | x | \$9,200 | = | \$8,740 |
| Charitable Contributions | .95 | x | \$1,821 | = | \$1,730 |



| SCHEDULES A&B (Form 1040) | | Schedule A—Itemized Deductions | | | | OMB No. 1545-0074 | |
|--|-----------|---|----|--------|--|---|--|
| Department of the Treasury Internal Revenue Service (99) | | (Schedule B is on back) | | | | 2005 Attachment Sequence No. 07 | |
| Name(s) shown on Form 1040 Elizabeth & Matthew Gonzales | | | | | | Your social security number | |
| Medical and Dental Expenses | 1 | Caution. Do not include expenses reimbursed or paid by others. Medical and dental expenses (see page A-2) | 1 | 2,911 | | | |
| | 2 | Enter amount from Form 1040, line 38 | 2 | 52,981 | | | |
| | 3 | Multiply line 2 by 7.5% (.075) | 3 | 3,974 | | | |
| | 4 | Subtract line 3 from line 1. If line 3 is more than line 1, enter -0- | 4 | | | 0 | |
| Taxes You Paid <small>(See page A-2.)</small> | 5 | State and local (check only one box): a <input type="checkbox"/> Income taxes, or b <input type="checkbox"/> General sales taxes (see page A-2) | 5 | | | | |
| | 6 | Real estate taxes (see page A-3) | 6 | 1,214 | | | |
| | 7 | Personal property taxes | 7 | | | | |
| | 8 | Other taxes. List type and amount | 8 | | | | |
| | 9 | Add lines 5 through 8 | 9 | | | 1,200 | |
| Interest You Paid <small>(See page A-3.)</small> | 10 | Home mortgage interest and points reported to you on Form 1098 | 10 | 5,607 | | | |
| | 11 | Home mortgage interest not reported to you on Form 1098. If paid to the person from whom you bought the home, see page A-4 and show that person's name, identifying no., and address | 11 | | | | |
| | 12 | Note. Personal interest is not deductible. Points not reported to you on Form 1098. See page A-4 for special rules | 12 | | | | |
| | 13 | Investment interest. Attach Form 4952 if required. (See page A-4.) | 13 | | | | |
| | 14 | Add lines 10 through 13 | 14 | | | 5,607 | |
| Gifts to Charity <small>If you made a gift and got a benefit for it, see page A-4.</small> | 15 | Gifts by cash or check. If you made any gift of \$250 or more, see page A-4 | 15 | | | | |
| | 16 | Other than by cash or check. If any gift of \$250 or more, see page A-4. You must attach Form 8283 if over \$500 | 16 | | | | |
| | 17 | Carryover from prior year | 17 | | | | |
| | 18 | Add lines 15 through 17 | 18 | | | | |
| Casualty and Theft Losses | 19 | Casualty or theft loss(es). Attach Form 4684. (See page A-5.) | 19 | | | | |
| Job Expenses and Most Other Miscellaneous Deductions <small>(See page A-5.)</small> | 20 | Unreimbursed employee expenses—job travel, union dues, job education, etc. Attach Form 2106 or 2106-EZ if required. (See page A-6.) | 20 | | | | |
| | 21 | Tax preparation fees | 21 | | | | |
| | 22 | Other expenses—investment, safe deposit box, etc. List type and amount | 22 | | | | |
| | 23 | Add lines 20 through 22 | 23 | | | | |
| | 24 | Enter amount from Form 1040, line 38 | 24 | | | | |
| | 25 | Multiply line 24 by 2% (.02) | 25 | | | | |
| | 26 | Subtract line 25 from line 23. If line 25 is more than line 23, enter -0- | 26 | | | | |
| Other Miscellaneous Deductions | 27 | Other—from list on page A-6. List type and amount | 27 | | | | |
| Total Itemized Deductions | 28 | Is Form 1040, line 38, over \$145,950 (over \$72,975 if married filing separately)? <input type="checkbox"/> No. Your deduction is not limited. Add the amounts in the far right column for lines 4 through 27. Also, enter this amount on Form 1040, line 40. <input type="checkbox"/> Yes. Your deduction may be limited. See page A-6 for the amount to enter. | 28 | | | 9,732 | |
| | 29 | If you elect to itemize deductions even though they are less than your standard deduction, check here <input type="checkbox"/> | | | | | |

For Paperwork Reduction Act Notice, see Form 1040 instructions.

Cat. No. 11330X

Schedule A (Form 1040) 2005

SCHEDULES A&B
(Form 1040)

Schedule A—Itemized Deductions

OMB No. 1545-0074

2005

Attachment
Sequence No. **07**

Department of the Treasury
Internal Revenue Service (99)

(Schedule B is on back)

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

Name(s) shown on Form 1040

Guillermo & Esmeralda Goytisolo

Your social security number

xxx : xx : 3436

| | | | | |
|--|---|---|--|----------|
| Medical and Dental Expenses | Caution. Do not include expenses reimbursed or paid by others. | | | |
| | 1 Medical and dental expenses (see page A-2) | 1 | | |
| | 2 Enter amount from Form 1040, line 38 2 | | | |
| | 3 Multiply line 2 by 7.5% (.075) | 3 | | |
| 4 Subtract line 3 from line 1. If line 3 is more than line 1, enter -0- | | | | 4 |

| | | | | |
|--|--|---|-----|-----|
| Taxes You Paid (See page A-2.) | 5 State and local (check only one box): a <input type="checkbox"/> Income taxes, or b <input type="checkbox"/> General sales taxes (see page A-2) | 5 | | |
| | 6 Real estate taxes (see page A-3) | 6 | 831 | |
| | 7 Personal property taxes | 7 | | |
| | 8 Other taxes. List type and amount ▶ | 8 | | |
| | 9 Add lines 5 through 8 | 9 | | 831 |

| | | | | |
|---|--|----|-------|-------|
| Interest You Paid (See page A-3.) | 10 Home mortgage interest and points reported to you on Form 1098 | 10 | 8,740 | |
| | 11 Home mortgage interest not reported to you on Form 1098. If paid to the person from whom you bought the home, see page A-4 and show that person's name, identifying no., and address ▶ | 11 | | |
| | Note. Personal interest is not deductible. | | | |
| | 12 Points not reported to you on Form 1098. See page A-4 for special rules | 12 | | |
| | 13 Investment interest. Attach Form 4952 if required. (See page A-4.) | 13 | | |
| | 14 Add lines 10 through 13 | 14 | | 8,740 |

| | | | | |
|---|---|----|-------|-------|
| Gifts to Charity If you made a gift and got a benefit for it, see page A-4. | 15 Gifts by cash or check. If you made any gift of \$250 or more, see page A-4 | 15 | 1,730 | |
| | 16 Other than by cash or check. If any gift of \$250 or more, see page A-4. You must attach Form 8283 if over \$500 | 16 | | |
| | 17 Carryover from prior year | 17 | | |
| | 18 Add lines 15 through 17 | 18 | | 1,730 |

| | | | | |
|----------------------------------|---|----|--|--|
| Casualty and Theft Losses | 19 Casualty or theft loss(es). Attach Form 4684. (See page A-5.) | 19 | | |
|----------------------------------|---|----|--|--|

| | | | | |
|---|---|----|--|-----------|
| Job Expenses and Most Other Miscellaneous Deductions (See page A-5.) | 20 Unreimbursed employee expenses—job travel, union dues, job education, etc. Attach Form 2106 or 2106-EZ if required. (See page A-6.) ▶ | 20 | | |
| | 21 Tax preparation fees | 21 | | |
| | 22 Other expenses—investment, safe deposit box, etc. List type and amount ▶ | 22 | | |
| | 23 Add lines 20 through 22 | 23 | | |
| | 24 Enter amount from Form 1040, line 38 24 | 24 | | |
| | 25 Multiply line 24 by 2% (.02) | 25 | | |
| 26 Subtract line 25 from line 23. If line 25 is more than line 23, enter -0- | | | | 26 |

| | | | | |
|---------------------------------------|---|----|--|--|
| Other Miscellaneous Deductions | 27 Other—from list on page A-6. List type and amount ▶ | 27 | | |
|---------------------------------------|---|----|--|--|

| | | | | |
|----------------------------------|---|----|--|--------|
| Total Itemized Deductions | 28 Is Form 1040, line 38, over \$145,950 (over \$72,975 if married filing separately)? <input type="checkbox"/> No. Your deduction is not limited. Add the amounts in the far right column for lines 4 through 27. Also, enter this amount on Form 1040, line 40. <input type="checkbox"/> Yes. Your deduction may be limited. See page A-6 for the amount to enter. | 28 | | 11,301 |
| | 29 If you elect to itemize deductions even though they are less than your standard deduction, check here <input type="checkbox"/> | | | |

Lesson 5

- Exercise 5-1a. Yes
- 1b. Yes
- 1c. \$32,000
- 1d. \$25,000

Lesson 7

Exercise 7-1.

Miguel Candela's only income is from the U.S. government. Therefore, he does not have to reduce his standard deduction or allocate any of the Puerto Rican tax liability. Because his P.R. tax liability is more than his U.S. tax liability, his foreign tax credit is \$4,331. He will not owe any U.S. tax.

Form **1116**

Foreign Tax Credit

(Individual, Estate, or Trust)

▶ Attach to Form 1040, 1040NR, 1041, or 990-T.

▶ See separate instructions.

OMB No. 1545-0121

2005

Attachment Sequence No. **19**

Department of the Treasury
Internal Revenue Service (99)

Name
Miguel Candela

Identifying number as shown on page 1 of your tax return
000-00-5871

Use a separate Form 1116 for each category of income listed below. See **Categories of Income** on page 3 of the instructions. Check only one box on each Form 1116. Report all amounts in U.S. dollars except where specified in Part II below.

- a Passive income
- b High withholding tax interest
- c Financial services income
- d Shipping income
- e Dividends from a DISC or former DISC
- f Certain distributions from a foreign sales corporation (FSC) or former FSC
- g Lump-sum distributions
- h Section 901(j) income
- i Certain income re-sourced by treaty
- j General limitation income

k Resident of (name of country) ▶ **Puerto Rico**

Note: If you paid taxes to only one foreign country or U.S. possession, use column A in Part I and line A in Part II. If you paid taxes to more than one foreign country or U.S. possession, use a separate column and line for each country or possession.

Part I Taxable Income or Loss From Sources Outside the United States (for Category Checked Above)

| | Foreign Country or U.S. Possession | | | Total (Add cols. A, B, and C.) |
|--|------------------------------------|---|---|-----------------------------------|
| | A | B | C | |
| 1 Enter the name of the foreign country or U.S. possession ▶ | PR | | | |
| 1 Gross income from sources within country shown above and of the type checked above (see page 13 of the instructions): | | | | |
| Salaries | 39,596.00 | | | 1 39,596.00 |
| Deductions and losses (Caution: See pages 13 and 14 of the instructions): | | | | |
| 2 Expenses definitely related to the income on line 1 (attach statement) | | | | |
| 3 Pro rata share of other deductions not definitely related: | | | | |
| a Certain itemized deductions or standard deduction (see instructions) | 5,000.00 | | | |
| b Other deductions (attach statement) | | | | |
| c Add lines 3a and 3b | 5,000.00 | | | |
| d Gross foreign source income (see instructions) | 39,596.00 | | | |
| e Gross income from all sources (see instructions) | 39,596.00 | | | |
| f Divide line 3d by line 3e (see instructions) | 1.00 | | | |
| g Multiply line 3c by line 3f. | 5,000.00 | | | |
| 4 Pro rata share of interest expense (see instructions): | | | | |
| a Home mortgage interest (use worksheet on page 13 of the instructions) | | | | |
| b Other interest expense | | | | |
| 5 Losses from foreign sources | | | | |
| 6 Add lines 2, 3g, 4a, 4b, and 5 | 5,000.00 | | | 6 5,000.00 |
| 7 Subtract line 6 from line 1. Enter the result here and on line 14, page 2 ▶ | | | | 7 34,596.00 |

Part II Foreign Taxes Paid or Accrued (see page 14 of the instructions)

| Country | Credit is claimed for taxes (you must check one) (m) <input type="checkbox"/> Paid (n) <input checked="" type="checkbox"/> Accrued | Foreign taxes paid or accrued | | | | | | | | | |
|----------|--|-------------------------------|---------------|-------------------------|--------------|---|---------------|-------------------------|--------------|---|---|
| | | In foreign currency | | | | In U.S. dollars | | | | | |
| | | (o) Date paid or accrued | (p) Dividends | (q) Rents and royalties | (r) Interest | (s) Other foreign taxes paid or accrued | (t) Dividends | (u) Rents and royalties | (v) Interest | (w) Other foreign taxes paid or accrued | (x) Total foreign taxes paid or accrued (add cols. (t) through (w)) |
| A | | 12/31/2004 | | | | | | | | 4,921.00 | 4,921.00 |
| B | | | | | | | | | | | |
| C | | | | | | | | | | | |

8 Add lines A through C, column (x). Enter the total here and on line 9, page 2 ▶ **8** 4,921.00

For Paperwork Reduction Act Notice, see page 18 of the instructions.

Cat. No. 11440U

Form **1116** (2005)

Part III Figuring the Credit

| | | | | |
|---|---|----|-----------|----------|
| 9 | Enter the amount from line 8. These are your total foreign taxes paid or accrued for the category of income checked above Part I | 9 | 4,921.00 | |
| 10 | Carryback or carryover (attach detailed computation) | 10 | | |
| 11 | Add lines 9 and 10. | 11 | 4,921.00 | |
| 12 | Reduction in foreign taxes (see page 15 of the instructions) | 12 | 0.00 | |
| 13 | Subtract line 12 from line 11. This is the total amount of foreign taxes available for credit | 13 | | 4,921.00 |
| 14 | Enter the amount from line 7. This is your taxable income or (loss) from sources outside the United States (before adjustments) for the category of income checked above Part I (see page 15 of the instructions) | 14 | 34,596.00 | |
| 15 | Adjustments to line 14 (see page 16 of the instructions) | 15 | | |
| 16 | Combine the amounts on lines 14 and 15. This is your net foreign source taxable income. (If the result is zero or less, you have no foreign tax credit for the category of income you checked above Part I. Skip lines 17 through 21. However, if you are filing more than one Form 1116, you must complete line 19.) | 16 | 34,596.00 | |
| 17 | Individuals: Enter the amount from Form 1040, line 41. If you are a nonresident alien, enter the amount from Form 1040NR, line 38. Estates and trusts: Enter your taxable income without the deduction for your exemption. | 17 | 34,596.00 | |
| Caution: If you figured your tax using the lower rates on qualified dividends or capital gains, see page 17 of the instructions. | | | | |
| 18 | Divide line 16 by line 17. If line 16 is more than line 17, enter "1" | 18 | | 1.00 |
| 19 | Individuals: Enter the amount from Form 1040, line 44. If you are a nonresident alien, enter the amount from Form 1040NR, line 41. Estates and trusts: Enter the amount from Form 1041, Schedule G, line 1a, or the total of Form 990-T, lines 36 and 37 | 19 | | 5,309.00 |
| Caution: If you are completing line 19 for separate category g (lump-sum distributions), see page 18 of the instructions. | | | | |
| 20 | Multiply line 19 by line 18 (maximum amount of credit) | 20 | | 5,309.00 |
| 21 | Enter the smaller of line 13 or line 20. If this is the only Form 1116 you are filing, skip lines 22 through 30 and enter this amount on line 31. Otherwise, complete the appropriate line in Part IV (see page 18 of the instructions) | 21 | | 4,921.00 |

Part IV Summary of Credits From Separate Parts III (see page 18 of the instructions)

| | | | | |
|----|---|----|--|----------|
| 22 | Credit for taxes on passive income | 22 | | |
| 23 | Credit for taxes on high withholding tax interest | 23 | | |
| 24 | Credit for taxes on financial services income | 24 | | |
| 25 | Credit for taxes on shipping income | 25 | | |
| 26 | Credit for taxes on dividends from a DISC or former DISC and certain distributions from a FSC or former FSC | 26 | | |
| 27 | Credit for taxes on lump-sum distributions | 27 | | |
| 28 | Credit for taxes on certain income re-sourced by treaty | 28 | | |
| 29 | Credit for taxes on general limitation income | 29 | | |
| 30 | Add lines 22 through 29 | 30 | | |
| 31 | Enter the smaller of line 19 or line 30 | 31 | | 4,921.00 |
| 32 | Reduction of credit for international boycott operations. See instructions for line 12 on page 15 | 32 | | |
| 33 | Subtract line 32 from line 31. This is your foreign tax credit . Enter here and on Form 1040, line 47; Form 1040NR, line 44; Form 1041, Schedule G, line 2a; or Form 990-T, line 40a | 33 | | 4,921.00 |

Answer to Comprehensive exercise for Dulce and Juan Vida

Form **1116**

Department of the Treasury
Internal Revenue Service (99)

Foreign Tax Credit

(Individual, Estate, or Trust)

▶ Attach to Form 1040, 1040NR, 1041, or 990-T.

▶ See separate instructions.

OMB No. 1545-0121

2005

Attachment
Sequence No. **19**

Name
Dulce & Juan Vida

Identifying number as shown on page 1 of your tax return

Use a separate Form 1116 for each category of income listed below. See **Categories of Income** on page 3 of the instructions. Check only one box on each Form 1116. Report all amounts in U.S. dollars except where specified in Part II below.

- a Passive income
- b High withholding tax interest
- c Financial services income
- d Shipping income
- e Dividends from a DISC or former DISC
- f Certain distributions from a foreign sales corporation (FSC) or former FSC
- g Lump-sum distributions
- h Section 901(j) income
- i Certain income re-sourced by treaty
- j General limitation income

k Resident of (name of country) ▶ Puerto Rico

Note: If you paid taxes to only one foreign country or U.S. possession, use column A in Part I and line A in Part II. If you paid taxes to more than one foreign country or U.S. possession, use a separate column and line for each country or possession.

Part I Taxable Income or Loss From Sources Outside the United States (for Category Checked Above)

| | Foreign Country or U.S. Possession | | | Total (Add cols. A, B, and C.) |
|--|------------------------------------|---|---|-----------------------------------|
| | A | B | C | |
| I Enter the name of the foreign country or U.S. possession ▶ | | | | |
| 1 Gross income from sources within country shown above and of the type checked above (see page 13 of the instructions): | | | | |
| | 25,975.00 | | | 1 25,975.00 |
| Deductions and losses (Caution: See pages 13 and 14 of the instructions): | | | | |
| 2 Expenses definitely related to the income on line 1 (attach statement) | 0.00 | | | |
| 3 Pro rata share of other deductions not definitely related: | | | | |
| a Certain itemized deductions or standard deduction (see instructions) | 5,141.00 | | | |
| b Other deductions (attach statement) | 0 | | | |
| c Add lines 3a and 3b | 5,141.00 | | | |
| d Gross foreign source income (see instructions) | 48,509.00 | | | |
| e Gross income from all sources (see instructions) | 48,509.00 | | | |
| f Divide line 3d by line 3e (see instructions) | 1.00 | | | |
| g Multiply line 3c by line 3f. | 5,141.00 | | | |
| 4 Pro rata share of interest expense (see instructions): | | | | |
| a Home mortgage interest (use worksheet on page 13 of the instructions) | 0 | | | |
| b Other interest expense | | | | |
| 5 Losses from foreign sources | | | | |
| 6 Add lines 2, 3g, 4a, 4b, and 5 | 0.00 | | | 6 5,141.00 |
| 7 Subtract line 6 from line 1. Enter the result here and on line 14, page 2 ▶ | | | | 7 20,834.00 |

Part II Foreign Taxes Paid or Accrued (see page 14 of the instructions)

| Country | Credit is claimed for taxes (you must check one) | | Foreign taxes paid or accrued | | | | | | | (x) Total foreign taxes paid or accrued (add cols. (t) through (w)) | | |
|---------|--|--------------------------|-------------------------------|-------------------------|--------------|---|---------------|-------------------------|--------------|---|---|----------|
| | (m) <input checked="" type="checkbox"/> Paid (n) <input type="checkbox"/> Accrued | (o) Date paid or accrued | In foreign currency | | | In U.S. dollars | | | | | | |
| | | | (p) Dividends | (q) Rents and royalties | (r) Interest | (s) Other foreign taxes paid or accrued | (t) Dividends | (u) Rents and royalties | (v) Interest | | (w) Other foreign taxes paid or accrued | |
| A | | 12/31/2004 | | | | | | | | | 4,398.00 | 4,398.00 |
| B | | | | | | | | | | | | |
| C | | | | | | | | | | | | |

8 Add lines A through C, column (x). Enter the total here and on line 9, page 2 ▶ **8** 4,398.00

For Paperwork Reduction Act Notice, see page 18 of the instructions.

Cat. No. 11440U

Form **1116** (2005)

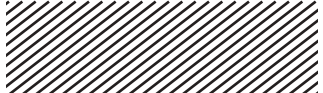
Part III Figuring the Credit

| | | | | |
|-----------|---|-----------|-----------|----------|
| 9 | Enter the amount from line 8. These are your total foreign taxes paid or accrued for the category of income checked above Part I | 9 | 4,398.00 | |
| 10 | Carryback or carryover (attach detailed computation) | 10 | 0.00 | |
| 11 | Add lines 9 and 10. | 11 | 4,398.00 | |
| 12 | Reduction in foreign taxes (see page 15 of the instructions). | 12 | 2,023.00 | |
| 13 | Subtract line 12 from line 11. This is the total amount of foreign taxes available for credit | 13 | | 2,375.00 |
| 14 | Enter the amount from line 7. This is your taxable income or (loss) from sources outside the United States (before adjustments) for the category of income checked above Part I (see page 15 of the instructions) | 14 | 20,834.00 | |
| 15 | Adjustments to line 14 (see page 16 of the instructions) | 15 | 0.00 | |
| 16 | Combine the amounts on lines 14 and 15. This is your net foreign source taxable income. (If the result is zero or less, you have no foreign tax credit for the category of income you checked above Part I. Skip lines 17 through 21. However, if you are filing more than one Form 1116, you must complete line 19.) | 16 | 20,834.00 | |
| 17 | Individuals: Enter the amount from Form 1040, line 41. If you are a nonresident alien, enter the amount from Form 1040NR, line 38. Estates and trusts: Enter your taxable income without the deduction for your exemption. <i>Caution: If you figured your tax using the lower rates on qualified dividends or capital gains, see page 17 of the instructions.</i> | 17 | 20,834.00 | |
| 18 | Divide line 16 by line 17. If line 16 is more than line 17, enter "1" | 18 | | 1.00 |
| 19 | Individuals: Enter the amount from Form 1040, line 44. If you are a nonresident alien, enter the amount from Form 1040NR, line 41. Estates and trusts: Enter the amount from Form 1041, Schedule G, line 1a, or the total of Form 990-T, lines 36 and 37 <i>Caution: If you are completing line 19 for separate category g (lump-sum distributions), see page 18 of the instructions.</i> | 19 | | 2,394.00 |
| 20 | Multiply line 19 by line 18 (maximum amount of credit) | 20 | | 2,394.00 |
| 21 | Enter the smaller of line 13 or line 20. If this is the only Form 1116 you are filing, skip lines 22 through 30 and enter this amount on line 31. Otherwise, complete the appropriate line in Part IV (see page 18 of the instructions) ▶ | 21 | | 2,394.00 |

Part IV Summary of Credits From Separate Parts III (see page 18 of the instructions)

| | | | | |
|-----------|---|-----------|--|----------|
| 22 | Credit for taxes on passive income | 22 | | |
| 23 | Credit for taxes on high withholding tax interest | 23 | | |
| 24 | Credit for taxes on financial services income | 24 | | |
| 25 | Credit for taxes on shipping income | 25 | | |
| 26 | Credit for taxes on dividends from a DISC or former DISC and certain distributions from a FSC or former FSC | 26 | | |
| 27 | Credit for taxes on lump-sum distributions | 27 | | |
| 28 | Credit for taxes on certain income re-sourced by treaty | 28 | | |
| 29 | Credit for taxes on general limitation income | 29 | | |
| 30 | Add lines 22 through 29 | 30 | | |
| 31 | Enter the smaller of line 19 or line 30 | 31 | | 2,394.00 |
| 32 | Reduction of credit for international boycott operations. See instructions for line 12 on page 15 | 32 | | |
| 33 | Subtract line 32 from line 31. This is your foreign tax credit . Enter here and on Form 1040, line 47; Form 1040NR, line 44; Form 1041, Schedule G, line 2a; or Form 990-T, line 40a ▶ | 33 | | 2,394.00 |

STUDENT NOTES



PART II

SELF EMPLOYMENT TAXES FORM 1040 PR

INTRODUCTION

Self-employment tax (SE tax) is a social security and Medicare tax primarily for individuals who work for themselves. It is similar to the social security and Medicare taxes withheld from the pay of most wage earners.

Social security benefits are available to people who are self-employed just as they are to wage earners. The payments of self-employment tax contribute to coverage under the social security system. Social security coverage provides retirement benefits, disability benefits, survivor benefits, and hospital insurance (Medicare) benefits. Self-employed taxpayers are not exempt from paying self-employment tax even if they are fully insured and receiving benefits under the social security system.

If a taxpayer has net earnings from self-employment of \$400 or more, he or she must pay self-employment tax. Residents of Puerto Rico who are not otherwise required to file a federal Form 1040 must file Form 1040-SS (English) or Form 1040-PR (Spanish) to report and pay self-employment tax and to claim the additional child tax credit for bonafide residents of Puerto Rico. Taxpayers who must file a federal Form 1040 will use Schedule C and Schedule SE and Form 8812 to claim the additional child tax credit.

Estimated tax is the normal method used to pay SE tax. Taxpayers generally have to make estimated tax payments if they expect to owe tax of \$1,000 or more. If estimated tax payments are required but not paid, a penalty is assessed on the underpayment of tax. Estimated tax payments will be discussed in a later section.

If taxpayers are bona fide residents of Puerto Rico and they qualify to claim the additional child tax credit, they should complete and file Form 1040-PR or Form 1040-SS.

NOTE: As this training material went to print, neither a draft 2005 Form 1040-PR nor a draft 2005 Form 1040-SS was available. All examples relate to 2005 tax law but the examples use 2004 forms. Your instructor will provide you copies of the 2005 forms.

1040PR

SELF EMPLOYMENT TAX

WHO MUST PAY THE TAX

Anyone who carries on a trade or business normally must pay self-employment tax. A trade or business is generally an activity that is carried on for livelihood, or in good faith to make a profit. A profit does not actually have to be made each year as long as there is a profit motive. Areas considered important when making a determination that a person has a trade or business operating for profit are:

1. Regularity of the activities and transactions, and
2. Production of income

Taxpayers considered to be self-employed are sole proprietors, independent contractors, partnership members, and anyone who is in business for himself. The business activity does not have to be full time. Even if the taxpayer is retired and receiving social security benefits, his/her self-employment is subject to self-employment tax.

Some different kinds of self-employment are listed below. Refer to Publication 533, *Self-Employment Tax*, for additional information.

1. Part-time jobs such as working in your spare time fixing televisions and radios.
2. Professional—the income that a doctor or lawyer receives from his/her practice is self-employment income.
3. Independent contractor—a taxpayer who contracts with others to do work is an independent contractor.
4. Partners in partnerships must pay S.E. tax. For example, two brothers own and run a fruit stand together as partners. Each must include his share of income or loss in the partnership as self-employment income.
5. Sole proprietor—the taxpayer owns and runs a local restaurant. Income from the restaurant is self-employment.

Example 1

Alan Brito owns a small take out stand at Luquillo Beach, he works there on weekends. He has a full-time job during the week working for the Puerto Rican government. Alan's income from the take-out stand is considered self-employed income.

Example 2

Amanda sells Avon products to all her neighbors. Amanda is self-employed.

Example 3

Jose works for American Express as a service representative. Jose is an employee of American Express.

COMPUTATION OF SELF-EMPLOYMENT TAX

There are three ways to compute self-employment tax:

1. The regular Method
2. The Nonfarm Optional Method, and
3. The Farm Optional Method (this method is not discussed in the VITA training)

Regular Method

Most taxpayers will use this method to compute their S.E. tax. Taxpayers must use the regular method unless they are eligible to use one or both of the optional methods.

The first step in calculating the SE tax using this method is to determine the net profit.

If taxpayers have more than one trade or business, their net earnings from self-employment are the combined net earnings from all of the businesses. A loss in one business will reduce the income earned in another.

All allowable deductions, including depreciation, must be claimed. Making false statements to get or to increase social security benefits may subject the taxpayer to penalties. Net profit from self-employment normally include all of the items of business income and deductions allowed for P.R. income tax purposes.

However, there are some deductions and exemptions that should not be included when the self-employment tax is computed.

Do Not Use

1. Deduction for personal exemptions for yourself, spouse, or dependents.
2. Any net operating loss deduction and,
3. Nonbusiness deductions, i.e., itemized deductions.

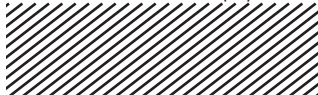
Example 4

A grocery store owner has the following items of income and expenses:

| | |
|------------------------------|----------|
| Gross profits from sales | \$57,400 |
| Salaries paid | 20,000 |
| Rent | 4,700 |
| Heat, light, and telephone | 2,400 |
| Other expenses | 1,900 |
| Gain on sale of refrigerator | 350 |
| Fire loss on store building | 1,200 |
| Net operating loss carryover | 1,000 |

To figure taxable income on the P.R. return, all of the above items would be used. However, to figure net earnings from self-employment on U.S. Form 1040-PR, use the following:

| | |
|-----------------------|--------------|
| Gross profit on sales | \$57,400 |
| Expense: | |
| Salaries | \$20,000 |
| Rent | 4,700 |
| Light & telephone | 2,400 |
| Other expenses | <u>1,900</u> |
| Total expenses | \$29,000 |
| Net profit | \$28,400 |



The \$28,400 is the net profit from self-employment; the sale of the refrigerator, the fire loss and the net operating loss carried over from a previous year are not included in the calculation. Even though all these items of income or loss are related to the business, they are not direct income or losses from the operation of the business, and therefore are not subject to S.E. tax.

The **second step** is to determine the net earnings from self-employment. To determine the net earnings, the net profit is multiplied by 92.35% (.9235).

Example 5

The net profit from Example 4 is multiplied by 92.35% (.9235). In this example the net earnings from self-employment will be \$26,227.

The **third and final step** is to determine the actual tax. The net earnings calculated should be multiplied by the current S.E. tax rates of 12.4% for social security tax and 2.9% (.029) medicare tax.

Example 6

The tax calculations for the grocery store owner in Example 4 will be computed as follows:

| | | | | |
|----------------|---|------|---|---------|
| \$26,227 | x | .124 | = | \$3,252 |
| \$26,227 | x | .029 | = | \$ 761 |
| Total S.E. tax | | | = | \$4,013 |

Nonfarm Optional Method

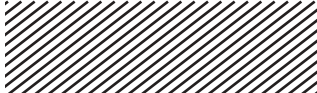
By using the nonfarm optional method, a taxpayer can continue coverage for self-employment tax when his/her net profit for the year is small or he/she has a loss. But a taxpayer may not use this method to report an amount less than \$400 or the actual net earnings from self-employment. This method is normally desired by taxpayers who need additional quarters of credit to obtain social security benefit.

Taxpayers use the nonfarm optional method only for earnings that do not come from farming. All of the following tests must be met to use this method:

1. Net nonfarm profits must be less than \$1,733.
2. Net earnings from nonfarm self-employment are \$400 or more in at least 2 of the three years preceding the one for which this method is used.
3. The net nonfarm profits must be less than 72.189% of gross nonfarm income.
4. The method has not been used in more than 4 previous years. The life time limit for any taxpayer is 5 years.

If the gross income from all nonfarm trade or business is \$2,400 or less, and the four tests above are met, the net earnings will be equal to two-thirds of the gross nonfarm income or the actual net earnings.

Under the nonfarm optional method, report two-thirds of the gross nonfarm income, up to \$1,600, as the net earnings. Do not report less than the actual net earnings from nonfarm self-employment.



Example 7

Jose Lopez had actual net earnings of \$400 or more during 2003 and 2004 from working with the Loteria. He meets the test for regular self-employment. His earnings from the Loteria in 2005 are as follows:

Gross income \$1,200

Net Earnings 400

Because his actual net earnings from self-employment are less than \$1,600 and less than two-thirds of his total nonfarm income, Jose may either report his actual net earnings of \$400 for 2005 or he may use the optional method to report \$800 (two-thirds).

Example 8

Assume that Jose had gross income of \$1,000 and net earnings of \$800. He must report his actual net earnings of \$800. The reason for this is that \$800 is more than two-thirds of his gross income (limitation 3).

Example 9

Assume the same facts as Example 7 except that Jose has a net loss of \$700. He may report two-thirds of \$1,200 (\$800) as net earnings under the nonfarm optional method.

If the gross income from all nonfarm trades or businesses is more than \$2,400 and all four tests (limitations) are met, the taxpayer may report \$1,600 as the net earnings from self-employment.

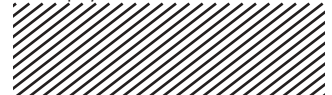
Example 10

Linda Silva runs a beauty salon. Her net earnings from self-employment in 2003 were \$19,500; and in 2004 \$9,500. She therefore meets the test for the regular method. Her earnings from self-employment for 2005 are as follows:

Gross income \$2,800

Net Earnings 800

Because her actual net earnings from self-employment (\$800) are less than \$1,600 and less than two-thirds of her gross nonfarm income, Linda may choose to report \$1,600 as her net earnings from self-employment for 2005 or she may report \$800, under the regular method.



Example 11

Use the same facts in Example 10 except that her actual net profit for 2005 is \$1,700. She may not use the optional method and report \$1,600 as her net earned income from self-employment.

Example 12

Use the same facts in Example 10 except that Linda has a net loss of \$700 for 2005. She can use the optional method and report \$1,600 as her net earnings from self-employment.

COMPLETION OF FORM 1040-PR

Bonafide residents of P.R. will use Form 1040PR to report self-employment income earned in P.R. and to compute the self-employment tax due. Residents of P.R. who have income subject to U.S. tax and also have self-employment income earned in P.R. will use Schedule C and SE to report and pay the self-employment tax. An annotation will be made at the bottom of Schedule C and Form 1040 (For Self-Employment Tax Only.) to indicate that this self-employment income is not subject to U.S. federal income tax and that it is exempt under IRC 933. Enter 0 on line 12 of U.S. Form 1040.

The Form 1040-PR can be filed using the married filing jointly status. Use the table below to determine which parts of the form should be completed:

Exhibit 1 Determination of which part of Form 1040-PR should be completed

| Part | SE Income Taxpayer Only | SE Income Spouse Only | SE Income Taxpayer & Spouse |
|------|-------------------------|-----------------------|--|
| I | X | X, if applicable | X |
| II | X, if applicable | X, if applicable | X, if applicable |
| III | NA for VITA | NA for VITA | NA for VITA |
| IV | X | X | Complete a separate Part IV for taxpayer and spouse |
| V | X | X | Complete a separate Part V for taxpayer and spouse |
| VI | X, if applicable | X, if applicable | X, if applicable Complete a separate Part VI for taxpayer and spouse. |

Example 13

Nick and Judith Hernandez are U.S. citizens and bona fide residents of P.R. They will file a joint return.

Judith earned \$9,645 as an employee of Banco de Hato Rey.

Nick is a self-employed carpenter. For 2005, he had gross receipts of \$10,000 and the following expenses:

| | |
|----------------|---------|
| Advertising | \$50 |
| Supplies | \$250 |
| Truck Expenses | \$1,825 |

Nick and Judith have 3 qualifying children for the additional child tax credit.

| Children's Name | SSN | Relationship |
|-----------------|-------------|--------------|
| Juan | 000-00-4921 | Son |
| Maria | 000-00-6792 | Daughter |
| Petra | 000-00-3764 | Daughter |

Nick and Judith's 2005 Form 1040-PR will be completed as follows:

| | | |
|--|--|---|
| Forma 1040-PR Department of the Treasury Internal Revenue Service | Planilla para la Declaración de la Contribución Federal sobre el Trabajo por Cuenta Propia (Incluyendo el Crédito Tributario Adicional por Hijos para Residentes <i>Bona fide</i> de Puerto Rico) Para el año que comienza el primero de enero del 2005 y termina el 31 de diciembre del 2005, o cualquier otro año contributivo comenzado el del 2005 y terminado el del 20 | OMB No. 1545-0090 <div style="font-size: 2em; font-weight: bold;">2005</div> |
|--|--|---|

| | | | |
|---|---|------------------------------|---|
| Por favor, escriba a maquina o con letra de molde | Nombre e inicial de su segundo nombre Nick | Apellido Hernandez | Su número de seguro social 000 : 00 : 2644 |
| | Si es una planilla conjunta, nombre e inicial del(la) cónyuge Judith | Apellido Hernandez | Número de seguro social del(la) cónyuge 000 : 00 : 4126 |
| | Dirección actual (calle, número, número de apartamento o ruta rural) Lago Dr. Villa Casa 12 | | |
| | Ciudad, pueblo u oficina postal y zona postal (ZIP) Carolina PR 00985 | | |

Parte I Contribución y créditos totales

1 Estado civil. Marque el encasillado para su estado civil. Vea la página 4 de las instrucciones.

Soltero(a)
 Casado(a) que radica una planilla conjunta
 Casado(a) que radica una planilla por separado. Anote arriba el número de seguro social de su cónyuge y su nombre completo aquí. ▶ _____

2 Hijos calificados. Complete esta sección **únicamente** si usted es un(a) residente *bona fide* de Puerto Rico y reclama el crédito tributario adicional por hijos. Vea la página 5 de las instrucciones.

| (a) Nombre de pila | Apellido(s) | (b) Número de seguro social del(la) hijo(a) | (c) Parentesco del(la) hijo(a) con usted |
|--------------------|-------------|---|--|
| Juan | | 000 : 00 : 4921 | Son |
| Maria | | 000 : 00 : 3764 | Daughter |
| Peter | | 000 : 00 : 3764 | Daughter |

| | | | |
|---|-----------|-------|--|
| 3 Contribución sobre el trabajo por cuenta propia de la línea 12 de la Parte V | 3 | 1,113 | |
| 4 Contribuciones por empleados domésticos. Adjunte el Anexo H-PR (Forma 1040-PR) (vea la página 4 de las instrucciones) | 4 | 1,113 | |
| 5 Contribuciones totales. Sumé las líneas 3 y 4 | 5 | | |
| 6 Pagos hechos mediante declaración de contribución estimada del año 2005 (vea la página 4 de las instrucciones) | 6 | | |
| 7 Contribución al seguro social retenida en exceso (vea la página 4 de las instrucciones) | 7 | | |
| 8 Crédito tributario adicional por hijos de la línea 3 de la Parte II | 8 | 1,295 | |
| 9 Crédito tributario por cobertura de seguro de salud. Adjunte la Forma 8885 | 9 | | |
| 10 Pagos y créditos totales. Sumé las líneas de la 6 a la 9 | 10 | 1,295 | |
| 11 Si la línea 10 es mayor que la línea 5, reste la cantidad de la línea 5 de la de la línea 10. Esta es la cantidad pagada en exceso ▶ | 11 | 182 | |
| 12 Cantidad de la línea 11 que desea que se le reintegre ▶ | 12 | 182 | |
| 13 Cantidad de la línea 11 que desea que se le acredite a la contribución estimada del 2006 ▶ | 13 | | |
| 14 Cantidad que usted debe. Reste la cantidad de la línea 10 de la de la línea 5. Para detalles sobre cómo se paga, vea la página 1 de las instrucciones ▶ | 14 | | |

Tercero Autorizado ¿Desea permitir que otra persona discuta esta planilla con el IRS (vea las instrucciones)? . . . **Sí.** Complete lo siguiente. **No**

| | | |
|--------------------------------|--------------------------------|---|
| Nombre de esta persona ▶ _____ | Número de teléfono ▶ () _____ | Número de identificación personal (PIN) ▶ _____ |
|--------------------------------|--------------------------------|---|

Sírvase firmar aquí Declaro bajo las penalidades de perjurio que esta planilla, incluyendo los anexos y demás documentos que le acompañan, ha sido examinada por mí y que según mi mejor conocimiento y creencia es cierta, correcta y completa. La declaración del(la) agente o preparador(a) (que no es el(la) contribuyente) está basada en toda la información sobre la cual el(la) agente o preparador(a) tenía conocimiento.

¿Declaración conjunta? Vea la página 4. Conserve una copia para su archivo.

| | | |
|---|---|---|
| Su firma | Fecha | Número de teléfono durante el día () _____ |
| Firma del(la) cónyuge. Si radica conjuntamente, ambos cónyuges deben firmar. | Fecha | |
| Firma del(la) preparador(a) ▶ | Fecha | Marque aquí si el(la) preparador(a) trabaja por cuenta propia <input type="checkbox"/> SSN o PTIN Número de identificación patronal : _____ Número de teléfono () _____ |
| Para uso del(la) preparador(a) remunerado(a) solamente | Nombre del negocio (o del(la) preparador(a), si trabaja por cuenta propia), dirección y zona postal ▶ | Número de identificación patronal : _____ Número de teléfono () _____ |

Vea en la página 8 el Aviso sobre la Ley de Confidencialidad de Información y la Ley de Reducción de Trámites. Cat. No. 17182F Forma **1040-PR** (2005)

Parte II Residentes bona fide de Puerto Rico que reclaman el Crédito Tributario Adicional por Hijos. (Vea la página 5 de las instrucciones.)

| | | | |
|---|--|---|--------|
| 1 | Ingresos recibidos de fuentes dentro de Puerto Rico | 1 | 17,520 |
| 2 | Contribuciones al seguro social y al Medicare retenidas de su(s) Forma(s) 499R-2/W-2PR o W-2 (adjunte copia(s) de dicha(s) forma(s)) | 2 | 738 |
| 3 | Crédito tributario adicional por hijos. Vea la hoja de cómputos en la página 6 de las instrucciones para la cantidad que usted puede anotar aquí y en la línea 8 de la página 1 | 3 | 1,295 |

Parte III Ganancia o pérdida de negocio agropecuario

| | |
|-------------------------------|-------------------------|
| Nombre del(la) propietario(a) | Número de seguro social |
| | |

Aviso: Si usted radica una planilla conjunta y tanto usted como su cónyuge tuvieron una ganancia o pérdida de un negocio agropecuario, cada uno de ustedes debe llenar y adjuntar una Parte III por separado. Vea, Casado(a) que radica una planilla conjunta, en la página 4 de las instrucciones.

Sección A—Ingreso de negocio agropecuario—Método de contabilidad a base de efectivo—Complete las Secciones A y B
(Si usted usa el método de contabilidad a base de lo devengado, complete las Secciones B y C, así como la línea 11 de la Sección A.)
No incluya la venta de animales usados para tiro, cría, entretenimiento o lechería.

| | | | | |
|----|--|----|---------------------|--|
| 1 | Venta de animales y otros artículos que usted compró para revender | 1 | | |
| 2 | Costo u otra base de los animales y otros artículos que usted informó en la línea 1. | 2 | | |
| 3 | Reste la línea 2 de la línea 1 | 3 | | |
| 4 | Ventas de animales, productos agrícolas, granos y otros productos que usted cultivó | 4 | | |
| 5a | Total de distribuciones de cooperativas (Forma(s) 1099-PATR) 5a | 5b | Cantidad tributable | |
| 6 | Pagos recibidos del programa de agricultura | 6 | | |
| 7 | Préstamos de la Commodity Credit Corporation informados bajo elección (o decomisado) | 7 | | |
| 8 | Ingreso de seguro de cosechas | 8 | | |
| 9 | Ingreso de servicios prestados con equipo agrícola | 9 | | |
| 10 | Otros ingresos | 10 | | |
| 11 | Ingreso bruto agropecuario. Sume las líneas de la columna derecha desde la 3 hasta la 10, ambas inclusive. Si usted es un(a) contribuyente que usa el método de contabilidad a base de lo devengado, anote la cantidad que aparece en la línea 49 de la Sección C | 11 | | |

Sección B—Gastos de negocio agropecuario—Métodos de contabilidad a base de efectivo y a base de lo devengado
No incluya gastos personales o de manutención (tales como contribuciones, seguros, reparaciones, etc., de su casa), que no fueron para la producción de ingreso agropecuario. Antes de anotar los gastos, más abajo, reste de éstos cualquier reembolso recibido por los mismos.

| | | | | | | | | | |
|----|--|-----|--|--|-----|---|-----|--|--|
| 12 | Gastos de automóvil o de camión (junte a esta planilla la Forma 4562) | 12 | | | 25 | Planes de pensión y de participación en las ganancias | 25 | | |
| 13 | Productos químicos | 13 | | | 26 | Renta o alquiler: | | | |
| 14 | Gastos de conservación | 14 | | | 26a | a Vehículos, maquinaria y equipo | | | |
| 15 | Servicios de equipo agrícola | 15 | | | 26b | b Otro (tierra, animales, etc.) | | | |
| 16 | Depreciación, gastos y deducciones hechas de acuerdo a la sección 179 del Código Federal de Rentas Internas no reclamadas en otra parte de esta planilla (junte a esta planilla la Forma 4562 si está obligado(a) a hacerlo) | 16 | | | 27 | Reparaciones y mantenimiento. | 27 | | |
| 17 | Programas de beneficios para los empleados, excepto los incluidos en la línea 25. | 17 | | | 28 | Compra de semillas y plantas | 28 | | |
| 18 | Compra de alimentos para animales. | 18 | | | 29 | Gastos de almacenaje | 29 | | |
| 19 | Fertilizantes y cal | 19 | | | 30 | Compra de materiales | 30 | | |
| 20 | Fletes y acarreo | 20 | | | 31 | Contribuciones | 31 | | |
| 21 | Gasolina, combustible y aceite | 21 | | | 32 | Servicios públicos (agua, electricidad, gas, etc.) | 32 | | |
| 22 | Seguros (excepto de salud) | 22 | | | 33 | Honorarios pagados a veterinarios, cría y medicinas | 33 | | |
| 23 | Intereses: | | | | 34 | Otros gastos (especifique): | | | |
| a | Sobre hipotecas (pagados a bancos, etc.) | 23a | | | a | ..... | 34a | | |
| b | Otros | 23b | | | b | ..... | 34b | | |
| 24 | Mano de obra | 24 | | | c | ..... | 34c | | |
| | | | | | d | ..... | 34d | | |
| | | | | | e | ..... | 34e | | |
| 35 | Total de gastos. Sume las líneas de la 12 a la 34e | 35 | | | | | | | |
| 36 | Ganancia (o pérdida) neta de negocio agropecuario. Reste la línea 35 de la línea 11. Anote el resultado aquí y en la línea 1 de la Parte V | 36 | | | | | | | |

Sección C—Ingreso de negocio agropecuario—Método de contabilidad a base de lo devengado
No incluya en las líneas de abajo la venta de animales usados para tiro, cría, entretenimiento o lechería.

| | | | |
|-----|--|-----|---------------------|
| 37 | Venta de animales, productos agrícolas, granos y otros productos durante el año | 37 | |
| 38a | Total de distribuciones de cooperativas (Forma(s) 1099-PATR) 38a | 38b | Cantidad tributable |
| 39 | Pagos recibidos del programa de agricultura | 39 | |
| 40 | Préstamos de la <i>Commodity Credit Corporation</i> informados bajo elección (o decomisado). | 40 | |
| 41 | Ingreso de servicios prestados con equipo agrícola | 41 | |
| 42 | Otros ingresos de negocio agropecuario (especifique) | 42 | |
| 43 | Sume las líneas de la columna derecha desde la 37 hasta la 42 , ambas inclusive | 43 | |
| 44 | Inventario de animales, productos agrícolas, granos y otros productos al comienzo del año | 44 | |
| 45 | Costo de animales, productos agrícolas, granos y otros productos comprados durante el año | 45 | |
| 46 | Sume las líneas 44 y 45 | 46 | |
| 47 | Inventario de animales, productos agrícolas, granos y otros productos al final del año | 47 | |
| 48 | Costo de animales, productos agrícolas, granos y otros productos agrícolas vendidos. Reste la línea 47 de la línea 46 * | 48 | |
| 49 | Ingreso bruto agropecuario. Reste la línea 48 de la línea 43 . Anote el resultado aquí y en la página 2, línea 11, Parte III. ▶ | 49 | |

*Si usted usa el método de precio por unidad para los animales, o el método de precio de finca para valorar su inventario y la cantidad que aparece en la línea 47 es mayor que la de la línea 46, reste la línea 46 de la línea 47 y anote el resultado en la línea 48. Después sume las líneas 43 y 48, y anote en la línea 49 el total obtenido.

Parte IV Ganancia o pérdida de negocio (por cuenta propia)

| | |
|-------------------------------|--|
| Nombre del(la) propietario(a) | Número de seguro social 000 \| 00 \| 2644 |
|-------------------------------|--|

Aviso: Si usted radica una planilla conjunta y tanto usted como su cónyuge tuvieron una ganancia o pérdida de un negocio agropecuario, cada uno de ustedes debe llenar y adjuntar una Parte IV por separado. Vea, Casado(a) que radica una planilla conjunta, en la página 4 de las instrucciones.

Sección A—Ingresos

| | | | | | |
|----|---|--|-----------|--------|--------|
| 1 | Total de ingresos \$ | Menos devoluciones y descuentos \$ | Balance ▶ | 1 | 10,000 |
| 2a | Inventario al comenzar el año | 2a | | | |
| b | Compras menos el costo de los artículos retirados del negocio para uso personal | 2b | | | |
| c | Costo de mano de obra. No incluya ninguna cantidad pagada a usted mismo(a) | 2c | | | |
| d | Materiales y suministros | 2d | | | |
| e | Otros costos (junte una explicación) | 2e | | | |
| f | Sume las líneas de la 2a a la 2e | 2f | | | |
| g | Inventario al final del año | 2g | | | |
| h | Costo de mercancías vendidas. Reste la línea 2g de la línea 2f | 2h | | | |
| 3 | Ganancia bruta. Reste la línea 2h de la línea 1 | 3 | | 10,000 | |
| 4 | Otros ingresos | 4 | | | |
| 5 | Ingreso bruto. Sume las líneas 3 y 4 ▶ | 5 | | 10,000 | |

Sección B—Gastos

| | | | | | | | |
|----|--|-----|-------|-----|--|-------|-----|
| 6 | Anuncios y publicidad | 6 | 50 | 19 | Reparaciones y manutención | 19 | |
| 7 | Gastos de vehículos de motor (junte a esta planilla la Forma 4562) | 7 | 1,825 | 20 | Materiales (no incluidos en la Sección A) | 20 | 250 |
| 8 | Comisiones y cuotas | 8 | | 21 | Contribuciones y licencias | 21 | |
| 9 | Trabajo por contrato | 9 | | 22 | Gastos de viaje, comidas y entretenimiento: | | |
| 10 | Agotamiento | 10 | | a | Viajes | 22a | |
| 11 | Depreciación, gastos y deducciones de acuerdo a la sección 179 del Código (no incluida en la Sección A). (Junte a esta planilla la Forma 4562 si está obligado(a) a hacerlo.) | 11 | | b | Total de comidas y entretenimiento | | |
| 12 | Programas para el beneficio de los empleados (excepto los incluidos en la línea 17) | 12 | | c | Anote la cantidad no deducible incluida en la línea 22b | | |
| 13 | Seguros (excepto de salud) | 13 | | d | Reste la línea 22c de la línea 22b | 22d | |
| 14 | Intereses sobre deudas del negocio | 14 | | 23 | Servicios públicos (agua, electricidad, gas, etc.) | 23 | |
| 15 | Servicios legales y profesionales | 15 | | 24 | Sueldos no incluidos en la línea 2c | 24 | |
| 16 | Gastos de oficina | 16 | | 25a | Otros gastos (indique tipo de gasto y cantidad): | | |
| 17 | Planes de pensión y de participación en las ganancias. | 17 |  |  | ..... |  |  |
| 18 | Renta o alquiler: |  |  |  | ..... |  |  |
| a | Vehículos, maquinaria y equipo | 18a | | b | Total de los otros gastos | 25b | |
| b | Otra propiedad comercial | 18b | | | | | |
| 26 | Total de gastos. Sume las líneas de la 6 a la 25b ▶ | 26 | | 26 | | 2,125 | |
| 27 | Ganancia (o pérdida) neta. Reste la línea 26 de la línea 5 . Anote el resultado aquí y en la línea 2 de la Parte V | 27 | | 27 | | 7,875 | |

Parte V Contribución sobre el ingreso del trabajo por cuenta propia—Si recibió ingreso como empleado(a) de una iglesia, vea la página 2 de las instrucciones antes de seguir.

| | | |
|--|---|-------------|
| Nombre del individuo que recibió ingreso del trabajo por cuenta propia | Número de seguro social del individuo con ingreso del trabajo por cuenta propia ▶ | 000 00 2644 |
|--|---|-------------|

Aviso: Si radica una planilla de contribución conjunta y tanto usted como su cónyuge recibieron ingreso del trabajo por cuenta propia, cada uno de ustedes debe llenar una Parte V por separado.

A Si usted es ministro, miembro de una orden religiosa o practicante de la Ciencia Cristiana y usted radicó la Forma 4361, pero obtuvo otras ganancias netas ascendentes a \$400 ó más del trabajo por cuenta propia, marque este encasillado y continúe en la Parte V.

| | | | |
|---|----|--------|----|
| 1 Ganancia (o pérdida) neta procedente de un negocio agropecuario, la cantidad de la línea 36, Parte III, más la parte recibida por usted de una sociedad agropecuaria. Nota: No llene esta línea si usted usa el método opcional para computar la ganancia neta de un negocio agropecuario. Vea la página 8 de las instrucciones | | | |
| 2 Ganancia (o pérdida) neta procedente de un negocio no agropecuario, la cantidad de la línea 27, Parte IV, más la parte recibida por usted de una sociedad no agropecuaria. Los eclesiásticos o miembros de una orden religiosa deben ver la página 2 para las cantidades que tienen que informar en esta línea. Nota: No llene esta línea si usted usa el método opcional para computar la ganancia neta de un negocio no agropecuario. Vea la página 8 | | 7,875 | |
| 3 Combine las líneas 1 y 2 | | 7,875 | |
| 4a Si la línea 3 es más de cero, multiplique la línea 3 por el 92.35% (.9235). De otro modo, anote la cantidad de la línea 3 | | 7,273 | |
| 4b Si usted eligió uno (o ambos) de los dos métodos opcionales, anote aquí el total de las líneas 2 y 4 de la Parte VI | | | |
| 4c Combine las líneas 4a y 4b. Si es menos de \$400, usted no adeuda la contribución federal sobre el trabajo por cuenta propia. Excepción: Si es menos de \$400 y usted tenía ingreso como empleado(a) de una iglesia o debe la contribución sobre propinas o seguro de vida grupal a término, anote -0- y continúe ▶ | | 7,273 | |
| 5a Anote su ingreso como empleado(a) de una iglesia de la(s) Forma(s) 499R-2/W-2PR o W-2 | 5a | | |
| 5b Multiplique la línea 5a por el 92.35% (.9235). Si es menos de \$100, anote -0- | 5b | | |
| 6 Ganancias netas del trabajo por cuenta propia. Sume las líneas 4c y 5b ▶ | | 7,273 | |
| 7 Cantidad máxima de salarios e ingreso del trabajo por cuenta propia combinados sujeta a la contribución al seguro social en el 2005. | | 87,900 | 00 |
| 8a Total de salarios y propinas sujetos a la contribución al seguro social, según aparecen en la(s) Forma(s) 499R-2/W-2PR o W-2. Si es \$90,000 ó más, continúe en la línea 11 | 8a | | |
| 8b Propinas que usted no informó a su patrono y que están sujetas a la contribución al seguro social de la línea 9 de la Forma 4137 (vea la página 8) | 8b | | |
| 8c Sume las líneas 8a y 8b | | 0 | |
| 9 Reste la línea 8c de la línea 7. Si es cero o menos, anote -0- aquí y también en la línea 10 y pase a la línea 11 ▶ | | 87,900 | |
| 10 Multiplique por el 12.4% (.124) la cantidad que resulte menor entre la línea 6 ó la línea 9 | | 902 | |
| 11 Multiplique por el 2.9% (.029) la cantidad de la línea 6 | | 211 | |
| 12 Contribución sobre el trabajo por cuenta propia. Sume las líneas 10 y 11. Anótela aquí y en la línea 3 de la Parte I | | 1,113 | |

Parte VI Métodos opcionales para computar la ganancia neta. Vea la página 8 de las instrucciones para las limitaciones.

Aviso: Si usted radica una planilla conjunta y tanto usted como su cónyuge eligen usar el método opcional para computar sus ganancias netas, cada uno de ustedes debe llenar y adjuntar una Parte VI por separado.

| | | | |
|--|--|---------|----|
| Método opcional—Negocio agropecuario. | | | |
| 1 Ingreso máximo para los efectos de los métodos opcionales | | \$1,600 | 00 |
| 2 Anote la menor de: dos tercios (2/3) del ingreso bruto del negocio agropecuario de la línea 11, Parte III, más la parte recibida por usted de una sociedad agropecuaria (pero no menos de cero), o \$1,600. Incluya esta cantidad en la línea 4b de la Parte V, arriba | | | |
| Método opcional—Negocio no agropecuario. | | | |
| 3 Reste la línea 2 de la línea 1 | | | |
| 4 Anote la menor de: dos tercios (2/3) del ingreso bruto del negocio no agropecuario de la línea 5, Parte IV, más la parte recibida por usted de una sociedad no agropecuaria (pero no menos de cero), o la cantidad que aparece en la línea 3 de la Parte VI, arriba. Incluya también esta cantidad en la línea 4b de la Parte V, arriba | | | |

Estimated Tax

Estimated tax is the method used to pay SE tax. Taxpayers generally have to make estimated tax payments if they expect to owe \$1,000 or more when they file their return.

The estimated tax is made on a quarterly basis. The payment due dates are April 15, June 15, September 15, and January 15 of each year. Equal payments are made for each quarterly payment period. If a taxpayer does not owe tax for the first quarter(s), or the taxpayer begins doing business in the middle of the year, he/she should make estimated tax payments for the quarters remaining.

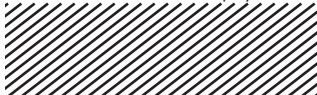
If the taxpayer is required to make estimated payments and fails to do so, he/she may be subject to a penalty for underpayment of estimated tax. The penalty is computed on Form 2210. The penalty rates is determined each year by using the interest rate prevailing on certain dates during this year. Remember that for 2006, if the taxpayer estimates his/her S.E. tax to be more than \$1,000, he/she is required to make estimated payments.

Computing the Estimated Tax

The estimated tax worksheet should be used to determine the estimated S.E. tax.

The worksheet is included in Form 1040-ES (Español).

A record of payment should be kept to help verify the payments reported on Form 1040PR at the end of the year. The record should include the date of the payment, the amount, credits for the amounts carried over from the prior years and the net payment due for the quarter. Form 1040-ES (Español) includes a table for this purpose.



Exercise 1

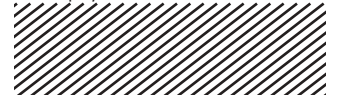
Manuel Verdolaga worked for the Loteria in 2005 and had gross income of \$7,000. He had the following expenses:

Rent \$1,000

Supplies 200

He made timely estimated tax payments totaling \$650.

Prepare Manuel's 2005 Form 1040-PR.



| | | |
|--|--|---|
| Forma 1040-PR Department of the Treasury Internal Revenue Service | Planilla para la Declaración de la Contribución Federal sobre el Trabajo por Cuenta Propia (Incluyendo el Crédito Tributario Adicional por Hijos para Residentes <i>Bona fide</i> de Puerto Rico) Para el año que comienza el primero de enero del 2005 y termina el 31 de diciembre del 2005, o cualquier otro año contributivo comenzado el del 2005 y terminado el del 20 . | OMB No. 1545-0090 <h1 style="font-size: 2em; margin: 0;">2005</h1> |
|--|--|---|

Por favor, escriba a maquina o con letra de molde

| | | |
|--|----------|---|
| Nombre e inicial de su segundo nombre | Apellido | Su número de seguro social |
| Si es una planilla conjunta, nombre e inicial del(la) cónyuge | Apellido | Número de seguro social del(la) cónyuge |
| Dirección actual (calle, número, número de apartamento o ruta rural) | | |
| Ciudad, pueblo u oficina postal y zona postal (ZIP) | | |

Parte I Contribución y créditos totales

- 1 Estado civil.** Marque el encasillado para su estado civil. Vea la página 4 de las instrucciones.
 - Soltero(a)
 - Casado(a) que radica una planilla conjunta
 - Casado(a) que radica una planilla por separado. Anote arriba el número de seguro social de su cónyuge y su nombre completo aquí. ►

2 Hijos calificados. Complete esta sección **únicamente** si usted es un(a) residente *bona fide* de Puerto Rico y reclama el crédito tributario adicional por hijos. Vea la página 5 de las instrucciones.

| (a) Nombre de pila | Apellido(s) | (b) Número de seguro social del(la) hijo(a) | (c) Parentesco del(la) hijo(a) con usted |
|--------------------|-------------|---|--|
| | | | |
| | | | |
| | | | |

| | | | |
|--|-----------|--|--|
| 3 Contribución sobre el trabajo por cuenta propia de la línea 12 de la Parte V | 3 | | |
| 4 Contribuciones por empleados domésticos. Adjunte el Anexo H-PR (Forma 1040-PR) (vea la página 4 de las instrucciones) | 4 | | |
| 5 Contribuciones totales. Sume las líneas 3 y 4 | 5 | | |
| 6 Pagos hechos mediante declaración de contribución estimada del año 2005 (vea la página 4 de las instrucciones) | 6 | | |
| 7 Contribución al seguro social retenida en exceso (vea la página 4 de las instrucciones) | 7 | | |
| 8 Crédito tributario adicional por hijos de la línea 3 de la Parte II | 8 | | |
| 9 Crédito tributario por cobertura de seguro de salud. Adjunte la Forma 8885 | 9 | | |
| 10 Pagos y créditos totales. Sume las líneas de la 6 a la 9 | 10 | | |
| 11 Si la línea 10 es mayor que la línea 5, reste la cantidad de la línea 5 de la de la línea 10. Esta es la cantidad pagada en exceso | 11 | | |
| 12 Cantidad de la línea 11 que desea que se le reintegre | 12 | | |
| 13 Cantidad de la línea 11 que desea que se le acredite a la contribución estimada del 2006 ► 13 | | | |
| 14 Cantidad que usted debe. Reste la cantidad de la línea 10 de la de la línea 5. Para detalles sobre cómo se paga, vea la página 1 de las instrucciones | 14 | | |

Tercero Autorizado ¿Desea permitir que otra persona discuta esta planilla con el IRS (vea las instrucciones)? . . . **Sí.** Complete lo siguiente. **No**

| | | |
|--------------------------|--------------------------|---|
| Nombre de esta persona ► | Número de teléfono ► () | Número de identificación personal (PIN) ► |
|--------------------------|--------------------------|---|

Sírvase firmar aquí Declaro bajo las penalidades de perjurio que esta planilla, incluyendo los anexos y demás documentos que le acompañan, ha sido examinada por mí y que según mi mejor conocimiento y creencia es cierta, correcta y completa. La declaración del(la) agente o preparador(a) (que no es el(la) contribuyente) está basada en toda la información sobre la cual el(la) agente o preparador(a) tenía conocimiento.

¿Declaración conjunta? Vea la página 4. **Sí** **No**

| | | |
|---|-------|---------------------------------------|
| Su firma | Fecha | Número de teléfono durante el día () |
| Firma del(la) cónyuge. Si radica conjuntamente, ambos cónyuges deben firmar. | Fecha | |

| | | | | |
|---|---|-------|--|------------|
| Para uso del(la) preparador(a) remunerado(a) solamente | Firma del(la) preparador(a) ► | Fecha | Marque aquí si el(la) preparador(a) trabaja por cuenta propia <input type="checkbox"/> | SSN o PTIN |
| | Nombre del negocio (o del(la) preparador(a), si trabaja por cuenta propia), dirección y zona postal ► | | Número de identificación patronal | |
| | | | Número de teléfono () | |

Vea en la página 8 el Aviso sobre la Ley de Confidencialidad de Información y la Ley de Reducción de Trámites. Cat. No. 17182F Forma **1040-PR** (2005)

Parte II Residentes bona fide de Puerto Rico que reclaman el Crédito Tributario Adicional por Hijos. (Vea la página 5 de las instrucciones.)

| | | | | |
|---|--|---|--|--|
| 1 | Ingresos recibidos de fuentes dentro de Puerto Rico | 1 | | |
| 2 | Contribuciones al seguro social y al Medicare retenidas de su(s) Forma(s) 499R-2/W-2PR o W-2 (adjunte copia(s) de dicha(s) forma(s)) | 2 | | |
| 3 | Crédito tributario adicional por hijos. Vea la hoja de cómputos en la página 6 de las instrucciones para la cantidad que usted puede anotar aquí y en la línea 8 de la página 1 | 3 | | |

Parte III Ganancia o pérdida de negocio agropecuario

| | |
|-------------------------------|-------------------------|
| Nombre del(la) propietario(a) | Número de seguro social |
|-------------------------------|-------------------------|

Aviso: Si usted radica una planilla conjunta y tanto usted como su cónyuge tuvieron una ganancia o pérdida de un negocio agropecuario, cada uno de ustedes debe llenar y adjuntar una Parte III por separado. Vea, Casado(a) que radica una planilla conjunta, en la página 4 de las instrucciones.

Sección A—Ingreso de negocio agropecuario—Método de contabilidad a base de efectivo—Complete las Secciones A y B
 (Si usted usa el método de contabilidad a base de lo devengado, complete las Secciones B y C, así como la línea 11 de la Sección A.)
No incluya la venta de animales usados para tiro, cría, entretenimiento o lechería.

| | | | | |
|----|--|----|---------------------|--|
| 1 | Venta de animales y otros artículos que usted compró para revender | 1 | | |
| 2 | Costo u otra base de los animales y otros artículos que usted informó en la línea 1 | 2 | | |
| 3 | Reste la línea 2 de la línea 1 | 3 | | |
| 4 | Ventas de animales, productos agrícolas, granos y otros productos que usted cultivó | 4 | | |
| 5a | Total de distribuciones de cooperativas (Forma(s) 1099-PATR) 5a | 5b | Cantidad tributable | |
| 6 | Pagos recibidos del programa de agricultura | 6 | | |
| 7 | Préstamos de la Commodity Credit Corporation informados bajo elección (o decomisado) | 7 | | |
| 8 | Ingreso de seguro de cosechas | 8 | | |
| 9 | Ingreso de servicios prestados con equipo agrícola | 9 | | |
| 10 | Otros ingresos | 10 | | |
| 11 | Ingreso bruto agropecuario. Sume las líneas de la columna derecha desde la 3 hasta la 10, ambas inclusive. Si usted es un(a) contribuyente que usa el método de contabilidad a base de lo devengado, anote la cantidad que aparece en la línea 49 de la Sección C | 11 | | |

Sección B—Gastos de negocio agropecuario—Métodos de contabilidad a base de efectivo y a base de lo devengado
No incluya gastos personales o de manutención (tales como contribuciones, seguros, reparaciones, etc., de su casa), que no fueron para la producción de ingreso agropecuario. Antes de anotar los gastos, más abajo, reste de éstos cualquier reembolso recibido por los mismos.

| | | | | | | | | | |
|----|--|-----|--|--|----|---|-----|--|--|
| 12 | Gastos de automóvil o de camión (junte a esta planilla la Forma 4562) | 12 | | | 25 | Planes de pensión y de participación en las ganancias | 25 | | |
| 13 | Productos químicos | 13 | | | 26 | Renta o alquiler: | | | |
| 14 | Gastos de conservación | 14 | | | a | Vehículos, maquinaria y equipo | 26a | | |
| 15 | Servicios de equipo agrícola | 15 | | | b | Otro (tierra, animales, etc.) | 26b | | |
| 16 | Depreciación, gastos y deducciones hechas de acuerdo a la sección 179 del Código Federal de Rentas Internas no reclamadas en otra parte de esta planilla (junte a esta planilla la Forma 4562 si está obligado(a) a hacerlo) | 16 | | | 27 | Reparaciones y mantenimiento | 27 | | |
| 17 | Programas de beneficios para los empleados, excepto los incluidos en la línea 25 | 17 | | | 28 | Compra de semillas y plantas | 28 | | |
| 18 | Compra de alimentos para animales | 18 | | | 29 | Gastos de almacenaje | 29 | | |
| 19 | Fertilizantes y cal | 19 | | | 30 | Compra de materiales | 30 | | |
| 20 | Fletes y acarreo | 20 | | | 31 | Contribuciones | 31 | | |
| 21 | Gasolina, combustible y aceite | 21 | | | 32 | Servicios públicos (agua, electricidad, gas, etc.) | 32 | | |
| 22 | Seguros (excepto de salud) | 22 | | | 33 | Honorarios pagados a veterinarios, cría y medicinas | 33 | | |
| 23 | Intereses: | | | | 34 | Otros gastos (especifique): | | | |
| a | Sobre hipotecas (pagados a bancos, etc.) | 23a | | | a | ..... | 34a | | |
| b | Otros | 23b | | | b | ..... | 34b | | |
| 24 | Mano de obra | 24 | | | c | ..... | 34c | | |
| | | | | | d | ..... | 34d | | |
| | | | | | e | ..... | 34e | | |
| 35 | Total de gastos. Sume las líneas de la 12 a la 34e | 35 | | | | | | | |
| 36 | Ganancia (o pérdida) neta de negocio agropecuario. Reste la línea 35 de la línea 11. Anote el resultado aquí y en la línea 1 de la Parte V | 36 | | | | | | | |

Sección C—Ingreso de negocio agropecuario—Método de contabilidad a base de lo devengado
No incluya en las líneas de abajo la venta de animales usados para tiro, cría, entretenimiento o lechería.

| | | | | |
|-----|---|-----|-----|---------------------|
| 37 | Venta de animales, productos agrícolas, granos y otros productos durante el año | | 37 | |
| 38a | Total de distribuciones de cooperativas (Forma(s) 1099-PATR) | 38a | 38b | Cantidad tributable |
| 39 | Pagos recibidos del programa de agricultura | | 39 | |
| 40 | Préstamos de la <i>Commodity Credit Corporation</i> informados bajo elección (o decomisado) | | 40 | |
| 41 | Ingreso de servicios prestados con equipo agrícola | | 41 | |
| 42 | Otros ingresos de negocio agropecuario (especifique) | | 42 | |
| 43 | Sume las líneas de la columna derecha desde la 37 hasta la 42, ambas inclusive | | 43 | |
| 44 | Inventario de animales, productos agrícolas, granos y otros productos al comienzo del año | 44 | | |
| 45 | Costo de animales, productos agrícolas, granos y otros productos comprados durante el año | 45 | | |
| 46 | Sume las líneas 44 y 45 | 46 | | |
| 47 | Inventario de animales, productos agrícolas, granos y otros productos al final del año | 47 | | |
| 48 | Costo de animales, productos agrícolas, granos y otros productos agrícolas vendidos. Reste la línea 47 de la línea 46* | | 48 | |
| 49 | Ingreso bruto agropecuario. Reste la línea 48 de la línea 43. Anote el resultado aquí y en la página 2, línea 11, Parte III. | | 49 | |

*Si usted usa el método de precio por unidad para los animales, o el método de precio de finca para valorar su inventario y la cantidad que aparece en la línea 47 es mayor que la de la línea 46, reste la línea 46 de la línea 47 y anote el resultado en la línea 48. Después sume las líneas 43 y 48, y anote en la línea 49 el total obtenido.

Parte IV Ganancia o pérdida de negocio (por cuenta propia)

| | |
|-------------------------------|-------------------------|
| Nombre del(la) propietario(a) | Número de seguro social |
|-------------------------------|-------------------------|

Aviso: Si usted radica una planilla conjunta y tanto usted como su cónyuge tuvieron una ganancia o pérdida de un negocio agropecuario, cada uno de ustedes debe llenar y adjuntar una Parte IV por separado. Vea, **Casado(a) que radica una planilla conjunta**, en la página 4 de las instrucciones.

Sección A—Ingresos

| | | | | |
|----|---|------------------------------------|-----------|---|
| 1 | Total de ingresos \$ | Menos devoluciones y descuentos \$ | Balance ▶ | 1 |
| 2a | Inventario al comenzar el año | 2a | | |
| b | Compras menos el costo de los artículos retirados del negocio para uso personal | 2b | | |
| c | Costo de mano de obra. No incluya ninguna cantidad pagada a usted mismo(a) | 2c | | |
| d | Materiales y suministros | 2d | | |
| e | Otros costos (junte una explicación) | 2e | | |
| f | Sume las líneas de la 2a a la 2e | 2f | | |
| g | Inventario al final del año | 2g | | |
| h | Costo de mercancías vendidas. Reste la línea 2g de la línea 2f. | 2h | | |
| 3 | Ganancia bruta. Reste la línea 2h de la línea 1 | 3 | | |
| 4 | Otros ingresos | 4 | | |
| 5 | Ingreso bruto. Sume las líneas 3 y 4 | 5 | | |

Sección B—Gastos

| | | | | | |
|----|--|-----|-----|---|-----|
| 6 | Anuncios y publicidad | 6 | 19 | Reparaciones y mantenimiento | 19 |
| 7 | Gastos de vehículos de motor (junte a esta planilla la Forma 4562) | 7 | 20 | Materiales (no incluidos en la Sección A) | 20 |
| 8 | Comisiones y cuotas | 8 | 21 | Contribuciones y licencias | 21 |
| 9 | Trabajo por contrato | 9 | 22 | Gastos de viaje, comidas y entretenimiento: | |
| 10 | Agotamiento | 10 | a | Viajes | 22a |
| 11 | Depreciación, gastos y deducciones de acuerdo a la sección 179 del Código (no incluida en la Sección A). (Junte a esta planilla la Forma 4562 si está obligado(a) a hacerlo.) | 11 | b | Total de comidas y entretenimiento | |
| 12 | Programas para el beneficio de los empleados (excepto los incluidos en la línea 17) | 12 | c | Anote la cantidad no deducible incluida en la línea 22b | |
| 13 | Seguros (excepto de salud) | 13 | d | Reste la línea 22c de la línea 22b | 22d |
| 14 | Intereses sobre deudas del negocio | 14 | 23 | Servicios públicos (agua, electricidad, gas, etc.) | 23 |
| 15 | Servicios legales y profesionales | 15 | 24 | Sueldos no incluidos en la línea 2c | 24 |
| 16 | Gastos de oficina | 16 | 25a | Otros gastos (indique tipo de gasto y cantidad): | |
| 17 | Planes de pensión y de participación en las ganancias | 17 | | | |
| 18 | Renta o alquiler: | | b | Total de los otros gastos | 25b |
| a | Vehículos, maquinaria y equipo | 18a | | | |
| b | Otra propiedad comercial | 18b | | | |
| 26 | Total de gastos. Sume las líneas de la 6 a la 25b | 26 | | | |
| 27 | Ganancia (o pérdida) neta. Reste la línea 26 de la línea 5. Anote el resultado aquí y en la línea 2 de la Parte V | 27 | | | |

Forma 1040-PR (2005)

Página 4

Parte V Contribución sobre el ingreso del trabajo por cuenta propia—Si recibió ingreso como empleado(a) de una iglesia, vea la página 2 de las instrucciones antes de seguir.

| | | |
|--|---|--|
| Nombre del individuo que recibió ingreso del trabajo por cuenta propia | Número de seguro social del individuo con ingreso del trabajo por cuenta propia ▶ | |
|--|---|--|

Aviso: Si radica una planilla de contribución conjunta y tanto usted como su cónyuge recibieron ingreso del trabajo por cuenta propia, cada uno de ustedes debe llenar una Parte V por separado.

A Si usted es ministro, miembro de una orden religiosa o practicante de la Ciencia Cristiana y usted radicó la Forma 4361, pero obtuvo otras ganancias netas ascendentes a \$400 ó más del trabajo por cuenta propia, marque este encasillado y continúe en la Parte V. ▶

| | | | |
|---|-----------|----------|----|
| 1 Ganancia (o pérdida) neta procedente de un negocio agropecuario, la cantidad de la línea 36, Parte III, más la parte recibida por usted de una sociedad agropecuaria. Nota: No llene esta línea si usted usa el método opcional para computar la ganancia neta de un negocio agropecuario. Vea la página 8 de las instrucciones | 1 | | |
| 2 Ganancia (o pérdida) neta procedente de un negocio no agropecuario, la cantidad de la línea 27, Parte IV, más la parte recibida por usted de una sociedad no agropecuaria. Los eclesiásticos o miembros de una orden religiosa deben ver la página 2 para las cantidades que tienen que informar en esta línea. Nota: No llene esta línea si usted usa el método opcional para computar la ganancia neta de un negocio no agropecuario. Vea la página 8 | 2 | | |
| 3 Combine las líneas 1 y 2 | 3 | | |
| 4a Si la línea 3 es más de cero, multiplique la línea 3 por el 92.35% (.9235). De otro modo, anote la cantidad de la línea 3 | 4a | | |
| 4b Si usted eligió uno (o ambos) de los dos métodos opcionales, anote aquí el total de las líneas 2 y 4 de la Parte VI | 4b | | |
| 4c Combine las líneas 4a y 4b. Si es menos de \$400, usted no adeuda la contribución federal sobre el trabajo por cuenta propia. Excepción: Si es menos de \$400 y usted tenía ingreso como empleado(a) de una iglesia o debe la contribución sobre propinas o seguro de vida grupal a término, anote -0- y continúe ▶ | 4c | | |
| 5a Anote su ingreso como empleado(a) de una iglesia de la(s) Forma(s) 499R-2/W-2PR o W-2 | 5a | | |
| 5b Multiplique la línea 5a por el 92.35% (.9235). Si es menos de \$100, anote -0- | 5b | | |
| 6 Ganancias netas del trabajo por cuenta propia. Sume las líneas 4c y 5b ▶ | 6 | | |
| 7 Cantidad máxima de salarios e ingreso del trabajo por cuenta propia combinados sujeta a la contribución al seguro social en el 2005. | 7 | \$87,900 | 00 |
| 8a Total de salarios y propinas sujetos a la contribución al seguro social, según aparecen en la(s) Forma(s) 499R-2/W-2PR o W-2. Si es \$90,000 ó más, continúe en la línea 11 | 8a | | |
| 8b Propinas que usted no informó a su patrono y que están sujetas a la contribución al seguro social de la línea 9 de la Forma 4137 (vea la página 8) | 8b | | |
| 8c Sume las líneas 8a y 8b | 8c | | |
| 9 Reste la línea 8c de la línea 7. Si es cero o menos, anote -0- aquí y también en la línea 10 y pase a la línea 11 ▶ | 9 | | |
| 10 Multiplique por el 12.4% (.124) la cantidad que resulte menor entre la línea 6 ó la línea 9 | 10 | | |
| 11 Multiplique por el 2.9% (.029) la cantidad de la línea 6 | 11 | | |
| 12 Contribución sobre el trabajo por cuenta propia. Sume las líneas 10 y 11. Anótela aquí y en la línea 3 de la Parte I | 12 | | |

Parte VI Métodos opcionales para computar la ganancia neta. Vea la página 8 de las instrucciones para las limitaciones.

Aviso: Si usted radica una planilla conjunta y tanto usted como su cónyuge eligen usar el método opcional para computar sus ganancias netas, cada uno de ustedes debe llenar y adjuntar una Parte VI por separado.

| | | | |
|--|----------|---------|----|
| Método opcional—Negocio agropecuario. | | | |
| 1 Ingreso máximo para los efectos de los métodos opcionales | 1 | \$1,600 | 00 |
| 2 Anote la menor de: dos tercios (2/3) del ingreso bruto del negocio agropecuario de la línea 11, Parte III, más la parte recibida por usted de una sociedad agropecuaria (pero no menos de cero), o \$1,600. Incluya esta cantidad en la línea 4b de la Parte V, arriba | 2 | | |
| Método opcional—Negocio no agropecuario. | | | |
| 3 Reste la línea 2 de la línea 1 | 3 | | |
| 4 Anote la menor de: dos tercios (2/3) del ingreso bruto del negocio no agropecuario de la línea 5, Parte IV, más la parte recibida por usted de una sociedad no agropecuaria (pero no menos de cero), o la cantidad que aparece en la línea 3 de la Parte VI, arriba. Incluya también esta cantidad en la línea 4b de la Parte V, arriba | 4 | | |

Forma 1040-PR (2005)



COMPREHENSIVE PROBLEM

Pablo and Maria Sultan are U.S. citizens and bona fide residents of P.R. They will file a joint tax return.

Maria earned \$15,675 as an employee of a local resort hotel. Maria's form W-2PR shows social security tax withheld of \$972 and medicare tax withheld of \$227.

Pablo is a self-employed accountant who had \$10,600 in gross income and the following expenses:

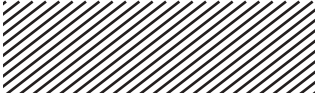
| | |
|-------------|---------|
| Rent | \$1,500 |
| Supplies | 250 |
| Advertising | 250 |
| Utilities | 200 |

Pablo and Maria have 3 qualifying children for the additional child tax credit. The children's information is:

| | | |
|--------|-------------|-----|
| Trevor | 000-00-3215 | Son |
| Miguel | 000-00-6821 | Son |
| Jose | 000-00-1598 | Son |

Pablo and Maria made 4 timely estimated tax payments of \$150 each.

Prepare Pablo and Maria's 2005 Form 1040PR.



| | | | |
|---|--|---|--|
| Forma 1040-PR Department of the Treasury Internal Revenue Service | Planilla para la Declaración de la Contribución Federal sobre el Trabajo por Cuenta Propia (Incluyendo el Crédito Tributario Adicional por Hijos para Residentes <i>Bona fide</i> de Puerto Rico) Para el año que comienza el primero de enero del 2005 y termina el 31 de diciembre del 2005, o cualquier otro año contributivo comenzado el del 2005 y terminado el del 20 | OMB No. 1545-0090 2005 | |
| Por favor, escriba a maquina o con letra de molde | Nombre e inicial de su segundo nombre | Apellido | Su número de seguro social |
| | Si es una planilla conjunta, nombre e inicial del(la) cónyuge | Apellido | Número de seguro social del(la) cónyuge |
| | Dirección actual (calle, número, número de apartamento o ruta rural) | | |
| | Ciudad, pueblo u oficina postal y zona postal (ZIP) | | |
| Parte I Contribución y créditos totales | | | |
| 1 Estado civil. Marque el encasillado para su estado civil. Vea la página 4 de las instrucciones. <input type="checkbox"/> Soltero(a) <input type="checkbox"/> Casado(a) que radica una planilla conjunta <input type="checkbox"/> Casado(a) que radica una planilla por separado. Anote arriba el número de seguro social de su cónyuge y su nombre completo aquí. ▶ | | | |
| 2 Hijos calificados. Complete esta sección únicamente si usted es un(a) residente <i>bona fide</i> de Puerto Rico y reclama el crédito tributario adicional por hijos. Vea la página 5 de las instrucciones. | | | |
| (a) Nombre de pila | Apellido(s) | (b) Número de seguro social del(la) hijo(a) | (c) Parentesco del(la) hijo(a) con usted |
| | | | |
| | | | |
| | | | |
| | | | |
| 3 Contribución sobre el trabajo por cuenta propia de la línea 12 de la Parte V | 6 | 3 | |
| 4 Contribuciones por empleados domésticos. Adjunte el Anexo H-PR (Forma 1040-PR) (vea la página 4 de las instrucciones) | 7 | 4 | |
| 5 Contribuciones totales. Sumé las líneas 3 y 4 | 8 | 5 | |
| 6 Pagos hechos mediante declaración de contribución estimada del año 2005 (vea la página 4 de las instrucciones) | 9 | 6 | |
| 7 Contribución al seguro social retenida en exceso (vea la página 4 de las instrucciones) | | | |
| 8 Crédito tributario adicional por hijos de la línea 3 de la Parte II | | | |
| 9 Crédito tributario por cobertura de seguro de salud. Adjunte la Forma 8885 | | | |
| 10 Pagos y créditos totales. Sumé las líneas de la 6 a la 9 | | 10 | |
| 11 Si la línea 10 es mayor que la línea 5, reste la cantidad de la línea 5 de la de la línea 10. Esta es la cantidad pagada en exceso | | 11 | |
| 12 Cantidad de la línea 11 que desea que se le reintegre | | 12 | |
| 13 Cantidad de la línea 11 que desea que se le acredite a la contribución estimada del 2006 ▶ | 13 | | |
| 14 Cantidad que usted debe. Reste la cantidad de la línea 10 de la de la línea 5. Para detalles sobre cómo se paga, vea la página 1 de las instrucciones | | 14 | |
| Tercero Autorizado | ¿Desea permitir que otra persona discuta esta planilla con el IRS (vea las instrucciones)? <input type="checkbox"/> Sí. Complete lo siguiente. <input type="checkbox"/> No | | |
| Nombre de esta persona ▶ | Número de teléfono ▶ () | Número de identificación personal (PIN) ▶ | |
| Sírvase firmar aquí | Declaro bajo las penalidades de perjurio que esta planilla, incluyendo los anexos y demás documentos que le acompañan, ha sido examinada por mí y que según mi mejor conocimiento y creencia es cierta, correcta y completa. La declaración del(la) agente o preparador(a) (que no es el(la) contribuyente) está basada en toda la información sobre la cual el(la) agente o preparador(a) tenía conocimiento. | | |
| ¿Declaración conjunta? Vea la página 4. Conserve una copia para su archivo. | Su firma | Fecha | Número de teléfono durante el día () |
| | Firma del(la) cónyuge. Si radica conjuntamente, ambos cónyuges deben firmar. | Fecha | |
| Para uso del(la) preparador(a) remunerado(a) solamente | Firma del(la) preparador(a) ▶ | Fecha | Marque aquí si el(la) preparador(a) trabaja por cuenta propia <input type="checkbox"/> SSN o PTIN |
| | Nombre del negocio (o del(la) preparador(a), si trabaja por cuenta propia), dirección y zona postal ▶ | | Número de identificación patronal |
| | | | Número de teléfono () |
| Vea en la página 8 el Aviso sobre la Ley de Confidencialidad de Información y la Ley de Reducción de Trámites. Cat. No. 17182F Forma 1040-PR (2005) | | | |

Parte II Residentes bona fide de Puerto Rico que reclaman el Crédito Tributario Adicional por Hijos. (Vea la página 5 de las instrucciones.)

| | | | |
|--|---|--|--|
| 1 Ingresos recibidos de fuentes dentro de Puerto Rico | 1 | | |
| 2 Contribuciones al seguro social y al Medicare retenidas de su(s) Forma(s) 499R-2/W-2PR o W-2 (adjunte copia(s) de dicha(s) forma(s)) | 2 | | |
| 3 Crédito tributario adicional por hijos. Vea la hoja de cómputos en la página 6 de las instrucciones para la cantidad que usted puede anotar aquí y en la línea 8 de la página 1 | 3 | | |

Parte III Ganancia o pérdida de negocio agropecuario

| | |
|-------------------------------|-------------------------|
| Nombre del(la) propietario(a) | Número de seguro social |
| | |

Aviso: Si usted radica una planilla conjunta y tanto usted como su cónyuge tuvieron una ganancia o pérdida de un negocio agropecuario, cada uno de ustedes debe llenar y adjuntar una Parte III por separado. Vea, Casado(a) que radica una planilla conjunta, en la página 4 de las instrucciones.

Sección A—Ingreso de negocio agropecuario—Método de contabilidad a base de efectivo—Complete las Secciones A y B (Si usted usa el método de contabilidad a base de lo devengado, complete las Secciones B y C, así como la línea 11 de la Sección A.)
No incluya la venta de animales usados para tiro, cría, entretenimiento o lechería.

| | | | |
|---|----|---------------------|--|
| 1 Venta de animales y otros artículos que usted compró para revender | 1 | | |
| 2 Costo u otra base de los animales y otros artículos que usted informó en la línea 1 | 2 | | |
| 3 Reste la línea 2 de la línea 1 | 3 | | |
| 4 Ventas de animales, productos agrícolas, granos y otros productos que usted cultivó | 4 | | |
| 5a Total de distribuciones de cooperativas (Forma(s) 1099-PATR) 5a | 5b | Cantidad tributable | |
| 6 Pagos recibidos del programa de agricultura | 6 | | |
| 7 Préstamos de la Commodity Credit Corporation informados bajo elección (o decomisado) | 7 | | |
| 8 Ingreso de seguro de cosechas | 8 | | |
| 9 Ingreso de servicios prestados con equipo agrícola | 9 | | |
| 10 Otros ingresos | 10 | | |
| 11 Ingreso bruto agropecuario. Sume las líneas de la columna derecha desde la 3 hasta la 10, ambas inclusive. Si usted es un(a) contribuyente que usa el método de contabilidad a base de lo devengado, anote la cantidad que aparece en la línea 49 de la Sección C | 11 | | |

Sección B—Gastos de negocio agropecuario—Métodos de contabilidad a base de efectivo y a base de lo devengado
No incluya gastos personales o de manutención (tales como contribuciones, seguros, reparaciones, etc., de su casa), que no fueron para la producción de ingreso agropecuario. Antes de anotar los gastos, más abajo, reste de éstos cualquier reembolso recibido por los mismos.

| | | | | | | | |
|---|-----|--|--|--|-----|--|--|
| 12 Gastos de automóvil o de camión (junte a esta planilla la Forma 4562) | 12 | | | 25 Planes de pensión y de participación en las ganancias | 25 | | |
| 13 Productos químicos | 13 | | | 26 Renta o alquiler: | | | |
| 14 Gastos de conservación | 14 | | | a Vehículos, maquinaria y equipo | 26a | | |
| 15 Servicios de equipo agrícola | 15 | | | b Otro (tierra, animales, etc.) | 26b | | |
| 16 Depreciación, gastos y deducciones hechas de acuerdo a la sección 179 del Código Federal de Rentas Internas no reclamadas en otra parte de esta planilla (junte a esta planilla la Forma 4562 si está obligado(a) a hacerlo) | 16 | | | 27 Reparaciones y mantenimiento | 27 | | |
| 17 Programas de beneficios para los empleados, excepto los incluidos en la línea 25 | 17 | | | 28 Compra de semillas y plantas | 28 | | |
| 18 Compra de alimentos para animales | 18 | | | 29 Gastos de almacenaje | 29 | | |
| 19 Fertilizantes y cal | 19 | | | 30 Compra de materiales | 30 | | |
| 20 Fletes y acarreo | 20 | | | 31 Contribuciones | 31 | | |
| 21 Gasolina, combustible y aceite | 21 | | | 32 Servicios públicos (agua, electricidad, gas, etc.) | 32 | | |
| 22 Seguros (excepto de salud) | 22 | | | 33 Honorarios pagados a veterinarios, cría y medicinas | 33 | | |
| 23 Intereses: | | | | 34 Otros gastos (especifique): | | | |
| a Sobre hipotecas (pagados a bancos, etc.) | 23a | | | a | 34a | | |
| b Otros | 23b | | | b | 34b | | |
| 24 Mano de obra | 24 | | | c | 34c | | |
| | | | | d | 34d | | |
| | | | | e | 34e | | |
| 35 Total de gastos. Sume las líneas de la 12 a la 34e | 35 | | | | | | |
| 36 Ganancia (o pérdida) neta de negocio agropecuario. Reste la línea 35 de la línea 11. Anote el resultado aquí y en la línea 1 de la Parte V | 36 | | | | | | |

Sección C—Ingreso de negocio agropecuario—Método de contabilidad a base de lo devengado
No incluya en las líneas de abajo la venta de animales usados para tiro, cría, entretenimiento o lechería.

| | | | | |
|-----|--|----|-----|---------------------|
| 37 | Venta de animales, productos agrícolas, granos y otros productos durante el año | | 37 | |
| 38a | Total de distribuciones de cooperativas (Forma(s) 1099-PATR) 38a | | 38b | Cantidad tributable |
| 39 | Pagos recibidos del programa de agricultura | | 39 | |
| 40 | Préstamos de la <i>Commodity Credit Corporation</i> informados bajo elección (o decomisado). | | 40 | |
| 41 | Ingreso de servicios prestados con equipo agrícola | | 41 | |
| 42 | Otros ingresos de negocio agropecuario (especifique) | | 42 | |
| 43 | Sume las líneas de la columna derecha desde la 37 hasta la 42 , ambas inclusive | | 43 | |
| 44 | Inventario de animales, productos agrícolas, granos y otros productos al comienzo del año | 44 | | |
| 45 | Costo de animales, productos agrícolas, granos y otros productos comprados durante el año | 45 | | |
| 46 | Sume las líneas 44 y 45 | 46 | | |
| 47 | Inventario de animales, productos agrícolas, granos y otros productos al final del año | 47 | | |
| 48 | Costo de animales, productos agrícolas, granos y otros productos agrícolas vendidos. Reste la línea 47 de la línea 46 * | | 48 | |
| 49 | Ingreso bruto agropecuario. Reste la línea 48 de la línea 43 . Anote el resultado aquí y en la página 2, línea 11, Parte III. | | 49 | |

*Si usted usa el método de precio por unidad para los animales, o el método de precio de finca para valorar su inventario y la cantidad que aparece en la línea 47 es mayor que la de la línea 46, reste la línea 46 de la línea 47 y anote el resultado en la línea 48. Después sume las líneas 43 y 48, y anote en la línea 49 el total obtenido.

Parte IV Ganancia o pérdida de negocio (por cuenta propia)

| | |
|-------------------------------|-------------------------|
| Nombre del(la) propietario(a) | Número de seguro social |
|-------------------------------|-------------------------|

Aviso: Si usted radica una planilla conjunta y tanto usted como su cónyuge tuvieron una ganancia o pérdida de un negocio agropecuario, cada uno de ustedes debe llenar y adjuntar una Parte IV por separado. Vea, Casado(a) que radica una planilla conjunta, en la página 4 de las instrucciones.

Sección A—Ingresos

| | | | | |
|----|---|--|-----------|----|
| 1 | Total de ingresos \$ | Menos devoluciones y descuentos \$ | Balance ▶ | 1 |
| 2a | Inventario al comenzar el año | 2a | | |
| b | Compras menos el costo de los artículos retirados del negocio para uso personal | 2b | | |
| c | Costo de mano de obra. No incluya ninguna cantidad pagada a usted mismo(a) | 2c | | |
| d | Materiales y suministros | 2d | | |
| e | Otros costos (junte una explicación) | 2e | | |
| f | Sume las líneas de la 2a a la 2e | 2f | | |
| g | Inventario al final del año | 2g | | |
| h | Costo de mercancías vendidas. Reste la línea 2g de la línea 2f | | | 2h |
| 3 | Ganancia bruta. Reste la línea 2h de la línea 1 | | | 3 |
| 4 | Otros ingresos | | | 4 |
| 5 | Ingreso bruto. Sume las líneas 3 y 4 | | | 5 |

Sección B—Gastos

| | | | | | | | |
|----|--|-----|--|-----|--|-----|--|
| 6 | Anuncios y publicidad | 6 | | 19 | Reparaciones y manutención | 19 | |
| 7 | Gastos de vehículos de motor (junte a esta planilla la Forma 4562) | 7 | | 20 | Materiales (no incluidos en la Sección A) | 20 | |
| 8 | Comisiones y cuotas | 8 | | 21 | Contribuciones y licencias | 21 | |
| 9 | Trabajo por contrato | 9 | | 22 | Gastos de viaje, comidas y entretenimiento: | | |
| 10 | Agotamiento | 10 | | a | Viajes | 22a | |
| 11 | Depreciación, gastos y deducciones de acuerdo a la sección 179 del Código (no incluida en la Sección A). (Junte a esta planilla la Forma 4562 si está obligado(a) a hacerlo.) | 11 | | b | Total de comidas y entretenimiento | | |
| 12 | Programas para el beneficio de los empleados (excepto los incluidos en la línea 17) | 12 | | c | Anote la cantidad no deducible incluida en la línea 22b | | |
| 13 | Seguros (excepto de salud) | 13 | | d | Reste la línea 22c de la línea 22b | 22d | |
| 14 | Intereses sobre deudas del negocio | 14 | | 23 | Servicios públicos (agua, electricidad, gas, etc.) | 23 | |
| 15 | Servicios legales y profesionales | 15 | | 24 | Sueldos no incluidos en la línea 2c | 24 | |
| 16 | Gastos de oficina | 16 | | 25a | Otros gastos (indique tipo de gasto y cantidad): | | |
| 17 | Planes de pensión y de participación en las ganancias. | 17 |  |  | ..... |  |  |
| 18 | Renta o alquiler: |  |  |  | ..... |  |  |
| a | Vehículos, maquinaria y equipo | 18a | | b | Total de los otros gastos | 25b | |
| b | Otra propiedad comercial | 18b | | | | | |
| 26 | Total de gastos. Sume las líneas de la 6 a la 25b | | | | | 26 | |
| 27 | Ganancia (o pérdida) neta. Reste la línea 26 de la línea 5 . Anote el resultado aquí y en la línea 2 de la Parte V | | | | | 27 | |

Parte V Contribución sobre el ingreso del trabajo por cuenta propia—Si recibió ingreso como empleado(a) de una iglesia, vea la página 2 de las instrucciones antes de seguir.

| | |
|--|---|
| Nombre del individuo que recibió ingreso del trabajo por cuenta propia | Número de seguro social del individuo con ingreso del trabajo por cuenta propia ▶ |
|--|---|

Aviso: Si radica una planilla de contribución conjunta y tanto usted como su cónyuge recibieron ingreso del trabajo por cuenta propia, cada uno de ustedes debe llenar una Parte V por separado.

A Si usted es ministro, miembro de una orden religiosa o practicante de la Ciencia Cristiana y usted radicó la Forma 4361, pero obtuvo otras ganancias netas ascendentes a \$400 ó más del trabajo por cuenta propia, marque este encasillado y continúe en la Parte V.

| | | | | |
|--|----|----------|----|--|
| 1 Ganancia (o pérdida) neta procedente de un negocio agropecuario, la cantidad de la línea 36, Parte III, más la parte recibida por usted de una sociedad agropecuaria. Nota: No llene esta línea si usted usa el método opcional para computar la ganancia neta de un negocio agropecuario. Vea la página 8 de las instrucciones | 1 | | | |
| 2 Ganancia (o pérdida) neta procedente de un negocio no agropecuario, la cantidad de la línea 27, Parte IV, más la parte recibida por usted de una sociedad no agropecuaria. Los eclesiásticos o miembros de una orden religiosa deben ver la página 2 para las cantidades que tienen que informar en esta línea. Nota: No llene esta línea si usted usa el método opcional para computar la ganancia neta de un negocio no agropecuario. Vea la página 8 | 2 | | | |
| 3 Combine las líneas 1 y 2 | 3 | | | |
| 4a Si la línea 3 es más de cero, multiplique la línea 3 por el 92.35% (.9235). De otro modo, anote la cantidad de la línea 3 | 4a | | | |
| b Si usted eligió uno (o ambos) de los dos métodos opcionales, anote aquí el total de las líneas 2 y 4 de la Parte VI | 4b | | | |
| c Combine las líneas 4a y 4b. Si es menos de \$400, usted no adeuda la contribución federal sobre el trabajo por cuenta propia. Excepción: Si es menos de \$400 y usted tenía ingreso como empleado(a) de una iglesia o debe la contribución sobre propinas o seguro de vida grupal a término, anote -0- y continúe ▶ | 4c | | | |
| 5a Anote su ingreso como empleado(a) de una iglesia de la(s) Forma(s) 499R-2/W-2PR o W-2 | 5a | | | |
| b Multiplique la línea 5a por el 92.35% (.9235). Si es menos de \$100, anote -0- | 5b | | | |
| 6 Ganancias netas del trabajo por cuenta propia. Sume las líneas 4c y 5b ▶ | 6 | | | |
| 7 Cantidad máxima de salarios e ingreso del trabajo por cuenta propia combinados sujeta a la contribución al seguro social en el 2005. | 7 | \$87,900 | 00 | |
| 8a Total de salarios y propinas sujetos a la contribución al seguro social, según aparecen en la(s) Forma(s) 499R-2/W-2PR o W-2. Si es \$90,000 ó más, continúe en la línea 11 | 8a | | | |
| b Propinas que usted no informó a su patrono y que están sujetas a la contribución al seguro social de la línea 9 de la Forma 4137 (vea la página 8) | 8b | | | |
| c Sume las líneas 8a y 8b | 8c | | | |
| 9 Reste la línea 8c de la línea 7. Si es cero o menos, anote -0- aquí y también en la línea 10 y pase a la línea 11 ▶ | 9 | | | |
| 10 Multiplique por el 12.4% (.124) la cantidad que resulte menor entre la línea 6 ó la línea 9 | 10 | | | |
| 11 Multiplique por el 2.9% (.029) la cantidad de la línea 6 | 11 | | | |
| 12 Contribución sobre el trabajo por cuenta propia. Sume las líneas 10 y 11. Anótela aquí y en la línea 3 de la Parte I | 12 | | | |

Parte VI Métodos opcionales para computar la ganancia neta. Vea la página 8 de las instrucciones para las limitaciones.

Aviso: Si usted radica una planilla conjunta y tanto usted como su cónyuge eligen usar el método opcional para computar sus ganancias netas, cada uno de ustedes debe llenar y adjuntar una Parte VI por separado.

| | | | | |
|---|---|---------|----|--|
| Método opcional—Negocio agropecuario. | | | | |
| 1 Ingreso máximo para los efectos de los métodos opcionales | 1 | \$1,600 | 00 | |
| 2 Anote la menor de: dos tercios (2/3) del ingreso bruto del negocio agropecuario de la línea 11, Parte III, más la parte recibida por usted de una sociedad agropecuaria (pero no menos de cero), o \$1,600. Incluya esta cantidad en la línea 4b de la Parte V, arriba | 2 | | | |
| Método opcional—Negocio no agropecuario. | | | | |
| 3 Reste la línea 2 de la línea 1 | 3 | | | |
| 4 Anote la menor de: dos tercios (2/3) del ingreso bruto del negocio no agropecuario de la línea 5, Parte IV, más la parte recibida por usted de una sociedad no agropecuaria (pero no menos de cero), o la cantidad que aparece en la línea 3 de la Parte VI, arriba. Incluya también esta cantidad en la línea 4b de la Parte V, arriba | 4 | | | |



| | | |
|--|--|---|
| Forma 1040-PR Department of the Treasury Internal Revenue Service | Planilla para la Declaración de la Contribución Federal sobre el Trabajo por Cuenta Propia (Incluyendo el Crédito Tributario Adicional por Hijos para Residentes <i>Bona fide</i> de Puerto Rico) Para el año que comienza el primero de enero del 2005 y termina el 31 de diciembre del 2005, o cualquier otro año contributivo comenzado el del 2005 y terminado el del 20 | OMB No. 1545-0090 <div style="font-size: 2em; font-weight: bold;">2005</div> |
| Por favor, escriba a maquina o con letra de molde | Nombre e inicial de su segundo nombre Manuel | Apellido Verdolaga |
| | Si es una planilla conjunta, nombre e inicial del(la) cónyuge | Apellido |
| | Dirección actual (calle, número, número de apartamento o ruta rural) | |
| | Ciudad, pueblo u oficina postal y zona postal (ZIP) | |
| | Su número de seguro social 000 00 8222 | |
| | Número de seguro social del(la) cónyuge | |

Parte I Contribución y créditos totales

1 Estado civil. Marque el encasillado para su estado civil. Vea la página 4 de las instrucciones.

Soltero(a)

Casado(a) que radica una planilla conjunta

Casado(a) que radica una planilla por separado. Anote arriba el número de seguro social de su cónyuge y su nombre completo aquí. ▶

2 Hijos calificados. Complete esta sección **únicamente** si usted es un(a) residente *bona fide* de Puerto Rico y reclama el crédito tributario adicional por hijos. Vea la página 5 de las instrucciones.

| (a) Nombre de pila | Apellido(s) | (b) Número de seguro social del(la) hijo(a) | (c) Parentesco del(la) hijo(a) con usted |
|--------------------|-------------|---|--|
| | | | |
| | | | |
| | | | |
| | | | |

| | | | |
|---|-----------|--|--|
| 3 Contribución sobre el trabajo por cuenta propia de la línea 12 de la Parte V | 3 | | |
| 4 Contribuciones por empleados domésticos. Adjunte el Anexo H-PR (Forma 1040-PR) (vea la página 4 de las instrucciones) | 4 | | |
| 5 Contribuciones totales. Sume las líneas 3 y 4 | 5 | | |
| 6 Pagos hechos mediante declaración de contribución estimada del año 2005 (vea la página 4 de las instrucciones) | 6 | | |
| 7 Contribución al seguro social retenida en exceso (vea la página 4 de las instrucciones) | 7 | | |
| 8 Crédito tributario adicional por hijos de la línea 3 de la Parte II | 8 | | |
| 9 Crédito tributario por cobertura de seguro de salud. Adjunte la Forma 8885 | 9 | | |
| 10 Pagos y créditos totales. Sume las líneas de la 6 a la 9 | 10 | | |
| 11 Si la línea 10 es mayor que la línea 5, reste la cantidad de la línea 5 de la de la línea 10. Esta es la cantidad pagada en exceso ▶ | 11 | | |
| 12 Cantidad de la línea 11 que desea que se le reintegre ▶ | 12 | | |
| 13 Cantidad de la línea 11 que desea que se le acredite a la contribución estimada del 2006 ▶ | 13 | | |
| 14 Cantidad que usted debe. Reste la cantidad de la línea 10 de la de la línea 5. Para detalles sobre cómo se paga, vea la página 1 de las instrucciones ▶ | 14 | | |

Tercero Autorizado ¿Desea permitir que otra persona discuta esta planilla con el IRS (vea las instrucciones)? . . . **Sí.** Complete lo siguiente. **No**

| | | |
|--------------------------|--------------------------|---|
| Nombre de esta persona ▶ | Número de teléfono ▶ () | Número de identificación personal (PIN) ▶ |
|--------------------------|--------------------------|---|

Sírvase firmar aquí Declaro bajo las penalidades de perjurio que esta planilla, incluyendo los anexos y demás documentos que le acompañan, ha sido examinada por mí y que según mi mejor conocimiento y creencia es cierta, correcta y completa. La declaración del(la) agente o preparador(a) (que no es el(la) contribuyente) está basada en toda la información sobre la cual el(la) agente o preparador(a) tenía conocimiento.

¿Declaración conjunta? Vea la página 4. Conserve una copia para su archivo.

| | | |
|---|-------|--|
| Su firma | Fecha | Número de teléfono durante el día () |
| Firma del(la) cónyuge. Si radica conjuntamente, ambos cónyuges deben firmar. | Fecha | |
| Firma del(la) preparador(a) ▶ | Fecha | Marque aquí si el(la) preparador(a) trabaja por cuenta propia <input type="checkbox"/> SSN o PTIN |
| Nombre del negocio (o del(la) preparador(a), si trabaja por cuenta propia), dirección y zona postal ▶ | | Número de identificación patronal |
| | | Número de teléfono () |

Para uso del(la) preparador(a) remunerado(a) solamente

Vea en la página 8 el Aviso sobre la Ley de Confidencialidad de Información y la Ley de Reducción de Trámites. Cat. No. 17182F Forma **1040-PR** (2005)

Parte II Residentes bona fide de Puerto Rico que reclaman el Crédito Tributario Adicional por Hijos. (Vea la página 5 de las instrucciones.)

| | | | | |
|---|--|---|--|--|
| 1 | Ingresos recibidos de fuentes dentro de Puerto Rico | 1 | | |
| 2 | Contribuciones al seguro social y al Medicare retenidas de su(s) Forma(s) 499R-2/W-2PR o W-2 (adjunte copia(s) de dicha(s) forma(s)) | 2 | | |
| 3 | Crédito tributario adicional por hijos. Vea la hoja de cálculos en la página 6 de las instrucciones para la cantidad que usted puede anotar aquí y en la línea 8 de la página 1 | 3 | | |

Parte III Ganancia o pérdida de negocio agropecuario

| | |
|-------------------------------|-------------------------|
| Nombre del(la) propietario(a) | Número de seguro social |
| | |

Aviso: Si usted radica una planilla conjunta y tanto usted como su cónyuge tuvieron una ganancia o pérdida de un negocio agropecuario, cada uno de ustedes debe llenar y adjuntar una Parte III por separado. Vea, Casado(a) que radica una planilla conjunta, en la página 4 de las instrucciones.

Sección A—Ingreso de negocio agropecuario—Método de contabilidad a base de efectivo—Complete las Secciones A y B
 (Si usted usa el método de contabilidad a base de lo devengado, complete las Secciones B y C, así como la línea 11 de la Sección A.)
No incluya la venta de animales usados para tiro, cría, entretenimiento o lechería.

| | | | | |
|----|--|----|---------------------|--|
| 1 | Venta de animales y otros artículos que usted compró para revender | 1 | | |
| 2 | Costo u otra base de los animales y otros artículos que usted informó en la línea 1 | 2 | | |
| 3 | Reste la línea 2 de la línea 1 | 3 | | |
| 4 | Ventas de animales, productos agrícolas, granos y otros productos que usted cultivó | 4 | | |
| 5a | Total de distribuciones de cooperativas (Forma(s) 1099-PATR) 5a | 5b | Cantidad tributable | |
| 6 | Pagos recibidos del programa de agricultura | 6 | | |
| 7 | Préstamos de la Commodity Credit Corporation informados bajo elección (o decomisado) | 7 | | |
| 8 | Ingreso de seguro de cosechas | 8 | | |
| 9 | Ingreso de servicios prestados con equipo agrícola | 9 | | |
| 10 | Otros ingresos | 10 | | |
| 11 | Ingreso bruto agropecuario. Sume las líneas de la columna derecha desde la 3 hasta la 10, ambas inclusive. Si usted es un(a) contribuyente que usa el método de contabilidad a base de lo devengado, anote la cantidad que aparece en la línea 49 de la Sección C | 11 | | |

Sección B—Gastos de negocio agropecuario—Métodos de contabilidad a base de efectivo y a base de lo devengado
No incluya gastos personales o de manutención (tales como contribuciones, seguros, reparaciones, etc., de su casa), que no fueron para la producción de ingreso agropecuario. Antes de anotar los gastos, más abajo, reste de éstos cualquier reembolso recibido por los mismos.

| | | | | | | | | | |
|----|--|-----|--|--|-----|---|-----|--|--|
| 12 | Gastos de automóvil o de camión (junte a esta planilla la Forma 4562) | 12 | | | 25 | Planes de pensión y de participación en las ganancias | 25 | | |
| 13 | Productos químicos | 13 | | | 26 | Renta o alquiler: | | | |
| 14 | Gastos de conservación | 14 | | | 26a | a Vehículos, maquinaria y equipo | 26a | | |
| 15 | Servicios de equipo agrícola | 15 | | | 26b | b Otro (tierra, animales, etc.) | 26b | | |
| 16 | Depreciación, gastos y deducciones hechas de acuerdo a la sección 179 del Código Federal de Rentas Internas no reclamadas en otra parte de esta planilla (junte a esta planilla la Forma 4562 si está obligado(a) a hacerlo) | 16 | | | 27 | Reparaciones y mantenimiento | 27 | | |
| 17 | Programas de beneficios para los empleados, excepto los incluidos en la línea 25 | 17 | | | 28 | Compra de semillas y plantas | 28 | | |
| 18 | Compra de alimentos para animales | 18 | | | 29 | Gastos de almacenaje | 29 | | |
| 19 | Fertilizantes y cal | 19 | | | 30 | Compra de materiales | 30 | | |
| 20 | Fletes y acarreo | 20 | | | 31 | Contribuciones | 31 | | |
| 21 | Gasolina, combustible y aceite | 21 | | | 32 | Servicios públicos (agua, electricidad, gas, etc.) | 32 | | |
| 22 | Seguros (excepto de salud) | 22 | | | 33 | Honorarios pagados a veterinarios, cría y medicinas | 33 | | |
| 23 | Intereses: | | | | 34 | Otros gastos (especifique): | | | |
| a | Sobre hipotecas (pagados a bancos, etc.) | 23a | | | a | ..... | 34a | | |
| b | Otros | 23b | | | b | ..... | 34b | | |
| 24 | Mano de obra | 24 | | | c | ..... | 34c | | |
| | | | | | d | ..... | 34d | | |
| | | | | | e | ..... | 34e | | |
| 35 | Total de gastos. Sume las líneas de la 12 a la 34e | 35 | | | | | | | |
| 36 | Ganancia (o pérdida) neta de negocio agropecuario. Reste la línea 35 de la línea 11. Anote el resultado aquí y en la línea 1 de la Parte V | 36 | | | | | | | |



Sección C—Ingreso de negocio agropecuario—Método de contabilidad a base de lo devengado
No incluya en las líneas de abajo la venta de animales usados para tiro, cría, entretenimiento o lechería.

| | | | |
|-----|---|-----|---------------------|
| 37 | Venta de animales, productos agrícolas, granos y otros productos durante el año | 37 | |
| 38a | Total de distribuciones de cooperativas (Forma(s) 1099-PATR) 38a | 38b | Cantidad tributable |
| 39 | Pagos recibidos del programa de agricultura | 39 | |
| 40 | Préstamos de la <i>Commodity Credit Corporation</i> informados bajo elección (o decomisado). | 40 | |
| 41 | Ingreso de servicios prestados con equipo agrícola | 41 | |
| 42 | Otros ingresos de negocio agropecuario (especifique) | 42 | |
| 43 | Sume las líneas de la columna derecha desde la 37 hasta la 42, ambas inclusive | 43 | |
| 44 | Inventario de animales, productos agrícolas, granos y otros productos al comienzo del año | 44 | |
| 45 | Costo de animales, productos agrícolas, granos y otros productos comprados durante el año | 45 | |
| 46 | Sume las líneas 44 y 45 | 46 | |
| 47 | Inventario de animales, productos agrícolas, granos y otros productos al final del año | 47 | |
| 48 | Costo de animales, productos agrícolas, granos y otros productos agrícolas vendidos. Reste la línea 47 de la línea 46* | 48 | |
| 49 | Ingreso bruto agropecuario. Reste la línea 48 de la línea 43. Anote el resultado aquí y en la página 2, línea 11, Parte III. | 49 | |

*Si usted usa el método de precio por unidad para los animales, o el método de precio de finca para valorar su inventario y la cantidad que aparece en la línea 47 es mayor que la de la línea 46, reste la línea 46 de la línea 47 y anote el resultado en la línea 48. Después sume las líneas 43 y 48, y anote en la línea 49 el total obtenido.

Parte IV Ganancia o pérdida de negocio (por cuenta propia)

| | |
|-------------------------------|-------------------------|
| Nombre del(la) propietario(a) | Número de seguro social |
|-------------------------------|-------------------------|

Aviso: Si usted radica una planilla conjunta y tanto usted como su cónyuge tuvieron una ganancia o pérdida de un negocio agropecuario, cada uno de ustedes debe llenar y adjuntar una Parte IV por separado. Vea, **Casado(a) que radica una planilla conjunta**, en la página 4 de las instrucciones.

Sección A—Ingresos

| | | | | | |
|----|---|--|-----------|-------|-------|
| 1 | Total de ingresos \$ | Menos devoluciones y descuentos \$ | Balance ▶ | 1 | 7,000 |
| 2a | Inventario al comenzar el año | 2a | | | |
| b | Compras menos el costo de los artículos retirados del negocio para uso personal | 2b | | | |
| c | Costo de mano de obra. No incluya ninguna cantidad pagada a usted mismo(a) | 2c | | | |
| d | Materiales y suministros | 2d | | | |
| e | Otros costos (junte una explicación) | 2e | | | |
| f | Sume las líneas de la 2a a la 2e | 2f | | | |
| g | Inventario al final del año | 2g | | | |
| h | Costo de mercancías vendidas. Reste la línea 2g de la línea 2f. | 2h | | | |
| 3 | Ganancia bruta. Reste la línea 2h de la línea 1 | 3 | | 7,000 | |
| 4 | Otros ingresos | 4 | | | |
| 5 | Ingreso bruto. Suma las líneas 3 y 4 | 5 | | | |

Sección B—Gastos

| | | | | | | | |
|----|--|-----|--|-----|---|-------|-----|
| 6 | Anuncios y publicidad | 6 | | 19 | Reparaciones y mantenimiento | 19 | |
| 7 | Gastos de vehículos de motor (junte a esta planilla la Forma 4562) | 7 | | 20 | Materiales (no incluidos en la Sección A) | 20 | 200 |
| 8 | Comisiones y cuotas | 8 | | 21 | Contribuciones y licencias | 21 | |
| 9 | Trabajo por contrato | 9 | | 22 | Gastos de viaje, comidas y entretenimiento: | | |
| 10 | Agotamiento | 10 | | a | Viajes | 22a | |
| 11 | Depreciación, gastos y deducciones de acuerdo a la sección 179 del Código (no incluida en la Sección A). (Junte a esta planilla la Forma 4562 si está obligado(a) a hacerlo.) | 11 | | b | Total de comidas y entretenimiento | | |
| 12 | Programas para el beneficio de los empleados (excepto los incluidos en la línea 17). | 12 | | c | Anote la cantidad no deducible incluida en la línea 22b | | |
| 13 | Seguros (excepto de salud) | 13 | | d | Reste la línea 22c de la línea 22b | 22d | |
| 14 | Intereses sobre deudas del negocio | 14 | | 23 | Servicios públicos (agua, electricidad, gas, etc.) | 23 | |
| 15 | Servicios legales y profesionales | 15 | | 24 | Sueldos no incluidos en la línea 2c | 24 | |
| 16 | Gastos de oficina | 16 | | 25a | Otros gastos (indique tipo de gasto y cantidad): | | |
| 17 | Planes de pensión y de participación en las ganancias. | 17 | | | | | |
| 18 | Renta o alquiler: | | | | | | |
| a | Vehículos, maquinaria y equipo | 18a | | b | Total de los otros gastos | 25b | |
| b | Otra propiedad comercial | 18b | | | | | |
| 26 | Total de gastos. Suma las líneas de la 6 a la 25b | 26 | | 26 | | 1,200 | |
| 27 | Ganancia (o pérdida) neta. Reste la línea 26 de la línea 5. Anote el resultado aquí y en la línea 2 de la Parte V | 27 | | 27 | | 5,800 | |

Parte V Contribución sobre el ingreso del trabajo por cuenta propia—Si recibió ingreso como empleado(a) de una iglesia, vea la página 2 de las instrucciones antes de seguir.

| | |
|--|---|
| Nombre del individuo que recibió ingreso del trabajo por cuenta propia | Número de seguro social del individuo con ingreso del trabajo por cuenta propia ▶ |
| | 000 00 8221 |

Aviso: Si radica una planilla de contribución conjunta y tanto usted como su cónyuge recibieron ingreso del trabajo por cuenta propia, cada uno de ustedes debe llenar una Parte V por separado.

A Si usted es ministro, miembro de una orden religiosa o practicante de la Ciencia Cristiana y usted radicó la Forma 4361, pero obtuvo otras ganancias netas ascendentes a \$400 ó más del trabajo por cuenta propia, marque este encasillado y continúe en la Parte V.

| | | | |
|---|----|----------|----|
| 1 Ganancia (o pérdida) neta procedente de un negocio agropecuario, la cantidad de la línea 36, Parte III, más la parte recibida por usted de una sociedad agropecuaria. Nota: No llene esta línea si usted usa el método opcional para computar la ganancia neta de un negocio agropecuario. Vea la página 8 de las instrucciones | | | |
| 2 Ganancia (o pérdida) neta procedente de un negocio no agropecuario, la cantidad de la línea 27, Parte IV, más la parte recibida por usted de una sociedad no agropecuaria. Los eclesiásticos o miembros de una orden religiosa deben ver la página 2 para las cantidades que tienen que informar en esta línea. Nota: No llene esta línea si usted usa el método opcional para computar la ganancia neta de un negocio no agropecuario. Vea la página 8 | | 5,800 | |
| 3 Combine las líneas 1 y 2 | | 5,800 | |
| 4a Si la línea 3 es más de cero, multiplique la línea 3 por el 92.35% (.9235). De otro modo, anote la cantidad de la línea 3 | | 5,356 | |
| 4b Si usted eligió uno (o ambos) de los dos métodos opcionales, anote aquí el total de las líneas 2 y 4 de la Parte VI | | | |
| 4c Combine las líneas 4a y 4b. Si es menos de \$400, usted no adeuda la contribución federal sobre el trabajo por cuenta propia. Excepción: Si es menos de \$400 y usted tenía ingreso como empleado(a) de una iglesia o debe la contribución sobre propinas o seguro de vida grupal a término, anote -0- y continúe | | 5,356 | |
| 5a Anote su ingreso como empleado(a) de una iglesia de la(s) Forma(s) 499R-2/W-2PR o W-2 | 5a | | |
| 5b Multiplique la línea 5a por el 92.35% (.9235). Si es menos de \$100, anote -0- | 5b | | |
| 6 Ganancias netas del trabajo por cuenta propia. Sume las líneas 4c y 5b | | 5356 | |
| 7 Cantidad máxima de salarios e ingreso del trabajo por cuenta propia combinados sujeta a la contribución al seguro social en el 2005. | | \$87,900 | 00 |
| 8a Total de salarios y propinas sujetos a la contribución al seguro social, según aparecen en la(s) Forma(s) 499R-2/W-2PR o W-2. Si es \$90,000 ó más, continúe en la línea 11 | 8a | | |
| 8b Propinas que usted no informó a su patrono y que están sujetas a la contribución al seguro social de la línea 9 de la Forma 4137 (vea la página 8) | 8b | | |
| 8c Sume las líneas 8a y 8b | 8c | | |
| 9 Reste la línea 8c de la línea 7. Si es cero o menos, anote -0- aquí y también en la línea 10 y pase a la línea 11 | | 87,900 | |
| 10 Multiplique por el 12.4% (.124) la cantidad que resulte menor entre la línea 6 ó la línea 9 | | 664 | |
| 11 Multiplique por el 2.9% (.029) la cantidad de la línea 6 | | 155 | |
| 12 Contribución sobre el trabajo por cuenta propia. Sume las líneas 10 y 11. Anótela aquí y en la línea 3 de la Parte I | | 819 | |

Parte VI Métodos opcionales para computar la ganancia neta. Vea la página 8 de las instrucciones para las limitaciones.

Aviso: Si usted radica una planilla conjunta y tanto usted como su cónyuge eligen usar el método opcional para computar sus ganancias netas, cada uno de ustedes debe llenar y adjuntar una Parte VI por separado.

| | | | |
|--|--|---------|----|
| Método opcional—Negocio agropecuario. | | | |
| 1 Ingreso máximo para los efectos de los métodos opcionales | | \$1,600 | 00 |
| 2 Anote la menor de: dos tercios (2/3) del ingreso bruto del negocio agropecuario de la línea 11, Parte III, más la parte recibida por usted de una sociedad agropecuaria (pero no menos de cero), o \$1,600. Incluya esta cantidad en la línea 4b de la Parte V, arriba | | | |
| Método opcional—Negocio no agropecuario. | | | |
| 3 Reste la línea 2 de la línea 1 | | | |
| 4 Anote la menor de: dos tercios (2/3) del ingreso bruto del negocio no agropecuario de la línea 5, Parte IV, más la parte recibida por usted de una sociedad no agropecuaria (pero no menos de cero), o la cantidad que aparece en la línea 3 de la Parte VI, arriba. Incluya también esta cantidad en la línea 4b de la Parte V, arriba | | | |

| | | | |
|---|--|---|---|
| Forma 1040-PR Department of the Treasury Internal Revenue Service | Planilla para la Declaración de la Contribución Federal sobre el Trabajo por Cuenta Propia (Incluyendo el Crédito Tributario Adicional por Hijos para Residentes <i>Bona fide</i> de Puerto Rico) Para el año que comienza el primero de enero del 2005 y termina el 31 de diciembre del 2005, o cualquier otro año contributivo comenzado el del 2005 y terminado el del 20 | OMB No. 1545-0090 <div style="font-size: 2em; font-weight: bold;">2005</div> | |
| Por favor, escriba a maquina o con letra de molde | Nombre e inicial de su segundo nombre Pablo | Apellido Sultan | Su número de seguro social 000 : 00 : 2918 |
| | Si es una planilla conjunta, nombre e inicial del(la) cónyuge Maria | Apellido Sultan | Número de seguro social del(la) cónyuge 000 : 00 : 3726 |
| | Dirección actual (calle, número, número de apartamento o ruta rural) | | |
| | Ciudad, pueblo u oficina postal y zona postal (ZIP) | | |
| Parte I Contribución y créditos totales | | | |
| 1 Estado civil. Marque el encasillado para su estado civil. Vea la página 4 de las instrucciones. | | | |
| <input type="checkbox"/> Soltero(a) <input checked="" type="checkbox"/> Casado(a) que radica una planilla conjunta <input type="checkbox"/> Casado(a) que radica una planilla por separado. Anote arriba el número de seguro social de su cónyuge y su nombre completo aquí. ▶ | | | |
| 2 Hijos calificados. Complete esta sección <i>únicamente</i> si usted es un(a) residente <i>bona fide</i> de Puerto Rico y reclama el crédito tributario adicional por hijos. Vea la página 5 de las instrucciones. | | | |
| | (a) Nombre de pila | Apellido(s) | (b) Número de seguro social del(la) hijo(a) |
| | Trevor | Sultan | 000 : 00 : 3215 |
| | Miguel | Sultan | 000 : 00 : 6821 |
| | Jose | Sultan | 000 : 00 : 1050 |
| | | | (c) Parentesco del(la) hijo(a) con usted |
| | | | Son |
| | | | Son |
| | | | Son |
| 3 Contribución sobre el trabajo por cuenta propia de la línea 12 de la Parte V | | | |
| | | | 3 1,187 |
| 4 Contribuciones por empleados domésticos. Adjunte el Anexo H-PR (Forma 1040-PR) (vea la página 4 de las instrucciones) | | | |
| | | | 4 1,187 |
| 5 Contribuciones totales. Sume las líneas 3 y 4 | | | |
| | | | 5 |
| 6 Pagos hechos mediante declaración de contribución estimada del año 2005 (vea la página 4 de las instrucciones) | | | |
| | | 6 600 | |
| 7 Contribución al seguro social retenida en exceso (vea la página 4 de las instrucciones) | | | |
| | | | 7 |
| 8 Crédito tributario adicional por hijos de la línea 3 de la Parte II | | | |
| | | 8 1,793 | |
| 9 Crédito tributario por cobertura de seguro de salud. Adjunte la Forma 8885 | | | |
| | | | 9 |
| 10 Pagos y créditos totales. Sume las líneas de la 6 a la 9 | | | |
| | | | 10 2,393 |
| 11 Si la línea 10 es mayor que la línea 5, reste la cantidad de la línea 5 de la de la línea 10. Esta es la cantidad pagada en exceso | | | |
| | | | 11 1,206 |
| 12 Cantidad de la línea 11 que desea que se le reintegre | | | |
| | | | 12 1,206 |
| 13 Cantidad de la línea 11 que desea que se le acredite a la contribución estimada del 2006 ▶ 13 | | | |
| 14 Cantidad que usted debe. Reste la cantidad de la línea 10 de la de la línea 5. Para detalles sobre cómo se paga, vea la página 1 de las instrucciones | | | |
| | | | 14 |
| Tercero Autorizado ¿Desea permitir que otra persona discuta esta planilla con el IRS (vea las instrucciones)? <input type="checkbox"/> Sí. Complete lo siguiente. <input type="checkbox"/> No | | | |
| | Nombre de esta persona ▶ | Número de teléfono ▶ () | Número de identificación personal (PIN) ▶ |
| Sírvase firmar aquí Declaro bajo las penalidades de perjurio que esta planilla, incluyendo los anexos y demás documentos que le acompañan, ha sido examinada por mí y que según mi mejor conocimiento y creencia es cierta, correcta y completa. La declaración del(la) agente o preparador(a) (que no es el(la) contribuyente) está basada en toda la información sobre la cual el(la) agente o preparador(a) tenía conocimiento. | | | |
| ¿Declaración conjunta? Vea la página 4. Conserve una copia para su archivo. | | | |
| | Su firma | Fecha | Número de teléfono durante el día () |
| | Firma del(la) cónyuge. Si radica conjuntamente, ambos cónyuges deben firmar. | Fecha | |
| Para uso del(la) preparador(a) remunerado(a) solamente | | | |
| | Firma del(la) preparador(a) ▶ | Fecha | Marque aquí si el(la) preparador(a) trabaja por cuenta propia <input type="checkbox"/> SSN o PTIN |
| | Nombre del negocio (o del(la) preparador(a), si trabaja por cuenta propia), dirección y zona postal ▶ | | Número de identificación patronal : |
| | | | Número de teléfono () |
| Vea en la página 8 el Aviso sobre la Ley de Confidencialidad de Información y la Ley de Reducción de Trámites. Cat. No. 17182F Forma 1040-PR (2005) | | | |

Parte II Residentes bona fide de Puerto Rico que reclaman el Crédito Tributario Adicional por Hijos. (Vea la página 5 de las instrucciones.)

| | | | |
|---|--|---|--------|
| 1 | Ingresos recibidos de fuentes dentro de Puerto Rico | 1 | 24,075 |
| 2 | Contribuciones al seguro social y al Medicare retenidas de su(s) Forma(s) 499R-2/W-2PR o W-2 (adjunte copia(s) de dicha(s) forma(s)) | 2 | 1,199 |
| 3 | Crédito tributario adicional por hijos. Vea la hoja de cómputos en la página 6 de las instrucciones para la cantidad que usted puede anotar aquí y en la línea 8 de la página 1 | 3 | 1,793 |

Parte III Ganancia o pérdida de negocio agropecuario

| | |
|-------------------------------|-------------------------|
| Nombre del(la) propietario(a) | Número de seguro social |
|-------------------------------|-------------------------|

Aviso: Si usted radica una planilla conjunta y tanto usted como su cónyuge tuvieron una ganancia o pérdida de un negocio agropecuario, cada uno de ustedes debe llenar y adjuntar una Parte III por separado. Vea, Casado(a) que radica una planilla conjunta, en la página 4 de las instrucciones.

Sección A—Ingreso de negocio agropecuario—Método de contabilidad a base de efectivo—Complete las Secciones A y B
 (Si usted usa el método de contabilidad a base de lo devengado, complete las Secciones B y C, así como la línea 11 de la Sección A.)
No incluya la venta de animales usados para tiro, cría, entretenimiento o lechería.

| | | | | |
|----|--|----|--|------------------------|
| 1 | Venta de animales y otros artículos que usted compró para revender | 1 | | |
| 2 | Costo u otra base de los animales y otros artículos que usted informó en la línea 1 | 2 | | |
| 3 | Reste la línea 2 de la línea 1 | 3 | | |
| 4 | Ventas de animales, productos agrícolas, granos y otros productos que usted cultivó | 4 | | |
| 5a | Total de distribuciones de cooperativas (Forma(s) 1099-PATR) | 5a | | 5b Cantidad tributable |
| 6 | Pagos recibidos del programa de agricultura | 6 | | |
| 7 | Préstamos de la <i>Commodity Credit Corporation</i> informados bajo elección (o decomisado) | 7 | | |
| 8 | Ingreso de seguro de cosechas | 8 | | |
| 9 | Ingreso de servicios prestados con equipo agrícola | 9 | | |
| 10 | Otros ingresos | 10 | | |
| 11 | Ingreso bruto agropecuario. Sume las líneas de la columna derecha desde la 3 hasta la 10, ambas inclusive. Si usted es un(a) contribuyente que usa el método de contabilidad a base de lo devengado, anote la cantidad que aparece en la línea 49 de la Sección C ▶ | 11 | | |

Sección B—Gastos de negocio agropecuario—Métodos de contabilidad a base de efectivo y a base de lo devengado
No incluya gastos personales o de manutención (tales como contribuciones, seguros, reparaciones, etc., de su casa), que no fueron para la producción de ingreso agropecuario. Antes de anotar los gastos, más abajo, reste de éstos cualquier reembolso recibido por los mismos.

| | | | | | | | | | |
|----|---|-----|--|--|-----|---|-----|--|--|
| 12 | Gastos de automóvil o de camión (junte a esta planilla la Forma 4562) | 12 | | | 25 | Planes de pensión y de participación en las ganancias | 25 | | |
| 13 | Productos químicos | 13 | | | 26 | Renta o alquiler: | | | |
| 14 | Gastos de conservación | 14 | | | 26a | a Vehículos, maquinaria y equipo | 26a | | |
| 15 | Servicios de equipo agrícola | 15 | | | 26b | b Otro (tierra, animales, etc.) | 26b | | |
| 16 | Depreciación, gastos y deducciones hechas de acuerdo a la sección 179 del Código Federal de Rentas Internas no reclamadas en otra parte de esta planilla (junte a esta planilla la Forma 4562 si está obligado(a) a hacerlo) | 16 | | | 27 | Reparaciones y mantenimiento. | 27 | | |
| 17 | Programas de beneficios para los empleados, excepto los incluidos en la línea 25. | 17 | | | 28 | Compra de semillas y plantas | 28 | | |
| 18 | Compra de alimentos para animales | 18 | | | 29 | Gastos de almacenaje | 29 | | |
| 19 | Fertilizantes y cal | 19 | | | 30 | Compra de materiales | 30 | | |
| 20 | Fletes y acarreo | 20 | | | 31 | Contribuciones | 31 | | |
| 21 | Gasolina, combustible y aceite | 21 | | | 32 | Servicios públicos (agua, electricidad, gas, etc.) | 32 | | |
| 22 | Seguros (excepto de salud) | 22 | | | 33 | Honorarios pagados a veterinarios, cría y medicinas | 33 | | |
| 23 | Intereses: | | | | 34 | Otros gastos (especifique): | | | |
| a | Sobre hipotecas (pagados a bancos, etc.). | 23a | | | a | ..... | 34a | | |
| b | Otros | 23b | | | b | ..... | 34b | | |
| 24 | Mano de obra | 24 | | | c | ..... | 34c | | |
| | | | | | d | ..... | 34d | | |
| | | | | | e | ..... | 34e | | |
| 35 | Total de gastos. Sume las líneas de la 12 a la 34e ▶ | 35 | | | | | | | |
| 36 | Ganancia (o pérdida) neta de negocio agropecuario. Reste la línea 35 de la línea 11. Anote el resultado aquí y en la línea 1 de la Parte V | 36 | | | | | | | |

Sección C—Ingreso de negocio agropecuario—Método de contabilidad a base de lo devengado
No incluya en las líneas de abajo la venta de animales usados para tiro, cría, entretenimiento o lechería.

| | | | | |
|-----|---|-----|---------------------|--|
| 37 | Venta de animales, productos agrícolas, granos y otros productos durante el año | 37 | | |
| 38a | Total de distribuciones de cooperativas (Forma(s) 1099-PATR) | 38a | | |
| | | 38b | Cantidad tributable | |
| 39 | Pagos recibidos del programa de agricultura | 39 | | |
| 40 | Préstamos de la <i>Commodity Credit Corporation</i> informados bajo elección (o decomisado) | 40 | | |
| 41 | Ingreso de servicios prestados con equipo agrícola | 41 | | |
| 42 | Otros ingresos de negocio agropecuario (especifique) | 42 | | |
| 43 | Sume las líneas de la columna derecha desde la 37 hasta la 42, ambas inclusive | 43 | | |
| 44 | Inventario de animales, productos agrícolas, granos y otros productos al comienzo del año | 44 | | |
| 45 | Costo de animales, productos agrícolas, granos y otros productos comprados durante el año | 45 | | |
| 46 | Sume las líneas 44 y 45 | 46 | | |
| 47 | Inventario de animales, productos agrícolas, granos y otros productos al final del año | 47 | | |
| 48 | Costo de animales, productos agrícolas, granos y otros productos agrícolas vendidos. Reste la línea 47 de la línea 46* | 48 | | |
| 49 | Ingreso bruto agropecuario. Reste la línea 48 de la línea 43. Anote el resultado aquí y en la página 2, línea 11, Parte III. | 49 | | |

*Si usted usa el método de precio por unidad para los animales, o el método de precio de finca para valorar su inventario y la cantidad que aparece en la línea 47 es mayor que la de la línea 46, reste la línea 46 de la línea 47 y anote el resultado en la línea 48. Después sume las líneas 43 y 48, y anote en la línea 49 el total obtenido.

Parte IV Ganancia o pérdida de negocio (por cuenta propia)

| | |
|---|--|
| Nombre del(la) propietario(a) Pablo Sultan | Número de seguro social 000\|00\|2918 |
|---|--|

Aviso: Si usted radica una planilla conjunta y tanto usted como su cónyuge tuvieron una ganancia o pérdida de un negocio agropecuario, cada uno de ustedes debe llenar y adjuntar una Parte IV por separado. Vea, **Casado(a) que radica una planilla conjunta**, en la página 4 de las instrucciones.

Sección A—Ingresos

| | | | | | |
|----|---|------------------------------------|-----------|--------|--------|
| 1 | Total de ingresos \$ | Menos devoluciones y descuentos \$ | Balance ▶ | 1 | 10,600 |
| 2a | Inventario al comenzar el año | 2a | | | |
| b | Compras menos el costo de los artículos retirados del negocio para uso personal | 2b | | | |
| c | Costo de mano de obra. No incluya ninguna cantidad pagada a usted mismo(a) | 2c | | | |
| d | Materiales y suministros | 2d | | | |
| e | Otros costos (junte una explicación) | 2e | | | |
| f | Sume las líneas de la 2a a la 2e | 2f | | | |
| g | Inventario al final del año | 2g | | | |
| h | Costo de mercancías vendidas. Reste la línea 2g de la línea 2f. | 2h | | | |
| 3 | Ganancia bruta. Reste la línea 2h de la línea 1 | 3 | | 10,600 | |
| 4 | Otros ingresos | 4 | | | |
| 5 | Ingreso bruto. Suma las líneas 3 y 4 | 5 | | 10,600 | |

Sección B—Gastos

| | | | | | | | | |
|----|--|-----|--|--|-----|---|-----|-------|
| 6 | Anuncios y publicidad | 6 | | | 19 | Reparaciones y manutención | 19 | |
| 7 | Gastos de vehículos de motor (junte a esta planilla la Forma 4562) | 7 | | | 20 | Materiales (no incluidos en la Sección A) | 20 | 250 |
| 8 | Comisiones y cuotas | 8 | | | 21 | Contribuciones y licencias | 21 | |
| 9 | Trabajo por contrato | 9 | | | 22 | Gastos de viaje, comidas y entretenimiento: | | |
| 10 | Agotamiento | 10 | | | a | Viajes | 22a | |
| 11 | Depreciación, gastos y deducciones de acuerdo a la sección 179 del Código (no incluida en la Sección A). (Junte a esta planilla la Forma 4562 si está obligado(a) a hacerlo.) | 11 | | | b | Total de comidas y entretenimiento | | |
| 12 | Programas para el beneficio de los empleados (excepto los incluidos en la línea 17) | 12 | | | c | Anote la cantidad no deducible incluida en la línea 22b | | |
| 13 | Seguros (excepto de salud) | 13 | | | d | Reste la línea 22c de la línea 22b | 22d | |
| 14 | Intereses sobre deudas del negocio | 14 | | | 23 | Servicios públicos (agua, electricidad, gas, etc.) | 23 | 200 |
| 15 | Servicios legales y profesionales | 15 | | | 24 | Sueldos no incluidos en la línea 2c | 24 | |
| 16 | Gastos de oficina | 16 | | | 25a | Otros gastos (indique tipo de gasto y cantidad): | | |
| 17 | Planes de pensión y de participación en las ganancias. | 17 | | | | ----- | | |
| 18 | Renta o alquiler: | | | | | ----- | | |
| a | Vehículos, maquinaria y equipo | 18a | | | b | Total de los otros gastos | 25b | |
| b | Otra propiedad comercial | 18b | | | 26 | Total de gastos. Suma las líneas de la 6 a la 25b | 26 | 2,200 |
| 26 | Total de gastos. Suma las líneas de la 6 a la 25b | 26 | | | 27 | Ganancia (o pérdida) neta. Reste la línea 26 de la línea 5. Anote el resultado aquí y en la línea 2 de la Parte V. | 27 | 8,400 |

Parte V Contribución sobre el ingreso del trabajo por cuenta propia—Si recibió ingreso como empleado(a) de una iglesia, vea la página 2 de las instrucciones antes de seguir.

| | | |
|--|---|-------------|
| Nombre del individuo que recibió ingreso del trabajo por cuenta propia | Número de seguro social del individuo con ingreso del trabajo por cuenta propia ▶ | 000 00 2918 |
|--|---|-------------|

Aviso: Si radica una planilla de contribución conjunta y tanto usted como su cónyuge recibieron ingreso del trabajo por cuenta propia, cada uno de ustedes debe llenar una Parte V por separado.

A Si usted es ministro, miembro de una orden religiosa o practicante de la Ciencia Cristiana y usted radicó la Forma 4361, pero obtuvo otras ganancias netas ascendentes a \$400 ó más del trabajo por cuenta propia, marque este encasillado y continúe en la Parte V.

| | | | |
|---|-----------|----------|----|
| 1 Ganancia (o pérdida) neta procedente de un negocio agropecuario, la cantidad de la línea 36, Parte III, más la parte recibida por usted de una sociedad agropecuaria. Nota: No llene esta línea si usted usa el método opcional para computar la ganancia neta de un negocio agropecuario. Vea la página 8 de las instrucciones | 1 | | |
| 2 Ganancia (o pérdida) neta procedente de un negocio no agropecuario, la cantidad de la línea 27, Parte IV, más la parte recibida por usted de una sociedad no agropecuaria. Los eclesiásticos o miembros de una orden religiosa deben ver la página 2 para las cantidades que tienen que informar en esta línea. Nota: No llene esta línea si usted usa el método opcional para computar la ganancia neta de un negocio no agropecuario. Vea la página 8 | 2 | 8,400 | |
| 3 Combine las líneas 1 y 2 | 3 | 8,400 | |
| 4a Si la línea 3 es más de cero, multiplique la línea 3 por el 92.35% (.9235). De otro modo, anote la cantidad de la línea 3 | 4a | 7,757 | |
| b Si usted eligió uno (o ambos) de los dos métodos opcionales, anote aquí el total de las líneas 2 y 4 de la Parte VI | 4b | | |
| c Combine las líneas 4a y 4b. Si es menos de \$400, usted no adeuda la contribución federal sobre el trabajo por cuenta propia. Excepción: Si es menos de \$400 y usted tenía ingreso como empleado(a) de una iglesia o debe la contribución sobre propinas o seguro de vida grupal a término, anote -0- y continúe ▶ | 4c | 7,757 | |
| 5a Anote su ingreso como empleado(a) de una iglesia de la(s) Forma(s) 499R-2/W-2PR o W-2 | 5a | | |
| b Multiplique la línea 5a por el 92.35% (.9235). Si es menos de \$100, anote -0- | 5b | | |
| 6 Ganancias netas del trabajo por cuenta propia. Sume las líneas 4c y 5b ▶ | 6 | 7757 | |
| 7 Cantidad máxima de salarios e ingreso del trabajo por cuenta propia combinados sujeta a la contribución al seguro social en el 2005. | 7 | \$87,900 | 00 |
| 8a Total de salarios y propinas sujetos a la contribución al seguro social, según aparecen en la(s) Forma(s) 499R-2/W-2PR o W-2. Si es \$90,000 ó más, continúe en la línea 11 | 8a | | |
| b Propinas que usted no informó a su patrono y que están sujetas a la contribución al seguro social de la línea 9 de la Forma 4137 (vea la página 8) | 8b | | |
| c Sume las líneas 8a y 8b | 8c | | |
| 9 Reste la línea 8c de la línea 7. Si es cero o menos, anote -0- aquí y también en la línea 10 y pase a la línea 11 ▶ | 9 | 87,900 | |
| 10 Multiplique por el 12.4% (.124) la cantidad que resulte menor entre la línea 6 ó la línea 9 | 10 | 962 | |
| 11 Multiplique por el 2.9% (.029) la cantidad de la línea 6 | 11 | 225 | |
| 12 Contribución sobre el trabajo por cuenta propia. Sume las líneas 10 y 11. Anótela aquí y en la línea 3 de la Parte I | 12 | 1,187 | |

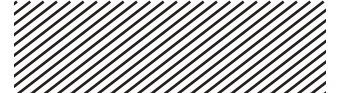
Parte VI Métodos opcionales para computar la ganancia neta. Vea la página 8 de las instrucciones para las limitaciones.

Aviso: Si usted radica una planilla conjunta y tanto usted como su cónyuge eligen usar el método opcional para computar sus ganancias netas, cada uno de ustedes debe llenar y adjuntar una Parte VI por separado.

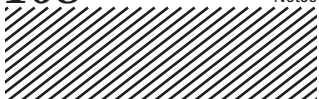
| | | | |
|---|----------|---------|----|
| Método opcional—Negocio agropecuario. | | | |
| 1 Ingreso máximo para los efectos de los métodos opcionales | 1 | \$1,600 | 00 |
| 2 Anote la menor de: dos tercios (2/3) del ingreso bruto del negocio agropecuario de la línea 11, Parte III, más la parte recibida por usted de una sociedad agropecuaria (pero no menos de cero), o \$1,600. Incluya esta cantidad en la línea 4b de la Parte V, arriba | 2 | | |
| Método opcional—Negocio no agropecuario. | | | |
| 3 Reste la línea 2 de la línea 1 | 3 | | |
| 4 Anote la menor de: dos tercios (2/3) del ingreso bruto del negocio no agropecuario de la línea 5, Parte IV, más la parte recibida por usted de una sociedad no agropecuaria (pero no menos de cero), o la cantidad que aparece en la línea 3 de la Parte VI, arriba. Incluya también esta cantidad en la línea 4b de la Parte V, arriba | 4 | | |

STUDENT NOTES

Lined writing area for student notes.



STUDENT NOTES



TEST FOR THE PUERTO RICO SUPPLEMENT

This is an open-book test. You may use your course book and any other materials that you will use as a volunteer. Please complete the test on your own.

The test is divided into five parts:

Part 1 – Income and Deductions

Part 2 – Pension and Social Security Benefits

Part 3 – Additional Child Tax Credit & Foreign Tax Credit

Part 4 – Additional Child Tax Credit for Bona fide residents of Puerto Rico

Part 5 – Taxability of Income

All volunteers must pass the five parts.

The general criteria for passing are:

Part 1 – You must answer 7 out of the 10 questions correctly.

Part 2 – You must answer 7 out of the 10 questions correctly.

Part 3 – You must answer 7 out of the 10 questions correctly.

Part 4 – You must answer the 3 questions correctly.

Part 5 – You must answer 7 out of the 10 questions correctly.

There is not a retest for this course. If you do not successfully complete the test, please work with your site coordinator to determine if you can provide volunteer assistance to International Students and Scholars.

NOTE: The tax charts can be downloaded from www.irs.gov.

Form (it has to be numbered), Puerto Rico Supplement Agreement

The volunteer agreement must be completed by all volunteers.

Consolidated Answer Sheet

You will find a consolidated answer sheet to record your test answer. After you have recorded your answers and filled in the information on the Form _____ (it has to be numbered, as previously indicated), tear them out and give them to your instructor or site coordinator.

Page T-2
Test Answer Sheet
Publication 678PR

Name: _____
 Address: _____

 Fax: _____

Part 1. Exercises – Income and Deductions (Requires 7 correct answers to pass)

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

Part 2. Comprehensive Problem 1 – Pension & Social Security (Requires 7 correct answers to pass)

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

Part 3. Comprehensive Problem 2 – Additional Child Tax Credit & Foreign Tax Credit - Form 1040; Form 8812; Form 1116 (Requires 7 correct answers to pass)

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

Part 4. Comprehensive Problem 3 – Additional Child Tax Credit for Bona fide residents of Puerto Rico – Form 1040 PR (Requires 3 correct answers to pass)

| | | |
|----|----|----|
| 1. | 2. | 3. |
|----|----|----|

Part 5. Comprehensive Problem 4 – Taxability of Income – Form 1040; Form 8812; Form 1116; Form 1321 (Requires 7 correct answers to pass)

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

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

| | Part 1 | Part 2 | Part 3 | Part 4 | PART 5 |
|--------------------------|--------|--------|--------|--------|--------|
| Number of correct answer | | | | | |
| Pass (yes/no) | | | | | |
| Certified (yes/no) | | | | | |

Acuerdo Voluntario
(Estandares de Conducta – Programa Voluntario de Preparación de Planillas)

La misión del Programa Voluntario de Preparación de Planillas es proveer preparación básica libre de costo a clientes elegibles. Los voluntarios son el recurso más valioso del programa. Para establecer el grado más grande de confianza del público los voluntarios tienen la responsabilidad de proporcionar un servicio de alta calidad y de mantener al más alto de los estándares éticos.

Como participante del Programa Voluntario de Preparación de Planillas estoy de acuerdo con los siguientes estándares de conducta:

- Trataré a todos los contribuyentes profesionalmente, con cortesía y respecto
- Salvaguardaré la confidencialidad de la información del contribuyente
- Aplicaré los leyes de impuesto equitativo y exactamente según mi mejor capacidad
- Prepararé solamente planillas dentro del alcance de mi entrenamiento y experiencia
- Ejercitaré cuidado razonable en el uso y la protección del equipo y de las fuentes
- No solicitaré negocio de contribuyentes que asisto o utilizaré el conocimiento que he ganado sobre ellos para la ventaja personal directa o indirecta cualesquiera para mí o cualquier otro individuo específico
- No aceptaré el pago de los contribuyentes para los servicios que proporciono. Puedo recibir la remuneración como empleado de un patrocinador del programa

Nombre del Voluntario (letra de imprenta)

Firma del Voluntario y Fecha

Dirrección

Número de Teléfono

Ciudad, Estado, Zip Code

Dirrección electrónica

Nombre de la Organización Patrocinadora

Esta Forma es para mantener debe ser conservada al nivel del Centro o Socio.

Certificación (Uso del IRS o Patrocinador Solamente)

| | Básico | Avanzado | Militar | Puerto Rico Suplemento | | | | | Voluntario No-Probado |
|------------------------------------|--------|----------|---------|------------------------|---------|---------|---------|---------|-----------------------|
| | | | | Parte 1 | Parte 2 | Parte 3 | Parte 4 | Parte 5 | |
| Número de contestaciones correctas | | | | | | | | | |
| Certificado (SI/NO) | | | | | | | | | |
| No Aplicable | | | | | | | | | |

Certificado por: _____ Fecha: _____

Notificación del Acta de Privacidad

El acto de Privacidad de 1974 requiere que cuando pedimos la información le digamos nuestro derecho legal de pedir la información, porqué estamos pidiendo la, y cómo será utilizada. Debemos también decirle qué podría suceder si no la recibimos, y si su respuesta es voluntaria, requerida para obtener un beneficio, o mandatorio. Nuestro derecho legal de pedir la información es 5 U.S.C. 301.

Estamos pidiendo esta información para asistimos en entrar en contacto con usted concerniente a su interés y/o participación en la preparación voluntaria del impuesto en el programa de voluntarios de IRS. La información que usted proporciona se puede proveer equipar a otros que coordinan las actividades y el proveer de personal en la preparación de la planilla de voluntario. La información se puede también utilizar para establecer controles eficaces, para enviar correspondencia y para reconocer a voluntarios. Su respuesta es voluntaria. Sin embargo, si usted no proporciona la información solicitada, el IRS puede no poder utilizar su ayuda en estos programas.



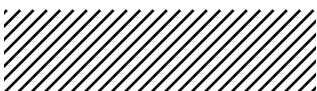
PART 1. EXERCISES

Spanish Section

1. Alex fue residente de Puerto Rico durante todo el año 2005, es soltero y menor de 65 años. Trabaja como empleado federal y sus ingresos de salarios fueron de \$28,000. Además, recibió ingresos de fuentes de Puerto Rico por \$5,000. Determine la cantidad que puede reclamar como deducción fija:
 - a. \$5,000
 - b. \$4,242
 - c. \$4,000
 - d. ninguna de las anteriores

2. Angel y Carmen fueron residentes de Puerto Rico en 2005, son menores de 65 años y radican planilla en conjunto. Angel trabaja para el gobierno de Puerto Rico y Carmen para el gobierno federal en Puerto Rico, sus ingresos fueron \$15,000 y \$20,000, respectivamente. Calcule su deducción fija:
 - a. \$5,714
 - b. \$10,000
 - c. \$7,300
 - d. \$5,000

3. El señor y la señora Cruz son residentes bona fide de Puerto Rico, menores de 65 años y radican una planilla en conjunto. El señor Cruz tuvo una ganancia neta del trabajo por cuenta propia de \$13,500; la señora Cruz trabaja para el gobierno federal y su salario fue de \$22,500. Ellos detallan las siguientes deducciones:
 - Medical and Dental Expenses (amount that exceed 7.5% of AGI): \$6,000
 - Home mortgage interest \$8,500
 - Charitable contributions \$5,000La cantidad por concepto de deducciones detalladas que pueden reclamar es :
 - a. \$10,000
 - b. \$12,187.50
 - c. \$14,000
 - d. \$19,500



4. Lucas Perez, 67 años casado con Karen Flores, 65 años, comenzó a recibir los beneficios de retiro el 1 de enero de 2005, bajo un contrato que provee beneficios al cónyuge sobreviviente. Lucas aportó a su plan de pensión cualificado \$35,000 y no ha recibido ninguna distribución anterior al 2005. Lucas recibe una pensión mensual de \$1,500. Utilice el método simplificado para determinar que cantidad de la pensión es tributable.
5. En 2005 el Sr. Santos Amador, 57 años, recibió \$25,000 por concepto de su pensión como empleado federal "US civil Service". El trabajó 10 años en Estados Unidos y 15 años en Puerto Rico. ¿Sobre que cantidad tendría derecho a reclamar crédito si pagara contribuciones en Puerto Rico?
- \$15,000
 - \$25,000
 - \$3,000
 - \$5,000
6. El Sr. Jorge Rosa es soltero, 68 años y recibió la Forma SSA-1099 de 2005 que indica en el encasillado 5 beneficios recibidos por \$7,980. Además, recibió los siguientes ingresos durante el 2005:
- Pensión del gobierno de Puerto Rico \$29,750
 - Salarios \$9,000
 - Ingresos de rentas \$15,000
- ¿Qué cantidad de los beneficios de Seguro Social serían tributables?
7. Cuando se reclama crédito por contribuciones pagadas a Puerto Rico por concepto de salarios, la categoría sería:
- "passive income"
 - "general limitation income"
 - "shipping income"
 - "lump-sum distributions"



8. Maria Paz es empleada federal y residente de Puerto Rico, soltera, 30 años y durante el 2005 trabajó en Estados Unidos y Puerto Rico. El ingreso de Estados Unidos fue de \$ 6,000; en Puerto Rico devengó \$24,000 como empleado federal y \$2,500 en un trabajo a tiempo parcial para el gobierno de Puerto Rico. ¿Qué cantidad se anota en la línea 7 de la forma 1040 como salarios?
- a. \$30,000
 - b. \$24,000
 - c. \$32,500
 - d. \$6,000
9. Usando los datos del ejercicio 8, determine la deducción fija:
- a. \$4,615
 - b. \$5,000
 - c. \$4,900
 - d. \$7,300
10. El Sr. Héctor Blanco es soltero, 68 años, residente de Puerto Rico y recibió los siguientes ingresos:
- | | |
|---|----------|
| Pensión de la Autoridad de Energía Eléctrica: | \$45,000 |
| Salario de Puerto Rico (tiempo parcial) | 9,500 |
| Renta (edificio en San Juan, PR) | 24,000 |
| Beneficio de Seguro Social (SSA-1099) | 13,800 |
- Determine que cantidad de los beneficios del Seguro Social son tributables.



PART 2. COMPREHENSIVE PROBLEM 1- PENSION & SOCIAL SECURITY**Part 1 - Comprehensive Problem 1**

Carol Toro has a Form 1099R and a Form SSA – 1099. They show:

Form 1099R – Distributions from Pensions, Annuities, Retirement or Profit Sharing...

| | |
|---------------------------------------|--|
| Payer name | U.S. Education Retirement System |
| Payer's address | 65 Court St Brooklyn NY 11201 |
| Payer's Federal identification number | 52-1EFIN |
| Recipients identification number | 123-EFIN |
| Recipient's address | 1234 San Jorge St San Juan PR 00902 |
| Gross distribution | \$16,790 |
| Taxable amount | \$16,790 |
| Federal Income tax withheld | \$804.81 |
| Distribution code | 7 |

Form SSA – 1099 Social Security Benefit Statement

| | |
|-----------------------|----------|
| Benefits paid in 2005 | \$13,423 |
|-----------------------|----------|

Carol gave you the following information:

She is 66 (born on April 2, 1939). Her grandson, Scott Toro (SSN 124-EFIN; born on March 3, 1999), has lived with her for the last 3 years. Carol pays the total cost of keeping up a home for herself and her grandson and provides all the support for Scott.

She does not want to contribute to the presidential election campaign, and if she is due a refund, she would like a direct deposit to her checking account (account 67890; routing transit number 021904512). Her address and SSN are correct on her Form 1099 R. Your site identification number is S xxxxxxxx. Carol is retired from the US Education Retirement System; her services were performed in New York. She moved to Puerto Rico in 2000; she began receiving retirement benefit in 1997.

Complete Form 1040 US.

Test

T-7



Label

(See instructions on page 16.)

Use the IRS label.

Otherwise, please print or type.

LABEL HERE

For the year Jan. 1–Dec. 31, 2005, or other tax year beginning , 2005, ending , 20 OMB No. 1545-0074
Your first name and initial Last name Your social security number
If a joint return, spouse's first name and initial Last name Spouse's social security number
Home address (number and street). If you have a P.O. box, see page 16. Apt. no.
City, town or post office, state, and ZIP code. If you have a foreign address, see page 16.

You must enter your SSN(s) above.

Checking a box below will not change your tax or refund.

Presidential Election Campaign

Check here if you, or your spouse if filing jointly, want \$3 to go to this fund (see page 16) You Spouse

Filing Status

Check only one box.

- 1 Single 2 Married filing jointly (even if only one had income) 3 Married filing separately. Enter spouse's SSN above and full name here. 4 Head of household (with qualifying person). (See page 17.) If the qualifying person is a child but not your dependent, enter this child's name here. 5 Qualifying widow(er) with dependent child (see page 17)

Exemptions

If more than four dependents, see page 18.

6a Yourself. If someone can claim you as a dependent, do not check box 6a
b Spouse
c Dependents: (1) First name Last name (2) Dependent's social security number (3) Dependent's relationship to you (4) if qualifying child for child tax credit (see page 18)
d Total number of exemptions claimed

Boxes checked on 6a and 6b
No. of children on 6c who:
lived with you
did not live with you due to divorce or separation (see page 18)
Dependents on 6c not entered above

Income

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

If you did not get a W-2, see page 19.

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

Table with 22 rows for income reporting, including wages, interest, dividends, and total income.

Adjusted Gross Income

Table with 15 rows for adjusted gross income deductions, including educator expenses, business expenses, and IRA deductions.

Tax and Credits

Standard Deduction for—

- People who checked any box on line 39a or 39b or who can be claimed as a dependent, see page 31.
• All others:

Single or Married filing separately, \$5,000

Married filing jointly or Qualifying widow(er), \$10,000

Head of household, \$7,300

38 Amount from line 37 (adjusted gross income)
39a Check [] You were born before January 2, 1941, [] Blind. Total boxes
if: [] Spouse was born before January 2, 1941, [] Blind. checked 39a
b If your spouse itemizes on a separate return or you were a dual-status alien, see page 31 and check here 39b
40 Itemized deductions (from Schedule A) or your standard deduction (see left margin)
41 Subtract line 40 from line 38
42 If line 38 is \$109,475 or less, multiply \$3,200 by the total number of exemptions claimed on line 6d. If line 38 is over \$109,475, see the worksheet on page 33
43 Taxable income. Subtract line 42 from line 41. If line 42 is more than line 41, enter -0-
44 Tax (see page 33). Check if any tax is from: a [] Form(s) 8814 b [] Form 4972
45 Alternative minimum tax (see page 35). Attach Form 6251
46 Add lines 44 and 45
47 Foreign tax credit. Attach Form 1116 if required
48 Credit for child and dependent care expenses. Attach Form 2441
49 Credit for the elderly or the disabled. Attach Schedule R
50 Education credits. Attach Form 8863
51 Retirement savings contributions credit. Attach Form 8880
52 Child tax credit (see page 37). Attach Form 8901 if required
53 Adoption credit. Attach Form 8839
54 Credits from: a [] Form 8396 b [] Form 8859
55 Other credits. Check applicable box(es): a [] Form 3800 b [] Form 8801 c [] Specify
56 Add lines 47 through 55. These are your total credits
57 Subtract line 56 from line 46. If line 56 is more than line 46, enter -0-

Other Taxes

58 Self-employment tax. Attach Schedule SE
59 Social security and Medicare tax on tip income not reported to employer. Attach Form 4137
60 Additional tax on IRAs, other qualified retirement plans, etc. Attach Form 5329 if required
61 Advance earned income credit payments from Form(s) W-2
62 Household employment taxes. Attach Schedule H
63 Add lines 57 through 62. This is your total tax

Payments

If you have a qualifying child, attach Schedule EIC.

64 Federal income tax withheld from Forms W-2 and 1099
65 2005 estimated tax payments and amount applied from 2004 return
66a Earned income credit (EIC)
b Nontaxable combat pay election 66b
67 Excess social security and tier 1 RRTA tax withheld (see page 54)
68 Additional child tax credit. Attach Form 8812
69 Amount paid with request for extension to file (see page 54)
70 Payments from: a [] Form 2439 b [] Form 4136 c [] Form 8885
71 Add lines 64, 65, 66a, and 67 through 70. These are your total payments

Refund

Direct deposit? See page 54 and fill in 73b, 73c, and 73d.

72 If line 71 is more than line 63, subtract line 63 from line 71. This is the amount you overpaid
73a Amount of line 72 you want refunded to you
b Routing number
c Type: [] Checking [] Savings
d Account number
74 Amount of line 72 you want applied to your 2006 estimated tax

Amount You Owe

75 Amount you owe. Subtract line 71 from line 63. For details on how to pay, see page 55
76 Estimated tax penalty (see page 55)

Third Party Designee

Do you want to allow another person to discuss this return with the IRS (see page 56)? [] Yes. Complete the following. [] No
Designee's name Phone no. Personal identification number (PIN)

Sign Here

Joint return? See page 17. Keep a copy for your records.

Under penalties of perjury, I declare that I have examined this return and accompanying schedules and statements, and to the best of my knowledge and belief, they are true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.
Your signature Date Your occupation Daytime phone number
Spouse's signature. If a joint return, both must sign. Date Spouse's occupation

Paid Preparer's Use Only

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

2005 Tax Table



See the instructions for line 44 that begin on page 33 to see if you must use the Tax Table below to figure your tax.

Example. Mr. and Mrs. Brown are filing a joint return. Their taxable income on Form 1040, line 43, is \$25,300. First, they find the \$25,300–25,350 taxable income line. Next, they find the column for married filing jointly and read down the column. The amount shown where the taxable income line and filing status column meet is \$3,069. This is the tax amount they should enter on Form 1040, line 44.

Sample Table

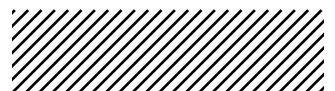
| At least | But less than | Single | Your tax is— | | | |
|----------|---------------|--------|--------------------------|---------------------------|---------------------|--|
| | | | Married filing jointly * | Married filing separately | Head of a household | |
| 25,200 | 25,250 | 3,419 | 3,054 | 3,419 | 3,261 | |
| 25,250 | 25,300 | 3,426 | 3,061 | 3,426 | 3,269 | |
| 25,300 | 25,350 | 3,434 | 3,069 | 3,434 | 3,276 | |
| 25,350 | 25,400 | 3,441 | 3,076 | 3,441 | 3,284 | |

| If line 43 (taxable income) is— | | And you are— | | | | If line 43 (taxable income) is— | | And you are— | | | | If line 43 (taxable income) is— | | And you are— | | | |
|---------------------------------|---------------|--------------|--------------------------|---------------------------|---------------------|---------------------------------|---------------|--------------|--------------------------|---------------------------|---------------------|---------------------------------|---------------|--------------|--------------------------|---------------------------|---------------------|
| At least | But less than | Single | Married filing jointly * | Married filing separately | Head of a household | At least | But less than | Single | Married filing jointly * | Married filing separately | Head of a household | At least | But less than | Single | Married filing jointly * | Married filing separately | Head of a household |
| | | | | | | | | | | | | | | | | | |
| 0 | 5 | 0 | 0 | 0 | 0 | 1,300 | 1,325 | 131 | 131 | 131 | 131 | 2,700 | 2,725 | 271 | 271 | 271 | 271 |
| 5 | 15 | 1 | 1 | 1 | 1 | 1,325 | 1,350 | 134 | 134 | 134 | 134 | 2,725 | 2,750 | 274 | 274 | 274 | 274 |
| 15 | 25 | 2 | 2 | 2 | 2 | 1,350 | 1,375 | 136 | 136 | 136 | 136 | 2,750 | 2,775 | 276 | 276 | 276 | 276 |
| 25 | 50 | 4 | 4 | 4 | 4 | 1,375 | 1,400 | 139 | 139 | 139 | 139 | 2,775 | 2,800 | 279 | 279 | 279 | 279 |
| 50 | 75 | 6 | 6 | 6 | 6 | 1,400 | 1,425 | 141 | 141 | 141 | 141 | 2,800 | 2,825 | 281 | 281 | 281 | 281 |
| 75 | 100 | 9 | 9 | 9 | 9 | 1,425 | 1,450 | 144 | 144 | 144 | 144 | 2,825 | 2,850 | 284 | 284 | 284 | 284 |
| 100 | 125 | 11 | 11 | 11 | 11 | 1,450 | 1,475 | 146 | 146 | 146 | 146 | 2,850 | 2,875 | 286 | 286 | 286 | 286 |
| 125 | 150 | 14 | 14 | 14 | 14 | 1,475 | 1,500 | 149 | 149 | 149 | 149 | 2,875 | 2,900 | 289 | 289 | 289 | 289 |
| 150 | 175 | 16 | 16 | 16 | 16 | 1,500 | 1,525 | 151 | 151 | 151 | 151 | 2,900 | 2,925 | 291 | 291 | 291 | 291 |
| 175 | 200 | 19 | 19 | 19 | 19 | 1,525 | 1,550 | 154 | 154 | 154 | 154 | 2,925 | 2,950 | 294 | 294 | 294 | 294 |
| 200 | 225 | 21 | 21 | 21 | 21 | 1,550 | 1,575 | 156 | 156 | 156 | 156 | 2,950 | 2,975 | 296 | 296 | 296 | 296 |
| 225 | 250 | 24 | 24 | 24 | 24 | 1,575 | 1,600 | 159 | 159 | 159 | 159 | 2,975 | 3,000 | 299 | 299 | 299 | 299 |
| 250 | 275 | 26 | 26 | 26 | 26 | 1,600 | 1,625 | 161 | 161 | 161 | 161 | 3,000 | | | | | |
| 275 | 300 | 29 | 29 | 29 | 29 | 1,625 | 1,650 | 164 | 164 | 164 | 164 | 3,000 | 3,050 | 303 | 303 | 303 | 303 |
| 300 | 325 | 31 | 31 | 31 | 31 | 1,650 | 1,675 | 166 | 166 | 166 | 166 | 3,050 | 3,100 | 308 | 308 | 308 | 308 |
| 325 | 350 | 34 | 34 | 34 | 34 | 1,675 | 1,700 | 169 | 169 | 169 | 169 | 3,100 | 3,150 | 313 | 313 | 313 | 313 |
| 350 | 375 | 36 | 36 | 36 | 36 | 1,700 | 1,725 | 171 | 171 | 171 | 171 | 3,150 | 3,200 | 318 | 318 | 318 | 318 |
| 375 | 400 | 39 | 39 | 39 | 39 | 1,725 | 1,750 | 174 | 174 | 174 | 174 | 3,200 | 3,250 | 323 | 323 | 323 | 323 |
| 400 | 425 | 41 | 41 | 41 | 41 | 1,750 | 1,775 | 176 | 176 | 176 | 176 | 3,250 | 3,300 | 328 | 328 | 328 | 328 |
| 425 | 450 | 44 | 44 | 44 | 44 | 1,775 | 1,800 | 179 | 179 | 179 | 179 | 3,300 | 3,350 | 333 | 333 | 333 | 333 |
| 450 | 475 | 46 | 46 | 46 | 46 | 1,800 | 1,825 | 181 | 181 | 181 | 181 | 3,350 | 3,400 | 338 | 338 | 338 | 338 |
| 475 | 500 | 49 | 49 | 49 | 49 | 1,825 | 1,850 | 184 | 184 | 184 | 184 | 3,400 | 3,450 | 343 | 343 | 343 | 343 |
| 500 | 525 | 51 | 51 | 51 | 51 | 1,850 | 1,875 | 186 | 186 | 186 | 186 | 3,450 | 3,500 | 348 | 348 | 348 | 348 |
| 525 | 550 | 54 | 54 | 54 | 54 | 1,875 | 1,900 | 189 | 189 | 189 | 189 | 3,500 | 3,550 | 353 | 353 | 353 | 353 |
| 550 | 575 | 56 | 56 | 56 | 56 | 1,900 | 1,925 | 191 | 191 | 191 | 191 | 3,550 | 3,600 | 358 | 358 | 358 | 358 |
| 575 | 600 | 59 | 59 | 59 | 59 | 1,925 | 1,950 | 194 | 194 | 194 | 194 | 3,600 | 3,650 | 363 | 363 | 363 | 363 |
| 600 | 625 | 61 | 61 | 61 | 61 | 1,950 | 1,975 | 196 | 196 | 196 | 196 | 3,650 | 3,700 | 368 | 368 | 368 | 368 |
| 625 | 650 | 64 | 64 | 64 | 64 | 1,975 | 2,000 | 199 | 199 | 199 | 199 | 3,700 | 3,750 | 373 | 373 | 373 | 373 |
| 650 | 675 | 66 | 66 | 66 | 66 | 2,000 | | | | 3,750 | 3,800 | 378 | 378 | 378 | 378 | 378 | 378 |
| 675 | 700 | 69 | 69 | 69 | 69 | 2,000 | 2,025 | 201 | 201 | 201 | 201 | 3,800 | 3,850 | 383 | 383 | 383 | 383 |
| 700 | 725 | 71 | 71 | 71 | 71 | 2,025 | 2,050 | 204 | 204 | 204 | 204 | 3,850 | 3,900 | 388 | 388 | 388 | 388 |
| 725 | 750 | 74 | 74 | 74 | 74 | 2,050 | 2,075 | 206 | 206 | 206 | 206 | 3,900 | 3,950 | 393 | 393 | 393 | 393 |
| 750 | 775 | 76 | 76 | 76 | 76 | 2,075 | 2,100 | 209 | 209 | 209 | 209 | 3,950 | 4,000 | 398 | 398 | 398 | 398 |
| 775 | 800 | 79 | 79 | 79 | 79 | 2,100 | 2,125 | 211 | 211 | 211 | 211 | 4,000 | | | | | |
| 800 | 825 | 81 | 81 | 81 | 81 | 2,125 | 2,150 | 214 | 214 | 214 | 214 | 4,000 | 4,050 | 403 | 403 | 403 | 403 |
| 825 | 850 | 84 | 84 | 84 | 84 | 2,150 | 2,175 | 216 | 216 | 216 | 216 | 4,050 | 4,100 | 408 | 408 | 408 | 408 |
| 850 | 875 | 86 | 86 | 86 | 86 | 2,175 | 2,200 | 219 | 219 | 219 | 219 | 4,100 | 4,150 | 413 | 413 | 413 | 413 |
| 875 | 900 | 89 | 89 | 89 | 89 | 2,200 | 2,225 | 221 | 221 | 221 | 221 | 4,150 | 4,200 | 418 | 418 | 418 | 418 |
| 900 | 925 | 91 | 91 | 91 | 91 | 2,225 | 2,250 | 224 | 224 | 224 | 224 | 4,200 | 4,250 | 423 | 423 | 423 | 423 |
| 925 | 950 | 94 | 94 | 94 | 94 | 2,250 | 2,275 | 226 | 226 | 226 | 226 | 4,250 | 4,300 | 428 | 428 | 428 | 428 |
| 950 | 975 | 96 | 96 | 96 | 96 | 2,275 | 2,300 | 229 | 229 | 229 | 229 | 4,300 | 4,350 | 433 | 433 | 433 | 433 |
| 975 | 1,000 | 99 | 99 | 99 | 99 | 2,300 | 2,325 | 231 | 231 | 231 | 231 | 4,350 | 4,400 | 438 | 438 | 438 | 438 |
| 1,000 | | | | | | 2,325 | 2,350 | 234 | 234 | 234 | 234 | 4,400 | 4,450 | 443 | 443 | 443 | 443 |
| 1,025 | 1,050 | 101 | 101 | 101 | 101 | 2,350 | 2,375 | 236 | 236 | 236 | 236 | 4,450 | 4,500 | 448 | 448 | 448 | 448 |
| 1,050 | 1,075 | 104 | 104 | 104 | 104 | 2,375 | 2,400 | 239 | 239 | 239 | 239 | 4,500 | 4,550 | 453 | 453 | 453 | 453 |
| 1,075 | 1,100 | 106 | 106 | 106 | 106 | 2,400 | 2,425 | 241 | 241 | 241 | 241 | 4,550 | 4,600 | 458 | 458 | 458 | 458 |
| 1,100 | 1,125 | 109 | 109 | 109 | 109 | 2,425 | 2,450 | 244 | 244 | 244 | 244 | 4,600 | 4,650 | 463 | 463 | 463 | 463 |
| 1,125 | 1,150 | 111 | 111 | 111 | 111 | 2,450 | 2,475 | 246 | 246 | 246 | 246 | 4,650 | 4,700 | 468 | 468 | 468 | 468 |
| 1,150 | 1,175 | 114 | 114 | 114 | 114 | 2,475 | 2,500 | 249 | 249 | 249 | 249 | 4,700 | 4,750 | 473 | 473 | 473 | 473 |
| 1,175 | 1,200 | 116 | 116 | 116 | 116 | 2,500 | 2,525 | 251 | 251 | 251 | 251 | 4,750 | 4,800 | 478 | 478 | 478 | 478 |
| 1,200 | 1,225 | 119 | 119 | 119 | 119 | 2,525 | 2,550 | 254 | 254 | 254 | 254 | 4,800 | 4,850 | 483 | 483 | 483 | 483 |
| 1,225 | 1,250 | 121 | 121 | 121 | 121 | 2,550 | 2,575 | 256 | 256 | 256 | 256 | 4,850 | 4,900 | 488 | 488 | 488 | 488 |
| 1,250 | 1,275 | 124 | 124 | 124 | 124 | 2,575 | 2,600 | 259 | 259 | 259 | 259 | 4,900 | 4,950 | 493 | 493 | 493 | 493 |
| 1,275 | 1,300 | 126 | 126 | 126 | 126 | 2,600 | 2,625 | 261 | 261 | 261 | 261 | 4,950 | 5,000 | 498 | 498 | 498 | 498 |
| 1,300 | | 129 | 129 | 129 | 129 | 2,625 | 2,650 | 264 | 264 | 264 | 264 | | | | | | |
| | | | | | | 2,650 | 2,675 | 266 | 266 | 266 | 266 | | | | | | |
| | | | | | | 2,675 | 2,700 | 269 | 269 | 269 | 269 | | | | | | |

(Continued on page 65)

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

1. What is the taxable portion of Carol's pension?
2. What is the adjusted gross income for Carol Toro?
3. Determine the standard deduction for Carol Toro?
4. What is the total tax?
5. What is the amount of the credit for the elderly?
6. What is the refund amount?
7. What is the Additional Child Tax Credit amount?
8. How much taxable social security benefits will be reported on Form 1040, line 20b?
9. What is the total number of exemptions claimed on line 6d?
10. What is the amount of total payments on Form 1040, line 71?



**PART 3. COMPREHENSIVE PROBLEM 2 – ADDITIONAL CHILD TAX
CREDIT & FOREIGN TAX CREDIT**

Comprehensive Problem 2 for Billy and Mary

Billy Coll and Mary Soto are married filing a joint return and have two dependent children under age 17. The children are qualifying for purposes of claiming the child tax credit.

| | | |
|---|---|--|
| Customer information | | |
| Taxpayer Name: Billy Coll | SSN: 134-EFIN | |
| Spouse Name: Mary Soto | SSN: 135-EFIN | |
| Street Address: | Valle Verde 9087 Girasol St | |
| City, State and Zip Code: Your city, state and zip code | | |
| Telephone number: (Your telephone number) | | |
| Date of birth: | Taxpayer 09/23/1972 | Spouse: 01/25/1970 |
| Occupation: | TP : Clerk | SP: Nurse |
| Give to Elect Campaign Fund (Y/N): | TP: No SP: Yes | |
| They do not itemize deductions. They have a daughter, Lauren (date of birth 05/13/2000; SSN is 583-EFIN) and a son Willy (date of birth 02/15/1997; SSN is 584-EFIN). | | |
| W-2 Wage and Tax Statement | | |
| | TAXPAYER | SPOUSE |
| Employer's name, address, and ZIP code: | DFAS 8899 East 56 Street Indianapolis, IN 46249 | Veterans Affairs 1610 Woodward St Austin, TX 78772 |
| Employer Identification number : | 66-2EFIN | 75-1EFIN |
| Wages: | \$13,650 | \$19,712 |
| Federal income tax withheld: | \$ 145.00 | \$369.00 |
| Social Security withheld | \$ 937.53 | \$1, 238.96 |
| Medicare tax withheld | \$ 219.32 | \$289.80 |
| PR : State wages | \$15,200 | \$21,982.00 |
| PR Tax liability | \$3,650 | |
| Complete Form 1040 and schedules. If a refund is due they want a check to be mailed to their house and will pay any tax due by check. | | |



Label

(See instructions on page 16.) Use the IRS label. Otherwise, please print or type.

For the year Jan. 1–Dec. 31, 2005, or other tax year beginning , 2005, ending , 20 OMB No. 1545-0074
Your first name and initial Last name Your social security number
If a joint return, spouse's first name and initial Last name Spouse's social security number
Home address (number and street). If you have a P.O. box, see page 16. Apt. no. You must enter your SSN(s) above.
City, town or post office, state, and ZIP code. If you have a foreign address, see page 16. Checking a box below will not change your tax or refund.

Presidential Election Campaign

Check here if you, or your spouse if filing jointly, want \$3 to go to this fund (see page 16) You Spouse

Filing Status

Check only one box.

- 1 Single 2 Married filing jointly (even if only one had income) 3 Married filing separately. Enter spouse's SSN above and full name here. 4 Head of household (with qualifying person). (See page 17.) If the qualifying person is a child but not your dependent, enter this child's name here. 5 Qualifying widow(er) with dependent child (see page 17)

Exemptions

6a Yourself. If someone can claim you as a dependent, do not check box 6a
6b Spouse
6c Dependents: (1) First name Last name (2) Dependent's social security number (3) Dependent's relationship to you (4) if qualifying child for child tax credit (see page 18)
d Total number of exemptions claimed Add numbers on lines above

Income

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

If you did not get a W-2, see page 19.

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

Table with 22 rows for income items: 7 Wages, salaries, tips, etc. Attach Form(s) W-2; 8a Taxable interest; 8b Tax-exempt interest; 9a Ordinary dividends; 9b Qualified dividends; 10 Taxable refunds, credits, or offsets of state and local income taxes; 11 Alimony received; 12 Business income or (loss); 13 Capital gain or (loss); 14 Other gains or (losses); 15a IRA distributions; 15b Taxable amount; 16a Pensions and annuities; 16b Taxable amount; 17 Rental real estate, royalties, partnerships, S corporations, trusts, etc.; 18 Farm income or (loss); 19 Unemployment compensation; 20a Social security benefits; 20b Taxable amount; 21 Other income; 22 Total income.

Adjusted Gross Income

Table with 15 rows for adjusted gross income items: 23 Educator expenses; 24 Certain business expenses; 25 Health savings account deduction; 26 Moving expenses; 27 One-half of self-employment tax; 28 Self-employed SEP, SIMPLE, and qualified plans; 29 Self-employed health insurance deduction; 30 Penalty on early withdrawal of savings; 31a Alimony paid; 31b Recipient's SSN; 32 IRA deduction; 33 Student loan interest deduction; 34 Tuition and fees deduction; 35 Domestic production activities deduction; 36 Add lines 23 through 31a and 32 through 35; 37 Subtract line 36 from line 22.

For Disclosure, Privacy Act, and Paperwork Reduction Act Notice, see page 75.

Cat. No. 11320B

Form 1040 (2005)

Tax and Credits

Standard Deduction for—

- People who checked any box on line 39a or 39b or who can be claimed as a dependent, see page 31.
• All others:

Single or Married filing separately, \$5,000

Married filing jointly or Qualifying widow(er), \$10,000

Head of household, \$7,300

38 Amount from line 37 (adjusted gross income)
39a Check if: You were born before January 2, 1941, Blind. Total boxes checked
b If your spouse itemizes on a separate return or you were a dual-status alien, see page 31 and check here
40 Itemized deductions (from Schedule A) or your standard deduction
41 Subtract line 40 from line 38
42 If line 38 is \$109,475 or less, multiply \$3,200 by the total number of exemptions claimed on line 6d. If line 38 is over \$109,475, see the worksheet on page 33
43 Taxable income. Subtract line 42 from line 41. If line 42 is more than line 41, enter -0-
44 Tax (see page 33). Check if any tax is from: a Form(s) 8814 b Form 4972
45 Alternative minimum tax (see page 35). Attach Form 6251
46 Add lines 44 and 45
47 Foreign tax credit. Attach Form 1116 if required
48 Credit for child and dependent care expenses. Attach Form 2441
49 Credit for the elderly or the disabled. Attach Schedule R
50 Education credits. Attach Form 8863
51 Retirement savings contributions credit. Attach Form 8880
52 Child tax credit (see page 37). Attach Form 8901 if required
53 Adoption credit. Attach Form 8839
54 Credits from: a Form 8396 b Form 8859
55 Other credits. Check applicable box(es): a Form 3800 b Form 8801 c Specify
56 Add lines 47 through 55. These are your total credits
57 Subtract line 56 from line 46. If line 56 is more than line 46, enter -0-

Other Taxes

58 Self-employment tax. Attach Schedule SE
59 Social security and Medicare tax on tip income not reported to employer. Attach Form 4137
60 Additional tax on IRAs, other qualified retirement plans, etc. Attach Form 5329 if required
61 Advance earned income credit payments from Form(s) W-2
62 Household employment taxes. Attach Schedule H
63 Add lines 57 through 62. This is your total tax

Payments

If you have a qualifying child, attach Schedule EIC.

64 Federal income tax withheld from Forms W-2 and 1099
65 2005 estimated tax payments and amount applied from 2004 return
66a Earned income credit (EIC)
b Nontaxable combat pay election
67 Excess social security and tier 1 RRTA tax withheld (see page 54)
68 Additional child tax credit. Attach Form 8812
69 Amount paid with request for extension to file (see page 54)
70 Payments from: a Form 2439 b Form 4136 c Form 8885
71 Add lines 64, 65, 66a, and 67 through 70. These are your total payments

Refund

Direct deposit? See page 54 and fill in 73b, 73c, and 73d.

72 If line 71 is more than line 63, subtract line 63 from line 71. This is the amount you overpaid
73a Amount of line 72 you want refunded to you
b Routing number
c Type: Checking Savings
d Account number
74 Amount of line 72 you want applied to your 2006 estimated tax

Amount You Owe

75 Amount you owe. Subtract line 71 from line 63. For details on how to pay, see page 55
76 Estimated tax penalty (see page 55)

Third Party Designee

Do you want to allow another person to discuss this return with the IRS (see page 56)? Yes. Complete the following. No
Designee's name Phone no. Personal identification number (PIN)

Sign Here

Joint return? See page 17. Keep a copy for your records.

Under penalties of perjury, I declare that I have examined this return and accompanying schedules and statements, and to the best of my knowledge and belief, they are true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.
Your signature Date Your occupation Daytime phone number
Spouse's signature. If a joint return, both must sign. Date Spouse's occupation

Paid Preparer's Use Only

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

Foreign Tax Credit
 (Individual, Estate, or Trust)

▶ Attach to Form 1040, 1040NR, 1041, or 990-T.
 ▶ See separate instructions.

Name _____ Identifying number as shown on page 1 of your tax return _____

Use a separate Form 1116 for each category of income listed below. See **Categories of Income** on page 3 of the instructions. Check only one box on each Form 1116. Report all amounts in U.S. dollars except where specified in Part II below.

- a Passive income
- b High withholding tax interest
- c Financial services income
- d Shipping income
- e Dividends from a DISC or former DISC
- f Certain distributions from a foreign sales corporation (FSC) or former FSC
- g Lump-sum distributions
- h Section 901(j) income
- i Certain income re-sourced by treaty
- j General limitation income

k Resident of (name of country) ▶ _____

Note: If you paid taxes to only one foreign country or U.S. possession, use column A in Part I and line A in Part II. If you paid taxes to more than one foreign country or U.S. possession, use a separate column and line for each country or possession.

Part I Taxable Income or Loss From Sources Outside the United States (for Category Checked Above)

| | Foreign Country or U.S. Possession | | | Total (Add cols. A, B, and C.) |
|--|------------------------------------|---|---|-----------------------------------|
| | A | B | C | |
| I Enter the name of the foreign country or U.S. possession ▶ | | | | |
| 1 Gross income from sources within country shown above and of the type checked above (see page 13 of the instructions): | | | | 1 |
| Deductions and losses (Caution: See pages 13 and 14 of the instructions): | | | | |
| 2 Expenses definitely related to the income on line 1 (attach statement) | | | | |
| 3 Pro rata share of other deductions not definitely related: | | | | |
| a Certain itemized deductions or standard deduction (see instructions) | | | | |
| b Other deductions (attach statement) | | | | |
| c Add lines 3a and 3b | | | | |
| d Gross foreign source income (see instructions) | | | | |
| e Gross income from all sources (see instructions) | | | | |
| f Divide line 3d by line 3e (see instructions) | | | | |
| g Multiply line 3c by line 3f. | | | | |
| 4 Pro rata share of interest expense (see instructions): | | | | |
| a Home mortgage interest (use worksheet on page 13 of the instructions) | | | | |
| b Other interest expense | | | | |
| 5 Losses from foreign sources | | | | |
| 6 Add lines 2, 3g, 4a, 4b, and 5 | | | | 6 |
| 7 Subtract line 6 from line 1. Enter the result here and on line 14, page 2 ▶ | | | | 7 |

Part II Foreign Taxes Paid or Accrued (see page 14 of the instructions)

| Country | Credit is claimed for taxes (you must check one) (m) <input type="checkbox"/> Paid (n) <input type="checkbox"/> Accrued | Foreign taxes paid or accrued | | | | | | | (x) Total foreign taxes paid or accrued (add cols. (t) through (w)) |
|--------------------------|---|-------------------------------|--------------|---------------|---|------------------------------|--------------|--|---|
| | | In foreign currency | | | | In U.S. dollars | | | |
| | | Taxes withheld at source on: | | | (s) Other foreign taxes paid or accrued | Taxes withheld at source on: | | | |
| (o) Date paid or accrued | (p) Dividends | (q) Rents and royalties | (r) Interest | (t) Dividends | | (u) Rents and royalties | (v) Interest | | |
| A | | | | | | | | | |
| B | | | | | | | | | |
| C | | | | | | | | | |

8 Add lines A through C, column (x). Enter the total here and on line 9, page 2 ▶ **8**

For Paperwork Reduction Act Notice, see page 18 of the instructions.

Cat. No. 11440U

Form **1116** (2005)

Part III Figuring the Credit

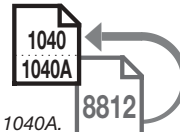
| | | | | |
|-----------|--|-----------|--|-----------|
| 9 | Enter the amount from line 8. These are your total foreign taxes paid or accrued for the category of income checked above Part I | 9 | | |
| 10 | Carryback or carryover (attach detailed computation) | 10 | | |
| 11 | Add lines 9 and 10. | 11 | | |
| 12 | Reduction in foreign taxes (see page 15 of the instructions) | 12 | | |
| 13 | Subtract line 12 from line 11. This is the total amount of foreign taxes available for credit | | | 13 |
| 14 | Enter the amount from line 7. This is your taxable income or (loss) from sources outside the United States (before adjustments) for the category of income checked above Part I (see page 15 of the instructions) | 14 | | |
| 15 | Adjustments to line 14 (see page 16 of the instructions) | 15 | | |
| 16 | Combine the amounts on lines 14 and 15. This is your net foreign source taxable income. (If the result is zero or less, you have no foreign tax credit for the category of income you checked above Part I. Skip lines 17 through 21. However, if you are filing more than one Form 1116, you must complete line 19.) | 16 | | |
| 17 | Individuals: Enter the amount from Form 1040, line 41. If you are a nonresident alien, enter the amount from Form 1040NR, line 38. Estates and trusts: Enter your taxable income without the deduction for your exemption. Caution: If you figured your tax using the lower rates on qualified dividends or capital gains, see page 17 of the instructions. | 17 | | |
| 18 | Divide line 16 by line 17. If line 16 is more than line 17, enter "1" | | | 18 |
| 19 | Individuals: Enter the amount from Form 1040, line 44. If you are a nonresident alien, enter the amount from Form 1040NR, line 41. Estates and trusts: Enter the amount from Form 1041, Schedule G, line 1a, or the total of Form 990-T, lines 36 and 37 Caution: If you are completing line 19 for separate category g (lump-sum distributions), see page 18 of the instructions. | | | 19 |
| 20 | Multiply line 19 by line 18 (maximum amount of credit) | | | 20 |
| 21 | Enter the smaller of line 13 or line 20. If this is the only Form 1116 you are filing, skip lines 22 through 30 and enter this amount on line 31. Otherwise, complete the appropriate line in Part IV (see page 18 of the instructions) | | | 21 |

Part IV Summary of Credits From Separate Parts III (see page 18 of the instructions)

| | | | | |
|-----------|---|-----------|--|-----------|
| 22 | Credit for taxes on passive income | 22 | | |
| 23 | Credit for taxes on high withholding tax interest | 23 | | |
| 24 | Credit for taxes on financial services income | 24 | | |
| 25 | Credit for taxes on shipping income | 25 | | |
| 26 | Credit for taxes on dividends from a DISC or former DISC and certain distributions from a FSC or former FSC | 26 | | |
| 27 | Credit for taxes on lump-sum distributions | 27 | | |
| 28 | Credit for taxes on certain income re-sourced by treaty | 28 | | |
| 29 | Credit for taxes on general limitation income | 29 | | |
| 30 | Add lines 22 through 29 | | | 30 |
| 31 | Enter the smaller of line 19 or line 30 | | | 31 |
| 32 | Reduction of credit for international boycott operations. See instructions for line 12 on page 15 | | | 32 |
| 33 | Subtract line 32 from line 31. This is your foreign tax credit . Enter here and on Form 1040, line 47; Form 1040NR, line 44; Form 1041, Schedule G, line 2a; or Form 990-T, line 40a | | | 33 |



Additional Child Tax Credit



Department of the Treasury
Internal Revenue Service (99)

Complete and attach to Form 1040 or Form 1040A.

Name(s) shown on return

Your social security number

Part I All Filers

| | | | | | | | |
|-----------|--|-----------|--|--|----------|--|--|
| 1 | Enter the amount from line 1 of your Child Tax Credit Worksheet on page 38 of the Form 1040 instructions or page 37 of the Form 1040A instructions. If you used Pub. 972, enter the amount from line 8 of the worksheet on page 4 of the publication | | | | 1 | | |
| 2 | Enter the amount from Form 1040, line 52, or Form 1040A, line 33 | | | | 2 | | |
| 3 | Subtract line 2 from line 1. If zero, stop ; you cannot take this credit | | | | 3 | | |
| 4a | Earned income (see instructions on back) | 4a | | | | | |
| b | Nontaxable combat pay from Form(s) W-2, box 12, with code Q. If married filing jointly, include your spouse's amounts with yours. | 4b | | | | | |
| 5 | Is the amount on line 4a more than \$11,000? <input type="checkbox"/> No. Leave line 5 blank and enter -0- on line 6. <input type="checkbox"/> Yes. Subtract \$11,000 from the amount on line 4a. Enter the result | 5 | | | | | |
| 6 | Multiply the amount on line 5 by 15% (.15) and enter the result Next. Do you have three or more qualifying children? <input type="checkbox"/> No. If line 6 is zero, stop ; you cannot take this credit. Otherwise, skip Part II and enter the smaller of line 3 or line 6 on line 13. <input type="checkbox"/> Yes. If line 6 is equal to or more than line 3, skip Part II and enter the amount from line 3 on line 13. Otherwise, go to line 7. | | | | 6 | | |

Part II Certain Filers Who Have Three or More Qualifying Children

| | | | | | | | |
|-----------|--|-----------|--|--|-----------|--|--|
| 7 | Withheld social security and Medicare taxes from Form(s) W-2, boxes 4 and 6. If married filing jointly, include your spouse's amounts with yours. If you worked for a railroad, see instructions on back | 7 | | | | | |
| 8 | 1040 filers: Enter the total of the amounts from Form 1040, lines 27 and 59, plus any uncollected social security and Medicare or tier 1 RRTA taxes included on line 63. 1040A filers: Enter -0-. | 8 | | | | | |
| 9 | Add lines 7 and 8 | 9 | | | | | |
| 10 | 1040 filers: Enter the total of the amounts from Form 1040, lines 66a and 67. 1040A filers: Enter the total of the amount from Form 1040A, line 41a, plus any excess social security and tier 1 RRTA taxes withheld that you entered to the left of line 43 (see instructions on back). | 10 | | | | | |
| 11 | Subtract line 10 from line 9. If zero or less, enter -0- | | | | 11 | | |
| 12 | Enter the larger of line 6 or line 11 Next, enter the smaller of line 3 or line 12 on line 13. | | | | 12 | | |

Part III Additional Child Tax Credit

| | | | | | | | |
|-----------|--|-----------|--|--|--|--|--|
| 13 | This is your additional child tax credit | 13 | | | | | |
|-----------|--|-----------|--|--|--|--|--|

Enter this amount on Form 1040, line 68, or Form 1040A, line 42.



| If line 43 (taxable income) is— | | And you are— | | | | If line 43 (taxable income) is— | | And you are— | | | | If line 43 (taxable income) is— | | And you are— | | | |
|---------------------------------|---------------|---------------|--------------------------|---------------------------|---------------------|---------------------------------|---------------|--------------|------------------------|---------------------------|---------------------|---------------------------------|---------------|--------------|------------------------|---------------------------|---------------------|
| At least | But less than | Single | Married filing jointly * | Married filing separately | Head of a household | At least | But less than | Single | Married filing jointly | Married filing separately | Head of a household | At least | But less than | Single | Married filing jointly | Married filing separately | Head of a household |
| | | Your tax is— | | | | | | Your tax is— | | | | | | Your tax is— | | | |
| 5,000 | | 8,000 | | | | 11,000 | | | | | | | | | | | |
| 5,000 | 5,050 | 503 | 503 | 503 | 503 | 8,000 | 8,050 | 839 | 803 | 839 | 803 | 11,000 | 11,050 | 1,289 | 1,103 | 1,289 | 1,131 |
| 5,050 | 5,100 | 508 | 508 | 508 | 508 | 8,050 | 8,100 | 846 | 808 | 846 | 808 | 11,050 | 11,100 | 1,296 | 1,108 | 1,296 | 1,139 |
| 5,100 | 5,150 | 513 | 513 | 513 | 513 | 8,100 | 8,150 | 854 | 813 | 854 | 813 | 11,100 | 11,150 | 1,304 | 1,113 | 1,304 | 1,146 |
| 5,150 | 5,200 | 518 | 518 | 518 | 518 | 8,150 | 8,200 | 861 | 818 | 861 | 818 | 11,150 | 11,200 | 1,311 | 1,118 | 1,311 | 1,154 |
| 5,200 | 5,250 | 523 | 523 | 523 | 523 | 8,200 | 8,250 | 869 | 823 | 869 | 823 | 11,200 | 11,250 | 1,319 | 1,123 | 1,319 | 1,161 |
| 5,250 | 5,300 | 528 | 528 | 528 | 528 | 8,250 | 8,300 | 876 | 828 | 876 | 828 | 11,250 | 11,300 | 1,326 | 1,128 | 1,326 | 1,169 |
| 5,300 | 5,350 | 533 | 533 | 533 | 533 | 8,300 | 8,350 | 884 | 833 | 884 | 833 | 11,300 | 11,350 | 1,334 | 1,133 | 1,334 | 1,176 |
| 5,350 | 5,400 | 538 | 538 | 538 | 538 | 8,350 | 8,400 | 891 | 838 | 891 | 838 | 11,350 | 11,400 | 1,341 | 1,138 | 1,341 | 1,184 |
| 5,400 | 5,450 | 543 | 543 | 543 | 543 | 8,400 | 8,450 | 899 | 843 | 899 | 843 | 11,400 | 11,450 | 1,349 | 1,143 | 1,349 | 1,191 |
| 5,450 | 5,500 | 548 | 548 | 548 | 548 | 8,450 | 8,500 | 906 | 848 | 906 | 848 | 11,450 | 11,500 | 1,356 | 1,148 | 1,356 | 1,199 |
| 5,500 | 5,550 | 553 | 553 | 553 | 553 | 8,500 | 8,550 | 914 | 853 | 914 | 853 | 11,500 | 11,550 | 1,364 | 1,153 | 1,364 | 1,206 |
| 5,550 | 5,600 | 558 | 558 | 558 | 558 | 8,550 | 8,600 | 921 | 858 | 921 | 858 | 11,550 | 11,600 | 1,371 | 1,158 | 1,371 | 1,214 |
| 5,600 | 5,650 | 563 | 563 | 563 | 563 | 8,600 | 8,650 | 929 | 863 | 929 | 863 | 11,600 | 11,650 | 1,379 | 1,163 | 1,379 | 1,221 |
| 5,650 | 5,700 | 568 | 568 | 568 | 568 | 8,650 | 8,700 | 936 | 868 | 936 | 868 | 11,650 | 11,700 | 1,386 | 1,168 | 1,386 | 1,229 |
| 5,700 | 5,750 | 573 | 573 | 573 | 573 | 8,700 | 8,750 | 944 | 873 | 944 | 873 | 11,700 | 11,750 | 1,394 | 1,173 | 1,394 | 1,236 |
| 5,750 | 5,800 | 578 | 578 | 578 | 578 | 8,750 | 8,800 | 951 | 878 | 951 | 878 | 11,750 | 11,800 | 1,401 | 1,178 | 1,401 | 1,244 |
| 5,800 | 5,850 | 583 | 583 | 583 | 583 | 8,800 | 8,850 | 959 | 883 | 959 | 883 | 11,800 | 11,850 | 1,409 | 1,183 | 1,409 | 1,251 |
| 5,850 | 5,900 | 588 | 588 | 588 | 588 | 8,850 | 8,900 | 966 | 888 | 966 | 888 | 11,850 | 11,900 | 1,416 | 1,188 | 1,416 | 1,259 |
| 5,900 | 5,950 | 593 | 593 | 593 | 593 | 8,900 | 8,950 | 974 | 893 | 974 | 893 | 11,900 | 11,950 | 1,424 | 1,193 | 1,424 | 1,266 |
| 5,950 | 6,000 | 598 | 598 | 598 | 598 | 8,950 | 9,000 | 981 | 898 | 981 | 898 | 11,950 | 12,000 | 1,431 | 1,198 | 1,431 | 1,274 |
| 6,000 | | 9,000 | | | | 12,000 | | | | | | | | | | | |
| 6,000 | 6,050 | 603 | 603 | 603 | 603 | 9,000 | 9,050 | 989 | 903 | 989 | 903 | 12,000 | 12,050 | 1,439 | 1,203 | 1,439 | 1,281 |
| 6,050 | 6,100 | 608 | 608 | 608 | 608 | 9,050 | 9,100 | 996 | 908 | 996 | 908 | 12,050 | 12,100 | 1,446 | 1,208 | 1,446 | 1,289 |
| 6,100 | 6,150 | 613 | 613 | 613 | 613 | 9,100 | 9,150 | 1,004 | 913 | 1,004 | 913 | 12,100 | 12,150 | 1,454 | 1,213 | 1,454 | 1,296 |
| 6,150 | 6,200 | 618 | 618 | 618 | 618 | 9,150 | 9,200 | 1,011 | 918 | 1,011 | 918 | 12,150 | 12,200 | 1,461 | 1,218 | 1,461 | 1,304 |
| 6,200 | 6,250 | 623 | 623 | 623 | 623 | 9,200 | 9,250 | 1,019 | 923 | 1,019 | 923 | 12,200 | 12,250 | 1,469 | 1,223 | 1,469 | 1,311 |
| 6,250 | 6,300 | 628 | 628 | 628 | 628 | 9,250 | 9,300 | 1,026 | 928 | 1,026 | 928 | 12,250 | 12,300 | 1,476 | 1,228 | 1,476 | 1,319 |
| 6,300 | 6,350 | 633 | 633 | 633 | 633 | 9,300 | 9,350 | 1,034 | 933 | 1,034 | 933 | 12,300 | 12,350 | 1,484 | 1,233 | 1,484 | 1,326 |
| 6,350 | 6,400 | 638 | 638 | 638 | 638 | 9,350 | 9,400 | 1,041 | 938 | 1,041 | 938 | 12,350 | 12,400 | 1,491 | 1,238 | 1,491 | 1,334 |
| 6,400 | 6,450 | 643 | 643 | 643 | 643 | 9,400 | 9,450 | 1,049 | 943 | 1,049 | 943 | 12,400 | 12,450 | 1,499 | 1,243 | 1,499 | 1,341 |
| 6,450 | 6,500 | 648 | 648 | 648 | 648 | 9,450 | 9,500 | 1,056 | 948 | 1,056 | 948 | 12,450 | 12,500 | 1,506 | 1,248 | 1,506 | 1,349 |
| 6,500 | 6,550 | 653 | 653 | 653 | 653 | 9,500 | 9,550 | 1,064 | 953 | 1,064 | 953 | 12,500 | 12,550 | 1,514 | 1,253 | 1,514 | 1,356 |
| 6,550 | 6,600 | 658 | 658 | 658 | 658 | 9,550 | 9,600 | 1,071 | 958 | 1,071 | 958 | 12,550 | 12,600 | 1,521 | 1,258 | 1,521 | 1,364 |
| 6,600 | 6,650 | 663 | 663 | 663 | 663 | 9,600 | 9,650 | 1,079 | 963 | 1,079 | 963 | 12,600 | 12,650 | 1,529 | 1,263 | 1,529 | 1,371 |
| 6,650 | 6,700 | 668 | 668 | 668 | 668 | 9,650 | 9,700 | 1,086 | 968 | 1,086 | 968 | 12,650 | 12,700 | 1,536 | 1,268 | 1,536 | 1,379 |
| 6,700 | 6,750 | 673 | 673 | 673 | 673 | 9,700 | 9,750 | 1,094 | 973 | 1,094 | 973 | 12,700 | 12,750 | 1,544 | 1,273 | 1,544 | 1,386 |
| 6,750 | 6,800 | 678 | 678 | 678 | 678 | 9,750 | 9,800 | 1,101 | 978 | 1,101 | 978 | 12,750 | 12,800 | 1,551 | 1,278 | 1,551 | 1,394 |
| 6,800 | 6,850 | 683 | 683 | 683 | 683 | 9,800 | 9,850 | 1,109 | 983 | 1,109 | 983 | 12,800 | 12,850 | 1,559 | 1,283 | 1,559 | 1,401 |
| 6,850 | 6,900 | 688 | 688 | 688 | 688 | 9,850 | 9,900 | 1,116 | 988 | 1,116 | 988 | 12,850 | 12,900 | 1,566 | 1,288 | 1,566 | 1,409 |
| 6,900 | 6,950 | 693 | 693 | 693 | 693 | 9,900 | 9,950 | 1,124 | 993 | 1,124 | 993 | 12,900 | 12,950 | 1,574 | 1,293 | 1,574 | 1,416 |
| 6,950 | 7,000 | 698 | 698 | 698 | 698 | 9,950 | 10,000 | 1,131 | 998 | 1,131 | 998 | 12,950 | 13,000 | 1,581 | 1,298 | 1,581 | 1,424 |
| 7,000 | | 10,000 | | | | 13,000 | | | | | | | | | | | |
| 7,000 | 7,050 | 703 | 703 | 703 | 703 | 10,000 | 10,050 | 1,139 | 1,003 | 1,139 | 1,003 | 13,000 | 13,050 | 1,589 | 1,303 | 1,589 | 1,431 |
| 7,050 | 7,100 | 708 | 708 | 708 | 708 | 10,050 | 10,100 | 1,146 | 1,008 | 1,146 | 1,008 | 13,050 | 13,100 | 1,596 | 1,308 | 1,596 | 1,439 |
| 7,100 | 7,150 | 713 | 713 | 713 | 713 | 10,100 | 10,150 | 1,154 | 1,013 | 1,154 | 1,013 | 13,100 | 13,150 | 1,604 | 1,313 | 1,604 | 1,446 |
| 7,150 | 7,200 | 718 | 718 | 718 | 718 | 10,150 | 10,200 | 1,161 | 1,018 | 1,161 | 1,018 | 13,150 | 13,200 | 1,611 | 1,318 | 1,611 | 1,454 |
| 7,200 | 7,250 | 723 | 723 | 723 | 723 | 10,200 | 10,250 | 1,169 | 1,023 | 1,169 | 1,023 | 13,200 | 13,250 | 1,619 | 1,323 | 1,619 | 1,461 |
| 7,250 | 7,300 | 728 | 728 | 728 | 728 | 10,250 | 10,300 | 1,176 | 1,028 | 1,176 | 1,028 | 13,250 | 13,300 | 1,626 | 1,328 | 1,626 | 1,469 |
| 7,300 | 7,350 | 734 | 733 | 734 | 733 | 10,300 | 10,350 | 1,184 | 1,033 | 1,184 | 1,033 | 13,300 | 13,350 | 1,634 | 1,333 | 1,634 | 1,476 |
| 7,350 | 7,400 | 741 | 738 | 741 | 738 | 10,350 | 10,400 | 1,191 | 1,038 | 1,191 | 1,038 | 13,350 | 13,400 | 1,641 | 1,338 | 1,641 | 1,484 |
| 7,400 | 7,450 | 749 | 743 | 749 | 743 | 10,400 | 10,450 | 1,199 | 1,043 | 1,199 | 1,043 | 13,400 | 13,450 | 1,649 | 1,343 | 1,649 | 1,491 |
| 7,450 | 7,500 | 756 | 748 | 756 | 748 | 10,450 | 10,500 | 1,206 | 1,048 | 1,206 | 1,048 | 13,450 | 13,500 | 1,656 | 1,348 | 1,656 | 1,499 |
| 7,500 | 7,550 | 764 | 753 | 764 | 753 | 10,500 | 10,550 | 1,214 | 1,053 | 1,214 | 1,056 | 13,500 | 13,550 | 1,664 | 1,353 | 1,664 | 1,506 |
| 7,550 | 7,600 | 771 | 758 | 771 | 758 | 10,550 | 10,600 | 1,221 | 1,058 | 1,221 | 1,064 | 13,550 | 13,600 | 1,671 | 1,358 | 1,671 | 1,514 |
| 7,600 | 7,650 | 779 | 763 | 779 | 763 | 10,600 | 10,650 | 1,229 | 1,063 | 1,229 | 1,071 | 13,600 | 13,650 | 1,679 | 1,363 | 1,679 | 1,521 |
| 7,650 | 7,700 | 786 | 768 | 786 | 768 | 10,650 | 10,700 | 1,236 | 1,068 | 1,236 | 1,079 | 13,650 | 13,700 | 1,686 | 1,368 | 1,686 | 1,529 |
| 7,700 | 7,750 | 794 | 773 | 794 | 773 | 10,700 | 10,750 | 1,244 | 1,073 | 1,244 | 1,086 | 13,700 | 13,750 | 1,694 | 1,373 | 1,694 | 1,536 |
| 7,750 | 7,800 | 801 | 778 | 801 | 778 | 10,750 | 10,800 | 1,251 | 1,078 | 1,251 | 1,094 | 13,750 | 13,800 | 1,701 | 1,378 | 1,701 | 1,544 |
| 7,800 | 7,850 | 809 | 783 | 809 | 783 | 10,800 | 10,850 | 1,259 | 1,083 | 1,259 | 1,101 | 13,800 | 13,850 | 1,709 | 1,383 | 1,709 | 1,551 |
| 7,850 | 7,900 | 816 | 788 | 816 | 788 | 10,850 | 10,900 | 1,266 | 1,088 | 1,266 | 1,109 | 13,850 | 13,900 | 1,716 | 1,388 | 1,716 | 1,559 |
| 7,900 | 7,950 | 824 | 793 | 824 | 793 | 10,900 | 10,950 | 1,274 | 1,093 | 1,274 | 1,116 | 13,900 | 13,950 | 1,724 | 1,393 | 1,724 | 1,566 |
| 7,950 | 8,000 | 831 | 798 | 831 | 798 | 10,950 | 11,000 | 1,281 | 1,098 | 1,281 | 1,124 | 13,950 | 14,000 | 1,731 | 1,398 | 1,731 | 1,574 |

1. What is the total income shown on Form 1040, Line 7 for Billy and Mary?
2. What is the Additional Child Tax Credit amount?
3. What is the total tax amount?
4. What is the total gross foreign source income shown on Form 1116, Line 3d?
5. What is the total foreign taxes paid or accrued shown on Form 1116, Line 8?
6. What is the amount of the reduction in foreign taxes shown on Form 1116, Line 12?
7. What is the maximum amount of the foreign tax credit?
8. What is the category of income checked on Form 1116?
9. What is the amount of the Child Tax Credit shown on Form 1040, Line 52?
10. What is the amount of the refund for Billy and Mary?



Comprehensive Problem 3 for Rosa Amador

Complete Form 1040 PR to request the additional child tax credit.

Customer information

Taxpayer name: Rosa Amador SSN: 133-EFIN

Taxpayer's address: Cond Los Naranjales Edificio D Apt. 26
Carolina, PR 00985

Telephone number: [Your telephone number]

TP Date of birth: 08/08/1969

Occupation: Secretary

Filing Status: Head of Household

Rosa paid the total cost of maintaining her home for herself and three children.

Dependents information

| First and last name | SSN Date of birth | Relationship to you | Qualifying for ACTC |
|---------------------|------------------------|---------------------|---------------------|
| Rosita Mares | 599-EFIN 05/15/2000 | daughter | yes |
| Jose Mares | 598-EFIN 02/12/1998 | son | yes |
| Cristian Mares | 597-EFIN 04/12/1996 | son | yes |

Form 499R-2/W-2PR Commonwealth of Puerto Rico – Withholding Statement

Wages : \$17,964.00

Social Security Tax Withheld: \$1,113.83

Medicare Tax Withheld: \$260.49

Employer Name and Mailing Address:

Departamento de Carretera
PO Box 1000
San Juan, PR 00929

Employer identification number: 66-2EFIN



Department of the Treasury
Internal Revenue Service

Para el año que comienza el primero de enero del 2005 y termina el 31 de diciembre del 2005, o cualquier otro año contributivo comenzado el del 2005 y terminado el del 20

| | | | |
|---|--|----------|---|
| Por favor, escriba a maquina o con letra de molde | Nombre e inicial de su segundo nombre | Apellido | Su número de seguro social |
| | Si es una planilla conjunta, nombre e inicial del(la) cónyuge | Apellido | Número de seguro social del(la) cónyuge |
| | Dirección actual (calle, número, número de apartamento o ruta rural) | | |
| | Ciudad, pueblo u oficina postal y zona postal (ZIP) | | |

Parte I Contribución y créditos totales

- Estado civil.** Marque el encasillado para su estado civil. Vea la página 4 de las instrucciones.
 - Soltero(a)
 - Casado(a) que radica una planilla conjunta
 - Casado(a) que radica una planilla por separado. Anote arriba el número de seguro social de su cónyuge y su nombre completo aquí. ▶
- Hijos calificados.** Complete esta sección **únicamente** si usted es un(a) residente *bona fide* de Puerto Rico y reclama el crédito tributario adicional por hijos. Vea la página 5 de las instrucciones.

| (a) Nombre de pila | Apellido(s) | (b) Número de seguro social del(la) hijo(a) | (c) Parentesco del(la) hijo(a) con usted |
|--------------------|-------------|---|--|
| | | | |
| | | | |
| | | | |
| | | | |

| | | | |
|---|----|--|--|
| 3 Contribución sobre el trabajo por cuenta propia de la línea 12 de la Parte V | 3 | | |
| 4 Contribuciones por empleados domésticos. Adjunte el Anexo H-PR (Forma 1040-PR) (vea la página 4 de las instrucciones) | 4 | | |
| 5 Contribuciones totales. Sumé las líneas 3 y 4 | 5 | | |
| 6 Pagos hechos mediante declaración de contribución estimada del año 2005 (vea la página 4 de las instrucciones) | 6 | | |
| 7 Contribución al seguro social retenida en exceso (vea la página 4 de las instrucciones) | 7 | | |
| 8 Crédito tributario adicional por hijos de la línea 3 de la Parte II | 8 | | |
| 9 Crédito tributario por cobertura de seguro de salud. Adjunte la Forma 8885 | 9 | | |
| 10 Pagos y créditos totales. Sumé las líneas de la 6 a la 9 | 10 | | |
| 11 Si la línea 10 es mayor que la línea 5, reste la cantidad de la línea 5 de la de la línea 10. Esta es la cantidad pagada en exceso | 11 | | |
| 12 Cantidad de la línea 11 que desea que se le reintegre | 12 | | |
| 13 Cantidad de la línea 11 que desea que se le acredite a la contribución estimada del 2006 ▶ | 13 | | |
| 14 Cantidad que usted debe. Reste la cantidad de la línea 10 de la de la línea 5. Para detalles sobre cómo se paga, vea la página 1 de las instrucciones | 14 | | |

Tercero Autorizado ¿Desea permitir que otra persona discuta esta planilla con el IRS (vea las instrucciones)? **Sí.** Complete lo siguiente. **No**

| | | | |
|--------------------------|--------------------------|---|--|
| Nombre de esta persona ▶ | Número de teléfono ▶ () | Número de identificación personal (PIN) ▶ | |
|--------------------------|--------------------------|---|--|

Sírvase firmar aquí Declaro bajo las penalidades de perjurio que esta planilla, incluyendo los anexos y demás documentos que le acompañan, ha sido examinada por mí y que según mi mejor conocimiento y creencia es cierta, correcta y completa. La declaración del(la) agente o preparador(a) (que no es el(la) contribuyente) está basada en toda la información sobre la cual el(la) agente o preparador(a) tenía conocimiento.

¿Declaración conjunta? Vea la página 4. Conserve una copia para su archivo.

| | | |
|---|-------|---------------------------------------|
| Su firma | Fecha | Número de teléfono durante el día () |
| Firma del(la) cónyuge. Si radica conjuntamente, ambos cónyuges deben firmar. | Fecha | |

| | | | | |
|---|---|-------|--|------------|
| Para uso del(la) preparador(a) remunerado(a) solamente | Firma del(la) preparador(a) ▶ | Fecha | Marque aquí si el(la) preparador(a) trabaja por cuenta propia <input type="checkbox"/> | SSN o PTIN |
| | Nombre del negocio (o del(la) preparador(a), si trabaja por cuenta propia), dirección y zona postal ▶ | | Número de identificación patronal | |
| | | | Número de teléfono () | |

Ve en la página 8 el Aviso sobre la Ley de Confidencialidad de Información y la Ley de Reducción de Trámites. Cat. No. 17182F Forma **1040-PR** (2005)

Parte II Residentes bona fide de Puerto Rico que reclaman el Crédito Tributario Adicional por Hijos. (Vea la página 5 de las instrucciones.)

| | | | | |
|---|--|---|--|--|
| 1 | Ingresos recibidos de fuentes dentro de Puerto Rico | 1 | | |
| 2 | Contribuciones al seguro social y al Medicare retenidas de su(s) Forma(s) 499R-2/W-2PR o W-2 (adjunte copia(s) de dicha(s) forma(s)) | 2 | | |
| 3 | Crédito tributario adicional por hijos. Vea la hoja de cómputos en la página 6 de las instrucciones para la cantidad que usted puede anotar aquí y en la línea 8 de la página 1 | 3 | | |

Parte III Ganancia o pérdida de negocio agropecuario

| | |
|-------------------------------|-------------------------|
| Nombre del(la) propietario(a) | Número de seguro social |
| | |

Aviso: Si usted radica una planilla conjunta y tanto usted como su cónyuge tuvieron una ganancia o pérdida de un negocio agropecuario, cada uno de ustedes debe llenar y adjuntar una Parte III por separado. Vea, Casado(a) que radica una planilla conjunta, en la página 4 de las instrucciones.

Sección A—Ingreso de negocio agropecuario—Método de contabilidad a base de efectivo—Complete las Secciones A y B
(Si usted usa el método de contabilidad a base de lo devengado, complete las Secciones B y C, así como la línea 11 de la Sección A.)
No incluya la venta de animales usados para tiro, cría, entretenimiento o lechería.

| | | | | |
|----|---|----|---------------------|--|
| 1 | Venta de animales y otros artículos que usted compró para revender | 1 | | |
| 2 | Costo u otra base de los animales y otros artículos que usted informó en la línea 1 | 2 | | |
| 3 | Reste la línea 2 de la línea 1 | 3 | | |
| 4 | Ventas de animales, productos agrícolas, granos y otros productos que usted cultivó | 4 | | |
| 5a | Total de distribuciones de cooperativas (Forma(s) 1099-PATR) 5a | 5b | Cantidad tributable | |
| 6 | Pagos recibidos del programa de agricultura | 6 | | |
| 7 | Préstamos de la Commodity Credit Corporation informados bajo elección (o decomisado) | 7 | | |
| 8 | Ingreso de seguro de cosechas | 8 | | |
| 9 | Ingreso de servicios prestados con equipo agrícola | 9 | | |
| 10 | Otros ingresos | 10 | | |
| 11 | Ingreso bruto agropecuario. Sume las líneas de la columna derecha desde la 3 hasta la 10, ambas inclusive. Si usted es un(a) contribuyente que usa el método de contabilidad a base de lo devengado, anote la cantidad que aparece en la línea 49 de la Sección C. | 11 | | |

Sección B—Gastos de negocio agropecuario—Métodos de contabilidad a base de efectivo y a base de lo devengado
No incluya gastos personales o de manutención (tales como contribuciones, seguros, reparaciones, etc., de su casa), que no fueron para la producción de ingreso agropecuario. Antes de anotar los gastos, más abajo, reste de éstos cualquier reembolso recibido por los mismos.

| | | | | | | | | | |
|----|---|-----|--|--|-----|---|-----|--|--|
| 12 | Gastos de automóvil o de camión (junte a esta planilla la Forma 4562) | 12 | | | 25 | Planes de pensión y de participación en las ganancias | 25 | | |
| 13 | Productos químicos | 13 | | | 26 | Renta o alquiler: | | | |
| 14 | Gastos de conservación | 14 | | | 26a | a Vehículos, maquinaria y equipo | 26a | | |
| 15 | Servicios de equipo agrícola | 15 | | | 26b | b Otro (tierra, animales, etc.) | 26b | | |
| 16 | Depreciación, gastos y deducciones hechas de acuerdo a la sección 179 del Código Federal de Rentas Internas no reclamadas en otra parte de esta planilla (junte a esta planilla la Forma 4562 si está obligado(a) a hacerlo) | 16 | | | 27 | Reparaciones y mantenimiento. | 27 | | |
| 17 | Programas de beneficios para los empleados, excepto los incluidos en la línea 25. | 17 | | | 28 | Compra de semillas y plantas | 28 | | |
| 18 | Compra de alimentos para animales. | 18 | | | 29 | Gastos de almacenaje | 29 | | |
| 19 | Fertilizantes y cal | 19 | | | 30 | Compra de materiales | 30 | | |
| 20 | Fletes y acarreo | 20 | | | 31 | Contribuciones | 31 | | |
| 21 | Gasolina, combustible y aceite | 21 | | | 32 | Servicios públicos (agua, electricidad, gas, etc.) | 32 | | |
| 22 | Seguros (excepto de salud) | 22 | | | 33 | Honorarios pagados a veterinarios, cría y medicinas | 33 | | |
| 23 | Intereses: | | | | 34 | Otros gastos (especifique): | | | |
| a | Sobre hipotecas (pagados a bancos, etc.) | 23a | | | a | ..... | 34a | | |
| b | Otros | 23b | | | b | ..... | 34b | | |
| 24 | Mano de obra | 24 | | | c | ..... | 34c | | |
| | | | | | d | ..... | 34d | | |
| | | | | | e | ..... | 34e | | |
| 35 | Total de gastos. Sume las líneas de la 12 a la 34e | 35 | | | | | | | |
| 36 | Ganancia (o pérdida) neta de negocio agropecuario. Reste la línea 35 de la línea 11. Anote el resultado aquí y en la línea 1 de la Parte V | 36 | | | | | | | |



1. What is the amount of the Additional Child Tax Credit?
2. How many qualifying children are figured on Form 1040 PR?
3. How much income is derived from sources within Puerto Rico?



Comprehensive Problem 4 for Luis and Nelly

| | |
|--|---|
| Taxpayer Name: Luis Cruz | SSN: 144-EFIN |
| Spouse Name: Nelly Roma | SSN: 145-EFIN |
| Street Address: | Cielo Tower 150 Clavel St |
| City, State and Zip Code: | Your city, state and zip code |
| Telephone number: | (Your telephone number) |
| Date of birth: | Taxpayer 10/20/1975 Spouse: 06/23/1973 |
| Occupation: | TP: Operator SP: Accountant |
| Give to Elect Campaign Fund (Y/N): | TP: Yes SP: Yes |
| They do not itemize deductions. They have a daughter, Lory (date of birth 09/13/2003; SSN 146-EFIN). | |

| | TAXPAYER | SPOUSE |
|---|---|--|
| | Federal employee | Puerto Rico employee |
| Employer's name, address, and ZIP code: | Army PO Box 6605 Dallas ,TX 75236 | Sistema Retiro 1234 Ave Chardon Hato Rey, PR 00902 |
| Employer Identification number : | 67-2EFIN | 73-1EFIN |
| Wages: | \$25,149 | \$8,058 |
| Federal income tax withheld: | \$245.00 | \$0 |
| Social Security withheld | \$1,568.16 | \$499.65 |
| Medicare tax withheld | \$366.70 | \$116.86 |
| PR : State wages | \$25,292 | \$8,058 |
| PR Tax liability | | \$2,120 |

Complete Form 1040 and schedules. If they owe money, they want direct debit from their personal check account (routing number is 06550278 and account number 12345). If they have a refund, they want direct deposit into their checking account.



Label

(See instructions on page 16.) Use the IRS label. Otherwise, please print or type.

L A B E L H E R E

For the year Jan. 1–Dec. 31, 2005, or other tax year beginning , 2005, ending , 20
Your first name and initial Last name
If a joint return, spouse's first name and initial Last name
Home address (number and street). If you have a P.O. box, see page 16. Apt. no.
City, town or post office, state, and ZIP code. If you have a foreign address, see page 16.

OMB No. 1545-0074
Your social security number
Spouse's social security number

You must enter your SSN(s) above.

Checking a box below will not change your tax or refund.

Presidential Election Campaign

Check here if you, or your spouse if filing jointly, want \$3 to go to this fund (see page 16) You Spouse

Filing Status

- 1 Single
2 Married filing jointly (even if only one had income)
3 Married filing separately. Enter spouse's SSN above and full name here.
4 Head of household (with qualifying person). (See page 17.) If the qualifying person is a child but not your dependent, enter this child's name here.
5 Qualifying widow(er) with dependent child (see page 17)

Exemptions

6a Yourself. If someone can claim you as a dependent, do not check box 6a
b Spouse
c Dependents: (1) First name Last name (2) Dependent's social security number (3) Dependent's relationship to you (4) if qualifying child for child tax credit (see page 18)
d Total number of exemptions claimed

If more than four dependents, see page 18.

Boxes checked on 6a and 6b
No. of children on 6c who:
lived with you
did not live with you due to divorce or separation (see page 18)
Dependents on 6c not entered above
Add numbers on lines above

Income

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

If you did not get a W-2, see page 19.

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

Table with 22 rows for income items: 7 Wages, salaries, tips, etc. Attach Form(s) W-2; 8a Taxable interest; 9a Ordinary dividends; 10 Taxable refunds, credits, or offsets of state and local income taxes; 11 Alimony received; 12 Business income or (loss); 13 Capital gain or (loss); 14 Other gains or (losses); 15a IRA distributions; 16a Pensions and annuities; 17 Rental real estate, royalties, partnerships, S corporations, trusts, etc.; 18 Farm income or (loss); 19 Unemployment compensation; 20a Social security benefits; 21 Other income; 22 Add the amounts in the far right column for lines 7 through 21. This is your total income.

Adjusted Gross Income

Table with 10 rows for adjusted gross income items: 23 Educator expenses; 24 Certain business expenses of reservists, performing artists, and fee-basis government officials; 25 Health savings account deduction; 26 Moving expenses; 27 One-half of self-employment tax; 28 Self-employed SEP, SIMPLE, and qualified plans; 29 Self-employed health insurance deduction; 30 Penalty on early withdrawal of savings; 31a Alimony paid; 32 IRA deduction; 33 Student loan interest deduction; 34 Tuition and fees deduction; 35 Domestic production activities deduction; 36 Add lines 23 through 31a and 32 through 35; 37 Subtract line 36 from line 22. This is your adjusted gross income.

Tax and Credits

Standard Deduction for—

• People who checked any box on line 39a or 39b or who can be claimed as a dependent, see page 31.

• All others:
Single or Married filing separately, \$5,000

Married filing jointly or Qualifying widow(er), \$10,000

Head of household, \$7,300

| | | | |
|------------|--|--------------------------|-----------|
| 38 | Amount from line 37 (adjusted gross income) | | 38 |
| 39a | Check <input type="checkbox"/> You were born before January 2, 1941, <input type="checkbox"/> Blind. <input type="checkbox"/> Spouse was born before January 2, 1941, <input type="checkbox"/> Blind. Total boxes checked ▶ 39a | | |
| b | If your spouse itemizes on a separate return or you were a dual-status alien, see page 31 and check here ▶ 39b | <input type="checkbox"/> | |
| 40 | Itemized deductions (from Schedule A) or your standard deduction (see left margin) | | 40 |
| 41 | Subtract line 40 from line 38 | | 41 |
| 42 | If line 38 is \$109,475 or less, multiply \$3,200 by the total number of exemptions claimed on line 6d. If line 38 is over \$109,475, see the worksheet on page 33 | | 42 |
| 43 | Taxable income. Subtract line 42 from line 41. If line 42 is more than line 41, enter -0- | | 43 |
| 44 | Tax (see page 33). Check if any tax is from: a <input type="checkbox"/> Form(s) 8814 b <input type="checkbox"/> Form 4972 | | 44 |
| 45 | Alternative minimum tax (see page 35). Attach Form 6251 | | 45 |
| 46 | Add lines 44 and 45 | | 46 |
| 47 | Foreign tax credit. Attach Form 1116 if required | 47 | |
| 48 | Credit for child and dependent care expenses. Attach Form 2441 | 48 | |
| 49 | Credit for the elderly or the disabled. Attach Schedule R | 49 | |
| 50 | Education credits. Attach Form 8863 | 50 | |
| 51 | Retirement savings contributions credit. Attach Form 8880 | 51 | |
| 52 | Child tax credit (see page 37). Attach Form 8901 if required | 52 | |
| 53 | Adoption credit. Attach Form 8839 | 53 | |
| 54 | Credits from: a <input type="checkbox"/> Form 8396 b <input type="checkbox"/> Form 8859 | 54 | |
| 55 | Other credits. Check applicable box(es): a <input type="checkbox"/> Form 3800 b <input type="checkbox"/> Form 8801 c <input type="checkbox"/> Specify | 55 | |
| 56 | Add lines 47 through 55. These are your total credits | | 56 |
| 57 | Subtract line 56 from line 46. If line 56 is more than line 46, enter -0- | | 57 |

Other Taxes

| | | | |
|-----------|---|--|-----------|
| 58 | Self-employment tax. Attach Schedule SE | | 58 |
| 59 | Social security and Medicare tax on tip income not reported to employer. Attach Form 4137 | | 59 |
| 60 | Additional tax on IRAs, other qualified retirement plans, etc. Attach Form 5329 if required | | 60 |
| 61 | Advance earned income credit payments from Form(s) W-2 | | 61 |
| 62 | Household employment taxes. Attach Schedule H | | 62 |
| 63 | Add lines 57 through 62. This is your total tax | | 63 |

Payments

If you have a qualifying child, attach Schedule EIC.

| | | | |
|------------|--|------------|-----------|
| 64 | Federal income tax withheld from Forms W-2 and 1099 | 64 | |
| 65 | 2005 estimated tax payments and amount applied from 2004 return | 65 | |
| 66a | Earned income credit (EIC) | 66a | |
| b | Nontaxable combat pay election ▶ 66b | | |
| 67 | Excess social security and tier 1 RRTA tax withheld (see page 54) | 67 | |
| 68 | Additional child tax credit. Attach Form 8812 | 68 | |
| 69 | Amount paid with request for extension to file (see page 54) | 69 | |
| 70 | Payments from: a <input type="checkbox"/> Form 2439 b <input type="checkbox"/> Form 4136 c <input type="checkbox"/> Form 8885 | 70 | |
| 71 | Add lines 64, 65, 66a, and 67 through 70. These are your total payments | | 71 |

Refund

Direct deposit? See page 54 and fill in 73b, 73c, and 73d.

| | | | |
|------------|--|-----------|------------|
| 72 | If line 71 is more than line 63, subtract line 63 from line 71. This is the amount you overpaid | | 72 |
| 73a | Amount of line 72 you want refunded to you | | 73a |
| b | Routing number | | |
| c | Type: <input type="checkbox"/> Checking <input type="checkbox"/> Savings | | |
| d | Account number | | |
| 74 | Amount of line 72 you want applied to your 2006 estimated tax | 74 | |

Amount You Owe

| | | | |
|-----------|--|-----------|-----------|
| 75 | Amount you owe. Subtract line 71 from line 63. For details on how to pay, see page 55 | | 75 |
| 76 | Estimated tax penalty (see page 55) | 76 | |

Third Party Designee

Do you want to allow another person to discuss this return with the IRS (see page 56)? **Yes.** Complete the following. **No**

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

Sign Here

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

| | | | | |
|-------------------------------|---|------|---------------------|----------------------|
| Joint return? See page 17. | Your signature | Date | Your occupation | Daytime phone number |
| Keep a copy for your records. | Spouse's signature. If a joint return, both must sign. | Date | Spouse's occupation | () |

Paid Preparer's Use Only

| | | | |
|--|------|---|------------------------|
| Preparer's signature | Date | Check if self-employed <input type="checkbox"/> | Preparer's SSN or PTIN |
| Firm's name (or yours if self-employed), address, and ZIP code | EIN | Phone no. | () |



Foreign Tax Credit

(Individual, Estate, or Trust)

▶ Attach to Form 1040, 1040NR, 1041, or 990-T.

▶ See separate instructions.

Name _____ Identifying number as shown on page 1 of your tax return _____

Use a separate Form 1116 for each category of income listed below. See **Categories of Income** on page 3 of the instructions. Check only one box on each Form 1116. Report all amounts in U.S. dollars except where specified in Part II below.

- a Passive income
- b High withholding tax interest
- c Financial services income
- d Shipping income
- e Dividends from a DISC or former DISC
- f Certain distributions from a foreign sales corporation (FSC) or former FSC
- g Lump-sum distributions
- h Section 901(j) income
- i Certain income re-sourced by treaty
- j General limitation income

k Resident of (name of country) ▶ _____

Note: If you paid taxes to only one foreign country or U.S. possession, use column A in Part I and line A in Part II. If you paid taxes to more than one foreign country or U.S. possession, use a separate column and line for each country or possession.

Part I Taxable Income or Loss From Sources Outside the United States (for Category Checked Above)

| | Foreign Country or U.S. Possession | | | Total (Add cols. A, B, and C.) |
|--|------------------------------------|---|---|-----------------------------------|
| | A | B | C | |
| I Enter the name of the foreign country or U.S. possession ▶ | | | | |
| 1 Gross income from sources within country shown above and of the type checked above (see page 13 of the instructions): | | | | 1 |
| Deductions and losses (Caution: See pages 13 and 14 of the instructions): | | | | |
| 2 Expenses definitely related to the income on line 1 (attach statement) | | | | |
| 3 Pro rata share of other deductions not definitely related: | | | | |
| a Certain itemized deductions or standard deduction (see instructions) | | | | |
| b Other deductions (attach statement) | | | | |
| c Add lines 3a and 3b | | | | |
| d Gross foreign source income (see instructions) | | | | |
| e Gross income from all sources (see instructions) | | | | |
| f Divide line 3d by line 3e (see instructions) | | | | |
| g Multiply line 3c by line 3f. | | | | |
| 4 Pro rata share of interest expense (see instructions): | | | | |
| a Home mortgage interest (use worksheet on page 13 of the instructions) | | | | |
| b Other interest expense | | | | |
| 5 Losses from foreign sources | | | | |
| 6 Add lines 2, 3g, 4a, 4b, and 5 | | | | 6 |
| 7 Subtract line 6 from line 1. Enter the result here and on line 14, page 2 ▶ | | | | 7 |

Part II Foreign Taxes Paid or Accrued (see page 14 of the instructions)

| Country | Credit is claimed for taxes (you must check one) (m) <input type="checkbox"/> Paid (n) <input type="checkbox"/> Accrued | Foreign taxes paid or accrued | | | | | | | |
|--------------------------|---|-------------------------------|--------------|---|---------------|------------------------------|--------------|---|---|
| | | In foreign currency | | | | In U.S. dollars | | | |
| | | Taxes withheld at source on: | | | | Taxes withheld at source on: | | | |
| (o) Date paid or accrued | (p) Dividends | (q) Rents and royalties | (r) Interest | (s) Other foreign taxes paid or accrued | (t) Dividends | (u) Rents and royalties | (v) Interest | (w) Other foreign taxes paid or accrued | (x) Total foreign taxes paid or accrued (add cols. (t) through (w)) |
| A | | | | | | | | | |
| B | | | | | | | | | |
| C | | | | | | | | | |
| 8 | Add lines A through C, column (x). Enter the total here and on line 9, page 2 ▶ | | | | | | | | 8 |

For Paperwork Reduction Act Notice, see page 18 of the instructions.

Part III Figuring the Credit

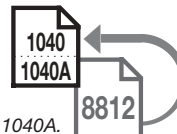
| | | | | |
|----|---|----|--|--|
| 9 | Enter the amount from line 8. These are your total foreign taxes paid or accrued for the category of income checked above Part I | 9 | | |
| 10 | Carryback or carryover (attach detailed computation) | 10 | | |
| 11 | Add lines 9 and 10. | 11 | | |
| 12 | Reduction in foreign taxes (see page 15 of the instructions). | 12 | | |
| 13 | Subtract line 12 from line 11. This is the total amount of foreign taxes available for credit | 13 | | |
| 14 | Enter the amount from line 7. This is your taxable income or (loss) from sources outside the United States (before adjustments) for the category of income checked above Part I (see page 15 of the instructions) | 14 | | |
| 15 | Adjustments to line 14 (see page 16 of the instructions) | 15 | | |
| 16 | Combine the amounts on lines 14 and 15. This is your net foreign source taxable income. (If the result is zero or less, you have no foreign tax credit for the category of income you checked above Part I. Skip lines 17 through 21. However, if you are filing more than one Form 1116, you must complete line 19.) | 16 | | |
| 17 | Individuals: Enter the amount from Form 1040, line 41. If you are a nonresident alien, enter the amount from Form 1040NR, line 38. Estates and trusts: Enter your taxable income without the deduction for your exemption. Caution: If you figured your tax using the lower rates on qualified dividends or capital gains, see page 17 of the instructions. | 17 | | |
| 18 | Divide line 16 by line 17. If line 16 is more than line 17, enter "1" | 18 | | |
| 19 | Individuals: Enter the amount from Form 1040, line 44. If you are a nonresident alien, enter the amount from Form 1040NR, line 41. Estates and trusts: Enter the amount from Form 1041, Schedule G, line 1a, or the total of Form 990-T, lines 36 and 37 Caution: If you are completing line 19 for separate category g (lump-sum distributions), see page 18 of the instructions. | 19 | | |
| 20 | Multiply line 19 by line 18 (maximum amount of credit) | 20 | | |
| 21 | Enter the smaller of line 13 or line 20. If this is the only Form 1116 you are filing, skip lines 22 through 30 and enter this amount on line 31. Otherwise, complete the appropriate line in Part IV (see page 18 of the instructions) ▶ | 21 | | |

Part IV Summary of Credits From Separate Parts III (see page 18 of the instructions)

| | | | | |
|----|---|----|--|--|
| 22 | Credit for taxes on passive income | 22 | | |
| 23 | Credit for taxes on high withholding tax interest | 23 | | |
| 24 | Credit for taxes on financial services income | 24 | | |
| 25 | Credit for taxes on shipping income | 25 | | |
| 26 | Credit for taxes on dividends from a DISC or former DISC and certain distributions from a FSC or former FSC | 26 | | |
| 27 | Credit for taxes on lump-sum distributions | 27 | | |
| 28 | Credit for taxes on certain income re-sourced by treaty | 28 | | |
| 29 | Credit for taxes on general limitation income | 29 | | |
| 30 | Add lines 22 through 29 | 30 | | |
| 31 | Enter the smaller of line 19 or line 30 | 31 | | |
| 32 | Reduction of credit for international boycott operations. See instructions for line 12 on page 15 | 32 | | |
| 33 | Subtract line 32 from line 31. This is your foreign tax credit . Enter here and on Form 1040, line 47; Form 1040NR, line 44; Form 1041, Schedule G, line 2a; or Form 990-T, line 40a ▶ | 33 | | |



Additional Child Tax Credit



Department of the Treasury
Internal Revenue Service (99)

Complete and attach to Form 1040 or Form 1040A.

Name(s) shown on return

Your social security number

Part I All Filers


| | | | | | |
|-----------|--|-----------|--|----------|--|
| 1 | Enter the amount from line 1 of your Child Tax Credit Worksheet on page 38 of the Form 1040 instructions or page 37 of the Form 1040A instructions. If you used Pub. 972, enter the amount from line 8 of the worksheet on page 4 of the publication | | | 1 | |
| 2 | Enter the amount from Form 1040, line 52, or Form 1040A, line 33 | | | 2 | |
| 3 | Subtract line 2 from line 1. If zero, stop ; you cannot take this credit | | | 3 | |
| 4a | Earned income (see instructions on back) | 4a | | | |
| b | Nontaxable combat pay from Form(s) W-2, box 12, with code Q. If married filing jointly, include your spouse's amounts with yours. | 4b | | | |
| 5 | Is the amount on line 4a more than \$11,000? <input type="checkbox"/> No. Leave line 5 blank and enter -0- on line 6. <input type="checkbox"/> Yes. Subtract \$11,000 from the amount on line 4a. Enter the result | 5 | | | |
| 6 | Multiply the amount on line 5 by 15% (.15) and enter the result Next. Do you have three or more qualifying children? <input type="checkbox"/> No. If line 6 is zero, stop ; you cannot take this credit. Otherwise, skip Part II and enter the smaller of line 3 or line 6 on line 13. <input type="checkbox"/> Yes. If line 6 is equal to or more than line 3, skip Part II and enter the amount from line 3 on line 13. Otherwise, go to line 7. | | | 6 | |

Part II Certain Filers Who Have Three or More Qualifying Children

| | | | | | |
|-----------|--|-----------|--|-----------|--|
| 7 | Withheld social security and Medicare taxes from Form(s) W-2, boxes 4 and 6. If married filing jointly, include your spouse's amounts with yours. If you worked for a railroad, see instructions on back | 7 | | | |
| 8 | 1040 filers: Enter the total of the amounts from Form 1040, lines 27 and 59, plus any uncollected social security and Medicare or tier 1 RRTA taxes included on line 63. 1040A filers: Enter -0-. | 8 | | | |
| 9 | Add lines 7 and 8 | 9 | | | |
| 10 | 1040 filers: Enter the total of the amounts from Form 1040, lines 66a and 67. 1040A filers: Enter the total of the amount from Form 1040A, line 41a, plus any excess social security and tier 1 RRTA taxes withheld that you entered to the left of line 43 (see instructions on back). | 10 | | | |
| 11 | Subtract line 10 from line 9. If zero or less, enter -0- | | | 11 | |
| 12 | Enter the larger of line 6 or line 11 Next, enter the smaller of line 3 or line 12 on line 13. | | | 12 | |

Part III Additional Child Tax Credit

| | | | | | |
|-----------|--|-----------|--|--|--|
| 13 | This is your additional child tax credit | 13 | | | |
|-----------|--|-----------|--|--|--|


 Enter this amount on
Form 1040, line 68, or
Form 1040A, line 42.

2005 Tax Table—Continued

| If line 43 (taxable income) is— | | And you are— | | | | If line 43 (taxable income) is— | | And you are— | | | | If line 43 (taxable income) is— | | And you are— | | | |
|---------------------------------|---------------|--------------|--------------------------|---------------------------|---------------------|---------------------------------|---------------|--------------|------------------------|---------------------------|---------------------|---------------------------------|---------------|--------------|------------------------|---------------------------|---------------------|
| | | Single | Married filing jointly * | Married filing separately | Head of a household | | | Single | Married filing jointly | Married filing separately | Head of a household | | | Single | Married filing jointly | Married filing separately | Head of a household |
| | | | | | | | | | | | | | | | | | |
| At least | But less than | | | | | At least | But less than | | | | | At least | But less than | | | | |
| 5,000 | | | | | | 8,000 | | | | | | 11,000 | | | | | |
| 5,000 | 5,050 | 503 | 503 | 503 | 503 | 8,000 | 8,050 | 839 | 803 | 839 | 803 | 11,000 | 11,050 | 1,289 | 1,103 | 1,289 | 1,131 |
| 5,050 | 5,100 | 508 | 508 | 508 | 508 | 8,050 | 8,100 | 846 | 808 | 846 | 808 | 11,050 | 11,100 | 1,296 | 1,108 | 1,296 | 1,139 |
| 5,100 | 5,150 | 513 | 513 | 513 | 513 | 8,100 | 8,150 | 854 | 813 | 854 | 813 | 11,100 | 11,150 | 1,304 | 1,113 | 1,304 | 1,146 |
| 5,150 | 5,200 | 518 | 518 | 518 | 518 | 8,150 | 8,200 | 861 | 818 | 861 | 818 | 11,150 | 11,200 | 1,311 | 1,118 | 1,311 | 1,154 |
| 5,200 | 5,250 | 523 | 523 | 523 | 523 | 8,200 | 8,250 | 869 | 823 | 869 | 823 | 11,200 | 11,250 | 1,319 | 1,123 | 1,319 | 1,161 |
| 5,250 | 5,300 | 528 | 528 | 528 | 528 | 8,250 | 8,300 | 876 | 828 | 876 | 828 | 11,250 | 11,300 | 1,326 | 1,128 | 1,326 | 1,169 |
| 5,300 | 5,350 | 533 | 533 | 533 | 533 | 8,300 | 8,350 | 884 | 833 | 884 | 833 | 11,300 | 11,350 | 1,334 | 1,133 | 1,334 | 1,176 |
| 5,350 | 5,400 | 538 | 538 | 538 | 538 | 8,350 | 8,400 | 891 | 838 | 891 | 838 | 11,350 | 11,400 | 1,341 | 1,138 | 1,341 | 1,184 |
| 5,400 | 5,450 | 543 | 543 | 543 | 543 | 8,400 | 8,450 | 899 | 843 | 899 | 843 | 11,400 | 11,450 | 1,349 | 1,143 | 1,349 | 1,191 |
| 5,450 | 5,500 | 548 | 548 | 548 | 548 | 8,450 | 8,500 | 906 | 848 | 906 | 848 | 11,450 | 11,500 | 1,356 | 1,148 | 1,356 | 1,199 |
| 5,500 | 5,550 | 553 | 553 | 553 | 553 | 8,500 | 8,550 | 914 | 853 | 914 | 853 | 11,500 | 11,550 | 1,364 | 1,153 | 1,364 | 1,206 |
| 5,550 | 5,600 | 558 | 558 | 558 | 558 | 8,550 | 8,600 | 921 | 858 | 921 | 858 | 11,550 | 11,600 | 1,371 | 1,158 | 1,371 | 1,214 |
| 5,600 | 5,650 | 563 | 563 | 563 | 563 | 8,600 | 8,650 | 929 | 863 | 929 | 863 | 11,600 | 11,650 | 1,379 | 1,163 | 1,379 | 1,221 |
| 5,650 | 5,700 | 568 | 568 | 568 | 568 | 8,650 | 8,700 | 936 | 868 | 936 | 868 | 11,650 | 11,700 | 1,386 | 1,168 | 1,386 | 1,229 |
| 5,700 | 5,750 | 573 | 573 | 573 | 573 | 8,700 | 8,750 | 944 | 873 | 944 | 873 | 11,700 | 11,750 | 1,394 | 1,173 | 1,394 | 1,236 |
| 5,750 | 5,800 | 578 | 578 | 578 | 578 | 8,750 | 8,800 | 951 | 878 | 951 | 878 | 11,750 | 11,800 | 1,401 | 1,178 | 1,401 | 1,244 |
| 5,800 | 5,850 | 583 | 583 | 583 | 583 | 8,800 | 8,850 | 959 | 883 | 959 | 883 | 11,800 | 11,850 | 1,409 | 1,183 | 1,409 | 1,251 |
| 5,850 | 5,900 | 588 | 588 | 588 | 588 | 8,850 | 8,900 | 966 | 888 | 966 | 888 | 11,850 | 11,900 | 1,416 | 1,188 | 1,416 | 1,259 |
| 5,900 | 5,950 | 593 | 593 | 593 | 593 | 8,900 | 8,950 | 974 | 893 | 974 | 893 | 11,900 | 11,950 | 1,424 | 1,193 | 1,424 | 1,266 |
| 5,950 | 6,000 | 598 | 598 | 598 | 598 | 8,950 | 9,000 | 981 | 898 | 981 | 898 | 11,950 | 12,000 | 1,431 | 1,198 | 1,431 | 1,274 |
| 6,000 | | | | | | 9,000 | | | | | | 12,000 | | | | | |
| 6,000 | 6,050 | 603 | 603 | 603 | 603 | 9,000 | 9,050 | 989 | 903 | 989 | 903 | 12,000 | 12,050 | 1,439 | 1,203 | 1,439 | 1,281 |
| 6,050 | 6,100 | 608 | 608 | 608 | 608 | 9,050 | 9,100 | 996 | 908 | 996 | 908 | 12,050 | 12,100 | 1,446 | 1,208 | 1,446 | 1,289 |
| 6,100 | 6,150 | 613 | 613 | 613 | 613 | 9,100 | 9,150 | 1,004 | 913 | 1,004 | 913 | 12,100 | 12,150 | 1,454 | 1,213 | 1,454 | 1,296 |
| 6,150 | 6,200 | 618 | 618 | 618 | 618 | 9,150 | 9,200 | 1,011 | 918 | 1,011 | 918 | 12,150 | 12,200 | 1,461 | 1,218 | 1,461 | 1,304 |
| 6,200 | 6,250 | 623 | 623 | 623 | 623 | 9,200 | 9,250 | 1,019 | 923 | 1,019 | 923 | 12,200 | 12,250 | 1,469 | 1,223 | 1,469 | 1,311 |
| 6,250 | 6,300 | 628 | 628 | 628 | 628 | 9,250 | 9,300 | 1,026 | 928 | 1,026 | 928 | 12,250 | 12,300 | 1,476 | 1,228 | 1,476 | 1,319 |
| 6,300 | 6,350 | 633 | 633 | 633 | 633 | 9,300 | 9,350 | 1,034 | 933 | 1,034 | 933 | 12,300 | 12,350 | 1,484 | 1,233 | 1,484 | 1,326 |
| 6,350 | 6,400 | 638 | 638 | 638 | 638 | 9,350 | 9,400 | 1,041 | 938 | 1,041 | 938 | 12,350 | 12,400 | 1,491 | 1,238 | 1,491 | 1,334 |
| 6,400 | 6,450 | 643 | 643 | 643 | 643 | 9,400 | 9,450 | 1,049 | 943 | 1,049 | 943 | 12,400 | 12,450 | 1,499 | 1,243 | 1,499 | 1,341 |
| 6,450 | 6,500 | 648 | 648 | 648 | 648 | 9,450 | 9,500 | 1,056 | 948 | 1,056 | 948 | 12,450 | 12,500 | 1,506 | 1,248 | 1,506 | 1,349 |
| 6,500 | 6,550 | 653 | 653 | 653 | 653 | 9,500 | 9,550 | 1,064 | 953 | 1,064 | 953 | 12,500 | 12,550 | 1,514 | 1,253 | 1,514 | 1,356 |
| 6,550 | 6,600 | 658 | 658 | 658 | 658 | 9,550 | 9,600 | 1,071 | 958 | 1,071 | 958 | 12,550 | 12,600 | 1,521 | 1,258 | 1,521 | 1,364 |
| 6,600 | 6,650 | 663 | 663 | 663 | 663 | 9,600 | 9,650 | 1,079 | 963 | 1,079 | 963 | 12,600 | 12,650 | 1,529 | 1,263 | 1,529 | 1,371 |
| 6,650 | 6,700 | 668 | 668 | 668 | 668 | 9,650 | 9,700 | 1,086 | 968 | 1,086 | 968 | 12,650 | 12,700 | 1,536 | 1,268 | 1,536 | 1,379 |
| 6,700 | 6,750 | 673 | 673 | 673 | 673 | 9,700 | 9,750 | 1,094 | 973 | 1,094 | 973 | 12,700 | 12,750 | 1,544 | 1,273 | 1,544 | 1,386 |
| 6,750 | 6,800 | 678 | 678 | 678 | 678 | 9,750 | 9,800 | 1,101 | 978 | 1,101 | 978 | 12,750 | 12,800 | 1,551 | 1,278 | 1,551 | 1,394 |
| 6,800 | 6,850 | 683 | 683 | 683 | 683 | 9,800 | 9,850 | 1,109 | 983 | 1,109 | 983 | 12,800 | 12,850 | 1,559 | 1,283 | 1,559 | 1,401 |
| 6,850 | 6,900 | 688 | 688 | 688 | 688 | 9,850 | 9,900 | 1,116 | 988 | 1,116 | 988 | 12,850 | 12,900 | 1,566 | 1,288 | 1,566 | 1,409 |
| 6,900 | 6,950 | 693 | 693 | 693 | 693 | 9,900 | 9,950 | 1,124 | 993 | 1,124 | 993 | 12,900 | 12,950 | 1,574 | 1,293 | 1,574 | 1,416 |
| 6,950 | 7,000 | 698 | 698 | 698 | 698 | 9,950 | 10,000 | 1,131 | 998 | 1,131 | 998 | 12,950 | 13,000 | 1,581 | 1,298 | 1,581 | 1,424 |
| 7,000 | | | | | | 10,000 | | | | | | 13,000 | | | | | |
| 7,000 | 7,050 | 703 | 703 | 703 | 703 | 10,000 | 10,050 | 1,139 | 1,003 | 1,139 | 1,003 | 13,000 | 13,050 | 1,589 | 1,303 | 1,589 | 1,431 |
| 7,050 | 7,100 | 708 | 708 | 708 | 708 | 10,050 | 10,100 | 1,146 | 1,008 | 1,146 | 1,008 | 13,050 | 13,100 | 1,596 | 1,308 | 1,596 | 1,439 |
| 7,100 | 7,150 | 713 | 713 | 713 | 713 | 10,100 | 10,150 | 1,154 | 1,013 | 1,154 | 1,013 | 13,100 | 13,150 | 1,604 | 1,313 | 1,604 | 1,446 |
| 7,150 | 7,200 | 718 | 718 | 718 | 718 | 10,150 | 10,200 | 1,161 | 1,018 | 1,161 | 1,018 | 13,150 | 13,200 | 1,611 | 1,318 | 1,611 | 1,454 |
| 7,200 | 7,250 | 723 | 723 | 723 | 723 | 10,200 | 10,250 | 1,169 | 1,023 | 1,169 | 1,023 | 13,200 | 13,250 | 1,619 | 1,323 | 1,619 | 1,461 |
| 7,250 | 7,300 | 728 | 728 | 728 | 728 | 10,250 | 10,300 | 1,176 | 1,028 | 1,176 | 1,028 | 13,250 | 13,300 | 1,626 | 1,328 | 1,626 | 1,469 |
| 7,300 | 7,350 | 734 | 733 | 734 | 733 | 10,300 | 10,350 | 1,184 | 1,033 | 1,184 | 1,033 | 13,300 | 13,350 | 1,634 | 1,333 | 1,634 | 1,476 |
| 7,350 | 7,400 | 741 | 738 | 741 | 738 | 10,350 | 10,400 | 1,191 | 1,038 | 1,191 | 1,038 | 13,350 | 13,400 | 1,641 | 1,338 | 1,641 | 1,484 |
| 7,400 | 7,450 | 749 | 743 | 749 | 743 | 10,400 | 10,450 | 1,199 | 1,043 | 1,199 | 1,043 | 13,400 | 13,450 | 1,649 | 1,343 | 1,649 | 1,491 |
| 7,450 | 7,500 | 756 | 748 | 756 | 748 | 10,450 | 10,500 | 1,206 | 1,048 | 1,206 | 1,048 | 13,450 | 13,500 | 1,656 | 1,348 | 1,656 | 1,499 |
| 7,500 | 7,550 | 764 | 753 | 764 | 753 | 10,500 | 10,550 | 1,214 | 1,053 | 1,214 | 1,053 | 13,500 | 13,550 | 1,664 | 1,353 | 1,664 | 1,506 |
| 7,550 | 7,600 | 771 | 758 | 771 | 758 | 10,550 | 10,600 | 1,221 | 1,058 | 1,221 | 1,058 | 13,550 | 13,600 | 1,671 | 1,358 | 1,671 | 1,514 |
| 7,600 | 7,650 | 779 | 763 | 779 | 763 | 10,600 | 10,650 | 1,229 | 1,063 | 1,229 | 1,063 | 13,600 | 13,650 | 1,679 | 1,363 | 1,679 | 1,521 |
| 7,650 | 7,700 | 786 | 768 | 786 | 768 | 10,650 | 10,700 | 1,236 | 1,068 | 1,236 | 1,068 | 13,650 | 13,700 | 1,686 | 1,368 | 1,686 | 1,529 |
| 7,700 | 7,750 | 794 | 773 | 794 | 773 | 10,700 | 10,750 | 1,244 | 1,073 | 1,244 | 1,073 | 13,700 | 13,750 | 1,694 | 1,373 | 1,694 | 1,536 |
| 7,750 | 7,800 | 801 | 778 | 801 | 778 | 10,750 | 10,800 | 1,251 | 1,078 | 1,251 | 1,078 | 13,750 | 13,800 | 1,701 | 1,378 | 1,701 | 1,544 |
| 7,800 | 7,850 | 809 | 783 | 809 | 783 | 10,800 | 10,850 | 1,259 | 1,083 | 1,259 | 1,101 | 13,800 | 13,850 | 1,709 | 1,383 | 1,709 | 1,551 |
| 7,850 | 7,900 | 816 | 788 | 816 | 788 | 10,850 | 10,900 | 1,266 | 1,088 | 1,266 | 1,109 | 13,850 | 13,900 | 1,716 | 1,388 | 1,716 | 1,559 |
| 7,900 | 7,950 | 824 | 793 | 824 | 793 | 10,900 | 10,950 | 1,274 | 1,093 | 1,274 | 1,116 | 13,900 | 13,950 | 1,724 | 1,393 | 1,724 | 1,566 |
| 7,950 | 8,000 | 831 | 798 | 831 | 798 | 10,950 | 11,000 | 1,281 | 1,098 | 1,281 | 1,124 | 13,950 | 14,000 | 1,731 | 1,398 | 1,731 | 1,574 |

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

(Continued on page 66)



1. What is the adjusted gross income on Form 1040, Line 37?
2. What is the amount of the standard deduction?
3. What is the amount of the taxable income?
4. What is the Additional Child Tax Credit amount?
5. What is the total tax on Form 1040, Line 63?
6. What is the foreign tax credit amount?
7. What is the reduction in foreign taxes?
8. What is the gross income from all sources on Form 1116, line 3e?
9. What is the base amount of earned income to claim the additional child tax credit for filers who have less than three dependents?
10. What is the amount of earned income on Form 8812, Line 4a?

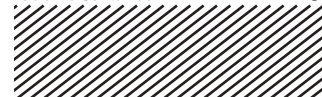


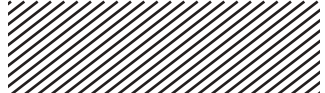
STUDENT NOTES



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Parte I: Suplemento VITA Puerto Rico

Introducción

Este suplemento de Puerto Rico se divide en dos categorías distintas. La primera parte (Parte I) se refiere a los contribuyentes que tienen ingresos que son reportados en la Forma 1040 (US Income Tax Return) La Segunda parte se refiere a los individuos independientes que trabajan por cuenta propia que radican la Forma 1040PR.

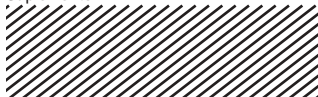
La Parte I se ha desarrollado como suplemento al Curso regular de VITA. Se recomienda que los voluntarios de VITA que no tienen experiencia con impuestos federales que completen todos los capítulos en el curso regular de VITA antes de completar este suplemento. Aunque no se recomienda, los voluntarios que tienen experiencia con impuestos federales pueden completar este texto sin referencia al curso regular de VITA.

Si es usted un residente bona fide de Puerto Rico que estara rindiendo una Declaracion de Impuestos Federal de E.U., Forma 1040 y reclama una exclusion de ingreso ganado en Puerto Rico, usted tendra que hacer ciertos ajustes en su planilla. Estos ajustes se explican en la Publicacion 1321.

Queien debe Radicar

En general, IRC seccion 933del codigo de Rentas Internas federal requiere que ciudadanos americanos que son residentes bona fides de Puerto Rico durante todo el ano tributable, pero que reciben ingresos de fuentes fuera de Puerto Rico y/o reciben ingresos como civilian o militares empleados del gobierno de los E.U. en Puerto Rico, deben de radicar una planilla federal. Porque parte del ingreso es exento (bajo IRC seccion 933) parte de las deducciones detalladas o parte de las deducciones fijas deberan ser ajustadas de acuerdo al ingreso exento en la planilla federal.

STUDENT NOTES



Lección 1: Estado Civil y Exenciones

El estado civil y las exenciones son igual según lo discutido en la lección 2 del curso regular de VITA. Sin embargo, tenga presente que aunque un cónyuge pueda excluir su ingreso en la forma 1040, ellos pueden reclamar el estado civil de casados radicando en conjunto y reclama una exención por su cónyuge. El estado civil, casado radicando en conjunto, no cambia porque su cónyuge tenga ingreso exento.

Ejemplo 1

Alda y Raúl son casados y ambos son residentes bonafides de Puerto Rico. Alda trabaja para el gobierno federal y gana \$34,489. Raúl trabaja para una firma privada y gana \$25,250. Aunque los ingresos de Raúl de \$24,250 se excluyen de la forma 1040, ellos pueden radicar una planilla en conjunto y reclamar una exención por ambos.

Ejercicio 1-1

Modesto y Laura ambos son menores de 65 años, ciudadanos americanos y residentes bonafides de Puerto Rico. Ellos son casados. Modesto trabaja para una corporación pequeña en Hato Rey Laura es empleada federal.

- a. ¿Pueden ellos radicar una planilla en conjunto?
- b. ¿Cuántas exenciones pueden ellos reclamar?

Respuesta

Lección 2: El Factor que determina La Fuente del Ingreso

Introducción

Cuando hablamos de la fuente del ingreso, nos referimos a su origen—Estados Unidos, Puerto Rico, ó extranjero.

Ciudadanos americanos y/o residentes tributan a Estados Unidos en todo el ingreso recibido, no importa donde se origine. ¿Cuál entonces es la importancia de la fuente del ingreso? Para aquellos contribuyentes que califican para la exención del ingreso ganado en Puerto Rico, la fuente del ingreso es muy importante puesto que solamente el ingreso de Fuentes de Puerto Rico pueden ser exentas de tributación a Estados Unidos. Es también importante para los contribuyentes que puedan reclamar un **Crédito por impuestos pagados a un país extranjero (Forma 1116)**, puesto que el crédito se debe calcular en base de impuestos pagados en el país extranjero o Puerto Rico.

La fuente del ingreso es muy importante para el extranjero no residente porque a Estados Unidos solamente tributa por el ingreso de Fuentes de Estados Unidos. Sin embargo, las reglas especiales (que se encuentran en la Púb. 1321), se aplican si son extranjeros no residentes, y residentes bonafide de P.R. En esta lección, nos concentraremos en el ciudadano de Estados Unidos. Asuma que cualquier referencia a un contribuyente o a un individuo significa un ciudadano americano.

Salarios, Sueldos y otras remuneraciones

Los salarios, sueldos y otras remuneraciones así como la cantidad de ganancias netas del empleado por cuenta propia son ingresos ganado. El lugar en donde se prestan los servicios es el factor más importante al determinar la fuente del ingreso ganado. Si los servicios personales o servicios por trabajo son prestados en Puerto Rico, la fuente del ingreso es P.R.

Ejemplo 1

El Sr. Stan Jones, ciudadano americano residente de P.R., es un consultor para una firma de los EE.UU. y trabaja en la oficina en P.R. Los ingresos del Sr. Jones son de P.R. puesto que él está realizando los servicios en P.R.

Ejemplo 2

Juan y Maria viven y trabajan en San Juan. Su ingresos son como sigue:

Salarios de \$39,482 ganados en P.R.

Salarios de \$5,000 ganados mientras fue asignado temporeramente en Nueva York.

Salarios de \$1,000 ganados mientras estuvo en viaje de negocios en Caracas.

La fuente de sus ingresos sería analizada como sigue:

| | |
|----------|------------------------------|
| \$39,482 | De Fuentes de Puerto Rico |
| \$5,000 | De Fuentes de Estados Unidos |
| \$1,000 | De Fuentes Extranjeras |

Ejercicio 2-1

Juan Mariposa, residente de P.R., Ciudadano americano y empleado de una corporación en P.R., Lo envían a los Estados Unidos por un mes en asignación temporera. Su patrono de P.R. continua pagando su sueldo regular y los cheques se depositan en su cuenta bancaria. ¿Tiene éste contribuyente ingresos de Fuentes de Estados Unidos?

Explique _____

Intereses

Intereses de los Estados Unidos, intereses de bonos, de notas o de otras obligaciones de residentes, corporaciones, o de otra manera, serán tratados como ingresos de fuentes de dentro de los Estados Unidos. Es la residencia del pagador la que determina la fuente del ingreso en estos casos.

Ejemplo 3

Richard Rockero, residente de P.R., Recibe intereses de un préstamo personal hecho a Francia Guía, residente de los Estados Unidos quién es el pagador. Puesto que el Sr. Guía es un residente de los EE.UU. los ingresos son de Fuentes de EE.UU.

Ejercicio 2-2

La Sra. Beatriz Pinzon vive y trabaja en San German, P.R. Todo su ingreso es deven-gado allá, pero ella deposita parte de ello en su banco en Boston, MA. En donde gana intereses. ¿Cuál es la fuente del ingreso de intereses?

Dividendos

Para determinar la fuente del ingreso de dividendos usted necesita conocer la local-ización del pagador. Los dividendos de corporaciones domésticas (de Estados Unidos) son de Fuentes de EE.UU. Los dividendos de corporaciones extranjeras son de fuente del extranjero.

Nota: “Legislaciones pendientes pudieran afectar la determinacion de fuentes de ingresos. Favor de verificar la nueva ley para ver como afecta la misma.”

Alquiler y Regalías de Recursos Naturales

La localización de la propiedad de alquiler determina la fuente del ingreso. Alquileres por propiedades localizadas en Puerto Rico son de Fuentes de P.R. La misma regla se aplica al recurso natural (aceite, carbón, etc.) porque el factor que determina la fuente del ingreso es donde este localizado el recurso natural.

Ejemplo 4

Bo Nanza posee una propiedad de alquiler en la playa de Condado en P.R. El ingreso de alquiler de la propiedad es depositado en su cuenta bancaria en Chicago. El ingreso de alquiler es de fuente de P.R.

Ejemplo 5

Un ciudadano americano que vive en P.R. recibe regalías del “ Canadá Natural Gas Unlimited”. ¿Qué clase de regalías son estas? Son regalías de un recurso natural que esta localizado en Canada. En este caso, la fuente del ingreso es donde la propiedad (el campo de gas natural) esta localizada.

Otras Regalías

Regalías por el privilegio de uso de patentes, derechos de autor, procesos secretos y fórmulas, voluntad, marcas registradas, licencias, y otras propiedades iguales, son Fuentes de P.R. Para estos tipos de derechos, la fuente la determina donde se utiliza la característica.

Recuerde que la fuente de alquileres y de regalías del recurso natural es donde esta localizada la propiedad (donde esta el edificio, el pozo de petróleo, o la mina de carbón situada físicamente. La fuente de las regalías de las patentes, derechos de autor, etc., es donde se utiliza la característica.

Venta o Intercambio de Propiedad Personal

El factor que determina la fuente del ingreso en la venta de la propiedad “non-inventory” es la residencia del vendedor. Los ciudadanos americanos serán tratados como residentes de los EE.UU., a menos que un impuesto sobre el ingreso igual a un índice eficaz de por lo menos el 10% del ingreso derivado de la venta se pague a un país extranjero. Sin embargo, este requisito del pago del 10% no se aplica a una persona que sea un residente bonafide de P.R. por el año fiscal entero.

Nota: “Legislaciones pendientes pudieran afectar la determinacion de fuentes de ingresos. Favor de verificar la nueva ley a ver como afecta la misma.”

Ejemplo 6

La Sra. Bonita Bombon, es ciudadana americana y residente bonafide de P.R., Ella vendió acciones con 100% de ganancia sobre el costo original. La venta de acciones es una venta de la propiedad característica personal. Puesto que la Sra. Bombon era residente bonafide de P.R. Por el año fiscal entero, el requisito del pago de impuestos del 10% no aplica. La ganancia es de fuente de P.R. Con el factor determinante de la fuente siendo la residencia del vendedor.

Notas

Propiedad de Inventario

Las reglas para determinar la fuente del ingreso en la venta del inventario no han cambiado. La fuente del ingreso sigue siendo el lugar donde se transfiere el título de propiedad.

Propiedad depreciable

En general, ganancias (no en exceso del ajuste de depreciación) de la venta de la propiedad personal depreciable serán proporcionada entre las fuentes de los EE.UU., y Fuentes fuera de EE.UU.

Ejercicio

- a. Carol Ann, residente bonafide de P.R., Posee propiedad de alquiler en EE.UU. Ella deposita \$1,000 (el alquiler) cada mes en su cuenta del Banco Popular en P.R. ¿Cuál es la fuente del ingreso de alquiler?
- b. Don y Petra, radican en conjunto. Ellos son residentes bonafides de P.R. Sus ingresos consisten de:
 - \$10,000 salarios de empresa privada
 - \$2,000 Intereses pagados por Banco Popular
 - \$1,000 Intereses pagados por Bowery Bank de New York
 - \$5,000 Ingreso de alquiler de la propiedad de Miami

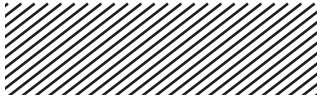
Indica la fuente de cada tipo de ingreso.

- c. Sofia vive en EE.UU. pero tiene una cuenta que devenga intereses en el Banco de Hato Rey. Sus salarios (\$20,000) son de su trabajo en Chicago. ¿Cuál es la fuente de su ingreso?

Reglas que Gobiernan la Fuente del Ingreso

| | |
|-----------------------------------|--|
| Artículo de Ingreso Factor | Determinante de la Fuente |
| Salarios y otras remuneraciones | Donde se presta los servicios |
| Intereses | Residencia del pagador |
| Dividendos | Localización del pagador |
| Alquiler | Localización de la propiedad |
| Regalías: | |
| Recursos Naturales | Localización de la propiedad |
| Patentes, derechos de autor, etc. | Donde la propiedad es usada |
| Propiedad personal no depreciable | Residencia del vendedor |
| | La ganancia de un ciudadano americano es de fuente de EE.UU. a menos que se pague un impuesto de por lo menos 10% a un país extranjero. Sin embargo, este requisito del pago del impuesto del 10% no se aplica a una persona que sea un residente bonafide de P.R. por el año fiscal completo. |

Nota: “Legislaciones pendientes pudiera afectar la determinacion de la fuentes de ingresos. Favor de verificar la nueva ley para ver como afecta la misma.”



Lección 3: Compuo de Contribución para Contribuyentes que no detallan sus deducciones

Proporción de la Deducción Fija cuándo el contribuyente tiene ingreso exento de Fuentes de P.R.

La deducción fija se considera una cantidad que no se aplica a ningún tipo en particular de ingreso.

Para esos contribuyentes que no detallan, la deducción fija se debe proporcionar entre el grueso del ingreso sujeto a tributación federal sobre el grueso del ingreso de todas las Fuentes.

| Si su estado civil es: | Deducción Fija |
|---|-----------------------|
| Soltero | \$5,000 |
| Casado radicando en conjunto, o Viudo(a) calificado | \$10,000 |
| Casado radicando por separado | \$5,000 |
| Jefe de familia | \$7,300 |

Si el contribuyente tiene 65 ó más y/o ciego ellos se le permite utilizar la deducción fija adicional. Utilice la tabla que sigue a continuación para determinar la deducción fija básica más la adicional:

Si usted completo la línea 36a, utilice la tabla siguiente para determinar la cantidad para entrar en la línea 37. Si no, incorpore la cantidad de la Forma 1040, la línea 37, que aplica a su estado civil.

| Si su estado civil es: | y el numero en la Línea 36a, forma 1040 es: | en forma 1040 línea 37, entre: |
|--|--|---------------------------------------|
| Soltero | 1 | \$5,000 |
| | 2 | \$7,250 |
| Casado en conjunto, o Viudo(a) Calificando | 1 | \$10,000 |
| | 2 | \$11,600 |
| | 3 | \$12,550 |
| | 4 | \$13,500 |
| Casado radicando por separado | 1 | \$5,000 |
| | 2 | \$6,750 |
| | 3 | \$7,700 |
| | 4 | \$8,650 |
| Jefe de Familia | 1 | \$7,300 |
| | 2 | \$9,550 |

Para determinar la deducción fija permisible, multiplique la deducción fija por la fracción; el numerador es su ingreso bruto sujeto a tributación federal, y el denominador es el total del ingreso bruto de todas las fuentes.

Ejemplo

Juan y Judith (menores de 65 años), son residentes bonafide de Puerto Rico por el año entero, están radicando una planilla en conjunto. Juan fue empleado federal durante el año 2005 y ganó \$40,000; Judith tuvo ingresos por \$20,000 de Fuentes de P.R. no sujetos a tributación federal. Ellos no están detallando sus deducciones.

Ellos hacen el cómputo de sus deducciones fijas permisible de la siguiente manera:

$$\frac{40,000}{60,000} \times \$10,000 = \$6,700$$

Nota:

Si el contribuyente no tiene ingresos exentos de P.R., el/ella no necesita utilizar la Publicación 1321. Una proporción de sus deducciones fijas no es necesaria.

Exhibit 3-1 Hoja de trabajo para modificar la deducción fija

| Worksheet for Puerto Rico Filers with Exempt Income under Section 933 Who Do Not Itemize Deductions | |
|--|---|
| 1. | Enter STANDARD DEDUCTION; If you checked Form 1040, Filing Status box 1, enter \$5,000 2, or 5, enter \$10,000 <u>10,000</u> 3, enter \$5,000 4, enter \$7,300 |
| CAUTION: | If you are 65 or over or blind, calculate your standard deduction using the chart in the Form 1040 instructions. or If someone can claim you as a dependent, use the Standard Deduction Worksheet for Dependents in the Form 1040 Instructions. |
| 2. | Allowable portion of STANDARD DEDUCTION: a. Gross income subject to U.S. tax <u>40,000</u> b. Total gross income from all sources (including exempt P.R. income) <u>60,000</u> c. Divide line 2a by line 2b <u>.67</u> d. Multiply Standard Deduction (line 1) by line 2c and enter this amount on Form 1040 line 40 or Form 1040A line 24 (allowable portion of STANDARD DEDUCTION) <u>6,700</u> Write the following above line 40 Form 1040 or line 24 of Form 1040A: "Standard Deduction modified due to exempt income under section 933." |

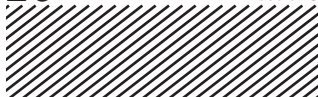


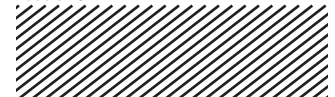
Exhibit 3-2 Form 1040, Page 2 for Juan and Judith

"Standard Deduction modified due to exempt income under sect 933" m 1040.

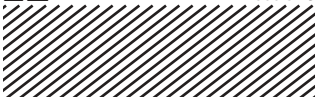
| | | | | | |
|--|------------|--|-----------|--------|----|
| Tax and Credits | 38 | Amount from line 37 (adjusted gross income) | 38 | 40,000 | 00 |
| | 39a | Check <input type="checkbox"/> You were born before January 2, 1941, <input type="checkbox"/> Blind. } Total boxes checked <input type="checkbox"/> 39a if: <input type="checkbox"/> Spouse was born before January 2, 1941, <input type="checkbox"/> Blind. } | | | |
| Standard Deduction for— • People who checked any box on line 39a or 39b or who can be claimed as a dependent, see page 31. • All others: Single or | b | If your spouse itemizes on a separate return or you were a dual-status alien, see page 31 and check here 39b <input type="checkbox"/> | | | |
| | 40 | Itemized deductions (from Schedule A) or your standard deduction (see left margin) | 40 | 6,700 | 00 |
| | 41 | Subtract line 40 from line 38 | 41 | | |
| | 42 | If line 38 is \$109,475 or less, multiply \$3,200 by the total number of exemptions claimed on line 6d. If line 38 is over \$109,475, see the worksheet on page 33 | 42 | | |
| | 43 | Taxable income. Subtract line 42 from line 41. If line 42 is more than line 41, enter -0- | 43 | | |
| | 44 | Tax (see page 33). Check if any tax is from: a <input type="checkbox"/> Form(s) 8814 b <input type="checkbox"/> Form 4972 | 44 | | |
| | 45 | Alternative minimum tax (see page 35). Attach Form 6251 | 45 | | |
| | 46 | Add lines 44 and 45 | 46 | | |
| | 47 | Foreign tax credit. Attach Form 1116 if required | 47 | | |

Ejercicios 3-1

- a. Martín y Cruz Paraíso son residentes bonafides de P.R. por el año entero. Ellos son casados radicando en conjunto. Martín gana \$31,340 de salarios en una firma de contabilidad en P.R. y Cruz gana \$42,389 del gobierno federal. Ellos tienen una cuenta bancaria en conjunto en Banco Isla de P.R. y devengan \$2,000 de interés, tienen dos hijos (Leo y Sam), y un perro. Complete su planilla hasta la línea 41 de la Forma 1040.
- b. Monse es soltero y vive solo como residente bonafide de P.R. Ella tiene sueldos del gobierno federal por \$35,739. Ella no tiene ningún otro ingreso. Complete su planilla Forma 1040 hasta la línea 41.
- c. Tino es soltero y retirado del gobierno de P.R. pero menor de 65 años. El recibió \$19,250 al año de su pensión del gobierno de P.R. El recibió también \$10,000 de intereses de su cuenta bancaria en los EE.UU. Completa su Forma 1040 hasta la línea 41.
- d. Carmen es soltera retirada residente bonafide de P.R. Ella recibe su pensión del Cuerpo de funcionarios Públicos de EE.UU. Por \$21,000. Asume que ya ella recuperó su inversión en la pensión. Ella siempre presto servicios en P.R. Completa su planilla hasta la línea 41.



STUDENT NOTES



Lección 4: Deducciones Detalladas

Introducción

Las deducciones que aplican al ingreso exento de Puerto Rico no son deducibles en la planilla de contribución de ingresos federal.

Las deducciones que específicamente no aplican a cierto tipo de ingreso se debe proporcionar entre ingreso bruto sujeto a contribución federal y el total de ingreso bruto de todas las fuentes.

Algunos ejemplos de deducciones que no aplican específicamente a cierto tipo de ingreso son los pagos de manutención y ciertas deducciones detalladas (tal como los gastos médicos, contribuciones caritativas, interés de impuestos sobre bienes raíces e hipoteca en su residencia personal).

Proporción de Deducciones Detalladas al ingreso de EE.UU.

Cuándo un contribuyente tiene ingreso exento de fuentes de Puerto Rico y detalla las deducciones, él tiene que proporcionar cada deducción que no aplica a ningún tipo de ingresos en específico basado en la razón de ingreso bruto sujeto a tributación en EE.UU. sobre el ingreso bruto de todas las fuentes.

Ingreso bruto sujeto a tributación en EE.UU.

Ingreso bruto de todas las fuentes (incluyendo ingreso exento en Puerto Rico)

Ejemplo 1

Juan y Judith radican una planilla en conjunto. Ellos son residentes bonafides de PR. Juan trabaja para el gobierno federal y Judith trabaja con el Banco de Santurce. Durante el 2005, Juan ganó \$39,780 como empleado federal y Judith ganó \$19,520 en su trabajo. Ellos han detallado sus deducciones de \$10,869 que no aplican a ningún tipo específico de ingresos (medico y dental \$3,457, los impuestos sobre bienes raíces \$1,200, el interés de la hipoteca \$9,480, y \$2,086 en contribuciones caritativas). Cada deducción se proporciona como sigue:

El numerador de la fracción es el ingreso bruto informado a los EE.UU. y el denominador son los ingresos brutos de todas las fuentes (incluyendo los ingresos exentos en P.R.).

Gastos Médicos (Honorarios de médicos)

$\frac{\$39,780 \times \$3,457}{\$59,300} = \2319 (entre en la línea 1 del Anexo A)

Impuestos sobre Bienes Raíces

$\frac{\$39,780 \times \$1,200}{\$59,300} = \805 (entre en la línea 6 Anexo A)

Intereses Hipotecarios

$\frac{\$39,780 \times \$9,480}{\$59,300} = \$6,359$ (entre en la línea 10 Anexo A)

Contribuciones Caritativas (efectivo)

$\frac{\$39,780 \times \$2,086}{\$59,300} = \$1,399$ (entre en la línea 15 Anexo A)

Nota: Entre en el Anexo A **sólo** la porción permisible de cada deducción.

Exhibit 1-1 Proporción de Deducciones Detalladas de Juan y Judith

SCHEDULES A&B
(Form 1040)

Schedule A—Itemized Deductions

OMB No. 1545-0074

2005

Department of the Treasury
Internal Revenue Service (99)

(Schedule B is on back)

Attachment
Sequence No. **07**

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

Name(s) shown on Form 1040

Your social security number

| | | | | | |
|--|---|--|-------|--|-------|
| Medical and Dental Expenses | Caution. Do not include expenses reimbursed or paid by others. | | | | |
| | 1 | Medical and dental expenses (see page A-2) | 2,319 | | |
| | 2 | Enter amount from Form 1040, line 38 2 39,780 | | | |
| | 3 | Multiply line 2 by 7.5% (.075) | 2,984 | | |
| | 4 | Subtract line 3 from line 1. If line 3 is more than line 1, enter -0- | | | 0 |
| Taxes You Paid <small>(See page A-2.)</small> | 5 State and local (check only one box): | | | | |
| | a <input type="checkbox"/> Income taxes, or | | 805 | | |
| | b <input type="checkbox"/> General sales taxes (see page A-2) | | | | |
| | 6 | Real estate taxes (see page A-3) | | | |
| | 7 | Personal property taxes | | | |
| | 8 | Other taxes. List type and amount ▶ | | | |
| | 9 | Add lines 5 through 8 | | | 805 |
| Interest You Paid <small>(See page A-3.)</small> | 10 | Home mortgage interest and points reported to you on Form 1098 | 6,359 | | |
| | 11 | Home mortgage interest not reported to you on Form 1098. If paid to the person from whom you bought the home, see page A-4 and show that person's name, identifying no., and address ▶ | | | |
| | 12 | Points not reported to you on Form 1098. See page A-4 for special rules | | | |
| | 13 | Investment interest. Attach Form 4952 if required. (See page A-4.) | | | |
| Note. Personal interest is not deductible. | 14 | Add lines 10 through 13 | | | 6,359 |
| Gifts to Charity <small>If you made a gift and got a benefit for it, see page A-4.</small> | 15 | Gifts by cash or check. If you made any gift of \$250 or more, see page A-4 | 1,399 | | |
| | 16 | Other than by cash or check. If any gift of \$250 or more, see page A-4. You must attach Form 8283 if over \$500 | | | |
| | 17 | Carryover from prior year | | | |
| | 18 | Add lines 15 through 17 | | | 1,399 |
| Casualty and Theft Losses | 19 | Casualty or theft loss(es). Attach Form 4684. (See page A-5.) | | | |
| Job Expenses and Most Other Miscellaneous Deductions <small>(See page A-5.)</small> | 20 | Unreimbursed employee expenses—job travel, union dues, job education, etc. Attach Form 2106 or 2106-EZ if required. (See page A-6.) ▶ | | | |
| | 21 | Tax preparation fees | | | |
| | 22 | Other expenses—investment, safe deposit box, etc. List type and amount ▶ | | | |
| | 23 | Add lines 20 through 22 | | | |
| | 24 | Enter amount from Form 1040, line 38 24 | | | |
| | 25 | Multiply line 24 by 2% (.02) | | | |
| | 26 | Subtract line 25 from line 23. If line 25 is more than line 23, enter -0- | | | |
| Other Miscellaneous Deductions | 27 | Other—from list on page A-6. List type and amount ▶ | | | |
| Total Itemized Deductions | 28 | Is Form 1040, line 38, over \$145,950 (over \$72,975 if married filing separately)? <input checked="" type="checkbox"/> No. Your deduction is not limited. Add the amounts in the far right column for lines 4 through 27. Also, enter this amount on Form 1040, line 40. <input type="checkbox"/> Yes. Your deduction may be limited. See page A-6 for the amount to enter. | | | 8,563 |
| | 29 | If you elect to itemize deductions even though they are less than your standard deduction, check here <input type="checkbox"/> | | | |

For Paperwork Reduction Act Notice, see Form 1040 instructions.

Cat. No. 11330X

Schedule A (Form 1040) 2005

Exhibit 4-2 Deducciones Detalladas modificadas de acuerdo al IRC sect.. 933

| Form 1040 (2005) | | Page 2 |
|------------------------|--|---------------------|
| Tax and Credits | 38 Amount from line 37 (adjusted gross income) | 38 39,780 00 |
| | 39a Check <input type="checkbox"/> You were born before January 2, 1941, <input type="checkbox"/> Blind. } Total boxes <input type="checkbox"/> | |
| | if: <input type="checkbox"/> Spouse was born before January 2, 1941, <input type="checkbox"/> Blind. } checked ▶ 39a <input type="checkbox"/> | |
| | b If your spouse itemizes on a separate return or you were a dual-status alien, see page 31 and check here ▶ 39b <input type="checkbox"/> | |
| | 40 Itemized deductions (from Schedule A) or your standard deduction (see left margin) | 40 8,563 00 |
| | 41 Subtract line 40 from line 38 | 41 |
| | 42 If line 38 is \$109,475 or less, multiply \$3,200 by the total number of exemptions claimed on line 6d. If line 38 is over \$109,475, see the worksheet on page 33 | 42 |
| | 43 Taxable income. Subtract line 42 from line 41. If line 42 is more than line 41, enter -0- | 43 |
| | 44 Tax (see page 33). Check if any tax is from: a <input type="checkbox"/> Form(s) 8814 b <input type="checkbox"/> Form 4972 | 44 |
| | 45 Alternative minimum tax (see page 35). Attach Form 6251 | 45 |

Ejemplo 2

El Sr. y Sra. Hernández son residentes bonafides de Puerto Rico por el año contributivo 2005. El Sr. Hernández ganó \$42,389 con el gobierno federal y la Sra. Hernández ganó \$14,250 trabajando a jornada parcial en un salón de belleza. Ellos detallaron sus deducciones como siguen:

| | |
|-------------------------------------|---------|
| Gastos médicos y dentales | \$2,950 |
| Intereses Hipotecarios | 11,159 |
| Impuestos sobre Bienes Raíces | 1,020 |
| Contribuciones Caritativas..... | 1,700 |

Ellos preparan su Anexo A e incluyen solamente la porción permisible de cada deducción. El cómputo se completa y la porción permisible se entra en la línea correspondiente.

Gastos Médicos y Dentales

$\$42,389 \times \$2,950 = \$2,212$ (entre en la línea 1 Anexo A)
\$56,639

Impuestos sobre Bienes Raíces

$\$42,389 \times \$1,020 = \$765$ (entre en la línea 6 Anexo A)
\$56,639

Intereses Hipotecarios

$\$42,389 \times \$11,159 = \$8,369$ (entre en la línea 10 Anexo A)
\$56,639

Contribuciones Caritativas (efectivo)

$\$42,389 \times \$1,700 = \$1,275$ (entre en la línea 15 Anexo A)
\$56,639

Exhibit 4-3 Anejo A para el Sr. y Sra. Hernandez muestra la proporción de las Deducciones Detalladas

| SCHEDULES A&B (Form 1040) | | Schedule A—Itemized Deductions (Schedule B is on back) | | | | OMB No. 1545-0074 2005 Attachment Sequence No. 07 | |
|---|---|---|----|--------|--|---|--|
| Department of the Treasury Internal Revenue Service (99) | | ▶ Attach to Form 1040. ▶ See Instructions for Schedules A and B (Form 1040). | | | | | |
| Name(s) shown on Form 1040 Sr y Sra. Hernandez | | | | | | Your social security number xxx : xx : xx02 | |
| Medical and Dental Expenses | 1 | Medical and dental expenses (see page A-2) | 1 | 2,212 | | | |
| | 2 | Enter amount from Form 1040, line 38 | 2 | 42,389 | | | |
| | 3 | Multiply line 2 by 7.5% (.075) | 3 | 3,179 | | | |
| | 4 | Subtract line 3 from line 1. If line 3 is more than line 1, enter -0- | 4 | | | 0 | |
| Taxes You Paid (See page A-2.) | 5 | State and local (check only one box): a <input type="checkbox"/> Income taxes, or b <input type="checkbox"/> General sales taxes (see page A-2) | 5 | | | | |
| | 6 | Real estate taxes (see page A-3) | 6 | 765 | | | |
| | 7 | Personal property taxes | 7 | | | | |
| | 8 | Other taxes. List type and amount ▶ | 8 | | | | |
| | 9 | Add lines 5 through 8 | 9 | | | 765 | |
| Interest You Paid (See page A-3.) | 10 | Home mortgage interest and points reported to you on Form 1098 | 10 | 8,369 | | | |
| | 11 | Home mortgage interest not reported to you on Form 1098. If paid to the person from whom you bought the home, see page A-4 and show that person's name, identifying no., and address ▶ | 11 | | | | |
| | 12 | Points not reported to you on Form 1098. See page A-4 for special rules | 12 | | | | |
| | 13 | Investment interest. Attach Form 4952 if required. (See page A-4.) | 13 | | | | |
| Note. Personal interest is not deductible. | 14 | Add lines 10 through 13 | 14 | | | 8,369 | |
| Gifts to Charity If you made a gift and got a benefit for it, see page A-4. | 15 | Gifts by cash or check. If you made any gift of \$250 or more, see page A-4 | 15 | 1,275 | | | |
| | 16 | Other than by cash or check. If any gift of \$250 or more, see page A-4. You must attach Form 8283 if over \$500 | 16 | | | | |
| | 17 | Carryover from prior year | 17 | | | | |
| | 18 | Add lines 15 through 17 | 18 | | | 1,275 | |
| Casualty and Theft Losses | 19 | Casualty or theft loss(es). Attach Form 4684. (See page A-5.) | 19 | | | | |
| Job Expenses and Most Other Miscellaneous Deductions (See page A-5.) | 20 | Unreimbursed employee expenses—job travel, union dues, job education, etc. Attach Form 2106 or 2106-EZ if required. (See page A-6.) ▶ | 20 | | | | |
| | 21 | Tax preparation fees | 21 | | | | |
| | 22 | Other expenses—investment, safe deposit box, etc. List type and amount ▶ | 22 | | | | |
| | 23 | Add lines 20 through 22 | 23 | | | | |
| | 24 | Enter amount from Form 1040, line 38 | 24 | | | | |
| | 25 | Multiply line 24 by 2% (.02) | 25 | | | | |
| 26 | Subtract line 25 from line 23. If line 25 is more than line 23, enter -0- | 26 | | | | | |
| Other Miscellaneous Deductions | 27 | Other—from list on page A-6. List type and amount ▶ | 27 | | | | |
| Total Itemized Deductions | 28 | Is Form 1040, line 38, over \$145,950 (over \$72,975 if married filing separately)? <input type="checkbox"/> No. Your deduction is not limited. Add the amounts in the far right column for lines 4 through 27. Also, enter this amount on Form 1040, line 40. ▶ | 28 | | | 10,409 | |

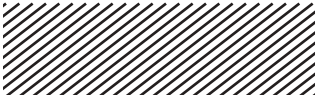
Ejercicio 4-1

Elizabeth González, es una empleada federal y vive en Puerto Rico, viene al centro VITA y le pide ayuda para preparar su planilla de contribución sobre ingresos federal del 2005. Ella le dice que ella y su esposo, Mathew, son casados y radican en conjunto porque viven juntos. Elizabeth tiene 48 años y Mathew tiene 49, ellos desean contribuir al Fondo de la Campaña Presidencial. Mathew maneja un restaurante local de la versión en Inglés. El ganó \$18,354. Elizabeth trabajó para el Departamento de Agricultura Federal y ganó \$32,981.

Elizabeth le dice que ella no cree tener suficientes gastos para detallar sus deducciones, pero le da la siguiente lista. Ella no esta segura que gastos puede reclamar.

| | |
|---|---------|
| Impuestos sobre Bienes Raíces | \$1,897 |
| Renovación de Licencia de conducir..... | 30 |
| Prima de Seguro Médico | 1,989 |
| Honorarios Médicos | 1,875 |
| Gastos Dentales | 685 |
| Gastos Veterinarios | 300 |
| Intereses Hipotecarios | 8,761 |

El municipio de San Juan no tiene impuestos sobre ventas. Sin embargo, ellos pagaron una contribución sobre ingresos a Puerto Rico por \$3,981.



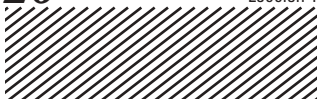
Ejercicio 4-2

Guillermo y Esmeralda son residentes bonafides de Puerto Rico y radican una planilla en conjunto. Ellos tienen dos niños, Carlos y Anita. Guillermo trabaja para el gobierno federal y ganó \$49,965. Esmeralda no trabaja pero recibió \$2,452 de intereses de su cuenta de ahorros del Banco Popular. Ellos tienen las siguientes deducciones detalladas permisibles:

| | |
|-------------------------------------|--------|
| Gastos Dentales | \$ 750 |
| Impuestos sobre Bienes Raíces | 875 |
| Intereses Hipotecarios | 9,200 |
| Contribuciones Caritativas | 1,821 |

Ellos no están familiarizados con la proporción necesaria y le piden ayuda con la preparación de su planilla hasta la línea 42, Forma 1040.

STUDENT NOTES



Lección 5: ¿Quién Debe Radicar?

Un contribuyente, que es residente bonafide de Puerto Rico por el año contributivo entero, no tiene la necesidad de informar ningún ingreso de fuentes de P.R. en la Forma 1040; a menos que el/ella trabaje para el gobierno de EE.UU. Para calificar para esta exención de ingresos el contribuyente debe ser un residente de Puerto Rico por un año contributivo entero (Enero 1 a Diciembre 31).

Sección 933 Ingreso de Fuentes de Puerto Rico

Las siguientes partidas no deben ser incluidas en el ingreso bruto y deberán estar exentas de tributación bajo éste subtítulo:

- (1) RESIDENTE DE PUERTO RICO POR EL AÑO COMPLETO CONTRIBUTIVO—
En el caso de un individuo que es un residente bonafide de P.R. durante el año completo contributivo, los ingresos devengados de fuentes de P.R. (menos cantidades recibidas por servicios realizados como un empleado de los EE.UU. o ninguna agencia del mismo); pero tal individuo no se permitirá como una deducción de sus ingresos brutos, ninguna deducción (otro crédito propiamente proporcionado o cargado contra cantidades excluidas de ingreso bruto bajo este párrafo).
- (2) AÑO CONTRIBUTIVO DEL CAMBIO DE RESIDENCIA DE PUERTO RICO—
En el caso de un ciudadano individual de los Estados Unidos que ha sido un residente bonafide de P.R. por un período de 2 años antes de la fecha en que él cambia de residencia de P.R. Los ingresos devengados de fuentes dentro (excepto cantidades recibidas como un empleado de los EE.UU. o agencia del mismo) que es atribuible a esa parte tal período de residencia de P.R. antes de esa fecha, pero ese individuo no le será permitido una deducción de ingreso bruto, ninguna deducción (que no sea la deducción por exenciones personales bajo la sesión 151) ó otro crédito propiamente proporcionado o cargado contra cantidades excluidas de ingreso bruto bajo este párrafo.

Nota: legislación pendiente puede afectar la sección 933, favor de verificar posibles cambios de la nueva ley.

Ejemplo 1

John García, es residente bonafide de P.R. por el año contributivo entero. El trabajó en la tienda “New York Department Store” y recibió salarios por \$27,281. Ese fue su único ingreso. John no se le requiere radicar una planilla con EE.UU. Todo su ingreso ésta excluido bajo la sección 933.

Es importante recordar que el único ingreso exento es ingreso de fuentes de P.R. (excepto ingreso recibido como empleado del gobierno de los EE.UU.). Si un residente bonafide de P.R. tiene ingreso de EE.UU. ó fuentes extranjerias, el tendrá que reportar ese ingreso en la planilla de EE.UU. Una proporción de las deducciones fijas será, necesaria cuando, en adición a su ingreso de EE.UU. también tiene ingreso exento de fuentes de P.R.

Exhibit 5-1 Ejercicio para determinar la deducción fija

| Who Must File Worksheet for Bona Fide Residents of P.R. with exempt income (under section 993) | |
|---|---|
| 1. Enter STANDARD DEDUCTION If your filing status is | 5,000 |
| Single | under 65 enter \$5,000 65 or older enter \$6,250 |
| Married filing jointly | both under 65 enter \$10,000 one 65 or older enter \$11,000 both 65 or older enter \$12,000 |
| Head of household | under 65 enter \$7,300 65 or older enter \$8,550 |
| Qualifying widow(er) with dependent child | under 65 enter \$10,000 65 or older enter \$11,000 |
| Married filing separately | any age enter \$5,000 |
| CAUTION: If someone can claim you as a dependent, enter amount from the Standard Deduction Worksheet for Dependents in instructions for Form 1040 or amount from chart in instructions for Form 1040A. | |
| 2. Allowable portion of STANDARD DEDUCTION | |
| a. Gross income subject to U.S. tax (include taxable social security benefits) | 4,100 |
| b. Total gross income from all sources (including exempt P.R. Income) | 32,600 |
| c. Divide line 2a by line 2b | .13 |
| d. Multiply STANDARD DEDUCTION (line 1) by line 2c | 650 |
| 3. Enter: | |
| married filing jointly \$6,400 | _____ |
| if someone can claim you as a dependent enter “0” | _____ |
| all others enter \$3,200 | 3,200 |
| 4. Add lines 2d and 3 | 3,850 |
| You must file a return if your gross income subject to U.S. tax (line 2a) is equal to or more than line 4. | |

Ejemplo 2

José Sánchez, es soltero y residente bonafide de P.R. por el año contributivo entero, trabajó para el Banco Popular y recibió salarios por \$28,500. El también tiene una cuenta en el Banco de Miami que le pagó intereses por \$4,100. los \$4,100 de intereses tiene que reportarlos en su planilla de EE.UU. Para determinar si José tiene requisito de radicación, el tiene que determinar la parte de la deducción fija permisible. Para encontrar la parte de la deducción fija que le aplica al ingreso de P.R., multiplica la deducción fija por una fracción. El numerador es su ingreso bruto de fuentes de EE.UU. y el denominador es ingreso de todas las fuentes. Este ajuste tiene que hacerse antes que el pueda determinar si debe de radicar una planilla federal, porque el ingreso mínimo por el cual él debe radicar una planilla se basa, en parte en la deducción fija para el estado civil en particular. Este cómputo especial es necesario solo si el contribuyente tiene ambos ingreso exento e ingreso no exento bajo la cantidad del requisito de radicación en su totalidad.

Exhibit 5-2 Porción permisible de deducción fija para Jose Sanchez

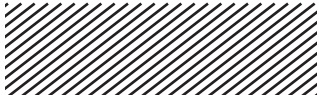
| Who Must File Worksheet for Bona Fide Residents of P.R. with exempt income (under section 993) | |
|---|---|
| 1. Enter STANDARD DEDUCTION If your filing status is | |
| Single | under 65 enter \$5,000 65 or older enter \$6,250 |
| Married filing jointly | both under 65 enter \$10,000 one 65 or older enter \$11,000 both 65 or older enter \$12,000 |
| Head of household | under 65 enter \$7,300 65 or older enter \$8,550 |
| Qualifying widow(er) with dependent child | under 65 enter \$10,000 65 or older enter \$11,000 |
| Married filing separately | any age enter \$5,000 |
| CAUTION: If someone can claim you as a dependent, enter amount from the Standard Deduction Worksheet for Dependents in instructions for Form 1040 or amount from chart in instructions for Form 1040A. | |
| 2. Allowable portion of STANDARD DEDUCTION | |
| a. | Gross income subject to U.S. tax (include taxable social security benefits) |
| b. | Total gross income from all sources (including exempt P.R. Income) |
| c. | Divide line 2a by line 2b |
| d. | Multiply STANDARD DEDUCTION (line 1) by line 2c |
| 3. Enter: | |
| | married filing jointly \$6,400 |
| | if someone can claim you as a dependent enter "0" |
| | all others enter \$3,200 |
| 4. Add lines 2d and 3 | |
| You must file a return if your gross income subject to U.S. tax (line 2a) is equal to or more than line 4. | |

Empleados de los EE.UU. o Agencia del Mismo

Cantidades recibidas por un empleado del gobierno de EE.UU. que es residente bonafide de Puerto Rico por el año contributivo completo no están exentas de contribución federal. Esta es la única excepción bajo la sección 933 del código.

Ejemplo 3

Maria Moreno ha sido una residente bonafide de Puerto Rico por toda su vida. Ella comenzó a trabajar para el gobierno federal en Enero 3 del 2005. Ella no puede excluir su ingreso de tributación en su planilla federal (Forma 1040).



Usted encontrará situaciones donde un empleado tiene ambos ingresos, del gobierno federal e ingresos de fuentes de Puerto Rico. El empleado puede excluir ingreso de fuentes de P.R. en su planilla federal.

Ejemplo 4

Fred, es residente bonafide de Puerto Rico, y ganó \$38,280 en el 2005 por servicios prestados al gobierno federal. El también tiene intereses del Banco de Santurce por \$3,000. Fred reporta solo los \$38.280 de salario federal en su planilla de EE.UU.

Ejemplo 5

Rafael y Gloria radican una planilla federal en conjunto. Rafael trabaja para el gobierno local y ganó \$26,200. Gloria trabajó con el gobierno federal y ganó \$38,780. Ellos solo reportan los \$38,780 de salarios en la planilla federal.

AÑO CONTRIBUTIVO CUANDO CAMBIA DE RESIDENCIA DE PUERTO RICO

Si un ciudadano de EE.UU. ha sido un residente bonafide de Puerto Rico por un período de por lo menos dos años antes de la fecha en que cambia su residencia de Puerto Rico, el ingreso devengado de fuentes de P.R. (menos las cantidades recibidas como empleado del gobierno de EE.UU.) esta exento de tributación en el año que cambia su residencia.

Ejemplo 6

Pedro siempre ha sido residente bonafide de Puerto Rico se muda a los EE.UU. a mediados del 2005. Durante la parte del año que fue residente de P.R., el recibió ingresos de fuentes de P.R. por \$21,549. Después de mudarse a los EE.UU. el recibió ingresos por \$12,385. Pedro reportará \$12,385 en su planilla federal de contribución sobre ingresos.

Un contribuyente que vive temporeraamente en Puerto Rico pero no es residente por el año entero deberá reportar todo su ingreso en su planilla federal, Forma 1040. El/ella puede reclamar el Crédito por Contribuciones Pagadas al Extranjero, Forma 1116, que discutiremos más adelante.

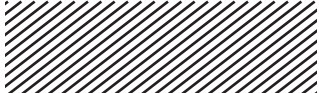
Ejemplo 7

Sara se mudó a Puerto Rico en abril del 2005 en una asignación temporera para Perce, Inc. Ella retorno a los EE.UU. en Julio del 2005. Sara ganó \$10,000 en Puerto Rico y \$20,000 en los EE.UU. para el 2005. Sara deberá reportar ambos ingresos en su planilla federal, Forma 1040.

Recuerde que aunque el contribuyente no tenga requisitos de radicación federal, el ingreso deberá ser reportado en la planilla de Puerto Rico de acuerdo a los requisitos de radicación local.

Ejercicio 5-1

- a. Manuel y Luisa, son residentes bonafides de Puerto Rico, y son casados, radicando una planilla en conjunto. Manuel trabajó con el gobierno federal y ganó \$17,000 y Luisa no trabaja. ¿Tienen ellos que radicar una planilla federal?
- b. Federico es soltero y ganó \$18,000 en una tienda de comestibles. El también tiene ingreso de intereses de \$2,500 del Banco de Miami en Florida. ¿Tiene él que radicar una planilla?
- c. Lois y Mary son residentes bonafides de Puerto Rico. Mary es empleada federal y ganó \$20,000 mientras que Lois trabajó para una firma de leyes y ganó \$40,000. ¿Qué ingreso deberá ser reportado en la Forma 1040?
- d. Carmen siempre ha sido residente bonafide de Puerto Rico. En junio 2005 se mudo a Denver, Colorado a trabajar. Ella ganó \$10,000 mientras estuvo en P.R. y \$15,000 en Colorado. En diciembre 31, 2005 ella se mudo de vuelta a P.R. ¿Qué ingreso deberá Carmen reportar en su Forma 1040?



Lección 6: Ajustes al Ingreso

Cuenta Personal de Jubilación (IRA)

Contribuyentes con ingreso tributable Ganado pueden deducir las Cuentas Personal de Jubilación (cuenta de fideicomiso deberá estar en EE.UU.) en su Forma 1040. La razón para esto es que solo ingreso Ganado tributable califica para la deducción de las Cuentas Personal de Jubilación. **Cualquier ingreso Ganado excluido bajo la sección 933 no califica para la deducción.**

Pensión alimenticia del Ex-Cónyuge (Manutención)

La manutención de un ex-cónyuge puede ser deducida aunque éste no reporte su ingreso, porque el/ella viven en Puerto Rico.

Si usted es residente bona fide de Puerto Rico, y usted excluyó ingreso de trabajo por cuenta propia del ingreso bruto, usted no puede reclamar una deducción en la Forma 1040, línea 27, por que esta deducción está relacionada al ingreso excluido.

Lección 7: Crédito por Contribuciones Extranjeras Pagadas

Introducción

Estados Unidos tributa a sus ciudadanos y a sus residentes en el ingreso de todas las fuentes. Esto quiere decir que los ciudadanos americanos reportan no solo sus ingresos derivados de sus salarios en EE.UU., ganancias, intereses y otros ingresos, pero también ingresos ganados en el extranjero, tales como intereses de bancos extranjeros, dividendos de corporaciones extranjeras, o compensación por servicios prestados en un país extranjero. El crédito tributario extranjero, según proporcionado por IRC 901, está diseñado para aliviar al contribuyentes ciudadanos americanos de la doble tributación impuesta cuándo su ingreso extranjero es tributado por ambos países, Estados Unidos y el país de donde es devengado (Puerto Rico). El crédito tributario extranjero reduce el impuesto a pagar por alguna o toda la contribución pagada o acumulada durante el año a Puerto Rico.

¿Quién puede tomar el crédito?

Los contribuyentes que tienen ingreso tributable de fuentes extranjeras o Puerto Rico pueden tomar el crédito por contribuciones pagadas al extranjero. IRC 933 exime de tributación todo el ingreso de fuentes de Puerto Rico excepto salarios del gobierno de los Estados Unidos (ambos militares o civil). Los contribuyentes en Puerto Rico que tienen ingresos del gobierno de Estados Unidos se les requiere que radiquen una Forma 1040 y la Forma 1116. Todas las contribuciones pagadas o acumuladas por ingresos exentos y no exentos puede ser mostrado en la parte II de la Forma 1116 cuándo se calcula el crédito. Sin embargo, los impuestos pagados en ingresos exentos debe ser determinado (como se muestra a continuación), y no son permitidos como parte del crédito por contribuciones pagadas al extranjero.

Para determinar la cantidad atribuible al ingreso exento, multiplique las contribuciones pagadas o acumuladas a Puerto Rico por una fracción. El numerador de la fracción es los ingresos exentos de fuentes de P.R. bajo la IRC 933 menos los gastos deducibles atribuibles a esos ingresos. El denominador es la cantidad total de ingresos sujetos a tributación en P.R. menos los gastos deducibles atribuibles a esos ingresos.

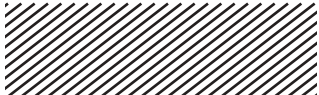


Exhibit 7-1 Formula para completar la línea 12, Forma 1116, Reducción en el Crédito por Contribuciones pagadas al Extranjero

Ingresos de fuentes de P.R. no sujetos a contribución federal bajo IRC
933 menos los gastos deducibles atribuibles a esos ingresos

| | | |
|--|--|---|
| _____ | x Contribución pagada o acumulada a P.R. | = Reducción en contribuciones extranjeras |
| Total de ingresos sujetos a contribución en P.R. menos gastos deducibles atribuibles a esos ingresos | | |

Ejemplo 1

John y Mary son residentes bonafides de Puerto Rico casados y radican en conjunto. John trabaja con el gobierno federal y recibió un salario de \$29,567 durante el 2005 y tuvo gastos de negocios atribuibles a ese ingreso por \$500. Mary trabaja para una industria privada y recibió un salario de \$18,231 y gastos de negocios atribuible a ese ingreso por \$300. El total de contribuciones pagadas a Puerto Rico, fueron \$4,135.

$\$18,231 \times \$4,135 = \$1,613$
\$47,298

Contribuciones atribuibles al ingreso exento ponga \$1,613 en la línea 12, Parte III de la Forma 1116.

¿Cuándo se puede tomar el crédito?

Un crédito por contribuciones pagadas al extranjero puede ser reclamado en el año contributivo en el cual es pagado o acumulado dependiendo en el método de contabilidad que usted utilice. Cuándo se calcula las contribuciones pagadas o acumuladas, refiérase al año contributivo por el cual su planilla de contribución sobre ingresos es radicada (usualmente enero 1–dic. 31).

La mayoría de los contribuyentes radican su declaración de impuestos de EE.U.U. forma 1040 en los recibos de cambios y métodos de desembolsos de la contabilidad. Normalmente, un contribuyente que utiliza este método informa sus ingresos cuando recibió y descuenta los gastos cuando los pagó. Al reclamar un crédito tributario extranjero, el contribuyente puede escoger para informar las contribuciones pagadas a P.R. disponibles para el crédito bajo cualquiera de ambos métodos el “cash” o acumulado. Bajo el método de “cash,” las contribuciones pagadas a P.R. son reportadas cuando actualmente son pagadas. Pagos y retención pagadas al gobierno de P.R. en salarios cualifican como contribuciones pagadas.

Los impuestos acumulados se incluyen en la Forma 1116 cuando el impuesto es tasado. Bajo el método de la acumulación, los impuestos se fijan como los últimos días del año. Aunque el contribuyente no ha pagado verdaderamente las contribuciones a P.R., él/ella puede reclamar el crédito por la cantidad de contribuciones que representan su responsabilidad contributiva. El impuesto se fija bajo el método de acumulación en Puerto Rico en diciembre 31 de cada año. Este método es usado normalmente por empleados del gobierno de EE.U.U en Puerto Rico porque el pago de contribuciones en P.R. usualmente no es hasta después de cerrar el año.

Ejemplo 2

Rafael trabajó para el gobierno federal y ganó \$37,000, y tuvo retención de EE.UU. por \$3,000. Su esposa Sara trabajó en un supermercado local y ganó \$18,000. Ellos retuvieron \$1,986 para las contribuciones de P.R. Al finalizar el año ellos calcularon su responsabilidad contributiva de P.R. y deben \$5,100. Sin embargo, ellos no pueden reclamar la retención de impuestos de EE.UU. por \$3,000 contra las contribuciones en P.R. Bajo el método de acumulación, ellos pueden solo reclamar la parte de Rafael de su responsabilidad en P.R. contra los impuestos de EE.UU.

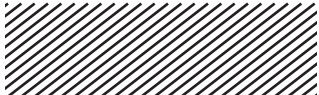
Cómputo del Crédito

La Forma 1116 se divide en cuatro partes: Parte I calcula el ingreso tributable extranjero (Puerto Rico). Los impuestos de P.R. pagados y/o acumulados, son reportados en la Parte II. La Parte III, es utilizada para calcular el crédito permisibles. Parte IV, es un resumen de créditos. Discutiremos cada parte por separado.

Encabezamiento

Forma 1116 requiere que se haga un cómputo por separado de la limitación para ciertos tipos de ingresos. Usted estará tratando principalmente con un tipo de ingresos en la Forma 1116, Ingresos Generales de la Limitación—Todos los otros ingresos de Fuentes fuera de los EE.UU. Los ingresos generales de la limitación incluyen los sueldos, otra compensación para servicios prestados. Ingresos tales como pensiones, e intereses se consideran “ingresos pasivos.” Si el contribuyente tiene ingresos de intereses extranjeros, el/ella deberá completar una Forma 1116 por separado.

Vea exhibit 7-1 en la versión en inglés página 34.



Ingreso o Pérdida de fuentes fuera de Estados Unidos

Parte I – Ingreso Tributable de Fuentes Fuera de los EE.UU.

Para llegar a la limitación completa que representa el crédito máximo que se puede reclamar, el contribuyente debe comparar la contribución sobre ingresos extranjero tributado por EE.UU. con el total de ingreso tributado por EE.UU. El primer paso al computar el crédito es determinar la cantidad del ingreso extranjero y de P.R. Esto se escribe en la Parte I, línea 1 de la Forma 1116.

Es importante separar correctamente los ingresos extranjeros que se entran en la Forma 1116, de los ingresos totales que aparecen en la Forma 1040 y sus anejos. Note que las cantidades entradas en la Parte I, Línea 1 son figuras de ingresos. Ingreso bruto no incluyen ingreso exento bajo IRC 933 y IRC 912. Un empleado del gobierno de EE.UU. reporta sus salarios en la línea 1 de la Forma 1116. El/ella no incluye la COLA ni ningún ingreso exento bajo IRC 933.

Ejemplo 3

Ed Romero, ciudadano americano, vive y trabaja en P.R. Ed tiene \$16,000 en salarios del gobierno federal, mas \$1,200 de COLA. Ed informara \$16,000 en la línea 1. La COLA no se incluye.

Asignación de Ingresos

A veces una asignación se debe hacer en la parte I de la Forma 1116. Esto acontece cuando usted no puede segregar la compensación por servicios prestados en parte dentro de y en parte fuera de los EE.UU.

Para determinar cuánto de sus ingresos debe ser considerado extranjero para propósitos de la Forma 1116, una proporción deberá hacerse a base de tiempo. Eso es, usted debe incluir como ingreso bruto extranjero la cantidad que resulta de la multiplicación de la cantidad total recibida por una fracción, el numerador el cual es el número de días que usted presto servicios en el país extranjero y el denominador, el cual es el total del número de días que presto servicios por el cual usted recibió pagos.

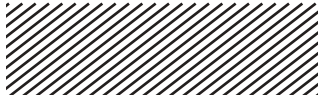
Ejemplo 4

Jaime Torres, marino mercante, ganó \$25,345 durante el 2005. El número de días que el trabajó para recibir estos ingresos fueron 300 días. El trabajó en puertos extranjeros durante 150 de estos días, el descanso se realizó por la costa en EE.UU. La siguiente asignación se debe hacer para determinar el ingreso de fuentes extranjeras.

$$\frac{135}{300} \times \$25,345 = \$11,405$$

Exhibit 7-2 Form 1116, Categorías de Ingresos-Ingresos Limitación General

| | | | | | | | | | | | | | | |
|--|---|--|--|---|--|---|--|---|---|--|---|--|--|--|
| Form 1116 Department of the Treasury Internal Revenue Service (99) | Foreign Tax Credit (Individual, Estate, or Trust) ▶ Attach to Form 1040, 1040NR, 1041, or 990-T. ▶ See separate instructions. | OMB No. 1545-0121 2005 Attachment Sequence No. 19 | | | | | | | | | | | | |
| Name James Torres | | Identifying number as shown on page 1 of your tax return 000-00-5862 | | | | | | | | | | | | |
| Use a separate Form 1116 for each category of income listed below. See Categories of Income on page 3 of the instructions. Check only one box on each Form 1116. Report all amounts in U.S. dollars except where specified in Part II below. | | | | | | | | | | | | | | |
| <table style="width:100%; border: none;"> <tr> <td style="width:33%;"><input type="checkbox"/> a Passive income</td> <td style="width:33%;"><input type="checkbox"/> d Shipping income</td> <td style="width:33%;"><input type="checkbox"/> g Lump-sum distributions</td> </tr> <tr> <td><input type="checkbox"/> b High withholding tax interest</td> <td><input type="checkbox"/> e Dividends from a DISC or former DISC</td> <td><input type="checkbox"/> h Section 901(j) income</td> </tr> <tr> <td><input type="checkbox"/> c Financial services income</td> <td><input type="checkbox"/> f Certain distributions from a foreign sales corporation (FSC) or former FSC</td> <td><input type="checkbox"/> i Certain income re-sourced by treaty</td> </tr> <tr> <td></td> <td></td> <td><input checked="" type="checkbox"/> j General limitation income</td> </tr> </table> | | | <input type="checkbox"/> a Passive income | <input type="checkbox"/> d Shipping income | <input type="checkbox"/> g Lump-sum distributions | <input type="checkbox"/> b High withholding tax interest | <input type="checkbox"/> e Dividends from a DISC or former DISC | <input type="checkbox"/> h Section 901(j) income | <input type="checkbox"/> c Financial services income | <input type="checkbox"/> f Certain distributions from a foreign sales corporation (FSC) or former FSC | <input type="checkbox"/> i Certain income re-sourced by treaty | | | <input checked="" type="checkbox"/> j General limitation income |
| <input type="checkbox"/> a Passive income | <input type="checkbox"/> d Shipping income | <input type="checkbox"/> g Lump-sum distributions | | | | | | | | | | | | |
| <input type="checkbox"/> b High withholding tax interest | <input type="checkbox"/> e Dividends from a DISC or former DISC | <input type="checkbox"/> h Section 901(j) income | | | | | | | | | | | | |
| <input type="checkbox"/> c Financial services income | <input type="checkbox"/> f Certain distributions from a foreign sales corporation (FSC) or former FSC | <input type="checkbox"/> i Certain income re-sourced by treaty | | | | | | | | | | | | |
| | | <input checked="" type="checkbox"/> j General limitation income | | | | | | | | | | | | |
| k Resident of (name of country) ▶ <u>Puerto Rico</u> | | | | | | | | | | | | | | |
| Note: If you paid taxes to only one foreign country or U.S. possession, use column A in Part I and line A in Part II. If you paid taxes to more than one foreign country or U.S. possession, use a separate column and line for each country or possession. | | | | | | | | | | | | | | |
| Part I Taxable Income or Loss From Sources Outside the United States (for Category Checked Above) | | | | | | | | | | | | | | |
| | Foreign Country or U.S. Possession | | | Total | | | | | | | | | | |
| | A | B | C | (Add cols. A, B, and C.) | | | | | | | | | | |
| I Enter the name of the foreign country or U.S. possession ▶ | PR | | | | | | | | | | | | | |
| 1 Gross income from sources within country shown above and of the type checked above (see page 13 of the instructions): | 135/300x23,345=11,405 | Salrios | 11,405.00 | 1 11,405.00 | | | | | | | | | | |



Ingreso de Pensiones

Entre en la línea 1, Parte I, los ingresos recibidos de una pensión del Servicio Civil de EE.UU. por servicios prestados 100% en Puerto Rico, o fuera de los EE.UU.

Ejemplo 5

Pedro Rivera es retirado del servicio civil de EE.UU. El recibió \$10,000 de su pensión federal. Los servicios fueron prestados en P.R. Parte I de la Forma 1116 será completada como sigue:

Exhibit 7-3 Forma 1116 para Pedro Rivera

| | | | | | | | | | | | | | | |
|--|---|---|---|---|--|---|--|---|---|--|---|--|--|---|
| Form 1116 Department of the Treasury Internal Revenue Service (99) | Foreign Tax Credit (Individual, Estate, or Trust) ▶ Attach to Form 1040, 1040NR, 1041, or 990-T. ▶ See separate instructions. | OMB No. 1545-0121 <div style="font-size: 2em; font-weight: bold; margin: 5px 0;">2005</div> Attachment Sequence No. 19 | | | | | | | | | | | | |
| Name Pedro Rivera | | Identifying number as shown on page 1 of your tax return 000-00-7324 | | | | | | | | | | | | |
| Use a separate Form 1116 for each category of income listed below. See Categories of Income on page 3 of the instructions. Check only one box on each Form 1116. Report all amounts in U.S. dollars except where specified in Part II below. | | | | | | | | | | | | | | |
| <table style="width: 100%; border: none;"> <tr> <td style="width: 33%;">a <input checked="" type="checkbox"/> Passive income</td> <td style="width: 33%;">d <input type="checkbox"/> Shipping income</td> <td style="width: 33%;">g <input type="checkbox"/> Lump-sum distributions</td> </tr> <tr> <td>b <input type="checkbox"/> High withholding tax interest</td> <td>e <input type="checkbox"/> Dividends from a DISC or former DISC</td> <td>h <input type="checkbox"/> Section 901(j) income</td> </tr> <tr> <td>c <input type="checkbox"/> Financial services income</td> <td>f <input type="checkbox"/> Certain distributions from a foreign sales corporation (FSC) or former FSC</td> <td>i <input type="checkbox"/> Certain income re-sourced by treaty</td> </tr> <tr> <td></td> <td></td> <td>j <input type="checkbox"/> General limitation income</td> </tr> </table> | | | a <input checked="" type="checkbox"/> Passive income | d <input type="checkbox"/> Shipping income | g <input type="checkbox"/> Lump-sum distributions | b <input type="checkbox"/> High withholding tax interest | e <input type="checkbox"/> Dividends from a DISC or former DISC | h <input type="checkbox"/> Section 901(j) income | c <input type="checkbox"/> Financial services income | f <input type="checkbox"/> Certain distributions from a foreign sales corporation (FSC) or former FSC | i <input type="checkbox"/> Certain income re-sourced by treaty | | | j <input type="checkbox"/> General limitation income |
| a <input checked="" type="checkbox"/> Passive income | d <input type="checkbox"/> Shipping income | g <input type="checkbox"/> Lump-sum distributions | | | | | | | | | | | | |
| b <input type="checkbox"/> High withholding tax interest | e <input type="checkbox"/> Dividends from a DISC or former DISC | h <input type="checkbox"/> Section 901(j) income | | | | | | | | | | | | |
| c <input type="checkbox"/> Financial services income | f <input type="checkbox"/> Certain distributions from a foreign sales corporation (FSC) or former FSC | i <input type="checkbox"/> Certain income re-sourced by treaty | | | | | | | | | | | | |
| | | j <input type="checkbox"/> General limitation income | | | | | | | | | | | | |
| k Resident of (name of country) ▶ | | | | | | | | | | | | | | |
| Note: If you paid taxes to only one foreign country or U.S. possession, use column A in Part I and line A in Part II. If you paid taxes to more than one foreign country or U.S. possession, use a separate column and line for each country or possession. | | | | | | | | | | | | | | |
| Part I Taxable Income or Loss From Sources Outside the United States (for Category Checked Above) | | | | | | | | | | | | | | |
| I Enter the name of the foreign country or U.S. possession ▶ 1 Gross income from sources within country shown above and of the type checked above (see page 13 of the instructions): | Foreign Country or U.S. Possession | | | Total (Add cols. A, B, and C.) | | | | | | | | | | |
| | A | B | C | | | | | | | | | | | |
| | PR | | | | | | | | | | | | | |
| | 10,000.00 | | | 1 10,000.00 | | | | | | | | | | |

Para determinar la cantidad que debe ser incluida en la parte I de la Forma 1116 cuando un contribuyente recibe una pensión sujeta a tributación federal y parte de los servicios fueron prestados en los EE.UU. y parte en el extranjero o posesión de EE.UU., una proporción deberá ser hecha en base a un año. Eso es, usted debe incluir como ingreso extranjero la cantidad que resulta multiplicando la cantidad de ingreso total recibido de la pensión por una fracción, el numerador del cual será el número de años usted presto servicios fuera de EE.UU. y el denominador, será el total del número de años de servicios por la pensión.

Años en el país extranjero x Pensión Anual = Cantidad Extranjera
 Total de años de servicios
 para la pensión

Ejemplo 6

Santiago López recibió \$22,000 de una pensión del servicio civil en el 2005. El trabajó 12 años en EE.U.U. y 13 años en Puerto Rico como empleado federal. El ingreso extranjero para el 2005 es determinado como sigue:

$$\begin{array}{rcl}
 \underline{13 \text{ años en Puerto Rico}} & \times & \$22,000 \\
 \underline{25 \text{ años total servicios}} & & \text{pensión anual} \\
 & & = \\
 & & \$11,440 \\
 & & \text{Cantidad ingreso extranjero}
 \end{array}$$

Exhibit 7-4 Forma 1116 para Santiago Lopéz

| | | | | |
|---|---|---|----------|--------------------------|
| Form 1116 <small>Department of the Treasury Internal Revenue Service (99)</small> | Foreign Tax Credit (Individual, Estate, or Trust) ▶ Attach to Form 1040, 1040NR, 1041, or 990-T. ▶ See separate instructions. | OMB No. 1545-0121 2005 Attachment Sequence No. 19 | | |
| Name Santiago Lopez | | Identifying number as shown on page 1 of your tax return 000-00-2436 | | |
| Use a separate Form 1116 for each category of income listed below. See Categories of Income on page 3 of the instructions. Check only one box on each Form 1116. Report all amounts in U.S. dollars except where specified in Part II below. | | | | |
| a <input checked="" type="checkbox"/> Passive income b <input type="checkbox"/> High withholding tax interest c <input type="checkbox"/> Financial services income d <input type="checkbox"/> Shipping income e <input type="checkbox"/> Dividends from a DISC or former DISC f <input type="checkbox"/> Certain distributions from a foreign sales corporation (FSC) or former FSC g <input type="checkbox"/> Lump-sum distributions h <input type="checkbox"/> Section 901(j) income i <input type="checkbox"/> Certain income re-sourced by treaty j <input type="checkbox"/> General limitation income | | | | |
| k Resident of (name of country) ▶ | | | | |
| Note: If you paid taxes to only one foreign country or U.S. possession, use column A in Part I and line A in Part II. If you paid taxes to more than one foreign country or U.S. possession, use a separate column and line for each country or possession. | | | | |
| Part I Taxable Income or Loss From Sources Outside the United States (for Category Checked Above) | | | | |
| | Foreign Country or U.S. Possession | | | Total |
| | A | B | C | (Add cols. A, B, and C.) |
| I Enter the name of the foreign country or U.S. possession ▶ | | | | |
| 1 Gross income from sources within country shown above and of the type checked above (see page 13 of the instructions): | | | | |
| pensión | | | | |
| | 11,440.00 | | | 1 11,440.00 |

Ajustes y Deducciones – Línea 2

Cuando calculamos el ingreso tributable de Fuentes extranjeras para el crédito extranjero, usted debe deducir del ingreso extranjero los gastos, pérdidas, etc. que están relacionadas al ingreso extranjero. Estas deducciones se entran en la Parte I, línea 3 de la Forma 1116 y se restan de la línea 1 para llegar al ingreso tributable extranjero en la línea 7.

Exhibit 7-5 Deducciones y Pérdidas

| | | | | |
|--|--|--|--|----------|
| Deductions and losses (<i>Caution: See pages 13 and 14 of the instructions</i>): | | | | |
| 2 Expenses definitely related to the income on line 1 (attach statement) | | | | |
| 3 Pro rata share of other deductions not definitely related : | | | | |
| a Certain itemized deductions or standard deduction (see instructions) | | | | |
| b Other deductions (attach statement) | | | | |
| c Add lines 3a and 3b | | | | |
| d Gross foreign source income (see instructions) | | | | |
| e Gross income from all sources (see instructions) | | | | |
| f Divide line 3d by line 3e (see instructions) | | | | |
| g Multiply line 3c by line 3f. | | | | |
| 4 Pro rata share of interest expense (see instructions): | | | | |
| a Home mortgage interest (use worksheet on page 13 of the instructions) | | | | |
| b Other interest expense | | | | |
| 5 Losses from foreign sources | | | | |
| 6 Add lines 2, 3g, 4a, 4b, and 5 | | | | 6 |
| 7 Subtract line 6 from line 1. Enter the result here and on line 14, page 2 ▶ | | | | 7 |

Las deducciones que están directamente relacionadas al ingreso extranjero se entran en la línea 2. Los artículos listados abajo son ejemplos de algunas deducciones que están directamente relacionados a la producción de un ingreso específico.

- 1) gastos de negocios
- 2) gastos de mudanza
- 3) contribuciones a una cuenta IRA o plan Keogh
- 4) contribuciones a uniones

Además, usted debe reducir los ingresos brutos extranjeros por una porción admisible de otros gastos y deducciones (tal como los ajustes por manutención pagada a un ex-cónyuge, contribuciones pagadas y caritativas, y deducciones detalladas o deducciones fijas) que no están relacionadas directamente a artículos específicos de ingresos. Sin embargo, ninguna asignación es hecha a las exenciones personales.

La asignación es hecha usando la fórmula siguiente:

$$\frac{\text{Ingreso Bruto de Fuentes Extranjeras}}{\text{Ingreso Bruto de todas las Fuentes}} \times \frac{\text{Deducciones no directamente relacionadas}}{\text{Deducciones directamente relacionadas}} = \text{Proporción atribuible a Fuentes Extranjeras}$$

Esta asignación se calcula en la Parte I, línea 3d–3e de la Forma 1116.

Nota:

Para el propósito de esta asignación los ingresos brutos incluyen los ingresos exentos y excluidos, tal como los ingresos exentos bajo IRC 933 (ingresos de fuente de PR.) y IRC 912 (COLA). Recuerde: Si un artículo de gastos y deducción no se puede relacionar a los ingresos específicos informados, deben ser proporcionados por la formula arriba mencionada. Cuándo el gasto se pagó, de qué ingreso se pagó, o donde se pagó no son factores determinantes. La cantidad entrada en la línea 3a, las deducciones detalladas, son informadas tomando estas cantidades de líneas 4, 9, y 18 del Anejo A. Note que el Anejo A ya muestra deducciones modificadas debido a ingresos exentos bajo IRC 933 (ingresos de fuente de P.R.).

El gasto de interés está sujeto a una asignación por separado en la línea 4 de la forma 1116. El interés deducible de la Hipoteca y el interés personal se proporcionan usando el ingreso bruto pero excluyendo el ingreso exento bajo IRC 933.

La asignación es hecha usando la siguiente hoja de trabajo:

1. Entre los ingresos extranjeros totales de la fuente del tipo mostrado en esta Forma 1116. No entre los ingresos exentos bajo IRC 933 _____
2. Entre ingreso bruto de todas las Fuentes. No entre los ingresos exentos bajo IRC 933 _____
3. Divida la línea 1 por la línea 2 y entre el resultado como un decimal..... _____
4. Entre el interés de hipoteca deducible (del Anejo A, Forma 1040, Líneas 10 y 11) _____
5. Multiplique la línea 4 por el decimal en la línea 3. Entre el resultado aquí y en la Forma 1116, Parte I, Línea 4a..... _____

Esto se puede ilustrar también con la siguiente formula:

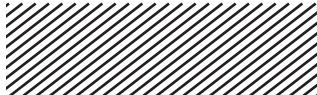
| | | | |
|---|---|---|--------------------------------------|
| Ingreso Bruto Extranjero (Excluyendo ingreso exento bajo IRC933) | x | Interés Calificados de Hipoteca e Interés Personal | = Proporción de Gastos de Interés |
|---|---|---|--------------------------------------|

Total Ingreso Bruto de todas Las Fuentes (excluyendo ingreso Exento bajo IRC 933)

Si usted no ha detallado, usted entrará la deducción fija. Si la deducción fija se modificó debido a ingresos exentos bajo IRC 933 (los ingresos de Fuentes de PR.), usted debe entrar en la línea 3a de la Forma 1116 la porción de la deducción fija proporcionada como fue figurada en la línea 2d de la hoja de trabajo en la Publicación 1321.

Ejemplo 7:

Véase el ejemplo 7-7 en la versión en Inglés en la página 43.



Ejemplo 8

Isidro y Bárbara son ciudadanos americanos viviendo en Puerto Rico. Isidro tuvo ingresos de salarios por \$30,000 de su práctica de abogado. Bárbara trabajó con el gobierno federal y tuvo ingresos de \$35,808. Antes de computar su salario tributable en la línea 7 de la Forma 1116, Isidro y Bárbara primero tienen que proporcionar su deducción fija. Y entonces completan su Forma 1040 hasta la línea 42.

Exhibit 7-6 Proporción de Deducciones Detalladas de Isidro y Barbara

| Worksheet for Puerto Rico Filers with Exempt Income under Section 933 Who Do Not Itemize Deductions | |
|--|---|
| 1. | Enter STANDARD DEDUCTION; If you checked Form 1040, Filing Status box |
| | 1, enter \$5,000 |
| | 2, or 5, enter \$10,000 <u>10,000</u> |
| | 3, enter \$5,000 |
| | 4, enter \$7,300 |
| CAUTION: | If you are 65 or over or blind, calculate your standard deduction using the chart in the Form 1040 instructions. |
| | or |
| | If someone can claim you as a dependent, use the Standard Deduction Worksheet for Dependents in the Form 1040 Instructions. |
| 2. | Allowable portion of STANDARD DEDUCTION: |
| | a. Gross income subject to U.S. tax <u>35,808</u> |
| | b. Total gross income from all sources (including exempt P.R. income) <u>65,808</u> |
| | c. Divide line 2a by line 2b <u>.54</u> |
| | d. Multiply Standard Deduction (line 1) by line 2c and enter this amount on Form 1040 line 40 or Form 1040A line 24 (allowable portion of STANDARD DEDUCTION) <u>5,400</u> |
| | Write the following above line 40 Form 1040 or line 24 of Form 1040A: "Standard Deduction modified due to exempt income under section 933." |

Exhibit 7-7 Parte I, Forma 1116 de Isidro y Barbara

| Part I Taxable Income or Loss From Sources Outside the United States (for Category Checked Above) | | | | |
|--|------------------------------------|---|---|--------------------------|
| | Foreign Country or U.S. Possession | | | Total |
| | A | B | C | (Add cols. A, B, and C.) |
| 1 Enter the name of the foreign country or U.S. possession ▶ | PR | | | |
| 1 Gross income from sources within country shown above and of the type checked above (see page 13 of the instructions): | | | | |
| | 38,808.00 | | | 1 38,808.00 |
| Deductions and losses (<i>Caution: See pages 13 and 14 of the instructions</i>): | | | | |
| 2 Expenses definitely related to the income on line 1 (attach statement) | | | | |
| 3 Pro rata share of other deductions not definitely related : | | | | |
| a Certain itemized deductions or standard deduction (see instructions) | 5,400.00 | | | |
| b Other deductions (attach statement) | | | | |
| c Add lines 3a and 3b | 5,400.00 | | | |
| d Gross foreign source income (see instructions) | 65,808.00 | | | |
| e Gross income from all sources (see instructions) | 65,808.00 | | | |
| f Divide line 3d by line 3e (see instructions) | 1.00 | | | |
| g Multiply line 3c by line 3f. | 5,400.00 | | | |
| 4 Pro rata share of interest expense (see instructions): | | | | |
| a Home mortgage interest (use worksheet on page 13 of the instructions) | | | | |
| b Other interest expense | | | | |
| 5 Losses from foreign sources | | | | |
| 6 Add lines 2, 3g, 4a, 4b, and 5 | 5,400.00 | | | 6 5,400.00 |
| 7 Subtract line 6 from line 1. Enter the result here and on line 14, page 2 ▶ | | | | 7 30,408.00 |

Note que la deducción proporcionada se entra en la línea 3a. La deducción fija tiene que ser proporcionada porque los contribuyentes tienen ingreso exento de Puerto Rico. Líneas 3d y 3e son idénticas porque los contribuyentes solo tienen ingreso de fuentes de Puerto Rico.

Parte II — Contribuciones Extranjeras Pagadas y/o Acumuladas Esta parte de la Forma 1116 es utilizada para establecer la cantidad de contribuciones extranjeras pagadas y/o acumuladas durante en año.

Exhibit 7-8 Contribuciones pagadas o Acumuladas en el Extranjero

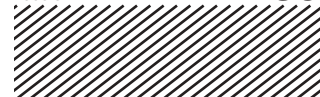
| Part II Foreign Taxes Paid or Accrued (see page 14 of the instructions) | | | | | | | | | | | | |
|--|---|-------------------------------|---------------|-------------------------|--------------|---|------------------------------|-------------------------|--------------|---|---|--|
| Country | Credit is claimed for taxes (you must check one) (m) <input type="checkbox"/> Paid (n) <input type="checkbox"/> Accrued | Foreign taxes paid or accrued | | | | | | | | | | |
| | | In foreign currency | | | | In U.S. dollars | | | | | | |
| | | Taxes withheld at source on: | | | | (s) Other foreign taxes paid or accrued | Taxes withheld at source on: | | | (w) Other foreign taxes paid or accrued | (x) Total foreign taxes paid or accrued (add cols. (t) through (w)) | |
| | | (o) Date paid or accrued | (p) Dividends | (q) Rents and royalties | (r) Interest | | (t) Dividends | (u) Rents and royalties | (v) Interest | | | |
| A | | | | | | | | | | | | |
| B | | | | | | | | | | | | |
| C | | | | | | | | | | | | |
| 8 Add lines A through C, column (x). Enter the total here and on line 9, page 2 ▶ | | | | | | | | | | 8 | | |
| For Paperwork Reduction Act Notice, see page 18 of the instructions. | | | | | | Cat. No. 11440U | | Form 1116 (2005) | | | | |

Si el contribuyente tiene que completar más de una Forma 1116 (por ejemplo porque tiene ingresos de interés) cada Forma 1116 debe mostrar solo la cantidad de impuestos extranjero valorado en el tipo de ingresos para lo cual la Forma 1116 es radicada.

Una pareja casada radicando en conjunto se considera como un contribuyente y puede acreditar el impuesto extranjero total de ambos esposos.

Ejemplo 9

Véase el ejemplo 9 en la versión en Inglés en la página 46.



Parte III — Cómputo del Crédito Tributario Extranjero

En la parte III aplicamos la fórmula completa de la limitación para determinar la cantidad máxima de Crédito Tributario Extranjero.

Exhibit 7-9 Parte III, Forma 1116 Figurando el Crédito

| Part III Figuring the Credit | | | |
|-------------------------------------|---|-----------|--|
| 9 | Enter the amount from line 8. These are your total foreign taxes paid or accrued for the category of income checked above Part I | 9 | |
| 10 | Carryback or carryover (attach detailed computation) | 10 | |
| 11 | Add lines 9 and 10. | 11 | |
| 12 | Reduction in foreign taxes (see page 15 of the instructions). | 12 | |
| 13 | Subtract line 12 from line 11. This is the total amount of foreign taxes available for credit | 13 | |
| 14 | Enter the amount from line 7. This is your taxable income or (loss) from sources outside the United States (before adjustments) for the category of income checked above Part I (see page 15 of the instructions) | 14 | |
| 15 | Adjustments to line 14 (see page 16 of the instructions) | 15 | |
| 16 | Combine the amounts on lines 14 and 15. This is your net foreign source taxable income. (If the result is zero or less, you have no foreign tax credit for the category of income you checked above Part I. Skip lines 17 through 21. However, if you are filing more than one Form 1116, you must complete line 19.) | 16 | |
| 17 | Individuals: Enter the amount from Form 1040, line 41. If you are a nonresident alien, enter the amount from Form 1040NR, line 38. Estates and trusts: Enter your taxable income without the deduction for your exemption. Caution: If you figured your tax using the lower rates on qualified dividends or capital gains, see page 17 of the instructions. | 17 | |
| 18 | Divide line 16 by line 17. If line 16 is more than line 17, enter "1" | 18 | |
| 19 | Individuals: Enter the amount from Form 1040, line 44. If you are a nonresident alien, enter the amount from Form 1040NR, line 41. Estates and trusts: Enter the amount from Form 1041, Schedule G, line 1a, or the total of Form 990-T, lines 36 and 37 Caution: If you are completing line 19 for separate category g (lump-sum distributions), see page 18 of the instructions. | 19 | |
| 20 | Multiply line 19 by line 18 (maximum amount of credit) | 20 | |
| 21 | Enter the smaller of line 13 or line 20. If this is the only Form 1116 you are filing, skip lines 22 through 30 and enter this amount on line 31. Otherwise, complete the appropriate line in Part IV (see page 18 of the instructions) ▶ | 21 | |

Línea 9–10 muestra la cantidad de impuestos extranjeros de la Parte II que, con ciertos ajustes, está disponible para el crédito.

Línea 12 muestra la reducción en impuestos extranjeros, si aplica. Si usted tiene ingresos de fuentes de P.R. no tributables en la planilla federal, usted debe reducir sus impuestos extranjeros pagados y/o acumulados por los impuestos atribuibles al ingreso exento. Use la fórmula que se encuentra en la Publicación 1321, página 4, bajo Quiénes pueden tomar el Crédito, y también explicados en la página 38 de la versión en Inglés.

Línea 14–20 muestra el numerador de la fórmula de la limitación.

Línea 21 es el crédito tributario extranjero permisible—la menor de las contribuciones extranjeras disponible para crédito (línea 13) limitación (línea 20).

Parte IV—Resumen de Créditos de Partes III Separadas

Si el contribuyente solo reclamó un tipo de ingresos extranjero en la Forma 1116, entran del crédito tributario computado en la línea 21, en las líneas 30 y 32 de la Parte IV de la Forma 1116.

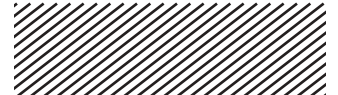
Ejemplo Comprensivo:

Véase ejemplo comprensivo en la versión en inglés, página 49.

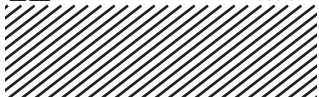
Ejercicio Comprensivo:

Véase el ejercicio comprensivo en la versión en Inglés en la página 57.

Contestaciones a los Ejercicios / problemas—Véase la versión en Inglés, en la página 65.



STUDENT NOTES



Lección 8: Crédito Tributario Adicional por Hijos

Introducción

Los individuos que pagan contribución de seguro social y medicare mediante retención de sus sueldos o que pagan el mismo por concepto de trabajo por cuenta propia pueden calificar para reclamar el Crédito Adicional por hijos. Este crédito está disponible aunque usted no tenga ingresos sujetos a la contribución sobre impuestos federal. El crédito equivale a un crédito de \$500 por el año 2000, \$600 por los años 2001 y 2002, y \$1,000 para los años 2003, 2004 y \$700 para el 2005. Este crédito es reembolsable y podría ser obtenido radicando una declaración de impuestos con el Servicio de Rentas Internas Federal.

Nota: Si es usted un residente bona fide de Puerto Rico, que radica una declaración de ingresos federal a E.U. solo para reclamar el Crédito Adicional Por Hijos, usted debe cumplir con los requisitos listados en la Publicación 4281 especialmente diseñada para residentes de Puerto Rico cuyos ingresos son exclusivamente de fuentes de Puerto Rico.

¿Quién Califica?

Para calificar debe usted reunir las siguientes condiciones:

- 1) Tener retención de seguro social y medicare de su sueldo o haber contribuido por concepto de Trabajo por Cuenta Propia.
- 2) Tener **tres o más** niños calificando,
 - a. Un niño calificado puede ser su hijo(a), hijastro(a), hijo(a) adoptivo, nietos, o hijo de crianza elegible. El niño debe ser menor de 17 años al finalizar el año contributivo, ser ciudadano o residente de Estados Unidos y ser reclamado por usted en su declaración de ingresos.
 - b. Comenzando en el año 2000, hay una nueva definición para hijo(a) de crianza elegible para propósitos del crédito tributario por hijo(a)s si se cumple con **todas** las condiciones siguientes: El hijo(a) es su hermano, hermana, hermanastro o hermanastra (o un descendiente de su hermano, hermana, hermanastro o hermanastra) o ha sido puesto (a) a cargo de usted por una agencia autorizada para hacerlo. Usted cuidó de ese hijo(a) como hubiera cuidado a su propio hijo(a). El hijo(a) vivió con usted durante todo el año.
- 3) Un factor clave a determinar si usted puede reclamar a un niño según definido anteriormente es que usted debe proporcionar más de la mitad del sustento del niño durante el año. En sustento se considera lo siguiente: alimentos, ropa, refugio, educación, gastos médicos y de recreación.
- 4) Hay también una limitación de ingresos. El crédito comienza a disminuir en los siguientes niveles de ingresos: \$110,000 para una persona casada radicando en conjunto, \$55,000 para los casados radicando por separado, y \$75,000 para todo los otros radicando. Para el propósito de esta limitación usted debe considerar todos los ingresos recibidos en Puerto Rico. Si usted excede estos niveles de ingresos usted debe obtener una hoja de trabajo para el Crédito Tributario Adicional de Hijos y completar la información necesaria.

Como reclamar el Crédito

Nota: (Siga las instrucciones locales para completar las mismas).

Más sin embargo, si usted paga su contribución al seguro social y medicare por concepto de trabajo por cuenta propia utilizando la Forma 1040PR; entonces usted puede hacer la reclamación de éste crédito en la misma Forma 1040PR.

La Forma 1040PR fue re-diseñada para poder usarse para éste propósito.

Como obtener Formas

Usted puede obtener formas y publicaciones como sigue:

Por teléfono: 1-800-829-3676

Por fax: 1-787-759-4524 (Para usar esta opción usted debe llamar utilizando teléfono en su máquina de fax y siga las instrucciones).

También puede obtener formas en nuestra página de Internet :

http://www.irs.gov/forms_pubs/index.html

Cuándo reclamar el crédito

Mire la tabla que sigue a continuación para ver hasta que fecha tiene para reclamar el crédito para los diferentes años:

| Año | El contribuyente tiene hasta...para reclamar el crédito. |
|------------|---|
| 2001 | Abril 15 de 2005 |
| 2002 | Abril 15 de 2006 |
| 2003 | Abril 15 de 2007 |
| 2004 | Abril 15 de 2008 |
| 2005 | Abril 15 de 2009 |

Refierese a la Hoja de Trabajo en la publicación 972.

Crédito Tributario Adicional por Hijos Expandido

El límite de crédito basado en ingreso granado ha aumentado a 15% (anteriormente 10%) de su ingreso granado que excede \$10,750. Si usted fue un miembro de las Fuerzas Armadas de EE. UU. que sirvió en zona de combate, su paga de zona de combate no tributable cuenta como ingreso granado cuando computa el límite de este crédito. Vea la Forma 8812, "Additional Child Tax Credit", para más información.

Label (See instructions on page 16.) Use the IRS label. Otherwise, please print or type.

Label Here

For the year Jan. 1–Dec. 31, 2005, or other tax year beginning , 2005, ending , 20
Your first name and initial Last name
If a joint return, spouse's first name and initial Last name
Home address (number and street). If you have a P.O. box, see page 16. Apt. no.
City, town or post office, state, and ZIP code. If you have a foreign address, see page 16.

OMB No. 1545-0074
Your social security number
Spouse's social security number

You must enter your SSN(s) above.

Checking a box below will not change your tax or refund.

Presidential Election Campaign

Check here if you, or your spouse if filing jointly, want \$3 to go to this fund (see page 16) You Spouse

Filing Status

Check only one box.

- 1 Single
2 Married filing jointly (even if only one had income)
3 Married filing separately. Enter spouse's SSN above and full name here.
4 Head of household (with qualifying person). (See page 17.) If the qualifying person is a child but not your dependent, enter this child's name here.
5 Qualifying widow(er) with dependent child (see page 17)

Exemptions

If more than four dependents, see page 18.

6a Yourself. If someone can claim you as a dependent, do not check box 6a
6b Spouse
6c Dependents: (1) First name Last name (2) Dependent's social security number (3) Dependent's relationship to you (4) if qualifying child for child tax credit (see page 18)
6d Total number of exemptions claimed

Boxes checked on 6a and 6b
No. of children on 6c who:
lived with you
did not live with you due to divorce or separation (see page 18)
Dependents on 6c not entered above

Add numbers on lines above

Income

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

If you did not get a W-2, see page 19.

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

7 Wages, salaries, tips, etc. Attach Form(s) W-2
8a Taxable interest. Attach Schedule B if required
8b Tax-exempt interest. Do not include on line 8a
9a Ordinary dividends. Attach Schedule B if required
9b Qualified dividends (see page 20)
10 Taxable refunds, credits, or offsets of state and local income taxes (see page 20)
11 Alimony received
12 Business income or (loss). Attach Schedule C or C-EZ
13 Capital gain or (loss). Attach Schedule D if required. If not required, check here
14 Other gains or (losses). Attach Form 4797
15a IRA distributions
15b Taxable amount (see page 22)
16a Pensions and annuities
16b Taxable amount (see page 22)
17 Rental real estate, royalties, partnerships, S corporations, trusts, etc. Attach Schedule E
18 Farm income or (loss). Attach Schedule F
19 Unemployment compensation
20a Social security benefits
20b Taxable amount (see page 24)
21 Other income. List type and amount (see page 24)
22 Add the amounts in the far right column for lines 7 through 21. This is your total income

Adjusted Gross Income

23 Educator expenses (see page 26)
24 Certain business expenses of reservists, performing artists, and fee-basis government officials. Attach Form 2106 or 2106-EZ
25 Health savings account deduction. Attach Form 8889
26 Moving expenses. Attach Form 3903
27 One-half of self-employment tax. Attach Schedule SE
28 Self-employed SEP, SIMPLE, and qualified plans
29 Self-employed health insurance deduction (see page XX)
30 Penalty on early withdrawal of savings
31a Alimony paid b Recipient's SSN
32 IRA deduction (see page XX)
33 Student loan interest deduction (see page XX)
34 Tuition and fees deduction (see page XX)
35 Domestic production activities deduction. Attach Form 8903
36 Add lines 23 through 31a and 32 through 35
37 Subtract line 36 from line 22. This is your adjusted gross income

For Disclosure, Privacy Act, and Paperwork Reduction Act Notice, see page 75.

Cat. No. 11320B

Form 1040 (2005)

Tax and Credits

Standard Deduction for—

• People who checked any box on line 39a or 39b or who can be claimed as a dependent, see page 31.

• All others:
Single or Married filing separately, \$5,000

Married filing jointly or Qualifying widow(er), \$10,000

Head of household, \$7,300

38 Amount from line 37 (adjusted gross income) **38**

39a Check **You** were born before January 2, 1941, **Blind.** } **Total boxes**
if: **Spouse** was born before January 2, 1941, **Blind.** } checked ▶ **39a**

b If your spouse itemizes on a separate return or you were a dual-status alien, see page 31 and check here ▶ **39b**

40 **Itemized deductions** (from Schedule A) or your **standard deduction** (see left margin) **40**

41 Subtract line 40 from line 38 **41**

42 If line 38 is \$109,475 or less, multiply \$3,200 by the total number of exemptions claimed on line 6d. If line 38 is over \$109,475, see the worksheet on page 33 **42**

43 **Taxable income.** Subtract line 42 from line 41. If line 42 is more than line 41, enter -0- **43**

44 **Tax** (see page 33). Check if any tax is from: **a** Form(s) 8814 **b** Form 4972 **44**

45 **Alternative minimum tax** (see page 35). Attach Form 6251 **45**

46 Add lines 44 and 45 ▶ **46**

| | |
|---|-----------|
| 47 Foreign tax credit. Attach Form 1116 if required | 47 |
| 48 Credit for child and dependent care expenses. Attach Form 2441 | 48 |
| 49 Credit for the elderly or the disabled. Attach Schedule R | 49 |
| 50 Education credits. Attach Form 8863 | 50 |
| 51 Retirement savings contributions credit. Attach Form 8880 | 51 |
| 52 Child tax credit (see page 37). Attach Form 8901 if required | 52 |
| 53 Adoption credit. Attach Form 8839 | 53 |
| 54 Credits from: a <input type="checkbox"/> Form 8396 b <input type="checkbox"/> Form 8859 | 54 |
| 55 Other credits. Check applicable box(es): a <input type="checkbox"/> Form 3800 b <input type="checkbox"/> Form 8801 c <input type="checkbox"/> Specify | 55 |

56 Add lines 47 through 55. These are your **total credits** **56**

57 Subtract line 56 from line 46. If line 56 is more than line 46, enter -0- ▶ **57**

Other Taxes

58 Self-employment tax. Attach Schedule SE **58**

59 Social security and Medicare tax on tip income not reported to employer. Attach Form 4137 **59**

60 Additional tax on IRAs, other qualified retirement plans, etc. Attach Form 5329 if required **60**

61 Advance earned income credit payments from Form(s) W-2 **61**

62 Household employment taxes. Attach Schedule H **62**

63 Add lines 57 through 62. This is your **total tax** ▶ **63**

Payments

If you have a qualifying child, attach Schedule EIC.

64 Federal income tax withheld from Forms W-2 and 1099 **64**

65 2005 estimated tax payments and amount applied from 2004 return **65**

66a **Earned income credit (EIC)** **66a**

b Nontaxable combat pay election ▶ **66b**

67 Excess social security and tier 1 RRTA tax withheld (see page 54) **67**

68 Additional child tax credit. Attach Form 8812 **68**

69 Amount paid with request for extension to file (see page 54) **69**

70 Payments from: **a** Form 2439 **b** Form 4136 **c** Form 8885 **70**

71 Add lines 64, 65, 66a, and 67 through 70. These are your **total payments** ▶ **71**

Refund

Direct deposit? See page 54 and fill in 73b, 73c, and 73d.

72 If line 71 is more than line 63, subtract line 63 from line 71. This is the amount you **overpaid** **72**

73a Amount of line 72 you want **refunded to you** ▶ **73a**

▶ **b** Routing number ▶ **c** Type: Checking Savings

▶ **d** Account number

74 Amount of line 72 you want **applied to your 2006 estimated tax** ▶ **74**

Amount You Owe

75 **Amount you owe.** Subtract line 71 from line 63. For details on how to pay, see page 55 ▶ **75**

76 Estimated tax penalty (see page 55) **76**

Third Party Designee

Do you want to allow another person to discuss this return with the IRS (see page 56)? **Yes.** Complete the following. **No**

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

Sign Here

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

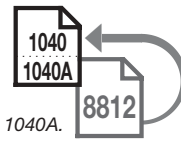
| | | | | |
|--|---|------|---------------------|-----------------------------|
| Joint return? See page 17. Keep a copy for your records. ▶ | Your signature | Date | Your occupation | Daytime phone number () |
| | Spouse's signature. If a joint return, both must sign. | Date | Spouse's occupation | |

Paid Preparer's Use Only

| | | | |
|--|------|---|------------------------|
| Preparer's signature ▶ | Date | Check if self-employed <input type="checkbox"/> | Preparer's SSN or PTIN |
| Firm's name (or yours if self-employed), address, and ZIP code ▶ | EIN | Phone no. () | |



Additional Child Tax Credit



2005

Attachment Sequence No. **47**

Department of the Treasury
Internal Revenue Service (99)

Complete and attach to Form 1040 or Form 1040A.

Name(s) shown on return

Your social security number

Part I All Filers

| | | | | |
|---|-----------|--|----------|----------|
| 1 Enter the amount from line 1 of your Child Tax Credit Worksheet on page 38 of the Form 1040 instructions or page 37 of the Form 1040A instructions. If you used Pub. 972, enter the amount from line 8 of the worksheet on page 4 of the publication | | | | 1 |
| 2 Enter the amount from Form 1040, line 52, or Form 1040A, line 33 | | | | 2 |
| 3 Subtract line 2 from line 1. If zero, stop ; you cannot take this credit | | | | 3 |
| 4a Earned income (see instructions on back) | 4a | | | |
| b Nontaxable combat pay from Form(s) W-2, box 12, with code Q. If married filing jointly, include your spouse's amounts with yours. | 4b | | | |
| 5 Is the amount on line 4a more than \$11,000? <input type="checkbox"/> No. Leave line 5 blank and enter -0- on line 6. <input type="checkbox"/> Yes. Subtract \$11,000 from the amount on line 4a. Enter the result | | | 5 | |
| 6 Multiply the amount on line 5 by 15% (.15) and enter the result Next. Do you have three or more qualifying children? <input type="checkbox"/> No. If line 6 is zero, stop ; you cannot take this credit. Otherwise, skip Part II and enter the smaller of line 3 or line 6 on line 13. <input type="checkbox"/> Yes. If line 6 is equal to or more than line 3, skip Part II and enter the amount from line 3 on line 13. Otherwise, go to line 7. | | | 6 | |

Part II Certain Filers Who Have Three or More Qualifying Children

| | | | | |
|---|--|--|--|-----------|
| 7 Withheld social security and Medicare taxes from Form(s) W-2, boxes 4 and 6. If married filing jointly, include your spouse's amounts with yours. If you worked for a railroad, see instructions on back | | | | 7 |
| 8 1040 filers: Enter the total of the amounts from Form 1040, lines 27 and 59, plus any uncollected social security and Medicare or tier 1 RRTA taxes included on line 63. } 1040A filers: Enter -0-. | | | | 8 |
| 9 Add lines 7 and 8 | | | | 9 |
| 10 1040 filers: Enter the total of the amounts from Form 1040, lines 66a and 67. } 1040A filers: Enter the total of the amount from Form 1040A, line 41a, plus any excess social security and tier 1 RRTA taxes withheld that you entered to the left of line 43 (see instructions on back). | | | | 10 |
| 11 Subtract line 10 from line 9. If zero or less, enter -0- | | | | 11 |
| 12 Enter the larger of line 6 or line 11 Next, enter the smaller of line 3 or line 12 on line 13. | | | | 12 |

Part III Additional Child Tax Credit

| | | | | |
|--|--|--|--|-----------|
| 13 This is your additional child tax credit | | | | 13 |
|--|--|--|--|-----------|

Enter this amount on Form 1040, line 68, or Form 1040A, line 42.

Instructions

Purpose of Form

Use Form 8812 to figure your additional child tax credit. The additional child tax credit may give you a refund even if you do not owe any tax.

Who Should Use Form 8812

First, complete the Child Tax Credit Worksheet that applies to you. See the instructions for Form 1040, line 52, or Form 1040A, line 33. If you meet the condition given in the *TIP* at the end of your Child Tax Credit Worksheet, use Form 8812 to see if you can take the additional child tax credit.

Effect of Credit on Welfare Benefits

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

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

Earned Income

To figure the amount to include on line 4a, answer the four questions below. Also, see *Nontaxable combat pay* next.

Nontaxable combat pay. Enter on line 4b the total amount of nontaxable combat pay that you, and your spouse if filing jointly, received in 2005. This amount should be shown in box 12 of your Form(s) W-2 with code Q.

Nontaxable combat pay received in 2005 must be included in earned income for purposes of the additional child tax credit. If you, or your spouse if filing jointly, did not elect to include nontaxable combat pay in earned income when figuring the earned income credit (EIC) on Form 1040, line 66a, or Form 1040A, line 41a, or if you are not taking the EIC, add any nontaxable combat pay not included in your earned income figured in question 2 or 4 on this page. Enter the total on Form 8812, line 4a.

1. Did you, or your spouse if filing jointly, have net earnings from self-employment and use either optional method to figure those net earnings?

- No.** Go to question 2.
- Yes.** Use Pub. 972 to figure the amount to enter on Form 8812, line 4a.

2. Are you taking the earned income credit (EIC) on Form 1040, line 66a, or Form 1040A, line 41a?

- Yes.** Use the following chart to find the amount to enter on Form 8812, line 4a.

| IF you are filing Form . . . | AND you completed . . . | THEN enter on Form 8812, line 4a, the amount from . . . |
|------------------------------|---|---|
| 1040 | Worksheet B on page 46 of your 1040 instructions | Worksheet B, line 4b*, ** |
| | Step 5 on page 43 of your 1040 instructions (but not Worksheet B) | Step 5, Earned Income ** |
| 1040A | Step 5 on page 41 of your 1040A instructions | Step 5, Earned Income ** |

* If you were a member of the clergy, subtract the following from the amount on line 4b: (a) the rental value of a home or the nontaxable portion of an allowance for a home furnished to you (including payments for utilities), and (b) the value of meals and lodging provided to you, your spouse, and your dependents for your employer's convenience.

** If applicable, add to this amount the amount described in *Nontaxable combat pay* above.

- No. 1040 filers:** Go to question 3.
1040A filers: Skip question 3 and go to question 4.

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

- No.** Go to question 4.
- Yes.** Use Pub. 972 to figure the amount to enter on Form 8812, line 4a.

4. Does the amount on line 7 of Form 1040 or Form 1040A include any of the following amounts?

- Taxable scholarship or fellowship grants not reported on a Form W-2.
- Amounts received for work performed while an inmate in a penal institution (enter "PRI" and the amount received in the space next to line 7 of Form 1040 or 1040A).
- Amounts received as a pension or annuity from a nonqualified deferred compensation plan or a nongovernmental section 457 plan (enter "DFC" and the amount received in the space next to line 7 of Form 1040 or 1040A). This amount may be reported in box 11 of your Form W-2. If you received such an amount but box 11 is blank, contact your employer for the amount received as a pension or annuity.
- Amounts from Form 2555, line 41, or Form 2555-EZ, line 18.

No. Enter the amount from line 7 of Form 1040 or Form 1040A on Form 8812, line 4a. (If applicable, add to this amount the amount described in *Nontaxable combat pay* on this page.)

Yes. Subtract the total of those amounts from the amount on line 7 of Form 1040 or Form 1040A. (If an amount is included in more than one of the above categories, include it only once in figuring the total amount to subtract.) Enter the result on Form 8812, line 4a. (If applicable, add to this amount the amount described in *Nontaxable combat pay* on this page.)

Railroad Employees

If you worked for a railroad, include the following taxes in the total on Form 8812, line 7.

- Tier 1 tax withheld from your pay. This tax should be shown in box 14 of your Form(s) W-2 and identified as "Tier 1 tax."
- If you were an employee representative, 50% of the total tier 1 tax and tier 1 Medicare tax you paid for 2005.

1040A Filers

If you, or your spouse if filing jointly, had more than one employer for 2005 and total wages of over \$90,000, figure any excess social security and tier 1 railroad retirement (RRTA) taxes withheld. See the instructions for Form 1040A, line 43. Include any excess on Form 8812, line 10.

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

You are not required to provide the information requested on a form that is subject to the Paperwork Reduction Act unless the form displays a valid OMB control number. Books or records relating to a form or its instructions must be retained as long as their contents may become material in the administration of any Internal Revenue law. Generally, tax returns and return information are confidential, as required by Internal Revenue Code section 6103.

The time needed to complete and file this form will vary depending on individual circumstances. The estimated average time is: **Recordkeeping, 6 min.; Learning about the law or the form, 9 min.; Preparing the form, 29 min.; Copying, assembling, and sending the form to the IRS, 20 min.**

If you have comments concerning the accuracy of these time estimates or suggestions for making this form simpler, we would be happy to hear from you. See the Instructions for Form 1040 or Form 1040A.

| | | | |
|---|--|---|--|
| Forma 1040-PR Department of the Treasury Internal Revenue Service | Planilla para la Declaración de la Contribución Federal sobre el Trabajo por Cuenta Propia (Incluyendo el Crédito Tributario Adicional por Hijos para Residentes <i>Bona fide</i> de Puerto Rico) Para el año que comienza el primero de enero del 2005 y termina el 31 de diciembre del 2005, o cualquier otro año contributivo comenzado el del 2005 y terminado el del 20 | OMB No. 1545-0090 <div style="font-size: 2em; font-weight: bold;">2005</div> | |
| Por favor, escriba a maquina o con letra de molde | Nombre e inicial de su segundo nombre | Apellido | Su número de seguro social |
| | Si es una planilla conjunta, nombre e inicial del(la) cónyuge | Apellido | Número de seguro social del(la) cónyuge |
| | Dirección actual (calle, número, número de apartamento o ruta rural) | | |
| | Ciudad, pueblo u oficina postal y zona postal (ZIP) | | |
| Parte I Contribución y créditos totales | | | |
| 1 Estado civil. Marque el encasillado para su estado civil. Vea la página 4 de las instrucciones. <input type="checkbox"/> Soltero(a) <input type="checkbox"/> Casado(a) que radica una planilla conjunta <input type="checkbox"/> Casado(a) que radica una planilla por separado. Anote arriba el número de seguro social de su cónyuge y su nombre completo aquí. ▶ | | | |
| 2 Hijos calificados. Complete esta sección <i>únicamente</i> si usted es un(a) residente <i>bona fide</i> de Puerto Rico y reclama el crédito tributario adicional por hijos. Vea la página 5 de las instrucciones. | | | |
| (a) Nombre de pila | Apellido(s) | (b) Número de seguro social del(la) hijo(a) | (c) Parentesco del(la) hijo(a) con usted |
| | | | |
| | | | |
| | | | |
| | | | |
| 3 Contribución sobre el trabajo por cuenta propia de la línea 12 de la Parte V | | | 3 |
| 4 Contribuciones por empleados domésticos. Adjunte el Anexo H-PR (Forma 1040-PR) (vea la página 4 de las instrucciones) | | | 4 |
| 5 Contribuciones totales. Sumé las líneas 3 y 4 | | | 5 |
| 6 Pagos hechos mediante declaración de contribución estimada del año 2005 (vea la página 4 de las instrucciones) | 6 | | |
| 7 Contribución al seguro social retenida en exceso (vea la página 4 de las instrucciones) | 7 | | |
| 8 Crédito tributario adicional por hijos de la línea 3 de la Parte II | 8 | | |
| 9 Crédito tributario por cobertura de seguro de salud. Adjunte la Forma 8885 | 9 | | |
| 10 Pagos y créditos totales. Sumé las líneas de la 6 a la 9 | | | 10 |
| 11 Si la línea 10 es mayor que la línea 5, reste la cantidad de la línea 5 de la de la línea 10. Esta es la cantidad pagada en exceso | | | 11 |
| 12 Cantidad de la línea 11 que desea que se le reintegre | | | 12 |
| 13 Cantidad de la línea 11 que desea que se le acredite a la contribución estimada del 2006 | 13 | | |
| 14 Cantidad que usted debe. Reste la cantidad de la línea 10 de la de la línea 5. Para detalles sobre cómo se paga, vea la página 1 de las instrucciones |  |  |  | 14 |
| Tercero Autorizado | ¿Desea permitir que otra persona discuta esta planilla con el IRS (vea las instrucciones)? <input type="checkbox"/> Sí. Complete lo siguiente. <input type="checkbox"/> No | | |
| Nombre de esta persona ▶ | Número de teléfono ▶ () | Número de identificación personal (PIN) ▶ | |
| Sírvase firmar aquí | Declaro bajo las penalidades de perjurio que esta planilla, incluyendo los anexos y demás documentos que le acompañan, ha sido examinada por mí y que según mi mejor conocimiento y creencia es cierta, correcta y completa. La declaración del(la) agente o preparador(a) (que no es el(la) contribuyente) está basada en toda la información sobre la cual el(la) agente o preparador(a) tenía conocimiento. | | |
| ¿Declaración conjunta? Vea la página 4. Conserve una copia para su archivo. | Su firma | Fecha | Número de teléfono durante el día () |
| | Firma del(la) cónyuge. Si radica conjuntamente, ambos cónyuges deben firmar. | Fecha | |
| Para uso del(la) preparador(a) remunerado(a) solamente | Firma del(la) preparador(a) ▶ | Fecha | Marque aquí si el(la) preparador(a) trabaja por cuenta propia <input type="checkbox"/> SSN o PTIN |
| | Nombre del negocio (o del(la) preparador(a), si trabaja por cuenta propia), dirección y zona postal ▶ | | Número de identificación patronal |
| | | | Número de teléfono () |
| Vea en la página 8 el Aviso sobre la Ley de Confidencialidad de Información y la Ley de Reducción de Trámites. Cat. No. 17182F Forma 1040-PR (2005) | | | |

Parte II Residentes bona fide de Puerto Rico que reclaman el Crédito Tributario Adicional por Hijos. (Vea la página 5 de las instrucciones.)

| | | | | |
|---|--|---|--|--|
| 1 | Ingresos recibidos de fuentes dentro de Puerto Rico | 1 | | |
| 2 | Contribuciones al seguro social y al Medicare retenidas de su(s) Forma(s) 499R-2/W-2PR o W-2 (adjunte copia(s) de dicha(s) forma(s)) | 2 | | |
| 3 | Crédito tributario adicional por hijos. Vea la hoja de cómputos en la página 6 de las instrucciones para la cantidad que usted puede anotar aquí y en la línea 8 de la página 1 | 3 | | |

Parte III Ganancia o pérdida de negocio agropecuario

| | |
|------------------------------|-------------------------|
| Nombre de(la) propietario(a) | Número de seguro social |
|------------------------------|-------------------------|

Aviso: Si usted radica una planilla conjunta y tanto usted como su cónyuge tuvieron una ganancia o pérdida de un negocio agropecuario, cada uno de ustedes debe llenar y adjuntar una Parte III por separado. Vea, **Casado(a) que radica una planilla conjunta**, en la página 4 de las instrucciones.

Sección A—Ingreso de negocio agropecuario—Método de contabilidad a base de efectivo—Complete las Secciones A y B
(Si usted usa el método de contabilidad a base de lo devengado, complete las **Secciones B y C**, así como la línea 11 de la **Sección A**.)
No incluya la venta de animales usados para tiro, cría, entretenimiento o lechería.

| | | | | |
|----|---|----|---------------------|--|
| 1 | Venta de animales y otros artículos que usted compró para revender | 1 | | |
| 2 | Costo u otra base de los animales y otros artículos que usted informó en la línea 1 | 2 | | |
| 3 | Reste la línea 2 de la línea 1 | 3 | | |
| 4 | Ventas de animales, productos agrícolas, granos y otros productos que usted cultivó | 4 | | |
| 5a | Total de distribuciones de cooperativas (Forma(s) 1099-PATR) 5a | 5b | Cantidad tributable | |
| 6 | Pagos recibidos del programa de agricultura | 6 | | |
| 7 | Préstamos de la <i>Commodity Credit Corporation</i> informados bajo elección (o decomisado) | 7 | | |
| 8 | Ingreso de seguro de cosechas | 8 | | |
| 9 | Ingreso de servicios prestados con equipo agrícola | 9 | | |
| 10 | Otros ingresos | 10 | | |
| 11 | Ingreso bruto agropecuario. Sume las líneas de la columna derecha desde la 3 hasta la 10, ambas inclusive. Si usted es un(a) contribuyente que usa el método de contabilidad a base de lo devengado, anote la cantidad que aparece en la línea 49 de la Sección C . ▶ | 11 | | |

Sección B—Gastos de negocio agropecuario—Métodos de contabilidad a base de efectivo y a base de lo devengado
No incluya gastos personales o de mantención (tales como contribuciones, seguros, reparaciones, etc., de su casa), que no fueron para la producción de ingreso agropecuario. Antes de anotar los gastos, más abajo, reste de éstos cualquier reembolso recibido por los mismos.

| | | | | | | | | | |
|----|---|-----|--|--|-----|---|-----|--|--|
| 12 | Gastos de automóvil o de camión (junte a esta planilla la Forma 4562) | 12 | | | 25 | Planes de pensión y de participación en las ganancias | 25 | | |
| 13 | Productos químicos | 13 | | | 26 | Renta o alquiler: | | | |
| 14 | Gastos de conservación | 14 | | | 26a | Vehículos, maquinaria y equipo | 26a | | |
| 15 | Servicios de equipo agrícola | 15 | | | 26b | Otro (tierra, animales, etc.) | 26b | | |
| 16 | Depreciación, gastos y deducciones hechas de acuerdo a la sección 179 del Código Federal de Rentas Internas no reclamadas en otra parte de esta planilla (junte a esta planilla la Forma 4562 si está obligado(a) a hacerlo) | 16 | | | 27 | Reparaciones y mantenimiento | 27 | | |
| 17 | Programas de beneficios para los empleados, excepto los incluidos en la línea 25 | 17 | | | 28 | Compra de semillas y plantas | 28 | | |
| 18 | Compra de alimentos para animales | 18 | | | 29 | Gastos de almacenaje | 29 | | |
| 19 | Fertilizantes y cal | 19 | | | 30 | Compra de materiales | 30 | | |
| 20 | Fletes y acarreo | 20 | | | 31 | Contribuciones | 31 | | |
| 21 | Gasolina, combustible y aceite | 21 | | | 32 | Servicios públicos (agua, electricidad, gas, etc.) | 32 | | |
| 22 | Seguros (excepto de salud) | 22 | | | 33 | Honorarios pagados a veterinarios, cría y medicinas | 33 | | |
| 23 | Intereses: | | | | 34 | Otros gastos (especifique): | | | |
| a | Sobre hipotecas (pagados a bancos, etc.) | 23a | | | a | ..... | 34a | | |
| b | Otros | 23b | | | b | ..... | 34b | | |
| 24 | Mano de obra | 24 | | | c | ..... | 34c | | |
| | | | | | d | ..... | 34d | | |
| | | | | | e | ..... | 34e | | |
| 35 | Total de gastos. Sume las líneas de la 12 a la 34e ▶ | 35 | | | | | | | |
| 36 | Ganancia (o pérdida) neta de negocio agropecuario. Reste la línea 35 de la línea 11. Anote el resultado aquí y en la línea 1 de la Parte V | 36 | | | | | | | |

Sección C—Ingreso de negocio agropecuario—Método de contabilidad a base de lo devengado
No incluya en las líneas de abajo la venta de animales usados para tiro, cría, entretenimiento o lechería.

| | | | | | | |
|-----|---|-----|--|-----|---------------------|-----|
| 37 | Venta de animales, productos agrícolas, granos y otros productos durante el año | | | | 37 | |
| 38a | Total de distribuciones de cooperativas (Forma(s) 1099-PATR) | 38a | | 38b | Cantidad tributable | 38b |
| 39 | Pagos recibidos del programa de agricultura | | | | | 39 |
| 40 | Préstamos de la <i>Commodity Credit Corporation</i> informados bajo elección (o decomisado). | | | | | 40 |
| 41 | Ingreso de servicios prestados con equipo agrícola | | | | | 41 |
| 42 | Otros ingresos de negocio agropecuario (especifique) | | | | | 42 |
| 43 | Sume las líneas de la columna derecha desde la 37 hasta la 42, ambas inclusive | | | | | 43 |
| 44 | Inventario de animales, productos agrícolas, granos y otros productos al comienzo del año | 44 | | | | |
| 45 | Costo de animales, productos agrícolas, granos y otros productos comprados durante el año | 45 | | | | |
| 46 | Sume las líneas 44 y 45 | 46 | | | | |
| 47 | Inventario de animales, productos agrícolas, granos y otros productos al final del año | 47 | | | | |
| 48 | Costo de animales, productos agrícolas, granos y otros productos agrícolas vendidos. Reste la línea 47 de la línea 46* | | | | | 48 |
| 49 | Ingreso bruto agropecuario. Reste la línea 48 de la línea 43. Anote el resultado aquí y en la página 2, línea 11, Parte III. | | | | | 49 |

*Si usted usa el método de precio por unidad para los animales, o el método de precio de finca para valorar su inventario y la cantidad que aparece en la línea 47 es mayor que la de la línea 46, reste la línea 46 de la línea 47 y anote el resultado en la línea 48. Después sume las líneas 43 y 48, y anote en la línea 49 el total obtenido.

Parte IV Ganancia o pérdida de negocio (por cuenta propia)

| | |
|-------------------------------|-------------------------|
| Nombre del(la) propietario(a) | Número de seguro social |
|-------------------------------|-------------------------|

Aviso: Si usted radica una planilla conjunta y tanto usted como su cónyuge tuvieron una ganancia o pérdida de un negocio agropecuario, cada uno de ustedes debe llenar y adjuntar una Parte IV por separado. Vea, **Casado(a) que radica una planilla conjunta**, en la página 4 de las instrucciones.

Sección A—Ingresos

| | | | | |
|----|---|--|-----------|----|
| 1 | Total de ingresos \$ | Menos devoluciones y descuentos \$ | Balance ▶ | 1 |
| 2a | Inventario al comenzar el año | 2a | | |
| b | Compras menos el costo de los artículos retirados del negocio para uso personal | 2b | | |
| c | Costo de mano de obra. No incluya ninguna cantidad pagada a usted mismo(a) | 2c | | |
| d | Materiales y suministros | 2d | | |
| e | Otros costos (junte una explicación) | 2e | | |
| f | Sume las líneas de la 2a a la 2e | 2f | | |
| g | Inventario al final del año | 2g | | |
| h | Costo de mercancías vendidas. Reste la línea 2g de la línea 2f. | | | 2h |
| 3 | Ganancia bruta. Reste la línea 2h de la línea 1 | | | 3 |
| 4 | Otros ingresos | | | 4 |
| 5 | Ingreso bruto. Suma las líneas 3 y 4 | | | 5 |

Sección B—Gastos

| | | | | | | |
|----|--|-----|--|-----|---|-----|
| 6 | Anuncios y publicidad | 6 | | 19 | Reparaciones y mantenimiento | 19 |
| 7 | Gastos de vehículos de motor (junte a esta planilla la Forma 4562) | 7 | | 20 | Materiales (no incluidos en la Sección A) | 20 |
| 8 | Comisiones y cuotas | 8 | | 21 | Contribuciones y licencias | 21 |
| 9 | Trabajo por contrato | 9 | | 22 | Gastos de viaje, comidas y entretenimiento: | |
| 10 | Agotamiento | 10 | | a | Viajes | 22a |
| 11 | Depreciación, gastos y deducciones de acuerdo a la sección 179 del Código (no incluida en la Sección A). (Junte a esta planilla la Forma 4562 si está obligado(a) a hacerlo.) | 11 | | b | Total de comidas y entretenimiento | |
| 12 | Programas para el beneficio de los empleados (excepto los incluidos en la línea 17) | 12 | | c | Anote la cantidad no deducible incluida en la línea 22b | |
| 13 | Seguros (excepto de salud) | 13 | | d | Reste la línea 22c de la línea 22b | 22d |
| 14 | Intereses sobre deudas del negocio | 14 | | 23 | Servicios públicos (agua, electricidad, gas, etc.) | 23 |
| 15 | Servicios legales y profesionales | 15 | | 24 | Sueldos no incluidos en la línea 2c | 24 |
| 16 | Gastos de oficina | 16 | | 25a | Otros gastos (indique tipo de gasto y cantidad): | |
| 17 | Planes de pensión y de participación en las ganancias. | 17 |  |  | ..... |  |
| 18 | Renta o alquiler: |  |  |  | ..... |  |
| a | Vehículos, maquinaria y equipo | 18a | | b | Total de los otros gastos | 25b |
| b | Otra propiedad comercial | 18b | | | | |
| 26 | Total de gastos. Suma las líneas de la 6 a la 25b | | | | | 26 |
| 27 | Ganancia (o pérdida) neta. Reste la línea 26 de la línea 5. Anote el resultado aquí y en la línea 2 de la Parte V | | | | | 27 |

Parte V Contribución sobre el ingreso del trabajo por cuenta propia—Si recibió ingreso como empleado(a) de una iglesia, vea la página 2 de las instrucciones antes de seguir.

| | |
|--|---|
| Nombre del individuo que recibió ingreso del trabajo por cuenta propia | Número de seguro social del individuo con ingreso del trabajo por cuenta propia ▶ |
|--|---|

Aviso: Si radica una planilla de contribución conjunta y tanto usted como su cónyuge recibieron ingreso del trabajo por cuenta propia, cada uno de ustedes debe llenar una Parte V por separado.

A Si usted es ministro, miembro de una orden religiosa o practicante de la Ciencia Cristiana y usted radicó la Forma 4361, pero obtuvo otras ganancias netas ascendentes a \$400 ó más del trabajo por cuenta propia, marque este encasillado y continúe en la Parte V.

| | | | | |
|---|-----------|----------|----|--|
| 1 Ganancia (o pérdida) neta procedente de un negocio agropecuario, la cantidad de la línea 36, Parte III, más la parte recibida por usted de una sociedad agropecuaria. Nota: No llene esta línea si usted usa el método opcional para computar la ganancia neta de un negocio agropecuario. Vea la página 8 | 1 | | | |
| 2 Ganancia (o pérdida) neta procedente de un negocio no agropecuario, la cantidad de la línea 27, Parte IV, más la parte recibida por usted de una sociedad no agropecuaria. Los eclesiásticos o miembros de una orden religiosa deben ver la página 2 para las cantidades que tienen que informar en esta línea. Nota: No llene esta línea si usted usa el método opcional para computar la ganancia neta de un negocio no agropecuario. Vea la página 8 | 2 | | | |
| 3 Combine las líneas 1 y 2 | 3 | | | |
| 4a Si la línea 3 es más de cero, multiplique la línea 3 por el 92.35% (.9235). De otro modo, anote la cantidad de la línea 3 | 4a | | | |
| b Si usted eligió uno (o ambos) de los dos métodos opcionales, anote aquí el total de las líneas 2 y 4 de la Parte VI | 4b | | | |
| c Combine las líneas 4a y 4b. Si es menos de \$400, usted no adeuda la contribución federal sobre el trabajo por cuenta propia. Excepción: Si es menos de \$400 y usted tenía ingreso como empleado(a) de una iglesia o debe la contribución sobre propinas o seguro de vida grupal a término, anote -0- y continúe ▶ | 4c | | | |
| 5a Anote su ingreso como empleado(a) de una iglesia de la(s) Forma(s) 499R-2/W-2PR o W-2 | 5a | | | |
| b Multiplique la línea 5a por el 92.35% (.9235). Si es menos de \$100, anote -0- | 5b | | | |
| 6 Ganancias netas del trabajo por cuenta propia. Sume las líneas 4c y 5b ▶ | 6 | | | |
| 7 Cantidad máxima de salarios e ingreso del trabajo por cuenta propia combinados sujeta a la contribución al seguro social en el 2005. | 7 | \$90,000 | 00 | |
| 8a Total de salarios y propinas sujetos a la contribución al seguro social, según aparecen en la(s) Forma(s) 499R-2/W-2PR o W-2. Si es \$90,000 ó más, continúe en la línea 11 | 8a | | | |
| b Propinas que usted no informó a su patrono y que están sujetas a la contribución al seguro social de la línea 9 de la Forma 4137 (vea la página 8) | 8b | | | |
| c Sume las líneas 8a y 8b | 8c | | | |
| 9 Reste la línea 8c de la línea 7. Si es cero o menos, anote -0- aquí y también en la línea 10 y pase a la línea 11 ▶ | 9 | | | |
| 10 Multiplique por el 12.4% (.124) la cantidad que resulte menor entre la línea 6 ó la línea 9 | 10 | | | |
| 11 Multiplique por el 2.9% (.029) la cantidad de la línea 6 | 11 | | | |
| 12 Contribución sobre el trabajo por cuenta propia. Sume las líneas 10 y 11. Anótela aquí y en la línea 3 de la Parte I | 12 | | | |

Parte VI Métodos opcionales para computar la ganancia neta. Vea la página 8 de las instrucciones para las limitaciones.

Aviso: Si usted radica una planilla conjunta y tanto usted como su cónyuge eligen usar el método opcional para computar sus ganancias netas, cada uno de ustedes debe llenar y adjuntar una Parte VI por separado.

| | | | | |
|--|----------|--|---------|----|
| Método opcional—Negocio agropecuario. | | | | |
| 1 Ingreso máximo para los efectos de los métodos opcionales | 1 | | \$1,600 | 00 |
| 2 Anote la menor de: dos tercios (%) del ingreso bruto del negocio agropecuario de la línea 11, Parte III, más la parte recibida por usted de una sociedad agropecuaria (pero no menos de cero), o \$1,600. Incluya esta cantidad en la línea 4b de la Parte V, arriba | 2 | | | |
| Método opcional—Negocio no agropecuario. | | | | |
| 3 Reste la línea 2 de la línea 1 | 3 | | | |
| 4 Anote la menor de: dos tercios (%) del ingreso bruto del negocio no agropecuario de la línea 5, Parte IV, más la parte recibida por usted de una sociedad no agropecuaria (pero no menos de cero), o la cantidad que aparece en la línea 3 de la Parte VI, arriba. Incluya también esta cantidad en la línea 4b de la Parte V, arriba | 4 | | | |

Parte II Contribución de Trabajo por Cuenta Propia—Forma 1040PR

Introducción

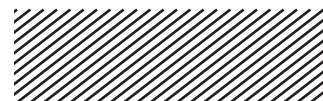
Los residentes de Puerto Rico están sujetos a la contribución federal del trabajo por cuenta propia sobre sus ganancias netas del trabajo por cuenta propia. La contribución de trabajo por cuenta propia resulta del seguro social y Medicare que pagan aquellas personas que son dueñas de un negocio o ejercen una profesión. Esta contribución es similar a la contribución federal de seguro social y medicare que se le retiene del salario a los empleados.

Los beneficios de Seguro Social están disponibles tanto para los que trabajan por cuenta propia como para los asalariados. Los pagos de la contribución de trabajo por cuenta propia contribuyen a cubrir el sistema de Seguro Social. Toda persona que trabaje por cuenta propia podría estar sujeta a pagar seguro social del trabajo por cuenta propia aún cuando ya reciba los beneficios de seguro social o medicare e independientemente de la edad.

Usted deberá pagar la contribución sobre el trabajo por cuenta propia si obtuvo ingresos netos trabajando por su cuenta ascendentes a \$400 ó más. Si un contribuyente recibe salarios de los cuales aporta a seguro social, los salarios y el ingreso por cuenta propia se utilizarán para establecer el límite del ingreso sujeto a la contribución de seguro social. Los residentes de Puerto Rico determinarán la contribución del trabajo por cuenta propia en la Forma 1040PR (versión en español) y 1040 SS (versión en inglés). Aquellos contribuyentes obligados a radicar una Forma 1040 deben utilizar el Anejo C & SE.

Aquellos contribuyentes que radican casados pueden elegir llenar una Forma 1040PR en conjunto. El estado personal se determina al finalizar su año contributivo. Si usted radica una planilla conjunta y tanto usted como su cónyuge recibieron ingresos que están sujetos a la contribución sobre ingreso del trabajo por cuenta propia, cada uno debe completar la Parte V de la Forma 1040PR Contribución sobre el ingreso del trabajo por cuenta propia.

Por lo general, deberá pagar la contribución estimada del trabajo por cuenta propia únicamente si dicha contribución es de \$1,000 o más durante el año contributivo. Si no paga una cantidad suficiente de contribución estimada para la fecha de vencimiento del pago, usted pudiera estar sujeto a una multa por no pagar suficiente contribución estimada. Las reglas de contribución estimada se discuten en una lección más adelante.



Quién debe pagar contribución de trabajo por cuenta propia

Toda persona que se dedique a cualquier industria o negocio generalmente deberá pagar contribución federal de trabajo por cuenta propia. La industria o negocio se refiere a la actividad que lleva a cabo el contribuyente para la producción de ingresos o es el medio de sustento. Los siguientes factores se deben considerar para determinar si la persona se dedica a una industria o negocio y/o la producción de ingresos:

1. Tiempo que le dedique a la actividad o negocio, y
2. La producción de ingreso

Los contribuyentes que trabajan por cuenta propia pueden operar como un negocio individual, contratistas independientes, miembro de una sociedad o cualquier individuo que haga negocio. La actividad no tiene que ser a tiempo completo. Aún cuando el contribuyente esté retirado y reciba los beneficios de Seguro Social, el ingreso que derive de su trabajo esta sujeto a la contribución de trabajo por cuenta propia.

Algunas actividades que se consideran trabajos por cuenta propia son:

1. Trabajos que realiza en su tiempo libre, como por ejemplo reparando televisores y radios.
2. Profesiones—el ingreso que usted derive de su practica privada, por ejemplo médicos o abogado.
3. Contratista independiente—aquél contribuyente que acuerda prestar un servicio y determina el método y manera mediante la cual ofrecerá el servicio.
4. Socios en una sociedad—por ejemplo dos hermanos poseen y operan un negocio como socios. Cada uno es responsable de incluir su participación del ingreso y la pérdida de la sociedad.
5. Negocio individual—un contribuyente posee y opera un negocio de comida. Su participación del ingreso del negocio se considera trabajo por cuenta propia.
6. Miembros de una orden religiosa—los ministros o los miembros de una orden religiosa que no hayan hecho votos de pobreza, están sujetos a contribución de trabajo por cuenta propia del ingreso que reciben por la prestación de sus servicios. Estos deben incluir como ingreso de trabajo por cuenta propia el valor de arriendo de la vivienda provista a usted o el estipendio para costear los gastos de la misma. Además, debe incluir el valor de comidas y vivienda provista a usted por los servicios que rinde como ministro.

Para más detalles o de surgirle cualquier duda, de si un contribuyente se considera trabajador por cuenta propia puede visitar la oficina de Rentas Internas Federal más cercana a su area. En Puerto Rico las oficinas de servicio al cliente están localizadas en: San Patricio Office Center, 7 Calle Tabonuco, Guaynabo PR 00968.

Ejemplos

1. Alan Brito es dueño de un kiosko en la playa de Luquillo, y trabaja los fines de semana. Genera ganancias mensuales de \$1,000. Además, tiene un tabajo a tiempo completo en la semana con el Gobierno de Puerto Rico. Se considera Alan trabajador por cuenta propia?
2. Amanda se dedica a la venta de productos de belleza y joyería a sus vecinas y amigas. Se considera este ingreso como trabajo por cuenta propia?
3. José trabaja para American Express como representante de servicio, donde tiene un horario fijo. Podríamos considerar que él trabaja por cuenta propia?

Cómputo de la contribución de trabajo por cuenta propia

Una vez usted identifica que debe pagar la contribución de trabajo por cuenta propia, lo próximo es determinar que cantidad del ingreso esta sujeto a esta contribución. A continuación la explicamos tres pasos para que figure la cantidad que esta obligado a pagar.

1. Determinar las ganancias netas por concepto de trabajo por cuenta propia.
 - a. Ganancias netas = Ingreso total de trabajo por cuenta propia—todas las deducciones que aplican
2. Determinar que cantidad de las ganancias netas son tributables
3. Multiplicar la cantidad obtenida en la línea 2 por la tasa contributiva.

Existen tres métodos para computar la contribución de trabajo por cuenta propia:

1. El método regular
2. Método opcional—Negocio No Agropecuario
3. Método opcional—Negocio Agorpecuario

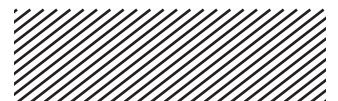
Método Regular

Generalmente es el método que utilizan la mayoría de los contribuyentes para computar la contribución de trabajo por cuenta propia. No existen límites en cuanto a quién debe utilizar este método.

El primer paso al cómputar la contribución de trabajo por cuenta propia bajo este método es figurar sus ganancias netas. Bajo el método regular, el ingreso neto de cualquier negocio o profesión generalmente son las ganancias netas del trabajo por cuenta propia. El ingreso neto se obtiene al restarle todos los gastos deducibles relacionados a su profesión o negocio al ingreso bruto de su profesión o negocio.

Si el contribuyente tiene más de una industria u ocupación, el ingreso neto del trabajo por cuenta propia se obtiene combinando todas las ganancias netas de todos sus negocios u ocupaciones. Si sufrió una pérdida en la operación de uno de sus negocios, dicha pérdida reducirá la ganancia de otro.

Llene y radique una sola Forma 1040PR para cada año en cuestión. Acompañe con la planilla un estado de ganancias y pérdidas de cada negocio u ocupación.



El contribuyente puede estar expuesto a penalidades por cualquier testimonio falso para obtener o aumentar los beneficios de Seguro Social. Las ganancias netas de trabajo por cuenta propia normalmente incluyen todas las partidas de ingreso y deducciones permisibles para propósitos de contribución sobre ingresos de Puerto Rico.

No obstante, existen ciertas exenciones y deducciones en la planilla de contribución sobre ingresos de Puerto Rico que no se pueden reclamar al determinar la contribución de trabajo por cuenta propia.

No debe reclamar lo siguiente:

- 1. La exención personal del contribuyente y de los dependientes.**
- 2. Cualquier pérdida operacional y,**
- 3. Deducciones no relacionadas al negocio, así como, deducciones detalladas.**

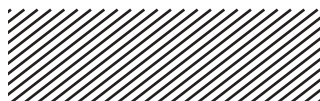
Ejemplo 4

Un contribuyente posee un colmado, con las siguientes partidas de ingresos y gastos:

| | |
|---|----------|
| • Ganancia bruta de las ventas | \$57,400 |
| • Salarios pagados | 20,000 |
| • Renta | 4,700 |
| • Servicios públicos luz, agua, teléfono | 2,400 |
| • Otros gastos | 1,900 |
| • Ganancia en la venta de un refrigerador | 350 |
| • Pérdida por fuego en almacén | 1,200 |
| • Arrastre de pérdida neta en operaciones | 1,000 |

Al figurar el ingreso tributable en la planilla de Puerto Rico, todas las partidas antes mencionadas las incluye el contribuyente. No obstante, para calcular las ganancias netas de trabajo por cuenta propia incluye lo siguiente:

| | |
|------------------------------|---------------|
| Ganancia bruta de las ventas | \$57,400 |
| Gastos: | |
| Salario | \$20,000 |
| Renta | 4,700 |
| Servicios públicos | 2,400 |
| Otros gastos | <u>1,900</u> |
| Total de gastos | <u>29,000</u> |
| Ganancia neta | \$28,400 |



Los \$28,400 representan las ganancias netas del trabajo por cuenta propia, la venta del refrigerador, la pérdida por el fuego y el arrastre de pérdidas netas en operaciones de años anteriores no se incluyen en este cálculo. Aún cuando todas estas partidas de ingresos y pérdidas están relacionadas con el negocio, pero no están relacionadas directamente con los ingresos y pérdidas para el funcionamiento del negocio y por lo tanto no están sujetas al pago de contribución de trabajo por cuenta propia.

*El segundo paso al figurar las ganancias netas del trabajo por cuenta propia es determinar cuanto tendrá que pagar. **Si resulta en una ganancia neta , comenzando en y después de 1990, usted multiplicará la ganancia neta por .9235 para obtener la ganancia ajustada.** Existe un límite de ganancia neta mínima y máxima que estaría sujeto al pago de seguro social de trabajo por cuenta propia. El contribuyente debe tener ganancias netas mínimas de \$ 400.00 por concepto de trabajo por cuenta propia para estar obligado a pagar contribución federal de seguro social. Si las ganancias netas son menos de \$400.00, no tendría el requisito de radicar la Forma 1040PR por ende ni el de pagar. **Para 2005 hasta un máximo de \$87,900 de las ganancias netas estarán sujetas al 12.4% de seguro social.***

Si un contribuyente recibe ingresos que estén sujetos tanto a la contribución de Seguro Social y al retiro ferrocarril. El contribuyente debe restar las cantidades máximas de los ingresos correspondientes para obtener las cantidades que estarían sujetas a la contribución de seguro social de trabajo por cuenta propia.

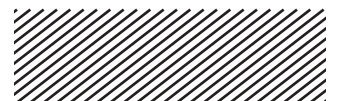
El tercer y último paso es determinar la contribución adeudada. Las ganancias netas calculadas se deben multiplicar por los porcentos aplicables de seguro social y medicare. Actualmente los porcentos aplicables son 12.4% para seguro social y 2.9% para medicare.

Véase ejemplo 6 en la versión en Inglés en la página 77.

Método Opcional—Negocio No Agropecuario

Los métodos opcionales le pueden dar crédito para propósitos de los beneficios del seguro social aunque haya tenido una pérdida o haya recibido pocos ingresos del trabajo por cuenta propia. Para usar este método usted tiene que cumplir con los siguientes requisitos:

1. Sus ganancias netas de negocio no agropecuario ascendieron a menos de \$1,733 y también a menos del 72.189% de su ingreso bruto de negocio no agropecuario.
2. Trabajar por cuenta propia regularmente, usted satisface este requisito si sus ganancias netas del trabajo por cuenta propia alcanzaron \$400 ó más en 2 de los 3 años inmediatamente anteriores al año en el cual usted optó por usar el método opcional de negocio no agropecuario.
3. Las ganancias netas de \$400 ó más del trabajo por cuenta propia pueden provenir tanto de un negocio no agropecuario como de un negocio agropecuario o de ambos.
4. Este método se puede usar sólo por un máximo de 5 años que no tienen que ser consecutivos.



De acuerdo a este método, usted puede informar dos tercios ($\frac{2}{3}$) de su ingreso bruto de negocio no agropecuario, de hasta \$1,600, como ganancia neta en la línea 4 Parte VI Forma 1040PR. **Pero usted no puede informar menos de su ganancia neta** del trabajo por cuenta propia de negocio no agropecuario. La **ganancia neta de negocio no agropecuario** es el total de las cantidades de la línea 27 de la Parte IV de la Forma 1040 PR.

Ejemplo 5

José López ha reportado ganancias netas por \$400.00 ó más en los pasados tres años de un negocio no agropecuario. Para 2005 reporta ganancias netas de \$500.00 de trabajo por cuenta propia, el ingreso bruto fue de \$9,000.

En este ejemplo el contribuyente puede optar por utilizar el método regular u opcional para cómputar la ganancia neta de negocio no agropecuario.

Método regular

$$\$500 \quad \times \quad .9235 \quad = \quad \$461.75$$

$$\$461.75 \quad \times \quad .124 \quad = \quad 57.26$$

$$\$461.75 \quad \times \quad .029 \quad = \quad 13.90$$

$$\underline{\text{Contribución total}} \quad = \quad \underline{\$71.16}$$

Método opcional

Prueba para determinar si puede usar el método opcional

Las ganancias netas del negocio no agropecuario son menos:

- De \$1,733 y también menos del
- 72.189% de su ingreso bruto del negocio no agropecuario

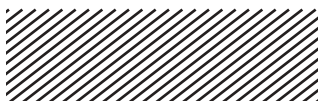
Si cumple puede informar una ganancia neta de hasta:

- dos tercios ($\frac{2}{3}$) de su ingreso bruto (línea 5 parte IV) de negocio no agropecuario hasta \$1,600.

Cumple la prueba:

Ganancia netas es de \$500.00 menos de:

- \$1,733 y también menos del
- 72.189% x \$9,000 = 6,497



Informará como ganancia $\frac{2}{3}$ del ingreso bruto hasta un límite de \$1,600:

$\$9,000 \times \frac{2}{3} = \$6,000$ **límite \$1,600**

$\$1,600 \times .124 = \198.40

$\$1,600 \times .029 = \underline{46.4}$

Contribución total = **\$244.80**

Ejemplo 6

Asuma que José (ejemplo anterior) reportó un ingreso bruto de \$1,000 y ganancias netas de \$800. En este ejemplo **no** cumplió con la regla de las ganancias netas menos del 72.189% de su ingreso bruto. Por lo tanto, debe utilizar el método regular para reportar las ganancias.

Las ganancias netas en este ejemplo \$800.00 resultaron mayores al límite.

Límite en este ejemplo: $1,000 \times 72.189\% = \721.89

Ejemplo 7

Asuma los mismos datos del ejemplo 7 excepto que José operó con pérdidas de \$700, el ingreso bruto fue de \$9,000. En este caso el contribuyente puede reportar ganancias bajo el método opcional de negocio no agrícola.

Cómputo :

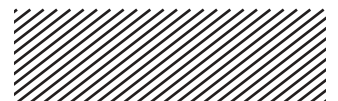
= $\frac{2}{3}$ de \$9,000, hasta \$1,600.

Ejemplo 8

Linda Encanto posee un salón de belleza en Puerto Rico. Las ganancias neta para 2003 y 2004 fueron de \$5,400 y \$6,200, respectivamente. Para estos años reportó las ganancias bajo el método regular. Para el 2005 el ingreso bruto fue de \$4,200 y las ganancias netas de \$300.00.

Requisitos:

Ganancias netas \$300.00 < \$1,733 y también menos de \$3,031, (el 72.189% de \$4,200). Las ganancias netas del trabajo por cuenta propia alcanzaron \$400 ó más en 2 de los 3 años anteriores.



En este ejemplo el contribuyente puede informar dos tercios $\frac{2}{3}$ de su ingreso bruto de negocio no agropecuario como ganancia neta hasta \$1,600, bajo el método opcional o utilizar el método regular e incluir las ganancias neta de \$300.

Ejemplo 9

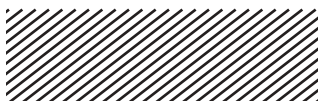
Asuma los mismos datos del ejemplo anterior excepto que el contribuyente informa una ganancia de \$1,700. En este caso no puede utilizar el método opcional, ya que las ganancias excedieron \$1,600.

Residentes de Puerto Rico que reciben ingreso sujeto a tributación federal e ingresos de trabajo por cuenta propia de servicios prestados en Puerto Rico.

Los residentes bonafides de Puerto Rico utilizan la Forma 1040PR para reportar el ingreso de trabajo por cuenta propia ganado en Puerto Rico y para computar la contribución de trabajo por cuenta propia. Aquellos residentes de Puerto Rico que reciben ingreso sujeto a contribución sobre ingreso federal y también tienen ingreso de trabajo por cuenta propia de fuentes de Puerto Rico utilizaran la Forma 1040 y el "Schedule C" y "Schedule SE" para reportar y pagar su obligación federal. El contribuyente hará una anotación en la parte superior del "Schedule C" y de la Forma 1040 para indicar que "self-employment income is not subject to U.S. federal income tax and that it is exempt under IRC 933," "For self-employment tax only." Debe anotar 0 en la línea 12 de la Forma 1040.

Residentes bonafides de Puerto Rico que reclaman el crédito tributario adicional por hijos(as)

Los residentes bonafides de Puerto Rico que aportan al Seguro Social o Medicare y tienen al menos tres hijos(as) calificados menores de 17 años al finalizar el 2004 pueden usar la Forma 1040PR, Parte II y la línea 8 Parte I para reclamar el crédito tributario adicional por hijos(as). Esta Forma 1040PR provee para aquellos contribuyentes que trabajan por cuenta propia, en la empresa privada o el gobierno de Puerto Rico reclamen el crédito adicional por hijos(as).



Ejercicios de Práctica

A. El Sr. Manuel Verdolaga, trabaja por cuenta propia, su ingreso bruto fue de \$7,000 e incurrió en los siguientes gastos:

| | |
|----------------|---------|
| Renta | \$1,000 |
| Materiales | 500 |
| Transportación | 300 |
| Misceláneos | 200 |

El señor Verdolaga realizó pagos estimados en 2004 por \$650.00. Favor de completar la Forma 1040PR.

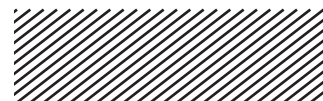
B. La Sra. Verde Luz trabajó para un Municipio en Puerto Rico con sueldo de \$16,896, es jefe de familia. Ella aportó \$1,047.55 a seguro social y 244.99 a medicare. Tiene tres dependientes cualificados menores de 17 años. Favor de computar el crédito adicional por hijos(as). El número patronal es 66-000000.

Reintegro o Balance pendiente de pago

Es muy importante que él (la) contribuyente se asegure de firmar la planilla. De enviar la planilla sin firmar la misma no sera procesada. En la página 1 Parte 1, se indica su estado personal, los dependientes cualificados, la contribución del trabajo por cuenta propia, tercero autorizado y el area para firmar su planilla.

Contribuciones federales estimadas del trabajo por cuenta propia y sobre el empleo de empleados domésticos—Puerto Rico

Por lo general, deberá pagar la contribución estimada del trabajo por cuenta propia únicamente si dicha contribución en 2005 es de \$1,000 ó más. Al hacer los pagos de contribución estimada, utilice la Forma 1040ES (version español); asegúrese de tomar en consideración cualquier cantidad pagada en exceso en 2004 que usted desea acreditar a la contribución de 2005.



Puede pagar la contribución estimada trimestralmente en cuatro cantidades iguales para el 15 abril; para el 15 de junio; para el 15 de septiembre y para el 15 de enero, de caer día feriado o domingo se extiende al próximo día laborable.

Si no paga una cantidad suficiente de contribución estimada para la fecha de vencimiento del pago, usted pudiera estar sujeto a una multa.

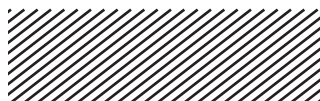
Ejercicio de práctica

Perla del Caribe, trabaja por cuenta propia como modelo para 2005 reporta como ingreso bruto \$89,000. Además presenta los siguientes gastos ordinarios y necesarios:

| | |
|-----------------|----------|
| Viajes | \$17,500 |
| Vestuario | 12,000 |
| Maquillaje | 3,000 |
| Plan de pensión | 5,000 |

La señorita del Caribe hizo cuatro pagos estimados de \$2,000 cada uno a tiempo y no tiene dependientes.

Complete la Forma 1040PR. De surgir cualquier crédito por pago en exceso el contribuyente desea que se le acredite para el próximo año.



Publication 678 PR Student's Training Feedback

We would like feedback on how satisfied you were with the training you had today. Please complete a sheet for each module taken and hand in to the instructor before leaving or give to your site manager. By providing this feedback, you will be helping us improve our next course material. Thank you for your time!

Puerto Rico in English (Pub 678PR) VITA: _____ Puerto Rico in Spanish (Pub 678PR) VITA: _____

| | | | |
|-----------|------|--------------------|--------------------|
| Territory | Area | Date/s of Training | Number of trainees |
|-----------|------|--------------------|--------------------|

Are you from an organization or coalition?

Yes No If YES, please specify.

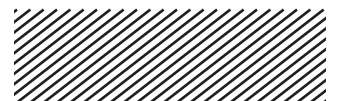
| Please rate your satisfaction with the training you received today by checking the appropriate number. | Very Dissatisfied | | | Very Satisfied | | |
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| | 1 | 2 | 3 | 4 | 5 | NA |
| 1. Convenience of hours | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 2. Convenience of location | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 3. Amount of time to complete course(s) | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 4. Opportunity to ask questions to help you learn | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 5. Ability of the instructor(s) to respond to questions | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 6. Presentation skills of instructor(s) | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 7. Opportunity to practice what you have been taught through exercises | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 8. Overall satisfaction with instruction (considering all items) | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

| Please rate the content quality on a scale of 1 to 5, where 1 equals "Poor" and 5 equals "Excellent". | Poor | | | Excellent | | |
|---|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| | 1 | 2 | 3 | 4 | 5 | NA |
| 9. Text | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 10. Exercises | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 11. Graphics/Forms | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 12. Overall quality of the course book and test | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

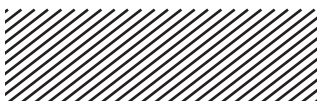
| Please rate your comfort level or readiness to prepare tax returns as a volunteer. Use the scale of 1 to 5, where 1 equals "Very Uncomfortable" and 5 equals "Very Comfortable". | Very Uncomfortable | | | Very Comfortable | | |
|--|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| | 1 | 2 | 3 | 4 | 5 | NA |
| 13. Readiness to prepare returns for course(s) taken | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

14. What suggestions or comments do you have about how we could improve the course or printed materials?

If more space is needed, please use the back of this form. Thank you for your time and feedback.

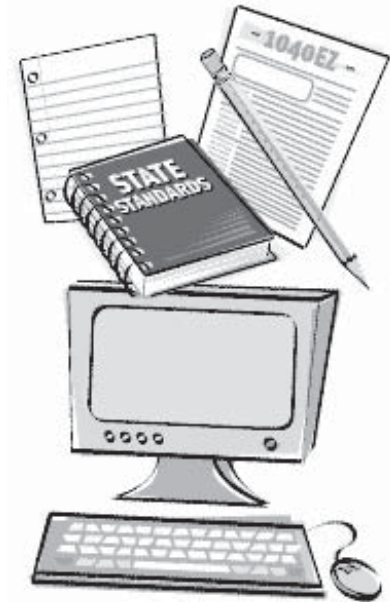


STUDENT NOTES



Understanding Taxes: **Just a Point and Click Away!**

**Students can
learn about
taxes online @**

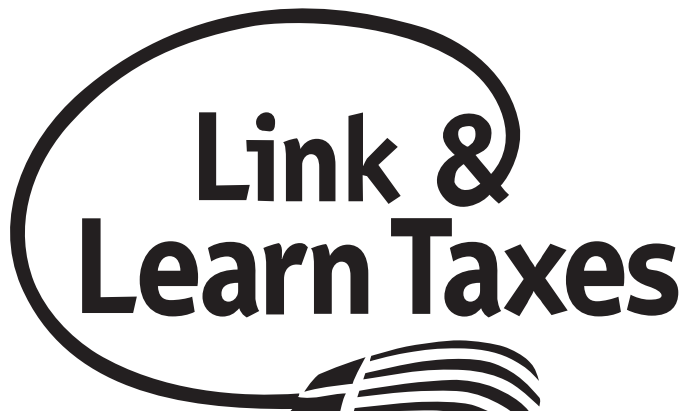


- <http://www.irs.gov/app/understandingTaxes/index.jsp>

Learn about.....

- The History of Taxes
- How to prepare the basic tax return

Instructions on how to prepare a tax return
are also available in Spanish @
www.irs.gov/app/understandingTaxes/jsp/tools_using_hows.jsp.



*linking volunteers to
quality e-learning solutions*

E-learning for Volunteer Return Preparation

This VITA/TCE course is available on-line @

www.irs.gov

Enter keyword: "volunteer training" or "link and learn"

The benefits.....

- Work at your own pace
- Access it anytime, anywhere-24/7...it's on the Internet
- Complete your volunteer certification online

Share your opinion.....

Check-out the course and send your comments to
partner@irs.gov