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

### Schedule A—Itemized Deductions

(Schedule B is on back)

► Attach to Form 1040.

► See Instructions for Schedules A&B (Form 1040)

OMB No. 1545-0074 Attachmen<sup>3</sup> Sequence No. **07** 

Department of the Treasury Internal Revenue Service Your social security number Name(s) shown on Form 1040 Medical Caution. Do not include expenses reimbursed or paid by others. and 1 Medical and dental expenses (see page A-2) Enter amount from Form 1040, line 38 2 **Dental** 2 3 **Expenses** 3 Multiply line 2 by 7.5% (.075). Subtract line 3 from line 1. If line 3 is more than line 1, enter -0 4 4 5 5 State and local income taxes Taxes You 6 Paid 6 Real estate taxes (see page A-5) 7 7 Personal property taxes (See page A-2.) 8 Other taxes. List type and amount 8 9 Add lines 5 through 8 . 9 10 10 Home mortgage interest and points reported to you on Form 1098 Interest You Paid Home mortgage interest not reported to you on Form 1098. If paid 11 to the person from whom you bought the home, see page A-6 (See page A-5.) and show that person's name, identifying no., and address ..... 11 Note. Personal Points not reported to you on Form 1098. See page A-6 12 interest is 12 not 13 Investment interest. Attach Form 4952 if required. (See deductible. 13 14 Add lines 10 through 13 . . . 14 Gifts to 15 Gifts by cash or check. If you made any gift of \$250 or 15 Charity more, see page A-7 . . . . . . . . . . . . . . . . If you made a 16 Other than by cash or check. If any gift of \$250 or more. gift and got a 16 see page A-7. You must attach Form 8283 if over \$500 benefit for it, 17 17 see page A-7. 18 Add lines 15 through 17 18 Casualty and Theft Losses 19 Casualty or theft loss(es). Attach Form 4684. (See page A-8.) 19 Job Expenses 20 Unreimbursed employee expenses—job travel, union and Certain dues, job education, etc. Attach Form 2106 or 2106-EZ 20 Miscellaneous if required. (See page A-8.) ▶ 21 **Deductions** 21 (See 22 Other expenses—investment, safe deposit box, etc. List page A-8.) type and amount ▶..... 22 ..... 23 23 Add lines 20 through 22 . . . . . Enter amount from Form 1040, line 38 24 24 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 27 Other—from list on page A-9. List type and amount ▶ Miscellaneous **Deductions** 27 Total Is Form 1040, line 38, over \$150,500 (over \$75,250 if married filing separately)? Itemized Your deduction is not limited. Add the amounts in the far right column **Deductions** for lines 4 through 27. Also, enter this amount on Form 1040, line 40. 28 Yes. Your deduction may be limited. See page A-9 for the amount to enter.

If you elect to itemize deductions even though they are less than your standard deduction, check here ►

Your social security number

Name(s) shown on Form 1040. Do not enter name and social security number if shown on other side.

		Schedule B—Interest and Ordinary Dividends		Attach Seque	nment ence N	o. <b>08</b>
Part I Interest	1	List name of payer. If any interest is from a seller-financed mortgage and the buyer used the property as a personal residence, see page B-1 and list this interest first. Also, show that buyer's social security number and address ▶		Amo	unt	
(See page B-1 and the instructions for Form 1040, line 8a.)			1	0		
Note. If you received a Form 1099-INT, Form 1099-OID, or substitute statement from a brokerage firm, list the firm's name as the						
payer and enter the total interest	0	Add the amounte on line 1	2			
shown on that form.		Add the amounts on line 1	3			
	_	Subtract line 3 from line 2. Enter the result here and on Form 1040, line 8a ▶	4			
	No	ote. If line 4 is over \$1,500, you must complete Part III.	4	Amo	unt	
Part II Ordinary Dividends	5	List name of payer ▶				
(See page B-1 and the instructions for Form 1040, line 9a.)						
Note. If you received a Form 1099-DIV or substitute statement from a brokerage firm, list the firm's name as the payer and enter the ordinary dividends shown on that form.			5			
	6	Add the amounts on line 5. Enter the total here and on Form 1040, line 9a .	6			
	No	ote. If line 6 is over \$1,500, you must complete Part III.		I		
Part III		must complete this part if you (a) had over \$1,500 of taxable interest or ordinary divide reign account; or (c) received a distribution from, or were a grantor of, or a transferor to,			Yes	No
Foreign Accounts and Trusts	7a	At any time during 2006, did you have an interest in or a signature or other authority account in a foreign country, such as a bank account, securities account, or other fir See page B-2 for exceptions and filing requirements for Form TD F 90-22.1.  If "Yes," enter the name of the foreign country	y over nancia	a financial		
(See page B-2.)	8	During 2006, did you receive a distribution from, or were you the grantor of, or foreign trust? If "Yes" you may have to file Form 3520. See page R-2	trans	feror to, a		

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

# Instructions for Schedule A, Itemized Deductions

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

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

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



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

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

### What's New

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

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

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

# Medical and Dental Expenses

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

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



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

vour deduction.

# Examples of Medical and Dental Payments You Can Deduct

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

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

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



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

Form(s) W-2.

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

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

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

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

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

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

# Examples of Medical and Dental Payments You Cannot Deduct

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



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

Medicare A coverage.

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

### Line 1

### Medical and Dental Expenses

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



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

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

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

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

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

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

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

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

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

### **Taxes You Paid**

### **Taxes You Cannot Deduct**

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

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

### Line 5



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

both.

### State and Local Income Taxes

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

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

Do not reduce your deduction by any:

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

### State and Local General Sales Taxes

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

#### **Actual Expenses**

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

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

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



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

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

#### **Optional Sales Tax Tables**

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

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

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



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

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

### Instructions for Line 5b Worksheet

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Keep for Your Records



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

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

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

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

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

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

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

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

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

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

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

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

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

### Line 6

### **Real Estate Taxes**

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

Do not include the following amounts on line 6.

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

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

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

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

### Line 7

### **Personal Property Taxes**

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

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

### Line 8

### Other Taxes

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



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

details.

### **Interest You Paid**

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

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

### Lines 10 and 11

### **Home Mortgage Interest**

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

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

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

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

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



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

Pub. 936.

### Line 10

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

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



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

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

#### Line 11

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

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

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

### Line 12

### Points Not Reported on Form 1098

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

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

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



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

### Line 13

### **Investment Interest**

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

Complete and attach Form 4952 to figure your deduction.

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

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



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

For more details, see Pub. 550.

### **Gifts to Charity**

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

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

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

### Examples of Qualified Charitable Organizations

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

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

### Contributions You Can Deduct

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

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

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

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

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

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

it does not have to describe or value the benefit.



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

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

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

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



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

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

### Contributions You Cannot Deduct

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

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

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

### Line 15a

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

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

### Line 15b

### **Qualified Contributions**

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

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

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

### Line 16

### Other Than by Cash or Check

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

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

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

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

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



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

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

### Line 17

### **Carryover From Prior Year**

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

# Casualty and Theft Losses

### Line 19

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

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

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

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



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

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

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

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

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

# Job Expenses and Certain Miscellaneous Deductions

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

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

### Examples of Expenses You Cannot Deduct

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

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

### Line 20

### Unreimbursed Employee Expenses

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

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

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

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



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

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



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

Examples of other expenses to include on line 20 are:

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

the Form 1040 instructions) or see Pub. 587.

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



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

### Line 21

### **Tax Preparation Fees**

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

## Line 22 Other Expenses

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

Examples of expenses to include on line 22 are:

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

# Other Miscellaneous Deductions

### Line 27

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

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

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

For more details, see Pub. 529.

# Total Itemized Deductions

### Line 28

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

### Line 29

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

### Itemized Deductions Worksheet—Line 28

Keep for Your Records



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

2005 Optional State and Certain Local Sales Tax Tables

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70,000 80,000	90,000	629 680 729	709 766 821	761 823 881	801 865 927	900 905	878 949 1016	544 588 631	621 671 720	672 726 778	710 768 823	742 802 860	787 850 911	653 704 753	763 822 880	902 064	894 964 1030	1015	1008 1086 1161	428 460 490	486 521 555	523 562 598	552 592 630	575 617 657	607 651 693	592 632 670	708 756 801	788 840 890	907 907		976 1040 1101
90,000 100,000 120,000	120,000	793 884	894 996	960 1069	1009	1050	1106 1232	687 766	784 874	848 945	897	937	992	819 910	956	1047	1119	1178	1260 1398	530 585	600 662	646 713	681 751	710 783	749 826	720 789	860	956	1031	1093	1182 1292
140,000	160,000	964	1086 1176	1165	1226		1343	836	953	1031		1138	1206	990	1155 1249	1265		1421	1520 1643	634 682	717 772	772 831	813 875	847 911	893 961	849	1012	1045 1124 1202	1212	1285	1388 1484
180,000 200.000	200,000 or more	1118 1495		1351 1807		1478 1976					1265 1694	1321 1769						1641 2176		727 952	822 1075	884 1155	931 1216		1023 1334			1273 1626			
Inc	ome	Idal				5.500		Illin	ois		6	.250	0%	Indiana <sup>2</sup>		6.0000%		low	a			5.000		Kan				.300	_		
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30,000 40,000		479 540	579 651	647 727	701 787	746 838	810 909	424 493	494 574	542 629	578 671	608 706	650 755	413 474	479 549	523 599	556 637	584 669	623 713	378 440	436 507	474 551	504 585	528 614	562 653	485 551	588 667	659 748	716 811	763 865	831 941
50,000 60,000	60,000 70,000	595 644	716 774	799 864	865 934	919 993	997 1077	556 615	648 715	709 783	756 835	795 878	850 938	529 580	612 671	668 731	710 777	745 815	794 869	496 548	572 631	622 687	660 729	692 764	736 813	611 665	738 803	827 899	897 975	956 1039	1040 1129
70,000 80,000	80,000 90,000	691 734	830 881	925	1000		1152	671 723	780 841	853 920	910 980	957 1031	1022 1101	628 673	726 777	791 846	841 900	882 944	939 1005	598 645	689 742	749 807	795 857	833 898	886 955	716 763	864	967 1030	1048 1116	1117	1214 1292
90,000	120,000	775 829	929 992	1105		1267		773 840	899 976		1137	1195		716 773	826 891	900 970	956 1030	1002	1067 1150	689 749	794 862	863 937		959 1042					1265	1347	
	160,000	967	1079 1155 1230	1200 1284 1366	1385	1375 1470 1563	1590	933 1015 1098	1178	1287	1261 1371 1482		1538	920 989	1059	1067 1152 1237	1223	1282	1264 1364 1464			1039 1130	1199	1155 1256 1358	1335	1020	1227	1276 1370 1463	1482	1577	1596 1712 1827
180,000	200,000	1089	1298	1441	1554	1648	1781	1173	1360	1486		1662	1774	1052	1210	1315	1395	1462 1892	1554	1044	1201	1305	1384	1450	1541	1155	1387		1674	1780	1931
200,000 Inc	ome		ntuc			3.000			isiar			.000		Ma		1705		5.000			1592 rylan	_		5.000		_		usetts	_	.000	
\$0	\$20,000	202	234	255	271	285	303	141	161	175	185	194	205	129	151	165	177	186	199	158	184	202	215	227	242	145	164	177	187	196	207
20,000 30,000 40,000	40,000	335 405 465	387 466 536	421 507 582	447 539 618	469 564 647	499 600 688	302 351	281 345 401	304 373 434	322 395 459	336 413 480	356 437 508	228 282 329	266 328 383	291 359 419	311 383 447	327 403 470	350 431 503	275 338 394	319 392 456	349 428 498	372 456 530	391 479 557	418 512 594	250 307 357	284 348 404	306 375 435	323 395 459	337 412 478	356 436 505
50,000 60,000	60,000	520 571	599 656	650 713	690 756	723 792	768 841	396 438	452 500	490 541	518 572	541 598	573 633	373 413	433 480	474 525	506 560	532 589	568 629	445 492	514 568	561 620	597 660	627 693	670 739	402 444	456 503	490 541	517 571	539 595	569 628
70,000 80,000	80,000	619 664	711 762	772 827	819 877	857 918	910 975	478 515	545 588	590 636	624 673	652 703	691 744	452 489	525 567	574 620	612 661	643 695	687 742	537 580	620 669	676 729	719 775	755 814	806 868	485 522	548 591	590 636	622 670	648 698	684 737
	100,000 120,000	707 763	811 876	880 950	933 1007	976 1053	1037 1118	551 598	629 683	680 739	719 781	751 816	796 864	524 570	608 662	664 723	708 770	744 809	794 864	620 674	715 777	779 846	829 900	870 944	927 1006	558 606	631 685	679 737	716 777	746 809	787 854
120,000	140,000 160,000	842	965		1108	1159	1230	664 723	758 825	820 892	867 943	905	959 1042	635 693	737 803	805 877	857 934	901 981	961 1048	749 816	863	939		1048	1116	673 732	760 827	818 889	861 936	897	946
	180,000 200,000	1043	1193	1216 1293	1369	1431	1518	782 835	892 953		1019 1088			751 805		1017		1137			1016 1086					791 845	893 954	960 1025	1011 1080		
200,000		_		1682							1443							1519			1444						-	1357			
	\$20,000	MIC 196	228	250	266	280	299	Min 184	210	228	242	253	269	MIS 347	418	ippi <sup>2</sup> 466	505	7.000 536	581	MIS 153	179	196	209	220		194	223	<b>ka</b> 242	256	268	285
20,000 30,000	30,000	340 417	395	431 528	460 563	483 591	515 631	323 398	369 455	400 493	424 522	443 546	470 579	558 666	669 797	745 887	805	855 1017	926	252 303	293 353	321 386	343 411	360 433		337 414	387 475	420 515	445 546	466 571	494 606
40,000 50,000		485 546	562 633	614 691	653 736	686 773	732 824	465 526	531 600	575 650	608 688	636 719	674 762	759 842		1010 1119		1156 1281		348 389	405 451	442 493	471 525	495 552	529 589	482 544	553 623	599 676	635 716	664 749	705 794
60,000 70,000	70,000 80,000	604 659	700 763	763 832	812 885	853 929	909 991	582 636	665 726	719 786	761 831	795 869	843 921	918 990	1097 1182	1219 1313	1315 1416	1395 1502	1508 1623	426 461	494 535	540 584	575 622	604 653	644 696	601 656	689 751	747 814	791 862	827 902	877 957
80,000 90,000	90,000 100,000	710 759	822 879	896 958		1001 1070		687 736	784 839	848 908	897 960	937 1003	993 1063			1401 1483		1601 1695	1730 1831	494 526	573 609	625 664	665 707	699 742	745 791	707 756	810 866	878 938	929 994	972 1039	
120,000	120,000 140,000		1058	1040 1154	1227		1371			1098	1044 1161	1213	1285	1319	1570		1877	1989		567 625	657 723	716 788	762 838	800 879	853 937		1044	1019 1131	1197	1252	1327
160,000	160,000 180,000	1077	1244	1254 1355	1441		1610	1052	1198	1295		1429	1514	1520	1807	2003	2157	2285	2466	676 726	781 839	851 914		1019	1011 1085	1073	1227	1230 1329	1407	1471	1560
200,000	200,000 or more			1447 1917																772 1005	891 1157				1152 1490						
																										-	Cont	inuea	l on r	200	A 11)

(Continued on page A-11)

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

2003 Optional State an								<del></del>											100												
Inco				xem	'		Over				ption		Over			xem	'		Over			xem			Over						
. At .	But less	1 No	2	3	4	5 500	5	Nev	2	3	2,4	5	5	1 No	2 •• M	3	4	5	5	1 No	2 " <b>Y</b> 0	3 rk	4	5	5	1 Nor	2 th Ca	3 rolin	4	.500	5
least \$0 \$	than \$20,000	213	246	269	286	300	320	178	202	217	229	239	253	184	<b>v M</b> e	231	246	5.000 257	274	140	N YO 163	7 <b>K</b>	189	198 198	211	152	IN Ga 179	197	211	222	239
20,000 30,000 40,000	30,000 40,000 50,000	368 451 525	426 521 605	464 568 659	493 603 700	517 633 734	550 673 781	314 388 453	356 440 514	384 474 554	405 500 584	422 521 609	446 551 643	321 393 458	369 453 527	401 492 572	426 522 607	446 547 636	475 582	246 302 352	284 349 406	309 380 442	329 404 470	345 423 493	367 451 525	262 321 372	307 375 435	337 412 478	361 441 511	380 464 538	408 497 576
50,000	60,000	592	682	742	789	827	880	513	582	627	661	689	728	516	594	645	685	717	762	397	459	499	530	556	592	419	490	537	574	605	648
60,000 70,000	70,000 80,000	654 713	753 821	820 893	871 949	912 994	971 1057	569 622	645 705	694 759	732 800	763 834	806 881	571 622	656 716	713 777	756 824	792 863		439 480	507 553	552 602	586 640	615 671	654 714	463 504	540 589	593 645	633 689	667 726	714 777
80,000 90,000	90,000 100,000	768 821	885 946		1022 1092	1071 1144	1139 1216	672 720	761 815	820 878	865 926	901 965	952 1019	671 717	771 824	838 895	888 950	930 994		518 554	597 638	650 695	690 738	723 774	770 823	543 580	634 677	695 742	742 792	781 834	835 892
	120,000 140,000		1027 1139	1116 1238			1320 1463	784 872	888 988		1008 1122		1109 1234	779 865	895 994	972 1079		1079 1197		602 669	694 771	755 838	802 890	840 933	894 993	629 698	734 813	804 891	859 951	904 1001	966 1070
140,000		1077 1164	1239	1346 1454	1428	1496			1077	1160	1222 1324	1274		941	1080 1168	1173	1243	1302 1406	1382	728 788	839 907	912	969		1080 1168	758 819	884 954	968	1033	1086	1161
180,000 2	200,000	1244	1430	1553	1647	1725	1833	1103	1249	1344	1417	1476	1559	1087	1247	1354	1435	1502	1595	842	970	1054	1119	1173	1248	875	1018	1115	1189	1251	1337
200,000 oi				2056			-			1795	1892				1653					_	1288					_		1472			
Inco				ako		5.000		Ohi		050		5.750			ahoı			4.500			nsy			3.000				slan		.000	
20,000	\$20,000 30,000	163 281	191 328	210 360 441	225 385	237 406 496	254 435	204 351	236 405 495	258 441 539	274 469 573	288 492 600	306 524	205 333 399	246 398 477	274 443 530	297 478	315 508 606	549	176 307	201 352	219 381	232 404 496	242 423 519	257 449 551	352 400	230 402 494	249 435 534	264 460 565	276 481	293 510
30,000 40,000	40,000 50,000	345 401	402 467	511	471 546	575	531 616	429 497	574	624	663	695	639 740	457	544	604	571 651	691	655 747	378 440	432 503	468 545	578	604	641	433 504	575	622	658	591 687	626 728
50,000 60,000	60,000 70,000	452 499	526 581	576 635	615 678	647 714	693 764	559 617	645 711	702 774	746 822	782 862	832 917	509 556	605 661	672 733	724 790	767 837	829 904	497 549	568 628	616 681	652 721	682 754	723 800	570 631	650 719	702 777	743 821	776 858	822 909
70,000 80,000	80,000 90,000	545 587	633 682	692 746	739 795	777 837	831 895	672 723	774 833	842 906	895 962	938 1009	997 1073	601 643	714 763	791 846	852 910	903 964		600 647	686 740	743 801	786 848	822 887	872 941	689 744	785 847	848 915	896 967	936 1010	991 1069
90,000	100,000	628 682	729 791	797 864	850 922	894 969	955 1036	772 838	890 964		1027 1113			683 736	810 872	897		1022 1099		692 752	791 860	857 931	907 985	948 1030	1006 1093	796 865	906 985	979 1064		1080	
120,000 · 140,000 ·	140,000	757	877		1022	1074	1148	928	1068	1161	1232 1337	1291	1373	809	957	1058 1140	1138	1205	1299	836	955	1033	1094	1144		962	1095	1182 1287	1249	1304	1380
160,000	180,000		1031	1125 1202	1199	1260	1346	1088		1360	1443	1512	1607		1106 1174	1222	1313	1389	1497		1124 1201	1216	1287	1345	1427 1524	1135	1290	1392 1488	1470	1535	1624
200,000 o				1590				1531						ı	1513						1594					ı		1979			
Inco	me	Sou	th Ca	rolin	a 5	5.000	00%	Sou	ıth D	ako	ta 4	1.000	00%	Ter	nes	see	7	7.000	00%	Tex	as		6	3.250	00%	Uta	h		4	.750	0%
\$0 S	\$20,000	235 374	288 456	324 512	353 557	378 595	412 648	199 320	240 385	269 430	291 466	310 495	337 537	322 525	386 627	430 697	465 752	494 798		216 377	250 436	273 475	291 505	305 530	325 565	232 371	282 448	315 501	342 543	365 578	397 627
30,000 40,000	40,000 50,000	445 506	541 614	608 689	660 749	705 799	768 870	382 436	460 523	513 583	554 631	589 670	639 726	629 719	751 858	835	900	954	1032	464 540	536 624	584 679	621 722	651 757	693 806	442 503	533 606	595 676	645 732	686 778	744 844
50,000	60,000	561	680	763	828	883	961	484	581	647	699	743	804	801	955	1059	1142	1210	1307	610	704	767	815	854	909	558	671	749	810	861	934
60,000 70,000	70,000 80,000	611 658	740 796	829 892		1032		528 570	633 682	705 760	761 820	809 871	876 943		1126	1249	1345		1539	674 736	778 849	847 924			1005 1096	608 655	730 787	815 877		937 1008	1092
80,000 90,000	90,000 100,000	702 744	849 899			1099 1162	1195 1263	608 645	728 771	810 858	875 927	929 984	1006 1065		1203 1277	1334 1416		1522 1614		794 849	916 979	997 1066			1181 1263	699 741	839 888			1073 1136	1163 1230
	120,000 140,000	798 874		1079 1179			1353 1477	693 759	829 907	922 1009		1056 1155			1374 1508						1064 1181				1372 1523	795 871	953 1042	1061 1160			
140,000 160,000	160,000	940	1133	1266 1353	1371			817	976 1044	1085 1160	1170		1342	1369	1625 1741	1799	1935	2049	2209	1115	1285 1390	1398	1485	1556	1656 1790	936	1120	1246 1332	1345	1428	1546
180,000 2	200,000	1066	1282	1432	1550	1649	1789	928	1106	1229	1325	1405	1519	1558	1847	2044	2198	2326	2507	1289	1485	1615	1715	1798	1912	1061	1268	1409	1521	1614	1746
200,000 or			mon	1824		3.000			inia	E	1691	1792 5.000			2376	_		2985			1972 <b>st Vi</b>			3.000			con	1795		.000	
so_s	\$20,000	116	130	139	146	152	160	168	196	214		240	256	229	shin 266	291	310	325		299	358	399	432	458	496	177	203	220	233	244	259
20,000 30,000 40,000	30,000 40,000 50,000	216 273 323	243 306 363	260 327 388	273 344 408	284 357 424	298 376 446	278 336 386	323 389 446	352 424 487	375 451 518	394 474 543	420 505 579	395 484 562	458 560 650	500 611 709	532 650 754	559 683 792	596 728	480 573 653	574 684 779	639 760 865	689 820 933	731 870 989	791 940 1068	308 379 441	353 434 505	383 470 547	406 498 579	424 521 606	450 552 642
50,000	60,000	370	415	445	467	485	511	431	498	543	578	606	646	633	732	798	849	891	949	724	864	959	1034	1096	1183	498	570	617	653	683	724
60,000 70,000	70,000 80,000	414 457	465 513	498 549	523 576	543 599	571 630	473 512	546 592	595 644	633 685	664 718	707 765	698 761	808 880	959		1069			1015		1212	1285	1288	550 600	630 687	682 744	722 787	755 823	800 873
80,000 90,000	90,000 100,000	497 536	558 601	597 644	627 676	652 703	686 739	549 585	634 674	690 734	733 780	769 817	819 870	820 876		1032 1102		1151 1229			1083 1147			1370 1450	1479 1565	647 692	741 792	802 857	849 907	887 949	941 1005
100,000 120,000		589 662	660 742	707 795	742 835	771 867	811 912	631 696	728 802	792 872	841 926	882 970	938 1032		1097 1216	1195 1324		1333 1476			1232 1348				1679 1836	752 835	860 955	931 1034		1030 1143	
140,000 160,000		728 794	816 891	874 954	917 1001	953 1040	1003 1094	753 810	867 932		1000 1074				1321 1426						1450 1552							1124 1216		1243 1344	
180,000 2	200,000	856		1027	1079	1121	1179	862						ı	1522					1386	1644	1819	1956	2070	2231	ı		1299			
200,000 or			omir	1410		4.000	-	1124	1290	1399	1403	1552	1049	1744	2009	2100	2322	2434	2390	1777	2102	2323	2490	2040	2043	1393	1592	1722	1022	1903	2016
	\$20,000	195	236	264	287	305	332	2										es tax	rate ir	n addi	tion to	the 6	.25%	state	sales	tax ra	te.				
20,000 30,000	30,000 40,000		377	421 501	456 542	485 577	527 626	3 T	nis sti he Ne	ate do evada	es no table i	nclud	es the	ai gen 2.259	eral sa % unif	aies ta orm lo	x. cal sa	ales ta	x rate	in add	dition 1	to the	4.25%	6 state	e sale	s tax r	ate.				
40,000	50,000	0 424 510 569 616 655 711 4 Residents of Salem County, NJ should deduct only half of the amount in the state table.																													
50,000 60,000	60,000 70,000	470 513	565 616	631 687	682 742	725 789	786 855	"	ile Sta	ale an	и юса	, gene	ıaı Sâ	පෙ (8)	co are	- com	onied	iii the	virgin	на (ар	16.										
70,000 80,000	90,000	553 590	663 707	739 788	799 852	905 905	920 981																								
	100,000 120,000	625 671	749 804	835 896	902 967		1038 1113																								
120,000 140,000	140,000	735 791	880 946		1058	1123	1216																								
160,000 180,000	180,000	847	1012	1125 1191	1215	1289	1395																								
200,000 oi				1519																											

Which Optional Local Sales Tax Table Should I Use?

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

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

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

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

# Instructions for Schedule B, Interest and Ordinary Dividends

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

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



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

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

### Part I. Interest

### Line 1

### Interest

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

### Special Rules

#### Seller-Financed Mortgages

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

#### **Nominees**

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



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

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

#### **Accrued Interest**

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

### **Tax-Exempt Interest**

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

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

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

#### **Amortizable Bond Premium**

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

### Line 3

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

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

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

# Part II. Ordinary Dividends



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

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

### Line 5

### **Ordinary Dividends**

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

#### **Nominees**

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



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

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

# Part III. Foreign Accounts and Trusts

# Lines 7a and 7b Foreign Accounts

#### Line 7a

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

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



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

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

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

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

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

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



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

cases).

### Line 7b

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

### Line 8

### **Foreign Trusts**

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

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