

U.S. Income Tax Return for Certain Nonresident Aliens With No Dependents

2006

Department of the Treasury
Internal Revenue Service

Please print or type.	Your first name and initial		Last name		Identifying number (see page 4)	
	Present home address (number, street, and apt. no., or rural route). If a P.O. box, see page 4.					
	City, town or post office, state, and ZIP code. If a foreign address, see page 4.					
	Country ▶					
	Of what country were you a citizen or national during 2006? ▶					
	Give address outside the United States to which you want any refund check mailed. If same as above, write "Same."			Give address in the country where you are a permanent resident . If same as above, write "Same."		

Filing status (see page 4). Check only one box.

1 Single nonresident alien

2 Married nonresident alien

Attach Form(s) W-2 here. Also attach Form(s) 1099-R if tax was withheld.	3 Wages, salaries, tips, etc. Attach Form(s) W-2 (see page 4)	3		
	4 Taxable refunds, credits, or offsets of state and local income taxes (see page 5)	4		
	5 Scholarship and fellowship grants. Attach explanation (see page 5)	5		
	6 Total wages and scholarships exempt by a treaty from page 2, Item J	6		
	7 Add lines 3, 4, and 5	7		
	8 Scholarship and fellowship grants excluded (see page 6)	8		
	9 Student loan interest deduction (see page 6)	9		
	10 Adjusted gross income. Subtract the sum of line 8 and line 9 from line 7	10		
	11 Itemized deductions (see page 6)	11		
	12 Subtract line 11 from line 10	12		
	13 Exemption deduction (see page 6)	13		
	14 Taxable income. Subtract line 13 from line 12	14		
	15 Tax. Find your tax in the Tax Table on pages 12–20	15		
	16 Social security and Medicare tax on tip income not reported to employer. Attach Form 4137	16		
	17 Add lines 15 and 16. This is your total tax	17		
	18 Federal income tax withheld (from Form W-2, 1042-S, and 1099-R)	18		
	19 2006 estimated tax payments and amount applied from 2005 return	19		
	20 Credit for amount paid with Form 1040-C	20		
	21 Credit for federal telephone excise tax paid. Attach Form 8913 if required.	21		
	22 Add lines 18 through 21. These are your total payments	22		

Refund	23 If line 22 is more than line 17, subtract line 17 from line 22. This is the amount you overpaid	23	
	24a Amount of line 23 you want refunded to you . If Form 8888 is attached, check here <input type="checkbox"/>	24a	
Direct deposit? See page 7 and fill in 24b, 24c, and 24d.	b Routing number	c Type: <input type="checkbox"/> Checking <input type="checkbox"/> Savings	
	d Account number		
25 Amount of line 23 you want applied to your 2007 estimated tax	25		
Amount You Owe	26 Amount you owe. Subtract line 22 from line 17. For details on how to pay, see page 8	26	
	27 Estimated tax penalty (see page 8). Also include on line 26	27	

Third Party Designee

Do you want to allow another person to discuss this return with the IRS (see page 9)? **Yes**. Complete the following. **No**

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

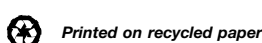
Sign Here

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 accurately list all amounts and sources of U.S. source income I received during the tax year. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

Keep a copy of this return for your records.	Your signature ▶	Date	Your occupation in the United States	
	Preparer's signature ▶	Date	Check if self-employed <input type="checkbox"/>	Preparer's SSN or PTIN
Paid Preparer's Use Only	Firm's name (or yours if self-employed), address, and ZIP code ▶	EIN		
		Phone no.	()	

Other Information (If an item does not apply to you, enter "N/A.")

- A** What country issued your passport?
- B** Were you ever a U.S. citizen? **Yes** **No**
- C** Give the purpose of your visit to the United States ▶
.....
.....
- D** Type of entry visa ▶
and current nonimmigrant status and date of change ▶
- E** Date you entered the United States (see page 9) ▶
- F** Did you give up your permanent residence as an immigrant in the United States this year? **Yes** **No**
- G** Dates you entered and left the United States during the year. Residents of Canada or Mexico entering and leaving the United States at frequent intervals, give name of country only. ▶
.....
.....
.....
.....
- H** Give number of days (including vacation and nonworkdays) you were present in the United States during 2004, 2005, and 2006
- I** Did you file a U.S. income tax return for any year before 2006? **Yes** **No**
If "Yes," give the latest year and form number ▶
- J** If you are claiming the benefits of a U.S. income tax treaty with a foreign country, give the following information. See page 9 for additional information.
 - Country ▶
 - Type and amount of income exempt from tax and the applicable tax treaty article. Enter treaty-exempt income for 2006 below and on line 6; not on line 3 or 5.
For 2006 ▶
.....
.....
.....
For 2005 ▶
.....
.....
 - Were you subject to tax in that country on any of the income that you claim is entitled to the treaty benefits? **Yes** **No**
- K** During 2006, did you apply for, or take any affirmative steps to apply for, lawful permanent resident status in the United States or have an application pending to adjust your status to that of a lawful permanent resident of the United States? **Yes** **No**
If "Yes," explain ▶
.....



2005



Department of the Treasury
Internal Revenue Service

Instructions for Form 1040NR-EZ

U.S. Income Tax Return for Certain Nonresident Aliens With No Dependents

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

Can I Use Form 1040NR-EZ?

You can use Form 1040NR-EZ instead of Form 1040NR if all 11 of the following apply.

1. You do not claim any dependents.
2. You cannot be claimed as a dependent on another person's U.S. tax return (such as your parent's return).
3. Your only U.S. source income was from wages, salaries, tips, taxable refunds of state and local income taxes, and scholarship or fellowship grants.

Note. If you had taxable interest or dividend income, you cannot use this form.

4. Your taxable income (line 14 of Form 1040NR-EZ) is less than \$100,000.
5. The only adjustments to income you can claim are the exclusion for scholarship and fellowship grants or the student loan interest deduction.
6. You do not claim any tax credits.
7. If you were married, you do not claim an exemption for your spouse.
8. The only itemized deduction you can claim is for state and local income taxes.

Note. Residents of India who were students or business apprentices may be able to take the standard deduction instead of the itemized deduction for state and local income taxes. See the instructions for line 11 on page 6.

9. This is not an "expatriation return." See the Instructions for Form 1040NR for more information.
10. The only taxes you owe are:
 - a. The tax from the Tax Table on pages 12 through 20.
 - b. The social security and Medicare tax on tip income not reported to your employer.
11. You do not claim a credit for excess social security and tier 1 RRSA tax withheld.

General Instructions

What's New for 2005

Hurricane tax relief. Emergency tax relief was enacted as a result of Hurricanes Katrina, Rita, and Wilma. The tax benefits provided by this relief include the following.

- Suspended limits for certain personal casualty losses and cash contributions.
- An additional exemption amount if you provided housing for a person displaced by Hurricane Katrina.
- Election to use your 2004 earned income to figure your additional child tax credit.
- Increased standard mileage rate for using your vehicle for volunteer work related to Hurricane Katrina.
- Special rules for time and support tests for people who were temporarily relocated because of Hurricanes Katrina, Rita, and Wilma.
- Special rules for withdrawals and loans from IRAs and other qualified retirement plans.

You must use Form 1040NR to claim any of these benefits.

For more details on these and other tax benefits related to Hurricanes Katrina, Rita, and Wilma, see Pub. 4492, Information for Taxpayers Affected by Hurricanes Katrina, Rita, and Wilma.

Residents of Japan. Beginning in 2005, single filing status (box 1) is generally not available to residents of Japan who were married, have a child, and did not live with their spouse. This is because the new U.S.-Japan income tax treaty, which became effective on January 1, 2005, does not allow this filing status. However, if you elect to have the old U.S.-Japan income tax treaty apply in its entirety for 2005, you may be able to claim single filing status on your 2005 Form 1040NR-EZ.

What's New for 2006

New exception from the filing requirement for nonresident alien individuals. Generally, the requirement to file a return has been eliminated for nonresident aliens who earn wages effectively connected with a U.S. trade or business that are less

than the amount of one personal exemption (\$3,300 for 2006). For more information, see Notice 2005-77, 2005-46 I.R.B. 951. You can find Notice 2005-77 on page 951 of Internal Revenue Bulletin 2005-46 at www.irs.gov/pub/irs-irbs/irb05-46.pdf.

Personal exemption and itemized deduction phaseouts reduced. The phaseouts of the personal exemptions and itemized deductions will be reduced by $\frac{1}{3}$.

Other Reporting Requirements

If you meet the closer connection to a foreign country exception to the substantial presence test, you must file Form 8840. If you exclude days of presence in the United States for purposes of the substantial presence test, you must file Form 8843. This rule does not apply to foreign-government-related individuals who exclude days of presence in the United States. Certain dual-resident taxpayers who claim tax treaty benefits must file Form 8833. A dual-resident taxpayer is one who is a resident of both the United States and another country under each country's tax laws.

Additional Information

If you need more information, our free publications may help you. Pub. 519, U.S. Tax Guide for Aliens, will be the most important, but the following publications may also help.

- Pub. 552 Recordkeeping for Individuals
- Pub. 597 Information on the United States-Canada Income Tax Treaty
- Pub. 901 U.S. Tax Treaties
- Pub. 910 Guide to Free Tax Services (includes a list of all publications)

These free publications and the forms and schedules you will need are available on request from the Internal Revenue Service. You may download them from the IRS website at www.irs.gov. Also see *Taxpayer Assistance* on page 10 for other ways to get them (as well as information on

receiving IRS assistance in completing the forms).

Resident Alien or Nonresident Alien

If you are not a citizen of the United States, specific rules apply to determine if you are a resident alien or a nonresident alien for tax purposes. Generally, you are considered a resident alien if you meet either the green card test or the substantial presence test for 2005. (These tests are explained below.) Even if you do not meet either of these tests, you may be able to choose to be treated as a U.S. resident for part of 2005. See *First-Year Choice* in Pub. 519 for details.

You are generally considered a nonresident alien for the year if you are not a U.S. resident under either of these tests. However, even if you are a U.S. resident under one of these tests, you may still be considered a nonresident alien if you qualify as a resident of a treaty country within the meaning of the tax treaty between the United States and that country. You can download the complete text of most U.S. treaties at www.irs.gov. Technical explanations for many of those treaties are also available at that site.

For more details on resident and nonresident status, the tests for residence and the exceptions to them, see Pub. 519.

Green Card Test

You are a resident for tax purposes if you were a lawful permanent resident (immigrant) of the United States at any time during 2005.

Substantial Presence Test

You are considered a U.S. resident if you meet the substantial presence test for 2005. You meet this test if you were physically present in the United States for at least:

1. 31 days during 2005, and
2. 183 days during the period 2005, 2004, and 2003, counting all the days of physical presence in 2005, but only $\frac{1}{3}$ the number of days of presence in 2004 and only $\frac{1}{6}$ the number of days in 2003.

Generally, you are treated as present in the United States on any day that you are physically present in the country at any time during the day. However, there are exceptions to this rule. Generally, do not count the following as days of presence in the United States for the substantial presence test.

- Days you commute to work in the United States from a residence in Canada or Mexico if you regularly commute from Canada or Mexico.

- Days you are in the United States for less than 24 hours when you are in transit between two places outside the United States.
- Days you are in the United States as a crew member of a foreign vessel.
- Days you intend, but are unable, to leave the United States because of a medical condition that arose while you were in the United States.
- Days you are an exempt individual (defined below).

Exempt individual. For these purposes, an exempt individual is generally an individual who is a:

- Foreign-government-related individual,
- Teacher or trainee,
- Student, or
- Professional athlete who is temporarily in the United States to compete in a charitable sports event.

Note. Alien individuals with “Q” visas are treated as either students, teachers, or trainees and, as such, are exempt individuals for purposes of the substantial presence test if they otherwise qualify. “Q” visas are issued to aliens participating in certain international cultural exchange programs.

See Pub. 519 for more details regarding days of presence in the United States for the substantial presence test.

Closer Connection to Foreign Country

Even though you would otherwise meet the substantial presence test, you can be treated as a nonresident alien if you:

- Were present in the United States for fewer than 183 days during 2005,
- Establish that during 2005 you had a tax home in a foreign country, and
- Establish that during 2005 you had a closer connection to one foreign country in which you had a tax home than to the United States unless you had a closer connection to two foreign countries. See Pub. 519 for more information.

Who Must File

File Form 1040NR-EZ (or Form 1040NR) if you were a nonresident alien engaged in a trade or business in the United States during 2005. You must file even if—

- None of your income came from a trade or business conducted in the United States,
- You have no income from U.S. sources, or
- Your income is exempt from U.S. tax.

Exception. If you were a nonresident alien student, teacher, or trainee who was temporarily present in the United States under an “F,” “J,” “M,” or “Q” visa, you must file Form

1040NR-EZ (or Form 1040NR) only if you have income (such as wages, salaries, tips, etc. or scholarship and fellowship grants) that is subject to tax under section 871.

When To File

If you were an employee and received wages subject to U.S. income tax withholding, file Form 1040NR-EZ by April 17, 2006.

If you did not receive wages as an employee subject to U.S. income tax withholding, file Form 1040NR-EZ by June 15, 2006.

Extension of time to file. If you cannot file your return by the due date, you should file Form 4868. You must file Form 4868 by the regular due date of the return.

If you did not receive wages as an employee subject to U.S. income tax withholding, and your return is due June 15, 2006, enter “1040NR-EZ-No Withholding” in the left margin of Form 4868.

Note. Form 4868 does not extend the time to pay your income tax. The tax is due by the regular due date of the return.

Where To File

File Form 1040NR-EZ with the Internal Revenue Service Center, Philadelphia, PA 19255, U.S.A.

Private Delivery Services

You can use certain private delivery services designated by the IRS to meet the “timely mailing as timely filing/paying” rule for tax returns and payments. The list includes only the following:

- DHL Express (DHL): DHL Same Day Service, DHL Next Day 10:30 am, DHL Next Day 12:00 pm, DHL Next Day 3:00 pm, and DHL 2nd Day Service.
- Federal Express (FedEx): FedEx Priority Overnight, FedEx Standard Overnight, FedEx 2Day, FedEx International Priority, and FedEx International First.
- United Parcel Service (UPS): UPS Next Day Air, UPS Next Day Air Saver, UPS 2nd Day Air, UPS 2nd Day Air A.M., UPS Worldwide Express Plus, and UPS Worldwide Express.

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



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

Election To Be Taxed as a Resident Alien

You can elect to be taxed as a U.S. resident for the whole year if all of the following apply.

- You were married.

- Your spouse was a U.S. citizen or resident alien on the last day of the tax year.
- You file a joint return for the year of the election using Form 1040, 1040A, or 1040EZ.

To make this election, you must attach the statement described in Pub. 519 to your return. Do not use Form 1040NR-EZ.

Your worldwide income for the whole year must be included and will be taxed under U.S. tax laws. You must agree to keep the records, books, and other information needed to figure the tax. If you made the election in an earlier year, you can file a joint return or separate return for 2005. If you file a separate return, use Form 1040 or Form 1040A. Your worldwide income for the whole year must be included whether you file a joint or separate return.



Nonresident aliens who make this election may forfeit the right to claim benefits otherwise available under a U.S. tax treaty. For more details, see the specific treaty.

Dual-Status Taxpayers

Note. If you elect to be taxed as a resident alien (discussed above), the special instructions and restrictions discussed here do not apply.

Dual-Status Tax Year

A dual-status year is one in which you change status between nonresident and resident alien. Different U.S. income tax rules apply to each status.

Most dual-status years are the years of arrival or departure. Before you arrive in the United States, you are a nonresident alien. After you arrive, you may or may not be a resident, depending on the circumstances.

If you become a U.S. resident, you stay a resident until you leave the United States. You may become a nonresident alien when you leave, if, after leaving (or after your last day of lawful permanent residency if you met the green card test) and for the remainder of the calendar year of your departure, you have a closer connection to a foreign country than to the United States, and, during the next calendar year, you are not a U.S. resident under either the green card test or the substantial presence test. See Pub. 519.

What and Where To File for a Dual-Status Year

If you were a U.S. resident on the last day of the tax year, file Form 1040. Enter "Dual-Status Return" across the top and attach a statement showing your income for the part of the year you were a nonresident. You can use Form 1040NR-EZ as the statement;

enter "Dual-Status Statement" across the top. File your return and statement with the Internal Revenue Service Center, Philadelphia, PA 19255, U.S.A.

If you were a nonresident on the last day of the tax year, file Form 1040NR-EZ. Enter "Dual-Status Return" across the top and attach a statement showing your income for the part of the year you were a U.S. resident. You may use Form 1040 as the statement; enter "Dual-Status Statement" across the top. File your return and statement with the Internal Revenue Service Center, Philadelphia, PA 19255, U.S.A.

Statements. Any statement you file with your return must show your name, address, and identifying number (see page 4).

Income Subject to Tax for Dual-Status Year

As a dual-status taxpayer not filing a joint return, you are taxed on income from all sources for the part of the year you were a resident alien. Generally, you are taxed on income only from U.S. sources for the part of the year you were a nonresident alien. However, all income that is considered to be effectively connected with the conduct of a trade or business in the United States is taxable.

Income you received as a dual-status taxpayer from sources outside the United States while a resident alien is taxable even if you became a nonresident alien after receiving it and before the close of the tax year. Conversely, income you received from sources outside the United States while a nonresident alien is not taxable in most cases even if you became a resident alien after receiving it and before the close of the tax year. Income from U.S. sources is taxable whether you received it while a nonresident alien or a resident alien.

Restrictions for Dual-Status Taxpayers

Standard deduction. You cannot take the standard deduction.

Head of household. You cannot use the Head of Household Tax Table column or Section D of the Tax Computation Worksheet.

Joint return. You cannot file a joint return unless you elect to be taxed as a resident alien (see *Election To Be Taxed as a Resident Alien* starting on page 2) in lieu of these dual-status taxpayer rules.

Tax rates. If you were married and a nonresident of the United States for all or part of the tax year and you do not make the election to be taxed as a resident alien as discussed on this page, you must use the Married filing separately column in the Tax Table to

figure your tax on income that is considered to be effectively connected with a U.S. trade or business. If married, you cannot use the Single Tax Table column.

Deduction for exemptions. As a dual-status taxpayer, you usually will be entitled to your own personal exemption. Subject to the general rules for qualification, you are allowed exemptions for your spouse in figuring taxable income for the part of the year you were a resident alien. The amount you can claim for these exemptions is limited to your taxable income (determined without regard to exemptions) for the part of the year you were a resident alien. You cannot use exemptions (other than your own) to reduce taxable income to below zero for that period.

Tax credits. You cannot take the earned income credit, the credit for the elderly or disabled, or an education credit unless you elect to be taxed as a resident alien (see *Election To Be Taxed as a Resident Alien* starting on page 2) in lieu of these dual-status taxpayer rules. For information on other credits, see chapter 6 of Pub. 519.

How To Figure Tax for Dual-Status Tax Year

When you figure your U.S. tax for a dual-status year, you are subject to different rules for the part of the year you were a resident and the part of the year you were a nonresident.

All income for the period of residence and all income that is considered to be effectively connected with a trade or business in the United States for the period of nonresidence, after allowable deductions, is combined and taxed at the same rates that apply to U.S. citizens and residents.

Credit for taxes paid. You are allowed a credit against your U.S. income tax liability for certain taxes you paid, are considered to have paid, or that were withheld from your income. These include:

1. Tax withheld from wages earned in the United States and taxes withheld at the source from scholarship income from U.S. sources.

When filing Form 1040, show the total tax withheld on line 64. Enter amounts from the attached statement (Form 1040NR-EZ, line 18) to the right of line 64 and identify and include in the amount on line 64.

When filing Form 1040NR-EZ, show the total tax withheld on line 18. Enter the amount from the attached statement (Form 1040, line 64) to the right of line 18 and identify and include in the amount on line 18.

2. Estimated tax paid with Form 1040-ES or Form 1040-ES (NR).
3. Tax paid with Form 1040-C at the time of departure from the United States. When filing Form 1040, include the tax paid with Form 1040-C with the total payments on line 71. Identify the payment in the area to the left of the entry.

Line Instructions for Form 1040NR-EZ

Identifying Number and Address

Identifying number. You are generally required to enter your social security number (SSN). To apply for this number, get Form SS-5, Application for a Social Security Card, from your local Social Security Administration (SSA) office or call the SSA at 1-800-772-1213. You can also download Form SS-5 from the SSA's website at www.socialsecurity.gov/online/ss-5.html. You must visit an SSA office in person and submit your Form SS-5 along with original documentation showing your age, identity, immigration status, and authority to work in the United States. If you are an F-1 or M-1 student, you must also show your Form I-20. If you are a J-1 exchange visitor, you will also need to show your Form DS-2019. Generally, you will receive your card about 2 weeks after the SSA has all of the necessary information.

If you do not have an SSN and are not eligible to get one, you must get an individual taxpayer identification number (ITIN). For details on how to do so, see Form W-7 and its instructions. It usually takes about 4-6 weeks to get an ITIN. If you already have an ITIN, enter it wherever your SSN is requested on your tax return.

Note. An ITIN is for tax use only. It does not entitle you to social security benefits or change your employment or immigration status under U.S. law.

An incorrect or missing identifying number may increase your tax or reduce your refund.

P.O. box. Enter your box number only if your post office does not deliver mail to your home.

Foreign address. Enter the information in the following order: City, province or state, and country. Follow the country's practice for entering the postal code. Do not abbreviate the country name.

Filing Status

Lines 1 and 2. The amount of your tax depends on your filing status. Before you decide which box to check, read the following explanation.

Were you single or married? If you were married on December 31, consider yourself married for the whole year. If you were single, divorced, or legally separated under a decree of divorce or separate maintenance on December 31, consider yourself single for the whole year. If you meet the tests described below under *Married persons who live apart*, you may consider yourself single for the whole year.

If your spouse died in 2005, consider yourself married to that spouse for the whole year, unless you remarried before the end of 2005.

Married persons who live apart. Some married persons who have a child and who do not live with their spouse may file as single. If you meet all five of the following tests and you are a married resident of Canada, Mexico, the Republic of Korea (South Korea), or you are a married U.S. national, check the box on line 1. If you meet the tests below and you are a married resident of Japan electing to have the old U.S.-Japan income tax treaty apply in its entirety for 2005, check the box on line 1. You must also enter "Japan-Article 30" in the entry space for Item J, Country, on page 2.

1. You file a return separate from your spouse.
2. You paid more than half of the cost to keep up your home in 2005.
3. You lived apart from your spouse during the last six months of 2005.
4. Your home was the main home of your child, stepchild, or foster child for more than half of 2005. Temporary absences, such as for school, vacation, or medical care, count as time lived in the home.
5. You are able to claim a dependency exemption for the child (on Form 1040NR) or the child's other parent claims him or her as a dependent under the rules for children of divorced or separated parents. See Form 8332, Release of Claim to Exemption for Child of Divorced or Separated Parents.

Adopted child. An adopted child is always treated as your own child. An adopted child includes a child lawfully placed with you for legal adoption.

Foster child. A foster child is any child placed with you by an authorized placement agency, or by judgment, decree, or other order of any court of competent jurisdiction.

Rounding Off to Whole Dollars

You may round off cents to whole dollars on your return. If you do round to whole dollars, you must round all amounts. To round, drop amounts under 50 cents and increase amounts from 50 to 99 cents to the next dollar. For example, \$1.39 becomes \$1 and \$2.50 becomes \$3.

If you have to add two or more amounts to figure the amount to enter on a line, include cents when adding the amounts and round off only the total.

Taxable Income

Line 3—Wages, salaries, tips, etc. Enter the total of your effectively connected wages, salaries, tips, etc. For most people, the amount to enter on this line should be shown in their Form(s) W-2, box 1. However, do not include on line 3 amounts exempted under a tax treaty. Instead, include these amounts on line 6 and complete item J on page 2 of Form 1040NR-EZ.

- Also include on line 3:
- Wages received as a household employee for which you did not receive a Form W-2 because your employer paid you less than \$1,400 in 2005. Also, enter "HSH" and the amount not reported on a Form W-2 on the dotted line next to line 3.
 - Tip income you did not report to your employer. Also include allocated tips shown on your Form(s) W-2 unless you can prove that you received less. Allocated tips should be shown in your Form(s) W-2, box 8. They are not included as income in box 1. See Pub. 531 for more details.



You may owe social security and Medicare tax on unreported or allocated tips. See the instructions for line 16 on page 7.

- Disability pensions shown on Form 1099-R if you have not reached the minimum retirement age set by your employer.

Note. You must use Form 1040NR to report disability pensions received after you reach your employer's minimum retirement age and other payments shown on Form 1099-R.

Missing or incorrect Form W-2. Your employer is required to provide or send Form W-2 to you no later than January 31, 2006. If you do not receive it by early February, ask your employer for it. Even if you do not get a Form W-2, you must still report your earnings on line 3. If you lose your Form W-2 or it is incorrect, ask your employer for a new one.

Dependent care benefits. If you received benefits for 2005 under your employer's dependent care plan, you must use Form 1040NR. The benefits should be shown in your Form(s) W-2, box 10.

Adoption benefits. If you received employer-provided adoption benefits for 2005, you must use Form 1040NR. The benefits should be shown in your Form(s) W-2, box 12, with code T.

Tax-exempt interest. Certain types of interest income from investments in state and municipal bonds and similar instruments are not taxed by the United States. If you received such tax-exempt interest income, enter "TEI" and the amount of your tax-exempt interest on the dotted line next to line 3. Include any exempt-interest dividends from a mutual fund or other regulated investment company. But do not include interest earned on your IRA or Coverdell education savings account, or interest from a U.S. bank, savings and loan association, credit union, or similar institution (or from certain deposits with U.S. insurance companies) that is exempt from tax under a tax treaty or under section 871(i) because the interest is not effectively connected with a U.S. trade or business. Do not add any tax-exempt interest to your line 3 total.

Line 4—Taxable refunds, credits, or offsets of state and local income taxes. If you received a refund, credit, or offset of state or local income taxes in 2005, you may receive a Form 1099-G. If you chose to apply part or all of the refund to your 2005 estimated state or local income tax, the amount applied is treated as received in 2005.

For details on how to figure the amount you must report as income, see *Recoveries* in Pub. 525.

Line 5—Scholarship and fellowship grants. If you received a scholarship or fellowship, part or all of it may be taxable.

If you were a degree candidate, the amounts you used for expenses other than tuition and course-related expenses (fees, books, supplies, and equipment) are generally taxable. For example, amounts used for room, board, and travel are generally taxable.

If you were not a degree candidate, the full amount of the scholarship or fellowship is generally taxable. Also, amounts received in the form of a scholarship or fellowship that are payment for teaching, research, or other services are generally taxable as wages even if the services were required to get the grant.

If the grant was reported on Form(s) 1042-S, you must generally include the amount shown in Form(s) 1042-S, box 2, on line 5. However, if

any or all of that amount is exempt by treaty, do not include the treaty-exempt amount on line 5. Instead, include the treaty-exempt amount on line 6 and complete item J on page 2 of Form 1040NR-EZ.

Attach any Form(s) 1042-S you received from the college or institution. If you did not receive a Form 1042-S, attach a statement from the college or institution (on their letterhead) showing the details of the grant.

For more information about scholarships and fellowships in general, see Pub. 970.

Example 1. You are a citizen of a country that has not negotiated a tax treaty with the United States. You are a candidate for a degree at ABC University (located in the United States). You are receiving a full scholarship from ABC University. The total amounts you received from ABC University during 2005 are as follows:

Tuition and fees	\$25,000
Books, supplies, and equipment	1,000
Room and board	9,000
	<u>\$35,000</u>

The Form 1042-S you received from ABC University for 2005 shows \$9,000 in box 2 and \$1,260 (14% of \$9,000) in box 7.

Note. Box 2 shows only \$9,000 because withholding agents (such as ABC University) are not required to report section 117 amounts (tuition, fees, books, supplies, and equipment) on Form 1042-S.

When completing Form 1040NR-EZ:

- Enter on line 5 the \$9,000 shown in box 2 of Form 1042-S.

- Enter \$0 on line 8. Because section 117 amounts (tuition, fees, books, supplies, and equipment) were not included in box 2 of your Form 1042-S (and are not included on line 5 of Form 1040NR-EZ), you cannot exclude any of the section 117 amounts on line 8.

- Include on line 18 the \$1,260 shown in box 7 of Form 1042-S.

Example 2. The facts are the same as in *Example 1* except that you are a citizen of a country that has negotiated a tax treaty with the United States and you were a resident of that country immediately before leaving for the United States to attend ABC University. Also, assume that, under the terms of the tax treaty, all of your scholarship income is exempt from tax because ABC University is a nonprofit educational organization.

Note. Many tax treaties do not permit an exemption from tax on scholarship or fellowship grant income unless the income is from sources outside the United States. If you are a resident of a treaty country, you must know the terms of the tax treaty between the United States and the treaty country to claim treaty benefits on Form 1040NR-EZ. See the instructions for item J, on page 9 for details.

When completing Form 1040NR-EZ:

- Enter \$0 on line 5. The \$9,000 reported to you in box 2 of Form 1042-S is reported on line 6 (not line 5).
- Enter \$9,000 on line 6.
- Enter \$0 on line 8. Because none of the \$9,000 reported to you in box 2 of Form 1042-S is included in your income, you cannot exclude it on line 8.
- Include on line 18 any withholding shown in box 7 of Form 1042-S.

Student Loan Interest Deduction Worksheet—Line 9

(keep for your records)



Before you begin:

- See the instructions for line 9 on page 6.

1. Enter the total interest you paid in 2005 on qualified student loans (defined on page 6). **Do not** enter more than \$2,500 **1.** _____
2. Enter the amount from Form 1040NR-EZ, line 7 **2.** _____
3. Enter the amount from Form 1040NR-EZ, line 8 **3.** _____
4. Subtract line 3 from line 2 **4.** _____
5. Is line 4 more than \$50,000?
 - No.** Skip lines 5 and 6, enter -0- on line 7, and go to line 8.
 - Yes.** Subtract \$50,000 from line 4 **5.** _____
6. Divide line 5 by \$15,000. Enter the result as a decimal (rounded to at least three places). If the result is 1.000 or more, enter 1.000 **6.** _____
7. Multiply line 1 by line 6 **7.** _____
8. **Student loan interest deduction.** Subtract line 7 from line 1. Enter the result here and on Form 1040NR-EZ, line 9 **8.** _____

- Provide all the required information in item J on page 2.

Line 6. Use line 6 to report your total effectively connected income that is exempt from tax by a tax treaty. Do not include this exempt income on line 7. Also, you must complete item J on page 2 of Form 1040NR-EZ.

Line 8—Scholarship and fellowship grants excluded. If you received a scholarship or fellowship grant and were a degree candidate, enter amounts used for tuition and course-related expenses (fees, books, supplies, and equipment), but only to the extent the amounts are included on line 5. See the examples in the instructions for line 5 starting on page 5.

Line 9—Student loan interest deduction. You may take this deduction only if all of the following apply.

1. You paid interest in 2005 on a qualified student loan (see below).
2. Your filing status is single.
3. Your modified adjusted gross income (AGI) is less than \$65,000. Use lines 2 through 4 of the worksheet on page 5 to figure your modified AGI.

Use the worksheet on page 5 to figure your student loan interest deduction.

Qualified student loan. This is any loan you took out to pay the qualified higher education expenses for:

- Yourself and your spouse.
- Any person who was your dependent when the loan was taken out.
- Any person you could have claimed as a dependent on your return when the loan was taken out if that person had no gross income or had not filed a joint return.
- Any person you could have claimed as a dependent on your return for the prior year when the loan was taken out

except that you could be claimed as a dependent on someone else's return.

The person for whom the expenses were paid must have been an eligible student (defined later on this page). However, a loan is not a qualified student loan if (a) any of the proceeds were used for other purposes, or (b) the loan was from either a related person or a person who borrowed the proceeds under a qualified employer plan or a contract purchased under such a plan. To find out who is a related person, see Pub. 970.

Qualified higher education expenses generally include tuition, fees, room and board, and related expenses such as books and supplies. The expenses must be for education in a degree, certificate, or similar program at an eligible educational institution. An eligible educational institution includes most colleges, universities, and certain vocational schools. You must reduce the expenses by the following benefits.

- Employer-provided educational assistance benefits that are not included in Form(s) W-2, box 1.
- Excludable U.S. series EE and I savings bond interest from Form 8815.
- Nontaxable qualified tuition program earnings.
- Nontaxable earnings from Coverdell education savings accounts.
- Any scholarship, educational assistance allowance, or other payment (but not gifts, inheritances, etc.) excluded from income.

For more details on these expenses, see Pub. 970.

An eligible student is a person who:

- Was enrolled in a degree, certificate, or other program (including a program of study abroad that was approved for credit by the institution at which the student was enrolled) leading to a recognized educational credential at an eligible educational institution, and

- Carried at least half the normal full-time workload for the course of study he or she was pursuing.

Line 11—Itemized deductions. Enter the total state and local income taxes you paid or that were withheld from your salary in 2005. But use the worksheet on this page to figure the amount to enter on line 11 if your adjusted gross income from line 10 is more than \$145,950 if you checked filing status box 1, or more than \$72,975 if you checked filing status box 2. If, during 2005, you received any refunds of, or credits for, income tax paid in earlier years, do not subtract them from the amount you deduct here. Instead, see the instructions for Form 1040NR-EZ, line 4, on page 5.

Note. Residents of India who were students or business apprentices may be able to take the standard deduction instead of their itemized deductions. See Pub. 519 for details.

Line 13—Exemption deduction. Generally, you can take an exemption of \$3,200 for yourself. But use the worksheet on page 7 to figure the amount, if any, to enter on line 13 if your adjusted gross income from line 10 is more than \$145,950 if you checked filing status box 1, or more than \$109,475 if you checked filing status box 2.

Note. Residents of Canada, Mexico, the Republic of Korea (South Korea), and Japan (and you elect to have the old U.S.-Japan income tax treaty apply in its entirety for 2005), and U.S. nationals may be able to claim exemptions for their dependents and, if married, their spouse. Residents of India who were students or business apprentices may also be able to take exemptions for their spouse and dependents. However, Form 1040NR must be used to claim the additional exemptions.

Itemized Deductions Worksheet—Form 1040NR-EZ, Line 11 (keep for your records)



1. Enter the amount of state and local income taxes you paid or that were withheld from your salary in 2005 . . .	1. _____
2. Multiply line 1 by 80% (.80)	2. _____
3. Enter the amount from Form 1040NR-EZ, line 10	3. _____
4. Enter: \$145,950 (\$72,975 if you checked filing status box 2)	4. _____
5. Is the amount on line 4 less than the amount on line 3?	
<input type="checkbox"/> No. Stop. Your deduction is not limited. Enter the amount from line 1 above on Form 1040NR-EZ, line 11.	
<input type="checkbox"/> Yes. Subtract line 4 from line 3	5. _____
6. Multiply line 5 by 3% (.03)	6. _____
7. Enter the smaller of line 2 or line 6	7. _____
8. Total itemized deductions. Subtract line 7 from line 1. Enter the result here and on Form 1040NR-EZ, line 11. Then, on the dotted line to the left of the line 12 entry space, enter "IDW"	8. _____

Line 16—Social security and Medicare tax on tip income not reported to employer. If you are subject to social security and Medicare tax, you received tips of \$20 or more in any month, and you did not report the full amount to your employer, you must pay the social security and Medicare or railroad retirement (RRTA) tax on the unreported tips. You must also pay this tax if your Form(s) W-2 show allocated tips that you are including in your income on Form 1040NR-EZ, line 3.

To figure the social security and Medicare tax, use Form 4137. To pay the RRTA tax, contact your employer. Your employer will figure and collect the tax.



You may be charged a penalty equal to 50% of the social security and Medicare tax due on tips you received but did not report to your employer.

Payments

Line 18—Federal income tax withheld. Add the amounts shown as federal income tax withheld on your Form(s) W-2, 1042-S, and 1099-R. Enter the total on line 18. The amount(s) withheld should be shown in your Form(s) W-2, box 2, Form(s) 1042-S, box 7, and Form 1099-R, box 4.

Line 19—2005 Estimated tax payments. Enter any estimated federal income tax payments you made using Form 1040-ES (NR) for 2005. Include any overpayment from your 2004 return that you applied to your 2005 estimated tax.

Name change. If you changed your name because of marriage, divorce, etc., and you made estimated tax payments using your former name, attach a statement to the front of Form 1040NR-EZ. On the statement, list all of the payments you made in 2005 and show the name(s) and identifying number(s) under which you made them.

Line 20—Credit for amount paid with Form 1040-C. Enter any amount you paid with Form 1040-C for 2005.

Line 21—Total payments. Add lines 18 through 20. Enter the total on line 21.

Amount paid with request for extension of time to file. If you filed Form 4868 to get an automatic extension of time to file Form 1040NR-EZ, include in the total on line 21 the amount you paid with that form, or by electronic funds withdrawal, or credit card. If you paid by credit card, do not include on line 21 the convenience fee you were charged. On the dotted line next to line 21, enter "Form 4868" and show the amount paid.

Refund

Line 22—Amount overpaid. If line 22 is under \$1, we will send a refund only on written request.



If the amount you overpaid is large, you may be able to decrease the amount of income tax withheld from your pay by filing a new Form W-4. See Income Tax Withholding and Estimated Tax Payments for 2006 on page 10.

Refund offset. If you owe past-due federal tax, state income tax, child support, spousal support, or certain federal nontax debts, such as student loans, all or part of the overpayment on line 22 may be used (offset) to pay the past-due amount. Offsets for federal taxes are made by the IRS. All other offsets are made by the Treasury Department's Financial Management Service (FMS). For federal tax offsets, you will receive a notice from the IRS. For all other offsets, you will receive a notice from FMS. To find out if you may have an offset or if you have any questions about it, contact the agency(ies) you owe the debt to.

Lines 23b through 23d—Direct deposit of refund. Complete lines 23b through 23d if you want us to directly deposit the amount shown on line 23a into your checking or savings account at a U.S. bank or other financial institution (such as a mutual



Exemption Deduction Worksheet—Line 13

1. Is the amount on Form 1040NR-EZ, line 10, more than the amount shown on line 4 below for your filing status?

No. Enter \$3,200 on Form 1040NR-EZ, line 13.

Yes. Go to line 3.

2. Exemption amount 2. \$3,200

3. Enter the amount from Form 1040NR-EZ, line 10 3. _____

4. Enter the amount shown below for the filing status box you checked on page 1 of Form 1040NR-EZ.

- Box 1—\$145,950 } 4. _____
- Box 2—\$109,475 }

5. Subtract line 4 from line 3. If the result is more than \$122,500 (\$61,250 if you checked filing status box 2), You **cannot** take an exemption deduction. 5. _____

6. Divide line 5 by \$2,500 (\$1,250 if you checked filing status box 2). If the result is not a whole number, increase it to the next higher whole number (for example, increase 0.0004 to 1) 6. _____

7. Multiply line 6 by 2% (.02) and enter the result as a decimal 7. _____

8. Multiply line 2 by line 7 8. _____

9. **Exemption deduction.** Subtract line 8 from line 2. Enter the result here and on Form 1040NR-EZ, line 13 9. _____

Sample Check—Lines 23b Through 23d

RUFUS MAPLE
MARY MAPLE
123 Main Street
Anyplace, LA 70000

PAY TO THE ORDER OF \$ DOLLARS

ANYPLACE BANK
Anyplace, LA 70000

For

⑆250250025⑆ ⑆20202086⑆ 1234

1234
15-00000000

Do not include the check number

Note: The routing and account numbers may be in different places on your check.

fund, brokerage firm, or credit union) in the United States instead of sending you a check.

Note. If you do not want your refund directly deposited into your account, draw a line through the boxes on lines 23b and 23d.

Why Use Direct Deposit?

- You get your refund fast.
- Payment is more secure—there is no check to get lost.
- More convenient. No trip to the bank to deposit your check.
- Saves tax dollars. A refund by direct deposit costs less than a check.

TIP You can check with your financial institution to make sure your direct deposit will be accepted and to get the correct routing and account numbers. The IRS is not responsible for a lost refund if you enter the wrong account information.

Line 23b. The routing number must be nine digits. The first two digits must be 01 through 12 or 21 through 32. Otherwise, the direct deposit will be rejected and a check sent instead. The routing number of the sample check, on this page, is 250250025.

Your check may state that it is payable through a financial institution different from the one at which you have your checking account. If so, do not use the routing number on that check. Instead, contact your financial institution for the correct routing number to enter on line 23b.

Line 23d. The account number can be up to 17 characters (both numbers and letters). Include hyphens but omit spaces and special symbols. Enter the number from left to right and leave any unused boxes blank. The account number of the sample check, on this page, is 20202086. Do not include the check number.

Line 24—Applied to 2006 estimated tax. Enter on line 24 the amount, if any, of the overpayment on line 22 you want applied to your 2006 estimated tax. This election cannot be changed later.

Amount You Owe

Line 25—Amount you owe.

TIP Pay your taxes in full to save interest and penalties. You do not have to pay if line 25 is under \$1.

Include any estimated tax penalty from line 26 in the amount you enter on line 25.

You can pay by check, money order, or credit card. Do not include any estimated tax payment for 2006 in your check, money order, or amount you charge. Instead, make the estimated tax payment separately.

To pay by check or money order. Make your check or money order payable to the “United States Treasury” for the full amount due. Do not send cash. Do not attach the payment to your return. Write “2005 Form 1040NR-EZ” and your name, address, daytime phone number, and SSN or ITIN on your payment.

To help us process your payment, enter the amount on the right side of the check like this: \$ XXX.XX. Do not use dashes or lines (for example, do not enter “\$ XXX—” or “\$ XXX^{XX}/₁₀₀”).

To pay by credit card. You can use your American Express® Card, Discover® Card, MasterCard® card, or Visa® card. To pay by credit card, call toll free or visit the website of either service provider listed on this page and follow the instructions. You will be asked to provide your social security number (SSN). If you do not have and are not eligible to get an SSN, use your IRS issued individual taxpayer identification number (ITIN) instead.

A convenience fee will be charged by the service provider based on the amount you are paying. Fees may vary between the providers. You will be told what the fee is during the transaction and you will have the option to either continue or cancel the transaction. You can also find out what the fee will be by

calling the provider’s toll-free automated customer service number or visiting the provider’s website shown below.

If you pay by credit card before filing your return, please enter on page 1 of Form 1040NR-EZ in the upper left corner the confirmation number you were given at the end of the transaction and the amount you were charged (not including the convenience fee).

Link2Gov Corporation
1-888-PAY-1040SM (1-888-729-1040)
1-888-658-5465 (Customer Service)
www.PAY1040.com

Official Payments Corporation
1-800-2PAY-TAXSM (1-800-272-9829)
1-877-754-4413 (Customer Service)
www.officialpayments.com

TIP You may need to (a) increase the amount of income tax withheld from your pay by filing a new Form W-4, or (b) make estimated tax payments for 2006. See Income Tax Withholding and Estimated Tax Payments for 2006 on page 10.

What if you cannot pay? If you cannot pay the full amount shown on line 25 when you file, you can ask to make monthly installment payments for the full or a partial amount. You may have up to 60 months to pay. However, you will be charged interest and may be charged a late payment penalty on the tax not paid by the date due, even if your request to pay in installments is granted. You must also pay a fee. To limit the interest and penalty charges, pay as much of the tax as possible when you file. But before requesting an installment agreement, you should consider other less costly alternatives, such as a bank loan or credit card payment.

To ask for an installment agreement, use Form 9465. You should receive a response to your request for installments within 30 days. But if you file your return after March 31, it may take us longer to reply.

Line 26—Estimated tax penalty. You may owe this penalty if:

- Line 25 is at least \$1,000 and it is more than 10% of the tax shown on your return, or
- You did not pay enough estimated tax by any of the due dates. This is true even if you are due a refund.

The “tax shown on your return” is the amount on line 17 minus any tax shown on Form 4137.

Exception. You will not owe the penalty if your 2004 tax return was for a tax year of 12 full months and either of the following applies.

1. You had no tax shown on your 2004 return and you were a U.S. citizen or resident for all of 2004, or

2. Line 21 of your 2005 return is at least as much as the tax shown on your 2004 return. Your estimated tax payments for 2005 must have been made on time and for the required amount.

Figuring the penalty. If the *Exception* above does not apply and you choose to figure the penalty yourself, see Form 2210 to find out if you owe the penalty. If you do, you can use the form to figure the amount.

Enter the penalty on Form 1040NR-EZ, line 26. Add the penalty to any tax due and enter the total on line 25. If you are due a refund, subtract the penalty from the overpayment you show on line 22. Do not file Form 2210 with your return unless Form 2210 indicates that you must do so. Instead, keep it for your records.



Because Form 2210 is complicated, you can leave line 26 blank and the IRS will figure the penalty and send you a bill. We will not charge you interest on the penalty if you pay by the date specified on the bill. If your income varied during the year, the annualized income installment method may reduce the amount of your penalty. But you must file Form 2210 because the IRS cannot figure your penalty under this method. See the Instructions for Form 2210 for other situations in which you may be able to lower your penalty by filing Form 2210.

Third Party Designee

If you want to allow a friend, family member, or any other person you choose to discuss your 2005 tax return with the IRS, check the "Yes" box in the "Third Party Designee" area of your return. Also, enter the designee's name, U.S. phone number, and any five numbers the designee chooses as his or her personal identification number (PIN). But if you want to allow the paid preparer who signed your return to discuss it with the IRS, just enter "Preparer" in the space for the designee's name. You do not have to provide the other information requested.

If you check the "Yes" box, you are authorizing the IRS to call the designee to answer any questions that may arise during the processing of your return. You are also authorizing the designee to:

- Give the IRS any information that is missing from your return,
- Call the IRS for information about the processing of your return or the status of your refund or payment(s),
- Receive copies of notices or transcripts related to your return, upon request, and

- Respond to certain IRS notices about math errors, offsets, and return preparation.

You are not authorizing the designee to receive any refund check, bind you to anything (including any additional tax liability), or otherwise represent you before the IRS. If you want to expand the designee's authorization, see Pub. 947.

The authorization will automatically end no later than the due date (without regard to extensions) for filing your 2006 tax return (see *When To File* on page 2). If you wish to revoke the authorization before it ends, see Pub. 947.

Other Information (Page 2)

Item D

Enter the type of U.S. visa (for example, F, J, M, etc.) you used to enter the United States. Also enter your current nonimmigrant status. For example, enter your current nonimmigrant status shown on your current U.S. Citizenship and Immigration Services (USCIS) Form I-94, Arrival-Departure Record. If your status has changed while in the United States, enter the date of change. If your status has not changed, enter "N/A."

Item E

You are generally required to enter your date of entry into the United States that pertains to your current nonimmigrant status (for example, the date of arrival shown on your most recent USCIS Form I-94).

Exception. If you are claiming a tax treaty benefit that is determined by reference to more than one date of arrival, enter the earlier date of arrival. For example, you are currently claiming treaty benefits (as a teacher) under article 20 of the tax treaty between the United States and the Republic of Korea (South Korea). You previously claimed treaty benefits (as a student) under article 21 of that treaty. Under article 21, paragraph 4, of that treaty, the combination of consecutive exemptions under articles 20 and 21 may not extend beyond 5 tax years from the date you entered the United States as a student. If article 21, paragraph 4, of that treaty applies, enter in item E the date you entered the United States as a student.

Item J

If you are a resident of a treaty country (that is, you qualify as a resident of that country within the meaning of the tax treaty between the United States and that country), you must know the terms of the tax treaty between the United

States and the treaty country to properly complete item J. You may download the complete text of most U.S. tax treaties at www.irs.gov. Technical explanations for many of those treaties are also available at that site. Also, see Pub. 901 for a quick reference guide to the provisions of U.S. tax treaties.

If you are claiming treaty benefits on Form 1040NR-EZ, you must provide all of the information requested in item J.



If you are claiming tax treaty benefits and you failed to submit adequate documentation to a withholding agent, you must attach all information that would have otherwise been required on the withholding document (for example, all information required on Form W-8BEN or Form 8233).

Residents of Japan. If you were a resident of Japan and you are electing to have the old U.S.-Japan income tax treaty apply in its entirety for 2005, enter "Japan-Article 30" in item J, country.

Reminders

Sign and Date Your Return

Form 1040NR-EZ is not considered a valid return unless you sign it. You can have an agent in the United States prepare and sign your return if you could not do so for one of the following reasons:

- You were ill.
- You were not in the United States at any time during the 60 days before the return was due.
- For other reasons that you explained in writing to the Internal Revenue Service Center, Philadelphia, PA 19255, U.S.A., and that the IRS approved.

A return prepared by an agent must be accompanied by a power of attorney. Form 2848 may be used for this purpose.

Be sure to date your return and show your occupation in the United States in the space provided. If you have someone prepare your return, you are still responsible for the correctness of the return.

Child's return. If your child cannot sign the return, you can sign the child's name in the space provided. Then, add "By (your signature), parent for minor child."

Paid preparer must sign your return.

Generally, anyone you pay to prepare your return must sign it in the space provided. The preparer must give you a copy of the return for your records. Someone who prepares your return but does not charge you should not sign your return.

Address Change

If you move after filing your return, always notify the IRS in writing of your new address. To do this, use Form 8822.

Income Tax Withholding and Estimated Tax Payments for 2006

If the amount you owe or the amount you overpaid is large, you may be able to file a new Form W-4 with your employer to change the amount of income tax withheld from your 2006 pay. For details on how to complete Form W-4, see the Instructions for Form 8233.

In general, you do not have to make estimated tax payments if you expect that your 2006 Form 1040NR-EZ will show a tax refund or a tax balance due the IRS of less than \$1,000. If your total estimated tax for 2006 is \$1,000 or more, see Form 1040-ES (NR). It has a worksheet you can use to see if you have to make estimated tax payments. However, if you expect to be a resident of Puerto Rico during all of 2006 and you must pay estimated tax, use Form 1040-ES.

How Long Should Records Be Kept?

Keep a copy of your tax return, worksheets you used, and records of all items appearing on it (such as Forms W-2, 1099, and 1042-S) until the statute of limitations runs out for that return. Usually, this is 3 years from the date the return was due or filed, or 2 years from the date the tax was paid, whichever is later. You should keep some records longer. For example, keep property records (including those on your home) as long as they are needed to figure the basis of the original or replacement property. For more details, see Pub. 552.

Requesting a Copy of Your Tax Return

If you need a copy of your tax return, use Form 4506. There is a \$39 fee for each return requested. If your main home, principal place of business, or tax records are located in a Presidentially declared disaster area, this fee will be waived. If you want a free transcript of your tax return or account, use Form 4506-T or call us at 1-800-829-1040.

Amended Return

File Form 1040X to change a return you already filed. Also, use Form 1040X if you filed Form 1040NR-EZ and you should have filed a Form 1040, 1040A, or 1040EZ, or vice versa. Generally, Form 1040X must be filed within 3 years after the date the original return was filed, or

within 2 years after the date the tax was paid, whichever is later. But you may have more time to file Form 1040X if you are physically or mentally unable to manage your financial affairs. See Pub. 556 for details.

Interest and Penalties

You do not have to figure the amount of any interest or penalties you may owe. Because figuring these amounts can be complicated, we will do it for you if you want. We will send you a bill for any amount due.

If you include interest or penalties (other than the estimated tax penalty) with your payment, identify and enter the amount in the bottom margin of Form 1040NR-EZ, page 1. Do not include interest or penalties (other than the estimated tax penalty) in the amount you owe on line 25.

Interest. We will charge you interest on taxes not paid by their due date, even if an extension of time is granted. We will also charge you interest on penalties imposed for failure to file, negligence, fraud, substantial valuation misstatements, substantial understatements of tax, and reportable transaction understatements. Interest is charged on the penalty from the due date of the return (including extensions).

Penalty for late filing. If you do not file your return by the due date (including extensions), the penalty is usually 5% of the amount due for each month or part of a month your return is late, unless you have a reasonable explanation. If you do, attach it to your return. The penalty can be as much as 25% (more in some cases) of the tax due. If your return is more than 60 days late, the minimum penalty will be \$100 or the amount of any tax you owe, whichever is smaller.

Penalty for late payment of tax. If you pay your taxes late, the penalty is usually $\frac{1}{2}$ of 1% of the unpaid amount for each month or part of a month the tax is not paid. The penalty can be as much as 25% of the unpaid amount. It applies to any unpaid tax on the return. This penalty is in addition to interest charges on late payments.

Penalty for frivolous return. In addition to any other penalties, the law imposes a penalty of \$500 for filing a frivolous return. A frivolous return is one that does not contain information needed to figure the correct tax or shows a substantially incorrect tax because you take a frivolous position or desire to delay or interfere with the tax laws. This includes altering or striking out the preprinted language above the space where you sign.

Other penalties. Other penalties can be imposed for negligence, substantial understatement of tax, reportable transaction understatements, and fraud.

Criminal penalties may be imposed for willful failure to file, tax evasion, or making a false statement. See Pub. 519 for details on some of these penalties.

Gift To Reduce Debt Held By the Public

If you wish to make such a gift, make a check payable to "Bureau of the Public Debt." You can send it to: Bureau of the Public Debt, Department G, P.O. Box 2188, Parkersburg, WV 26106-2188. Or you can enclose the check with your income tax return when you file. Do not add your gift to any tax you may owe. See *Amount You Owe* beginning on page 8 for details on how to pay any tax you owe.



You may be able to deduct this gift on your 2006 tax return as a charitable contribution. But you must file Form 1040NR to do so.

Taxpayer Assistance

IRS assistance is available to help you prepare your return. But you should know that you are responsible for the accuracy of your return. If we do make an error, you are still responsible for the payment of the correct tax.

In the United States, you may call 1-800-829-1040. For TTY/TTD help, call 1-800-829-4059. If overseas, you may call 215-516-2000 (English-speaking only). This number is not toll free. The hours of operation are from 6:00 a.m. to 11:00 p.m. Eastern time. These hours are subject to change.

If you wish to write instead of call, please address your letter to: Internal Revenue Service, International Section, P.O. Box 920, Bensalem, PA 19020-8518. Make sure you include your identifying number (defined on page 4) when you write.

Assistance in answering tax questions and filling out tax returns is also available in person from IRS offices in London and Paris. The offices generally are located in the U.S. embassies or consulates.

The IRS conducts an overseas taxpayer assistance program during the filing season (January to mid-June). To find out if IRS personnel will be in your area, contact the consular office at the nearest U.S. embassy.

Solving problems. You can get face-to-face help solving tax problems every business day in IRS Taxpayer Assistance Centers. An employee can explain IRS letters, request adjustments to your account, or help you set up a payment plan. Call your local Taxpayer Assistance Center for an appointment. To find the number, go to www.irs.gov/localcontacts or look in the phone book under "United States Government, Internal Revenue Service."

How can you get IRS tax forms and publications?

- You can download them from the IRS website at www.irs.gov.
- In the United States, you can call 1-800-TAX-FORM (1-800-829-3676).
- You can send your order to the National Distribution Center, P. O. Box 8903, Bloomington, IL 61702-8903, U.S.A.
- You can pick them up in person from our U.S. embassies and consulates abroad (but only during the tax return filing period).

Help With Unresolved Tax Issues

If you have attempted to deal with an IRS problem unsuccessfully, you should contact your Taxpayer Advocate.

The Taxpayer Advocate independently represents your interests and concerns within the IRS by protecting your rights and resolving problems that have not been fixed through normal channels.

While Taxpayer Advocates cannot change the tax law or make a technical tax decision, they can clear up problems that resulted from previous contacts and ensure that your case is given a complete and impartial review.

To contact your Taxpayer Advocate:

- If you are in the United States, call the toll-free number: 1-877-777-4778. TTY/TDD help is available by calling 1-800-829-4059.
- If overseas, call 01-787-622-8940 (English-speaking only) or 01-787-622-8930 (Spanish-speaking only). These numbers are not toll free.
- You can write to the Taxpayer Advocate at the IRS office that last contacted you (or contact one of the overseas IRS offices listed on this page).
- Visit the website at www.irs.gov/advocate.

For more information about the Taxpayer Advocate, see Pub. 1546.

Disclosure, Privacy Act, and Paperwork Reduction Act Notice.

The IRS Restructuring and Reform Act of 1998 requires that we tell you the conditions under which return information may be disclosed to any party outside the Internal Revenue Service. 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 the information to ensure that you are complying with these laws and to allow us to figure and collect the right amount of tax. Section 6109 requires paid return preparers to provide their identifying number.

This notice applies to all papers you file with us, including this tax return. It also applies to any questions we need to ask you so we can complete, correct, or process your return; figure your tax; and collect tax, interest, or penalties.

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 section 6103. However, section 6103 allows or requires the Internal Revenue Service to disclose or give the information you write on your tax return to others as described in the Code. For example, we may disclose your tax information to the Department of Justice, to enforce the tax laws, both civil and criminal, and to cities, states, the District of Columbia, U.S. commonwealths or possessions, and certain foreign governments to carry out their tax laws. We may disclose your tax information to the Department of Treasury and contractors for tax administration purposes; and to other persons as necessary to obtain information that we cannot get in any other way in order to determine the amount of or to collect the tax you owe. We may disclose your tax information to the Comptroller General of the United States to permit the Comptroller General to review the Internal Revenue Service. We may disclose your tax information to Committees of Congress; federal, state, and local child support agencies; and to other federal agencies for purposes of determining entitlement for benefits or the eligibility for and the repayment of loans. We may also disclose this information to other countries under a tax treaty, to federal and state agencies to enforce federal nontax criminal laws, or to federal law

enforcement and intelligence agencies to combat terrorism.

Please keep this notice with your records. It may help you if we ask you for other information. If you have any questions about the rules for filing and giving information, call or visit any Internal Revenue Service office.

We welcome comments on forms.

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. You can email us at [*taxforms@irs.gov](mailto:taxforms@irs.gov). Please put "Forms Comment" on the subject line. Or you can write to the Internal Revenue Service, Tax Products Coordinating Committee, SE:W:CAR:MP:T:T:SP, 1111 Constitution Ave. NW, IR-6406, Washington, DC 20224. Do not send your return to this address. Instead, see *Where To File* on page 2.

Estimates of taxpayer burden.

The new estimates of taxpayer burden shown below were developed by the IRS to better measure and understand the burden taxpayers experience when preparing their taxes. These estimates of average preparation times and out-of-pocket expenses are based on a new survey of taxpayers and a more accurate method of estimating taxpayer burden. They focus on taxpayer characteristics and activities, rather than forms, and replace the burden estimates shown in prior year tax form instructions. The information collected to figure the new estimates includes type of taxpayer, preparation method, filing method, and taxpayer activities. The new estimates shown here are grouped by principal combinations of forms submitted and are not available separately for each form.

These changes create a one-time shift in estimates of burden levels. Comparisons should not be made between these and earlier published estimates.

If you have comments concerning the time and expense estimates below, you can contact us at the address shown under *We welcome comments on forms*.

These estimates were the latest available when the forms went to print. The most current information can be found on the IRS website at www.irs.gov.

Taxpayer Burden for Taxpayers Who Filed Form 1040NR-EZ by Preparation Method

Self-Prepared Without Tax Software		Self-Prepared With Tax Software		Prepared by Paid Professional	
Hours	Costs	Hours	Costs	Hours	Costs
10.6	\$4	15.4	\$31	11.7	\$113

2005 Tax Table

Example. Mr. Brown is single. His taxable income on line 14 of Form 1040NR-EZ is \$23,250. First, he finds the \$23,250–23,300 income line. Next, he finds the “Single” column and reads down the column. The amount shown where the income line and filing status column meet is \$3,126. This is the tax amount he must enter on line 15 of Form 1040NR-EZ. ➔

At least	But less than	Single	Married filing separately
23,200	23,250	3,119	3,119
23,250	23,300	<u>3,126</u>	3,126
23,300	23,350	3,134	3,134
23,350	23,400	3,141	3,141

If Form 1040NR-EZ, line 14, is—		And you are—		If Form 1040NR-EZ, line 14, is—		And you are—		If Form 1040NR-EZ, line 14, is—		And you are—		If Form 1040NR-EZ, line 14, is—		And you are—	
At least	But less than	Single	Married filing separately	At least	But less than	Single	Married filing separately	At least	But less than	Single	Married filing separately	At least	But less than	Single	Married filing separately
Your tax is—		Your tax is—		Your tax is—		Your tax is—		Your tax is—		Your tax is—		Your tax is—		Your tax is—	
0	5	0	0	1,500	1,525	151	151	3,000				6,000			
5	15	1	1	1,525	1,550	154	154	3,000	3,050	303	303	6,000	6,050	603	603
15	25	2	2	1,550	1,575	156	156	3,050	3,100	308	308	6,050	6,100	608	608
25	50	4	4	1,575	1,600	159	159	3,100	3,150	313	313	6,100	6,150	613	613
50	75	6	6	1,600	1,625	161	161	3,150	3,200	318	318	6,150	6,200	618	618
75	100	9	9	1,625	1,650	164	164	3,200	3,250	323	323	6,200	6,250	623	623
100	125	11	11	1,650	1,675	166	166	3,250	3,300	328	328	6,250	6,300	628	628
125	150	14	14	1,675	1,700	169	169	3,300	3,350	333	333	6,300	6,350	633	633
150	175	16	16	1,700	1,725	171	171	3,350	3,400	338	338	6,350	6,400	638	638
175	200	19	19	1,725	1,750	174	174	3,400	3,450	343	343	6,400	6,450	643	643
200	225	21	21	1,750	1,775	176	176	3,450	3,500	348	348	6,450	6,500	648	648
225	250	24	24	1,775	1,800	179	179	3,500	3,550	353	353	6,500	6,550	653	653
250	275	26	26	1,800	1,825	181	181	3,550	3,600	358	358	6,550	6,600	658	658
275	300	29	29	1,825	1,850	184	184	3,600	3,650	363	363	6,600	6,650	663	663
300	325	31	31	1,850	1,875	186	186	3,650	3,700	368	368	6,650	6,700	668	668
325	350	34	34	1,875	1,900	189	189	3,700	3,750	373	373	6,700	6,750	673	673
350	375	36	36					3,750	3,800	378	378	6,750	6,800	678	678
375	400	39	39	1,900	1,925	191	191	3,800	3,850	383	383	6,800	6,850	683	683
400	425	41	41	1,925	1,950	194	194	3,850	3,900	388	388	6,850	6,900	688	688
425	450	44	44	1,950	1,975	196	196	3,900	3,950	393	393	6,900	6,950	693	693
450	475	46	46	1,975	2,000	199	199	3,950	4,000	398	398	6,950	7,000	698	698
475	500	49	49												
500	525	51	51	2,000				4,000				7,000			
525	550	54	54	2,000	2,025	201	201	4,000	4,050	403	403	7,000	7,050	703	703
550	575	56	56	2,025	2,050	204	204	4,050	4,100	408	408	7,050	7,100	708	708
575	600	59	59	2,050	2,075	206	206	4,100	4,150	413	413	7,100	7,150	713	713
600	625	61	61	2,075	2,100	209	209	4,150	4,200	418	418	7,150	7,200	718	718
625	650	64	64	2,100	2,125	211	211	4,200	4,250	423	423	7,200	7,250	723	723
650	675	66	66	2,125	2,150	214	214	4,250	4,300	428	428	7,250	7,300	728	728
675	700	69	69	2,150	2,175	216	216	4,300	4,350	433	433	7,300	7,350	734	734
700	725	71	71	2,175	2,200	219	219	4,350	4,400	438	438	7,350	7,400	741	741
725	750	74	74					4,400	4,450	443	443	7,400	7,450	749	749
750	775	76	76	2,200	2,225	221	221	4,450	4,500	448	448	7,450	7,500	756	756
775	800	79	79	2,225	2,250	224	224	4,500	4,550	453	453	7,500	7,550	764	764
800	825	81	81	2,250	2,275	226	226	4,550	4,600	458	458	7,550	7,600	771	771
825	850	84	84	2,275	2,300	229	229	4,600	4,650	463	463	7,600	7,650	779	779
850	875	86	86	2,300	2,325	231	231	4,650	4,700	468	468	7,650	7,700	786	786
875	900	89	89	2,325	2,350	234	234	4,700	4,750	473	473	7,700	7,750	794	794
900	925	91	91	2,350	2,375	236	236	4,750	4,800	478	478	7,750	7,800	801	801
925	950	94	94	2,375	2,400	239	239	4,800	4,850	483	483	7,800	7,850	809	809
950	975	96	96	2,400	2,425	241	241	4,850	4,900	488	488	7,850	7,900	816	816
975	1,000	99	99	2,425	2,450	244	244	4,900	4,950	493	493	7,900	7,950	824	824
				2,450	2,475	246	246	4,950	5,000	498	498	7,950	8,000	831	831
				2,475	2,500	249	249								
1,000				2,500				5,000				8,000			
1,000	1,025	101	101	2,500	2,525	251	251	5,000	5,050	503	503	8,000	8,050	839	839
1,025	1,050	104	104	2,525	2,550	254	254	5,050	5,100	508	508	8,050	8,100	846	846
1,050	1,075	106	106	2,550	2,575	256	256	5,100	5,150	513	513	8,100	8,150	854	854
1,075	1,100	109	109	2,575	2,600	259	259	5,150	5,200	518	518	8,150	8,200	861	861
1,100	1,125	111	111	2,600	2,625	261	261	5,200	5,250	523	523	8,200	8,250	869	869
1,125	1,150	114	114	2,625	2,650	264	264	5,250	5,300	528	528	8,250	8,300	876	876
1,150	1,175	116	116	2,650	2,675	266	266	5,300	5,350	533	533	8,300	8,350	884	884
1,175	1,200	119	119	2,675	2,700	269	269	5,350	5,400	538	538	8,350	8,400	891	891
1,200	1,225	121	121	2,700	2,725	271	271	5,400	5,450	543	543	8,400	8,450	899	899
1,225	1,250	124	124	2,725	2,750	274	274	5,450	5,500	548	548	8,450	8,500	906	906
1,250	1,275	126	126	2,750	2,775	276	276	5,500	5,550	553	553	8,500	8,550	914	914
1,275	1,300	129	129	2,775	2,800	279	279	5,550	5,600	558	558	8,550	8,600	921	921
1,300	1,325	131	131	2,800	2,825	281	281	5,600	5,650	563	563	8,600	8,650	929	929
1,325	1,350	134	134	2,825	2,850	284	284	5,650	5,700	568	568	8,650	8,700	936	936
1,350	1,375	136	136	2,850	2,875	286	286	5,700	5,750	573	573	8,700	8,750	944	944
1,375	1,400	139	139	2,875	2,900	289	289	5,750	5,800	578	578	8,750	8,800	951	951
1,400	1,425	141	141	2,900	2,925	291	291	5,800	5,850	583	583	8,800	8,850	959	959
1,425	1,450	144	144	2,925	2,950	294	294	5,850	5,900	588	588	8,850	8,900	966	966
1,450	1,475	146	146	2,950	2,975	296	296	5,900	5,950	593	593	8,900	8,950	974	974
1,475	1,500	149	149	2,975	3,000	299	299	5,950	6,000	598	598	8,950	9,000	981	981

Continued on next page

2005 Tax Table—Continued

If Form 1040NR-EZ, line 14, is—		And you are—		If Form 1040NR-EZ, line 14, is—		And you are—		If Form 1040NR-EZ, line 14, is—		And you are—	
At least	But less than	Single	Married filing separately	At least	But less than	Single	Married filing separately	At least	But less than	Single	Married filing separately
		Your tax is—				Your tax is—				Your tax is—	
93,000				96,000				99,000			
93,000	93,050	20,554	20,994	96,000	96,050	21,394	21,984	99,000	99,050	22,234	22,974
93,050	93,100	20,568	21,011	96,050	96,100	21,408	22,001	99,050	99,100	22,248	22,991
93,100	93,150	20,582	21,027	96,100	96,150	21,422	22,017	99,100	99,150	22,262	23,007
93,150	93,200	20,596	21,044	96,150	96,200	21,436	22,034	99,150	99,200	22,276	23,024
93,200	93,250	20,610	21,060	96,200	96,250	21,450	22,050	99,200	99,250	22,290	23,040
93,250	93,300	20,624	21,077	96,250	96,300	21,464	22,067	99,250	99,300	22,304	23,057
93,300	93,350	20,638	21,093	96,300	96,350	21,478	22,083	99,300	99,350	22,318	23,073
93,350	93,400	20,652	21,110	96,350	96,400	21,492	22,100	99,350	99,400	22,332	23,090
93,400	93,450	20,666	21,126	96,400	96,450	21,506	22,116	99,400	99,450	22,346	23,106
93,450	93,500	20,680	21,143	96,450	96,500	21,520	22,133	99,450	99,500	22,360	23,123
93,500	93,550	20,694	21,159	96,500	96,550	21,534	22,149	99,500	99,550	22,374	23,139
93,550	93,600	20,708	21,176	96,550	96,600	21,548	22,166	99,550	99,600	22,388	23,156
93,600	93,650	20,722	21,192	96,600	96,650	21,562	22,182	99,600	99,650	22,402	23,172
93,650	93,700	20,736	21,209	96,650	96,700	21,576	22,199	99,650	99,700	22,416	23,189
93,700	93,750	20,750	21,225	96,700	96,750	21,590	22,215	99,700	99,750	22,430	23,205
93,750	93,800	20,764	21,242	96,750	96,800	21,604	22,232	99,750	99,800	22,444	23,222
93,800	93,850	20,778	21,258	96,800	96,850	21,618	22,248	99,800	99,850	22,458	23,238
93,850	93,900	20,792	21,275	96,850	96,900	21,632	22,265	99,850	99,900	22,472	23,255
93,900	93,950	20,806	21,291	96,900	96,950	21,646	22,281	99,900	99,950	22,486	23,271
93,950	94,000	20,820	21,308	96,950	97,000	21,660	22,298	99,950	100,000	22,500	23,288
94,000				97,000				<div style="border: 1px solid black; border-radius: 50%; padding: 20px; width: fit-content; margin: 0 auto;"> <p>\$100,000 or over— use Form 1040NR</p> </div>			
94,000	94,050	20,834	21,324	97,000	97,050	21,674	22,314				
94,050	94,100	20,848	21,341	97,050	97,100	21,688	22,331				
94,100	94,150	20,862	21,357	97,100	97,150	21,702	22,347				
94,150	94,200	20,876	21,374	97,150	97,200	21,716	22,364				
94,200	94,250	20,890	21,390	97,200	97,250	21,730	22,380				
94,250	94,300	20,904	21,407	97,250	97,300	21,744	22,397				
94,300	94,350	20,918	21,423	97,300	97,350	21,758	22,413				
94,350	94,400	20,932	21,440	97,350	97,400	21,772	22,430				
94,400	94,450	20,946	21,456	97,400	97,450	21,786	22,446				
94,450	94,500	20,960	21,473	97,450	97,500	21,800	22,463				
94,500	94,550	20,974	21,489	97,500	97,550	21,814	22,479				
94,550	94,600	20,988	21,506	97,550	97,600	21,828	22,496				
94,600	94,650	21,002	21,522	97,600	97,650	21,842	22,512				
94,650	94,700	21,016	21,539	97,650	97,700	21,856	22,529				
94,700	94,750	21,030	21,555	97,700	97,750	21,870	22,545				
94,750	94,800	21,044	21,572	97,750	97,800	21,884	22,562				
94,800	94,850	21,058	21,588	97,800	97,850	21,898	22,578				
94,850	94,900	21,072	21,605	97,850	97,900	21,912	22,595				
94,900	94,950	21,086	21,621	97,900	97,950	21,926	22,611				
94,950	95,000	21,100	21,638	97,950	98,000	21,940	22,628				
95,000				98,000							
95,000	95,050	21,114	21,654	98,000	98,050	21,954	22,644				
95,050	95,100	21,128	21,671	98,050	98,100	21,968	22,661				
95,100	95,150	21,142	21,687	98,100	98,150	21,982	22,677				
95,150	95,200	21,156	21,704	98,150	98,200	21,996	22,694				
95,200	95,250	21,170	21,720	98,200	98,250	22,010	22,710				
95,250	95,300	21,184	21,737	98,250	98,300	22,024	22,727				
95,300	95,350	21,198	21,753	98,300	98,350	22,038	22,743				
95,350	95,400	21,212	21,770	98,350	98,400	22,052	22,760				
95,400	95,450	21,226	21,786	98,400	98,450	22,066	22,776				
95,450	95,500	21,240	21,803	98,450	98,500	22,080	22,793				
95,500	95,550	21,254	21,819	98,500	98,550	22,094	22,809				
95,550	95,600	21,268	21,836	98,550	98,600	22,108	22,826				
95,600	95,650	21,282	21,852	98,600	98,650	22,122	22,842				
95,650	95,700	21,296	21,869	98,650	98,700	22,136	22,859				
95,700	95,750	21,310	21,885	98,700	98,750	22,150	22,875				
95,750	95,800	21,324	21,902	98,750	98,800	22,164	22,892				
95,800	95,850	21,338	21,918	98,800	98,850	22,178	22,908				
95,850	95,900	21,352	21,935	98,850	98,900	22,192	22,925				
95,900	95,950	21,366	21,951	98,900	98,950	22,206	22,941				
95,950	96,000	21,380	21,968	98,950	99,000	22,220	22,958				

Return by a U.S. Transferor of Property to a Foreign Corporation

OMB No. 1545-0026

Attachment
Sequence No. **128**

▶ **Attach to your income tax return.**

Part I U.S. Transferor Information (see instructions)

Name of transferor	Identifying number (see instructions)
--------------------	---------------------------------------

- 1** If the transferor was a corporation, complete questions 1a, 1b, and 1c.
- a** If the transfer was a section 361(a) or (b) transfer, was the transferor controlled (under section 368(c)) by 5 or fewer domestic corporations? **Yes** **No**
- b** Did the transferor remain in existence after the transfer? **Yes** **No**
- If not, list the controlling shareholder(s) and their identifying number(s):

Controlling shareholder	Identifying number

- c** If the transferor was a member of an affiliated group filing a consolidated return, was it the parent corporation? **Yes** **No**
- If not, list the name and employer identification number (EIN) of the parent corporation:

Name of parent corporation	EIN of parent corporation

- 2** If the transferor was a partner in a partnership that was the actual transferor (but is not treated as such under section 367), list the name and EIN of the transferor's partnership:

Name of partnership	EIN of partnership

Part II Transferee Foreign Corporation Information (see instructions)

3 Name of transferee (foreign corporation)	4 Identifying number, if any
5 Address (including country)	
6 Country of incorporation or organization	
7 Foreign law characterization (see instructions)	
8 Is the transferee foreign corporation a controlled foreign corporation? <input type="checkbox"/> Yes <input type="checkbox"/> No	

Part III Information Regarding Transfer of Property (see instructions)

9 Date of transfer	10 Type of nonrecognition transaction (see instructions)
---------------------------	---

11 Description of property transferred:

12 Did this transfer result from a change in the classification of the transferee to that of a foreign corporation? **Yes** **No**

13 Was the transferor required to recognize income under Temporary Regulations sections 1.367(a)-4T through 1.367(a)-6T (e.g., for tainted property, depreciation recapture, branch loss recapture, etc.)? **Yes** **No**

14a Was intangible property (within the meaning of section 936(h)(3)(B)) transferred as a result of the transaction? **Yes** **No**

b If yes, describe the nature of the rights to the intangible property that was transferred in the transfer:

General Instructions

Purpose of Form

Use Form 926 to report certain transfers of tangible or intangible property to a foreign corporation required by section 6038B.

Who Must File

Generally, a U.S. citizen or resident, a domestic corporation, or a domestic estate or trust must file Form 926 to report transfers of property described in section 6038B(a)(1)(A) to a foreign corporation.

Special Rules

- **Transfers by a partnership.** If the transferor is a partnership (domestic or foreign), the domestic partners of the partnership, not the partnership itself, are required to comply with section 6038B and file Form 926. Each domestic partner is treated as a transferor of its proportionate share of the property.
- **Transfers by a husband and wife.** A husband and wife may file Form 926 jointly, but only if they file a joint income tax return.
- **Transfers of cash.** A U.S. person that transfers cash to a foreign corporation must report the transfer on Form 926 if **(a)** immediately after the transfer the person holds directly or indirectly at least 10% of the total voting power or the total value of the foreign corporation or **(b)** the amount of cash transferred by the person to the foreign corporation during the 12-month period ending on the date of the transfer exceeds \$100,000. See Regulations section 1.6038B-1(b)(3).

Exceptions to Filing

1. For exchanges described in section 354, a U.S. person does not have to file Form 926 if:
 - a. The U.S. person exchanges stock of a foreign corporation in a reorganization described in section 368(a)(1)(E) or
 - b. The U.S. person exchanges stock of a domestic or foreign corporation for stock of a foreign corporation under an asset reorganization described in section 368(a)(1)(C), (D), or (F), that is not treated as an indirect stock transfer under section 367(a).
2. Generally, a domestic corporation that distributes stock or securities of a domestic corporation under section 355 is not required to file Form 926. However, this exception does not apply if the distribution is of stock or securities of a foreign controlled corporation to a distributee shareholder who is not a U.S. citizen or resident or a domestic corporation.
3. A U.S. person that transfers stock or securities under section 367(a) does not have to file Form 926 if either **a** or **b** below applies.
 - a. The U.S. transferor owned less than 5% of both the total voting power and the total value of the transferee foreign corporation immediately after the transfer **and** either:
 - The U.S. transferor qualified for nonrecognition treatment with respect to the transfer, or
 - The U.S. transferor is a tax-exempt entity and the income was not unrelated business income, or

- The transfer was taxable to the U.S. transferor and such person properly reported the income on its timely filed return, or
- The transfer is considered to be to a foreign corporation solely by reason of Regulations section 1.83-6(d)(1) and the fair market value of the property transferred did not exceed \$100,000.
 - b. The U.S. transferor owned 5% or more of the total voting power or the total value of the transferee foreign corporation immediately after the transfer **and** either:
 - The transferor (or one or more successors) properly entered into a gain recognition agreement, or
 - The U.S. transferor is a tax-exempt entity and the income was not unrelated business income, or
 - The transfer was taxable to the U.S. transferor and such person properly reported the income on its timely filed return, or
 - The transfer is considered to be to a foreign corporation solely by reason of Regulations section 1.83-6(d)(1) and the fair market value of the property transferred did not exceed \$100,000.

When and How To File

Form 926 (and the additional information required under Regulations section 1.6038B-1(c) and Temporary Regulations sections 1.6038B-1T(c)(1) through (5) and 1.6038B-1T(d)) must be filed with the U.S. transferor's income tax return for the tax year that includes the date of the transfer.

Other Forms That May Be Required

Persons filing this form may be required to file **Form TD F 90-22.1**, Report of Foreign Bank and Financial Accounts.

A U.S. transferor that is required to enter into a gain recognition agreement under section 367 to qualify for nonrecognition treatment must file **Form 8838**, Consent To Extend the Time To Assess Tax Under Section 367—Gain Recognition Agreement, or a similar statement, to extend the statute of limitations with respect to the gain realized but not recognized on the transfer.

Penalties for Failure To File

If a taxpayer fails to comply with section 6038B, the penalty equals 10% of the fair market value of the property at the time of the transfer. The penalty will not apply if the failure to comply is due to reasonable cause and not to willful neglect. The penalty is limited to \$100,000 unless the failure to comply was due to intentional disregard. Moreover, the period of limitations for assessment of tax upon the transfer of that property is extended to the date that is 3 years after the date on which the information required to be reported is provided.

Specific Instructions

Part I—U.S. Transferor Information

Identifying Number

The identifying number of an individual is his or her social security number (SSN). The identifying number of all others is their employer identification number (EIN).

Lines 1 and 2

Line 1a. If you answered “Yes” to question 1a and the asset is a tangible asset, section 367(a)(5) may require basis adjustments. If you answered “No” to question 1a and the asset is a tangible asset, the transfer is taxable under sections 367(a)(1) and (a)(5). If the asset transferred is an intangible asset, see section 367(d) and its regulations.

Line 1b. If the transferor went out of existence pursuant to the transfer (e.g., as in a reorganization described in section 368(a)(1)(C)), list the controlling shareholders.

Line 1c. If the transferor was a member of an affiliated group filing a consolidated tax return (see sections 1501 through 1504), but was not the parent corporation, list the name and EIN of the parent corporation and file Form 926 with the parent corporation’s consolidated return.

Line 2. If the actual transferor was a partnership, the domestic partners of the partnership, not the partnership itself, are deemed to be the transferors. See Temporary Regulations section 1.367(a)-1T(c)(3). List the name and identification number of the partnership.

Part II—Transferee Foreign Corporation Information

Line 7. List the entity classification (e.g., partnership, corporation, etc.) of the transferee foreign corporation under the laws of the country of incorporation or organization.

Line 8. See section 957(a) to determine whether the corporation is a controlled foreign corporation immediately after the transfer.

Part III—Information Regarding Transfer of Property

Line 10. List the type of nonrecognition transaction that gave rise to the reporting obligation (e.g., section 332, 351, 354, 356, or 361).

Line 11. Give a brief description of the property transferred and attach to Form 926 the information required under Regulations sections 1.6038B-1(c) and Temporary Regulations sections 1.6038B-1T(c)(1) through 1.6038B-1T(c)(5) and 1.6038B-1T(d).

Line 12. If this transfer resulted from a change in the classification of the transferee to that of a foreign corporation (a deemed transfer resulting from a classification change on **Form 8832**, Entity Classification

Election, or a termination of a section 1504(d) election), check the “Yes” box. If the transfer was an actual transfer of property to a foreign corporation, check the “No” box.

Line 13. See Temporary Regulations sections 1.367(a)-4T through 1.367-6T for instances in which a transferor must recognize income on the transfer of tangible property that qualifies for nonrecognition treatment (see section 367(a)(3) and Temporary Regulations section 1.367(a)-2T). Additional information is required to be attached to this form. See Temporary Regulations sections 1.6038B-1T(c)(4)(iii) and (vii), and 1.6038B-1T(c)(5).

Line 14a. If you checked the “Yes” box, additional information is required to be attached to this form. See Temporary Regulations section 1.6038B-1T(d).

Line 14b. See Temporary Regulations section 1.6038B-1T(d).

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 section 6103.

The time needed to complete and file this form will vary depending on individual circumstances. The estimated burden for individual taxpayers filing this form is approved under OMB control number 1545-0074 and is included in the estimates shown in the instructions for their individual income tax return. The estimated burden for all other taxpayers who file this form is shown below.

Recordkeeping	5 hr., 30 min.
Learning about the law or the form	4 hr., 10 min.
Preparing and sending the form to the IRS	4 hr., 26 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 the tax return with which this form is filed.

Application To Use LIFO Inventory Method

▶ **Attach to your tax return.**

Name of filer (name of parent corporation if a consolidated group) (see instructions)

Filer's identification number (see instructions)

Name of applicant(s) (if different from filer) and identification number(s)

Part I Statement of Election under Section 472	Yes	No
---	------------	-----------

- | | | |
|---|--|--|
| <p>1 The applicant elects to use the LIFO inventory method for the tax year ending (enter month, day, year) ▶
 for the following goods (enter here):
 See instructions and attach a statement if necessary.</p> <p>2 In an attached statement, identify and describe the inventory method(s) used by the applicant in the prior tax year for the goods covered by this election.</p> <p>3a Is the applicant already using the LIFO inventory method for any other goods?</p> <p>b If "Yes" to line 3a, attach a statement identifying and describing the goods and the LIFO methods used.</p> <p>4a Has the applicant ever used the LIFO inventory method for the goods covered by this election?</p> <p>b If "Yes" to line 4a, attach a statement listing the tax years for which the LIFO inventory method was used and explaining why the LIFO inventory method was discontinued.</p> <p>5 The applicant will not use the LIFO inventory method to account for the following goods (enter here): ▶

 Attach a statement if necessary.</p> | | |
|---|--|--|

Part II LIFO Inventory Requirements	Yes	No
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- | | | |
|--|--|--|
| <p>6a Did the applicant value the closing inventories of goods covered by this election at cost for the tax year immediately preceding the tax year specified on line 1?</p> <p>b If "No" to line 6a, did the applicant value the beginning inventories of goods covered by this election at cost for the tax year specified on line 1 as required by section 472(d)?
 If "No" to line 6b, attach an explanation.</p> <p>c If "Yes" to line 6b, will the applicant account for the adjustment required by section 472(d) over a 3-year period?
 If "No" to line 6c, attach an explanation.</p> <p>7a When determining the beginning inventories of goods covered by this election, did the applicant treat those goods as being acquired for a unit cost that is equal to the total cost of those goods divided by the total number of units on hand?</p> <p>b If "No" to line 7a, attach an explanation.</p> <p>8a Did the applicant (or any member of the same group of financially related corporations as defined in section 472(g)) issue credit statements or reports to shareholders, partners, other proprietors, or beneficiaries covering the tax year specified on line 1?</p> <p>b If "Yes" to line 8a, attach a statement describing the recipient(s), the date(s) of issuance, and the inventory method(s) used to determine income, profit, or loss in those statements.</p> <p>9a Will the applicant determine beginning and ending inventories at cost regardless of market value?</p> <p>b If "No" to line 9a, attach an explanation.</p> <p>10a As a condition of adopting the LIFO inventory method, Regulations section 1.472-4 requires a taxpayer to agree to make any adjustments incident to the change to, the change from, or the use of, the LIFO inventory method that, upon the examination of the taxpayer's income tax return, the IRS determines are necessary to clearly reflect income. Does the applicant agree to this condition?</p> <p>b If "No" to line 10a, the applicant is not eligible to use the LIFO inventory method and does not need to file Form 970.</p> | | |
|--|--|--|

Part III Specific Goods (Unit) Method		
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- | | | |
|---|--|--|
| <p>11 Under Regulations section 1.472-1, the types of goods in the opening inventory must be compared with similar types of goods in the closing inventories. Attach a list of the types or categories of goods that will be compared, describe the goods that will be included in each type or category, and identify the unit of measure (pounds, barrels, feet, etc.) used for each type or category.</p> | | |
|---|--|--|

Part III Specific Goods (Unit) Method (Continued)

- 12** Check the box corresponding to the method that the applicant will use to determine the cost of the goods in the closing inventories in excess of the cost of the goods in the opening inventories (see instructions):
- Actual cost of goods most recently purchased or produced
 - Average cost of goods purchased or produced during the tax year
 - Actual cost of goods purchased or produced in the order of acquisition
 - Other (attach explanation)

Part IV Dollar-Value Method

- 13** Attach a statement describing the applicant's method of defining "items."
- 14a** Did the applicant acquire any of the goods covered by this election at below-market prices? **Yes** **No**
- b** If "Yes" to line 14a, attach a statement explaining whether the applicant did, or will, account for the goods purchased at below-market prices and similar goods produced or acquired at market prices as separate items. If the applicant did, or will, account for both types of goods as the same item, explain and justify.
- 15** Attach a statement describing the method of pooling the applicant will use for the goods covered by this election. If the applicant will use more than one dollar-value pool, list and describe the contents of each dollar-value pool (see instructions).
- 16** Identify or describe the method the applicant will use to compute the LIFO value of each dollar-value pool containing goods covered by this election (for example, double-extension method, link-chain method, or index method).
-
- If the applicant's method is neither the double-extension method nor the Inventory Price Index Computation method, attach a statement describing the method in detail and justifying the applicant's use of the selected method (see instructions).
- 17** Check the box corresponding to the method the applicant will use to determine the current-year cost of goods in the closing inventories and to value the LIFO increments of the dollar-value pool(s) (see instructions).
- Actual cost of goods most recently purchased or produced
 - Average cost of goods purchased or produced during the tax year
 - Actual cost of goods purchased or produced in the order of acquisition
 - Other (attach explanation)

Part V Inventory Price Index Computation (IPIC) Method

- 18** Check the box corresponding to the method the applicant will use to compute the LIFO value of each dollar-value pool containing goods covered by this election (see instructions).
- Double-extension IPIC method
 - Link-chain IPIC method
- 19** Check the box corresponding to the table from which the applicant will select Bureau of Labor Statistics (BLS) price indexes (see instructions).
- Table 3 of the Consumer Price Index (CPI) Detailed Report
 - Table 6 of the Producer Price Index (PPI) Detailed Report
 - Other table of the PPI Detailed Report
- If the applicant will use "Other table of the PPI Detailed Report," attach a statement explaining why the other table is more appropriate than Table 6.
- 20** Will the applicant use the 10 percent method (see instructions)? **Yes** **No**
- 21** If the applicant elects to use a representative month for selecting BLS price indexes from the applicable Detailed Report, enter the representative month elected for each dollar-value pool.
- See instructions and attach a statement if necessary.

Part VI Other Information

- 22** Attach a statement describing the applicant's method of determining the cost of inventory items (for example, standard cost method, actual invoice cost, joint product cost method, or retail inventory method).
- 23** Did the applicant receive IRS consent to change the method of valuing inventories for the tax year specified on line 1 (see instructions)? **Yes** **No**

General Instructions

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

Purpose of Form

Form 970 is filed with your income tax return to elect to use the last-in, first-out (LIFO) inventory method described in section 472. If you prefer, you can file an election statement that gives the same information requested on Form 970.

How To Use Form 970

You must complete Parts I, II, and VI. In addition, complete Parts III, IV, and V, as applicable.

When To File

File Form 970 (or a similar statement) with your tax return for the first tax year you intend to use the LIFO method.

If you filed your return for the tax year in which you wish to use the LIFO inventory method described in section 472 without making the election, you can make the election by filing an amended return within 12 months of the date you filed your original return. Attach Form 970 (or similar statement) to the amended return and write "Filed pursuant to section 301.9100-2" at the top of Form 970. File the amended return at the same address the original return was filed.

Change From LIFO Method

Once you adopt the LIFO method, it is irrevocable unless the IRS allows you to change to another method. To request approval to change from the LIFO inventory method, you can use the automatic change request procedures or the advance consent request procedures. For details about these two procedures under which an applicant can request a change in accounting method, see *Purpose of Form* under *General Instructions* in the Instructions for Form 3115, Application for Change in Accounting Method. For more information, also see change number 56 in the *List of Automatic Accounting Method Changes* in the Instructions for Form 3115.

LIFO Recapture Amount

A C corporation must include in gross income a LIFO recapture amount (defined below) if it:

1. Used the LIFO method for its last tax year before the first tax year for which an election to be taxed as an S corporation becomes effective, or
2. Transferred LIFO inventory assets to an S corporation in a nonrecognition transaction in which those assets constitute transferred basis property. The LIFO recapture amount is the amount by which the C corporation's inventory amount of the inventory assets using the first-in, first-out (FIFO) method exceeds the inventory amount of such assets under the LIFO method at the close of the C corporation's last tax year as a C corporation (or for the year of the transfer, if 2, above, applies).

For additional information on LIFO recapture, see Regulations section 1.1363-2 and Rev. Proc. 94-61, 1994-2 C.B. 775. Also see the Instructions for Forms 1120 and 1120-A and the Instructions for Form 1120S.

Specific Instructions

Name and Identification Number

Enter the name of the filer on the first line of page 1 of Form 970. In general, the filer of the Form 970 is the applicant. However, if Form 970 is filed on behalf of the applicant, enter the filer's name and identification number on the first line of

Form 970 and enter the applicant's name and identification number on the second line. An individual's identifying number is his or her social security number. For all others, it is the entity's employer identification number.

Part I—Statement of Election under Section 472

Line 1. Enter the tax year the LIFO inventory method will first be used and list the inventory items for which you will use this method. Include only inventory items that are not already covered under a previous LIFO election. Attach a detailed analysis of all of your inventories as of the beginning and end of the first tax year the LIFO method will be used and the beginning inventory of the preceding tax year. Also, include the ending inventory reported on your tax return for the preceding tax year. See Regulations sections 1.472-2 and 1.472-3 for more details on preparing this analysis.

Part III—Specific Goods (Unit) Method

Line 12. See Regulations section 1.472-2 for more information.

Part IV—Dollar-Value Method

Line 15. Provide sufficient information to justify the pooling method you are using. Retailers, wholesalers, jobbers, and distributors are required to pool their goods by major lines, types, or classes, as authorized under Regulations section 1.472-8(c). Manufacturers or processors can use the natural business unit pooling method, as authorized by Regulations section 1.472-8(b)(1), or can establish multiple pools of similar items in lieu of natural business unit pools, under Regulations section 1.472-8(b)(3)(i). Multiple pools include raw materials content pools authorized by Regulations section 1.472-8(b)(3)(ii).

Eligible small businesses can establish pools under the simplified dollar-value LIFO method (discussed below).

Manufacturers or processors using the inventory price index computation (IPIC) method can establish pools based on the 2-digit commodity codes in Table 6 of the Producer Price Index (PPI) Detailed Report. A retailer using the IPIC method can establish pools based on either the general expenditure categories in Table 3 of the Consumer Price Index (CPI) Detailed Report or on the 2-digit commodity codes in Table 6 of the PPI Detailed Report. A wholesaler, jobber, or distributor using the IPIC method can establish pools based on the 2-digit commodity codes in Table 6 of the PPI Detailed Report. The PPI and CPI Detailed Reports are published monthly by the U.S. Bureau of Labor Statistics (BLS). Under the IPIC method, you can also combine pools under special 5% rules. See Regulations sections 1.472-8(b)(4) and 1.472-8(c)(2) for more information.

Describe any other method of pooling used.

Simplified dollar-value LIFO method. If your average annual gross receipts for the 3 preceding tax years did not exceed \$5 million, you can elect to use the simplified dollar-value LIFO method. If the taxpayer is a member of a controlled group, the gross receipts of the group are used to determine if the taxpayer qualifies. This method requires that the taxpayer maintain a separate inventory pool for items in each major category in the applicable Government price index, and that the taxpayer make adjustments to each separate pool based on changes from the preceding tax year in the component of such index for the major category. A qualified taxpayer does not need IRS consent to elect these provisions. The election is in effect for the first year the election is made and for each succeeding year the taxpayer qualifies as an eligible small business. The election can be revoked only with IRS consent.

The simplified dollar-value method requires that general categories of inventory pools be established. The general categories are based on categories of inventory items contained in the PPI Detailed Report or the CPI Detailed Report. See section 474 and Regulations section 1.472-8 for more details.

Line 16. Generally, you can only use the double-extension method or the inventory price index computation method. See Regulations sections 1.472-8(e)(2) and 1.472-8(e)(3) for a description of these methods. However, if you use the link-chain, index, or "other" method, attach a detailed statement explaining how the method is justified under Regulations section 1.472-8(e)(1). In addition, if you use a link-chain method, your statement should explain why the nature of the pool makes the double-extension or index method impractical or unsuitable.

New Vehicle Alternative LIFO Inventory Method.

Automobile dealers engaged in the trade or business of retail sales of new automobiles or new light-duty trucks can adopt or use the New Vehicle Alternative LIFO Inventory Method under Rev. Proc. 97-36, 1997-2 C.B. 450. A new automobile dealer who previously elected this method under Rev. Proc. 92-79, 1992-2 C.B. 457 is not required to change its method of accounting to comply with Rev. Proc. 97-36. For more information, see Rev. Proc. 97-36. For information on accounting method changes to this method, see section 10.03 of the Appendix in Rev. Proc. 2002-9.

Used Vehicle Alternative LIFO Inventory Method.

Automobile dealers engaged in the trade or business of retail sales of used automobiles or used light-duty trucks can adopt or use the Used Vehicle Alternative LIFO Inventory Method under Rev. Proc. 2001-23, 2001-10 I.R.B. 784. You can find Rev. Proc. 2001-23 on page 784 of Internal Revenue Bulletin 2001-10 at www.irs.gov/pub/irs-irbs/irb01-10.pdf. For information on accounting method changes to this method, see section 10.04 of the Appendix in Rev. Proc. 2002-9 and change number 59 in the *List of Automatic Accounting Method Changes* in the Instructions for Form 3115.

Line 17. See Regulations section 1.472-8(e)(2) for more information.

Part V—Inventory Price Index Computation (IPIC) Method

Line 18. See Regulations section 1.472-8(e)(3)(iii)(E) for a description of the double-extension and link-chain IPIC methods, including examples. The use of either of these IPIC methods is a method of accounting. For information on accounting method changes to or within an IPIC method, see change numbers 61 and 62 in the *List of Automatic Accounting Method Changes* in the Instructions for Form 3115.

Line 19. Manufacturers, processors, wholesalers, jobbers, and distributors must select BLS price indexes from Table 6 of the PPI Detailed Report, unless the taxpayer can demonstrate that selecting BLS price indexes from another table of the PPI Detailed Report is more appropriate. Retailers can select BLS price indexes from either Table 3 of the CPI Detailed Report or from Table 6 (or another more appropriate table) of the PPI Detailed Report.

Line 20. See Regulations section 1.472-8(e)(3)(iii)(C)(2) for a description of the 10 percent method.

Line 21. See Regulations section 1.472-8(e)(3)(iii)(B)(3) before completing line 21.

Part VI—Other Information

Line 23. If you filed Form 3115, Application for Change in Accounting Method, and received IRS consent to change your method of valuing inventories for the tax year specified on line 1, do not attach a copy of the approval letter (consent agreement). Retain a copy of the letter for your records.

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 section 6103.

The time needed to complete and file this form and related schedules will vary depending on individual circumstances. The estimated burden for individual taxpayers filing this form is approved under OMB control number 1545-0074 and is included in the estimates shown in the instructions for their individual income tax return. The estimated burden for all other taxpayers who file this form is shown below.

- Recordkeeping** 8 hr., 36 min.
- Learning about the law or the form** 1 hr., 47 min.
- Preparing and sending the form to the IRS** 2 hr., 0 min.

If you have comments concerning the accuracy of these time estimates or suggestions for making this form and related schedules simpler, we would be happy to hear from you. See the instructions for the tax return with which this form is filed.

**Consent of Shareholder To Include
Specific Amount in Gross Income**
(Under Section 565 of the Internal Revenue Code)
(Send this form to the corporation claiming the deduction for consent dividends.
See instructions.)

Department of the Treasury
Internal Revenue Service

Name of shareholder _____ Identifying number (see instructions) _____

Number, street, and room or suite no. (If a P.O. box, see instructions.) _____

City, state, and ZIP code _____

1 The shareholder named above agrees to include \$ _____ in gross income on its tax return for the tax year beginning _____ and ending _____. This amount is treated as a taxable dividend to the shareholder on the stock of the _____.

(Month, day, year) (Month, day, year) (Name of corporation)

(Number, street, and room or suite no.) (City, state, and ZIP code) (If a P.O. box, see instructions.)

Note. If the amount to be included in gross income (on line 1, above) is different than the total shown on line 4, Schedule A, attach a statement to Form 972 explaining the reason and authority for the discrepancy.

Schedule A Statement of Shares in Each Class of Stock Owned by the Shareholder on the Last Day of the Corporation's Tax Year

2 Enter the last day of the corporation's tax year ► _____
(Month, day, year)

Consent is given to include a specific amount in gross income based on the shares of stock owned on the last day of the corporation's tax year as shown below.

Class of stock	Number of shares	Certificate numbers	Amount of consent distribution allocable to each class of stock owned
3 _____			\$ _____

4 Total consent distribution ► **\$** _____

Signature

Under penalties of perjury, I declare that I have examined this consent, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete.

Consenting shareholder ► _____

Title ► _____ Date ► _____

General Instructions

Purpose of form. Form 972 is used by a shareholder who agrees to report a consent dividend as taxable income in the form of a dividend on the shareholder's own tax return even though the shareholder receives no actual cash distribution of the consented amounts. A dividend is a consent dividend only if it would have been included in the shareholder's gross income if it was actually paid. If the shareholder agrees to treat the dividend as taxable, the corporation may be able to claim a consent dividend deduction on its income tax return. Also, the shareholder increases its basis in the stock of that corporation in the amount of the consent dividend for which the shareholder is taxed.

Who may file. A shareholder who agrees to treat the consent dividend as a taxable dividend must complete and send Form 972 to the corporation that will claim the consent dividend as a deduction.

When and where to file. Send the completed Form 972 to the corporation by the due date of the corporation's tax return for the tax year the corporation will claim the consent dividends as a deduction.

The corporation must attach Form 973, Corporation Claim for Deduction for Consent Dividends, and a copy of each completed Form 972 to its income tax return.

Note. The shareholder must report the consent dividend as a taxable dividend in the same tax year the corporation will claim the consent dividend deduction. For example, the corporation has a fiscal tax year that begins on July 1, 2005, and ends on June 30, 2006. In November 2005, a calendar year

shareholder agrees to a consent dividend and sends a completed Form 972 to the corporation. The corporation claims the consent dividend deduction on its tax return for the fiscal year ending on June 30, 2006. The shareholder reports the consent dividend as a taxable dividend on its tax return filed for the calendar year ending on December 31, 2006.

Identifying number. Individuals enter their social security number. All others enter their employer identification number.

Address. Include the room, suite, or other unit number after the street address. If the Post Office does not deliver mail to the street address and the shareholder has a P.O. box, show the box number instead of the street address.

Signature. Form 972 must be signed by the shareholder. If the shareholder is a partnership, one of the partners must sign. If the shareholder is an estate or trust, the fiduciary or officer representing the estate or trust must sign. For a corporate shareholder, the president, vice president, treasurer, assistant treasurer, chief accounting officer, or other authorized officer (such as tax officer) must sign the consent.

The shareholder's attorney or agent may sign this consent if he or she is specifically authorized by a power of attorney which, if not previously filed, must accompany Form 972.

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 section 6103.

The time needed to complete and file this form will vary depending on individual circumstances. The estimated burden for individual taxpayers filing this form is approved under OMB control number 1545-0074 and is included in the estimates shown in the instructions for their individual income tax return. The estimated burden for all other taxpayers who file this form is:

Recordkeeping . . . 3hrs., 35 min.
Learning about the law or the form 6 min.
Preparing the form 9 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. You can write to the Internal Revenue Service; Tax Products Coordinating Committee; SE:W:CAR:MP:T:T:SP; 1111 Constitution Ave., NW; IR-6406; Washington, DC 20224.

Do not send the tax form to this office. Instead, see *When and where to file* on this page.

Reduction of Tax Attributes Due to Discharge of Indebtedness (and Section 1082 Basis Adjustment)

OMB No. 1545-0046

Attachment Sequence No. **94**

▶ Attach this form to your income tax return.

Identifying number

Part I General Information (see instructions)

- 1 Amount excluded is due to (check applicable box(es)):
 - a Discharge of indebtedness in a title 11 case
 - b Discharge of indebtedness to the extent insolvent (not in a title 11 case)
 - c Discharge of qualified farm indebtedness
 - d Discharge of qualified real property business indebtedness
 - e Discharge of certain indebtedness of a qualified individual by reason of Hurricane Katrina
- 2 Total amount of discharged indebtedness excluded from gross income **2**
- 3 Do you elect to treat all real property described in section 1221(a)(1), relating to property held for sale to customers in the ordinary course of a trade or business, as if it were depreciable property? Yes No

Part II Reduction of Tax Attributes.

You must attach a description of any transactions resulting in the reduction in basis under section 1017. See Regulations sections 1.1017-1 and 1.1017-1T for basis reduction ordering rules, and, if applicable, required partnership consent statements. (For additional information, see the instructions for Part II.)

Enter amount excluded from gross income:

4 For a discharge of qualified real property business indebtedness, applied to reduce the basis of depreciable real property	4	
5 That you elect under section 108(b)(5) to apply first to reduce the basis (under section 1017) of depreciable property	5	
6 Applied to reduce any net operating loss that occurred in the tax year of the discharge or carried over to the tax year of the discharge	6	
7 Applied to reduce any general business credit carryover to or from the tax year of the discharge	7	
8 Applied to reduce any minimum tax credit as of the beginning of the tax year immediately after the tax year of the discharge	8	
9 Applied to reduce any net capital loss for the tax year of the discharge including any capital loss carryovers to the tax year of the discharge	9	
10 Applied to reduce the basis of nondepreciable and depreciable property if not reduced on line 5. <i>DO NOT use in the case of discharge of qualified farm indebtedness.</i>	10	
11 For a discharge of qualified farm indebtedness, applied to reduce the basis of:		
a Depreciable property used or held for use in a trade or business, or for the production of income, if not reduced on line 5	11a	
b Land used or held for use in a trade or business of farming	11b	
c Other property used or held for use in a trade or business, or for the production of income	11c	
12 Applied to reduce any passive activity loss and credit carryovers from the tax year of the discharge	12	
13 Applied to reduce any foreign tax credit carryover to or from the tax year of the discharge	13	

Part III Consent of Corporation to Adjustment of Basis of its Property Under Section 1082(a)(2)

Under section 1081(b), the corporation named above has excluded \$ from its gross income for the tax year beginning, and ending

Under that section, the corporation consents to have the basis of its property adjusted in accordance with the regulations prescribed under section 1082(a)(2) in effect at the time of filing its income tax return for that year. The corporation is organized under the laws of

(State of incorporation)

Note. You must attach a description of the transactions resulting in the nonrecognition of gain under section 1081.

General Instructions

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

Purpose of Form

Generally, the amount by which you benefit from the discharge of indebtedness is included in your gross income. However, under certain circumstances described in section 108, you may exclude the amount of discharged indebtedness from your gross income. Taxpayers who exclude discharge of indebtedness income from gross income generally, must reduce certain tax attributes either dollar for dollar or 33 cents per dollar (see below).

Use *Part I* of Form 982 to indicate why any amount received from the discharge of indebtedness should be excluded from gross income.

Use *Part II* to report your reduction of tax attributes. The reduction must be made in the following order unless you check the box on line 1d for qualified real property business indebtedness or make the election on line 5 to reduce basis of depreciable property first.

- Any net operating loss (NOL) for the tax year of the discharge (and any NOL carryover to that year) (dollar for dollar);
- Any general business credit carryover to or from the tax year of the discharge (33 cents per dollar);
- Any minimum tax credit as of the beginning of the tax year immediately after the tax year of the discharge (33 cents per dollar);
- Any net capital loss for the tax year of the discharge (and any capital loss carryover to that tax year) (dollar for dollar);
- Basis of property (dollar for dollar);
- Any passive activity loss (dollar for dollar) and credit (33 cents per dollar) carryovers from the tax year of the discharge; and
- Any foreign tax credit carryover to or from the tax year of the discharge (33 cents per dollar).

Use *Part III* to exclude from gross income under section 1081(b) any amounts of income attributable to the transfer of property described in that section.

Definitions

A *title 11 case* is a case under title 11 of the United States Code (relating to bankruptcy), but only if you are under the jurisdiction of the court in the case and the discharge of indebtedness is granted by the court or is under a plan approved by the court.

The term *discharge of indebtedness* conveys forgiveness of, or release from, an obligation to repay.

You are *insolvent* to the extent your liabilities exceed the fair market value (FMV) of your assets immediately before the discharge.

For details, get Pub. 908, Bankruptcy Tax Guide.

When to File

File Form 982 with your timely filed federal income tax return (including extensions) in a year a discharge of indebtedness is excluded from your income under section 108(a).

The election to reduce the basis of depreciable property under section 108(b)(5) and the election made on line 1d of Part I regarding the discharge of qualified real property business indebtedness may be revoked only with the consent of the IRS.

If you timely filed your tax return without making the election, you can still make the election by filing an amended return within 6 months of the due date of the return (excluding

extensions). Write "Filed pursuant to section 301.9100-2" on the amended return and file it at the same place you filed the original return.

Specific Instructions

Part I

Lines 1a through 1c and 1e. If you check any of these boxes, you may elect, by completing line 5, to apply all or a part of the debt discharge amount to first reduce the basis of depreciable property (including property you elected on line 3 to treat as depreciable property). Any balance of the debt discharge amount will then be applied to reduce the tax attributes in the order listed on lines 6 through 13. For lines 1a, 1b, and 1e only, if after reducing the tax attributes there remains a balance of the debt discharge, the excess is permanently excluded from your gross income. You must attach a statement describing the transactions that resulted in the reduction in basis and identifying the property for which you reduced the basis. If you do not make the election on line 5, complete lines 6 through 13 to reduce your attributes. See section 1017(b)(2) and (c) for limitations of reductions in basis on line 10.

The exclusion relating to insolvency does not apply to a discharge that occurs in a title 11 case. Also, the exclusions relating to qualified farm indebtedness and qualified real property business indebtedness do not apply to a discharge that occurs in a title 11 case or to the extent the taxpayer is insolvent.

Line 1c. Qualified farm indebtedness is the amount of indebtedness incurred directly in connection with the trade or business of farming. In addition, 50% or more of your aggregate gross receipts for the 3 tax years preceding the tax year in which the discharge of such indebtedness occurs must be from the trade or business of farming. For more information, see sections 108(g) and 1017(b)(4).

The discharge must have been made by a qualified person. Generally, a *qualified person* is an individual, organization, etc., who is actively and regularly engaged in the business of lending money. This person cannot be related to you, be the person from whom you acquired the property, or be a person who receives a fee with respect to your investment in the property. Also, a qualified person includes any federal, state, or local government or agency or instrumentality thereof.

If you checked line 1c and did not make the election on line 5, the debt discharge amount will be applied to reduce the tax attributes in the order listed on lines 6 through 9. Any remaining amount will be applied to reduce the tax attributes in the order listed on lines 11a through 13.

You cannot exclude more than the total of your: (a) tax attributes (determined under section 108(g)(3)(B)); and (b) basis of property used or held for use in a trade or business or for the production of income. Any excess is included in income.

Line 1e. Gross income of a qualified individual does not include any amount which would otherwise be includible in gross income because of a discharge (in whole or in part) of nonbusiness debt, by an applicable entity. This provision only applies to discharges made after August 24, 2005, and before January 1, 2007. However, any amount that you excluded from gross income must reduce certain tax attributes as explained under *Purpose of Form*.

A *qualified individual*, for purposes of this relief, is a natural person whose principal place of abode on August 25, 2005, was located: (1) in the core disaster area or (2) in the Hurricane Katrina disaster area (but outside the core disaster area) and that person suffered an economic loss by reason of Hurricane Katrina. See Publication 4492, Information for Taxpayers Affected by Hurricanes Katrina, Rita, and Wilma, for details about the Hurricane Katrina disaster area.

A *nonbusiness debt* is any indebtedness other than indebtedness incurred in connection with a trade or business. This allowed relief does not apply to any indebtedness secured by real property located outside the Hurricane Katrina disaster area.

An *applicable entity* means any executive, judicial, or legislative agency as defined in 31 USC 3701(a)(4), and an applicable financial entity.

An applicable financial entity means:

1. Any financial institution described in section 581 or 591(a) and any credit union.
2. The Federal Deposit Insurance Corporation, the Resolution Trust Corporation, the National Credit Union Administration, and any other Federal executive agency (as defined in section 6050M), and any successor or subunit of these organizations.
3. Any other corporation which is a direct or indirect subsidiary of an entity referred to in item 1, above, but only if, by virtue of being affiliated with that entity, the other corporation is subject to supervision and examination by a Federal or State agency (which regulates entities referred to in item 1, above).
4. Any organization for which a significant portion of their trade or business is lending money.

This exclusion does not apply to discharges that occur in a title 11 case, discharges due to insolvency, discharges of qualified farm indebtedness, or discharges of qualified real property business indebtedness.

Note. An entity that is required to file Form 1099-C, Cancellation of Debt, is an applicable entity.

Line 1d. If you check this box, the discharge of qualified real property business indebtedness is applied to reduce the basis of depreciable real property on line 4.

Qualified real property business indebtedness is indebtedness (other than qualified farm indebtedness) that: (a) is incurred or assumed in connection with real property used in a trade or business; (b) is secured by that real property; and (c) with respect to which you have made an election under this provision. This provision does not apply to a corporation (other than an S corporation).

Indebtedness incurred or assumed after 1992 is not qualified real property business indebtedness unless it is either: (a) debt incurred to refinance qualified real property business indebtedness incurred or assumed before 1993 (but only to the extent the amount of such debt does not exceed the amount of debt being refinanced) or (b) qualified acquisition indebtedness.

Qualified acquisition indebtedness is (a) debt incurred or assumed to acquire, construct, reconstruct, or substantially improve real property that is secured by such debt; and (b) debt resulting from the refinancing of qualified acquisition indebtedness, to the extent the amount of such debt does not exceed the amount of debt being refinanced.

You cannot exclude more than the excess of the outstanding principal amount of the debt (immediately before the discharge) over the net FMV (as of that time) of the property securing the debt, reduced by the outstanding principal amount of other qualified real property business indebtedness secured by that property (as of that time). The amount excluded is further limited to the aggregate adjusted basis (as of the first day of the next tax year, or if earlier, the date of disposition) of depreciable real property (determined after any reductions under sections 108(b) and (g)) you held immediately before the discharge (other than property acquired in contemplation of the discharge). Any excess is included in income.

Line 2. Enter the total amount excluded from your gross income due to discharge of indebtedness under section 108. If you checked line 1a, 1b, 1c, and/or 1e, this amount will not

necessarily equal the total reductions on lines 5 through 13 because the debt discharge amount may exceed the total tax attributes.

See section 382(l)(5) for a special rule regarding a reduction of a corporation's tax attributes after certain ownership changes.

Line 3. You may elect under section 1017(b)(3)(E) to treat all real property held primarily for sale to customers in the ordinary course of a trade or business as if it were depreciable property. This election does not apply to the discharge of qualified real property business indebtedness. To make the election, check the "Yes" box.

Part II

Line 7. If you have a general business credit carryover to or from the tax year of the discharge, you must reduce that carryover by 33 cents for each dollar excluded from gross income. See Form 3800, General Business Credit, for more details on the general business credit, including rules for figuring any carryforward or carryback.

Line 10. In the case of a title 11 case or insolvency (except when an election under section 108(b)(5) is made), the reduction in basis is limited to the aggregate of the basis of your property immediately after the discharge over the aggregate of your liabilities immediately after the discharge.

Part III

Adjustment to basis. Unless it specifically states otherwise, the corporation, by filing this form, agrees to apply the general rule for adjusting the basis of property (as described in Regulations section 1.1082-3(b)).

If the corporation desires to have the basis of its property adjusted in a manner different from the general rule, it must attach a request for variation from the general rule. The request must show the precise method used and the allocation of amounts.

Consent to the request for variation from the general rule will be effective only if it is incorporated in a closing agreement entered into by the corporation and the Commissioner of Internal Revenue under the rules of section 7121. If no agreement is entered into, then the general rule will apply in determining the basis of the corporation's property.

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Recordkeeping, 5 hr., 58 min.; **Learning about the law or the form**, 2 hr., 17 min.; **Preparing and sending the form to the IRS**, 2 hr., 28 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 the tax return with which this form is filed.