



# 2007 Instructions for Schedules A & B (Form 1040)

## Instructions for Schedule A, Itemized Deductions

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

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

If you and your spouse paid expenses jointly and are filing separate returns for 2007, see Pub. 504 to figure the portion of joint expenses that you can claim as itemized deductions.



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

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

### What's New

**Standard mileage rates.** The 2007 rate for use of your vehicle to get medical care is 20 cents a mile. The special rate for charitable use of your vehicle to provide relief related to Hurricane Katrina has expired.

**State and local general sales taxes.** The option to deduct state and local general sales taxes instead of state and local income taxes was extended through 2007. See the instructions for line 5 that begin on page A-2.

**Mortgage insurance premiums.** Mortgage insurance premiums for mortgage insurance contracts issued after December 31, 2006, may be deductible on new line 13. See the instructions for line 13 on page A-7.

**New recordkeeping requirements for contributions of money.** For charitable contributions made in cash, regardless of the amount, you must maintain as a record of the contribution a bank record (such as a canceled check) or a written record from the charity. The written record must include the name of the charity, date, and amount of the contribution. See *Gifts to Charity* that begins on page A-7.

### Medical and Dental Expenses

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

Pub. 502 discusses the types of expenses that you can and cannot deduct. It

also explains when you can deduct capital expenses and special care expenses for disabled persons.



*If you received a distribution from a health savings account or a medical savings account in 2007, see Pub. 969 to figure your deduction.*

### Examples of Medical and Dental Payments You Can Deduct

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

- Insurance premiums for medical and dental care, including premiums for qualified long-term care contracts as defined in Pub. 502. But see *Limit on long-term care premiums you can deduct* on page A-2. Reduce the insurance premiums by any self-employed health insurance deduction you claimed on Form 1040, line 29. You cannot deduct insurance premiums paid with pretax dollars because the premiums are not included in box 1 of your Form(s) W-2. If you are a retired public safety officer, you cannot deduct any premiums you paid to the extent they were paid for with a tax-free distribution from your retirement plan.



*If, during 2007, you were an eligible trade adjustment assistance (TAA) recipient, alternative TAA recipient, or Pension Benefit Guaranty Corporation pension recipient, you must reduce your insurance premiums by any amounts used to figure the health coverage tax credit. See the instructions for line 1 on page A-2*

- Prescription medicines or insulin.
- Acupuncturists, chiropractors, dentists, eye doctors, medical doctors, occupational therapists, osteopathic doctors, physical therapists, podiatrists, psychia-

trists, psychoanalysts (medical care only), and psychologists.

- Medical examinations, X-ray and laboratory services, insulin treatment, and whirlpool baths your doctor ordered.
- Nursing help (including your share of the employment taxes paid). If you paid someone to do both nursing and housework, you can deduct only the cost of the nursing help.
- Hospital care (including meals and lodging), clinic costs, and lab fees.
- Qualified long-term care services (see Pub. 502).
- The supplemental part of Medicare insurance (Medicare B).
- The premiums you pay for Medicare Part D insurance.
- A program to stop smoking and for prescription medicines to alleviate nicotine withdrawal.
- A weight-loss program as treatment for a specific disease (including obesity) diagnosed by a doctor.
- Medical treatment at a center for drug or alcohol addiction.
- Medical aids such as eyeglasses, contact lenses, hearing aids, braces, crutches, wheelchairs, and guide dogs, including the cost of maintaining them.
- Surgery to improve defective vision, such as laser eye surgery or radial keratotomy.
- Lodging expenses (but not meals) while away from home to receive medical care in a hospital or a medical care facility related to a hospital, provided there was no significant element of personal pleasure, recreation, or vacation in the travel. Do not deduct more than \$50 a night for each eligible person.
- Ambulance service and other travel costs to get medical care. If you used your own car, you can claim what you spent for

gas and oil to go to and from the place you received the care; or you can claim 20 cents a mile. Add parking and tolls to the amount you claim under either method.

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

**Limit on long-term care premiums you can deduct.** The amount you can deduct for qualified long-term care contracts (as defined in Pub. 502) depends on the age, at the end of 2007, of the person for whom the premiums were paid. See the chart below for details.

IF the person was, at the end of 2007, age . . .	THEN the most you can deduct is . . .
40 or under	\$ 290
41–50	\$ 550
51–60	\$ 1,110
61–70	\$ 2,950
71 or older	\$ 3,680

## Examples of Medical and Dental Payments You Cannot Deduct

- The cost of diet food.
- Cosmetic surgery unless it was necessary to improve a deformity related to a congenital abnormality, an injury from an accident or trauma, or a disfiguring disease.
- Life insurance or income protection policies.
- The Medicare tax on your wages and tips or the Medicare tax paid as part of the self-employment tax or household employment taxes.

**TIP** *If you were age 65 or older but not entitled to social security benefits, you can deduct premiums you voluntarily paid for Medicare A coverage.*

- Nursing care for a healthy baby. But you may be able to take a credit for the amount you paid. See the instructions for Form 1040, line 47.
- Illegal operations or drugs.
- Imported drugs not approved by the U.S. Food and Drug Administration (FDA). This includes foreign-made versions of U.S.-approved drugs manufactured without FDA approval.
- Nonprescription medicines (including nicotine gum and certain nicotine patches).
- Travel your doctor told you to take for rest or a change.
- Funeral, burial, or cremation costs.

## Line 1 Medical and Dental Expenses

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

**TIP** *Do not forget to include insurance premiums you paid for medical and dental care. But if you claimed the self-employed health insurance deduction on Form 1040, line 29, reduce the premiums by the amount on line 29.*

**Note.** If, during 2007, you were an eligible trade adjustment assistance (TAA) recipient, alternative TAA recipient, or Pension Benefit Guaranty Corporation pension recipient, you must complete Form 8885 before completing Schedule A, line 1. When figuring the amount of insurance premiums you can deduct on Schedule A, do not include:

- Any amounts you included on Form 8885, line 4,
- Any qualified health insurance premiums you paid to "U.S. Treasury — HCTC," or
- Any health coverage tax credit advance payments shown in box 1 of Form 1099-H.

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

- Yourself and your spouse.
- All dependents you claim on your return.
- Your child whom you do not claim as a dependent because of the rules for children of divorced or separated parents.
- Any person you could have claimed as a dependent on your return except that person received \$3,400 or more of gross income or filed a joint return.
- Any person you could have claimed as a dependent except that you, or your spouse if filing jointly, can be claimed as a dependent on someone else's 2007 return.

**Example.** You provided over half of your mother's support but cannot claim her as a dependent because she received wages of \$3,400 in 2007. You can include on line 1 any medical and dental expenses you paid in 2007 for your mother.

**Reimbursements.** If your insurance company paid the provider directly for part of your expenses, and you paid only the amount that remained, include on line 1 only the amount you paid. If you received a reimbursement in 2007 for medical or dental expenses you paid in 2007, reduce your 2007 expenses by this amount. If you received a reimbursement in 2007 for prior year medical or dental expenses, do not reduce your 2007 expenses by this amount.

But if you deducted the expenses in the earlier year and the deduction reduced your tax, you must include the reimbursement in income on Form 1040, line 21. See Pub. 502 for details on how to figure the amount to include.

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

## Taxes You Paid

### Taxes You Cannot Deduct

- Federal income and excise taxes.
- Social security, Medicare, federal unemployment (FUTA), and railroad retirement (RRTA) taxes.
- Customs duties.
- Federal estate and gift taxes. But see the instructions for line 28 on page A-10.
- Certain state and local taxes, including: tax on gasoline, car inspection fees, assessments for sidewalks or other improvements to your property, tax you paid for someone else, and license fees (marriage, driver's, dog, etc.).

## Line 5



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

*both.*

### State and Local Income Taxes

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

- State and local income taxes withheld from your salary during 2007. Your Form(s) W-2 will show these amounts. Forms W-2G, 1099-G, 1099-R, and 1099-MISC may also show state and local income taxes withheld.
- State and local income taxes paid in 2007 for a prior year, such as taxes paid with your 2006 state or local income tax return. Do not include penalties or interest.
- State and local estimated tax payments made during 2007, including any part of a prior year refund that you chose to have credited to your 2007 state or local income taxes.
- Mandatory contributions you made to the California, New Jersey, or New York Nonoccupational Disability Benefit Fund, Rhode Island Temporary Disability Benefit Fund, or Washington State Supplemental Workmen's Compensation Fund.

- Mandatory contributions to the Alaska, New Jersey, or Pennsylvania state unemployment fund.

Do not reduce your deduction by any:

- State or local income tax refund or credit you expect to receive for 2007, or
- Refund of, or credit for, prior year state and local income taxes you actually received in 2007. Instead, see the instructions for Form 1040, line 10.

## State and Local General Sales Taxes

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

### Actual Expenses

Generally, you can deduct the actual state and local general sales taxes (including compensating use taxes) you paid in 2007 if the tax rate was the same as the general sales tax rate. However, sales taxes on food, clothing, medical supplies, and motor vehicles are deductible as a general sales tax even if the tax rate was less than the general sales tax rate. If you paid sales tax on a motor vehicle at a rate higher than the general sales tax rate, you can deduct only the amount of tax that you would have paid at the general sales tax rate on that vehicle. Motor vehicles include cars, motorcycles, motor homes, recreational vehicles, sport utility vehicles, trucks, vans, and off-road vehicles. Also include any state and local general sales taxes paid for a leased motor vehicle. Do not include sales taxes paid on items used in your trade or business.



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

**Refund of general sales taxes.** If you received a refund of state or local general sales taxes in 2007 for amounts paid in 2007, reduce your **actual** 2007 state and local general sales taxes by this amount. If you received a refund of state or local general sales taxes in 2007 for prior year purchases, do not reduce your 2007 state and local general sales taxes by this amount. But if you deducted your **actual** state and local general sales taxes in the earlier year and the deduction reduced your tax, you may have to include the refund in income on Form 1040, line 21. See *Recoveries* in Pub. 525 for details.

### Optional Sales Tax Tables

Instead of using your actual expenses, you can use the tables on pages A-11 through A-13 to figure your state and local general sales tax deduction. You may also be able to add the state and local general sales taxes paid on certain specified items.

To figure your state and local general sales tax deduction using the tables, complete the worksheet on page A-4 or use the 2007 Sales Tax Deduction Calculator on the IRS website. To use the 2007 Sales Tax Deduction Calculator, go to [www.irs.gov](http://www.irs.gov)

and enter “Sales tax deduction calculator” in the search box.



*If your filing status is married filing separately, both you and your spouse elect to deduct sales taxes, and your spouse elects to use the optional sales tax tables, you also must use the tables to figure your state and local general sales tax deduction.*

### Instructions for Line 5b Worksheet

**Line 1.** If you lived in the same state for all of 2007, enter the applicable amount, based on your 2007 income and exemptions, from the optional state sales tax table for your state on page A-11 or A-12. Read down the “At least–But less than” columns for your state and find the line that includes your 2007 income. If married filing separately, do not include your spouse’s income. Your 2007 income is the amount shown on your Form 1040, line 38, **plus** any nontaxable items, such as the following.

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

The exemptions column refers to the number of exemptions claimed on Form 1040, line 6d.

**What if you lived in more than one state?** If you lived in more than one state during 2007, look up the table amount for each state using the above rules. If there is no table for your state, the table amount is considered to be zero. Multiply the table amount for each state you lived in by a fraction. The numerator of the fraction is the number of days you lived in the state during 2007 and the denominator is the total number of days in the year (365). Enter the total of the prorated table amounts for each state on line 1. However, if you also lived in a locality during 2007 that imposed a local general sales tax, do not enter the total on line 1. Instead, complete a separate worksheet for each state you lived in and enter the prorated amount for that state on line 1.

**Example.** You lived in State A from January 1 through August 31, 2007 (243 days), and in State B from September 1 through December 31, 2007 (122 days). The table amount for State A is \$500. The table amount for State B is \$400. You would figure your state general sales tax as follows.

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

If none of the localities in which you lived during 2007 imposed a local general sales tax, enter \$467 on line 1 of your worksheet. Otherwise, complete a separate worksheet for State A and State B. Enter

\$333 on line 1 of the State A worksheet and \$134 on line 1 of the State B worksheet.

**Line 2.** If you checked the “No” box, enter -0- on line 2, and go to line 3. If you checked the “Yes” box and lived in the same locality for all of 2007, enter the applicable amount, based on your 2007 income and exemptions, from the optional local sales tax table for your locality on page A-13. Read down the “At least–But less than” columns for your locality and find the line that includes your 2007 income. See the line 1 instructions on this page to figure your 2007 income. The exemptions column refers to the number of exemptions claimed on Form 1040, line 6d.

**What if you lived in more than one locality?** If you lived in more than one locality during 2007, look up the table amount for each locality using the above rules. If there is no table for your locality, the table amount is considered to be zero. Multiply the table amount for each locality you lived in by a fraction. The numerator of the fraction is the number of days you lived in the locality during 2007 and the denominator is the total number of days in the year (365). If you lived in more than one locality in the same state and the local general sales tax rate was the same for each locality, enter the total of the prorated table amounts for each locality in that state on line 2. Otherwise, complete a separate worksheet for lines 2 through 6 for each locality and enter each prorated table amount on line 2 of the applicable worksheet.

**Example.** You lived in Locality 1 from January 1 through August 31, 2007 (243 days), and in Locality 2 from September 1 through December 31, 2007 (122 days). The table amount for Locality 1 is \$100. The table amount for Locality 2 is \$150. You would figure the amount to enter on line 2 as follows. Note that this amount may not equal your local sales tax deduction, which is figured on line 6 of the worksheet.

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

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

If you lived in Nevada, check the “No” box if your combined state and local general sales tax rate is 6.5%. Otherwise, check the “Yes” box and include on line 3 only the part of the combined rate that is more than 6.5%.

If you lived in Texarkana, Arkansas, check the “Yes” box and enter “4.0” on line 3. Your local general sales tax rate of 4.0% includes the additional 2.5% sales tax rate for Texarkana and the 1.5% sales tax rate for Miller County.

**What if your local general sales tax rate changed during 2007?** If you checked the “Yes” box and your local general sales tax rate changed during 2007, figure the rate to enter on line 3 as follows. Multiply each tax



rate for the period it was in effect by a fraction. The numerator of the fraction is the number of days the rate was in effect during 2007 and the denominator is the total number of days in the year (365). Enter the total of the prorated tax rates on line 3.

**Example.** Locality 1 imposed a 1% local general sales tax from January 1 through September 30, 2007 (273 days). The rate increased to 1.75% for the period

from October 1 through December 31, 2007 (92 days). You would enter "1.189" on line 3, figured as follows.

January 1 –		
September 30:	$1.00 \times 273/365 =$	0.748
October 1 –		
December 31:	$1.75 \times 92/365 =$	$\frac{0.441}{1.189}$
Total		

**What if you lived in more than one locality in the same state during 2007?** Complete a separate worksheet for lines 2 through 6 for each locality in your state if you lived in more than one locality in the same state during 2007 and either of the following applies.

- Each locality did not have the same local general sales tax rate.

## State and Local General Sales Tax Deduction Worksheet—Line 5b

(See the *Instructions for Line 5b Worksheet* that begin on page A-3.)

Keep for Your Records



**Before you begin:** See the instructions for line 1 on page A-3 if:

- You lived in more than one state during 2007, or
- You had any **nontaxable** income in 2007.

1. Enter your **state** general sales taxes from the applicable table on page A-11 or A-12 (see page A-3 of the instructions) ..... 1. \$ \_\_\_\_\_

**Next.** If, for all of 2007, you lived only in Connecticut, the District of Columbia, Hawaii, Indiana, Kentucky, Maine, Maryland, Massachusetts, Michigan, Mississippi, New Jersey, Rhode Island, Virginia, or West Virginia, skip lines 2 through 5, enter -0- on line 6, and go to line 7. Otherwise, go to line 2.

2. Did you live in Alaska, Arizona, Arkansas (Texarkana only), California (Los Angeles County only), Colorado, Georgia, Illinois, Louisiana, New York State, or North Carolina in 2007?

**No.** Enter -0-

**Yes.** Enter your **local** general sales taxes from the applicable table on page A-13 (see page A-3 of the instructions) ..... 2. \$ \_\_\_\_\_

3. Did your locality impose a **local** general sales tax in 2007? Residents of California, Nevada, and Texarkana, Arkansas, see page A-3 of the instructions.

**No.** Skip lines 3 through 5, enter -0- on line 6, and go to line 7.

**Yes.** Enter your **local** general sales tax rate, but omit the percentage sign. For example, if your local general sales tax rate was 2.5%, enter 2.5. If your local general sales tax rate changed or you lived in more than one locality in the same state during 2007, see page A-3 of the instructions. (If you do not know your local general sales tax rate, contact your local government.) ..... 3. \_\_\_\_\_

4. Did you enter -0- on line 2 above?

**No.** Skip lines 4 and 5 and go to line 6.

**Yes.** Enter your **state** general sales tax rate (shown in the table heading for your state), but omit the percentage sign. For example, if your state general sales tax rate is 6%, enter 6.0 ..... 4. \_\_\_\_\_

5. Divide line 3 by line 4. Enter the result as a decimal (rounded to at least three places) 5. \_\_\_\_\_

6. Did you enter -0- on line 2 above?

**No.** Multiply line 2 by line 3

**Yes.** Multiply line 1 by line 5. If you lived in more than one locality in the same state during 2007, see the instructions above ..... 6. \$ \_\_\_\_\_

7. Enter your state and local general sales taxes paid on specified items, if any (see page A-5 of the instructions) ..... 7. \$ \_\_\_\_\_

8. **Deduction for general sales taxes.** Add lines 1, 6, and 7. Enter the result here and the total from all your state and local general sales tax deduction worksheets, if you completed more than one, on Schedule A, line 5. Be sure to check **box b** on that line ..... 8. \$ \_\_\_\_\_

• You lived in Texarkana, AR, or Los Angeles County, CA.

To figure the amount to enter on line 3 of the worksheet for each locality in which you lived (except a locality for which you used the table on page A-13 to figure your local general sales tax deduction), multiply the local general sales tax rate by a fraction. The numerator of the fraction is the number of days you lived in the locality during 2007 and the denominator is the total number of days in the year (365).

**Example.** You lived in Locality 1 from January 1 through August 31, 2007 (243 days), and in Locality 2 from September 1 through December 31, 2007 (122 days). The local general sales tax rate for Locality 1 is 1%. The rate for Locality 2 is 1.75%. You would enter “0.666” on line 3 for the Locality 1 worksheet and “0.585” for the Locality 2 worksheet, figured as follows.

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

**Line 6.** If you lived in more than one locality in the same state during 2007, you should have completed line 1 only on the first worksheet for that state and separate worksheets for lines 2 through 6 for any other locality within that state in which you lived during 2007. If you checked the “Yes” box on line 6 of any of those worksheets, multiply line 5 of that worksheet by the amount that you entered on line 1 for that state on the first worksheet.

**Line 7.** Enter on line 7 any state and local general sales taxes paid on the following specified items. If you are completing more than one worksheet, include the total for line 7 on only one of the worksheets.

1. A motor vehicle (including a car, motorcycle, motor home, recreational vehicle, sport utility vehicle, truck, van, and off-road vehicle). Also include any state and local general sales taxes paid for a leased motor vehicle. If the state sales tax rate on these items is higher than the general sales tax rate, only include the amount of tax you would have paid at the general sales tax rate.

2. An aircraft or boat, if the tax rate was the same as the general sales tax rate.

3. A home (including a mobile home or prefabricated home) or substantial addition to or major renovation of a home, but only if the tax rate was the same as the general sales tax rate and any of the following applies.

a. Your state or locality imposes a general sales tax directly on the sale of a home or on the cost of a substantial addition or major renovation.

b. You purchased the materials to build a home or substantial addition or to perform a major renovation and paid the sales tax directly.

c. Under your state law, your contractor is considered your agent in the construction of the home or substantial addition or the performance of a major renovation. The contract must state that the contractor is authorized to act in your name and must

follow your directions on construction decisions. In this case, you will be considered to have purchased any items subject to a sales tax and to have paid the sales tax directly.

Do not include sales taxes paid on items used in your trade or business. If you received a refund of state or local general sales taxes in 2007, see *Refund of general sales taxes* on page A-3.

## Line 6 Real Estate Taxes

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

Do not include the following amounts on line 6.

• Itemized charges for services to specific property or persons (for example, a \$20 monthly charge per house for trash collection, a \$5 charge for every 1,000 gallons of water consumed, or a flat charge for mowing a lawn that had grown higher than permitted under a local ordinance).

• Charges for improvements that tend to increase the value of your property (for example, an assessment to build a new sidewalk). The cost of a property improvement is added to the basis of the property. However, a charge is deductible if it is used only to maintain an existing public facility in service (for example, a charge to repair an existing sidewalk, and any interest included in that charge).

If your mortgage payments include your real estate taxes, you can deduct only the amount the mortgage company actually paid to the taxing authority in 2007.

If you sold your home in 2007, any real estate tax charged to the buyer should be shown on your settlement statement and in box 5 of any Form 1099-S you received. This amount is considered a refund of real estate taxes. See *Refunds and rebates* below. Any real estate taxes you paid at closing should be shown on your settlement statement.

**Refunds and rebates.** If you received a refund or rebate in 2007 of real estate taxes you paid in 2007, reduce your deduction by the amount of the refund or rebate. If you received a refund or rebate in 2007 of real estate taxes you paid in an earlier year, do not reduce your deduction by this amount. Instead, you must include the refund or rebate in income on Form 1040, line 21, if you deducted the real estate taxes in the earlier year and the deduction reduced your tax. See *Recoveries* in Pub. 525 for details on how to figure the amount to include in income.

## Line 7 Personal Property Taxes

Enter the state and local personal property taxes you paid, but only if the taxes were based on value alone and were imposed on a yearly basis.

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

## Line 8 Other Taxes

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



You may want to take a credit for the foreign tax instead of a deduction. See the instructions for Form 1040, line 51, for

details.

## Interest You Paid

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

In general, if you paid interest in 2007 that applies to any period after 2007, you can deduct only amounts that apply for 2007.

## Lines 10 and 11 Home Mortgage Interest

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

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

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

See Pub. 936 to figure your deduction if either (1) or (2) below applies. If you had more than one home at the same time, the

dollar amounts in (1) and (2) apply to the total mortgages on both homes.

1. You took out any mortgages after October 13, 1987, and used the proceeds for purposes other than to buy, build, or improve your home, and all of these mortgages totaled over \$100,000 at any time during 2007. The limit is \$50,000 if married filing separately. An example of this type of mortgage is a home equity loan used to pay off credit card bills, buy a car, or pay tuition.

2. You took out any mortgages after October 13, 1987, and used the proceeds to buy, build, or improve your home, and these mortgages plus any mortgages you took out on or before October 13, 1987, totaled over \$1 million at any time during 2007. The limit is \$500,000 if married filing separately.



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

*Pub. 936.*

## Line 10

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

report your share of the interest on line 11 (as explained in the line 11 instructions below).

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



*If you are claiming the mortgage interest credit (for holders of qualified mortgage credit certificates issued by state or local governmental units or agencies), subtract the amount shown on Form 8396, line 3, from the total deductible interest you paid on your home mortgage. Enter the result on line 10.*

## Line 11

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

If you bought your home from the recipient, be sure to show that recipient's name, identifying number, and address on the dotted lines next to line 11. If the recipient is an individual, the identifying number is his or her social security number (SSN). Otherwise, it is the employer identification number. You must also let the recipient know your SSN. If you do not show the required information about the recipient or let the recipient know your SSN, you may have to pay a \$50 penalty.

If you and at least one other person (other than your spouse if filing jointly)

were liable for and paid interest on the mortgage, and the other person received the Form 1098, attach a statement to your return showing the name and address of that person. To the right of line 11, enter "See attached."

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## Line 12

### Points Not Reported on Form 1098

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

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

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



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

## Line 13

### Qualified Mortgage Insurance Premiums

Enter the qualified mortgage insurance premiums you paid under a mortgage insurance contract issued during 2007 in connection with home acquisition debt that was secured by your first or second home. See *Prepaid mortgage insurance* below if you paid any premiums allocable to any period after 2007. Box 4 of Form 1098 may show the amount of premiums you paid in 2007. If you and at least one other person (other than your spouse if filing jointly) were liable for and paid the premiums in connection with the loan, and the premiums were reported on Form 1098 under the other person's SSN, report your share of the premiums on line 13.

Qualified mortgage insurance is mortgage insurance provided by the Department of Veterans Affairs, the Federal Housing Administration, or the Rural Housing Service, and private mortgage insurance (as defined in section 2 of the Homeowners Protection Act of 1998 as in effect on December 20, 2006).

Mortgage insurance provided by the Department of Veterans Affairs and the Rural Housing Service is commonly known as a funding fee and guarantee fee respectively. These fees can be deducted fully in 2007 if the mortgage insurance contract was issued in 2007. Contact the mortgage insurance issuer to determine the deductible amount if it is not included in box 4 of Form 1098.

**Prepaid mortgage insurance.** If you paid premiums for qualified mortgage insurance

that are allocable to periods after 2007, such premiums are treated as paid in the year to which they are allocated. No deduction is allowed for the unamortized balance if the mortgage is satisfied before its term. The two preceding sentences do not apply to qualified mortgage insurance provided by the Department of Veterans Affairs or the Rural Housing Service.

**Limit on amount you can deduct.** You cannot deduct your mortgage insurance premiums if the amount on Form 1040, line 38, is more than \$109,000 (\$54,500 if married filing separately). If the amount on Form 1040, line 38, is more than \$100,000 (\$50,000 if married filing separately), your deduction is limited and you must use the worksheet below to figure your deduction.

## Line 14

### Investment Interest

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

Complete and attach Form 4952 to figure your deduction.

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

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

3. You have no disallowed investment interest expense from 2006.



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

For more details, see Pub. 550.

## Gifts to Charity

You can deduct contributions or gifts you gave to organizations that are religious, charitable, educational, scientific, or literary in purpose. You can also deduct what you gave to organizations that work to prevent cruelty to children or animals. Certain whaling captains may be able to deduct expenses paid in 2007 for Native Alaskan subsistence bowhead whale hunting activities. See Pub. 526 for details.

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

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

## Qualified Mortgage Insurance Premiums Deduction Worksheet—

### Line 13

Keep for Your Records



**Before you begin:** ✓ See the instructions for line 13 above to see if you must use this worksheet to figure your deduction.

- |  |    |                      |
|--|----|----------------------|
| 1. Enter the total premiums you paid in 2007 for qualified mortgage insurance for a contract issued in 2007 .....  | 1. | <input type="text"/> |
| 2. Enter the amount from Form 1040, line 38 .....  | 2. | <input type="text"/> |
| 3. Enter \$100,000 (\$50,000 if married filing separately) .....   | 3. | <input type="text"/> |
| 4. Is the amount on line 2 more than the amount on line 3?<br><input type="checkbox"/> <b>No.</b> Your deduction is not limited. Enter the amount from line 1 above on Schedule A, line 13. <b>Do not</b> complete the rest of this worksheet.<br><input type="checkbox"/> <b>Yes.</b> Subtract line 3 from line 2. If the result is not a multiple of \$1,000 (\$500 if married filing separately), increase it to the next multiple of \$1,000 (\$500 if married filing separately). For example, increase \$425 to \$1,000, increase \$2,025 to \$3,000; or if married filing separately, increase \$425 to \$500, increase \$2,025 to \$2,500, etc. .... | 4. | <input type="text"/> |
| 5. Divide line 4 by \$10,000 (\$5,000 if married filing separately). Enter the result as a decimal. If the result is 1.0 or more, enter 1.0 .....  | 5. | <input type="text"/> |
| 6. Multiply line 1 by line 5 .....   | 6. | <input type="text"/> |
| 7. <b>Qualified mortgage insurance premiums deduction.</b> Subtract line 6 from line 1. Enter the result here and on Schedule A, line 13 .....   | 7. | <input type="text"/> |



6:30 p.m. Eastern time. These hours are subject to change.

## Examples of Qualified Charitable Organizations

- Churches, mosques, synagogues, temples, etc.
- Boy Scouts, Boys and Girls Clubs of America, CARE, Girl Scouts, Goodwill Industries, Red Cross, Salvation Army, United Way, etc.
- Fraternal orders, if the gifts will be used for the purposes listed on page A-7.
- Veterans' and certain cultural groups.
- Nonprofit schools, hospitals, and organizations whose purpose is to find a cure for, or help people who have, arthritis, asthma, birth defects, cancer, cerebral palsy, cystic fibrosis, diabetes, heart disease, hemophilia, mental illness or retardation, multiple sclerosis, muscular dystrophy, tuberculosis, etc.
- Federal, state, and local governments if the gifts are solely for public purposes.

## Contributions You Can Deduct

Contributions can be in cash, property, or out-of-pocket expenses you paid to do volunteer work for the kinds of organizations described earlier. If you drove to and from the volunteer work, you can take the actual cost of gas and oil or 14 cents a mile. Add parking and tolls to the amount you claim under either method. But do not deduct any amounts that were repaid to you.

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

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

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

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

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



*You must get the statement by the date you file your return or the due date (including extensions) for filing your return, whichever is earlier. Do not attach the statement to your return. Instead, keep it for your records.*

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

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

## Contributions You Cannot Deduct

- Travel expenses (including meals and lodging) while away from home, unless there was no significant element of personal pleasure, recreation, or vacation in the travel.
- Political contributions.
- Dues, fees, or bills paid to country clubs, lodges, fraternal orders, or similar groups.
- Cost of raffle, bingo, or lottery tickets. But you may be able to deduct these expenses on line 28. See page A-10 for details.
- Cost of tuition. But you may be able to deduct this expense on line 21 (see page A-9), or Form 1040, line 34, or take a credit for this expense (see Form 8863).
- Value of your time or services.
- Value of blood given to a blood bank.
- The transfer of a future interest in tangible personal property (generally, until the entire interest has been transferred).
- Gifts to individuals and groups that are run for personal profit.
- Gifts to foreign organizations. But you may be able to deduct gifts to certain U.S. organizations that transfer funds to foreign charities and certain Canadian, Israeli, and Mexican charities. See Pub. 526 for details.
- Gifts to organizations engaged in certain political activities that are of direct fi-

nancial interest to your trade or business. See section 170(f)(9).

- Gifts to groups whose purpose is to lobby for changes in the laws.
- Gifts to civic leagues, social and sports clubs, labor unions, and chambers of commerce.
- Value of benefits received in connection with a contribution to a charitable organization. See Pub. 526 for exceptions.

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## Line 16

### Gifts by Cash or Check

Enter on line 16 the total gifts you made in cash or by check (including out-of-pocket expenses).

**Recordkeeping.** For any contribution made in cash, regardless of the amount, you must maintain as a record of the contribution a bank record (such as a canceled check) or a written record from the charity. The written record must include the name of the charity, date, and amount of the contribution. Do not attach the record to your tax return. Instead, keep it with your other tax records.

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## Line 17

### Other Than by Cash or Check

Enter your contributions of property. If you gave used items, such as clothing or furniture, deduct their fair market value at the time you gave them. Fair market value is what a willing buyer would pay a willing seller when neither has to buy or sell and both are aware of the conditions of the sale. For more details on determining the value of donated property, see Pub. 561.

If the amount of your deduction is more than \$500, you must complete and attach Form 8283. For this purpose, the "amount of your deduction" means your deduction before applying any income limits that could result in a carryover of contributions. If you deduct more than \$500 for a contribution of a motor vehicle, boat, or airplane, you must also attach a statement from the charitable organization to your return. The organization may use Form 1098-C to provide the required information. If your total deduction is over \$5,000, you may also have to get appraisals of the values of the donated property. This amount is \$500 for certain contributions of clothing and household items (see below). See Form 8283 and its instructions for details.

**Contributions of clothing and household items.** A deduction for these contributions will be allowed only if the items are in good used condition or better. However, this rule does not apply to a contribution of any single item for which a deduction of more than \$500 is claimed and for which you include a qualified appraisal and Form 8283 with your tax return.



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

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



*If your total deduction for gifts of property is over \$500, you gave less than your entire interest in the property, or you made a "qualified conservation contribution," your records should contain additional information. See Pub. 526 for details.*

## Line 18

### Carryover From Prior Year

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

## Casualty and Theft Losses

### Line 20

Complete and attach Form 4684 to figure the amount of your loss to enter on line 20.

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

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

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

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

Use Schedule A, line 23, to deduct the costs of proving that you had a property

loss. Examples of these costs are appraisal fees and photographs used to establish the amount of your loss.

For information on federal disaster area losses, see Pub. 547.

## Job Expenses and Certain Miscellaneous Deductions

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

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

### Examples of Expenses You Cannot Deduct

- Political contributions.
- Legal expenses for personal matters that do not produce taxable income.
- Lost or misplaced cash or property.
- Expenses for meals during regular or extra work hours.
- The cost of entertaining friends.
- Commuting expenses. See Pub. 529 for the definition of commuting.
- Travel expenses for employment away from home if that period of employment exceeds 1 year. See Pub. 529 for an exception for certain federal employees.
- Travel as a form of education.
- Expenses of attending a seminar, convention, or similar meeting unless it is related to your employment.
- Club dues. See Pub. 529 for exceptions.
- Expenses of adopting a child. But you may be able to take a credit for adoption expenses. See Form 8839 for details.
- Fines and penalties.
- Expenses of producing tax-exempt income.

## Line 21

### Unreimbursed Employee Expenses

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

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

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

1. You claim any travel, transportation, meal, or entertainment expenses for your job.

2. Your employer paid you for any of your job expenses that you would otherwise report on line 21.



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

If you do not have to file Form 2106 or 2106-EZ, list the type and amount of each expense on the dotted line next to line 21. If you need more space, attach a statement showing the type and amount of each expense. Enter the total of all these expenses on line 21.



*Do not include on line 21 any educator expenses you deducted on Form 1040, line 23.*

Examples of other expenses to include on line 21 are:

- Safety equipment, small tools, and supplies needed for your job.
- Uniforms required by your employer that are not suitable for ordinary wear.
- Protective clothing required in your work, such as hard hats, safety shoes, and glasses.
- Physical examinations required by your employer.
- Dues to professional organizations and chambers of commerce.
- Subscriptions to professional journals.
- Fees to employment agencies and other costs to look for a new job in your present occupation, even if you do not get a new job.
- Certain business use of part of your home. For details, including limits that apply, use TeleTax topic 509 (see page 79 of the Form 1040 instructions) or see Pub. 587.
- Certain educational expenses. For details, use TeleTax topic 513 (see page 79 of the Form 1040 instructions) or see Pub. 970. Reduce your educational expenses by any tuition and fees deduction you claimed on Form 1040, line 34.



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

## Line 22

### Tax Preparation Fees

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

## Line 23

### Other Expenses

Enter the total amount you paid to produce or collect taxable income and manage or protect property held for earning income. But do not include any personal expenses. List the type and amount of each expense on the dotted lines next to line 23. If you need more space, attach a statement showing the type and amount of each expense. Enter one total on line 23.

Examples of expenses to include on line 23 are:

- Certain legal and accounting fees.
- Clerical help and office rent.
- Custodial (for example, trust account) fees.
- Your share of the investment expenses of a regulated investment company.
- Certain losses on nonfederally insured deposits in an insolvent or bankrupt financial institution. For details, including limits that apply, see Pub. 529.
- Casualty and theft losses of property used in performing services as an employee from Form 4684, lines 32 and 38b, or Form 4797, line 18a.
- Deduction for repayment of amounts under a claim of right if \$3,000 or less.

## Other Miscellaneous Deductions

### Line 28

Only the expenses listed next can be deducted on this line. List the type and amount of each expense on the dotted lines next to line 28. If you need more space, attach a statement showing the type and amount of each expense. Enter one total on line 28.

- Gambling losses, but only to the extent of gambling winnings reported on Form 1040, line 21.
- Casualty and theft losses of income-producing property from Form 4684, lines 32 and 38b, or Form 4797, line 18a.
- Loss from other activities from Schedule K-1 (Form 1065-B), box 2.
- Federal estate tax on income in respect of a decedent.
- Amortizable bond premium on bonds acquired before October 23, 1986.
- Deduction for repayment of amounts under a claim of right if over \$3,000. See Pub. 525 for details.

• Certain unrecovered investment in a pension.

• Impairment-related work expenses of a disabled person.

For more details, see Pub. 529.

## Total Itemized Deductions

### Line 29

Use the worksheet below to figure the amount to enter on line 29 if the amount on Form 1040, line 38, is over \$156,400 (\$78,200 if married filing separately).

### Line 30

If you elect to itemize for state tax or other purposes even though your itemized deductions are less than your standard deduction, check the box on line 30.

## Itemized Deductions Worksheet—Line 29

Keep for Your Records



1. Enter the total of the amounts from Schedule A, lines 4, 9, 15, 19, 20, 27, and 28 . . . . .	1.	_____
2. Enter the total of the amounts from Schedule A, lines 4, 14, and 20, plus any gambling and casualty or theft losses included on line 28. . . . .	2.	_____
<div style="border: 1px solid black; padding: 5px; margin: 10px 0;"> <b>Be sure your total gambling and casualty or theft losses are clearly identified on the dotted lines next to line 28.</b> </div>		
3. Is the amount on line 2 less than the amount on line 1? <input type="checkbox"/> <b>No.</b> Your deduction is not limited. Enter the amount from line 1 above on Schedule A, line 29. <input type="checkbox"/> <b>Yes.</b> Subtract line 2 from line 1 . . . . .	3.	_____
4. Multiply line 3 by 80% (.80) . . . . .	4.	_____
5. Enter the amount from Form 1040, line 38. . . . .	5.	_____
6. Enter \$156,400 (\$78,200 if married filing separately) . . . . .	6.	_____
7. Is the amount on line 6 less than the amount on line 5? <input type="checkbox"/> <b>No.</b> Your deduction is not limited. Enter the amount from line 1 above on Schedule A, line 29. <input type="checkbox"/> <b>Yes.</b> Subtract line 6 from line 5 . . . . .	7.	_____
8. Multiply line 7 by 3% (.03) . . . . .	8.	_____
9. Enter the <b>smaller</b> of line 4 or line 8 . . . . .	9.	_____
10. Divide line 9 by 3.0 . . . . .	10.	_____
11. Subtract line 10 from line 9 . . . . .	11.	_____
12. <b>Total itemized deductions.</b> Subtract line 11 from line 1. Enter the result here and on Schedule A, line 29 . . . . .	12.	_____







## Which Optional Local Sales Tax Table Should I Use?

IF you live in the state of...	AND you live in...	THEN use Local Table...
Alaska	Any locality	C
Arizona	Any locality	C
Arkansas	Texarkana	B
California	Los Angeles County	B
Colorado	City of Denver	B
	Arvada, Aurora, City of Boulder, Centennial, Colorado Springs, Fort Collins, Greeley, Jefferson County, Lakewood, Longmont, City of Pueblo, Thornton, or Westminster	C
	Boulder County, Denver County, Pueblo County, or any other locality	A
Georgia	DeKalb County, Rockdale County, Taliaferro County, or Webster	B
	Any other locality	C
Illinois	Any locality	C
Louisiana	Any locality	C
New York	New York City, or one of the following counties: Albany, Allegany, Cattaraugus, Cayuga, Chemung, Clinton, Cortland, Erie, Essex, Franklin, Fulton, Genesee, Herkimer, Jefferson, Lewis, Livingston, Madison, Monroe, Montgomery, Nassau, Niagara, Oneida, Onondaga, Ontario, Orange, Orleans, Oswego, Otsego, Putnam, Rensselaer, Rockland, St. Lawrence, Saratoga, Schenectady, Schoharie, Seneca, Steuben, Suffolk, Sullivan, Tompkins, Ulster, Warren, Washington, Westchester, Wyoming, or Yates	B
	Any other locality	D
North Carolina	Any locality	C

## 2007 Optional Local Sales Tax Tables for Certain Local Jurisdictions (Based on a local sales tax rate of 1 percent)

Income At least	But less than	Local Table A							Local Table B						
		Exemptions							Exemptions						
		1	2	3	4	5	Over 5	1	2	3	4	5	Over 5		
\$0	\$20,000	33	39	43	46	49	52	40	48	53	57	61	66		
20,000	30,000	54	64	70	75	80	86	65	77	86	93	98	106		
30,000	40,000	65	77	85	91	96	103	78	93	103	111	117	126		
40,000	50,000	75	88	97	104	110	118	89	106	117	126	134	144		
50,000	60,000	84	99	109	117	123	132	99	118	130	140	148	160		
60,000	70,000	92	108	119	128	135	145	108	129	143	153	162	175		
70,000	80,000	100	117	129	139	146	157	117	139	154	165	175	188		
80,000	90,000	107	126	139	149	157	168	125	149	165	177	187	201		
90,000	100,000	114	134	148	158	167	179	133	158	175	188	199	214		
100,000	120,000	123	145	160	171	180	193	143	170	188	202	214	230		
120,000	140,000	136	160	176	189	199	213	158	187	207	222	235	252		
140,000	160,000	147	173	191	204	215	231	170	202	223	239	253	272		
160,000	180,000	159	187	206	220	232	248	183	217	239	257	271	292		
180,000	200,000	169	199	219	234	247	264	194	230	254	273	288	310		
200,000	or more	223	262	288	308	324	347	252	298	329	352	372	400		

  

Income At least	But less than	Local Table C							Local Table D						
		Exemptions							Exemptions						
		1	2	3	4	5	Over 5	1	2	3	4	5	Over 5		
\$0	\$20,000	53	65	74	80	86	93	36	42	45	48	50	53		
20,000	30,000	82	100	112	122	131	142	60	69	74	79	82	87		
30,000	40,000	96	117	132	143	153	167	72	83	90	95	99	105		
40,000	50,000	108	132	149	161	172	188	83	95	103	109	114	121		
50,000	60,000	119	145	163	178	189	206	92	106	115	122	127	135		
60,000	70,000	129	157	177	192	205	223	101	116	126	133	139	148		
70,000	80,000	139	169	190	206	220	239	110	126	136	144	151	160		
80,000	90,000	147	179	201	219	233	254	118	135	146	154	161	171		
90,000	100,000	156	189	213	231	246	267	125	143	155	164	172	182		
100,000	120,000	167	203	227	247	263	286	135	155	167	177	185	196		
120,000	140,000	182	221	247	268	286	311	149	170	184	195	204	216		
140,000	160,000	195	237	265	287	306	332	161	184	199	211	220	233		
160,000	180,000	208	252	283	306	326	354	173	198	214	226	236	250		
180,000	200,000	220	267	298	323	344	374	184	210	227	240	251	266		
200,000	or more	280	338	378	409	435	472	239	273	295	312	326	345		

# Instructions for Schedule B, Interest and Ordinary Dividends

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

## Part I. Interest

### Line 1 Interest

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

### Special Rules

#### Seller-Financed Mortgages

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

#### Nominees

If you received a Form 1099-INT that includes interest you received as a nominee (that is, in your name, but the interest actually belongs to someone else), report the total on line 1. Do this even if you later distributed some or all of this income to others. Under your last entry on line 1, put a subtotal of all interest listed on line 1. Be-

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

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

low this subtotal, enter "Nominee Distribution" and show the total interest you received as a nominee. Subtract this amount from the subtotal and enter the result on line 2.

**TIP** If you received interest as a nominee, you must give the actual owner a Form 1099-INT unless the owner is your spouse. You must also file a Form 1096 and a Form 1099-INT with the IRS. For more details, see the General Instructions for Forms 1099, 1098, 5498, and W-2G and the Instructions for Forms 1099-INT and 1099-OID.

#### Accrued Interest

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

#### Original Issue Discount (OID)

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

#### Amortizable Bond Premium

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

## Line 3

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

If, during 2007, you cashed series EE or I U.S. savings bonds issued after 1989 and

you paid qualified higher education expenses for yourself, your spouse, or your dependents, you may be able to exclude part or all of the interest on those bonds. See Form 8815 for details.

## Part II. Ordinary Dividends

**TIP** You may have to file Form 5471 if, in 2007, you were an officer or director of a foreign corporation. You may also have to file Form 5471 if, in 2007, you owned 10% or more of the total (a) value of a foreign corporation's stock, or (b) combined voting power of all classes of a foreign corporation's stock with voting rights. For details, see Form 5471 and its instructions.

### Line 5 Ordinary Dividends

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

#### Nominees

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





If you received dividends as a nominee, you must give the actual owner a Form 1099-DIV unless the owner is your spouse. You must also file a Form 1096 and a Form 1099-DIV with the IRS. For more details, see the General Instructions for Forms 1099, 1098, 5498, and W-2G and the Instructions for Form 1099-DIV.

## Part III. Foreign Accounts and Trusts

### Lines 7a and 7b Foreign Accounts

#### Line 7a

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

1. You own more than 50% of the stock in any corporation that owns one or more foreign bank accounts.
2. At any time during 2007 you had an interest in or signature or other authority over a financial account in a foreign country (such as a bank account, securities account, or other financial account).



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

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

- The combined value of the accounts was \$10,000 or less during the whole year.
- The accounts were with a U.S. military banking facility operated by a U.S. financial institution.
- You were an officer or employee of a commercial bank that is supervised by the Comptroller of the Currency, the Board of Governors of the Federal Reserve System, or the Federal Deposit Insurance Corporation; the account was in your employer’s name; and you did not have a personal financial interest in the account.

- You were an officer or employee of a domestic corporation with securities listed on national securities exchanges or with assets of more than \$10 million and 500 or more shareholders of record; the account was in your employer’s name; you did not have a personal financial interest in the account; and the corporation’s chief financial officer has given you written notice that the corporation has filed a current report that includes the account.

See Form TD F 90-22.1 to find out if you are considered to have an interest in or signature or other authority over a financial account in a foreign country (such as a bank account, securities account, or other financial account). You can get Form TD F 90-22.1 by visiting the IRS website at [www.irs.gov/pub/irs-pdf/f90221.pdf](http://www.irs.gov/pub/irs-pdf/f90221.pdf).

If you checked the “Yes” box on line 7a, file Form TD F 90-22.1 by June 30, 2008, with the Department of the Treasury at the address shown on that form. Do not attach it to Form 1040.



cases).

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

#### Line 7b

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

### Line 8 Foreign Trusts

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

If you were the grantor of, or transferor to, a foreign trust that existed during 2007, you may have to file Form 3520.

If you were treated as the owner of a foreign trust under the grantor trust rules, you are also responsible for ensuring that the foreign trust files Form 3520-A. Form 3520-A is due on March 17, 2008, for a calendar year trust. See the instructions for Form 3520-A for more details.

