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2009



Department of the Treasury
Internal Revenue Service

Instructions for Form 1040-C

U.S. Departing Alien Income Tax Return

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

General Instructions

What's New

For details on these and other changes that may affect your 2009 federal income tax, see Pub. 553, Highlights of 2008 Tax Changes.

New rules for former U.S. citizens and former U.S. long-term residents.

If you expatriated after June 16, 2008, new rules apply regarding reporting your income and paying U.S. tax. Under new section 877A, you may be subject to income tax on the net unrealized gain on your property as if the property had been sold on the day before your expatriation date. If you are subject to this tax, you are required to file an expatriation statement (Form 8854) with your tax return for the year of expatriation. For more details, see Pub. 519, U.S. Tax Guide for Aliens.

IRA deduction expanded. You may be able to take an IRA deduction if you were covered by a retirement plan and your 2009 modified AGI is less than \$65,000 (\$109,000 if married filing jointly or qualifying widow(er)). If your spouse was covered by a retirement plan, but you were not, you may be able to take an IRA deduction if your 2009 modified adjusted gross limit (AGI) is less than \$176,000.

Limit on exclusion of gain on sale of main home. Generally, gain from the sale of your main home is no longer excludable from income if it is allocable to periods after 2008 where neither you nor your spouse (or your former spouse) used the property as a main home. See Pub. 553 for more details.

Alternative minimum tax (AMT) exemption amount increased. The AMT exemption amount is increased to \$46,700 (\$70,950 if married filing jointly or a qualifying widow(er); \$35,475 if married filing separately).

Personal casualty and theft loss limit. Generally, a personal casualty or theft loss must exceed \$500 to be

allowed for 2009. This is in addition to the 10% of adjusted gross income limit that generally applies to the net loss.

Making work pay credit. If you are a resident alien who had earned income in 2009, you may be eligible for a refundable tax credit. The credit is the lesser of:

- 6.2% of your earned income for 2009, or
- \$400 (\$800 in the case of a joint return).

The credit is phased out if your modified adjusted gross income (AGI) is between \$75,000 and \$95,000 (\$150,000 and \$190,000 if married filing a joint return). Your modified AGI is the amount shown on Form 1040-C, line 17, plus any foreign earned income or housing exclusion and any income you excluded as a bona fide resident of American Samoa. For details, see Internal Revenue Code section 36A.

Repayment of first-time homebuyer credit. If you claimed the first-time homebuyer credit on your 2008 income tax return and your home ceased to be your main home in 2009, you must repay the credit by including it as additional tax due on Form 1040-C, line 21. For more information, including exceptions to this repayment requirement, see the 2008 Form 5405.

Portion of unemployment compensation not taxable. The first \$2,400 of unemployment compensation for 2009 is exempt from federal income tax. Any unemployment compensation over \$2,400 is taxable.

Additional child tax credit. The earned income threshold generally needed to claim the credit has been reduced to \$3,000.

New deduction for sales and excise taxes on motor vehicles. Resident aliens may be able to deduct state or local sales and excise taxes paid on the purchase of new cars, light trucks, motor homes, and motorcycles after February 16, 2009, as an itemized deduction or as part of the standard deduction. You cannot deduct these taxes as an itemized

deduction if you choose to deduct general sales taxes in lieu of state and local income taxes. See *Sales and excise taxes on motor vehicles* on page 7.

Purpose of Form

Form 1040-C is used by aliens who intend to leave the United States or any of its possessions to:

- Report income received or expected to be received for the entire tax year, and
- If required, to pay the expected tax liability on that income.

Form 1040-C must be filed before an alien leaves the United States or any of its possessions. For more information, see *How To Get the Certificate* on page 2.

TIP If you are a nonresident alien, use the 2008 Instructions for Form 1040NR, U.S. Nonresident Alien Income Tax Return, to help you complete Form 1040-C.

TIP If you are a resident alien, use the 2008 Instructions for Form 1040, U.S. Individual Income Tax Return, to help you complete Form 1040-C.

You can get tax forms, instructions, and publications from the Internal Revenue Service (IRS). See *Additional information, below*.

Alien status rules. If you are not a citizen of the United States, specific rules apply to determine if you are a resident or nonresident alien. Intent is not a factor in determining your residency status.

You are considered a resident alien if you meet either the green card test or the substantial presence test. However, even though you may otherwise meet the substantial presence test, you will not be considered a U.S. resident if you qualify for the closer connection to a foreign country exception or you are able to qualify as a nonresident alien by reason of a tax treaty. These tests and the exception are discussed in the instructions for Part I starting on page 3.

adjusted gross income (AGI)

if married filing jointly

D AGI

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D

jointly

on page 2.

D

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Additional information. For more information on taxation of resident and nonresident aliens, residency tests, and other special rules, see Pub. 519.

In the United States, you can get tax forms, instructions, and publications from the IRS by calling 1-800-829-3676. You can also download them from the IRS website at www.irs.gov.

Treaty Benefits

If you take the position that a treaty of the United States overrides or modifies any provision of the Internal Revenue Code and that position reduces (or potentially reduces) your tax, you may have to file Form 8833, Treaty-Based Return Position Disclosure Under Section 6114 or 7701(b), with your final U.S. income tax return. See Pub. 519 for more information.

Final Return Required

A Form 1040-C is not a final return. You must file a final income tax return after your tax year ends.

If you are a U.S. citizen or resident alien on the last day of the year, you should file Form 1040 reporting your worldwide income. If you are not a U.S. citizen or resident alien on the last day of the year, you should generally file Form 1040NR or, if eligible, Form 1040NR-EZ, U.S. Income Tax Return for Certain Nonresident Aliens With No Dependents. However, certain individuals who were resident aliens at the beginning of the tax year but nonresident aliens at the end of the tax year must file a "dual-status" return. See *Dual-status tax year* on page 4.

Any tax you pay with Form 1040-C counts as a credit against tax on your final return. Any overpayment shown on Form 1040-C will be refunded only if and to the extent your final return for the tax year shows an overpayment.

Certificate of Compliance

Note. The issuance of a certificate of compliance is not a final determination of your tax liability. If it is later determined that you owe more tax, you will have to pay the additional tax due.

Form 1040-C or Form 2063. If you are an alien, you should not leave the United States or any of its possessions without getting a certificate of compliance from your IRS Field Assistance Area Director on Form 1040-C or Form 2063, U.S.

Departing Alien Income Tax Statement, unless you meet one of the *Exceptions* on this page.

You can file the shorter Form 2063 if you have filed all U.S. income tax returns you were required to file, you paid any tax due, and either of the following applies.

- You have no taxable income for the year of departure and for the preceding year (if the time for filing the earlier year's return has not passed).
- You are a resident alien with taxable income for the preceding year or for the year of departure, but the Area Director has decided that your leaving will not hinder collecting the tax.

Exceptions. You do not need a certificate of compliance if:

1. You are a representative of a foreign government who holds a diplomatic passport, a member of the representative's household, a servant who accompanies the representative, an employee of an international organization or foreign government whose pay for official services is exempt from U.S. taxes and who has no other U.S. source income, or a member of the employee's household who was not paid by U.S. sources. However, if you signed a waiver of nonimmigrants' privileges as a condition of holding both your job and your status as an immigrant, this exception does not apply, and you must get a certificate.
2. You are a student, industrial trainee, or exchange visitor, or the spouse or child of such an individual. To qualify for this exception, you must have an F-1, F-2, H-3, H-4, J-1, J-2, or Q visa. Additionally, you must not have received any income from sources in the United States other than:
 - a. Allowances covering expenses incident to your study or training in the United States (including expenses for travel, maintenance, and tuition),
 - b. The value of any services or accommodations furnished incident to such study or training,
 - c. Income from employment authorized under U.S. immigration laws, or
 - d. Interest on deposits, but only if that interest is not effectively connected with a U.S. trade or business.
3. You are a student, or the spouse or child of a student, with an M-1 or M-2 visa. To qualify, you must not have received any income from sources in the United States other than:

a. Income from employment authorized under U.S. immigration laws, or

b. Interest on deposits, but only if that interest is not effectively connected with a U.S. trade or business.

4. Any of the following apply.

- a. You are on a pleasure trip and have a B-2 visa.
- b. You are on a business trip, have a B-1 visa or a combined B-1/B-2 visa, and do not stay in the United States or any of its possessions for more than 90 days during the tax year.
- c. You are passing through the United States or any of its possessions, including travel on a C-1 visa or under a contract, such as a bond agreement, between a transportation line and the U.S. Attorney General.
- d. You are admitted on a border-crossing identification card.
- e. You do not need to carry passports, visas, or border-crossing identification cards because you are (i) visiting for pleasure or (ii) visiting for business and do not stay in the United States or any of its possessions for more than 90 days during the tax year.
- f. You are a resident of Canada or Mexico who commutes frequently to the United States to work and your wages are subject to income tax withholding.
- g. You are a military trainee admitted for instruction under the Department of Defense and you will leave the United States on official military travel orders.

However, exception 4 does not apply if the Area Director believes you had taxable income during the tax year, up through your departure date, or during the preceding tax year and that your leaving the United States would hinder collecting the tax.

How To Get the Certificate

To get a certificate of compliance, go to your local IRS office at least 2 weeks before you leave the United States and file either Form 2063 or Form 1040-C and any other required tax returns that have not been filed. The certificate may not be issued more than 30 days before you leave. If both you and your spouse are aliens and both of you are leaving the United States, both of you must go to the IRS office.

Please be prepared to furnish your anticipated date of departure and bring the following records with you if they apply.

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1. A valid passport with your alien registration card or visa.
2. Copies of your U.S. income tax returns filed for the past 2 years. If you were in the United States for less than 2 years, bring copies of the income tax returns you filed for that period.
3. Receipts for income taxes paid on these returns.
4. Receipts, bank records, canceled checks, and other documents that prove your deductions, business expenses, and dependents claimed on the returns.
5. A statement from each employer you worked for this year showing wages paid and tax withheld. If you are self-employed, you must bring a statement of income and expenses up to the date you plan to leave.
6. Proof of any payments of estimated tax for the past year and the current year.
7. Documents showing any gain or loss from the sale of personal and/or real property, including capital assets and merchandise.
8. Documents concerning scholarship or fellowship grants, such as: (a) verification of the grantor, source, and purpose of the grant; (b) copies of the application for, and approval of, the grant; (c) a statement of the amount paid, and your duties and obligations under the grant; and (d) a list of any previous grants.
9. Documents indicating qualification for special tax treaty benefits.
10. Document verifying your date of departure from the United States, such as an airline ticket.
11. Document verifying your U.S. taxpayer identification number, such as a social security card or an IRS-issued CP 565 showing your individual taxpayer identification number (ITIN).

Note. If you are married and reside in a community property state, also bring the above-listed documents for your spouse. This applies whether or not your spouse requires a certificate.

If you are filing Form 1040-C, file an original and one copy for the tax year in which you plan to leave. If you are departing between January 1, 2009, and April 15, 2009, you must also file Form 1040NR or Form 1040 for 2008, and pay any tax due.

Generally, a certificate of compliance on Form 1040-C will be issued without your paying tax or posting bond if you have not received a termination assessment. A termination assessment is a demand for immediate payment of income tax

for the current and immediately preceding year.

This certificate applies to all of your departures during the current tax year, subject to revocation on any later departure if the Area Director believes your leaving would hinder collecting the tax.

If you owe income tax and the Area Director determines that your departure will jeopardize the collection of the tax, a certificate of compliance on Form 1040-C will be issued only when you pay the tax due or post bond, and the certificate will apply only to the departure for which it is issued.

Specific Instructions

Joint return. Nonresident aliens cannot file a joint return. Resident aliens can file a joint return on Form 1040-C only if both of the following apply.

1. The alien and his or her spouse reasonably expect to be eligible to file a joint return at the close of the tax period for which the return is made.
2. If the tax period of the alien is terminated, the tax period of his or her spouse is terminated at the same time.

If Form 1040-C is filed as a joint return, enter both spouses' names, identification numbers, and passport or alien registration card numbers in the spaces provided on page 1 of the form. Also, include both spouses' income in Part III and furnish both spouses' information in Part I of the form. It may be necessary to complete a separate Part I for each spouse.

Identifying number. You must enter your identifying number. Generally, this is your social security number (SSN).

If you do not have an SSN and are eligible for one, 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 apply for an individual taxpayer identification number (ITIN). For details on how to do so, see Form W-7 and its instructions. If you already have an ITIN, enter it wherever your SSN is requested on your tax return. If you are required to include another person's SSN on your return and that person does not have and cannot get an SSN, enter that person's ITIN.

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.

Part I—Explanation of Status—Resident or Nonresident Alien

Generally, you are considered a resident alien if you meet either the green card test or the substantial presence test for 2009. You are considered a nonresident alien for the year if you do not meet either of these tests. For more information on resident and nonresident alien status, see Pub. 519.

Green card test. You are a resident alien for tax purposes if you are a lawful permanent resident of the United States at any time during 2009. You are a lawful permanent resident of the United States if you have been given the privilege, under U.S. immigration laws, of residing permanently in the United States as an immigrant. You generally have this status if the U.S. Citizenship and Immigration Services (USCIS) or the Immigration and Naturalization Service (INS) has issued you an alien registration card, also known as a "green card."

Substantial presence test. You are considered a resident alien for tax purposes if you meet the substantial presence test for 2009. You meet this test if you were physically present in the United States for at least:

- 31 days during 2009, and
- 183 days during the period 2009, 2008, and 2007, counting all the days of physical presence in 2009, $\frac{1}{3}$ of the number of days of presence in 2008, and $\frac{1}{6}$ of the number of days in 2007.

Days of presence in the United States. 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, you do not count the following days of presence

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in the United States for purposes of the substantial presence test.

- Days you regularly commuted to work in the United States from a residence in Canada or Mexico.
- Days you were in the United States for less than 24 hours while you were traveling between two places outside the United States.
- Days you were temporarily present in the United States as a regular member of the crew of a foreign vessel engaged in transportation between the United States and a foreign country or a possession of the United States. This rule does not apply to any day you were otherwise engaged in a trade or business in the United States.
- Days you intended, but were unable, to leave the United States because of a medical condition or medical problem that arose while you were in the United States.
- Days you were an exempt individual. In general, an exempt individual is: (a) a foreign-government-related individual, (b) a teacher or trainee, (c) a student, or (d) a professional athlete who is temporarily present in the United States to compete in a charitable sports event.

Note. If you qualify to exclude days of presence in the United States because you are an exempt individual (other than a foreign-government-related individual) or because of a medical condition or problem, file Form 8843, Statement for Exempt Individuals and Individuals With a Medical Condition, with your final income tax return.

Closer connection to a foreign country exception. Even though you would otherwise meet the substantial presence test, you are not treated as having met that test for 2009 if you: (a) were present in the United States for fewer than 183 days during 2009, (b) establish that during 2009 you had a tax home in a foreign country, and (c) establish that during 2009 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.

Note. If you meet this exception, file Form 8840, Closer Connection Exception Statement for Aliens, with your final income tax return.

Residence determined by tax treaty. Even though you would otherwise meet the substantial presence test, you are not treated as having met that test if you qualify as a resident of another country within the meaning of the tax treaty between the United States and that other country.

Dual-status tax year. Generally, if you are a resident alien and you leave the United States during the year with no intent to return, you have a dual-status tax year and are subject to dual-status restrictions in completing Form 1040-C. A dual-status tax year is one in which you have been both a resident alien and a nonresident alien. In figuring your income tax liability, different U.S. income tax rules apply to each status. See the Form 1040NR instructions for details.

Note. Certain resident aliens who leave the United States during the year with no intent to return may be subject to tax under section 877A. These resident aliens compute their tax using the method prescribed under section 877A when completing Form 1040-C. See chapter 4 of Pub. 519 for more information.

Income effectively connected with a U.S. trade or business — nonresident aliens. If you are a nonresident alien, the tax on your income depends on whether the income is or is not effectively connected with a U.S. trade or business.

Income effectively connected with a U.S. trade or business (including wages earned by an employee) is taxed at the graduated rates that apply to U.S. citizens and resident aliens. Income you receive as a partner in a partnership or as a beneficiary of an estate or trust is considered effectively connected with a U.S. trade or business if the partnership, estate, or trust conducts a U.S. trade or business.

Income from U.S. sources that is not effectively connected with a U.S. trade or business is generally taxed at 30%. Your rate may be lower if the country of which you are a resident and the United States have a treaty setting lower rates.

For a list of the types of income not considered effectively connected with a U.S. trade or business, see the instructions for Schedule A on page 5 and Schedule B on page 6. If you are a nonresident alien in the United States to study or train, see Pub. 519.

Part II—Exemptions

If you are a resident alien, you can claim the same exemptions allowed U.S. citizens on Form 1040.

If you are a nonresident alien engaged in a trade or business in the United States and you are a U.S. national (American Samoan or a Northern Mariana Islander who chose to be a U.S. national) or a resident of Canada, India, Mexico, or the Republic of Korea (South Korea), you

can claim the same number of exemptions you are entitled to on Form 1040NR. All other nonresident aliens engaged in a U.S. trade or business can claim only one exemption. For more details, see Pub. 519 or the Form 1040NR instructions.

If you are a nonresident alien not engaged in a trade or business in the United States, you cannot claim any personal exemptions for income that is not effectively connected with a U.S. trade or business.

Line 14c, column (2). You must enter each dependent's SSN or ITIN. See *Identifying number* on page 3.

Line 14c, column (4). Check the box in this column if your dependent is a qualifying child for the child tax credit. See Pub. 501 to find out who is a qualifying child.

Part III—Figuring Your Income Tax

Read the descriptions on line 1 of Form 1040-C for Groups I, II, and III to see which group(s) applies to you. If Group I or II applies, use lines 15-22 to figure your tax. If Group III applies, use lines 23 and 24 to figure your tax. If you are a nonresident alien to which both Groups II and III apply, use lines 15-24 to figure your tax.

Line 16. Adjustments. If you are a resident alien, you can take the adjustments allowed on Form 1040. The Form 1040 instructions have information on adjustments you can take. Be sure to consider the tax law changes noted on page 1.

If you are a nonresident alien and have income effectively connected with a U.S. trade or business, you can take the adjustments allowed on Form 1040NR. See the Form 1040NR instructions. Be sure to consider the tax law changes noted on page 1.

If you are a nonresident alien and all your income is not effectively connected with a U.S. trade or business, you cannot take any adjustments.

Line 19. Credits. If you are a resident alien, you can claim the same credits as on Form 1040. If you are a nonresident alien with income effectively connected with a U.S. trade or business, you can generally claim the same credits as on Form 1040NR.

Line 21. Other taxes. Enter on line 21 any other taxes such as those listed below. See the instructions for Form 1040 or Form 1040NR for information on the additional taxes to include on this line.

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<bullet> Making work pay credit. This credit applies only to resident aliens. Enter any making work pay credit that is due to you. See *Making work pay credit* on page 1.

- **Self-employment tax.** This tax applies only to resident aliens. Use Schedule SE (Form 1040), Form 1040-PR, or Form 1040-SS to figure your self-employment tax. The self-employment tax rate for 2009 is 15.3%. This includes a 2.9% Medicare tax and a 12.4% social security tax. For 2009, the maximum amount of self-employment income subject to social security tax is \$106,800. There is no limit on the amount of self-employment income subject to the Medicare tax.
- **Social security and Medicare tax on tip income not reported to employer.** If you received tips of \$20 or more in any month and you did not report the full amount to your employer, you must generally pay this tax. See the Form 1040 instructions or the Form 1040NR instructions.
- **Social security and Medicare tax not withheld by employer.** If you are an employee who received wages from an employer who did not withhold social security and Medicare tax from your wages, you may owe this tax. See the Form 1040 instructions or the Form 1040NR instructions.
- **Additional tax on IRAs, other qualified retirement plans, etc.** If you received a distribution from or made an excess contribution to one of these plans, you may owe this tax. See the Form 1040 instructions or the Form 1040NR instructions.
- **Household employment taxes.** If you pay cash wages to any one household employee in 2009, you may owe this tax. See the Form 1040 instructions or the Form 1040NR instructions.
- **Tax on accumulation distribution of trusts.** Use Form 4970 to figure the tax.
- **Tax from recapture of investment credit.** Use Form 4255 to figure the tax.
- **Tax from recapture of low-income housing credit.** Use Form 8611 to figure the tax.
- **Tax from recapture of federal mortgage subsidy.** Use Form 8828 to figure the tax.
- **Tax from recapture of qualified electric vehicle credit.** For details on how to figure the tax, see Pub. 535, Business Expenses.

First-time homebuyer credit. Repayment of the first-time homebuyer credit if the home ceased to be your main home in 2009. See Form 5405.

Line 24. Tax. You must generally enter 30% of the amount on line 23. However, if you are entitled to a lower rate or an exemption from tax because of a treaty between your country and the United States, attach

a statement showing your computation of the tax. Also include the applicable treaty article(s).

Line 28. Other payments. Include on line 28 any of the following payments. See the instructions for Form 1040 or Form 1040NR for details on other payments to include on this line.

- **Earned income credit (EIC).** This credit applies only to resident aliens. Enter any EIC that is due to you.
- **Additional child tax credit** to which you are entitled.
- **U.S. income tax paid at previous departure during the tax period.** Enter any tax you paid if you previously departed the United States during this tax period.
- **Excess social security and RRTA tax withheld.** If you had two or more employers in 2009 who together paid you more than \$106,800 in wages, too much social security tax and tier 1 railroad retirement (RRTA) tax may have been withheld. See Pub. 505, Tax Withholding and Estimated Tax. For 2009, the maximum social security tax and tier 1 RRTA tax is \$6,621.60.
- **Credit for federal tax paid on fuels.** Use Form 4136 to figure the credit.

Signature

Form 1040-C is not considered a valid return unless you sign it. You may have an agent in the United States prepare and sign your return if you are sick or otherwise unable to sign. However, you must have IRS approval to use an agent. To obtain approval, file a statement with the IRS office where you file Form 1040-C explaining why you cannot sign.

If an agent (including your spouse) signs for you, your authorization of the signature must be filed with the return.

Paid preparers must sign.

Generally, anyone you pay to prepare your return must sign it in the space provided. The preparer must also 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.

If you have questions about whether a preparer is required to sign your return, please contact an IRS office.

Schedule A—Income

Line 1, column (c). Enter amounts shown as federal income tax withheld on your Forms W-2, 1099, 1042-S, etc. Be sure to enter the amount withheld on the same line on which the related income is reported.

Line 1, column (d). Resident aliens should include income that would be included on Form 1040, such as wages, salaries, interest, dividends, rents, alimony, etc.

Line 1, column (e). Enter nonresident alien income effectively connected with a U.S. trade or business. Nonresident aliens should include income that would be included on page 1 of Form 1040NR or Form 1040NR-EZ. This includes:

- Salaries and wages (generally shown in box 1 of Form W-2),
- The taxable part of a scholarship or fellowship grant,
- Business income or loss (income that would be included on Schedule C (Form 1040) or Schedule C-EZ (Form 1040) as an attachment to Form 1040NR), and
- Any other income considered to be effectively connected with a U.S. trade or business. See the Instructions for Form 1040NR for details.

Line 1, column (f). Enter nonresident alien income from U.S. sources that is not effectively connected with a U.S. trade or business, including:

- Interest, dividends, rents, salaries, wages, premiums, annuities, compensation, remuneration, and other fixed or determinable annual or periodic gains, profits, and income.
- Prizes, awards, and certain gambling winnings. Proceeds from lotteries, raffles, etc., are gambling winnings. You must report the full amount of your winnings. You cannot offset losses against winnings and report the difference.
- 85% of the U.S. social security benefits you receive. This amount is treated as U.S. source income not effectively connected with a U.S. trade or business and is subject to the 30% tax rate, unless exempt or taxed at a reduced rate under a U.S. tax treaty. Social security benefits include any monthly benefit under Title II of the Social Security Act or part of a tier 1 railroad retirement benefit treated as a social security benefit. They do not include any supplemental security income (SSI) payments.

Line 5. Include on line 5, column (d), (e), or (f), all income you received during the year that is exempt by Code (see examples below). Also include on line 5 income that is exempt by treaty, but only if the income is reportable in column (d) or (e). Attach a statement that shows the basis for the treaty exemption (including treaty and article(s)).

Note. Do not include on line 5 income reportable in column (f) that is exempt by treaty. Instead report

Repayment of first-time homebuyer credit. If you claimed the first-time homebuyer credit on your 2008 return and the home ceased to be your main home in 2009, see Form 5405.

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these amounts on line 1 of column (f) and explain on the statement required for Part III, line 24, the basis for the reduced rate or exemption.

Be sure to include on line 5, column (c), any amount withheld on exempt income you are reporting on line 5, column (d), (e), or (f). For example, include amounts that were withheld by a withholding agent that was required to withhold due to lack of documentation. However, do not include amounts reimbursed by the withholding agent.

Do not include on lines 1 through 4 any amount that is reportable on line 5.

Exempt income for nonresident aliens. The following income received by nonresident aliens is exempt from U.S. tax.

1. Interest on bank deposits or withdrawable accounts with savings and loan associations or credit unions that are chartered and supervised under federal or state law, or amounts held by an insurance company under an agreement to pay interest on them, if the income is not effectively connected with a U.S. trade or business. Certain portfolio interest on obligations issued after July 18, 1984, is also exempt income.

2. Your personal service income if:

- a. You were in the United States 90 days or less during the tax year,
- b. You received \$3,000 or less for your services, and
- c. You performed the services as an employee of or under contract with a nonresident alien individual, foreign partnership, or foreign corporation not engaged in a U.S. trade or business; or for a foreign office of a U.S. partnership, corporation, citizen, or resident.

3. Capital gains not effectively connected with a U.S. trade or business if you were in the United States fewer than 183 days during the tax year. **Exception:** Gain or loss on the disposition of a U.S. real property interest is not exempt.

4. U.S. bond income. Your income from series E, EE, H, or HH U.S. savings bonds that you bought while a resident of the Ryukyu Islands (including Okinawa) or the Trust Territory of the Pacific Islands (Caroline and Marshall Islands).

5. Annuities you received from qualified annuity plans or trusts if both of the following conditions apply:

a. The work that entitles you to the annuity was performed either (1) in the United States for a foreign employer and you met the conditions under 2 earlier, or (2) outside the United States, and

b. When the first amount was paid as an annuity, at least 90% of the employees covered by the plan (or by the plan or plans that included the trust) were U.S. citizens or residents.

6. U.S. source dividends paid by certain foreign corporations if they are not effectively connected with your U.S. trade or business. See *Second exception under Dividends* in chapter 2 of Pub. 519 for the definition of foreign corporation and how to figure the amount of excludable dividends.

Certain items of income may be exempt from federal tax under a tax treaty. For more details, see Pub. 901.

Schedule B—Certain Gains and Losses From Sales or Exchanges of Nonresidents' Property Not Effectively Connected With a U.S. Trade or Business

If you are a nonresident alien, use Schedule B to figure your gain or loss from the sale or exchange of property not effectively connected with a U.S. trade or business. Include the following types of income. For more information on these types of income, see Pub. 519 and the Instructions for Form 1040NR.

1. Capital gains. Capital gains in excess of capital losses if you were in the United States at least 183 days during the year.

Note. The gain or loss on the disposition of a U.S. real property interest is considered effectively connected and should be shown in Schedule A, column (e).

2. Income other than capital gains.

- Gains on the disposal of timber, coal, or U.S. iron ore with a retained economic interest.
- Gains from the sale or exchange of patents, copyrights, secret processes and formulas, goodwill, trademarks, trade brands, franchises, and other like property, or of any interest in any such property. The gains must result from payments for the productivity, use, or disposition of the property or interest.

Original issue discount (OID). If you sold or exchanged the obligation, include only the OID that accrued while you held the obligation minus the amount previously included in income. If you received a payment on the obligation, see Pub. 519.

Schedule C—Itemized Deductions

If you are a resident alien, you can take the deductions allowed on Schedule A of Form 1040. See the Schedule A (Form 1040) instructions. Be sure to consider the tax law changes noted on page 1.

If you are a nonresident alien and have income effectively connected with a U.S. trade or business, you can take the deductions allowed on Schedule A of Form 1040NR. See the Schedule A (Form 1040NR) instructions. If you do not have income effectively connected with a U.S. trade or business, you cannot take any deductions.

Itemized Deduction Worksheet (keep for your records)	
1. Add the amounts in columns (b) and (d) of Schedule C, line 1.	1. _____
2. Enter the total amount included on line 1 above for medical and dental expenses, investment interest expense, casualty or theft losses of personal use property, casualty and theft losses from income-producing property, and gambling losses	2. _____
3. Subtract line 2 from line 1. If zero or less, stop here ; enter the amount from line 1 above on Schedule C, line 2	3. _____
4. Multiply line 3 above by 80% (.80)	4. _____
5. Enter the amount from Form 1040-C, line 17	5. _____
6. Enter: \$166,800 (\$83,400 if married filing separately)	6. _____
7. Subtract line 6 from line 5. If zero or less, stop here ; enter the amount from line 1 above on Schedule C, line 2	7. _____
8. Multiply line 7 above by 3% (.03)	8. _____
9. Enter the smaller of line 4 or line 8	9. _____
10. Divide line 9 by 1.5	10. _____
11. Subtract line 10 from line 9	11. _____
12. Total itemized deductions. Subtract line 11 from line 1. Enter the result here and on Schedule C, line 2	12. _____

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

Line 2. If the amount on Form 1040-C, line 17, is over \$166,800 (\$83,400 if married filing separately), use the worksheet on page 6 to figure the amount to enter on line 2.

Schedule D—Tax Computation

Standard Deduction (Group 1 only)

If you do not itemize your deductions, you can take the 2009 standard deduction listed below for your filing status.

Filing Status	Standard Deduction
Married filing jointly or Qualifying widow(er)	\$11,400*
Head of household	\$8,350*
Single or Married filing separately	\$5,700*

*To these amounts, add the additional amount shown next.

Additional amount for the elderly or the blind. An additional standard deduction amount of \$1,100 is allowed for a married individual (whether filing jointly or separately) or a qualifying widow(er) who is age 65 or older or blind in 2009 (\$2,200 if the individual is both age 65 or older and blind, \$4,400 if both spouses are age 65 or older and blind). An additional standard deduction amount of \$1,400 is allowed for an unmarried individual (single or head of household) who is age 65 or older or blind (\$2,800 if the individual is both age 65 or older and blind).

Note. If you were born before January 2, 1945, you are considered to be age 65 or older in 2009.

Additional amounts for certain taxes and net disaster loss. You can increase your standard deduction by:

- Certain state and local real estate taxes you paid,
- Sales and excise taxes on qualified motor vehicle purchases, and
- Your net disaster loss.

Real estate taxes. Your standard deduction is increased by the state and local real estate taxes you paid, up to \$500 (\$1,000 if married filing jointly). The real estate taxes must be taxes that would have been deductible on Schedule A (Form 1040) if you had itemized your deductions. Taxes deductible in arriving at adjusted gross income (such as taxes on business real estate) and taxes on foreign real

estate cannot be used to increase your standard deduction.

Sales and excise taxes on motor vehicles. Your standard deduction is increased by state or local sales and excise taxes paid on the purchase of new cars, light trucks, motor homes, and motorcycles after February 16, 2009. Your modified adjusted gross income (AGI) must be less than \$135,000 (\$260,000 if married filing a joint return) to qualify. Your modified AGI is the amount shown on Form 1040-C, line 17, plus any foreign earned income or housing exclusion and any income you excluded as a bona fide resident of American Samoa. Furthermore, you can only deduct the taxes on the portion of the purchase price that does not exceed \$49,500.

Net disaster loss. Your standard deduction is increased by your net disaster loss. Your net disaster loss is your personal casualty losses from a federally declared disaster minus any personal casualty gains. This amount is shown on the 2008 Form 4684, line 18a. For 2009, the loss must exceed \$500 to be allowed (not \$100 as shown on the 2008 Form 4684, line 11).

Limited standard deduction for dependents. If you can be claimed as a dependent on another person's 2009 return, your standard deduction is the greater of:

- \$950, or
- Your earned income plus \$300 (up to the standard deduction amount).

To this amount add any additional amounts as explained earlier.

Lines 4 and 10

If your adjusted gross income is more than \$125,100, or you are claiming an additional amount for housing a Midwestern displaced individual, see the worksheet on page 8 to figure the exemption amount. Otherwise, multiply \$3,650 by the number of exemptions to which you are entitled.

Taxpayers housing Midwestern displaced individuals. You may be able to claim an additional exemption amount of \$500 per person (up to \$2,000) if you provided housing to a person who was displaced from his or her main home because of the storms, tornadoes, or flooding in a Midwestern disaster area and all of the following apply.

- The person displaced lived in your main home for at least 60 consecutive days ending in 2009.
- You did not receive any rent or other amount from any source for providing the housing.
- The main home of the person displaced was in a Midwestern

disaster area on the date the storms, tornadoes, or flooding occurred.

- The person displaced was not your spouse or dependent.

For details, see Form 8914.

Lines 6 and 14

Include in the total on line 6 or line 14, whichever applies, any tax from Form 4972, Tax on Lump-Sum Distributions, and Form 8814, Parents' Election To Report Child's Interest and Dividends.

Also include any recapture of an education credit. You may owe this tax if you claimed an education credit in an earlier year, and either tax-free educational assistance or a refund of qualified expenses was received in 2009 for the student. See Form 8863 for more details.

Lines 7 and 15

Enter on line 7 or 15, whichever applies, any tax from Form 6251, Alternative Minimum Tax—Individuals.

Disclosure, Privacy Act, and Paperwork Reduction Act Notice.

We ask for the information on this form to carry out the Internal Revenue laws of the United States. Sections 6001, 6011, 6012(a), 6851, and their regulations require that you 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. Section 6109 requires you to provide your identifying number.

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 shown 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 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. If you do not give the information asked for, you may be charged penalties and, in certain cases, you may be subject to criminal prosecution.

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

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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.

The time needed to complete and file this form will vary depending on individual circumstances. The estimated average time is:

Recordkeeping, 2 hr., 4 min.;

Learning about the law or the form, 56 min.; **Preparing the form**, 3 hr., 44 min.; and **Copying, assembling, and sending the form to the IRS**, 1 hr., 13 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-6526, Washington, DC 20224. Do not send the tax form to this address. Instead, see *How To Get the Certificate* on page 2.

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Deduction for Exemptions Worksheet (keep for your records)

1. Is the amount on Schedule D, line 1 or line 9, more than the amount shown on line 4 below for your filing status?
No. Multiply \$3,650 by the total number of exemptions claimed on Form 1040-C, line 14d, and enter the result here. If you are claiming an additional amount for housing a Midwestern displaced individual, skip lines 2-10 and go to line 11. Otherwise, stop here and enter the result on Schedule D, line 4 or 12, whichever applies.
Yes. Go to line 2. 1. _____
2. Multiply \$3,650 by the total number of exemptions claimed on Form 1040-C, line 14d 2. _____
3. Enter the amount from Schedule D, line 1 or line 9 . . . 3. _____
4. Enter the amount shown below for your filing status.
 - Single, enter \$166,800
 - Married filing jointly or Qualifying widow(er), enter \$250,200
 - Married filing separately, enter \$125,100
 - Head of household, enter \$208,5004. _____
5. Subtract line 4 from line 3 and enter here 5. _____
6. Is line 5 more than \$122,500 (\$61,250 if married filing separately)?
 - Yes.** Multiply \$2,433 by the number of exemptions claimed on Form 1040-C, line 14d, and enter the result here and on Schedule D, line 4 or 12, whichever applies. Do not complete the rest of this worksheet.
 - No.** Divide line 5 by \$2,500 (\$1,250 if married filing separately). 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, but not more than 1.0 7. _____
8. Multiply line 2 by line 7 8. _____
9. Divide line 8 by 3.0 9. _____
10. **Deduction for exemptions.** Subtract line 9 from line 2 and enter the result here. If you are claiming an additional amount for housing a Midwestern displaced individual, go to line 11. Otherwise, stop here and enter the result on Schedule D, line 4 or 12, whichever applies. 10. _____
11. Maximum amount for housing a Midwestern displaced individual. Enter \$2,000 (\$1,000 if married filing separately) 11. _____
12. Did you file Form 8914 for 2008?
 Yes. Enter the amount from your 2008 Form 8914, line 2
 No. Enter -0- 12. _____
13. Subtract line 12 from line 11 13. _____
14. Multiply \$500 by the total number of individuals for whom you provided housing 14. _____
15. Enter the smaller of line 13 or 14 15. _____
16. **Exemption Amount.** Add lines 1, 10, and 15. Enter the total here and on Schedule D, line 4 or line 12, whichever applies 16. _____

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2009 Tax Rate Schedules (Groups I and II)

Do not use these Tax Rate Schedules to figure your 2008 taxes. Use only to figure your 2009 taxes.

Schedule X—Single Taxpayers (Groups I and II)

If the amount on Schedule D, line 5 or 13, is: The tax is: of the amount over—

Over— but not over—

\$0	\$8,350	\$0.00 + 10%	\$0
8,350	33,950	835.00 + 15%	8,350
33,950	82,250	4,675.00 + 25%	33,950
82,250	171,550	16,750.00 + 28%	82,250
171,550	372,950	41,754.00 + 33%	171,550
372,950	.....	108,216.00 + 35%	372,950

Schedule Z—Head of Household (Group I only)

If the amount on Schedule D, line 5, is: The tax is: of the amount over—

Over— but not over—

\$0	\$11,950	\$0.00 + 10%	\$0
11,950	45,500	1,195.00 + 15%	11,950
45,500	117,450	6,227.50 + 25%	45,500
117,450	190,200	24,215.00 + 28%	117,450
190,200	372,950	44,585.00 + 33%	190,200
372,950	.....	104,892.50 + 35%	372,950

Schedule Y—Married Taxpayers and Qualifying Widows and Widowers

Married Filing Joint Return (Group I only) and Qualifying Widows and Widowers (Groups I and II)

If the amount on Schedule D, line 5 or 13, is: The tax is: of the amount over—

Over— but not over—

\$0	\$16,700	\$0.00 + 10%	\$0
16,700	67,900	1,670.00 + 15%	16,700
67,900	137,050	9,350.00 + 25%	67,900
137,050	208,850	26,637.50 + 28%	137,050
208,850	372,950	46,741.50 + 33%	208,850
372,950	.....	100,894.50 + 35%	372,950

Married Filing Separate Return (Groups I and II)

If the amount on Schedule D, line 5 or 13, is: The tax is: of the amount over—

Over— but not over—

\$0	\$8,350	\$0.00 + 10%	\$0
8,350	33,950	835.00 + 15%	8,350
33,950	68,525	4,675.00 + 25%	33,950
68,525	104,425	13,318.75 + 28%	68,525
104,425	186,475	23,370.75 + 33%	104,425
186,475	.....	50,447.25 + 35%	186,475