Department of the Treasury
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Tax Guide for Seniors

For use in preparing
2019 Returns

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Dec 27, 2019

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Future Developments

For the latest information about developments related to Pub. 554, such as legislation enacted after it was published, go to *IRS.gov/Pub554*.

What's New

Form 1040-SR. Form 1040-SR, U.S. Tax Return for Seniors, has been introduced for use for the 2019 year. You can use this form if you are age 65 or older at the end of 2019. The form generally mirrors Form 1040. However, the Form 1040-SR has larger text and some helpful tips for older taxpayers. See *Instructions for Forms 1040 and 1040-SR*, for more information.

Standard deduction amount increased. For 2019, the standard deduction amount has been increased for all filers. The amounts are:

- Single or Married filing separately — $12,200.
- Married filing jointly or Qualifying widow(er) — $24,400.
- Head of household — $18,350.

Alternative minimum tax exemption increased. The AMT exemption amount has increased to $71,700 ($111,700 if married filing jointly or qualifying widow(er); $55,850 if married filing separately).

Earned income credit. The maximum amount of income you can earn and still get the credit has increased. You may be able to take the credit if you earn less than:

- $15,570 ($21,370 if married filing jointly), don't have a qualifying child, and are at least 25 years old and under 65;
- $41,094 ($46,884 if married filing jointly), and you have one qualifying child;
- $46,703 ($52,493 if married filing jointly), and you have two qualifying children; or
- $50,162 ($55,952 if married filing jointly), and you have three or more qualifying children.

For more information, see *Earned Income Credit*, later.

Reminders

Tax return preparers. Choose your preparer carefully. If you pay someone to prepare your return, the preparer is required, under the law, to sign the return and fill in the other blanks in the Paid Preparer's area of your return. Remember, however, that you are still responsible for the accuracy of every item entered on your return. If there is any underpayment, you are responsible for paying it, plus any interest and penalty that may be due.

Third party designee. You can check the "Yes" box in the Third Party Designee area of your return to authorize the IRS to discuss your return with your preparer, a friend, a family member, or any other person you choose. This allows the IRS to call the person you identified as your designee to answer any questions that may arise during the processing of your return. It also allows your designee to perform certain actions. See your income tax return instructions for details.

Employment tax withholding. Your wages are subject to withholding for income tax, social security tax, and Medicare tax even if you are receiving social security benefits.

Social security benefits information. Social security beneficiaries may quickly and easily obtain various information from SSA's website with a *my Social Security* account, including getting a replacement SSA-1099 or SSA-1042S. For more information, go to *SSA.gov/myaccount*. See *Obtaining social security information*, later.

Photographs of missing children. The Internal Revenue Service is a proud partner with the *National Center for Missing & Exploited Children® (NCMEC)*. Photographs of missing children selected by the Center may appear in this publication on pages that would otherwise be blank. You can help bring these children home by looking at the photographs and calling 800-THE-LOST (800-843-5678) if you recognize a child.

Introduction

The purpose of this publication is to provide a general overview of selected topics that are of interest to older taxpayers. The publication will help you determine if you need to file a return and, if so, what items to report on your return. Each topic is discussed only briefly, so you will find references to other free IRS publications that provide more detail on these topics if you need it.

Table I has a list of questions you may have about filing your federal tax return. To the right of each question is the location of the answer in this publication. Also, at the back of this publication there is an index to help you search for the topic you need.

While most federal income tax laws apply equally to all taxpayers, regardless of age, there are some provisions that give special treatment to older taxpayers. The following are some examples.

- ***Higher gross income threshold for filing.*** You must be age 65 or older at the end of the year to get this benefit. You are considered age 65 on the day before your 65th birthday. Therefore, you are considered age 65 at the end of the year if your 65th birthday is on or before January 1 of the following year.
- ***Higher standard deduction.*** If you don't itemize deductions, you are entitled to a higher standard deduction if you are age 65 or older at the end of the year. You are considered age 65 at the end of the year if your 65th birthday is on or before January 1 of the following year.
- ***Credit for the elderly or the disabled.*** If you qualify, you may benefit from the credit for the elderly or the disabled. To determine if you qualify and how to figure this credit, see *Credit for the Elderly or the Disabled*, later.

Return preparation assistance. The IRS wants to make it easier for you to file your federal tax return. You may find it helpful to visit a Volunteer Income Tax Assistance (VITA), Tax Counseling for the Elderly (TCE), or American Association of Retired Persons (AARP) Tax-Aide site near you.

Volunteer Income Tax Assistance and Tax Counseling for the Elderly. These programs provide free help for low-income taxpayers and taxpayers age 60 or older to prepare and file their returns. For the VITA/TCE site nearest you, contact your local IRS office. For more information, see *Preparing and filing your tax return* under *How To Get Tax Help*.

AARP Tax-Aide. AARP Foundation Tax-Aide offers free tax preparation and has more than 5,000 locations in

Table I. **What You Should Know About Federal Taxes**

Note. The following is a list of questions you may have about filling out your federal income tax return. To the right of each question is the location of the answer in this publication.

What I Should Know	Where To Find the Answer
Do I need to file a return?	See chapter 1.
Is my income taxable or nontaxable? If it is nontaxable, must I still report it?	See chapter 2.
How do I report benefits I received from the Social Security Administration or the Railroad Retirement Board? Are these benefits taxable?	See *Social Security and Equivalent Railroad Retirement Benefits* in chapter 2.
Must I report the sale of my home? If I had a gain, is any part of it taxable?	See *Sale of Home* in chapter 2.
What are some of the items that I can deduct to reduce my income?	See chapters 3 and 4.
How do I report the amounts I set aside for my IRA?	See *Individual Retirement Arrangement Contributions and Deductions* in chapter 3.
Would it be better for me to claim the standard deduction or itemize my deductions?	See chapter 4.
What are some of the credits I can claim to reduce my tax?	See chapter 5 for discussions on the credit for the elderly or the disabled, the child and dependent care credit, and the earned income credit.
Must I make estimated tax payments?	See chapter 6.
How do I contact the IRS or get more information?	See chapter 7.

neighborhood libraries, malls, banks, community centers, and senior centers annually during the filing season. Visit *AARP.org/TaxAide* or call 888-OUR-AARP (888-687-2277) for more information.

Comments and suggestions. We welcome your comments about this publication and your suggestions for future editions.

You can send us comments through *IRS.gov/FormComments*. Or, you can write to: Internal Revenue Service, Tax Forms and Publications, 1111 Constitution Ave. NW, IR-6526, Washington, DC 20224.

Although we can't respond individually to each comment received, we do appreciate your feedback and will consider your comments as we revise our tax forms, instructions, and publications. We can't answer tax questions sent to the above address.

Tax questions. If you have a tax question not answered by this publication or *How To Get Tax Help* section at the end of this publication, go to the IRS Interactive Tax Assistant page at *IRS.gov/Help/ITA* where you can find topics using the search feature or by viewing the categories listed.

Getting tax forms, instructions, and publications. Visit *IRS.gov/Forms* to download current and prior-year forms, instructions, and publications.

Ordering tax forms, instructions, and publications. Go to *IRS.gov/OrderForms* to order current forms, instructions, and publications; call 800-829-3676 to order prior-year forms and instructions. Your order should arrive within 10 business days.

1.

2019 Filing Requirements

If income tax was withheld from your pay, or if you qualify for a refundable credit (such as the earned income credit, the additional child tax credit, or the American opportunity credit), you should file a return to get a refund even if you aren't otherwise required to file a return.

Don't file a federal income tax return if you don't meet the filing requirements and aren't due a refund. If you need assistance to determine if you need to file a federal income tax return for 2019, go to IRS.gov/ITA and use the Interactive Tax Assistant (ITA).

General Requirements

If you are a U.S. citizen or resident alien, you must file a return if your gross income for the year was at least the amount shown on the appropriate line in Table 1-1. For other filing requirements, see your tax return instructions or Pub. 501, Dependents, Standard Deduction, and Filing Information. If you were a nonresident alien at any time during the year, the filing requirements that apply to you may be different from those that apply to U.S. citizens. See Pub. 519, U.S. Tax Guide for Aliens.

Gross income. Gross income is all income you receive in the form of money, goods, property, and services that isn't exempt from tax. If you are married and live with your spouse in a community property state, half of any income defined by state law as community income may be considered yours. States with community property laws include Arizona, California, Idaho, Louisiana, Nevada, New Mexico, Texas, Washington, and Wisconsin. A registered domestic partner in Nevada, Washington, or California generally must report half the combined community income of the individual and his or her domestic partner. For more information about community property, see Pub. 555, Community Property.

For more information on what to include in gross income, see chapter 2.

Table 1-1. **2019 Filing Requirements Chart for Most Taxpayers**

Note. You must file a return if your gross income was at least the amount shown in the last column.

IF your filing status is. . .	AND at the end of 2019 you were*. . .	THEN file a return if your gross income** was at least. . .
Single	under 65	$12,200
	65 or older	$13,850
Head of household	under 65	$18,350
	65 or older	$20,000
Married filing jointly***	under 65 (both spouses)	$24,400
	65 or older (one spouse)	$25,700
	65 or older (both spouses)	$27,000
Married filing separately	any age	$ 5
Qualifying widow(er)	under 65	$24,400
	65 or older	$25,700

* If you were born before January 2, 1955, you are considered to be 65 or older at the end of 2019. (If your spouse died in 2019 or if you are preparing a return for someone who died in 2019, see Pub. 501.)

** Gross income means all income you receive in the form of money, goods, property, and services that isn't exempt from tax, including any income from sources outside the United States or from the sale of your main home (even if you can exclude part or all of it). It also includes gains, but not losses, reported on Form 8949 or Schedule D. Gross income from a business means, for example, the amount on Schedule C, line 7, or Schedule F, line 9. But, in figuring gross income, don't reduce your income by any losses, including any loss on Schedule C, line 7, or Schedule F, line 9. **Don't** include any social security benefits unless (a) you are married filing separately and you lived with your spouse at any time in 2019 or (b) one-half of your social security benefits plus your other gross income and any tax-exempt interest is more than $25,000 ($32,000 if married filing jointly). If (a) or (b) applies, see the Instructions for Forms 1040 and 1040-SR or Pub. 915, Social Security and Equivalent Railroad Retirement Benefits, to figure the taxable part of social security benefits you must include in gross income.

*** If you didn't live with your spouse at the end of 2019 (or on the date your spouse died) and your gross income was at least $5, you must file a return regardless of your age.

Self-employed persons. If you are self-employed in a business that provides services (where the production, purchase, or sale of merchandise isn't an income-producing factor), gross income from that business is the gross receipts. If you are self-employed in a business involving manufacturing, merchandising, or mining, gross income from that business is the total sales minus the cost of goods sold. In either case, you must add any income from investments and from incidental or outside operations or sources. See Pub. 334, Tax Guide for Small Business, for more information.

Dependents. If you could be claimed as a dependent by another taxpayer (that is, you meet the dependency tests in Pub. 501), special filing requirements apply. See Pub. 501.

Decedents

A personal representative of a decedent's estate can be an executor, administrator, or anyone who is in charge of the decedent's property.

If you are acting as the personal representative of a person who died during the year, you may have to file a final return for that decedent. You also have other duties, such as notifying the IRS that you are acting as the personal representative. Form 56, Notice Concerning Fiduciary Relationship, is available for this purpose.

When you file a return for the decedent, either as the personal representative or as the surviving spouse, you should write "DECEASED," the decedent's name, and the date of death across the top of the tax return.

If no personal representative has been appointed by the due date for filing the return, the surviving spouse (on a joint return) should sign the return and write in the signature area "Filing as surviving spouse."

For more information, see Pub. 559, Survivors, Executors, and Administrators.

Surviving spouse. If you are the surviving spouse, the year your spouse died is the last year for which you can file a joint return with that spouse. After that, if you don't remarry, you must file as a qualifying widow(er), head of household, or single. For more information about each of these filing statuses, see Pub. 501.

If you remarry before the end of the year in which your spouse died, a final joint return with the deceased spouse can't be filed. You can, however, file a joint return with your new spouse. In that case, the filing status of your deceased spouse for his or her final return is married filing separately.

*The level of income that requires you to file an income tax return changes when your filing status changes (see Table 1-1). Even if you and your deceased spouse weren't required to file a return for several years, you may have to file a return for tax years **after** the year of death. For example, if your filing status changes from filing jointly in 2018 to single in 2019 because of the death of your spouse, and your gross income is $17,500 for both years, you must file a return for 2019 even though you didn't have to file a return for 2018.*

2. Taxable and Nontaxable Income

Generally, income is taxable unless it is specifically exempt (not taxed) by law. Your taxable income may include compensation for services, interest, dividends, rents, royalties, income from partnerships, estate or trust income, gain from sales or exchanges of property, and business income of all kinds.

Under special provisions of the law, certain items are partially or fully exempt from tax. Provisions that are of special interest to older taxpayers are discussed in this chapter.

Compensation for Services

Generally, you must include in gross income everything you receive in payment for personal services. In addition to wages, salaries, commissions, fees, and tips, this includes other forms of compensation such as fringe benefits and stock options.

You don't need to receive the compensation in cash for it to be taxable. Payments you receive in the form of goods or services generally must be included in gross income at their fair market value.

Volunteer work. Don't include in your gross income amounts you receive for supportive services or reimbursements for out-of-pocket expenses under any of the following volunteer programs.

- Retired Senior Volunteer Program (RSVP).
- Foster Grandparent Program.
- Senior Companion Program.
- Service Corps of Retired Executives (SCORE).

Unemployment compensation. You must include in income all unemployment compensation you or your spouse (if married filing jointly) received.

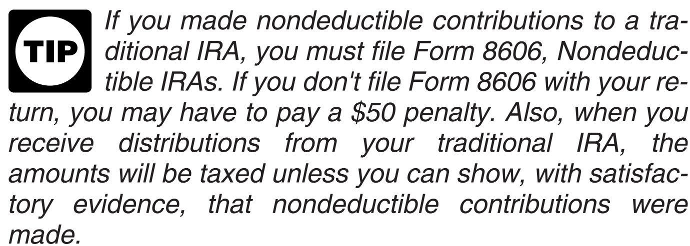
More information. See Pub. 525, Taxable and Nontaxable Income, for more detailed information on specific types of income.

Retirement Plan Distributions

This section summarizes the tax treatment of amounts you receive from traditional individual retirement arrangements (IRA), employee pensions or annuities, and disability pensions or annuities. A traditional IRA is any IRA that isn't a Roth or SIMPLE IRA. A Roth IRA is an individual retirement plan that can be either an account or an annuity and features nondeductible contributions and tax-free distributions. A SIMPLE IRA is a tax-favored retirement plan that certain small employers (including self-employed individuals) can set up for the benefit of their employees. More detailed information can be found in Pub. 590-A, Contributions to Individual Retirement Arrangements; Pub. 590-B, Distributions from Individual Retirement Arrangements; and Pub. 575, Pension and Annuity Income.

Individual Retirement Arrangements (IRAs)

In general, distributions from a traditional IRA are taxable in the year you receive them. Exceptions to the general rule are rollovers, tax-free withdrawals of contributions, and the return of nondeductible contributions. These are discussed in Pub. 590-B.



If you made nondeductible contributions to a traditional IRA, you must file Form 8606, Nondeductible IRAs. If you don't file Form 8606 with your return, you may have to pay a $50 penalty. Also, when you receive distributions from your traditional IRA, the amounts will be taxed unless you can show, with satisfactory evidence, that nondeductible contributions were made.

Early distributions. Generally, early distributions are amounts distributed from your traditional IRA account or annuity before you are age $59^{1}/_{2}$, or amounts you receive when you cash in retirement bonds before you are age $59^{1}/_{2}$. You must include early distributions of taxable amounts in your gross income. These taxable amounts also are subject to an additional 10% tax unless the distribution qualifies for an exception. For purposes of the additional 10% tax, an IRA is a qualified retirement plan. For more information about this tax, see Tax on Early Distributions under *Pensions and Annuities*, later.

After age $59^{1}/_{2}$ and before age $70^{1}/_{2}$. After you reach age $59^{1}/_{2}$, you can receive distributions from your traditional IRA without having to pay the 10% additional tax. Even though you can receive distributions after you reach age $59^{1}/_{2}$, you must begin calculating and receiving required minimum distributions when you reach age $70^{1}/_{2}$.

Required distributions. If you are the owner of a traditional IRA, you generally must receive the entire balance in your IRA or start receiving periodic distributions from your IRA by April 1 of the year following the year in which you reach age $70^{1}/_{2}$. See *When Must You Withdraw Assets? (Required Minimum Distributions)* in Pub. 590-B. If distributions from your traditional IRA(s) are less than the required minimum distribution for the year, you may have to pay a 50% excise tax for that year on the amount not distributed as required. For purposes of the 50% excise tax, an IRA is a qualified retirement plan. For more information about this tax, see Tax on Excess Accumulation under *Pensions and Annuities*, later. See also *Excess Accumulations (Insufficient Distributions)* in Pub. 590-B.

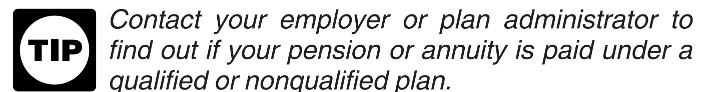
Pensions and Annuities

Generally, if you didn't pay any part of the cost of your employee pension or annuity, and your employer didn't withhold part of the cost of the contract from your pay while you worked, the amounts you receive each year are fully taxable. However, see Insurance Premiums for Retired Public Safety Officers, later.

If you paid part of the cost of your pension or annuity plan (see Cost, later), you can exclude part of each annuity payment from income as a recovery of your cost (investment in the contract). This tax-free part of the payment is figured when your annuity starts and remains the same each year, even if the amount of the payment changes. The rest of each payment is taxable. However, see Insurance Premiums for Retired Public Safety Officers, later.

You figure the tax-free part of the payment using one of the following methods.

- ***Simplified Method.*** You generally must use this method if your annuity is paid under a qualified plan (a qualified employee plan, a qualified employee annuity, or a tax-sheltered annuity plan or contract). You can't use this method if your annuity is paid under a nonqualified plan.
- ***General Rule.*** You must use this method if your annuity is paid under a nonqualified plan. You generally can't use this method if your annuity is paid under a qualified plan.



Contact your employer or plan administrator to find out if your pension or annuity is paid under a qualified or nonqualified plan.

You determine which method to use when you first begin receiving your annuity, and you continue using it each year that you recover part of your cost.

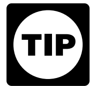
Exclusion limit. If your annuity starting date is after 1986, the total amount of annuity income you can exclude over the years as a recovery of the cost can't exceed your total cost. Any unrecovered cost at your (or the last annuitant's) death is allowed as an other itemized deduction on the final return of the decedent.

If you contributed to your pension or annuity and your annuity starting date is before 1987, you can continue to take your monthly exclusion for as long as you receive your annuity. If you chose a joint and survivor annuity, your survivor can continue to take the survivor's exclusion figured as of the annuity starting date. The total exclusion may be more than your cost.

Cost. Before you can figure how much, if any, of your pension or annuity benefits are taxable, you must determine your cost in the plan (your investment in the contract). Your total cost in the plan includes everything that you paid. It also includes amounts your employer contributed that were taxable to you when paid. However, see *Foreign employment contributions*, later.

From this total cost, subtract any refunded premiums, rebates, dividends, unrepaid loans, or other tax-free amounts you received by the later of the annuity starting date or the date on which you received your first payment.

Annuity starting date. The annuity starting date is the later of the first day of the first period for which you received a payment from the plan or the date on which the plan's obligations became fixed.



The amount of your contributions to the plan may be shown in box 9b of any Form 1099-R, Distributions From Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts, etc., that you receive.

Foreign employment contributions. If you worked abroad, certain amounts your employer paid into your retirement plan that weren't includible in your gross income may be considered part of your cost. For details, see *Foreign employment contributions* in Pub. 575.

Withholding. The payer of your pension, profit-sharing, stock bonus, annuity, or deferred compensation plan will withhold income tax on the taxable part of amounts paid to you. However, you can choose not to have tax withheld on the payments you receive, unless they are eligible rollover distributions. (These are distributions that are eligible for rollover treatment but aren't paid directly to another qualified retirement plan or to a traditional IRA.) See *Withholding Tax and Estimated Tax* and *Rollovers* in Pub. 575 for more information.

For payments other than eligible rollover distributions, you can tell the payer how much to withhold by filing a Form W-4P, Withholding Certificate for Pension or Annuity Payments.

Simplified Method. Under the Simplified Method, you figure the tax-free part of each annuity payment by dividing your cost by the total number of anticipated monthly payments. For an annuity that is payable over the lives of the annuitants, this number is based on the annuitants' ages on the annuity starting date and is determined from a table. For any other annuity, this number is the number of monthly annuity payments under the contract.

Who must use the Simplified Method. You must use the Simplified Method if your annuity starting date is after November 18, 1996, and you meet both of the following conditions.

1. You receive your pension or annuity payments from a qualified plan.
2. On your annuity starting date, at least one of the following conditions applies to you.
   a. You are under age 75.
   b. You are entitled to less than 5 years of guaranteed payments.

If your annuity starting date is after July 1, 1986, and before November 19, 1996, and you previously chose to use the Simplified Method, you must continue to use it each year that you recover part of your cost. You could have chosen to use the Simplified Method if your annuity is payable for your life (or the lives of you and your survivor annuitant) and you met both of the conditions listed above.

Guaranteed payments. Your annuity contract provides guaranteed payments if a minimum number of payments or a minimum amount (for example, the amount of your investment) is payable even if you and any survivor annuitant don't live to receive the minimum. If the minimum amount is less than the total amount of the payments you are to receive, barring death, during the first 5 years after payments begin (figured by ignoring any payment increases), you are entitled to less than 5 years of guaranteed payments.

Who can't use the Simplified Method. You can't use the Simplified Method and must use the General Rule if you receive pension or annuity payments from:

- A nonqualified plan, such as a private annuity, a purchased commercial annuity, or a nonqualified employee plan; or
- A qualified plan if you are age 75 or older on your annuity starting date and you are entitled to at least 5 years of guaranteed payments (defined above).

In addition, you had to use the General Rule for either circumstance described above if your annuity starting date is after July 1, 1986, and before November 19, 1996. You also had to use it for any fixed-period annuity. If you didn't have to use the General Rule, you could have chosen to use it. You also had to use the General Rule for payments from a qualified plan if your annuity starting date is before July 2, 1986, and you didn't qualify to use the Three-Year Rule.

If you had to use the General Rule (or chose to use it), you must continue to use it each year that you recover your cost.

Unless your annuity starting date was before 1987, once you have recovered all of your non-taxable investment, all of each remaining payment you receive is fully taxable. Once your remaining payments are fully taxable, there is no longer a concern with the General Rule or Simplified Method.

Complete information on the General Rule, including the actuarial tables you need, is contained in Pub. 939, General Rule for Pensions and Annuities.

How to use the Simplified Method. Complete the Simplified Method Worksheet in the Instructions for Forms 1040 and 1040-SR, or Instructions for Form 1040-NR, or in Pub. 575 to figure your taxable annuity for 2019. Be sure to keep the completed worksheet; it will help you figure your taxable annuity next year.

To complete line 3 of the worksheet, you must determine the total number of expected monthly payments for

your annuity. How you do this depends on whether the annuity is for a single life, multiple lives, or a fixed period. For this purpose, treat an annuity that is payable over the life of an annuitant as payable for that annuitant's life even if the annuity has a fixed-period feature or also provides a temporary annuity payable to the annuitant's child under age 25.

TIP *You don't need to complete line 3 of the worksheet or make the computation on line 4 if you received annuity payments last year and used last year's worksheet to figure your taxable annuity. Instead, enter the amount from line 4 of last year's worksheet on line 4 of this year's worksheet.*

Single-life annuity. If your annuity is payable for your life alone, use Table 1 at the bottom of the worksheet to determine the total number of expected monthly payments. Enter on line 3 the number shown for your age on your annuity starting date. This number will differ depending on whether your annuity starting date is before November 19, 1996, or after November 18, 1996.

Multiple-lives annuity. If your annuity is payable for the lives of more than one annuitant, use Table 2 at the bottom of the worksheet to determine the total number of expected monthly payments. Enter on line 3 the number shown for the annuitants' combined ages on the annuity starting date. For an annuity payable to you as the primary annuitant and to more than one survivor annuitant, combine your age and the age of the youngest survivor annuitant. For an annuity that has no primary annuitant and is payable to you and others as survivor annuitants, combine the ages of the oldest and youngest annuitants. Don't treat as a survivor annuitant anyone whose entitlement to payments depends on an event other than the primary annuitant's death.

However, if your annuity starting date is before 1998, don't use Table 2 and don't combine the annuitants' ages. Instead, you must use Table 1 at the bottom of the worksheet and enter on line 3 the number shown for the primary annuitant's age on the annuity starting date. This number will differ depending on whether your annuity starting date is before November 19, 1996, or after November 18, 1996.

Fixed-period annuities. If your annuity doesn't depend in whole or in part on anyone's life expectancy, the total number of expected monthly payments to enter on line 3 of the worksheet is the number of monthly annuity payments under the contract.

Line 6. The amount on line 6 should include all amounts that could have been recovered in prior years. If you didn't recover an amount in a prior year, you may be able to amend your returns for the affected years.

TIP *Be sure to keep a copy of the completed worksheet; it will help you figure your taxable annuity in later years.*

Example. Bill Smith, age 65, began receiving retirement benefits in 2019, under a joint and survivor annuity. Bill's annuity starting date is January 1, 2019. The benefits are to be paid over the joint lives of Bill and his wife, Kathy, age 65. Bill had contributed $31,000 to a qualified plan and had received no distributions before the annuity starting date. Bill is to receive a retirement benefit of $1,200 a month, and Kathy is to receive a monthly survivor benefit of $600 upon Bill's death.

Bill must use the Simplified Method to figure his taxable annuity because his payments are from a qualified plan and he is under age 75. See the illustrated Worksheet 2-A, Simplified Method Worksheet, later. You can find a blank version of this worksheet in Pub. 575. (The references in the illustrated worksheet are to sections in Pub. 575.)

His annuity is payable over the lives of more than one annuitant, so Bill uses his and Kathy's combined ages, 130 (65 + 65), and Table 2 at the bottom of the worksheet in completing line 3 of the worksheet. He finds the line 3 amount to be 310.

Bill's tax-free monthly amount is $100 ($31,000 ÷ 310) as shown on line 4 of the worksheet. Upon Bill's death, if Bill hasn't recovered the full $31,000 investment, Kathy will also exclude $100 from her $600 monthly payment. The full amount of any annuity payments received after 310 payments generally must be included in gross income.

If Bill and Kathy die before 310 payments are made, another itemized deduction will be allowed for the unrecovered cost on the final income tax return of the last to die.

Survivors of retirees. Benefits paid to you as a survivor under a joint and survivor annuity must be included in your gross income in the same way the retiree would have included them in gross income.

If you receive a survivor annuity because of the death of a retiree who had reported the annuity under the Three-Year Rule, include the total received in your income. The retiree's cost has already been recovered tax free.

If the retiree was reporting the annuity payments under the General Rule, you must apply the same exclusion percentage the retiree used to your initial payment called for in the contract. The resulting tax-free amount will then remain fixed. Any increases in the survivor annuity are fully taxable.

If the retiree was reporting the annuity payments under the Simplified Method, the part of each payment that is tax free is the same as the tax-free amount figured by the retiree at the annuity starting date. See *Simplified Method*, earlier.

How to report. If you file Form 1040 or 1040-SR, report your total annuity on line 4c, and the taxable part on line 4d. If your pension or annuity is fully taxable, enter it on line 4d. Don't make an entry on line 4c.

If you file Form 1040-NR, report your total annuity on line 17a, and the taxable part on line 17b. If your pension or annuity is fully taxable, enter it on line 17b. Don't make an entry on line 17a.

Example. You are a Form 1040 or 1040-SR filer and you received monthly payments totaling $1,200 (12

1.	Enter the total pension or annuity payments received this year. Also, add this amount to the total for Form 1040 or 1040-SR, line 4c or Form 1040-NR, line 17a	1.	$ 14,400
2.	Enter your cost in the plan (contract) at the annuity starting date plus any death benefit exclusion.* See *Cost (Investment in the Contract)*, earlier	2.	31,000
	Note. If your annuity starting date was before this year and you completed this worksheet last year, skip line 3 and enter the amount from line 4 of last year's worksheet on line 4 below (even if the amount of your pension or annuity has changed). Otherwise, go to line 3.		
3.	Enter the appropriate number from Table 1 below. But if your annuity starting date was after 1997 and the payments are for your life and that of your beneficiary, enter the appropriate number from Table 2 below	3.	310
4.	Divide line 2 by the number on line 3	4.	100
5.	Multiply line 4 by the number of months for which this year's payments were made. If your annuity starting date was before 1987, enter this amount on line 8 below and skip lines 6, 7, 10, and 11. Otherwise, go to line 6	5.	1,200
6.	Enter any amount previously recovered tax free in years after 1986. This is the amount shown on line 10 of your worksheet for last year	6.	0
7.	Subtract line 6 from line 2	7.	31,000
8.	Enter the smaller of line 5 or line 7	8.	1,200
9.	**Taxable amount for year.** Subtract line 8 from line 1. Enter the result, but not less than zero. Also, add this amount to the total for Form 1040 or 1040-SR, line 4d or Form 1040-NR, line 17b. **Note.** If your Form 1099-R shows a larger taxable amount, use the amount figured on this line instead. If you are a retired public safety officer, see *Insurance Premiums for Retired Public Safety Officers*, earlier, before entering an amount on your tax return	9.	$ 13,200
10.	Was your annuity starting date before 1987? ☐ Yes. **STOP.** Don't complete the rest of this worksheet. ☑ No. Add lines 6 and 8. This is the amount you have recovered tax free through 2019. You will need this number if you need to fill out this worksheet next year	10.	1,200
11.	**Balance of cost to be recovered.** Subtract line 10 from line 2. If zero, you won't have to complete this worksheet next year. The payments you receive next year generally will be fully taxable	11.	$ 29,800

* A death benefit exclusion (up to $5,000) applied to certain benefits received by employees who died before August 21, 1996.

Table 1 for Line 3 Above

	AND your annuity starting date was—	
IF your age on your annuity starting date was . . .	BEFORE November 19, 1996, enter on line 3 . . .	AFTER November 18, 1996, enter on line 3 . . .
55 or under	300	360
56 – 60	260	310
61 – 65	240	260
66 – 70	170	210
71 or over	120	160

Table 2 for Line 3 Above

IF the annuitants' combined ages on your annuity starting date were . . .	THEN enter on line 3 . . .
110 or under	410
111 – 120	360
121 – 130	310
131 – 140	260
141 or over	210

months x $100) during 2019 from a pension plan that was completely financed by your employer. You had paid no tax on the payments that your employer made to the plan, and the payments weren't used to pay for accident, health, or long-term care insurance premiums (as discussed later under *Insurance Premiums for Retired Public Safety Officers*). The entire $1,200 is taxable. You include $1,200 only on Form 1040 or 1040-SR, line 4d.

Joint return. If you file a joint return and you and your spouse each receive one or more pensions or annuities, report the total of the pensions and annuities on line 4c of Form 1040 or 1040-SR or line 17a of Form 1040-NR. Report the total of the taxable parts on line 4d of Form 1040 or 1040-SR or line 17b of Form 1040-NR.

Form 1099-R. You should receive a Form 1099-R for your pension or annuity. Form 1099-R shows your pension or annuity for the year and any income tax withheld. You should receive a Form W-2 if you receive distributions from certain nonqualified plans.

You must attach Forms 1099-R or Forms W-2 to your 2019 tax return if federal income tax was withheld. Generally, you should be sent these forms by January 31, 2020.

Nonperiodic Distributions

If you receive a nonperiodic distribution from your retirement plan, you may be able to exclude all or part of it from your income as a recovery of your cost. Nonperiodic distributions include cash withdrawals, distributions of current earnings (dividends) on your investment, and certain loans. For information on how to figure the taxable amount of a nonperiodic distribution, see *Taxation of Nonperiodic Payments* in Pub. 575.

The taxable part of a nonperiodic distribution may be subject to an additional 10% tax. See Tax on Early Distributions, later.

Lump-sum distributions. If you receive a lump-sum distribution from a qualified employee plan or qualified employee annuity and the plan participant was born before January 2, 1936, you may be able to elect optional methods of figuring the tax on the distribution. The part from active participation in the plan before 1974 may qualify as capital gain subject to a 20% tax rate. The part from participation after 1973 (and any part from participation before 1974 that you don't report as capital gain) is ordinary income. You may be able to use the 10-year tax option (explained in Pub. 575) to figure tax on the ordinary income part.

Form 1099-R. If you receive a total distribution from a plan, you should receive a Form 1099-R. If the distribution qualifies as a lump-sum distribution, box 3 shows the capital gain part of the distribution. The amount in box 2a, Taxable amount, minus the amount in box 3, Capital gain, is the ordinary income part.

More information. For more detailed information on lump-sum distributions, see Pub. 575 or Form 4972, Tax on Lump-Sum Distributions.

Tax on Early Distributions

Most distributions you receive from your qualified retirement plan and nonqualified annuity contracts before you reach age $59^{1}/_{2}$ are subject to an additional tax of 10%. The tax applies to the taxable part of the distribution.

For this purpose, a qualified retirement plan is:

- A qualified employee plan (including a qualified cash or deferred arrangement (CODA) under Internal Revenue Code section 401(k)),
- A qualified employee annuity plan,
- A tax-sheltered annuity plan (403(b) plan),
- An eligible state or local government section 457 deferred compensation plan (to the extent that any distribution is attributable to amounts the plan received in a direct transfer or rollover from one of the other plans listed here or an IRA), or
- An IRA.

You may have to pay a 25%, rather than a 10%, additional tax if you receive distributions from a SIMPLE IRA before you are age $59^{1}/_{2}$. See Pub. 560.

General exceptions to tax. The early distribution tax doesn't apply to any distributions that are:

- Made as part of a series of substantially equal periodic payments (made at least annually) for your life (or life expectancy) or the joint lives (or joint life expectancies) of you and your designated beneficiary (if from a qualified retirement plan, the payments must begin after separation from service),
- Made because you are totally and permanently disabled, or
- Made on or after the death of the plan participant or contract holder.

Additional exceptions. There are additional exceptions to the early distribution tax for certain distributions from qualified retirement plans and nonqualified annuity contracts. See Pub. 575 and Pub. 590-B for details.

Reporting tax. If you owe the tax on early distributions, you generally must attach Form 5329 to your 2019 income tax return. If you don’t have to file a 2019 income tax return, you may file Form 5329 by itself. See the Instructions for Form 5329. In addition, you don’t have to attach Form 5329 to your income tax return if distribution code 1 (early distribution, no known exception) is correctly shown in box 7 of all your Forms 1099-R, and you owe the additional tax on each Form 1099-R. Instead, multiply the taxable part of the early distribution by 10% (0.10) and enter the result on Schedule 2 (Form 1040 or 1040-SR), line 6, or Form 1040-NR, line 57. See the Instructions for

Schedule 2 (Forms 1040 and 1040-SR), line 6, or line 57 of Form 1040-NR for more information about reporting the early distribution tax.

Tax on Excess Accumulation

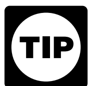
To make sure that most of your retirement benefits are paid to you during your lifetime, rather than to your beneficiaries after your death, the payments that you receive from qualified retirement plans must begin no later than your required beginning date. Unless the rule for 5% owners applies, this is generally April 1 of the year that follows the later of:

- The calendar year in which you reach age 70$^1/_2$, or
- The calendar year in which you retire from employment with the employer maintaining the plan.

However, your plan may require you to begin to receive payments by April 1 of the year that follows the year in which you reach 70$^1/_2$, even if you haven't retired.

For this purpose, a qualified retirement plan includes:

- A qualified employee plan,
- A qualified employee annuity plan,
- An eligible section 457 deferred compensation plan,
- A tax-sheltered annuity plan (403(b) plan) (for benefits accruing after 1986), or
- An IRA.



An excess accumulation is the undistributed remainder of the required minimum distribution that was left in your qualified retirement plan.

5% owners. If you own (or are considered to own under section 318 of the Internal Revenue Code) more than 5% of the company maintaining your qualified retirement plan, you must begin to receive distributions from the plan by April 1 of the year after the calendar year in which you reach age 70$^1/_2$. See Pub. 575 for more information.

Amount of tax. If you don't receive the required minimum distribution, you are subject to an additional tax. The tax equals 50% of the difference between the amount that must be distributed and the amount that was distributed during the tax year. You can get this excise tax excused if you establish that the shortfall in distributions was due to reasonable error and that you are taking reasonable steps to remedy the shortfall.

Form 5329. You must file a Form 5329 if you owe a tax because you didn't receive a minimum required distribution from your qualified retirement plan.

Additional information. For more detailed information on the tax on excess accumulation, see Pub. 575.

Insurance Premiums for Retired Public Safety Officers

If you are an eligible retired public safety officer (law enforcement officer, firefighter, chaplain, or member of a rescue squad or ambulance crew), you can elect to exclude from income distributions made from your eligible retirement plan that are used to pay the premiums for accident or health insurance or long-term care insurance. The premiums can be for coverage for you, your spouse, or dependent(s). The distribution must be made directly from the plan to the insurance provider. You can exclude from income the smaller of the amount of the insurance premiums or $3,000. You can only make this election for amounts that would otherwise be included in your income. The amount excluded from your income can't be used to claim a medical expense deduction.

An eligible retirement plan is a governmental plan that is a:

- Qualified trust,
- Section 403(a) plan,
- Section 403(b) annuity, or
- Section 457(b) plan.

If you make this election, reduce the otherwise taxable amount of your pension or annuity by the amount excluded. The taxable amount shown in box 2a of any Form 1099-R that you receive doesn't reflect the exclusion. Report your total distributions on Form 1040 or 1040-SR, line 4c or Form 1040-NR, line 17a. Report the taxable amount on Form 1040 or 1040-SR, line 4d or Form 1040-NR, line 17b. Enter “PSO” next to the appropriate line on which you report the taxable amount.

Railroad Retirement Benefits

Benefits paid under the Railroad Retirement Act fall into two categories. These categories are treated differently for income tax purposes.

Social security equivalent benefits. The first category is the amount of tier 1 railroad retirement benefits that equals the social security benefit that a railroad employee or beneficiary would have been entitled to receive under the social security system. This part of the tier 1 benefit is the social security equivalent benefit (SSEB) and is treated for tax purposes like social security benefits. (See *Social Security and Equivalent Railroad Retirement Benefits*, later.)

Non-social security equivalent benefits. The second category contains the rest of the tier 1 benefits, called the non-social security equivalent benefit (NSSEB). It also contains any tier 2 benefit, vested dual benefit (VDB), and supplemental annuity benefit. This category of benefits is treated as an amount received from a qualified employee plan. This allows for the tax-free (nontaxable) recovery of employee contributions from the tier 2 benefits and the NSSEB part of the tier 1 benefits. VDBs and supplemental

annuity benefits are non-contributory pensions and are fully taxable.

More information. For more information about railroad retirement benefits, see Pub. 575.

Military Retirement Pay

Military retirement pay based on age or length of service is taxable and must be included in income as a pension on Form 1040 or 1040-SR, lines 4c and 4d or on Form 1040-NR, lines 17a and 17b. But, certain military and government disability pensions that are based on a percentage of disability from active service in the Armed Forces of any country generally aren't taxable. For more information, including information about veterans' benefits and insurance, see Pub. 525.

Social Security and Equivalent Railroad Retirement Benefits

This discussion explains the federal income tax rules for social security benefits and equivalent tier 1 railroad retirement benefits.

Social security benefits include monthly retirement, survivor, and disability benefits. They don't include supplemental security income (SSI) payments, which aren't taxable.

Equivalent tier 1 railroad retirement benefits are the part of tier 1 benefits that a railroad employee or beneficiary would have been entitled to receive under the social security system. They commonly are called the social security equivalent benefit (SSEB) portion of tier 1 benefits.

If you received these benefits during 2019, you should have received a Form SSA-1099 or Form RRB-1099 (Form SSA-1042S or Form RRB-1042S if you are a nonresident alien), showing the amount of the benefits.

Social Security Information

Obtaining social security information. Social security beneficiaries may quickly and easily obtain various information from the SSA's website with a *my Social Security* account to:

- Keep track of your earnings and verify them every year,
- Get an estimate of your future benefits if you are still working,
- Get a letter with proof of your benefits if you currently receive them,
- Change your address,
- Start or change your direct deposit,
- Get a replacement Medicare card, and
- Get a replacement SSA-1099 or SSA-1042S for the tax season.

For more information and to set up an account, go to SSA.gov/myaccount.

Are Any of Your Benefits Taxable?

Note. When the term “benefits” is used in this section, it applies to both social security benefits and the SSEB portion of tier 1 railroad retirement benefits.

To find out whether any of your benefits may be taxable, compare the base amount for your filing status (explained later) with the total of:

- One-half of your benefits; plus
- All your other income, including tax-exempt interest.

When making this comparison, don't reduce your other income by any exclusions for:

- Interest from qualified U.S. savings bonds,
- Employer-provided adoption benefits,
- Foreign earned income or foreign housing, or
- Income earned in American Samoa or Puerto Rico by bona fide residents.

Figuring total income. To figure the total of one-half of your benefits plus your other income, use Worksheet 2-B. If that total amount is more than your base amount, part of your benefits may be taxable.

If you are married and file a joint return for 2019, you and your spouse must combine your incomes and your benefits to figure whether any of your combined benefits are taxable. Even if your spouse didn't receive any benefits, you must add your spouse's income to yours to figure whether any of your benefits are taxable.

TIP *If the only income you received during 2019 was your social security or the SSEB portion of tier 1 railroad retirement benefits, your benefits generally aren't taxable and you probably don't have to file a return. If you have income in addition to your benefits, you may have to file a return even if none of your benefits are taxable.*

Base Amount

Your base amount is:

- $25,000 if you are single, head of household, or qualifying widow(er);
- $25,000 if you are married filing separately and lived apart from your spouse for all of 2019;
- $32,000 if you are married filing jointly; or
- $0 if you are married filing separately and lived with your spouse at any time during 2019.

Worksheet 2-B. **A Quick Way To Check if Your Benefits May Be Taxable**

Keep for Your Records

A.	Enter the amount from ***box 5*** of all your Forms SSA-1099 and RRB-1099. Include the full amount of any lump-sum benefit payments received in 2019, for 2019 and earlier years. (If you received more than one form, combine the amounts from box 5 and enter the total.)	**A.**	
	Note. If the amount on line A is zero or less, stop here; none of your benefits are taxable this year.		
B.	Enter one-half of the amount on line A	**B.**	
C.	Enter your taxable pensions, wages, interest, dividends, and other taxable income	**C.**	
D.	Enter any tax-exempt interest income (such as interest on municipal bonds) plus any exclusions from income for: • Interest from qualified U.S. savings bonds, • Employer-provided adoption benefits, • Foreign earned income or foreign housing, or • Income earned in American Samoa or Puerto Rico by bona fide residents	**D.**	
E.	Add lines B, C, and D and enter the total	**E.**	
F.	If you are: • Married filing jointly, enter $32,000; • Single, head of household, qualifying widow(er), or married filing separately and you lived apart from your spouse for all of 2019, enter $25,000; or • Married filing separately and you lived with your spouse at any time during 2019, enter -0-	**F.**	
G.	Is the amount on line F less than or equal to the amount on line E? ☐ **No.** None of your benefits are taxable this year. ☐ **Yes.** Some of your benefits may be taxable. To figure how much of your benefits are taxable, see *Which worksheet to use* under *How Much Is Taxable*.		

Repayment of Benefits

Any repayment of benefits you made during 2019 must be subtracted from the gross benefits you received in 2019. It doesn't matter whether the repayment was for a benefit you received in 2019 or in an earlier year. If you repaid more than the gross benefits you received in 2019, see *Repayments More Than Gross Benefits*, later.

Your gross benefits are shown in box 3 of Form SSA-1099 or Form RRB-1099. Your repayments are shown in box 4. The amount in box 5 shows your net benefits for 2019 (box 3 minus box 4). Use the amount in box 5 to figure whether any of your benefits are taxable.

Tax Withholding and Estimated Tax

You can choose to have federal income tax withheld from your social security and/or the SSEB portion of your tier 1 railroad retirement benefits. If you choose to do this, you must complete a Form W-4V, Voluntary Withholding Request.

If you don't choose to have income tax withheld, you may have to request additional withholding from other income, or pay estimated tax during the year. For details, see Pub. 505, Tax Withholding and Estimated Tax, or the Instructions for Form 1040-ES, Estimated Tax for Individuals.

How Much Is Taxable?

If part of your benefits is taxable, how much is taxable depends on the total amount of your benefits and other income. Generally, the higher that total amount, the greater the taxable part of your benefits.

Maximum taxable part. The taxable part of your benefits usually can't be more than 50%. However, up to 85% of your benefits can be taxable if either of the following situations applies to you.

- The total of one-half of your benefits and all your other income is more than $34,000 ($44,000 if you are married filing jointly).
- You are married filing separately and lived with your spouse at any time during 2019.

If you are a nonresident alien, 85% of your benefits are taxable. However, this income is exempt under some tax treaties.

Which worksheet to use. A worksheet to figure your taxable benefits is in the Instructions for Forms 1040 and 1040-SR. However, you will need to use a different worksheet(s) if any of the following situations applies to you.

1. You contributed to a traditional individual retirement arrangement (IRA) and you or your spouse were covered by a retirement plan at work. In this situation, you must use the special worksheets in Pub. 590-A to

figure both your IRA deduction and your taxable benefits.

2. Situation (1) doesn't apply and you take one or more of the following exclusions.
   - Interest from qualified U.S. savings bonds (Form 8815).
   - Employer-provided adoption benefits (Form 8839).
   - Foreign earned income or housing (Form 2555).
   - Income earned in American Samoa (Form 4563) or Puerto Rico by bona fide residents.

   In these situations, you must use Worksheet 1 in Pub. 915, Social Security and Equivalent Railroad Retirement Benefits, to figure your taxable benefits.

3. You received a lump-sum payment for an earlier year. In this situation, also complete Worksheet 2 or 3 and Worksheet 4 in Pub. 915. See *Lump-Sum Election*, later.

How To Report Your Benefits

If part of your benefits are taxable, you must use Form 1040, 1040-SR, or 1040-NR.

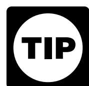
Reporting on Form 1040 or 1040-SR. Report your net benefits (the amount in box 5 of your Form SSA-1099 or Form RRB-1099) on line 5a and the taxable part on line 5b. If you are married filing separately and you lived apart from your spouse for all of 2019, also enter "D" to the right of the word "benefits" on line 5a.

Reporting on Form 1040-NR. Report 85% of the total amount of your benefits (box 5 of your Form SSA-1042S or Form RRB-1042S) in the appropriate column of Form 1040-NR, Schedule NEC, line 8.

Benefits not taxable. Report your net benefits (the amount in box 5 of your Form SSA-1099 or Form RRB-1099) on Form 1040 or 1040-SR, line 5a. Enter -0- on Form 1040 or 1040-SR, line 5b. If you are married filing separately and you lived apart from your spouse for all of 2019, also enter "D" to the right of the word "benefits" on Form 1040 or 1040-SR, line 5a.

Lump-Sum Election

You must include the taxable part of a lump-sum (retroactive) payment of benefits received in 2019 in your 2019 income, even if the payment includes benefits for an earlier year.



This type of lump-sum benefit payment shouldn't be confused with the lump-sum death benefit that both the SSA and RRB pay to many of their beneficiaries. No part of the lump-sum death benefit is subject to tax. For more information about the lump-sum death benefit, visit the Social Security Administration website at SSA.gov, and use keyword: death benefit.

Generally, you use your 2019 income to figure the taxable part of the total benefits received in 2019. However, you may be able to figure the taxable part of a lump-sum payment for an earlier year separately, using your income for the earlier year. You can elect this method if it lowers your taxable benefits. See Pub. 915 for more information.

Repayments More Than Gross Benefits

In some situations, your Form SSA-1099 or Form RRB-1099 will show that the total benefits you repaid (box 4) are more than the gross benefits (box 3) you received. If this occurred, your net benefits in box 5 will be a negative figure (a figure in parentheses) and none of your benefits will be taxable. If you receive more than one form, a negative figure in box 5 of one form is used to offset a positive figure in box 5 of another form for that same year.

If you have any questions about this negative figure, contact your local Social Security Administration office or your local U.S. Railroad Retirement Board field office.

Joint return. If you and your spouse file a joint return, and your Form SSA-1099 or RRB-1099 has a negative figure in box 5 but your spouse's doesn't, subtract the box 5 amount on your form from the box 5 amount on your spouse's form. You do this to get your net benefits when figuring if your combined benefits are taxable.

Repayment of benefits received in an earlier year. If the total amount shown in box 5 of all of your Forms SSA-1099 and RRB-1099 is a negative figure, you may be able to take an itemized deduction for the part of this negative figure that represents benefits you included in gross income in an earlier year.

The deduction must be more than $3,000 and you have to follow some special instructions. See Pub. 915 for those instructions.

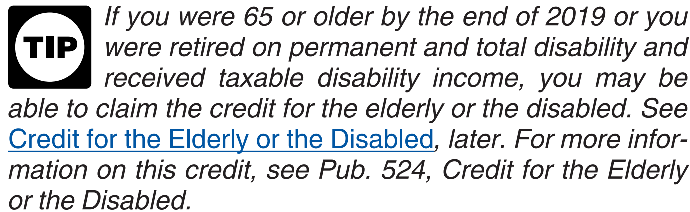
Sickness and Injury Benefits

Generally, you must report as income any amount you receive for personal injury or sickness through an accident or health plan that is paid for by your employer. If both you and your employer pay for the plan, only the amount you receive that is due to your employer's payments is reported as income. However, certain payments may not be taxable to you. Some of these payments are discussed later in this section. Also, see *Military and Government Disability Pensions* and *Other Sickness and Injury Benefits* in Pub. 525.

Cost paid by you. If you pay the entire cost of an accident or health plan, don't include any amounts you receive from the plan for personal injury or sickness as income on your tax return. If your plan reimbursed you for medical expenses you deducted in an earlier year, you may have to include some, or all, of the reimbursement in your income.

Disability Pensions

If you retired on disability, you must include in income any disability pension you receive under a plan that is paid for by your employer. You must report your taxable disability payments as wages on Form 1040 or 1040-SR, line 1 or on Form 1040-NR, line 8, until you reach minimum retirement age. Minimum retirement age generally is the age at which you can first receive a pension or annuity if you aren't disabled.



If you were 65 or older by the end of 2019 or you were retired on permanent and total disability and received taxable disability income, you may be able to claim the credit for the elderly or the disabled. See Credit for the Elderly or the Disabled*, later. For more information on this credit, see Pub. 524, Credit for the Elderly or the Disabled.*

Beginning on the day after you reach minimum retirement age, payments you receive are taxable as a pension or annuity. Report the payments on Form 1040 or 1040-SR, lines 4c and 4d, or on Form 1040-NR, lines 17a and 17b. For more information on pensions and annuities, see Pub. 575.

Note. Don't include in your income disability payments you receive for injuries incurred as a direct result of terrorist attacks directed against the United States (or its allies), whether outside or within the United States. For more information, see *Terrorist attacks* in Pub. 525, Taxable and Nontaxable Income.

Retirement and profit-sharing plans. If you receive payments from a retirement or profit-sharing plan that doesn't provide for disability retirement, don't treat the payments as a disability pension. The payments must be reported as a pension or annuity.

Accrued leave payment. If you retire on disability, any lump-sum payment you receive for accrued annual leave is a salary payment. The payment isn't a disability payment. Include it in your income in the tax year you receive it.

Long-Term Care Insurance Contracts

In most cases, long-term care insurance contracts are treated as accident and health insurance contracts. Amounts you receive from them (other than policyholder dividends or premium refunds) generally are excludable from income as amounts received for personal injury or sickness. However, the amount you can exclude may be limited. Long-term care insurance contracts are discussed in more detail in Pub. 525.

Workers' Compensation

Amounts you receive as workers' compensation for an occupational sickness or injury are fully exempt from tax if they are paid under a workers' compensation act or a statute in the nature of a workers' compensation act. The exemption also applies to your survivors. The exemption, however, doesn't apply to retirement plan benefits you receive based on your age, length of service, or prior contributions to the plan, even if you retired because of an occupational sickness or injury.

If part of your workers' compensation reduces your social security or equivalent railroad retirement benefits, that part is considered social security (or equivalent railroad retirement) benefits and may be taxable. For a discussion of the taxability of these benefits, see Social Security and Equivalent Railroad Retirement Benefits*, earlier.*

Return to work. If you return to work after qualifying for workers' compensation, salary payments you receive for performing light duties are taxable as wages.

Other Sickness and Injury Benefits

In addition to disability pensions and annuities, you may receive other payments for sickness or injury.

Federal Employees' Compensation Act (FECA). Payments received under this Act for personal injury or sickness, including payments to beneficiaries in case of death, aren't taxable. However, you are taxed on amounts you receive under this Act as continuation of pay for up to 45 days while a claim is being decided. Report this income on Form 1040 or 1040-SR, line 1 or Form 1040-NR, line 8. Also, pay for sick leave while a claim is being processed is taxable and must be included in your income as wages.

If part of the payments you receive under FECA reduces your social security or equivalent railroad retirement benefits, that part is considered social security (or equivalent railroad retirement) benefits and may be taxable. For a discussion of the taxability of these benefits, see Social Security and Equivalent Railroad Retirement Benefits*, earlier.*

Other compensation. Many other amounts you receive as compensation for sickness or injury aren't taxable. These include the following amounts.

- Benefits you receive under an accident or health insurance policy on which either you paid the premiums or your employer paid the premiums but you had to include the amount of employer-paid premiums in your income.
- Disability benefits you receive for loss of income or earning capacity as a result of injuries under a no-fault car insurance policy.
- Compensation you receive for permanent loss or loss of use of a part or function of your body, for your permanent disfigurement, or for such loss or disfigurement suffered by your spouse or dependent(s). This compensation must be based only on the injury and not on the period of your absence from work. These benefits aren't taxable even if your employer pays for

the accident and health plan that provides these benefits.

Life Insurance Proceeds

Life insurance proceeds paid to you because of the death of the insured person aren't taxable unless the policy was turned over to you for a price. This is true even if the proceeds were paid under an accident or health insurance policy or an endowment contract.

Proceeds not received in installments. If death benefits are paid to you in a lump sum or other than at regular intervals, include in your income only the benefits that are more than the amount payable to you at the time of the insured person's death. If the benefit payable at death isn't specified, include in your income the benefit payments that are more than the present value of the payments at the time of death.

Proceeds received in installments. If you receive life insurance proceeds in installments, you can exclude part of each installment from your income.

To determine the excluded part, divide the amount held by the insurance company (generally the total lump-sum payable at the death of the insured person) by the number of installments to be paid. Include anything over this excluded part in your income as interest.

Installments for life. If, as the beneficiary under an insurance contract, you are entitled to receive the proceeds in installments for the rest of your life without a refund or period-certain guarantee, figure the excluded part of each installment by dividing the amount held by the insurance company by your life expectancy. If there is a refund or period-certain guarantee, the amount held by the insurance company for this purpose is reduced by the actuarial value of the guarantee.

Surviving spouse. If your spouse died before October 23, 1986, and insurance proceeds paid to you because of the death of your spouse are received in installments, you can exclude, in any year, up to $1,000 of the interest included in the installments. If you remarry, you can continue to take the exclusion.

Surrender of policy for cash. If you surrender a life insurance policy for cash, you must include in income any proceeds that are more than the cost of the life insurance policy. In general, your cost (or investment in the contract) is the total of premiums that you paid for the life insurance policy, less any refunded premiums, rebates, dividends, or unrepaid loans that weren't included in your income. You should receive a Form 1099-R showing the total proceeds and the taxable part. Report these amounts on Form 1040 or 1040-SR, lines 4c and 4d or Form 1040-NR, lines 17a and 17b.

Endowment Contract Proceeds

An endowment contract is a policy that pays you a specified amount of money on a certain date unless you die before that date, in which case the money is paid to your designated beneficiary. Endowment proceeds paid in a lump-sum to you at maturity are taxable only if the proceeds are more than the cost of the policy. To determine your cost, subtract from the total premiums (or other consideration) paid for the contract any amount that you previously received under the contract and excluded from your income. Include in your income the part of the lump-sum payment that is more than your cost.

Endowment proceeds that you choose to receive in installments instead of a lump-sum payment at the maturity of the policy are taxed as an annuity. The tax treatment of an annuity is explained in Pub. 575. For this treatment to apply, you must choose to receive the proceeds in installments before receiving any part of the lump-sum. This election must be made within 60 days after the lump-sum payment first becomes payable to you.

Accelerated Death Benefits

Certain amounts paid as accelerated death benefits under a life insurance contract or viatical settlement before the insured's death generally are excluded from income if the insured is terminally or chronically ill. However, see *Exception*, later. For a chronically ill individual, accelerated death benefits paid on the basis of costs incurred for qualified long-term care services are fully excludable. Accelerated death benefits paid on a per diem or other periodic basis without regard to the costs are excludable up to a limit.

In addition, if any portion of a death benefit under a life insurance contract on the life of a terminally or chronically ill individual is sold or assigned to a viatical settlement provider, the amount received also is excluded from income. Generally, a viatical settlement provider is one who regularly engages in the business of buying or taking assignment of life insurance contracts on the lives of insured individuals who are terminally or chronically ill.

To report taxable accelerated death benefits made on a per diem or other periodic basis, you must file Form 8853, Archer MSAs and Long-Term Care Insurance Contracts, with your return.

Terminally or chronically ill defined. A terminally ill person is one who has been certified by a physician as having an illness or physical condition that reasonably can be expected to result in death within 24 months from the date of the certification. A chronically ill person is one who isn't terminally ill but has been certified (within the previous 12 months) by a licensed health care practitioner as meeting either of the following conditions.

- The person is unable to perform (without substantial help) at least two activities of daily living (eating, toileting, transferring, bathing, dressing, and continence) for a period of 90 days or more because of a loss of functional capacity.

- The person requires substantial supervision to protect himself or herself from threats to health and safety due to severe cognitive impairment.

Exception. The exclusion doesn't apply to any amount paid to a person other than the insured if that other person has an insurable interest in the life of the insured because the insured:

- Is a director, officer, or employee of the other person; or
- Has a financial interest in the business of the other person.

Sale of Home

You may be able to exclude from income any gain up to $250,000 ($500,000 on a joint return in most cases) on the sale of your main home. Generally, if you can exclude all of the gain, you don't need to report the sale on your tax return. You can choose not to take the exclusion by including the gain from the sale in your gross income on your tax return for the year of the sale.

Main home. Usually, your main home is the home you live in most of the time and can be a:

- House,
- Houseboat,
- Mobile home,
- Cooperative apartment, or
- Condominium.

Repaying the first-time homebuyer credit. If you purchased your home in 2008 and claimed the first-time homebuyer credit, you must continue repaying the credit with your 2019 tax return. If you are required to repay the credit because you sold the home or it otherwise ceased to be your main home in 2019, you generally must repay the balance of the unpaid credit with your 2019 return. See the Instructions for Form 5405 for more information and exceptions.

Maximum Amount of Exclusion

You generally can exclude up to $250,000 of the gain (other than gain allocated to periods of nonqualified use) on the sale of your main home if all of the following are true.

- You meet the ownership test.
- You meet the use test.
- During the 2-year period ending on the date of the sale, you didn't exclude gain from the sale of another home.

Joint returns. You may be able to exclude up to $500,000 of the gain (other than gain allocated to periods of nonqualified use) on the sale of your main home if you are married and file a joint return and meet the requirements listed in the discussion of the special rules for joint returns, later, under Married Persons.

Reduced exclusion. Even if you don't meet the requirements described above, you can still claim an exclusion in some cases. Generally, you must have sold the home due to a change in place of employment, health, or unforeseen circumstances. The maximum amount you can exclude will be reduced. See Pub. 523, Selling Your Home, for more information.

Expatriation tax. You can't exclude gain from the sale of your home if you are subject to the expatriation tax. See Pub. 519 for more information about the expatriation tax.

Ownership and Use Tests

To claim the exclusion, you must meet the ownership and use tests. These tests generally require that during the 5-year period ending on the date of the sale, you must have:

- Owned the home for at least 2 years (the ownership test), and
- Lived in the home as your main home for at least 2 years (the use test). The 2 years of residence can fall anywhere within the 5-year period, and it doesn't need to be a single block of time.

Exception to use test for individuals with a disability. There is an exception to the use test if, during the 5-year period before the sale of your home:

- You become physically or mentally unable to care for yourself, and
- You owned and lived in your home as your main home for a total of at least 1 year.

If you qualify for this exception, you are considered to live in your home during any time that you own the home and live in a facility (including a nursing home) that is licensed by a state or political subdivision to care for persons in your condition.

If you meet this exception to the use test, you still have to meet the 2-out-of-5-year ownership test to claim the exclusion.

Exception to ownership test for property acquired in a like-kind exchange. If you acquired your main home in a like-kind exchange, you must own the home for 5 years before you qualify for the exclusion. This special 5-year ownership rule continues to apply to the home even if you give it to another person. A like-kind exchange is an exchange of property held for productive use in a trade or business or for investment in which no gain or loss is recognized. See Pub. 523 for more information.

Period of nonqualified use. Generally, the gain from the sale or exchange of your main home won't qualify for the exclusion to the extent that the gain is allocated to periods of nonqualified use. Nonqualified use is any period after December 31, 2008, during which the property isn't

used as the main home. See Pub. 523 for more information.

Married Persons

Generally, if the home you sold counts as your main home and you are a married person filing separately, the first $250,000 of gain isn't taxable if all of the following are true.

- You meet the ownership test.
- You meet the use test.
- During the 2-year period ending on the date of the sale, you didn't exclude gain from the sale of another home.

You may be able to exclude up to $500,000 of the gain (other than gain allocated to periods of nonqualified use) on the sale of your main home if you are married and file a joint return and meet the requirements for joint returns discussed under *Special rules for joint returns*, next.

Special rules for joint returns. You can exclude up to $500,000 of the gain on the sale of your main home if all of the following are true.

- You are married and file a joint return for the year.
- Either you or your spouse meets the ownership test.
- Both you and your spouse meet the use test.
- During the 2-year period ending on the date of the sale, neither you nor your spouse exclude gain from the sale of another home.

Sale of home by surviving spouse. If your spouse died and you didn't remarry before the date of sale, you are considered to have owned and lived in the property as your main home during any period of time when your spouse owned and lived in it as a main home.

If you meet all of the following requirements, you may qualify to exclude up to $500,000 of any gain from the sale or exchange of your main home in 2019.

- The sale or exchange took place no more than 2 years after the date of death of your spouse.
- You haven't remarried.
- You and your spouse met the use test at the time of your spouse's death.
- You or your spouse met the ownership test at the time of your spouse's death.
- Neither you nor your spouse excluded gain from the sale of another home during the last 2 years.

Home transferred from spouse. If your home was transferred to you by your spouse (or former spouse if the transfer was incident to divorce), you are considered to have owned it during any period of time when your spouse owned it.

Use of home after divorce. You are considered to have used property as your main home during any period when:

- You owned it, and
- Your spouse or former spouse is allowed to live in it under a divorce or separation instrument and uses it as his or her main home.

Business Use or Rental of Home

You may be able to exclude gain from the sale of a home that you have used for business or to produce rental income. However, you must meet the ownership and use tests. See Pub. 523 for more information.

Recapturing depreciation. If you used all or part of your home for business or rental after May 6, 1997, you may need to pay back (recapture) some or all of the depreciation you were entitled to take on your property when you sell it. See Pub. 523 for more information.

Reporting the Sale

Don't report the 2019 sale of your main home on your tax return unless:

- You received Form 1099-S,
- You have a gain and you don't qualify to exclude all of it,
- You have a gain and you choose not to exclude it, or
- You have a loss from the sale that is deductible.

A loss from the sale of your home, or the personal part of your home if it also was used for business or to produce rental income, isn't deductible.

If any of the above apply, report the sale on Part I or Part II of Form 8949 as a short-term or long-term transaction, depending on how long you owned the home. If you used your home for business or to produce rental income, you may have to use Form 4797, Sales of Business Property, to report the sale of the business or rental part. See Pub. 523 for more information.

Reverse Mortgages

A reverse mortgage is a loan where the lender pays you (in a lump-sum, a monthly advance, a line of credit, or a combination of all three) while you continue to live in your home. With a reverse mortgage, you retain title to your home. Depending on the plan, your reverse mortgage becomes due with interest when you move, sell your home, reach the end of a pre-selected loan period, or die. Because reverse mortgages are considered loan advances and not income, the amount you receive isn't taxable. Any interest (including original interest discount) accrued on a reverse mortgage isn't deductible home mortgage interest. See Pub. 936, Home Mortgage Interest Deduction, for more information.

Other Items

The following items generally are excluded from taxable income. You shouldn't report them on your return, unless otherwise indicated as taxable or includable in income.

Gifts and inheritances. In most cases, property you receive as a gift, bequest, or inheritance isn't included in your income. However, if property you receive this way later produces income such as interest, dividends, or rents, that income is taxable to you. If property is given to a trust and the income from it is paid, credited, or distributed to you, that income also is taxable to you. If the gift, bequest, or inheritance is the income from property, that income is taxable to you.

Veterans' benefits. Don't include in your income any veterans' benefits paid under any law, regulation, or administrative practice administered by the Department of Veterans Affairs (VA). See Pub. 525.

Public assistance benefits. Other items that generally are excluded from taxable income also include the following public assistance benefits.

Welfare benefits. Don't include in your income benefit payments from a public welfare fund based upon need, such as payments due to blindness. However, you must include in your income any welfare payments that are compensation for services or that are obtained fraudulently.

Payments from a state fund for victims of crime. Don't include in your income payments from a state fund for victims of crime if the payments are in the nature of welfare payments. Don't deduct medical expenses that are reimbursed by such a fund.

Home Affordable Modification Program (HAMP). If you benefit from Pay-for-Performance Success Payments or PRA investor incentive payments under HAMP, the payments generally aren’t taxable. For more information, see Pub. 4681, Cancelled Debts, Foreclosures, Repossessions, and Abandonments.

Mortgage assistance payments. Payments made under section 235 of the National Housing Act for mortgage assistance aren't included in the homeowner's income. Interest paid for the homeowner under the mortgage assistance program can't be deducted.

Also, mortgage payments provided under the Department of Housing and Urban Development's Emergency Homeowners' Loan Program (EHLP), state housing finance authorities receiving funds allocated from the Housing Finance Agency Innovation Fund for the Hardest-Hit Housing Markets (HFA Hardest Hit Fund), or other similar state programs receiving funding from EHLP are excluded from income. Interest paid for the homeowner under the EHLP or the HFA Hardest Hit Fund may be deductible. See Form 1098-MA, Mortgage Assistance Payments, and its instructions for details.

Payments to reduce cost of winter energy use. Payments made by a state to qualified people on the basis of need to reduce their cost of winter energy use aren't taxable.

Nutrition Program for the Elderly. Food benefits you receive under the Nutrition Program for the Elderly (now known as the Nutrition Services Incentive Program) aren't taxable. If you prepare and serve free meals for the program, include in your income as wages the cash pay you receive, even if you also are eligible for food benefits.

Reemployment Trade Adjustment Assistance (RTAA). Payments you receive from a state agency under the RTAA must be included in your income. The state must send you Form 1099-G to advise you of the amount you should include in income. The amount should be reported on Schedule 1 (Form 1040 or 1040-SR), line 8 or Form 1040-NR, line 21.

Persons with disabilities. If you have a disability, include in income compensation you receive for services you perform unless the compensation is otherwise excluded. However, don't include in income the value of goods, services, and cash that you receive, not in return for your services, but for your training and rehabilitation because you have a disability. Excludable amounts include payments for transportation and attendant care, such as interpreter services for the deaf, reader services for the blind, and services to help individuals with an intellectual disability do their work.

Medicare. Medicare benefits received under Title XVIII of the Social Security Act aren't includible in the gross income of the individuals for whom they are paid. This includes basic (part A (Hospital Insurance Benefits for the Aged)) and supplementary (part B (Supplementary Medical Insurance Benefits for the Aged)).

Social security benefits. The Social Security Administration (SSA) provides benefits such as old-age benefits, benefits to disabled workers, and benefits to spouses and dependents. These benefits may be subject to federal income tax depending on your filing status and other income. See *Social Security and Equivalent Railroad Retirement Benefits*, earlier, and Pub. 915 for more information.

3.

Adjustments to Income

You may be able to subtract amounts from your total income (Form 1040 or 1040-SR, line 7b) or total effectively connected income (Form 1040-NR, line 23) to get your adjusted gross income (Form 1040 or 1040-SR, line 8b or

Form 1040-NR, line 35). Some adjustments to income follow.

- Contributions to your individual retirement arrangement (IRA) (Schedule 1 (Form 1040 or 1040-SR), line 19 or Form 1040-NR, line 32), explained later.
- Some health insurance costs (Schedule 1 (Form 1040 or 1040-SR), line 16 or Form 1040-NR, line 29) if you were self-employed and had a net profit for the year, or if you received wages in 2019 from an S corporation in which you were a more-than-2% shareholder. For more details, see Pub. 535, Business Expenses.
- Payments to your self-employed SEP, SIMPLE, or qualified plan (Schedule 1 (Form 1040 or 1040-SR), line 15 or Form 1040-NR, line 28). For more information, including limits on how much you can deduct, see Pub. 560, Retirement Plans for Small Business.
- Penalties paid on early withdrawal of savings (Schedule 1 (Form 1040 or 1040-SR), line 17 or Form 1040-NR, line 30). Form 1099-INT, Interest Income, or Form 1099-OID, Original Issue Discount, will show the amount of any penalty you were charged.
- Alimony payments (Schedule 1 (Form 1040 or 1040-SR), line 18a). Certain conditions may apply for your alimony payment to be deductible from income. For more information, see Pub. 504, Divorced or Separated Individuals.

There are other items you can claim as adjustments to income. These adjustments are discussed in your tax return instructions.

Individual Retirement Arrangement (IRA) Contributions and Deductions

This section explains the tax treatment of amounts you pay into traditional IRAs. A traditional IRA is any IRA that isn't a Roth or SIMPLE IRA. Roth and SIMPLE IRAs are defined earlier in the IRA discussion under Retirement Plan Distributions. For more detailed information, see Pub. 590-A and Pub. 590-B.

Contributions. An IRA is a personal savings plan that offers you tax advantages to set aside money for your retirement. Two advantages of a traditional IRA are:

- You may be able to deduct some or all of your contributions to it, depending on your circumstances; and
- Generally, amounts in your IRA, including earnings and gains, aren't taxed until distributed.

Although interest earned from your traditional IRA generally isn't taxed in the year earned, it isn't tax-exempt interest. Don't report this interest on your tax return as tax-exempt interest.

General limit. The most that can be contributed for 2019 to your traditional IRA is the smaller of the following amounts.

- Your taxable compensation for the year, or
- $6,000 ($7,000 if you were age 50 or older by the end of 2019).

Contributions to Kay Bailey Hutchison Spousal IRAs. In the case of a married couple filing a joint return for 2019, up to $6,000 ($7,000 for each spouse age 50 or older by the end of 2019) can be contributed to IRAs on behalf of each spouse, even if one spouse has little or no compensation.

For more information on the general limit and the Kay Bailey Hutchison Spousal IRA limit, see *How Much Can Be Contributed?* in Pub. 590-A.

Deductible contribution. Generally, you can deduct the lesser of the contributions to your traditional IRA for the year or the general limit (or Kay Bailey Hutchison Spousal IRA limit, if applicable) just explained. However, if you or your spouse was covered by an employer retirement plan at any time during the year for which contributions were made, you may not be able to deduct all of the contributions. Your deduction may be reduced or eliminated, depending on your filing status and the amount of your income. For more information, see *Limit if Covered by Employer Plan* in Pub. 590-A.

Nondeductible contribution. The difference between your total permitted contributions and your IRA deduction, if any, is your nondeductible contribution. You must file Form 8606 to report nondeductible contributions even if you don't have to file a tax return for the year.

4.

Deductions

Most taxpayers have a choice of taking a standard deduction or itemizing their deductions. You benefit from the standard deduction if your standard deduction is more than the total of your allowable itemized deductions. If you have a choice, you should use the method that gives you the lower tax.

Standard Deduction

The standard deduction amount depends on your filing status, whether you are 65 or older or blind, and whether another taxpayer can claim you as a dependent. Generally, the standard deduction amounts are adjusted each year for inflation. In most cases, you can use Worksheet 4-1 to figure your standard deduction amount.

Persons not eligible for the standard deduction. Your standard deduction is zero and you should itemize any deductions you have if:

- You are married and filing a separate return, and your spouse itemizes deductions,
- You are filing a tax return for a short tax year because of a change in your annual accounting period, or
- You are a nonresident or dual-status alien during the year. You are considered a dual-status alien if you were both a nonresident alien and a resident alien during the year.

If you are a nonresident alien who is married to a U.S. citizen or resident alien at the end of the year, you can choose to be treated as a U.S. resident. See Pub. 519, U.S. Tax Guide for Aliens. If you make this choice, you can take the standard deduction.

Decedent's final return. The amount of the standard deduction for a decedent's final tax return is the same as it would have been had the decedent continued to live. However, if the decedent wasn't 65 or older at the time of death, the higher standard deduction for age can't be claimed. See *Death before age 65*, later.

Higher standard deduction for age (65 or older). If you don't itemize deductions, you are entitled to a higher standard deduction if you are age 65 or older at the end of the year. You are considered age 65 on the day before your 65th birthday. Therefore, you can take a higher standard deduction for 2019 if you were born before January 2, 1955.

Death before age 65. If you are preparing a return for someone who died in 2019, consider the taxpayer to be 65 or older at the end of 2019 only if he or she was 65 or older at the time of death. A taxpayer is considered age 65 on the day before his or her birthday.

Example. Your spouse was born on February 14,1954, and died on February 13, 2019. Your spouse is considered age 65 at the time of death. However, if your spouse died on February 12, 2019, your spouse isn't considered age 65 at the time of death and isn't 65 or older at the end of 2019.

Higher standard deduction for blindness. If you are blind on the last day of the year and you don't itemize deductions, you are entitled to a higher standard deduction.

Not totally blind. If you aren't totally blind, you must get a certified statement from an eye doctor (ophthalmologist or optometrist) that:

- You can't see better than 20/200 in the better eye with glasses or contact lenses, or
- Your field of vision isn't more than 20 degrees.

If your eye condition isn't likely to improve beyond these limits, the statement should include this fact. You must keep the statement in your records.

If your vision can be corrected beyond these limits only by contact lenses that you can wear only briefly because of pain, infection, or ulcers, you can take the higher standard deduction for blindness if you otherwise qualify.

Spouse 65 or older or blind. You can take the higher standard deduction if your spouse is age 65 or older or blind and:

- You file a joint return, or
- You file a separate return and your spouse had no gross income and can't be claimed as a dependent by another taxpayer.

You can't claim the higher standard deduction for an individual other than yourself and your spouse.

Example. This example illustrates how to determine your standard deduction using Worksheet 4-1.

Bill and Lisa are filing a joint return for 2019. Both are over age 65. Neither is blind, and neither can be claimed as a dependent. They don't itemize deductions, so they use Worksheet 4-1. Because they are married filing jointly, they enter $24,400 on line 1. They check the “No” box on line 2, so they also enter $24,400 on line 4. Because they are both over age 65, they enter $2,600 ($1,300 × 2) on line 5. They enter $27,000 ($24,400 + $2,600) on line 6, so their standard deduction is $27,000.

Standard Deduction for Dependents

The standard deduction for an individual who can be claimed as a dependent on another person's tax return generally is limited to the greater of:

- $1,100, or
- The individual's earned income for the year plus $350 (but not more than the regular standard deduction amount).

However, the standard deduction may be higher if the individual is 65 or older or blind.

If you (or your spouse if you are filing jointly) can be claimed as a dependent on someone else's return, use Worksheet 4-1, if applicable, to determine your standard deduction.

Itemized Deductions

Some individuals should itemize their deductions because it will save them money. Others should itemize because they don't qualify for the standard deduction. See the discussion under *Standard Deduction*, earlier, to decide if it would be to your advantage to itemize deductions.

Medical and dental expenses, some taxes, certain interest expenses, charitable contributions, casualty and theft losses, and certain other expenses may be itemized as deductions on Schedule A (Form 1040 or 1040-SR).

Worksheet 4-1. **2019 Standard Deduction Worksheet**

Keep for Your Records

Caution. If you are married filing separately and your spouse itemizes deductions, or if you are a dual-status alien, don't complete this worksheet.

If you were born before January 2, 1955, and/or you were blind at the end of 2019, check the correct box(es) below. Put the total number of boxes checked in box c and go to line 1.

a.	You	Born before January 2, 1955 ☐	Blind ☐
b.	Your spouse	Born before January 2, 1955 ☐	Blind ☐
c.	**Total boxes checked** ☐		

1. Enter the amount shown below for your filing status.
- Single or married filing separately — $12,200
- Married filing jointly or qualifying widow(er) — $24,400
- Head of household — $18,350

} . . . . **1.** _____

2. Can you (or your spouse if filing jointly) be claimed as a dependent on someone else's return?

☐ **No.** Skip line 3; enter the amount from line 1 on line 4.

☐ **Yes.** Go to line 3.

3. Is your **earned income*** more than $750?

☐ **Yes.** Add $350 to your earned income. Enter the total.

☐ **No.** Enter $1,100.

} . . . . **3.** _____

4. Enter the **smaller** of line 1 or line 3 . . . . **4.** _________

5. If born before January 2, 1955, or blind, multiply the number in box c by $1,300 ($1,650 if single or head of household). Enter the result here. Otherwise, enter -0- . . . . **5.** _________

6. Add lines 4 and 5. This is your standard deduction for 2019** . . . . **6.** _________

* ***Earned income*** *includes wages, salaries, tips, professional fees, and other compensation received for personal services you performed. It also includes any taxable scholarship or fellowship grant. Generally, your earned income is the total of the amount(s) you reported on Form 1040 or 1040-SR, line 1, Schedule 1 (Form 1040 or 1040-SR), lines 3 and 6, minus the amount, if any, on Schedule 1 (Form 1040 or 1040-SR), line 14.*

*** You may be able to increase the amount of your standard deduction on line 6 by a loss you suffered related to property in one of the Presidentially declared disaster areas eligible for that relief. See Pub. 976 for more information.*

You may benefit from itemizing your deductions on Schedule A (Form 1040 or 1040-SR) if you:

- Can't take the standard deduction;
- Had uninsured medical or dental expenses that are more than 7.5% of your adjusted gross income (AGI);
- Paid interest on a loan secured by your home and that you used to buy, build, or improve your home;
- Paid real estate or personal property taxes;
- Paid state and local income taxes or general sales taxes;
- Had large uninsured casualty or theft losses due to a federally declared disaster;
- Made large contributions to qualified charities (see Pub. 526, Charitable Contributions); or
- Have total itemized deductions that are more than the standard deduction that applies to you.

See the Instructions for Schedule A (Form 1040 or 1040-SR) for more information.

Medical and Dental Expenses

You can deduct certain medical and dental expenses you paid for yourself, your spouse, and your dependent(s) if you itemize your deductions on Schedule A (Form 1040 or 1040-SR).

Table 4-1 shows some common items that you can or can't include in figuring your medical expense deduction. For more information, see the following discussions of selected items, which are presented in alphabetical order. A more extensive list of items and further details can be found in Pub. 502, Medical and Dental Expenses.

You can deduct only the amount of your medical and dental expenses that is more than 7.5% of your adjusted gross income.

What to include. Generally, you can include only the medical and dental expenses you paid this year, regardless of when the services were provided. If you pay medical expenses by check, the day you mail or deliver the check generally is the date of payment. If you use a pay-by-phone or online account to pay your medical expenses, the date reported on the statement of the financial institution showing when payment was made is the date of payment. You can include medical expenses you charge to your credit card in the year the charge is made. It doesn't matter when you actually pay the amount charged.

Home Improvements

You can include in medical expenses amounts you pay for home improvements if their main purpose is medical care for you, your spouse, or your dependent.

Only reasonable costs to accommodate a home to your disabled condition (or that of your spouse or your dependent(s) who live with you) are considered medical care. Additional costs for personal motives, such as for architectural or aesthetic reasons, aren't medical expenses. Pub. 502 contains additional information and examples, including a capital expense worksheet, to assist you in figuring the amount of the capital expense that you can include in your medical expenses. Also, see Pub. 502 for information about deductible operating and upkeep expenses related to such capital expense items, and for information about improvements, for medical reasons, to property rented by a person with disabilities.

Household Help

You can't include in medical expenses the cost of household help, even if such help is recommended by a doctor. This is a personal expense that isn't deductible. However, you may be able to include certain expenses paid to a person providing nursing-type services. For more information, see *Nursing Services*, later. Also, certain maintenance or personal care services provided for qualified long-term care can be included in medical expenses. For more information, see *Qualified long-term care services* under *Long-Term Care*, later.

Hospital Services

You can include in medical expenses amounts you pay for the cost of inpatient care at a hospital or similar institution

Table 4-1. **Medical and Dental Expenses Checklist**

You can include:	You can't include:
• Bandages • Capital expenses for equipment or improvements to your home needed for medical care (see Pub. 502) • Certain weight-loss expenses for obesity • Diagnostic devices • Expenses of an organ donor • Eye surgery—to promote the correct function of the eye • Guide dogs or other service animals aiding the blind, deaf, and disabled • Hospital services fees (lab work, therapy, nursing services, surgery, etc.) • Lead-based paint removal (see Pub. 502) • Long-term care contracts, qualified (see Pub. 502) • Meals and lodging provided by a hospital during medical treatment • Medical and hospital insurance premiums • Medical services fees (from doctors, dentists, surgeons, specialists, and other medical practitioners) • Medicare Part D premiums • Oxygen equipment and oxygen • Part of life-care fee paid to retirement home designated for medical care • Prescription medicines (prescribed by a doctor) and insulin • Psychiatric and psychological treatment • Social security tax, Medicare tax, FUTA, and state employment tax for worker providing medical care (see Pub. 502) • Special items (artificial limbs, false teeth, eyeglasses, contact lenses, hearing aids, crutches, wheelchair, etc.) • Special education for mentally or physically disabled persons (see Pub. 502) • Stop-smoking programs • Transportation for needed medical care • Treatment at a drug or alcohol center (includes meals and lodging provided by the center) • Wages for nursing services (see Pub. 502)	• Contributions to Archer MSAs (see Pub. 969) • Bottled water • Diaper service • Expenses for your general health (even if following your doctor's advice) such as: —Health club dues —Household help (even if recommended by a doctor) —Social activities, such as dancing or swimming lessons —Trip for general health improvement • Flexible spending account reimbursements for medical expenses (if contributions were on a pretax basis) (see Pub. 502) • Funeral, burial, or cremation expenses • Health savings account payments for medical expenses (see Pub. 502) • Illegal operation or treatment • Life insurance or income protection policies, or policies providing payment for loss of life, limb, sight, etc. • Medical insurance included in a car insurance policy covering all persons injured in or by your car • Medicine you buy without a prescription • Nursing care for a healthy baby • Prescription drugs you brought in (or ordered shipped) from another country, in most cases (see Pub. 502) • Surgery for purely cosmetic reasons (see Pub. 502) • Toothpaste, toiletries, cosmetics, etc. • Teeth whitening • Weight-loss expenses not for the treatment of obesity or other disease

if a principal reason for being there is to receive medical care. This includes amounts paid for meals and lodging. Also, see Meals and Lodging, later.

Long-Term Care

You can include in medical expenses amounts paid for qualified long-term care services and certain amounts of premiums paid for qualified long-term care insurance contracts.

Qualified long-term care services. Qualified long-term care services are necessary diagnostic, preventive, therapeutic, curing, treating, mitigating, rehabilitative services, and maintenance and personal care services (defined later) that are:

1. Required by a chronically ill individual, and
2. Provided under a plan of care prescribed by a licensed health care practitioner.

Chronically ill individual. An individual is chronically ill if, within the previous 12 months, a licensed health care practitioner has certified that the individual meets either of the following descriptions.

1. He or she is unable to perform at least two activities of daily living without substantial assistance from another individual for at least 90 days, due to a loss of functional capacity. Activities of daily living are eating, toileting, transferring, bathing, dressing, and continence.
2. He or she requires substantial supervision to be protected from threats to health and safety due to severe cognitive impairment.

Maintenance and personal care services. Maintenance or personal care services is care which has as its primary purpose the providing of a chronically ill individual with needed assistance with his or her disabilities (including protection from threats to health and safety due to severe cognitive impairment).

Qualified long-term care insurance contracts. A qualified long-term care insurance contract is an insurance contract that provides only coverage of qualified long-term care services. The contract must:

1. Be guaranteed renewable;
2. Not provide for a cash surrender value or other money that can be paid, assigned, pledged, or borrowed;
3. Provide that refunds, other than refunds on the death of the insured or complete surrender or cancellation of the contract, and dividends under the contract must be used only to reduce future premiums or increase future benefits; and
4. Generally not pay or reimburse expenses incurred for services or items that would be reimbursed under Medicare, except where Medicare is a secondary payer, or the contract makes per diem or other periodic payments without regard to expenses.

The amount of qualified long-term care premiums you can include is limited. You can include the following as medical expenses on Schedule A (Form 1040 or 1040-SR).

1. Qualified long-term care premiums up to the following amounts.
   a. Age 40 or under—$420.
   b. Age 41 to 50—$790.
   c. Age 51 to 60—$1,580.
   d. Age 61 to 70—$4,220.
   e. Age 71 or over—$5,270.
2. Unreimbursed expenses for qualified long-term care services.

Note. The limit on premiums is for each person.

Meals and Lodging

You can include in medical expenses the cost of meals and lodging at a hospital or similar institution if your main reason for being there is to receive medical care.

You may be able to include in medical expenses the cost of lodging (but not meals) not provided in a hospital or similar institution. You can include the cost of such lodging while away from home if all of the following requirements are met.

- The lodging is primarily for, and essential to, medical care.
- The medical care is provided by a doctor in a licensed hospital or in a medical care facility related to, or the equivalent of, a licensed hospital.
- The lodging isn't lavish or extravagant under the circumstances.
- There is no significant element of personal pleasure, recreation, or vacation in the travel away from home.

The amount you include in medical expenses for lodging can't be more than $50 per night for each person. You can include lodging for a person traveling with the person receiving the medical care. For example, if a parent is traveling with a sick child, up to $100 per night can be included as a medical expense for lodging. (Meals aren't included.)

Nursing home. You can include in medical expenses the cost of medical care in a nursing home or a home for the aged for yourself, your spouse, or your dependent(s). This includes the cost of meals and lodging in the home if a main reason for being there is to get medical care.

Don't include the cost of meals and lodging if the reason for being in the home is personal. However, you can include in medical expenses the part of the cost that is for medical or nursing care.

Medical Insurance Premiums

You can include in medical expenses insurance premiums you pay for policies that cover medical care. Policies can provide payment for:

- Hospitalization, surgical fees, X-rays;
- Prescription drugs and insulin;
- Dental care;
- Replacement of lost or damaged contact lenses; and
- Qualified long-term care insurance contracts (subject to the additional limits included in the discussion on qualified long-term care insurance contracts under Long-Term Care, earlier).

If you have a policy that provides payments for other than medical care, you can include the premiums for the medical care part of the policy if the charge for the medical part is reasonable. The cost of the medical portion must be separately stated in the insurance contract or given to you in a separate statement.

Medicare Part A. If you are covered under social security (or if you are a government employee who paid Medicare tax), you are enrolled in Medicare Part A. The payroll tax paid for Medicare Part A isn't a medical expense. If you aren't covered under social security (or weren't a government employee who paid Medicare tax), you can enroll voluntarily in Medicare Part A. In this situation, you can include the premiums you paid for Medicare Part A as a medical expense.

Medicare Part B. Medicare Part B is a supplemental medical insurance. Premiums you pay for Medicare Part B are a medical expense. Check the information you received from the Social Security Administration to find out your premium.

Social security beneficiaries may quickly and easily obtain various information from SSA's website with a *my Social Security* account, including getting a replacement SSA-1099 or SSA-1042S. For more information, see Obtaining social security information, earlier.

Medicare Part D. Medicare Part D is a voluntary prescription drug insurance program for persons with Medicare Part A or Part B. You can include as a medical expense premiums you pay for Medicare Part D.

Prepaid insurance premiums. Insurance premiums you pay before you are age 65 for medical care for yourself, your spouse, or your dependents after you reach age 65 are medical care expenses in the year paid if they are:

- Payable in equal yearly installments or more often; and
- Payable for at least 10 years, or until you reach age 65 (but not for less than 5 years).

Medicines

You can include in medical expenses amounts you pay for prescribed medicines and drugs. A prescribed drug is one that requires a prescription by a doctor for its use by an individual. You also can include amounts you pay for insulin. Except for insulin, you can't include in medical expenses amounts you pay for a drug that isn't prescribed.

Imported medicines and drugs. If you import medicines or drugs from other countries, see *Medicines and Drugs From Other Countries*, under *What Expenses Aren't Includible*, in Pub. 502.

Nursing Services

You can include in medical expenses wages and other amounts you pay for nursing services. The services need not be performed by a nurse as long as the services are of a kind generally performed by a nurse. This includes services connected with caring for the patient's condition, such as giving medication or changing dressings, as well as bathing and grooming the patient. These services can be provided in your home or another care facility.

Generally, only the amount spent for nursing services is a medical expense. If the attendant also provides personal and household services, amounts paid to the attendant must be divided between the time spent performing household and personal services and the time spent for nursing services. However, certain maintenance or personal care services provided for qualified long-term care can be included in medical expenses. See Maintenance and personal care services under *Qualified long-term care services*, earlier. Additionally, certain expenses for household services or for the care of a qualifying individual incurred to allow you to work may qualify for the child and dependent care credit. See Child and Dependent Care Credit, later, and Pub. 503, Child and Dependent Care Expenses.

You also can include in medical expenses part of the amount you pay for that attendant's meals. Divide the food expense among the household members to find the cost of the attendant's food. Then divide that cost in the same manner as in the preceding paragraph. If you had to pay additional amounts for household upkeep because of the attendant, you can include the extra amounts with your medical expenses. This includes extra rent or utilities you pay because you moved to a larger apartment to provide space for the attendant.

Employment taxes. You can include as a medical expense social security tax, FUTA, Medicare tax, and state employment taxes you pay for a nurse, attendant, or other person who provides medical care. If the attendant also provides personal and household services, you can include as a medical expense only the amount of employment taxes paid for medical services as explained earlier under *Nursing Services*. For information on employment tax responsibilities of household employers, see Pub. 926, Household Employer's Tax Guide.

Transportation

You can include in medical expenses amounts paid for transportation primarily for, and essential to, medical care.

Car expenses. You can include out-of-pocket expenses, such as the cost of gas and oil, when you use a car for medical reasons. You can't include depreciation, insurance, general repair, or maintenance expenses.

If you don't want to use your actual expenses for 2019, you can use the standard medical mileage rate of 20 cents a mile.

You also can include parking fees and tolls. You can add these fees and tolls to your medical expenses whether you use actual expenses or use the standard mileage rate.

You also can include:

- Bus, taxi, train, or plane fares or ambulance service; and
- Transportation expenses of a nurse or other person who can give injections, medications, or other treatment required by a patient who is traveling to get medical care and is unable to travel alone.

Don't include transportation expenses if, for purely personal reasons, you choose to travel to another city for an operation or other medical care prescribed by your doctor.

5. Credits

This chapter briefly discusses the credit for the elderly or disabled, the child and dependent care credit, and the earned income credit. You may be able to reduce your federal income tax by claiming one or more of these credits. You also may be able to increase your refund by claiming the earned income credit.

Credit for the Elderly or the Disabled

This section explains who qualifies for the credit for the elderly or the disabled and how to figure this credit. For more information, see Pub. 524, Credit for the Elderly or the Disabled.

You can take the credit only if you file Form 1040 or 1040-SR. You can't take the credit if you file Form 1040-NR.

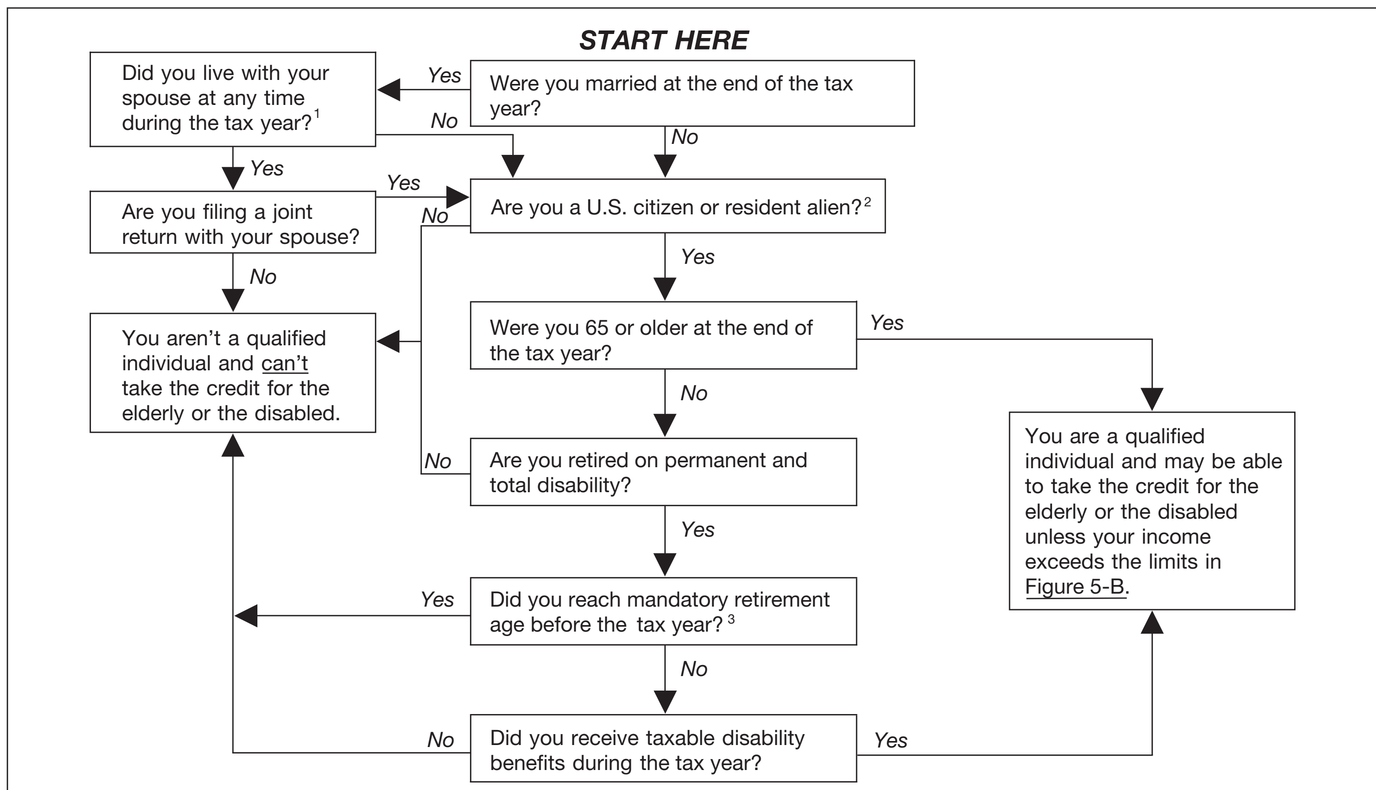
Can You Take the Credit?

You can take the credit for the elderly or the disabled if you meet both of the following requirements.

- You are a qualified individual.
- Your income isn't more than certain limits.

You can use Figure 5-A and Figure 5-B as guides to see if you are eligible for the credit.

Figure 5-A. Are You a Qualified Individual?



[1] However, you may be able to claim this credit even if you lived with your spouse during the first 6 months of the tax year, as long as you qualify to file as head of household. You qualify to file as head of household if you are considered unmarried and meet certain other conditions. See Pub. 501 for more information.

[2] If you were a nonresident alien at any time during the tax year and were married to a U.S. citizen or resident alien at the end of the tax year, see *U.S. Citizen or Resident Alien* under *Qualified Individual.* If you and your spouse choose to treat you as a U.S. resident alien, answer "Yes" to this question.

[3] Mandatory retirement age is the age set by your employer at which you would have been required to retire, had you not become disabled.

Qualified Individual

You are a qualified individual for this credit if you are a U.S. citizen or resident alien, and either of the following applies.

1. You were age 65 or older at the end of 2019.
2. You were under age 65 at the end of 2019 and all three of the following statements are true.
   a. You retired on permanent and total disability (explained later).
   b. You received taxable disability income for 2019.
   c. On January 1, 2019, you had not reached mandatory retirement age (defined later under *Disability income*).

TIP ***Age 65.*** *You are considered to be age 65 on the day before your 65th birthday. As a result, if you were born on January 1, 1955, you are considered to be age 65 at the end of 2019.*

U.S. citizen or resident alien. You must be a U.S. citizen or resident alien (or be treated as a resident alien) to take the credit. Generally, you can't take the credit if you were a nonresident alien at any time during the tax year.

Exceptions. You may be able to take the credit if you are a nonresident alien who is married to a U.S. citizen or resident alien at the end of the tax year and you and your spouse choose to treat you as a U.S. resident alien. If you make that choice, both you and your spouse are taxed on your worldwide income.

If you were a nonresident alien at the beginning of the year and a resident alien at the end of the year, and you were married to a U.S. citizen or resident alien at the end of the year, you may be able to choose to be treated as a U.S. resident alien for the entire year. In that case, you may be allowed to take the credit.

For information on these choices, see chapter 1 of Pub. 519, U.S. Tax Guide for Aliens.

Married persons. Generally, if you are married at the end of the tax year, you and your spouse must file a joint return to take the credit. However, if you and your spouse didn't live in the same household at any time during the tax year, you can file either a joint return or separate returns and still take the credit.

Head of household. You can file as head of household and qualify to take the credit even if your spouse lived with you during the first 6 months of the year if you meet certain tests. See Pub. 524 and Pub. 501.

Figure 5-B. Income Limits

IF your filing status is...	THEN even if you qualify (see Figure 5-A), you CAN'T take the credit if: Your adjusted gross income (AGI)* is equal to or more than...	OR the total of your nontaxable social security and other nontaxable pension(s), annuities, or disability income is equal to or more than...
single, head of household, or qualifying widow(er)	$17,500	$5,000
married filing jointly **and** only one spouse qualifies in Figure 5-A	$20,000	$5,000
married filing jointly **and** both spouses qualify in Figure 5-A	$25,000	$7,500
married filing separately and you lived apart from your spouse for all of 2019	$12,500	$3,750

*AGI is the amount on Form 1040 or 1040-SR, line 8b.

Under age 65. If you are under age 65 at the end of 2019, you can qualify for the credit only if you are retired on permanent and total disability and have taxable disability income (discussed later under *Disability income*). You are considered to be under age 65 at the end of 2019 if you were born after January 1, 1955. You are retired on permanent and total disability if:

- You were permanently and totally disabled when you retired, and
- You retired on disability before the end of the tax year.

Even if you don't retire formally, you may be considered retired on disability when you have stopped working because of your disability. If you retired on disability before 1977, and weren't permanently and totally disabled at the time, you can qualify for the credit if you were permanently and totally disabled on January 1, 1976, or January 1, 1977.

Permanent and total disability. You are permanently and totally disabled if you can't engage in any substantial gainful activity because of your physical or mental condition. A physician must certify that the condition has lasted or can be expected to last continuously for 12 months or more, or that the condition can be expected to result in death. See *Physician's statement*, later.

Substantial gainful activity. Substantial gainful activity is the performance of significant duties over a reasonable period of time while working for pay or profit, or in work generally done for pay or profit.

Full-time work (or part-time work done at the employer's convenience) in a competitive work situation for at least the minimum wage conclusively shows that you are able to engage in substantial gainful activity.

Substantial gainful activity isn't work you do to take care of yourself or your home. It isn't unpaid work on hobbies, institutional therapy or training, school attendance, clubs, social programs, and similar activities. However, doing this kind of work may show that you are able to engage in substantial gainful activity.

The fact that you haven't worked or have been unemployed for some time isn't, of itself, conclusive evidence that you can't engage in substantial gainful activity.

Physician's statement. If you are under age 65, you must have your physician complete a statement certifying that you were permanently and totally disabled on the date you retired.

You don't have to file this statement with your tax return, but you must keep it for your records. The Instructions for Schedule R (Form 1040 or 1040-SR) include a statement your physician can complete and that you can keep for your records.

Veterans. If the Department of Veterans Affairs (VA) certifies that you are permanently and totally disabled, you can substitute VA Form 21-0172, Certification of Permanent and Total Disability, for the physician's statement you are required to keep. VA Form 21-0172 must be signed by a person authorized by the VA to do so. You can get this form from your local VA regional office.

Physician's statement obtained in earlier year. If you got a physician's statement in an earlier year and, due to your continued disability, you were unable to engage in any substantial gainful activity during 2019, you may not need to get another physician's statement for 2019. For a detailed explanation of the conditions you must meet, see the Instructions for Schedule R (Form 1040 or 1040-SR), Part II. If you meet the required conditions, you must check the box on Schedule R (Form 1040 or 1040-SR), Part II, line 2.

If you checked Schedule R (Form 1040 or 1040-SR), Part I, box 4, 5, or 6, print in the space above the box in Part II, line 2, the first name(s) of the spouse(s) for whom the box is checked.

Disability income. If you are under age 65, you also must have taxable disability income to qualify for the credit.

Disability income must meet the following two requirements.

- It must be paid under your employer's accident or health plan or pension plan.
- It must be included in your income as wages (or payments in lieu of wages) for the time you are absent from work because of permanent and total disability.

Payments that aren't disability income. Any payment you receive from a plan that doesn't provide for disability retirement isn't disability income. Any lump-sum payment for accrued annual leave that you receive when you retire on disability is a salary payment and isn't disability income.

For purposes of the credit for the elderly or the disabled, disability income doesn't include amounts you receive after you reach mandatory retirement age. Mandatory retirement age is the age set by your employer at which you would have had to retire had you not become disabled.

Figuring the Credit

You can figure the credit yourself or allow the IRS to figure it for you.

Figuring the credit yourself. If you figure the credit yourself, fill out the front of Schedule R (Form 1040 or 1040-SR). Next, fill out Schedule R (Form 1040 or 1040-SR), Part III.

Credit figured for you. If you can take the credit and you want the IRS to figure the credit for you, see Pub. 524 or the Instructions for Schedule R (Form 1040 or 1040-SR). If you want the IRS to figure your tax, see chapter 28 of Pub. 17, Your Federal Income Tax.

Child and Dependent Care Credit

You may be able to claim this credit if you pay someone to care for your dependent who is under age 13 or for your spouse or dependent who isn't able to care for himself or herself. The credit can be up to 35% of your expenses. To qualify, you must pay these expenses so you can work or look for work.

If you claim this credit, you must include on your return the name and taxpayer identification number (generally the social security number) of each qualifying person for whom care is provided. You also must show on your return the name, address, and taxpayer identification number of the person(s) or organization(s) that provided the care. If the correct information isn't shown, the credit may be reduced or disallowed.

For more information, see Pub. 503, Child and Dependent Care Expenses.

Earned Income Credit (EIC)

The earned income credit (EIC) is a refundable tax credit for certain people who work and have earned income under $55,952. The EIC is available to persons with or without a qualifying child.

Credit has no effect on certain welfare benefits. Any refund you receive because of the EIC can't be counted as income when determining whether you or anyone else is eligible for benefits or assistance, or how much you or anyone else can receive, under any federal program or under any state or local program financed in whole or in part with federal funds. These programs include the following.

- Medicaid.
- Supplemental Security Income (SSI).
- Supplemental Nutrition Assistance Program (food stamps).
- Low-income housing.
- Temporary Assistance for Needy Families (TANF).

In addition, when determining eligibility, the refund can't be counted as a resource for at least 12 months after you receive it. Check with your local benefit coordinator to find out if your refund will affect your benefits.

Do You Qualify for the Earned Income Credit (EIC)?

Use Table 5-1 as an initial guide to the rules you must meet in order to qualify for the EIC. The specific rules you must meet depend on whether you have a qualifying child.

- If you have a qualifying child, the rules in Parts A, B, and D apply to you.
- If you don't have a qualifying child, the rules in Parts A, C, and D apply to you.

If, after reading all the rules in each part that applies to you, you think you may qualify for the credit, see Pub. 596, Earned Income Credit, for more details about the EIC. You also can find information about the EIC in the Instructions for Form 1040 and 1040-SR (line 18a).

The sections that follow provide additional information for some of the rules.

Adjusted gross income (AGI). Under Rule 1, you can't claim the EIC unless your AGI is less than the applicable limit shown in Part A of Table 5-1. Your AGI is the amount on line 8b of Form 1040 or 1040-SR.

Social security number. Under Rule 2, you (and your spouse if you are married filing jointly) must have a valid social security number (SSN) issued by the Social Security Administration (SSA). Any qualifying child listed on Schedule EIC also must have a valid SSN. (See *Qualifying child*, later, if you have a qualifying child.)

If your social security card (or your spouse's if you are married filing jointly) says “Not valid for employment” and your SSN was issued so that you (or your spouse) could get a federally funded benefit, you can't get the EIC. An example of a federally funded benefit is Medicaid.

Investment income. Under Rule 6, you can't claim the EIC unless your investment income is $3,600 or less. If your investment income is more than $3,600, you can't

Table 5-1. **Earned Income Credit (EIC) in a Nutshell**

First, you must meet all the rules in this column.		Second, you must meet all the rules in *one* of these columns, whichever applies.		Third, you must meet the rule in this column.
Part A. Rules for Everyone		**Part B. Rules if You Have a Qualifying Child**	**Part C. Rules if You Don't Have a Qualifying Child**	**Part D. Figuring and Claiming the EIC**
1. Your adjusted gross income (AGI) must be less than: •$50,162 ($55,952 for married filing jointly) if you have three or more qualifying children, •$46,703 ($52,493 for married filing jointly) if you have two qualifying children, •$41,094 ($46,884 for married filing jointly) if you have one qualifying child, or •$15,570 ($21,370 for married filing jointly) if you don't have a qualifying child.	**2.** You must have a valid social security number by the due date of your 2019 return (including extensions). **3.** Your filing status can't be married filing separately. **4.** You must be a U.S. citizen or resident alien all year. (However, see Pub. 596 if your filing status is married filing jointly.) **5.** You can't file Form 2555 (relating to foreign earned income). **6.** Your investment income must be $3,600 or less. **7.** You must have earned income.	**8.** Your child must meet the relationship, age, residency, and joint return tests. **9.** Your qualifying child can't be used by more than one person to claim the EIC. **10.** You can't be a qualifying child of another person.	**11.** You must be at least age 25 but under age 65. **12.** You can't be the dependent of another person. **13.** You can't be a qualifying child of another person. **14.** You must have lived in the United States more than half of the year.	**15.** Your earned income must be less than: •$50,162 ($55,952 for married filing jointly) if you have three or more qualifying children, •$46,703 ($52,493 for married filing jointly) if you have two qualifying children, •$41,094 ($46,884 for married filing jointly) if you have one qualifying child, or •$15,570 ($21,370 for married filing jointly) if you don't have a qualifying child.

claim the credit. For most people, investment income is the total of the following amounts.

- Taxable interest (line 2b of Form 1040 or 1040-SR).
- Tax-exempt interest (line 2a of Form 1040 or 1040-SR).
- Dividend income (line 3b of Form 1040 or 1040-SR).
- Capital gain net income (line 6 of Form 1040 or 1040-SR, if more than zero).

For more information about investment income, see Pub. 596, Earned Income Credit.

Earned income. Under Rule 7, you must have earned income to claim the EIC. Under Rule 15, you can't claim the EIC unless your earned income is less than the applicable limit shown in Table 5-1, Part D. Earned income includes all of the following types of income.

1. Wages, salaries, tips, and other taxable employee pay. Employee pay is earned income only if it is taxable. Nontaxable employee pay, such as certain dependent care benefits and adoption benefits, isn't earned income. But there is an exception for nontaxable combat pay, which you can choose to include in earned income.
2. Net earnings from self-employment.
3. Gross income received as a statutory employee.

Gross income defined. Gross income means all income you received in the form of money, goods, property, and services that isn't exempt from tax, including any income from sources outside the United States or from the sale of your main home (even if you can exclude part or all of it). Don't include any social security benefits unless (a) you are married filing a separate tax return and you lived with your spouse at any time in 2019 or (b) one-half of your social security benefits plus your other gross income and any tax-exempt interest is more than $25,000 ($32,000 if married filing jointly). If (a) or (b) applies, see the Instructions for Forms 1040 and 1040-SR, lines 5a and 5b to figure the taxable part of social security benefits you must include in gross income.

Self-employed persons. If you are self-employed and your net earnings are $400 or more, be sure to correctly fill out Schedule SE (Form 1040 or 1040-SR), Self-Employment Tax, and pay the proper amount of self-employment tax. If you don't, you may not get all the credit to which you are entitled.

Disability benefits. If you retired on disability, taxable benefits you receive under your employer's disability retirement plan are considered earned income until you reach minimum retirement age. Minimum retirement age

generally is the earliest age at which you could have received a pension or annuity if you weren't disabled. Beginning on the day after you reach minimum retirement age, payments you receive are taxable as a pension and aren't considered earned income.

Payments you received from a disability insurance policy that you paid the premiums for aren't earned income. It doesn't matter whether you have reached minimum retirement age. If this policy is through your employer, the amount may be shown in box 12 of your Form W-2 with code J.

Income that isn't earned income. Examples of items that aren't earned income under Rule 7 include:

- Interest and dividends;
- Pensions and annuities;
- Social security and railroad retirement benefits (including disability benefits — except for payments covered under *Disability benefits*, earlier);
- Alimony and child support;
- Welfare benefits;
- Workers' compensation benefits;
- Unemployment compensation (insurance);
- Nontaxable foster care payments; and
- Veterans' benefits, including VA rehabilitation payments.

Don't include any of these items in your earned income.

Workfare payments. Nontaxable workfare payments aren't earned income for the EIC. These are cash payments certain people receive from a state or local agency that administers public assistance programs funded under the federal Temporary Assistance for Needy Families (TANF) program in return for certain work activities such as (1) work experience activities (including remodeling or repairing public housing) if sufficient private sector employment isn't available, or (2) community service program activities.

Qualifying child. Under Rule 8, your child is a qualifying child if your child meets four tests. The four tests are:

1. Relationship,
2. Age,
3. Joint return, and
4. Residency.

The four tests are illustrated in Figure 5-C, later. See Pub. 596 for more information about each test.

Figuring the EIC

To figure the amount of your credit, you have two choices.

1. Have the IRS figure the EIC for you. If you want to do this, see *IRS Will Figure the EIC for You* in Pub. 596.
2. Figure the EIC yourself. If you want to do this, see *How To Figure the EIC Yourself* in Pub. 596.

6.

Estimated Tax

Estimated tax is a method used to pay tax on income that isn't subject to withholding. This income includes self-employment income, interest, dividends, alimony, rent, gains from the sale of assets, prizes, and awards.

Income tax generally is withheld from pensions and annuity payments you receive. However, if the tax withheld from your pension (or other) income isn't enough, you may have to pay estimated tax. If you don't pay enough tax through withholding, by making estimated tax payments, or both, you may be charged a penalty.

Who Must Make Estimated Tax Payments

If you had a tax liability for 2019, you may have to pay estimated tax for 2020. In most cases, you must pay estimated tax for 2020 if both of the following apply.

1. You expect to owe at least $1,000 in tax for 2020, after subtracting your withholding and refundable credits.
2. You expect your withholding and refundable credits to be less than the smaller of:

- 90% of the tax to be shown on your 2020 tax return, or
- 100% of the tax shown on your 2019 tax return. The 2019 tax return must cover all 12 months.

If all of your income will be subject to income tax withholding, you probably don't need to make estimated tax payments.

For more information on estimated tax, see Pub. 505.

7.

How To Get Tax Help

If you have questions about a tax issue, need help preparing your tax return, or want to download free publications, forms, or instructions, go to IRS.gov and find resources that can help you right away.

Preparing and filing your tax return. After receiving your wage and earning statements (Form W-2, W-2G, 1099-R, 1099-MISC) from all employers and interest and dividend statements from banks (Forms 1099), you can

Figure 5-C. Tests for Qualifying Child

A qualifying child for the EIC is a child who is your...
Son, daughter, stepchild, foster child,
or a descendant of any of them (for example, your grandchild)
OR
Brother, sister, half brother, half sister, stepbrother,
stepsister, or a descendant of any of them (for example, your
niece or nephew)

AND

was ...

Under age 19 at the end of 2019 and younger than you (or your spouse, if filing jointly)

OR

Under age 24 at the end of 2019, a student, and younger than you (or your spouse, if filing jointly)

OR

Permanently and totally disabled at any time during the year, regardless of age

AND

who...

Isn't filing a joint return for 2019
(or is filing a joint return for 2019 only to claim a refund of income tax withheld or estimated tax paid)

AND

who...

Lived with you in the United States for more than half
of 2019.
If the child didn't live with you for the
required time, see Pub. 596 for more information.

find free options to prepare and file your return on IRS.gov or in your local community if you qualify.

The Volunteer Income Tax Assistance (VITA) program offers free tax help to people with low-to-moderate incomes, persons with disabilities, and limited-English-speaking taxpayers who need help preparing their own tax returns. The Tax Counseling for the Elderly (TCE) program offers free tax help for all taxpayers, particularly those who are 60 years of age and older. TCE volunteers specialize in answering questions about pensions and retirement-related issues unique to seniors.

You can go to IRS.gov to see your options for preparing and filing your return, which include the following.

- **Free File.** Go to *IRS.gov/FreeFile* to see if you qualify to use brand-name software to prepare and *e-file* your federal tax return for free.
- **VITA.** Go to *IRS.gov/VITA*, download the free IRS2Go app, or call 800-906-9887 to find the nearest VITA location for free tax return preparation.
- **TCE.** Go to *IRS.gov/TCE*, download the free IRS2Go app, or call 888-227-7669 to find the nearest TCE location for free tax return preparation.

Employers can register to use Business Services Online. The SSA offers online service for fast, free, and secure online W-2 filing options to CPAs, accountants, enrolled agents, and individuals who process Forms W-2, Wage and Tax Statement, and Forms W-2c, Corrected Wage and Tax Statement. Employers can go to *SSA.gov/employer* for more information.

Getting answers to your tax questions. On IRS.gov, get answers to your tax questions anytime, anywhere.

- Go to *IRS.gov/Help* for a variety of tools that will help you get answers to some of the most common tax questions.
- Go to *IRS.gov/ITA* for the Interactive Tax Assistant, a tool that will ask you questions on a number of tax law topics and provide answers. You can print the entire interview and the final response for your records.
- Go to *IRS.gov/Forms* to search for our forms, instructions, and publications. You will find details on 2019 tax changes and hundreds of interactive links to help you find answers to your questions.

- You may also be able to access tax law information in your electronic filing software.

Tax reform. Tax reform legislation affects individuals, businesses, tax-exempt and government entities. Go to *IRS.gov/TaxReform* for information and updates on how this legislation affects your taxes.

IRS social media. Go to *IRS.gov/SocialMedia* to see the various social media tools the IRS uses to share the latest information on tax changes, scam alerts, initiatives, products, and services. At the IRS, privacy and security are paramount. We use these tools to share public information with you. **Don't** post your social security number or other confidential information on social media sites. Always protect your identity when using any social networking site.

The following IRS YouTube channels provide short, informative videos on various tax-related topics in English, Spanish, and ASL.

- *Youtube.com/irsvideos*.
- *Youtube.com/irsvideosmultilingua*.
- *Youtube.com/irsvideosASL*.

Watching IRS videos. The IRS Video portal (*IRSVideos.gov*) contains video and audio presentations for individuals, small businesses, and tax professionals.

Getting tax information in other languages. For taxpayers whose native language isn't English, we have the following resources available. Taxpayers can find information on IRS.gov in the following languages.

- *Spanish* (*IRS.gov/Spanish*).
- *Chinese* (*IRS.gov/Chinese*).
- *Korean* (*IRS.gov/Korean*).
- *Russian* (*IRS.gov/Russian*).
- *Vietnamese* (*IRS.gov/Vietnamese*).

The IRS Taxpayer Assistance Centers (TACs) provide over-the-phone interpreter service in over 170 languages, and the service is available free to taxpayers.

Getting tax forms and publications. Go to *IRS.gov/Forms* to view, download, or print all of the forms, instructions, and publications you may need. You can also download and view popular tax publications and instructions (including the 1040 and 1040-SR instructions) on mobile devices as an eBook at no charge at *IRS.gov/eBooks*. Or you can go to *IRS.gov/OrderForms* to place an order and have them mailed to you within 10 business days.

Access your online account (individual taxpayers only). Go to *IRS.gov/Account* to securely access information about your federal tax account.

- View the amount you owe, pay online, or set up an online payment agreement.
- Access your tax records online.
- Review the past 24 months of your payment history.
- Go to *IRS.gov/SecureAccess* to review the required identity authentication process.

Using direct deposit. The fastest way to receive a tax refund is to combine direct deposit and IRS *e-file*. Direct deposit securely and electronically transfers your refund directly into your financial account. Eight in 10 taxpayers use direct deposit to receive their refund. The IRS issues more than 90% of refunds in less than 21 days.

Getting a transcript or copy of a return. The quickest way to get a copy of your tax transcript is to go to *IRS.gov/Transcripts*. Click on either "Get Transcript Online" or "Get Transcript by Mail" to order a copy of your transcript. If you prefer, you can order your transcript by calling 800-908-9946.

Using online tools to help prepare your return. Go to *IRS.gov/Tools* for the following.

- The *Earned Income Tax Credit Assistant* (*IRS.gov/EITCAssistant*) determines if you're eligible for the EIC.
- The *Online EIN Application* (*IRS.gov/EIN*) helps you get an employer identification number.
- The *Tax Withholding Estimator* (*IRS.gov/W4app*) makes it easier for everyone to pay the correct amount of tax during the year. The Estimator replaces the Withholding Calculator. The redesigned tool is a convenient, online way to check and tailor your withholding. It's more user-friendly for taxpayers, including retirees and self-employed individuals. The new and improved features include the following.
  - Easy to understand language;
  - The ability to switch between screens, correct previous entries, and skip screens that don't apply;
  - Tips and links to help you determine if you qualify for tax credits and deductions;
  - A progress tracker;
  - A self-employment tax feature; and
  - Automatic calculation of taxable social security benefits.
- The *First Time Homebuyer Credit Account Look-up* (*IRS.gov/HomeBuyer*) tool provides information on your repayments and account balance.
- The *Sales Tax Deduction Calculator* (*IRS.gov/SalesTax*) figures the amount you can claim if you itemize deductions on Schedule A (Form 1040 or 1040-SR), choose not to claim state and local income taxes, and you didn't save your receipts showing the sales tax you paid.

Resolving tax-related identity theft issues.

- The IRS doesn't initiate contact with taxpayers by email or telephone to request personal or financial information. This includes any type of electronic communication, such as text messages and social media channels.

- Go to IRS.gov/IDProtection for information.
- If your SSN has been lost or stolen or you suspect you're a victim of tax-related identity theft, visit IRS.gov/IdentityTheft to learn what steps you should take.

Checking on the status of your refund.

- Go to IRS.gov/Refunds.
- The IRS can't issue refunds before mid-February 2020 for returns that claimed the EIC or the ACTC. This applies to the entire refund, not just the portion associated with these credits.
- Download the official IRS2Go app to your mobile device to check your refund status.
- Call the automated refund hotline at 800-829-1954.

Making a tax payment. The IRS uses the latest encryption technology to ensure your electronic payments are safe and secure. You can make electronic payments online, by phone, and from a mobile device using the IRS2Go app. Paying electronically is quick, easy, and faster than mailing in a check or money order. Go to IRS.gov/Payments to make a payment using any of the following options.

- IRS Direct Pay: Pay your individual tax bill or estimated tax payment directly from your checking or savings account at no cost to you.
- Debit or Credit Card: Choose an approved payment processor to pay online, by phone, and by mobile device.
- Electronic Funds Withdrawal: Offered only when filing your federal taxes using tax return preparation software or through a tax professional.
- Electronic Federal Tax Payment System: Best option for businesses. Enrollment is required.
- Check or Money Order: Mail your payment to the address listed on the notice or instructions.
- Cash: You may be able to pay your taxes with cash at a participating retail store.
- Same-Day Wire: You may be able to do same-day wire from your financial institution. Contact your financial institution for availability, cost, and cut-off times.

What if I can't pay now? Go to IRS.gov/Payments for more information about your options.

- Apply for an online payment agreement (IRS.gov/OPA) to meet your tax obligation in monthly installments if you can't pay your taxes in full today. Once you complete the online process, you will receive immediate notification of whether your agreement has been approved.
- Use the Offer in Compromise Pre-Qualifier to see if you can settle your tax debt for less than the full amount you owe. For more information on the Offer in Compromise program, go to IRS.gov/OIC.

Checking the status of an amended return. Go to IRS.gov/WMAR to track the status of Form 1040-X amended returns. Please note that it can take up to 3 weeks from the date you filed your amended return for it to show up in our system, and processing it can take up to 16 weeks.

Understanding an IRS notice or letter. Go to IRS.gov/Notices to find additional information about responding to an IRS notice or letter.

Contacting your local IRS office. Keep in mind, many questions can be answered on IRS.gov without visiting an IRS Taxpayer Assistance Center (TAC). Go to IRS.gov/LetUsHelp for the topics people ask about most. If you still need help, IRS TACs provide tax help when a tax issue can't be handled online or by phone. All TACs now provide service by appointment so you'll know in advance that you can get the service you need without long wait times. Before you visit, go to IRS.gov/TACLocator to find the nearest TAC, check hours, available services, and appointment options. Or, on the IRS2Go app, under the Stay Connected tab, choose the Contact Us option and click on "Local Offices."

The Taxpayer Advocate Service (TAS) Is Here To Help You

What Is TAS?

TAS is an ***independent*** organization within the IRS that helps taxpayers and protects taxpayer rights. Their job is to ensure that every taxpayer is treated fairly and that you know and understand your rights under the Taxpayer Bill of Rights.

How Can You Learn About Your Taxpayer Rights?

The Taxpayer Bill of Rights describes 10 basic rights that all taxpayers have when dealing with the IRS. Go to TaxpayerAdvocate.IRS.gov to help you understand what these rights mean to you and how they apply. These are ***your*** rights. Know them. Use them.

What Can TAS Do For You?

TAS can help you resolve problems that you can't resolve with the IRS. And their service is free. If you qualify for their assistance, you will be assigned to one advocate who will work with you throughout the process and will do everything possible to resolve your issue. TAS can help you if:

- Your problem is causing financial difficulty for you, your family, or your business;

- You face (or your business is facing) an immediate threat of adverse action; or
- You've tried repeatedly to contact the IRS but no one has responded, or the IRS hasn't responded by the date promised.

How Can You Reach TAS?

TAS has offices *in every state, the District of Columbia, and Puerto Rico*. Your local advocate's number is in your local directory and at *TaxpayerAdvocate.IRS.gov/Contact-Us*. You can also call them at 877-777-4778.

How Else Does TAS Help Taxpayers?

TAS works to resolve large-scale problems that affect many taxpayers. If you know of one of these broad issues, please report it to them at *IRS.gov/SAMS*.

TAS also has a website, *Tax Reform Changes*, which shows you how the new tax law may change your future tax filings and helps you plan for these changes. The information is categorized by tax topic in the order of the IRS Form 1040 or 1040-SR. Go to *TaxChanges.us* for more information.

TAS for Tax Professionals

TAS can provide a variety of information for tax professionals, including tax law updates and guidance, TAS programs, and ways to let TAS know about systemic problems you've seen in your practice.

Low Income Taxpayer Clinics (LITCs)

LITCs are independent from the IRS. LITCs represent individuals whose income is below a certain level and need to resolve tax problems with the IRS, such as audits, appeals, and tax collection disputes. In addition, clinics can provide information about taxpayer rights and responsibilities in different languages for individuals who speak English as a second language. Services are offered for free or a small fee. To find a clinic near you, visit *IRS.gov/LITC* or see IRS Pub. 4134, *Low Income Taxpayer Clinic List*.

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To help us develop a more useful index, please let us know if you have ideas for index entries. See "Comments and Suggestions" in the "Introduction" for the ways you can reach us.

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