

General Description Booklet
for the
1986 INDIVIDUAL PUBLIC USE TAX FILE

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INTRODUCTION

The Internal Revenue Service 1986 Tax File (75,400 records) was selected as part of the Statistics of Income program that was designed to tabulate and present statistical information for the 103,045,186 Form 1040, Form 1040A, and Form 1040EZ Federal Individual Income Tax Returns filed for Tax Year 1986.

The Tax Files which have been produced since 1960 consist of detailed information taken from actual tax returns. The public use versions of these sample files are purchased in an unidentifiable form, with names, Social Security Numbers (SSN), and other similar information omitted. The primary uses made of these files have been to simulate the administrative and revenue impact of tax law changes, as well as to provide general statistical tabulations relating to sources of income and taxes paid by individuals.

The Individual Tax File is designed for making national level estimates. The 1986 Tax File can be purchased through the Internal Revenue Service, Statistics of Income Division. Any questions concerning the cost and acquisition of the current tax file should be directed to:

Dr. Fritz Scheuren, Director
Statistics of Income Division TR:S
Internal Revenue Service
1111 Constitution Ave., N.W.
Washington, D.C. 20224
(202) 376-0216

In order to preserve the character of the microdata file while also protecting the identity of individuals, we have incorporated the following procedural changes in the Individual Tax FILE.

First, in order to make sure that no record can be identified with 100 percent certainty, we have subsampled our 100 percent sample at a 33 percent rate.

Second, those records that remain in our file from the 100 percent sample have been combined with other high income returns (returns with an adjusted gross income of \$200,000 or more) for the following processing changes:

As in past years, the state codes and all other geographic indicators have been removed for all high income records. Other codes and fields that have been removed include: age and blindness indicators (for both primary and secondary taxpayers), total exemptions other than age or blindness, alimony paid, and alimony received. Also, certain codes (number of age exemptions, marital status, and exemptions for children living at home) have been modified (see section on Code Definitions for specific changes).

Then, all of the high income returns have been sorted from largest to smallest for the field of state and local income tax deductions. In this field, for every three records, in descending order, the average state and local income tax deduction has been determined and that value has been placed in the state and local income tax deduction field for each of the three records. This has been done over that part of the sample containing non-zero values in these fields. If the last group of records contains less than three, these records have been combined with the group of three immediately before it. This method of disguising data is called blurring. The field for personal property tax deductions has also been blurred exactly as described above for all high income returns.

High income returns have then been separated into 35 different classes based on age, marital status, the number of children living at home, and the size of salaries and wages. Within each of these 35 classes, returns have been sorted on salaries and wages. This field has then been blurred over consecutive records as described above for state and local income tax deductions. However, records have only been averaged with other records in the same class. Therefore, records within one of the 35 classes have not been averaged with records in any of the other 34 classes. The file is then sorted on real estate tax deductions (again, within the 35 classes), and the same blurring procedure has been repeated for real estate tax deductions.^{1/}

Third, all lower income returns (records with an adjusted gross income of less than \$200,000 and not from our 100 percent sample) have been sorted by State. After this sort, the records have been blurred for real estate tax deductions, alimony paid, alimony received, and state and local income taxes (State of Wisconsin, only, for this last item) in the same manner as described above. The only difference between these records and the high income returns is that the lower income returns have been sorted for each field by individual State with no records from two different states being combined when averaging a field over a series of records.

^{1/}For greater details on this and other disclosure protection techniques used by the Statistics of Income Division, see:

Strudler, Michael; Oh, H. Lock; and Scheuren, Fritz. (1987) "Protection of Taxpayer Confidentiality on the IRS Tax Model." Statistics of Income and Related Administrative Record Research: 1986, Internal Revenue Service.

Fourth, for all records on the file, the following changes have been made:

The fields containing total miscellaneous deductions, other net income less loss and total taxes paid deductions have been deleted and marked as "reserved." General sales tax and general sales tax on motor vehicles have also been blurred for high income returns. Also, all fields on the file have been rounded to the four most significant digits (e.g. \$14,371 = \$14,370 and \$228,867 = \$228,900).

Individual Tax Model Files for each of the Tax Years 1966 through 1978, and State Tax Model Files for Tax Years 1977 and 1978, are available through the National Archives and Records Service. Questions concerning cost, acquisition, and delivery of these historical tax model files, should be addressed to:

General Services Administration
Machine Readable Archives Division
National Archives and Records Service
General Services Administration
Washington, D.C. 20408
(202) 523-3267

The Archives order number for any of the above-mentioned historical Tax Model files is 374-109-(A). In addition to the order number, the requestor should also specify the tax year and version (Individual or State) of the file under consideration.

Please refer to the sections of this booklet titled "Individual Tax File Sample Description" for a more detailed discussion of the Tax File.

CORE RECORD LAYOUT
(CODE AND AMOUNT ELEMENT DEFINITIONS)

Codes: (all codes are 2 characters in length - PIC 99)

1.	AGEX	21.	F2555
2.	AGIR1	22.	SCHCF
3.	CGIND	23.	SCHE
4.	RESERVED	24.	SCHW
5.	CYCLE	25.	SPECTX
6.	RESERVED	26.	STATE <u>1/</u>
7.	EIC	27.	TFORM
8.	ELECT	28.	TOTXSZ
9.	FDED	29.	TXNT
10.	FLPDYR	30.	TXRT
11.	FLPDMO	31.	TXST
12.	F2119	32.	RESERVED
13.	F2441	33.	XFPT <u>1/</u>
14.	RESERVED	34.	XFST <u>1/</u>
15.	F6251	35.	XOCAH
16.	GENBUS	36.	XOCAWH
17.	MARS	37.	XOODEP
18.	PREP	38.	XOPAR
19.	PSV	39.	XOTHER <u>1/</u>
20.	REGION <u>1/</u>	40.	XTOT

Amount Fields: (all amount fields are 10 characters in length - PIC S9(10))

1.	ADJUSTED GROSS INCOME (DEFICIT) (AGI) (+/-)
2.	SALARIES AND WAGES <u>2/</u>
3.	INTEREST RECEIVED
4.	DIVIDENDS RECEIVED
5.	DIVIDEND EXCLUSION
6.	DIVIDENDS INCLUDED IN AGI
7.	STATE INCOME TAX REFUNDS
8.	ALIMONY RECEIVED <u>3/</u>
9.	BUSINESS OR PROFESSION (SCHEDULE C) NET PROFIT/LOSS (+/-)
10.	NET CAPITAL GAIN OR LOSS (+/-)
11.	CAPITAL GAIN DISTRIBUTIONS NOT REPORTED ON SCHEDULE D
12.	SUPPLEMENTAL SCHEDULE NET GAIN OR LOSS (+/-)
13.	PENSIONS AND ANNUITIES FULLY INCLUDED IN AGI
14.	TOTAL PENSIONS AND ANNUITIES NOT FULLY INCLUDED IN AGI
15.	PENSIONS AND ANNUITIES NOT FULLY INCLUDED IN AGI, THAT PART IN AGI
16.	SCHEDULE E NET INCOME OR LOSS (+/-)
17.	FARM (SCHEDULE F) NET PROFIT/LOSS (+/-)
18.	GROSS UNEMPLOYMENT COMPENSATION
19.	UNEMPLOYMENT COMPENSATION IN AGI
20.	GROSS SOCIAL SECURITY BENEFITS
21.	SOCIAL SECURITY BENEFITS IN AGI

Amount Fields (continued):

STATUTORY ADJUSTMENTS

- 22. MOVING EXPENSE
- 23. EMPLOYEE BUSINESS EXPENSE
- 24. PAYMENTS TO INDIVIDUAL RETIREMENT ACCOUNT (IRA)
- 25. PAYMENTS TO KEOGH ACCOUNTS
- 26. FORFEITED INTEREST PENALTY
- 27. ALIMONY PAID 3/
- 28. DEDUCTION FOR WORKING MARRIED COUPLE

- 29. TOTAL SELF-EMPLOYMENT INCOME
- 30. SELF-EMPLOYMENT INCOME, SECONDARY TAXPAYER
- 31. SELF-EMPLOYMENT TAX, PRIMARY TAXPAYER
- 32. SELF-EMPLOYMENT TAX, SECONDARY TAXPAYER
- 33. EXCESS ITEMIZED DEDUCTIONS (-) / UNUSED ZBA (+)
- 34. CHARITABLE CONTRIBUTIONS DEDUCTION FOR NON-ITEMIZERS
- 35. TAX TABLE INCOME BEFORE EXEMPTIONS
- 36. EXEMPTION AMOUNT
- 37. ZERO BRACKET AMOUNT (ZBA)
- 38. TAXABLE INCOME (OLD CONCEPT WITHOUT ZBA)
- 39. TAXABLE INCOME
- 40. TAX GENERATED
- 41. COMPUTED REGULAR TAX
- 42. INCOME TAX BEFORE CREDITS (SOI)
- 43. PREDETERMINED ESTIMATED TAX PENALTY
- 44. INCOME SUBJECT TO TAX

CREDITS

- 45. GENERAL BUSINESS
- 46. ELDERLY AND DISABLED
- 47. FOREIGN TAX
- 48. INVESTMENT (INCLUDED IN GENERAL BUSINESS CREDIT, TO CALCULATE TOTAL TAX CREDITS, ONLY USE THE GENERAL BUSINESS CREDIT)
- 49. POLITICAL CONTRIBUTIONS
- 50. CHILD CARE
- 51. JOBS (INCLUDED IN GENERAL BUSINESS CREDIT)
- 52. RESIDENTIAL ENERGY
- 53. RESEARCH AND EXPERIMENTATION
- 54. EIC USED TO OFFSET INCOME TAX BEFORE CREDITS
- 55. OTHER
- 56. TOTAL TAX CREDITS (SOI)

- 57. TOTAL TAX LIABILITY (SOI)
- 58. TOTAL INCOME TAX
- 59. INCOME TAX AFTER CREDITS (SOI)
- 60. MARGINAL TAX BASE
- 61. ALTERNATIVE MINIMUM TAX (SOI)
- 62. SELF-EMPLOYMENT TAX

Amount Fields (continued):

- 63. TAX FROM RECOMPUTING PRIOR YEAR INVESTMENT CREDIT
- 64. SOCIAL SECURITY TAX ON TIP INCOME
- 65. PENALTY TAX ON IRA
- 66. TOTAL TAX PAYMENTS (SOI)
- 67. INCOME TAX WITHHELD
- 68. ESTIMATED TAX PAYMENTS
- 69. AMOUNT PAID WITH FORM 4868
- 70. EXCESS FICA/RRTA
- 71. CREDIT FOR FEDERAL TAX ON SPECIAL FUELS AND OILS
- 72. REGULATED INVESTMENT COMPANY CREDIT
- 73. BALANCE DUE (OVERPAYMENT) (+/-)
- 74. CREDIT ELECT
- 75. EARNED INCOME FOR EARNED INCOME CREDIT (EIC)
- 76. EIC USED TO OFFSET ALL OTHER TAXES EXCEPT ADVANCE EIC
- 77. EIC REFUNDABLE PORTION

COMBINED SCHEDULE C INCOME AND SOME DEDUCTION ITEMS:

- 78. TOTAL INCOME OR LOSS (+/-)
- 79. NET RECEIPTS (+/-)
- 80. COST OF GOODS SOLD AND/OR OPERATIONS
- 81. BUSINESS RECEIPTS (+/-)
- 82. TOTAL DEDUCTIONS
- 83. BAD DEBTS
- 84. CAR AND TRUCK
- 85. DEPLETION
- 86. DEPRECIATION
- 87. COMMISSION
- 88. MORTGAGE

ITEMIZED DEDUCTIONS

MEDICAL AND DENTAL
EXPENSE DEDUCTIONS

- 89. TOTAL MEDICAL EXPENSE DEDUCTIONS
- 90. EXPENSES SUBJECT TO REDUCTION BY 5% OF AGI

TAXES PAID DEDUCTIONS:

- 91. RESERVED
- 92. STATE AND LOCAL INCOME TAXES 2/
- 93. REAL ESTATE TAX DEDUCTIONS 4/
- 94. GENERAL SALES TAX (COMBINATION OF MOTOR VEHICLE SALES TAX
DEDUCTION AND GENERAL SALES TAX DEDUCTION) 2/
- 95. RESERVED
- 96. PERSONAL PROPERTY TAX 2/
- 97. OTHER

INTEREST PAID DEDUCTIONS

- 98. TOTAL INTEREST PAID DEDUCTION
- 99. HOME MORTGAGE INTEREST PAID DEDUCTION

Amount Fields (continued):

CHARITABLE CONTRIBUTIONS DEDUCTIONS

- 100. TOTAL CONTRIBUTIONS
- 101. CASH UNDER \$3,000
- 102. CASH OF \$3,000 OR MORE
- 103. OTHER THAN CASH
- 104. CARRYOVER

- 105. RESERVED
- 106. NET CASUALTY OR THEFT LOSS

- 107. TOTAL ITEMIZED DEDUCTIONS

CAPITAL GAINS (SCHEDULE D)

- 108. CURRENT SHORT-TERM GAINS
- 109. CURRENT SHORT-TERM LOSSES
- 110. POST 1969 SHORT-TERM LOSS CARRYOVER
- 111. RESIDENCE GAIN
- 112. CURRENT LONG-TERM GAINS
- 113. CURRENT LONG-TERM LOSSES
- 114. POST 1969 LONG-TERM LOSS CARRYOVER
- 115. SCHEDULE D LONG-TERM CAPITAL GAIN DISTRIBUTIONS
- 116. FORM 4797 GAINS

- 117. RESERVED

- 118. EXCLUDED LONG-TERM GAINS
- 119. COMBINED NET CAPITAL GAINS LESS LOSS (+/-)
- 120. COMBINED LONG-TERM GAINS INCLUDED IN AGI

SUPPLEMENTAL INCOME (SCHEDULE E)

RENT AND ROYALTIES

- 121. FARM RENT NET INCOME OR LOSS (+/-)
- 122. DEPRECIATION OR DEPLETION
- 123. RENT NET INCOME OR LOSS (+/-)
- 124. ROYALTY NET INCOME OR LOSS (+/-)

PARTNERSHIPS

- 125. TOTAL INCOME
- 126. TOTAL LOSS
- 127. EXPENSE DEDUCTION

ESTATE OR TRUST

- 128. TOTAL INCOME
- 129. TOTAL LOSS

SMALL BUSINESS CORPORATION

- 130. TOTAL INCOME
- 131. TOTAL LOSS

Amount Fields (continued):

- 132. WINDFALL PROFIT TAX REFUND
- 133. WINDFALL PROFIT TAX DEDUCTION

CHILD CARE CREDIT (FORM 2441)

- 134. QUALIFYING INDIVIDUALS' LIMITATION
- 135. EARNED INCOME
- 136. EARNED INCOME LIMITATION

- 137. RESERVED

DEDUCTION FOR MARRIED COUPLE

- 138. PRIMARY QUALIFIED EARNED INCOME
- 139. SELECTED QUALIFIED EARNED INCOME

FORM 6251

- 140. ALTERNATIVE MINIMUM TAX TOTAL DEDUCTIONS
- 141. TOTAL TAX PREFERENCES FROM FORM 6251
- 142. EXCLUDED LONG-TERM CAPITAL GAINS
- 143. ACCELERATED DEPRECIATION

COMBINED SCHEDULE C (DEDUCTIONS CONTINUED)

- 144. OTHER INTEREST
- 145. OFFICE EXPENSES
- 146. PENSIONS AND PROFIT SHARING PLANS
- 147. INSURANCE
- 148. RENT
- 149. EMPLOYEE BENEFIT PROGRAMS
- 150. RESERVED
- 151. NET WAGES

- 152. RESERVED
- 153. RESERVED
- 154. RESERVED
- 155. RESERVED
- 156. RETURN ID
- 157. RESERVED
- 158. RESERVED
- 159. DECIMAL WEIGHT
- 160. INTEGER WEIGHT

1/ Only for lower income returns (returns with AGI less than \$200,000 and not in 100% sample)

2/ Blurred for high income returns (note: State and local income taxes is also blurred for low income returns in Wisconsin) see Introduction for a more complete explanation.

3/ Blurred for lower income returns, reserved for high income returns.

4/ Blurred for all returns.

CODE DEFINITIONS

AGEX Age Exemptions (for high income returns, AGEX values of 2 or 3 have been changed to 1):

- (A) No exemptions.....0
- (B) One exemption (Primary only).....1
- (C) One exemption (Secondary only).....2
- (D) Two exemptions.....3

AGIR1 Adjusted Gross Income Range B:

NO ADJUSTED GROSS INCOME.....00

- \$ 1 under \$ 1,000.....01
- \$ 1,000 under \$ 2,000.....02
- \$ 2,000 under \$ 3,000.....03
- \$ 3,000 under \$ 4,000.....04
- \$ 4,000 under \$ 5,000.....05
- \$ 5,000 under \$ 6,000.....06
- \$ 6,000 under \$ 7,000.....07
- \$ 7,000 under \$ 8,000.....08
- \$ 8,000 under \$ 9,000.....09
- \$ 9,000 under \$ 10,000.....10
- \$ 10,000 under \$ 11,000.....11
- \$ 11,000 under \$ 12,000.....12
- \$ 12,000 under \$ 13,000.....13
- \$ 13,000 under \$ 14,000.....14
- \$ 14,000 under \$ 15,000.....15
- \$ 15,000 under \$ 16,000.....16
- \$ 16,000 under \$ 17,000.....17
- \$ 17,000 under \$ 18,000.....18
- \$ 18,000 under \$ 19,000.....19
- \$ 19,000 under \$ 20,000.....20
- \$ 20,000 under \$ 25,000.....21
- \$ 25,000 under \$ 30,000.....22
- \$ 30,000 under \$ 40,000.....23
- \$ 40,000 under \$ 50,000.....24
- \$ 50,000 under \$ 75,000.....25
- \$ 75,000 under \$ 100,000.....26
- \$ 100,000 under \$ 200,000.....27
- \$ 200,000 under \$ 500,000.....28
- \$ 500,000 under \$1,000,000.....29
- \$1,000,000 or more.....30

CGIND Capital Gains Indicator

- (A) No capital gain/loss.....0
- (B) Capital gain present.....1
- (C) Capital loss present.....2

CYCLE	Cycle Code.....	00-52
EIC	Earned Income Credit	
	(A) Not present.....	0
	(B) Present.....	1
ELECT	President Elect Campaign Fund:	
	(A) No boxes checked.....	0
	(B) One "yes" box checked.....	1
	(C) Two "yes" boxes checked.....	2
	(D) Only "no" boxes checked.....	8
FDED	Form of Deduction Code:	
	(A) Itemized deduction.....	1
	(B) No zero bracket amount or itemized deductions.....	2
	(C) Zero bracket amount (STANDARD)	
	1. Without non-itemizer deduction.....	3
	2. With non-itemizer deduction.....	4
FLPD	Filing Period: (Accounting Period)	
	(A) YR - Calendar Year ended.....	66-87
	(B) MO - Month Taxpayer's year ended.....	01-12
F2119	Sale or Exchange of Principal Residence:	
	(A) No Form 2119 attached.....	0
	(B) Form present.....	1
F2441	Child Care Credit:	
	(A) No Form 2441 attached.....	0
	(B) One qualifying individual.....	1
	(C) Two or more qualifying individuals.....	2-9
F6251	Alternative Minimum Tax	
	No Form 6251 attached to the return.....	0
	Form 6251 attached to the return.....	1

GENBUS	General Business Credit	
	Form 3800 filed because more than one general business credit taken..	1
	Jobs credit is only component of general business credit.....	2
	Investment credit is only component of general business credit.....	3
	Alcohol fuel credit is only component of general business credit.....	4
	Employee Stock Option Plan is only component of general business cr..	5
MARS	Marital Status (for high income returns, MARS = 5 has been changed to MARS = 2):	
	(A) Single.....	1
	(B) Married filing a joint.return.....	2
	(C) Married filing separately and <u>not</u> claiming a spouse exemption.....	3
	(D) Unmarried head of household.....	4
	(E) Widow(er) with dependent child (surviving spouse).....	5
	(F) Married filing separately and claiming a spouse exemption.....	6
PREP	Tax Preparer	
	(A) No preparer other than taxpayer.....	0
	(B) Return prepared by paid tax preparer.....	1
	(C) IRS prepared return.....	2
	(D) IRS reviewed return.....	3
	(E) Voluntary Income Tax Assistance prepared return.....	4
	(F) Self help.....	5
	(G) Tax Counseling for the elderly.....	6
	(H) Outreach program.....	7
PSV	Primary Stratifying Variable	
	(A) Sample Code 28 (AGI) and 38 (Schedule C net income).....	0
	(B) Positive Amounts Total.....	1
	(C) Negative Amounts Total.....	2
	(D) Total Receipts.....	3
	(E) Form 2555.....	4
	(F) Form 1116.....	5
REGION	IRS Regions	
	(A) Central.....	1
	(B) Mid-Atlantic.....	2
	(C) Midwest.....	3
	(D) North Atlantic.....	4
	(E) Southeast.....	5
	(F) Southwest.....	6
	(G) Western.....	7
	(H) Other Areas.....	8

F2555	Foreign Earned Income	
(A)	No Form 2555 attached to the return.....	0
(B)	Form 2555 attached to the return.....	1
SCHCF	Schedule C or F Indicator:	
(A)	Neither Schedule C or F present.....	0
(B)	Schedule C present only.....	1
(C)	Schedule F present only.....	2
(D)	Schedule C and F present Schedule C Gross Receipts Larger.....	3
(E)	Schedule C and F present Schedule F Gross Receipts Larger.....	4
SCHE	Schedule E Indicator	
(A)	No Schedule Present.....	0
(B)	Schedule E Present.....	1
SCHW	Schedule W Indicator	
(A)	No Schedule W.....	0
(B)	Primary Taxpayer Qualifying Income.....	1
(C)	Secondary Taxpayer Qualifying Income.....	2
SPECTX	Special Tax Computation:	
(A)	No entry.....	0
(B)	Form 4970 tax used.....	1
(C)	Form 4972 tax used.....	2
(D)	Form 5544 tax used.....	3
(E)	Form 5405 tax used.....	4
(F)	Section 72(m)(5) penalty tax used.....	5
(G)	Any combination of Form 4972 and other taxes.....	6
(H)	Any combination of taxes excluding Form 4972.....	7

STATE

Code	<u>STATE NAME</u>	Code	<u>STATE NAME</u>
1	Alabama	29	Nevada
2	Alaska	30	New Hampshire
3	Arizona	31	New Jersey
4	Arkansas	32	New Mexico
5	California	33	New York
6	Colorado	34	North Carolina
7	Connecticut	35	North Dakota
8	Delaware	36	Ohio
9	District of Columbia	37	Oklahoma
10	Florida	38	Oregon
11	Georgia	39	Pennsylvania
12	Hawaii	40	Rhode Island
13	Idaho	41	South Carolina
14	Illinois	42	South Dakota
15	Indiana	43	Tennessee
16	Iowa	44	Texas
17	Kansas	45	Utah
18	Kentucky	46	Vermont
19	Louisiana	47	Virginia
20	Maine	48	Washington
21	Maryland	49	West Virginia
22	Massachusetts	50	Wisconsin
23	Michigan	51	Wyoming
24	Minnesota	52	APO/FPO
25	Mississippi	53	Puerto Rico
26	Missouri	54	CP:IO
27	Montana	54	Guam
28	Nebraska	54	Virgin Islands

TFORM Corrected Form of Return:

(A)	1040 Return.....	0
(B)	1040A Return.....	1
(C)	1040EZ Return.....	2

TOTXSZ Size of Total Income Tax

Returns with no total income tax.....	00
\$1 under \$50.....	01
\$50 under \$100.....	02
\$100 under \$200.....	03
\$200 under \$300.....	04
\$300 under \$400.....	05
\$400 under \$500.....	06
\$500 under \$600.....	07
\$600 under \$700.....	08
\$700 under \$800.....	09
\$800 under \$900.....	10
\$900 under \$1,000.....	11
\$1,000 under \$1,250.....	12
\$1,250 under \$1,500.....	13
\$1,500 under \$1,750.....	14
\$1,750 under \$2,000.....	15
\$2,000 under \$2,250.....	16
\$2,250 under \$2,500.....	17
\$2,500 under \$2,750.....	18
\$2,750 under \$3,000.....	19
\$3,000 under \$3,500.....	20
\$3,500 under \$4,000.....	21
\$4,000 under \$5,000.....	22
\$5,000 under \$7,500.....	23
\$7,500 under \$10,000.....	24
\$10,000 under \$25,000.....	25
\$25,000 under \$50,000.....	26
\$50,000 or more.....	27

TXNT Taxable/Nontaxable Returns:

(A) Taxable Returns.....	1
(B) Nontaxable Return.....	2

TXRT Marginal Tax Rate (Based on 1986 tax rate schedules).....0, 11-50

TXST TAX STATUS:

(A) No Tax.....	0
(B) Regular Tax.....	1
(C) Non-Compute Regular Tax.....	2
(D) Non-Compute Nontaxable.....	3
(E) Schedule G (Income Averaging) Tax.....	4

XFPT Primary Taxpayer Exemption:
 (A) Regular.....1
 (B) Age.....2
 (C) Age and Blind.....3
 (D) Regular and Blind.....4

XFST Secondary Taxpayer Exemption:
 (A) No Secondary Taxpayer.....0
 (B) Regular.....1
 (C) Regular and Age.....2
 (D) Regular, Age and Blind.....3
 (E) Regular and Blind.....4

XOCAH Exemptions for Children Living at Home (for high income returns,
 XOCAH with values greater than 3 have been changed to 3):
 Actual number entered.....0-99

XOCAWH Exemptions for Children Living Away from Home:
 Actual number entered.....0-99

XOODPEP Exemptions of Other Dependents:
 Actual number claimed.....0-99

XOPAR Exemptions for Parents Living at Home or Away from Home:
 Actual number entered.....0-9

XOTHER Exemptions Other than Age or Blind
 (A) One.....1
 (B) Two.....2
 (C) Three.....3
 (D) Four.....4
 (E) Five.....5
 (F) Six or more.....6

XTOT Total Exemptions:
 Actual number punched.....01-99

EXPLANATION OF ELEMENTS NOT ABSTRACTED DIRECTLY FROM TAX FORMS

The following explanations define data elements contained in the 1986 Individual Tax Model File that have not been abstracted directly from a specific line on Forms 1040, 1040A, 1040EZ or the accompanying Schedules and Forms. Element numbers not appearing in this section have been entered on the specific lines on the forms or schedules from which the data were abstracted. Refer to the "1986 Federal Tax Forms" section of this booklet for further information.

Element
Number

Definition

- 37 Zero Bracket Amount
This amount was limited to the smaller of the statutory limit or Taxable Income (E39).
- 38 Taxable Income, (Old Concept without ZBA)
This is a computed amount equal to Adjusted Gross Income minus (Zero

but never less than zero. This concept does not include the Zero Bracket Amount, and as such is comparable to taxable income as shown for Tax Years prior to 1977. See (E39).

- 39 Taxable Income
This is a computed amount equal to Adjusted Gross Income minus Excess Itemized Deductions (or plus unused Zero Bracket Amount) minus Exemption Amount. This concept includes the Zero Bracket Amount (Equivalent of the former Standard Deduction) and is thus not comparable to taxable income as shown for Tax Years prior to 1977.

<u>Element Number</u>	<u>Definition</u>
54	Earned Income Credit Used to Offset Income Tax Before Credits This amount was computed based on the lesser of: Earned Income Credit or Income Tax Before Credits minus all credits except the Earned Income Credit.
56	Total Tax Credits (SOI) Total credits from Form 1040 (line 44 plus line 49) or 1040A (line 22) plus the amount of Earned Income Credit used to offset Income Tax before Credits.
58	Total Income Tax Element (59) plus element (61).
59	Income Tax After Credits (SOI) Income Tax after Credits from Form 1040 or 1040A minus the amount of Earned Income Credit used to offset income tax before credits.
60	Marginal Tax Base This is the amount of income subject to tax at the highest tax rate applicable to the return (TXRT), using the 1986 tax rate schedules for all returns.
66	Total Tax Payments Total payments from 1040 or 1040A minus the total Earned Income Credit.
76-77	If Earned Income Credit (EIC) is greater than Income Tax Before Credits (E42), the following fields are computed: 76 - Earned Income Credit used to offset all other taxes. This value depends on whether the difference between EIC and EIC used to offset Income Tax Before Credit (E54) is less than the value calculated by Total Tax Liability minus Income Tax After Credits minus Advance Earned Income Credit payments. If it is less than this value, this field equals EIC minus E54. Also, E77 equals 0. If this is not true, this field equals the value calculated by Total Tax Liability minus Income Tax After Credits minus Advance Earned Income Credit payments. Also, E77 is calculated (see below). 77 - Earned Income Credit Refundable Portion This equals EIC minus E54 minus E76 (see above for definitions and conditions).
118	Combined Capital Gains (Excluded Long-Term Gains). Sum of Line 22, Schedule D and 1.5 times Line 14, Form 1040.

<u>Element Number</u>	<u>Definition</u>
119	Combined Capital Gains (combined net Capital Gain Less Loss). Sum of Line 19, Schedule D, plus 2.5 times Line 14, Form 1040.
120	Combined Capital Gains (combined Long-Term Gains Included in AGI). If Net Short-Term Capital Gains are positive, the difference between Line 19, Schedule D and Excluded Long-Term Gains (E119 above). If Net Short-Term Capital Losses, subtract Line 8, Schedule D from above.
159	Decimal Weight: A method of estimation by dividing the computer population count of returns in a sample stratum by the number of sample returns for that stratum (carried to 2 decimal places) The decimal place is implied. If used, divide by 100.
160	Integer Weight: A method of estimation in which the decimal weight is converted to an integer weight and then applied to each return.

TECHNICAL DESCRIPTION OF THE FILE

Each "data record" in the file, representing one tax return, is composed of 1,680 characters. Blocks are made up of 6 data records and are separated by a 3/4 inch "inter record gap" (IRG). There is no special indication at the end of a block other than the IRG, and no indication of the end of a data record.

Tape characters are recorded in either EBCDIC or ASCII on standard 2,400 foot, 1/2 inch, nine-track tape, and a density of 6,250 bytes per inch (BPI). In this mode, a 1-bit and 0-bit are recorded as signals of opposite polarity in ODD parity (a parity bit is set to 1 or 0 so that there is always an ODD number of 1-bits in a nine-bit character).

Each code and data field is numeric and defined in character format. All codes are unsigned. The data fields are signed positive or negative, whichever is appropriate, in the last character position of the field.

Codes are defined as 2 characters in length. The largest decimal value is 99 with leading zeroes. The fields in the file are 10 characters in length with leading zeroes. Weight factors are provided to accommodate either a decimal or an integer weighting system.

The file is a single data set on two tapes and is UNLABELLED (EBCDIC) or LABELLED (ASCII).

INDIVIDUAL TAX FILE SAMPLE DESCRIPTION

Sources of the Data

The data in the 1986 Individual Tax File were compiled from a stratified probability sample of unaudited individual income tax returns, Forms 1040, 1040A, and 1040EZ, filed by U.S. citizens and residents. The sample was designated at the National Computer Center and was processed in each of the ten Internal Revenue Service Centers during Calendar Year 1986. The total sample of 75,400 returns was selected from a population of 103.0 million returns.

The estimates that could be obtained from this file are intended to represent all returns filed for Income Tax Year 1986. While most of the returns processed during 1987 were for Calendar Year 1986, a few were for prior years. Returns for prior years were used in place of 1986 returns received and processed after December 31, 1987. This was done on the assumption that the characteristics of returns not yet filed could best be represented by the returns for previous income years that were processed in 1987.

All returns processed during 1987 were subjected to sampling except tentative and amended returns. Tentative returns were not subjected to sampling because the revised returns may have been sampled later on, while amended returns were excluded because the original returns had already been subjected to sampling.

Sample Criteria and Selection

Form 1040, 1040A and 1040EZ returns filed and processed into the Internal Revenue Service's Individual Master File System at NCC during 1987 were stratified, by computer, into 33 sample strata based on: the presence or absence of a Schedule C, Profit (or Loss) from Business or Profession; presence of Schedule F, Profit (or Loss) from Farms; the larger of total

of the sample returns in the stratum were systematically given a weighting factor of 45, and 76 percent a weight of 44. The file can be weighted with either decimal or integer weights.

Processing and Management of the Sample

While the sample was being selected, the selection process was monitored by applying prescribed sampling rates for each stratum to the population count for that stratum. A follow-up was required to reconcile differences between the actual number of returns selected and the expected number.

In transcribing and tabulating the information from the returns in the sample, checks were imposed to improve the quality of the resulting estimates. Incorrect or missing entries on the sampled record were altered during statistical editing to make them consistent with other entries on the return and accompanying schedules. Data were also adjusted during editing in an attempt to achieve consistent statistical definitions. For example, a taxpayer may report director's fees on the other income line of the Form 1040 return. If this situation had been detected during statistical editing, the amount of director's fees would have been entered into the salaries and wages field to the sample record.

Quality of the basic data abstracted was controlled at the processing centers by means of a continuous verification system that used computer tests to check for mathematical errors and inconsistencies in the data. These tests were performed while the returns were still available to aid in resolving the error conditions. Prior to tabulation of the data at the IRS Data Center, additional computer tests were applied to each return record to determine the need for adjustments to the data. Also, as a further check on processing, the IRS Data Center conducted an independent reprocessing of a small subsample of the returns previously processed for the study.^{1/}

^{1/} For more details on the techniques used to process the returns in the sample, particularly those steps designed to ensure the quality of the statistical data, see:

Kilss, Beth and Scheuren, Fritz. "Statistics from Individual Income Tax Returns: Quality Issues," 1982 Proceedings, American Statistical Association, Section on Survey Research Methods, pp. 271-277.

Sailer, Peter; Hicks, Charles; Watson, David; and Trevors, Dan, "Results of Coverage and Processing Changes to the 1980 Individual Statistics of Income Program," 1982 Proceedings, American Statistical Association, Section on Survey Research Methods, pp. 452-458.

Durkin, Thomas M. and Schwartz, Otto, "The SOI Quality Control Program," 1981 Proceedings, American Statistical Association, Section on Survey Research Methods, pp. 478-483.

1986

FEDERAL TAX FORMS
(WITH ELEMENT NUMBERS REFERENCED)

FIELD NUMBERS

Field Numbers presented on the tax forms and schedules lines can be used to cross reference to the Core Record Layout. An example of this is line 7 on the Form 1040 which has a field number of 2.

7 Wages, salaries, tips, etc.----- 2

On the Core Record Layout it would appear as 2 to the left of the Salaries and Wages line. See example below.

-- Core Record Layout --

1. ADJUSTED GROSS INCOME (DEFICIT) (AGI) (+/-)
2. SALARIES AND WAGES 2/
3. INTEREST RECEIVED
4. DIVIDENDS RECEIVED

Another example, Line 8, Interest Income, on the Form 1040 (see below) has a field number of 3. This field number is cross referenced to the Interest income line on the Core Record Layout, which contains the number 3 to the left of the line (see above).

8 Interest Income ----- 3

For the year January 1-December 31, 1986, or other tax year beginning 1986, ending 19 OMB No. 1545-0074

Use IRS label. Other-wise, please print or type. Your first name and initial (if joint return, also give spouse's name and initial) Last name Your social security number Present home address (number and street or rural route). (If you have a P.O. Box, see page 4 of Instructions.) Spouse's social security number City, town or post office, state, and ZIP code STATE If this address is different from the one shown on your 1985 return, check here

Presidential Election Campaign Do you want \$1 to go to this fund? if joint return, does your spouse want \$1 to go to this fund? ELECT Yes No Note: Checking "Yes" will not change your tax or reduce your refund.

Filing Status 1 Single 2 Married filing joint return (even if only one had income) 3 Married filing separate return. Enter spouse's social security no. above and full name here. 4 Head of household (with qualifying person). (See page 5 of Instructions.) If the qualifying person is your unmarried child but not your dependent, enter child's name here. 5 Qualifying widow(er) with dependent child (year spouse died 19). (See page 6 of Instructions.) MARS

Exemptions 6a Yourself XFPT 65 or over Blind Enter number of boxes checked on 6a and b 6b Spouse XFST 65 or over Blind Enter number of children listed on 6c 6c First names of your dependent children who lived with you X O C A H Enter number of children listed on 6c 6d First names of your dependent children who did not live with you (see page 6). X O C A W H Enter number of children listed on 6d 6e Other dependents: (1) Name (2) Relationship (3) Number of months lived in your home (4) Did dependent have income of \$1,080 or more? (5) Did you provide more than one-half of dependent's support? X O P A R X O O D E P Enter number of other dependents Add numbers entered in boxes above 6f Total number of exemptions claimed (also complete line 36). X T O T

Income 7 Wages, salaries, tips, etc. (attach Form(s) W-2) 7 2 8 Interest income (also attach Schedule B if over \$400) 8 3 9a Dividends (also attach Schedule B if over \$400) 4 9b Exclusion 5 9c Subtract line 9b from line 9a and enter the result 6 10 Taxable refunds of state and local income taxes, if any, from the worksheet on page 9 of Instructions. 10 7 11 Alimony received 11 8 12 Business income or (loss) (attach Schedule C) 12 9 13 Capital gain or (loss) (attach Schedule D) 13 10 14 40% of capital gain distributions not reported on line 13 (see page 9 of Instructions) 14 11 15 Other gains or (losses) (attach Form 4797) 15 12 16 Fully taxable pensions, IRA distributions, and annuities not reported on line 17 (see page 9). 16 13 17a Other pensions and annuities, including rollovers. Total received 17a 14 17b Taxable amount, if any, from the worksheet on page 10 of Instructions 17b 15 18 Rents, royalties, partnerships, estates, trusts, etc. (attach Schedule E) 18 16 19 Farm income or (loss) (attach Schedule F) 19 17 20a Unemployment compensation (insurance). Total received 20a 18 20b Taxable amount, if any, from the worksheet on page 10 of Instructions 20b 19 21a Social security benefits (see page 10). 21a 20 21b Taxable amount, if any, from worksheet on page 11. Tax-exempt interest 21b 21 22 Other income (list type and amount—see page 11 of Instructions) 22 23 Add the amounts shown in the far right column for lines 7 through 22. This is your total income 23

Adjustments to Income 24 Moving expenses (attach Form 3903 or 3903F) 24 22 25 Employee business expenses (attach Form 2106) 25 23 26 IRA deduction, from the worksheet on page 12 26 24 27 Keogh retirement plan and self-employed SFP deduction 27 25

Tax Computation

(See Instructions on page 13.)

33	Amount from line 32 (adjusted gross income)	33	1
34a	If you itemize, attach Schedule A (Form 1040) and enter the amount from Schedule A, line 26. Caution: If you have unearned income and can be claimed as a dependent on your parents' return, see page 13 of Instructions and check here <input type="checkbox"/> . Also see page 13 if you are married filing a separate return and your spouse itemizes deductions, or you are a dual-status alien.	34a	33
b	If you do not itemize but you made charitable contributions, enter your cash contributions here. (If you gave \$3,000 or more to any one organization, see page 14.)	34b	
c	Enter your noncash contributions (you must attach Form 8283 if over \$500)	34c	
d	Add lines 34b and 34c. Enter the total	34d	34
35	Subtract line 34a or line 34d, whichever applies, from line 33	35	35
36	Multiply \$1,080 by the total number of exemptions claimed on line 6f (see page 14)	36	36
37	Taxable income. Subtract line 36 from line 35. Enter the result (but not less than zero)	37	39
38	Enter tax here. Check if from <input type="checkbox"/> Tax Table, <input type="checkbox"/> Tax Rate Schedule X, Y, or Z, or <input type="checkbox"/> Schedule G	38	40
39	Additional taxes (see page 14 of Instructions). Enter here and check if from <input type="checkbox"/> Form 4970, <input type="checkbox"/> Form 4972, or <input type="checkbox"/> Form 5544	39	
40	Add lines 38 and 39. Enter the total	40	42

Credits

(See Instructions on page 14.)

41	Credit for child and dependent care expenses (attach Form 2441)	41	50
42	Credit for the elderly or for the permanently and totally disabled (attach Schedule R)	42	46
43	Partial credit for political contributions for which you have receipts	43	49
44	Add lines 41 through 43. Enter the total	44	52
45	Subtract line 44 from line 40. Enter the result (but not less than zero)	45	
46	Foreign tax credit (attach Form 1116)	46	47
47	General business credit. Check if from <input type="checkbox"/> Form 3800, <input type="checkbox"/> Form 3468, <input type="checkbox"/> Form 5884, <input type="checkbox"/> Form 6478, or <input type="checkbox"/> Form 6765	47	(includes 48, 51) 45
48	Add lines 46 and 47. Enter the total	48	includes 53, 55
49	Subtract line 48 from line 45. Enter the result (but not less than zero)	49	59

Other Taxes

(Including Advance EIC Payments)

50	Self-employment tax (attach Schedule SE)	50	62
51	Alternative minimum tax (attach Form 6251)	51	61
52	Tax from recapture of investment credit (attach Form 4255)	52	63
53	Social security tax on tip income not reported to employer (attach Form 4137)	53	64
54	Tax on an IRA (attach Form 5329)	54	65
55	Add lines 49 through 54. This is your total tax	55	57

Payments

Attach Forms W-2, W-2G, and W-2P to front.

56	Federal income tax withheld	56	67
57	1986 estimated tax payments and amount applied from 1985 return	57	68
58	Earned income credit (see page 16)	58	75
59	Amount paid with Form 4868	59	69
60	Excess social security tax and RRTA tax withheld (two or more employers)	60	70
61	Credit for Federal tax on gasoline and special fuels (attach Form 4136)	61	71
62	Regulated investment company credit (attach Form 2439)	62	72
63	Add lines 56 through 62. These are your total payments	63	66

Refund or Amount You Owe

64	If line 63 is larger than line 55, enter amount OVERPAID	64	73(-)
65	Amount of line 64 to be REFUNDED TO YOU	65	
66	Amount of line 64 to be applied to your 1987 estimated tax	66	74
67	If line 55 is larger than line 63, enter AMOUNT YOU OWE. Attach check or money order for full amount payable to "Internal Revenue Service." Write your social security number, daytime phone number, and "1986 Form 1040" on it. Check <input type="checkbox"/> if Form 2210 (2210F) is attached. See page 17. Penalty: \$ -- 43 --	67	73(+)

Under penalties of perjury, I declare that I have examined this return and accompanying schedules and statements, and to the best of my knowledge and belief, they are true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

Please Sign Here

Your signature _____ Spouse's signature (if joint return, BOTH must sign) _____	Date	Your occupation
	Date	Spouse's occupation

Paid Preparer's Use Only

Preparer's signature	Date	Check if self-employed <input type="checkbox"/>	Preparer's social security no.
Firm's name (or yours, if self-employed) and address	E.I. No.	ZIP code	

**U.S. Individual
Income Tax Return (L) 1986**

**Step 1
Name and
address**

Use the IRS mailing label. If you don't have one, print or type:

OMB No. 1545-0085

Your first name and initial (if joint return, also give spouse's name and initial)

Last name

Your social security no.

Present home address (number and street). (If you have a P.O. Box, see page 7 of the instructions.)

Spouse's social security no.

City, town or post office, state, and ZIP code

STATE

If this address is different from the one shown on your 1985 return, check here

Presidential Election Campaign Fund

Do you want \$1 to go to this fund? **ELECT.** Yes No

If joint return, does your spouse want \$1 to go to this fund? Yes No

**Step 2
Check your
filing status**

(Check only one)

- 1 Single (See if you can use Form 1040EZ.)
- 2 Married filing joint return (even if only one had income)
- 3 Married filing separate return. Write spouse's social security number above and spouse's full name here. _____
- 4 Head of household (with qualifying person). If the qualifying person is your unmarried child but not your dependent, write this child's name here. _____

**Step 3
Figure your
exemptions**

Always check the exemption box labeled Yourself. Check other boxes if they apply.

- XFPT5a** Yourself 65 or over Blind
- XFST b** Spouse 65 or over Blind

c First names of your dependent children who lived with you XOCAH

d First names of your dependent children who did not live with you (see page 11). (If pre-1985 agreement, check here .) XOCAWH

e Other dependents:

1. Name	2. Relationship	3. Number of months lived in your home.	4. Did dependent have income of \$1,080 or more?	5. Did you provide more than one-half of dependent's support?
<u>XOPAR</u>				
<u>XODEP</u>				

f Total number of exemptions claimed. (Also complete line 18.) XTOT

Attach Copy B of Form(s) W-2 here

**Step 4
Figure your
total income**

Attach check or money order here

- 6** Total wages, salaries, tips, etc. This should be shown in Box 10 of your W-2 form(s). (Attach Form(s) W-2.) 6 2.
- 7** Interest income. (If the total is over \$400, also attach Schedule 1, Part III.) 7 3.
- 8a** Dividends. (If the total is over \$400, also attach Schedule 1, Part IV.) 8a 4.
- 8b** Exclusion (see page 16). 8b 5.
- 8c** Subtract line 8b from line 8a. Write the result on line 8c. 8c 6.
- 9a** Unemployment compensation (insurance), from Form(s) 1099-G. Total received. 9a 18.
- 9b** Taxable amount, if any, from the worksheet on page 17 of the instructions. 9b 19.

10 Add lines 6, 7, 8c, and 9b. Write the total. This is your total income. ▶ 10 .

**Step 5
Figure your
adjusted
gross
income**

- 11** Individual retirement arrangement (IRA) deduction, from the worksheet on page 19. 11 24.
- 12** Deduction for a married couple when both work. Complete and attach Schedule 1, Part I. 12 28.
- 13** Add lines 11 and 12. Write the total. These are your total adjustments. 13 .
- 14** Subtract line 13 from line 10. Write the result. This is your adjusted gross income. ▶ 14 1.

Step 6
Figure your taxable income

15	Write the amount from line 14.	15	1
16a	If you made charitable contributions, write your cash contributions. (If \$3,000 or more to any one organization, see page 21.)	16a	
b	Write your noncash contributions. If over \$500, you must attach Form 8283.	16b	
c	Add lines 16a and 16b. Write the total.	16c	34
17	Subtract line 16c from line 15. Write the result.	17	35
18	Multiply \$1,080 by the total number of exemptions claimed on line 5f. See the chart on page 22 of the instructions.	18	36
19	Subtract line 18 from line 17. Write the result. This is your taxable income .	19	39

Step 7
Figure your tax, credits, and payments (including advance EIC payments)

If You Want IRS to Figure Your Tax, See Page 22 of the Instructions.

20	Find the tax on the amount on line 19. Use the tax table, pages 31-36.	20	40
21a	Credit for child and dependent care expenses. Complete and attach Schedule 1, Part II.	21a	50
b	Partial credit for political contributions for which you have receipts. See page 24 of the instructions.	21b	49
22	Add lines 21a and 21b. Write the total.	22	56
23	Subtract line 22 from line 20. Write the result. (If line 22 is more than line 20, write -0- on line 23.) This is your total tax .	23	59
24a	Total Federal income tax withheld. This should be shown in Box 9 of your W-2 form(s). (If line 6 is more than \$42,000, see page 25 of the instructions.)	24a	67
b	Earned income credit, from the worksheet on page 27 of the instructions. See page 26 of the instructions.	24b	
25	Add lines 24a and 24b. Write the total. These are your total payments .	25	66

Step 8
Figure your refund or amount you owe

26	If line 25 is larger than line 23, subtract line 23 from line 25. Write the result. This is the amount of your refund .	26	73(-)
27	If line 23 is larger than line 25, subtract line 25 from line 23. Write the result. This is the amount you owe . Attach check or money order for full amount payable to "Internal Revenue Service." Write your social security number, daytime phone number, and "1986 Form 1040A" on it.	27	73(+)

Step 9
Sign your return

Under penalties of perjury, I declare that I have examined this return and accompanying schedules and statements, and to the best of my knowledge and belief, they are true, correct, and complete. Declaration of preparer (other than the taxpayer) is based on all information of which the preparer has any knowledge.

Your signature	Date	Your occupation
X		
Spouse's signature (if joint return, both must sign)	Date	Spouse's occupation
X		

Paid preparer's use only

Preparer's signature	Date	Preparer's social security no.
X		
Firm's name (or yours, if self-employed)	Employer identification no.	
Address and ZIP code	Check if self-employed <input type="checkbox"/>	

Form 1040EZ

Income Tax Return for Single filers with no dependents (L) 1986

OMB No. 1545-0675

Name & address

Use the IRS mailing label. If you don't have one, please print. If your address is different from the one shown on your 1985 return, check here [] .

Please print your numbers like this.

1234567890

Print your name above (first, initial, last)
Present home address (number and street). (If you have a P.O. box, see instructions.)
City, town, or post office, state, and ZIP code STATE

Your social security number

Grid for social security number

Presidential Election Campaign Fund

Do you want \$1 of your tax to go to this fund? ELECT

Yes No Dollars Cents grid

Report your income

1 Total wages, salaries, and tips. This should be shown in Box 10 of your W-2 form(s). (Attach your W-2 form(s).) 2 1

2 Interest income of \$400 or less. If the total is more than \$400, you cannot use Form 1040EZ. 3 2

3 Add line 1 and line 2. This is your adjusted gross income. / 3

4 Enter your cash charitable contributions. See the instructions for line 4 on the back of this form. 34 4

5 Subtract line 4 from line 3. 35 5

6 Amount of your personal exemption. 36 6

7 Subtract line 6 from line 5. If line 6 is larger than line 5, enter 0 on line 7. This is your taxable income. 39 7

Attach Copy B of Form(s) W-2 here

Figure your tax

8 Enter your Federal income tax withheld. This should be shown in Box 9 of your W-2 form(s). 67 8

9 Use the single column in the tax table on pages 31-36 of the Form 1040A instruction booklet to find the tax on your taxable income on line 7. Enter the amount of tax. 40 9

Refund or amount you owe

10 If line 8 is larger than line 9, subtract line 9 from line 8. Enter the amount of your refund. 73(-) 10

11 If line 9 is larger than line 8, subtract line 8 from line 9. Enter the amount you owe. Attach check or money order for the full amount, payable to "Internal Revenue Service." 73(+) 11

Attach tax payment here

Sign your return

I have read this return. Under penalties of perjury, I declare that to the best of my knowledge and belief, the return is true, correct, and complete.

Your signature

Date

For IRS Use Only—Please do not write in boxes below.

Grid for IRS use only

You MUST complete and attach Schedule 1 to Form 1040A only if you:

- Claim the deduction for a working married couple (complete **Part I**)
- Claim the credit for child and dependent care expenses (complete **Part II**)
- Have over \$400 of interest income (complete **Part III**)
- Have over \$400 of dividend income (complete **Part IV**)

Part I

Deduction for a married couple (filing a joint return) when both work (see page 20)

Complete this part to figure the amount you can deduct on Form 1040A, line 12. Attach Schedule 1 to Form 1040A.

	(a) You	(b) Your spouse
1 Wages, salaries, tips, etc., from Form 1040A, line 6.	1	
2 IRA deduction, if any, from Form 1040A, line 11.	2 -	-
3 Subtract line 2 from line 1. Write the result.	3 = 138	=
4 Write the amount from line 3, column (a) or (b) above, whichever is smaller.	4	139
5 Percentage used to figure the deduction (10%).	5	x .10
6 Multiply the amount on line 4 by the percentage on line 5. Write your answer here and on Form 1040A, line 12.	6 =	28

Part II

Credit for child and dependent care expenses (see page 23)

Complete this part to figure the amount of credit you can take on Form 1040A, line 21a. Attach Schedule 1 to Form 1040A.

Note: If you paid cash wages of \$50 or more in a calendar quarter to an individual for services performed in your home, you must file an employment tax return. Get **Form 942** for details.

1 Write the number of qualifying persons who were cared for in 1986. (See the instructions for the definition of a qualifying person.)	1	
2 Write the amount of qualified expenses you incurred and actually paid in 1986 for the care of the qualifying person. (See the instructions for which expenses qualify for the credit.) DO NOT write more than \$2,400 (\$4,800 if you paid for the care of two or more qualifying persons).	2	134
3 a You must write your earned income on line 3a.	3a	
b If you are married, filing a joint return for 1986, you must write your spouse's earned income on line 3b.	3b	
c If you are married, compare the amounts on lines 3a and 3b, and write the smaller of the two amounts on line 3c.	3c	135
4 If you were unmarried at the end of 1986, compare the amounts on lines 2 and 3a, and write the smaller of the two amounts on line 4.		
• If you are married, filing a joint return for 1986, compare the amounts on lines 2 and 3c, and write the smaller of the two amounts on line 4.	4	136
5 Write the percentage from the table below that applies to the amount on Form 1040A, line 15.		

If line 15 is:	Percentage is:	If line 15 is:	Percentage is:
Over— But not over—		Over— But not over—	
\$0—10,000	30% (.30)	\$20,000—22,000	24% (.24)
10,000—12,000	29% (.29)	22,000—24,000	23% (.23)
12,000—14,000	28% (.28)	24,000—26,000	22% (.22)
14,000—16,000	27% (.27)	26,000—28,000	21% (.21)
16,000—18,000	26% (.26)	28,000	20% (.20)
18,000—20,000	25% (.25)		

5	x	
6 Multiply the amount on line 4 by the percentage on line 5. Write the result here and on Form 1040A, line 21a.	6 =	50

**SCHEDULE C
(Form 1040)**

Department of the Treasury
Internal Revenue Service (L)

Name of proprietor

**Profit or (Loss) From Business or Profession
(Sole Proprietorship)**

Partnerships, Joint Ventures, etc., Must File Form 1065.

▶ **Attach to Form 1040, Form 1041, or Form 1041S.** ▶ **See Instructions for Schedule C (Form 1040).**

OMB No. 1545-0074

1986

Attachment
Sequence No. **09**

A Principal business or profession, including product or service (see Instructions)

C Business name and address ▶

E Method(s) used to value closing inventory:

(1) Cost

(2) Lower of cost or market

(3) Other (attach explanation)

F Acquisition date

Social security number

B Principal business code

(from page 2) ▶

D Employer ID number

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

Department of the Treasury
Internal Revenue Service (L)

Schedule A—Itemized Deductions

(Schedule B is on back)

▶ Attach to Form 1040. ▶ See Instructions for Schedules A and B (Form 1040).

OMB No. 1545-0074

1986

Attachment
Sequence No. 07

Name(s) as shown on Form 1040

Your social security number

Medical and Dental Expenses (Do not include expenses reimbursed or paid by others.) (See instructions on page 19.)	1	Prescription medicines and drugs; and insulin	1			
	2	a Doctors, dentists, nurses, hospitals, insurance premiums you paid for medical and dental care, etc.	2a			
		b Transportation and lodging	2b			
		c Other (list—include hearing aids, dentures, eyeglasses, etc.) ▶	2c			
	3	Add lines 1 through 2c, and enter the total here	3	90		
	4	Multiply the amount on Form 1040, line 33, by 5% (.05)	4			
	5	Subtract line 4 from line 3. If zero or less, enter -0-. Total medical and dental ▶	5		89	
Taxes You Paid (See instructions on page 20.)	6	State and local income taxes	6	92		
	7	Real estate taxes	7	93		
	8	a General sales tax (see sales tax tables in instruction booklet)	8a	94		
		b General sales tax on motor vehicles	8b			
	9	Other taxes (list—include personal property taxes) ▶	9	96 97		
	10	Add the amounts on lines 6 through 9. Enter the total here. Total taxes ▶	10			
Interest You Paid (See instructions on page 20.)	11	a Home mortgage interest paid to financial institutions (report deductible points on line 13)	11a	99		
		b Home mortgage interest you paid to individuals (show that person's name and address) ▶	11b	99		
	12	Total credit card and charge account interest you paid	12			
	13	Other interest you paid (list payee's name and amount) ▶	13			
	14	Add the amounts on lines 11a through 13. Enter the total here. Total interest ▶	14		98	
Contributions You Made (See instructions on page 21.)	15	a Cash contributions. (If you gave \$3,000 or more to any one organization, report those contributions on line 15b.)	15a	101		
		b Cash contributions totaling \$3,000 or more to any one organization. (Show to whom you gave and how much you gave.) ▶	15b	102		
	16	Other than cash. (You must attach Form 8283 if over \$500.)	16	103		
	17	Carryover from prior year	17	104		
	18	Add the amounts on lines 15a through 17. Enter the total here. Total contributions ▶	18		100	
Casualty and Theft Losses	19	Total casualty or theft loss(es). (You must attach Form 4684 or similar statement.) (See page 21 of Instructions.) ▶	19		106	
Miscellaneous Deductions (See instructions on page 22.)	20	Union and professional dues	20			
	21	Tax return preparation fee	21			
	22	Other (list type and amount) ▶	22			
	23	Add the amounts on lines 20 through 22. Enter the total here. Total miscellaneous ▶	23			
Summary of Itemized Deductions (See instructions on page 22.)	24	Add the amounts on lines 5, 10, 14, 18, 19, and 23. Enter your answer here.	24		107	
	25	If you checked Form 1040 { Filing Status box 2 or 5, enter \$3,670 } { Filing Status box 1 or 4, enter \$2,480 } { Filing Status box 3, enter \$1,835 }	25		37	
	26	Subtract line 25 from line 24. Enter your answer here and on Form 1040, line 34a. (If line 25 is more than line 24, see the Instructions for line 26 on page 22.) ▶	26		33	

**SCHEDULE SE
(Form 1040)**

Department of the Treasury
Internal Revenue Service (U)

Computation of Social Security Self-Employment Tax

▶ See instructions for Schedule SE (Form 1040).

▶ Attach to Form 1040.

GMB No. 545 0074

1986

Attachment
Sequence No 18

Name of person with self-employment income (as shown on social security card)

Social security number of person
with self-employment income ▶

Part I Regular Computation of Net Earnings From Self-Employment

Note: If you performed services for certain churches or church-controlled organizations and you are not a minister or a member of a religious order, see the instructions before completing the schedule.

1 Net farm profit or (loss) from Schedule F (Form 1040), line 38, and farm partnerships, Schedule K-1 (Form 1065), line 13a

2 Net profit or (loss) from Schedule C (Form 1040), line 32, and Schedule K-1 (Form 1065), line 13a (other than farming). (See instructions for other income to report.) Employees of an electing church or church-controlled organization do NOT enter your Form W-2 wages on line 2. See the instructions.

Note: Check here if you are exempt from self-employment tax on your earnings as a minister, member of a religious order, or Christian Science practitioner because you filed Form 4361. See instructions for kinds of income to report. If you have other earnings of \$400 or more that are subject to self-employment tax, include those earnings on line 2.

Part II Optional Computation of Net Earnings From Self-Employment

(See "Who Can Use Schedule SE" in the instructions. Also see instructions for other limitations.)

Generally, this part may be used only if you meet any of the following tests:

A Your gross farm income¹ was not more than \$2,400; or

B Your gross farm income¹ was more than \$2,400 and your net farm profits² were less than \$1,600; or

C Your net nonfarm profits³ were less than \$1,600 and your net nonfarm profits³ were also less than two-thirds (2/3) of your gross nonfarm income.⁴

Note: If line 2 above is two-thirds (2/3) or more of your gross nonfarm income⁴, or, if line 2 is \$1,600 or more, you may not use the optional method.

¹From Schedule F (Form 1040), line 12, and Schedule K-1 (Form 1065), line 13b.

²From Schedule F (Form 1040), line 38, and Schedule K-1 (Form 1065), line 13a.

³From Schedule C (Form 1040), line 32, and Schedule K-1 (Form 1065), line 13a.

⁴From Schedule C (Form 1040), line 5, and Schedule K-1 (Form 1065), line 13c.

3 Maximum income for optional methods

3 \$1,600 00

4 Farm Optional Method—If you meet test A or B above, enter the smaller of two-thirds (2/3) of gross farm income from Schedule F (Form 1040), line 12, and farm partnerships, Schedule K-1 (Form 1065), line 13b; or \$1,600

4

5 Subtract line 4 from line 3

5

6 Nonfarm Optional Method—If you meet test C above, enter the smallest of two-thirds (2/3) of gross nonfarm income from Schedule C (Form 1040), line 5, and Schedule K-1 (Form 1065), line 13c (other than farming); or \$1,600; or, if you elected the farm optional method, the amount on line 5

6

Part III Computation of Social Security Self-Employment Tax

7 Enter the amount from Part I, line 1, or, if you elected the farm optional method, Part II, line 4

7

8 Enter the amount from Part I, line 2, or, if you elected the nonfarm optional method, Part II, line 6

8

9 Add lines 7 and 8. If less than \$400, do not fill in the rest of this schedule because you are not subject to self-employment tax. (Exception: If you are an employee of an electing church or church-controlled organization, see the instructions. You may owe self-employment tax on the amount you report on line 12c.)

(includes 30)
29

10 The largest amount of combined wages and self-employment earnings subject to social security or railroad retirement tax (tier 1) for 1986 is

10 \$42,000 00

11 a Total social security wages and tips from Forms W-2 and railroad retirement compensation (tier 1). **Note:** Medicare qualified government employees whose wages are only subject to the 1.45% medicare (hospital insurance

**SCHEDULE E
(Form 1040)**

Department of the Treasury
Internal Revenue Service (O)

Supplemental Income Schedule
(From rents and royalties, partnerships, estates, trusts, etc.)
▶ Attach to Form 1040, Form 1041, or Form 1041S.
▶ See instructions for Schedule E (Form 1040).

OMB No 1545-0074

1986
Attachment
Sequence No 13

Name(s) as shown on Form 1040

Your social security number

Part I Rental and Royalty Income or (Loss)

1 In the space provided below, show the kind and location of each rental property.

2 For each property listed, did you or a member of your family use for personal purposes any of the properties for more than the greater of 14 days or 10% of the total days rented at fair rental value during the tax year?

	Yes	No
Property A		
Property B		
Property C		

Rental and Royalty Income	Properties			Totals (Add columns A, B, and C)
	A	B	C	
3a Rents received				3
b Royalties received				
Rental and Royalty Expenses				
4 Advertising				
5 Auto and travel				
6 Cleaning and maintenance				
7 Commissions				
8 Insurance				
9 Legal and other professional fees				
10 Mortgage interest paid to financial institutions (see instructions)				10

Credit for Child and Dependent Care Expenses

OMB No. 1545-0068

1986
Attachment
Sequence No **23**

▶ Attach to Form 1040.
▶ See instructions below.

Name(s) as shown on Form 1040

Your social security number

Note: If you paid cash wages of \$50 or more in a calendar quarter to an individual for services performed in your home, you must file an employment tax return. Get **Form 942, Employer's Quarterly Tax Return for Household Employees**, for details.

- 1 Enter the number of qualifying persons who were cared for in 1986. (See the instructions below for the definition of qualifying persons.)
- 2 Enter the amount of **qualified** expenses you incurred and actually paid in 1986 for the care of the qualifying person. (See **What Are Qualified Expenses** in the instructions.) **Do not** enter more than \$2,400 (\$4,800 if you paid for the care of two or more qualifying persons)
- 3a You **must** enter your earned income on line 3a. See the instructions for line 3 for the definition of earned income.
- b If you are married, filing a joint return for 1986, you must enter your spouse's earned income on

1	
2	134
3a	
3b	

Schedule W
(Form 1040)

Department of the Treasury
Internal Revenue Service (L)

Deduction for a Married Couple
When Both Work

► For Paperwork Reduction Act Notice, see Form 1040 Instructions.
► Attach to Form 1040.

OMB No 1545-0074

1986

Attachment
Sequence No. **20**

Names as shown on Form 1040

Your social security number

Step 1 Figure your earned income

	(a) You		(b) Your spouse	
1 Wages, salaries, tips, etc., from Form 1040, line 7. (Do not include pensions or annuities reported on Form 1040, line 16 or lines 17a and 17b.)	1		1	
2 Net profit or (loss) from self-employment (from Schedules C and F (Form 1040), Schedule K-1 (Form 1065), and any other earned income)	2		2	
3 Add lines 1 and 2. This is your total earned income.	3		3	

Step 2 Figure your qualified earned income

4 Add amounts entered on Form 1040, lines 25, 26, 27, and any repayment of supplemental unemployment benefits (sub-pay) included on line 31. Enter the total (see instructions below)	4		4	
5 Subtract line 4 from line 3. This is your qualified earned income. If the amount in column (a) or (b) is zero (-0-) or less, stop here. You may not take this deduction	5	138	5	

Step 3 Figure your deduction

6 Compare the amounts in columns (a) and (b) of line 5 above. Enter the smaller amount here. (Enter either amount if 5(a) and 5(b) are the same.) Do not enter more than \$30,000	6	139	
7 Percentage used to figure the deduction (10%)	7	x .10	
8 Multiply the amount on line 6 by the percentage on line 7. This is the amount of your deduction. Enter the answer here and on Form 1040, line 30	8	28	

Instructions

Complete this schedule and attach it to your Form 1040 if you take the deduction for a married couple when both work. You may take the deduction if both you and your spouse:

- work and have qualified earned income, and
- file a joint return, and
- do not file **Form 2555** to exclude income or to exclude or deduct certain housing costs, and
- do not file **Form 4563** to exclude income.

There are three steps to follow in figuring the deduction on Schedule W.

Step 1 (lines 1, 2, and 3).—Figure earned income separately for yourself and your spouse.

Earned income.—This is generally income you receive for services you provide. It includes wages, salaries, tips, commissions, sub-pay, etc. (from Form 1040, line 7). It also includes income earned from self-employment (from Schedules C and F of Form 1040 and Schedule K-1 of Form 1065), and net

earnings and gains (other than capital gains) from the disposition, transfer, or licensing of property that you created.

Earned income does not include interest, dividends, social security benefits, IRA distributions, unemployment compensation, deferred compensation, or nontaxable income. It also does not include any amount your spouse paid you.

Caution: Do not consider community property laws in figuring your earned income.

Step 2 (lines 4 and 5).—Figure qualified earned income separately for yourself and your spouse by subtracting certain adjustments from earned income.

Qualified earned income.—This is the amount on which the deduction is based. Figure it by subtracting the total of certain adjustments from earned income. These adjustments (and the related lines on Form 1040) are:

- Employee business expenses (from line 25).
- IRA deduction (from line 26).
- Keogh retirement plan and self-employed SEP deduction (from line 27).

• Repayment of sub-pay included in the total on line 31. See the instructions on repayment of sub-pay on page 12 of the Form 1040 Instructions.

Enter the total of any adjustments that apply to your or your spouse's earned income in the appropriate column of line 4.

Step 3 (lines 6, 7, and 8).—Figure the deduction based on the **smaller** of:

- the qualified earned income entered in column (a) or (b) of line 5, whichever is less, **OR**
- \$30,000.

Example.—You earned a salary of \$20,000 and had \$3,000 of employee business expenses (Form 1040, line 25). Your spouse earned \$17,000 and had an IRA deduction of \$1,000 (Form 1040, line 26). Your qualified earned income is \$17,000 (\$20,000 minus \$3,000) and your spouse's is \$16,000 (\$17,000 minus \$1,000). Because your spouse's qualified earned income is less than yours, the deduction is figured on your spouse's income. Therefore, the deduction is \$1,600 (\$16,000 x .10).

Alternative Minimum Tax Computation

▶ Attach to Forms 1040, 1040NR, 1041 or 990-T (Trust).

Name(s) as shown on tax return

Identifying number

		1		
1	Adjusted gross income (see instructions)			
2	Deductions (Individuals, attach Schedule A (Form 1040))(see instructions)			
a	(1) Medical and dental expense from Schedule A, line 5	2a(1)		
	(2) Multiply Form 1040, line 33, by 5% (.05)	2a(2)		
	(3) Subtract line 2a(2) from line 2a(1). (If zero or less, enter zero.)	2a(3)		
b	Contributions from Schedule A, line 18, OR Form 1040, line 34d	2b		
c	Casualty and theft losses from Schedule A, line 19	2c		
d	Qualified interest on property used as a residence (see instructions)	2d		
e	(1) Interest, other than line 2d above, from Schedule A, line 14	2e(1)		
	(2) Net investment income (If zero or less, enter zero)	2e(2)		
	(3) Enter the smaller of line 2e(1) or line 2e(2)	2e(3)		