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Scholarships and Fellowships

For use in preparing
1994 Returns

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Introduction

Your scholarship or fellowship may be tax free.

If your scholarship is tax free, do not include it in income on your tax return. If your only income is a tax-free scholarship, you do not have to file a return. If all, or any part, of your scholarship is not tax free, it is your taxable income. See *How To Report*, later.

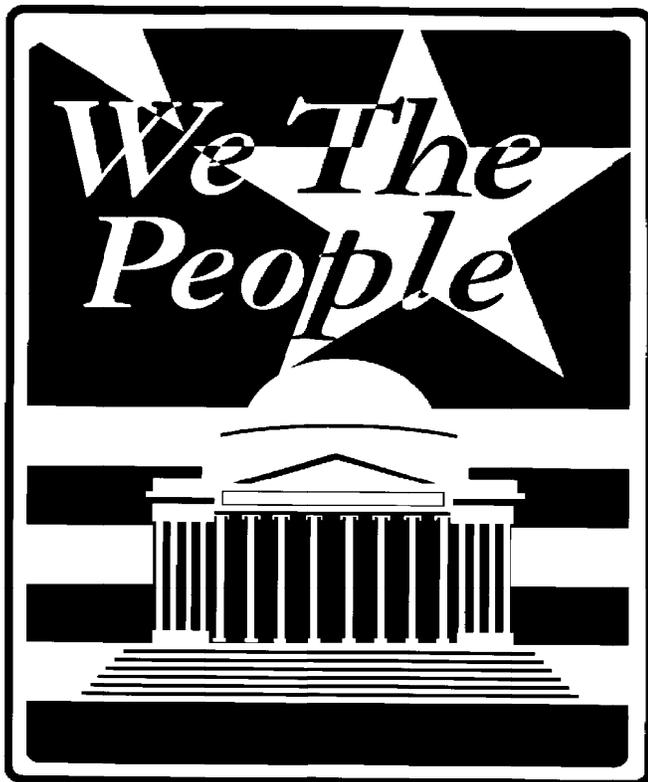
This publication is for U.S. citizens and resident aliens who are studying, teaching, or researching in the United States or abroad under scholarships and fellowships. If you are a non-resident alien, get Publication 519, *U.S. Tax Guide for Aliens*.

This publication covers the rules for scholarships and fellowships and provides certain other information of interest to students. It includes three examples of completed tax returns for grant recipients who also received other types of income.

Generally, U.S. scholars and teachers abroad have the same tax obligations as their counterparts in the United States. However, special benefits and rules may apply to them. These are discussed later under *Individuals Abroad*.

Summary of rules. A summary of the tax rules follows.

- You must be a candidate for a degree or your scholarship is taxable.
- Only amounts for tuition, fees, books, supplies, and equipment are not taxable. Amounts for other expenses, such as room, board, and travel, are taxable.



- The part of any grant that represents payment for teaching, research, or other services is taxable.

Useful Items

You may want to see:

Publication

- 54** Tax Guide for U.S. Citizens and Resident Aliens Abroad
- 501** Exemptions, Standard Deduction, and Filing Information
- 505** Tax Withholding and Estimated Tax
- 508** Educational Expenses
- 514** Foreign Tax Credit for Individuals
- 519** U.S. Tax Guide for Aliens
- 525** Taxable and Nontaxable Income
- 901** U.S. Tax Treaties

Form (and Instructions)

- 1040** U.S. Individual Income Tax Return
- 1040A** U.S. Individual Income Tax Return
- 1040EZ** U.S. Individual Income Tax Return

Ordering publications and forms. To order free publications and forms, call our toll-free telephone number 1-800-TAX-FORM (1-800-829-3676). Or, write to the IRS Forms Distribution Center nearest you. Check your income tax package for the address.

Telephone help for hearing-impaired persons. If you have access to TDD equipment, you can call 1-800-829-4059 with your tax question or to order forms and publications. See your tax package for the hours of operation.

What is a Scholarship or Fellowship

You may be able to treat as tax free all or part of the amounts you receive as a scholarship or fellowship.

You cannot treat tax-free scholarship or fellowship amounts as tax-free foreign earned income or foreign housing amounts. For information on these exclusions from income, see Publication 54, *Tax Guide for U.S. Citizens and Resident Aliens Abroad*.

Scholarships

A scholarship is generally an amount paid for the benefit of a student at an **educational institution** to aid in the pursuit of studies. The student may be either an undergraduate or graduate.

An educational institution maintains a regular faculty and curriculum and has a regularly

enrolled body of students in attendance at the place where it carries on its educational activities.

Cash scholarship prizes won in a contest are not scholarships or fellowships if you are **not required** to use the prizes for educational purposes. These prizes are taxable regardless of how you use the money. A prize of a scholarship that you can only use when enrolled as a candidate for a degree at a college is a qualified scholarship.

Pell Grants, Supplemental Educational Opportunity Grants, and Grants to States for State Incentives are scholarships and are tax free to the extent used for qualifying tuition and course-related expenses during the grant period.

Athletic scholarships. Your athletic scholarship is a scholarship for this purpose. See *Qualified scholarship or fellowship*, later, regarding the part of your athletic scholarship that may be treated as tax free.

Fellowships

A fellowship is generally an amount paid for the benefit of an individual to aid in the pursuit of study or research.

General Information

A **qualified scholarship or fellowship** grant is tax free only if you are a candidate for a degree at an educational institution.

Qualified scholarship or fellowship. A qualified scholarship or fellowship is any amount you receive as a scholarship or fellowship that is used under the terms of the grant for:

- Tuition and fees required to enroll in, or to attend, an educational institution, or
- Fees, books, supplies, and equipment that are required for the courses at the educational institution.

The required fees, books, supplies, and equipment stated above must be required of all students in your course of instruction.

Incidental expenses. An amount you receive for incidental expenses is not a tax-free qualified scholarship. Incidental expenses include expenses for room and board, travel, research, and clerical help. They also include expenses for equipment and other items that are not required for either enrollment or attendance at an educational organization, or in a course of instruction at the educational organization.

Example. You receive a scholarship from State University to enroll in a writing course. Suggested supplies for the writing course include a word processor. Amounts used for suggested supplies are not qualified scholarship expenses. Thus, you may not include the cost of a word processor to determine the amount received as a qualified scholarship.

Terms of grant. Your scholarship or fellowship can still qualify as tax-free even if the terms do not provide that it only be used for tuition and course-related expenses. It will qualify if you use the grant proceeds for tuition and course-related expenses. However, if the terms of the grant require its use for other purposes, such as room and board, or specify that the grant cannot be used for tuition or course-related expenses, the amounts received under the grant cannot be excluded from income.

Does your grant qualify. If there is some doubt about the tax treatment of your grant, first consult the grantor. The grantor may have received advice from the IRS about the appropriate tax treatment of the grant. You may also contact the District Director of Internal Revenue for the district in which you live. Be sure to ask for the information as soon as possible so that you can receive an answer in time to file your return. If you request this advice by mail, give a complete statement of all the facts.

If your grant does not qualify as a tax-free scholarship or fellowship, you must include it in gross income. You can deduct related expenses that are ordinary and necessary business expenses.

Candidate for a degree. The term "candidate for a degree" means a student (full- or part-time) who:

Attends a primary or secondary school or is pursuing a degree at a college or university, or

Attends an educational institution that is authorized or accredited to provide a program that is acceptable for full credit toward a bachelor's or higher degree, or to provide a program of training to prepare students for gainful employment in a recognized occupation.

Payment for services. You must include in income the part of any scholarship or fellowship, including any tuition reduction, that represents payment for past, present, or future teaching, researching, or performing other services. This applies even if all candidates for a degree are required to perform the services to receive the degree.

Example 1. On January 7, 1994, you were notified of a scholarship of \$2,500 for the spring 1994 semester. As a condition of receiving the scholarship, you must serve as a part-time teaching assistant. Of the \$2,500 scholarship, \$1,000 represents payment for your services. The grantor gives you a Form W-2 showing \$1,000 as income. You used all the money for tuition and course-related expenses. Assuming that all other conditions are met, \$1,500 of your grant is a tax-free qualified scholarship. The \$1,000 you received for teaching is taxable.

Example 2. You are a candidate for a degree at a medical school. During 1994, you receive a government grant for your medical education and training. The terms of the grant require you to perform a period of obligated service in a designated medically underserved

area of the country following completion of your medical studies. A substantial penalty applies if you do not comply. The entire amount of your grant is taxable as payment for services in the year received.

Service academy cadets. An appointment to a United States military academy is not a scholarship or fellowship. Payment you receive as a cadet or midshipman at an armed services academy is pay for personal services. Include this pay in your income in the year you receive it. Active duty pay is taxable.

Veterans' benefits. Payments you receive for education, training, or subsistence under any law administered by the Department of Veterans Affairs (VA) are tax free. For information about the deduction of educational expenses when you receive tax-free VA benefits, see Publication 508, *Educational Expenses*.

Children of faculty members. For education provided to children of faculty members, see *Qualified Tuition Reduction*, later.

Student loans. Although a student educational loan is usually not a scholarship, it is generally tax free.

If your loan was forgiven, you are generally considered to have received taxable income equal to the amount forgiven in the year of forgiveness. However, certain forgiven student loans may be tax free. See *Cancellation of Student Loan Debt*, later.

Deductible educational expenses. If your grant qualifies as a tax-free scholarship or fellowship, you must reduce your deductible educational expenses by the amount of the grant you receive for the educational expenses. Your educational expenses, such as those for tuition, fees, books, and supplies, are ordinarily deductible if they are to maintain or improve skills required in your present work, or to retain your job or rate of pay. See Publication 508, *Educational Expenses*.

Cancellation of Student Loan Debt

You do not have income if your debt under certain student loans is canceled as a result of your working for a time in certain professions for a broad class of employers. To qualify, the loan must have been given by the government (federal, state, or local), or by an educational organization under an agreement with the government, or with an exempt public benefit corporation that has assumed control over a state, county, or municipal hospital, and whose employees are considered public employees under state law.

Example. Bob Rose received \$10,000 under a medical educational loan program. Under the terms of the program, one-fifth of the loan is canceled for each year he practices medicine in a nonprofit state hospital. Thus, one-fifth of the \$10,000, or \$2,000, is canceled for each year of practice in the qualifying hospital. He does not include these amounts in income.

The cancellation of a student loan under section 465 of the Higher Education Act of 1965 is not taxable income.

Student as Dependent

Special rules apply if you are claimed as a dependent on another person's tax return.

Exemption for a student dependent. Generally, an exemption for a dependent cannot be taken if the dependent had gross income of \$2,450 or more for the year. This rule does not apply, however, if the dependent is a full-time student who is under age 24 at the end of the year. (The other dependency tests still apply.) If you cannot be claimed by another taxpayer, you can claim yourself as an exemption on your own return.

Your standard deduction. If you can be claimed as a dependent on another person's return, the standard deduction on your own return is generally limited to the greater of (a) \$600 or (b) your **earned income** for the year

(but generally not more than \$3,800). If you are 65 or older or blind, your standard deduction may be higher.

Your **earned income** for this purpose is salaries, wages, professional fees and other amounts received as pay for work you perform. Earned income also includes the amount of any scholarship or fellowship grant representing payment for teaching, researching, or performing other services. The taxable part of any noncompensatory scholarship or fellowship grant you receive, such as a payment for room and board, is earned income. Interest, dividends, and capital gains are not earned income.

For more information, see Publication 501, *Exemptions, Standard Deduction, and Filing Information*.

Estimated tax. You may have to pay estimated tax on all or part of your scholarship or fellowship. See *Estimated Tax*, later in this publication.

Qualified Tuition Reduction

A qualified tuition reduction is tax free.

The term **qualified tuition reduction** means the reduction in tuition allowed or provided to an employee of an educational institution for the education of an employee (or any person treated as an employee or whose use is treated as an employee use) by any educational institution. **The tuition must be for education below the graduate level.** But see *Graduate education*, later. The term does not include a reduction that represents payment for services.

The following individuals are employees, or are treated as employees:

- 1) A current employee,
- 2) A former employee who retired or left on disability,
- 3) A widow or widower of an individual who died while an employee,
- 4) A widow or widower of a former employee who retired or left on disability, or
- 5) A dependent child or spouse of any person listed in (1) through (4), above.

If both parents have died, and if one of the parents qualified as an employee under (1) through (4) above, their child, if under age 25, can qualify to exclude a tuition reduction from income.

A dependent child of divorced parents is treated as the dependent of both parents.

Qualified tuition reductions apply to officers, owners, or highly compensated employees if benefits are available to employees on a nondiscriminatory basis. The exclusions will apply if the tuition reduction benefits are available on substantially the same basis to each member of a group of employees, defined under a reasonable classification set up by the employer, that does not discriminate in favor of

Table 1. Tax Treatment of Scholarship and Fellowship Payments

Payment for	Degree candidate	Not a degree candidate
Tuition	Tax free	Taxable
Fees	Tax free	Taxable
Books	Tax free	Taxable
Supplies	Tax free	Taxable
Equipment	Tax free	Taxable
Room	Taxable	Taxable
Board	Taxable	Taxable
Travel	Taxable	Taxable
Teaching	Taxable	Taxable
Research	Taxable	Taxable
Other services	Taxable	Taxable

owners, officers, or highly compensated employees.

Graduate education. This tax-free treatment also applies to a graduate student at an educational institution who performs teaching or research activities for that institution. The qualified tuition reduction must be for education furnished by that institution, and not represent payment for services. The term *an educational institution* is defined earlier.

Individuals Abroad

For the most part, U.S. scholars and teachers abroad are taxed on their worldwide income, but certain special rules apply.

Teaching or Lecturing Abroad Under Taxable Grants

Foreign earned income exclusion. Generally, a grant you receive for teaching or lecturing abroad is payment for services and is subject to U.S. income tax. This includes cash reimbursement for transportation expenses and the value of transportation furnished in kind.

However, you may be able to exclude foreign earned income up to \$70,000. The exclusion may apply if your **tax home** is in a foreign country and you are:

- 1) A U.S. citizen and a bona fide resident of a foreign country or countries for an uninterrupted period that includes an entire tax year, or
- 2) A U.S. resident alien who is a citizen or national of a country with which the United States has an income tax treaty in effect and who is a bona fide resident of a foreign country or countries for an uninterrupted period that includes an entire tax year, or
- 3) A U.S. citizen or a U.S. resident alien and are physically present in a foreign country or countries for at least 330 full days in 12 consecutive months.

In addition, you may qualify to exclude or deduct a foreign housing amount.

Tax home. Generally, your tax home is the general area of your regular or principal place of business. If you are **temporarily** absent from your tax home in the United States on business, expenses for travel, meals, and lodging (away-from-home expenses) may be deductible, but you cannot exclude your foreign earned income. If your new work assignment is for an **indefinite** period, your new place of employment may be your tax home, and no expenses in the general area of your new work assignment are deductible.

Expected or actual employment at the new location of more than one year is considered indefinite regardless of other facts and circumstances. If you expect employment to last for

less than one year, whether your new work assignment is temporary or indefinite depends on all the facts and circumstances.

For more information on the foreign earned income exclusion and the foreign housing exclusion and deduction, see Publication 54, *Tax Guide for U.S. Citizens and Resident Aliens Abroad*.

Expenses in connection with the grant. If your grant for lecturing or teaching abroad is **wholly** taxable, the related expenses you incur may be deductible if they qualify as ordinary and necessary business expenses. If you are a professor or teacher regularly employed by an educational institution in the United States and are temporarily absent from the school to teach or lecture abroad, you generally may deduct your travel expenses. This includes the cost of all ordinary and necessary traveling expenses while away from your tax home (including meals and lodging) for the duration of the stay. Your deduction for meals generally is limited to 50% of the cost.

These deductions apply only to your own expenses and not to any expenses for any person who may accompany you. For a complete discussion of travel expenses, get Publication 463, *Travel, Entertainment, and Gift Expenses*.

In addition, your grant may qualify for exemption from the tax of the foreign country under its laws or a tax treaty. For tax treaty provisions, get Publication 901, *U.S. Tax Treaties*.

Studying or Teaching Under Fulbright Grants

If you are a lecturer, teacher, research scholar, or student who receives a grant under the Mutual Educational and Cultural Exchange Act of 1961, known as the Fulbright-Hays Act, you will probably encounter tax situations different from those discussed earlier in this publication. The grant may be excludable as foreign earned income (discussed earlier). Also, the grant may be excluded from the tax of the foreign country under the terms of a tax treaty.

If you receive a supplemental grant under the U.S. Information and Educational Exchange Act of 1948 (Smith-Mundt Act) for study, research, or teaching abroad, the grant is treated like a Fulbright grant.

Professors and teachers. If you receive a Fulbright grant for **lecturing or teaching**, it is payment for services and is subject to U.S. income tax. This also includes cash reimbursement for transportation and the value of transportation provided in kind by the government.

If your Fulbright grant is paid by an agency of the U.S. Government, you may be able to exclude your grant from income under the provisions of the law concerning “bona fide residence” or “physical presence” in a foreign country, provided you are **not** a U.S. Government employee. See *Foreign earned income exclusion*, earlier. The grant may qualify for exemption from the foreign country’s tax under its laws or under a tax treaty. See *Payment of Foreign Taxes*, later.

Payment of Foreign Taxes

The United States has income tax treaties with certain countries. Under these treaties, the citizens and residents of the United States are exempt from foreign income taxes on certain amounts received while they are temporarily in a treaty country. The kinds of income with which you are likely to be concerned and that are exempt by treaties are:

- Certain pay for personal services performed by a U.S. citizen or resident temporarily present in a treaty country,
- Wages of U.S. professors, teachers, and researchers who teach or do research in a treaty country, and
- Certain remittances, grants, allowances, and awards received by U.S. students, apprentices, and trainees who are studying abroad in a treaty country.

For more information on these tax treaty provisions, get Publication 901, *U.S. Tax Treaties*. Although the discussions in Publication 901 are in terms of foreign nationals receiving income from U.S. sources, treaty provisions are generally reciprocal, applying equally to U.S. citizens or residents deriving income from foreign sources.

Payment of U.S. Income Tax

You must report all income on a U.S. federal income tax return in terms of U.S. dollars. If part or all of your income is in foreign currency, you must report this income in U.S. dollars at the rates of exchange in effect when you received the income. You should use the rate that most nearly reflects the value of the foreign currency—the official rate, the open market rate, or any other appropriate rate. You must be able to justify the rate you use.

You must report foreign income in U.S. dollars. You must pay any income tax due with U.S. dollars. This rule does not apply to non-convertible currency from a Fulbright grant.

Nonconvertible foreign currency (blocked income). There may be cases in which a scholarship or fellowship grant is made in a foreign currency that is convertible to neither U.S. dollars nor other money or property that is convertible to U.S. dollars because of:

- Restrictions imposed by the foreign country,
- An agreement with the United States, or
- The terms and conditions of the U.S. Government grant.

This nonconvertible income is commonly referred to as **blocked or deferrable income**. There are two ways to report it:

- Report the income and pay your federal income tax with U.S. dollars that you have in the United States or in some other country, or
- Defer reporting the income until it becomes unblocked.

If you choose to defer reporting the income, you must file with your federal income tax return an information return on a separate Form 1040 labeled "Report of Deferrable Foreign Income, pursuant to Rev. Rul. 74-351." You must declare on the information return that the deferrable income will be included in your gross income in the year that it is no longer deferrable. You also must state that you give up any right to claim that any part of the deferrable income was includable in income for any earlier year.

This election cannot be changed without the consent of the IRS. File Form 3115 to request a change. Any expenses related to the deferred income would also be deferred.

All amounts reported on the information return must be reported in the foreign currency involved. If you have blocked income from more than one foreign country, include a separate information return for each country.

Income becomes unblocked and reportable for tax purposes when it becomes convertible, or when it is converted, into dollars or into other money or property that is convertible into U.S. dollars. Also, if you use blocked income for your nondeductible personal expenses, or dispose of it by gift, bequest, or devise, you must treat it as unblocked and reportable.

Credit for foreign taxes paid. If income taxes are imposed on you by a foreign country, you may be entitled to take either a tax credit or a tax deduction on your U.S. income tax return. Usually, it is to your advantage to claim the credit, which you subtract directly from your U.S. tax liability. Get Publication 514, *Foreign Tax Credit for Individuals*.

Payment of tax by Fulbright grantees. As explained earlier, all income must be reported in U.S. dollars. In most cases, the tax must also be paid in U.S. dollars. If, however, at least 70% of your entire Fulbright grant has been paid in nonconvertible foreign currency (blocked income), you may use the currency of the host country to pay the U.S. tax on that income. You can use foreign currency to pay your U.S. tax, but only the part that is attributable to the foreign currency payments you received under the grant.

To qualify for this method of payment, you must submit a statement in which you say:

You were a Fulbright grantee and were paid in nonconvertible foreign currency.

At least 70% of the grant was paid in nonconvertible foreign currency.

This statement must disclose the total grant you received during the year and the amount you received in nonconvertible foreign currency. The statement must be certified by the U.S. educational foundation or commission paying the grant, or other person having control of grant payments to you.

You should prepare at least two copies of this statement. Under ordinary circumstances, a copy is required:

To be attached to your Form 1040, *U.S. Individual Income Tax Return*, and

To be kept for identification purposes each time a tax deposit of nonconvertible foreign currency is made.

Estimated tax payments. You may have to make estimated tax payments during 1995. See *Estimated Tax*, later.

When figuring your estimated tax liability, do not consider tax-free income.

Figuring estimated tax on nonconvertible foreign currency. If the host country does not require you to pay income tax on your grant, figure the estimated tax that may be paid to IRS in the nonconvertible foreign currency using the formula in Table 2.

If you must pay your host country income tax on your grant, subtract any estimated foreign tax credit attributable to your grant from the part of estimated tax on amounts received in nonconvertible foreign currency. If you do have blocked income, you may want to see the regulations under Internal Revenue Code Section 6316 for more information and examples.

Deposit of foreign currency with disbursing officer. Once you have determined the part of your estimated tax that may be paid in nonconvertible foreign currency, that amount may be deposited in the foreign currency with the disbursing officer of the Department of State in the foreign country in which the foundation or commission paying the grant is located. You may either deposit the full amount before the first installment due date, or make four equal deposits before the installment due dates of April 15, June 15, September 15, and January 15. If any of these dates falls on a Saturday, Sunday, or legal holiday, the due date is the following business day.

If you first find that you will be liable for estimated tax after March 31 and before June 1, your first payment will be due by June 15. If you find that you will be liable after May 31 and before September 1, the first due date will be September 15. In each case, you may either deposit the full amount of your estimated tax by the first installment due date, or make deposits over the remaining quarterly due dates. If you first find that you will be liable after August 31, your entire estimated tax is due by the following January 15. If you file your income tax return by January 31, and pay the tax you owe, you do not have to make the January 15 payment.

Upon accepting the currency, the disbursing officer will give you a receipt in duplicate. The original of this receipt (showing the amount of foreign currency deposited and its equivalent in U.S. dollars) should be attached to your next payment of estimated tax. Keep

the copy for your records. Mail the return to the Internal Revenue Service Center, Philadelphia, PA 19255, U.S.A. Allow enough time for it to be received by the due date for the payment of estimated tax.

Figuring U.S. income tax. When you prepare your income tax return, you may owe tax or the entire liability may have been satisfied with your estimated tax payments. If you owe tax, figure the part due to the nonconvertible foreign currency by following the same formula used to figure your estimated tax with both of these adaptations:

Substitute actual amounts for estimated amounts, and

Subtract estimated tax payments from the part of your actual tax payable in nonconvertible foreign currency.

When To File

The due date for filing your return is April 17, 1995.

Extensions of time to file. There are several exceptions to the filing deadline.

Form 4868, Application for Automatic Extension of Time To File U.S. Individual Income Tax Return. You may get an automatic 4-month extension of time to file your tax return by filing Form 4868. This 4-month extension is not in addition to the automatic extension until June 15, discussed later. You must file Form 4868 by the due date for filing your return, including the automatic extension until June 15, if applicable. In filling out Form 4868, you must make an accurate estimate of your tax for the year and pay in full any tax due with the application. However, if you find you cannot pay the full amount due with Form 4868, you can still get the extension. For additional information, get the separate instructions for Form 4868.

Enter any payment you made with the application for extension on Form 1040, Form 1040A, or 1040EZ. You may not choose to have the IRS figure your tax if you use the extension of time to file.

If you underestimated the actual amount you owe, you will be charged interest on the unpaid amount.

Form 2688, Application for Additional Extension of Time To File U.S. Individual Income Tax Return. Further extensions of the time to file, or any extension of the time to pay any tax due, are granted only under very unusual circumstances. If you need additional time to file, apply for the extension either in a letter or by

Table 2. Formula To Determine Estimated Tax That May Be Paid in a Nonconvertible Foreign Currency

$\frac{\text{Adjusted gross income received in nonconvertible funds}^*}{\text{Total adjusted gross income}^*} \times \text{Total estimated U.S. tax} = \text{Estimated tax attributed to nonconvertible currency}$
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* Estimated amounts

filing Form 2688. Extensions beyond the 4-month automatic extension are not granted automatically. You must show reasonable cause.

Except in undue hardship cases, IRS will not accept an application for extension on Form 2688 until you have taken advantage of the automatic 4-month extension using Form 4868.

Federal tax returns mailed by taxpayers are filed on time if they bear an official postmark dated no later than midnight of the due date, or extended due date.

Automatic extension until June 15. If you are a U.S. citizen or resident, you may qualify for an automatic extension of time until June 15 to file your return and pay any tax due if you meet one of the following conditions:

- Both your tax home and your abode are outside the United States and Puerto Rico.
- You are in military service on duty outside the United States and Puerto Rico on the due date of the return.

You must attach a statement to your return showing that you met a condition. You must pay interest on any unpaid tax from the due date up to the date you pay the tax.

If you and your spouse file a joint return, only one of you needs to meet a condition on April 17 to take advantage of the automatic extension to June 15 for filing your tax return. You are treated as if you both met a condition for the automatic extension.

If you do not file a joint return and choose, instead, to file separate returns, only the spouse who met a condition on April 17 qualifies for the automatic extension.

Form 2350, Application for Extension of Time To File U.S. Income Tax Return. Use Form 2350 to ask for an extension to file your tax return. You may file Form 2350 if you need the time to meet either the bona fide residence test or the physical presence test that you must meet to qualify for the foreign earned income exclusion and the foreign housing exclusion or deduction. You may apply for the extension by sending Form 2350, in duplicate, to the Internal Revenue Service Center, Philadelphia, PA 19255. You may also mail or deliver Form 2350 directly to your local IRS representative or other IRS employee. You must file Form 2350 on or before the due date for filing your return. The due date is April 17 (June 15 if both your tax home and abode are outside the United States and Puerto Rico on April 17). You will receive an extension until after you qualify for these exclusions.

Form 2350 does not extend the time to pay taxes. If you expect to owe tax, you should make payment with the Form 2350.

For further information on the exclusion of income earned in a foreign country, or of your foreign housing amount or deduction, get Publication 54, *Tax Guide for U.S. Citizens and Resident Aliens Abroad*.

Where To File

If you are living in the United States, send your return to the appropriate Internal Revenue Service Center address in the instructions to your federal tax return.

Individuals living abroad. If you are studying or teaching abroad under a grant, send your return and estimated tax payments to the Internal Revenue Service Center, Philadelphia, PA 19255 U.S.A.

Fulbright grantees. If you pay your U.S. income tax with nonconvertible foreign currency, you must file your return with the Internal Revenue Service Center, Philadelphia, PA 19255 U.S.A. You **must** attach all of the following to the return:

A copy of the certified statement discussed earlier under *Payment of tax by Fulbright grantees*,

A detailed statement showing the allocation of tax attributable to amounts received in foreign currency, and

The rates of exchange used in determining your tax liability in U.S. dollars.

If tax due is attributable to amounts received in nonconvertible foreign currency, you may deposit the rest in nonconvertible foreign currency with a disbursing officer of the Department of State according to the procedures discussed for paying estimated tax. Attach the original receipt to your tax return.

For more information about filing requirements while abroad, see Publication 54, *Tax Guide for U.S. Citizens and Resident Aliens Abroad*.

If you are overseas, you can get the forms and publications discussed earlier, as well as assistance in preparing the forms, at IRS offices in: Bonn, Germany; Caracas, Venezuela; Riyadh, Saudi Arabia; London, England; Mexico City, Mexico; Nassau, Bahamas; Ottawa, Canada; Paris, France; Rome, Italy; S'ao Paulo, Brazil; Singapore; Sydney, Australia; and Tokyo, Japan. The offices generally are located in the U.S. Embassy or consulate in these cities.

For more information on filing requirements, see the instructions to Form 1040, 1040A, or 1040EZ.

How To Report

If your grant is tax free, do not report it on your income tax return. If all or part of your grant is taxable, report the taxable amount as explained below. (Part of your grant may be taxable even if you did not receive a Form W-2.) If you receive an incorrect W-2, ask the payor for a corrected one.

Form 1040EZ. Add the taxable amount to any other amounts on line 1.

Form 1040 or 1040A. Include the taxable amount not reported on a Form W-2 on line 7. Then write "SCH" and the taxable amount not

reported on a Form W-2 on Form 1040, on the dotted line next to line 7, or, for Form 1040A, in the space to the left of line 7.

Schedule SE (Form 1040). Amounts you receive under a grant that represent nonemployee compensation for your services are included in determining net earnings from self-employment. Net earnings of \$400 or more must be reported on Schedule SE. For example, you receive payments under a grant to conduct a specific research project benefitting the grantor. You are to work free from the direction or control of others. The payments are made primarily for your services rather than to further your education or training. You perform these services as an independent contractor and your compensation is included in determining net earnings from self-employment.

Estimated Tax

The grantor of a scholarship or fellowship does not withhold tax unless the grant represents payment for employee services. Grants representing payment for employee services are wages for withholding purposes. The grantor must report them on a Form W-2.

You may have to pay estimated tax if the grantor of a scholarship or fellowship does not withhold tax, or withholds insufficient tax, on the taxable part of your scholarship or fellowship grant.

Your estimated tax is the total of your expected tax for 1995 minus your expected withholding and credits.

Who should make estimated tax payments? Generally, you must make estimated tax payments for 1995 if you expect to owe at least \$500 in tax for 1995, after subtracting your withholding and credits, and you expect your withholding and credits to be less than the smaller of:

- 1) 90% of the tax to be shown on your 1995 tax return, or
- 2) 100% of the tax shown on your 1994 tax return. The return must cover all 12 months.

Item (2) will not apply if your 1994 adjusted gross income was more than \$150,000 (\$75,000 if you were married filing separately). See *Chapter 2* in Publication 505, *Tax Withholding and Estimated Tax*.

When to pay estimated tax. For estimated tax purposes, the year is divided into four payment periods. Each period has a specific payment due date. If you have income subject to estimated tax during the first payment period, you must make your first payment by the due date for the first payment period. You may pay all your estimated tax at that time, or you may pay it in four installments, the first by the due date for the first payment period and the remaining installments by the due dates for the later periods. If any of the due dates fall on a

Table 3. Scholarship and Fellowship Income Worksheet

1. Enter your scholarship or fellowship income.	_____
2. If you are not a degree candidate, stop here . The entire amount on line 1 is taxable. If any part of the amount on line 1 is not reported on a W-2, include that part on line 1 of Form 1040EZ or on line 7 of Form 1040 or 1040A. Enter "SCH" and the taxable amount not reported on a W-2 Form on the line next to line 7 of Form 1040 or 1040A. If you are a degree candidate, go to line 3.	
3. Enter the amount from line 1 that was for teaching, research, or any other services.	_____
4. Subtract line 3 from line 1.	_____
5. Enter the amount from line 1 (except any amount entered on line 3) used for tuition and course-related fees, books, supplies, and equipment required for study at an educational institution.	_____
6. Subtract line 5 from line 4.	_____
7. Taxable part. Add line 3 and line 6. If any part of this amount is not reported on Form W-2, include that part on line 1 of Form 1040EZ or on line 7 of Form 1040 or 1040A. Enter "SCH" and the taxable amount not reported on a W-2 Form on the line next to line 7 of Form 1040 or 1040A.	_____

Saturday, Sunday, or legal holiday, the due date is the following business day.

Penalty. If you do not pay enough of your estimated tax in each payment period, you may have to pay a penalty. You will not have to pay a penalty if you had no tax liability last year and you were a U.S. citizen or resident for the whole year. For this rule to apply, your prior tax year must have been a tax year of 12 months.

For more information, see Chapter 4 of Publication 505, *Tax Withholding and Estimated Tax*.

Examples

The following examples illustrate completed tax returns for grant recipients who also received wages and other income. The first two

examples show completed Forms 1040EZ. The last example illustrates a completed Form 1040A.

Example 1. On June 5, 1993, Ed Fellows was notified that he was granted a scholarship to attend a local university. The scholarship will pay for all tuition, fees, course-related expenses, and room and board. Ed received a total of \$8,500 from the grant in 1994. \$2,000 of this was for room and board. Ed was 19 years old and lived with his parents when not away at college.

During the summer, Ed worked at the local supermarket and earned \$2,200. His federal

income tax withheld was \$250. Ed received \$25 interest income from a savings account in 1994. He had no other income for the year.

Ed completes Form 1040EZ for 1994 as shown.

Example 2. On June 9, 1992, Barbara Book was awarded a scholarship at Bright College. The scholarship pays a fixed sum of \$5,000 per year, \$1,500 of which is for room and board. She worked briefly between semesters during 1994 earning \$610. She had no federal income tax withheld. Her parents can still claim her as a dependent. Barbara received \$30 interest on her savings. She had no other income in 1994.

Barbara completes Form 1040EZ for 1994 as shown.

Example 3. Bill Class was awarded a scholarship that paid \$9,000 towards his expenses at Union University in 1994. Room and board was \$2,500. He chose to purchase a used computer for \$500, which might assist him. The remaining \$6,000 was spent on tuition, fees, books, and supplies. Bill cannot be claimed as a dependent by his parents or anyone else.

Bill supports himself by working evenings and during the summer. His evening job paid him \$6,400 and he had \$950 federal income tax withheld. During the summer, he earned \$5,100 and had \$750 federal income tax withheld.

Bill received \$42 interest on his savings. He also received \$220 dividend income from stock that his grandparents gave him.

Bill can file Form 1040A. He cannot file Form 1040EZ because dividend income cannot be reported on that form.

Bill completes Form 1040A for 1994 as shown.

Use the IRS label
 (See page 12.)
 Otherwise, please print.

LABEL HERE

Print your name (first, initial, last)
Edward M. Fellows
 If a joint return, print spouse's name (first, initial, last)

Home address (number and street). If you have a P.O. box, see page 12. Apt. no.
2619 Elm St.

City, town or post office, state and ZIP code. If you have a foreign address, see page 12.
Homesville, VA 22002

Your social security number

1	2	3	0	0	4	5	6	7
---	---	---	---	---	---	---	---	---

Spouse's social security number

--	--	--	--	--	--	--	--

See instructions on back and in Form 1040EZ booklet.

Presidential Election Campaign
 (See page 12.)

Note: Checking "Yes" will not change your tax or reduce your refund.
 Do you want \$3 to go to this fund? Yes No

If a joint return, does your spouse want \$3 to go to this fund? Yes No

Yes No

Income

Attach Copy B of Form(s) W-2 here. Enclose, but do not attach, any payment with your return.
Note: You must check Yes or No.

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

2 Taxable interest income of \$400 or less. If the total is over \$400, you cannot use Form 1040EZ. 2

3 Add lines 1 and 2. This is your **adjusted gross income**. If less than \$9,000, see page 15 to find out if you can claim the earned income credit on line 7. 3

4 Can your parents (or someone else) claim you on their return?
 Yes. Do worksheet on back; enter amount from line G here. **No.** If single, enter 6,250.00. If married, enter 11,250.00. For an explanation of these amounts, see back of form. 4

5 Subtract line 4 from line 3. If line 4 is larger than line 3, enter 0. This is your **taxable income**. 5

Dollars	Cents
4,200	00
25	00
4,225	00
3,800	00
425	00
250	00
0	00
250	00
66	00
184	00

Payments and tax

6 Enter your Federal income tax withheld from box 2 of your W-2 form(s). 6

7 Earned income credit (see page 15). Enter type and amount of nontaxable earned income below.

--	--

 7

8 Add lines 6 and 7 (don't include nontaxable earned income). These are your **total payments**. 8

9 **Tax.** Use the amount on line 5 to find your tax in the tax table on pages 28-32 of the booklet. Then, enter the tax from the table on this line. 9

Refund or amount you owe

10 If line 8 is larger than line 9, subtract line 9 from line 8. This is your **refund**. 10

11 If line 9 is larger than line 8, subtract line 8 from line 9. This is the **amount you owe**. See page 20 for details on how to pay and what to write on your payment. 11

Sign your return
 Keep a copy of this form for your records.

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 accurately lists all amounts and sources of income I received during the tax year.

Your signature <u>Edward M. Fellows</u>		Spouse's signature if joint return	
Date <u>2/6/95</u>	Your occupation <u>Student</u>	Date	Spouse's occupation

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

Use this form if

- Your filing status is single or married filing jointly.
- You do not claim any dependents.
- You had **only** wages, salaries, tips, and taxable scholarship or fellowship grants, and your taxable interest income was \$400 or less. **But** if you earned tips, including allocated tips, that are not included in box 5 and box 7 of your W-2, you may not be able to use Form 1040EZ. See page 14.
- You did not receive any advance earned income credit payments.
- You (and your spouse if married) were under 65 on January 1, 1995, and not blind at the end of 1994.
- Your taxable income (line 5) is less than \$50,000.

Caution: If married and either you or your spouse had total wages of over \$60,600, you may not be able to use this form. See page 7.

If you are not sure about your filing status, see page 7. If you have questions about dependents, call Tele-Tax (see page 26) and listen to topic 354. If you **can't use this form**, call Tele-Tax (see page 26) and listen to topic 352.

Filling in your return

Because this form is read by a machine, please print your numbers inside the boxes like this:

9 8 7 6 5 4 3 2 1 0

Do not type your numbers. Do not use dollar signs.

If you received a scholarship or fellowship grant or tax-exempt interest income, such as on municipal bonds, see the booklet before filling in the form. Also, see the booklet if you received a Form 1099-INT showing income tax withheld (backup withholding).

Remember, you must report all wages, salaries, and tips even if you don't get a W-2 form from your employer. You must also report all your taxable interest income, including interest from banks, savings and loans, credit unions, etc., even if you don't get a Form 1099-INT.

If you paid someone to prepare your return, see page 21.

Worksheet for dependents who checked "Yes" on line 4

Use this worksheet to figure the amount to enter on line 4 if someone can claim you (or your spouse if married) as a dependent, even if that person chooses not to do so. To find out if someone can claim you as a dependent, call Tele-Tax (see page 26) and listen to topic 354.

- | | |
|--|---|
| <p>A. Enter the amount from line 1 on the front.</p> <p>B. Minimum standard deduction.</p> <p>C. Enter the LARGER of line A or line B here.</p> <p>D. Maximum standard deduction. If single, enter 3,800.00; if married, enter 6,350.00.</p> <p>E. Enter the SMALLER of line C or line D here. This is your standard deduction.</p> <p>F. Exemption amount.</p> <ul style="list-style-type: none"> • If single, enter 0. • If married and both you and your spouse can be claimed as dependents, enter 0. • If married and only one of you can be claimed as a dependent, enter 2,450.00. <p>G. Add lines E and F. Enter the total here and on line 4 on the front.</p> | <p>A. <u>4,200</u></p> <p>B. <u>600.00</u></p> <p>C. <u>4,200</u></p> <p>D. <u>3,800</u></p> <p>E. <u>3,800</u></p> <p>F. <u>0</u></p> <p>G. <u>3,800</u></p> |
|--|---|

If you checked "No" on line 4 because no one can claim you (or your spouse if married) as a dependent, enter on line 4 the amount shown below that applies to you.

- Single, enter 6,250.00. This is the total of your standard deduction (3,800.00) and personal exemption (2,450.00).
- Married, enter 11,250.00. This is the total of your standard deduction (6,350.00), exemption for yourself (2,450.00), and exemption for your spouse (2,450.00).

Avoid mistakes

See page 21 of the Form 1040EZ booklet for a list of common mistakes to avoid. Errors will delay your refund.

Mailing your return

Mail your return by **April 17, 1995**. Use the envelope that came with your booklet. If you don't have that envelope, see page 33 for the address to use.

Use the IRS label
 (See page 12.)
 Otherwise, please print.

LABEL HERE	Print your name (first, initial, last) Barbara M. Book	
	If a joint return, print spouse's name (first, initial, last)	
	Home address (number and street). If you have a P.O. box, see page 12.	Apt. no.
	City, town or post office, state and ZIP code. If you have a foreign address, see page 12. Hillside, PA 19876	

See instructions on back and in Form 1040EZ booklet.

Your social security number

6	5	4	0	0	3	2	1	1
---	---	---	---	---	---	---	---	---

Spouse's social security number

--	--	--	--	--	--	--	--	--

Presidential Election Campaign
 (See page 12.)

Note: Checking "Yes" will not change your tax or reduce your refund.

Do you want \$3 to go to this fund? Yes No

If a joint return, does your spouse want \$3 to go to this fund? Yes No

Yes	No
<input checked="" type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>

Income

Attach Copy B of Form(s) W-2 here.
 Enclose, but do not attach, any payment with your return.

Note: You must check Yes or No.

- Total wages, salaries, and tips. This should be shown in box 1 of your W-2 form(s). Attach your W-2 form(s). **1**
- Taxable interest income of \$400 or less. If the total is over \$400, you cannot use Form 1040EZ. **2**
- Add lines 1 and 2. This is your **adjusted gross income**. If less than \$9,000, see page 15 to find out if you can claim the earned income credit on line 7. **3**
- Can your parents (or someone else) claim you on their return?
 Yes. Do worksheet on back; enter amount from line G here. No. If single, enter 6,250.00. If married, enter 11,250.00. For an explanation of these amounts, see back of form. **4**
- Subtract line 4 from line 3. If line 4 is larger than line 3, enter 0. This is your **taxable income**. **5**

	Dollars	Cents
1	2	110.00
2	30	00
3	2	140.00
4	2	110.00
5	30	00
6	0	00
7	0	00
8	0	00
9	6	00
10		
11	6	00

Payments and tax

- Enter your Federal income tax withheld from box 2 of your W-2 form(s). **6**
- Earned income credit** (see page 15). Enter type and amount of nontaxable earned income below. **7**
- Add lines 6 and 7 (don't include nontaxable earned income). These are your **total payments**. **8**
- Tax**. Use the amount on line 5 to find your tax in the tax table on pages 28-32 of the booklet. Then, enter the tax from the table on this line. **9**

Refund or amount you owe

- If line 8 is larger than line 9, subtract line 9 from line 8. This is your **refund**. **10**
- If line 9 is larger than line 8, subtract line 8 from line 9. This is the **amount you owe**. See page 20 for details on how to pay and what to write on your payment. **11**

Sign your return

Keep a copy of this form for your records.

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 accurately lists all amounts and sources of income I received during the tax year.

Your signature Barbara M. Book		Spouse's signature if joint return	
Date 2/8/95	Your occupation Student	Date	Spouse's occupation

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

Use this form if

- Your filing status is single or married filing jointly.
- You do not claim any dependents.
- You had **only** wages, salaries, tips, and taxable scholarship or fellowship grants, and your taxable interest income was \$400 or less. But if you earned tips, including allocated tips, that are not included in box 5 and box 7 of your W-2, you may not be able to use Form 1040EZ. See page 14.
- You did not receive any advance earned income credit payments.
- You (and your spouse if married) were under 65 on January 1, 1995, and not blind at the end of 1994.
- Your taxable income (line 5) is less than \$50,000.

Caution: If married and either you or your spouse had total wages of over \$60,600, you may not be able to use this form. See page 7.

If you are not sure about your filing status, see page 7. If you have questions about dependents, call Tele-Tax (see page 26) and listen to topic 354. If you **can't use this form**, call Tele-Tax (see page 26) and listen to topic 352.

Filling in your return

Because this form is read by a machine, please print your numbers inside the boxes like this:

9876543210

Do not type your numbers. Do not use dollar signs.

If you received a scholarship or fellowship grant or tax-exempt interest income, such as on municipal bonds, see the booklet before filling in the form. Also, see the booklet if you received a Form 1099-INT showing income tax withheld (backup withholding).

Remember, you must report all wages, salaries, and tips even if you don't get a W-2 form from your employer. You must also report all your taxable interest income, including interest from banks, savings and loans, credit unions, etc., even if you don't get a Form 1099-INT.

If you paid someone to prepare your return, see page 21.

Worksheet for dependents who checked "Yes" on line 4

Use this worksheet to figure the amount to enter on line 4 if someone can claim you (or your spouse if married) as a dependent, even if that person chooses not to do so. To find out if someone can claim you as a dependent, call Tele-Tax (see page 26) and listen to topic 354.

- | | |
|---|------------------|
| A. Enter the amount from line 1 on the front. | A. <u>2,110</u> |
| B. Minimum standard deduction. | B. <u>600.00</u> |
| C. Enter the LARGER of line A or line B here. | C. <u>2,110</u> |
| D. Maximum standard deduction. If single, enter 3,800.00; if married, enter 6,350.00. | D. <u>3,800</u> |
| E. Enter the SMALLER of line C or line D here. This is your standard deduction. | E. <u>2,110</u> |
| F. Exemption amount. | |
| • If single, enter 0. | |
| • If married and both you and your spouse can be claimed as dependents, enter 0. | |
| • If married and only one of you can be claimed as a dependent, enter 2,450.00. | F. <u>0</u> |
| G. Add lines E and F. Enter the total here and on line 4 on the front. | G. <u>2,110</u> |

If you checked "No" on line 4 because no one can claim you (or your spouse if married) as a dependent, enter on line 4 the amount shown below that applies to you.

- Single, enter 6,250.00. This is the total of your standard deduction (3,800.00) and personal exemption (2,450.00).
- Married, enter 11,250.00. This is the total of your standard deduction (6,350.00), exemption for yourself (2,450.00), and exemption for your spouse (2,450.00).

Avoid mistakes

See page 21 of the Form 1040EZ booklet for a list of common mistakes to avoid. Errors will delay your refund.

Mailing your return

Mail your return by **April 17, 1995**. Use the envelope that came with your booklet. If you don't have that envelope, see page 33 for the address to use.

Label
(See page 18.)

Use the IRS label. Otherwise, please print or type.

LABEL HERE	Your first name and initial William R.	Last name Class
	If a joint return, spouse's first name and initial .	Last name .
	Home address (number and street). If you have a P.O. box, see page 17. 123 School St.	Apt. no. .
	City, town or post office, state, and ZIP code. If you have a foreign address, see page 17. Union, NY 11234	

Your social security number
135 00 7913
Spouse's social security number
.

For Privacy Act and Paperwork Reduction Act Notice, see page 4.

Note: Checking "Yes" will not change your tax or reduce your refund.

Presidential Election Campaign Fund (See page 17.)

Do you want \$3 to go to this fund?	Yes	No
<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
If a joint return, does your spouse want \$3 to go to this fund?	<input type="checkbox"/>	<input type="checkbox"/>

Check the box for your filing status
(See page 17.)
Check only one box.

- 1 **Single**
- 2 **Married filing joint return** (even if only one had income)
- 3 **Married filing separate return.** Enter spouse's social security number above and full name here. ▶ _____
- 4 **Head of household** (with qualifying person). (See page 18.) If the qualifying person is a child but not your dependent, enter this child's name here. ▶ _____
- 5 **Qualifying widow(er) with dependent child** (year spouse died ▶ 19 ____). (See page 19.)

Figure your exemptions
(See page 20.)

If more than seven dependents, see page 23.

6a **Yourself.** If your parent (or someone else) can claim you as a dependent on his or her tax return, do not check box 6a. But be sure to check the box on line 18b on page 2.

b **Spouse**

c Dependents:	(2) Check if under age 1	(3) If age 1 or older, dependent's social security number	(4) Dependent's relationship to you	(5) No. of months lived in your home in 1994	No. of boxes checked on 6a and 6b
(1) Name (first, initial, and last name)					

No. of your children on 6c who:
 • Lived with you _____
 • didn't live with you due to divorce or separation (see page 23) _____

Dependents on 6c not entered above _____
 Add numbers entered on lines above **1**

d If your child didn't live with you but is claimed as your dependent under a pre-1985 agreement, check here

e **Total number of exemptions claimed.**

Figure your total income

Attach Copy B of your Forms W-2 and 1099-R here.

If you didn't get a W-2, see page 25.

Enclose, but do not attach, any payment with your return.

7 Wages, salaries, tips, etc. This should be shown in box 1 of your W-2 form(s). Attach Form(s) W-2. SCH 3,000	7	14,500
8a Taxable interest income (see page 25). If over \$400, attach Schedule 1.	8a	42
b Tax-exempt interest. DO NOT include on line 8a.	8b	
9 Dividends. If over \$400, attach Schedule 1.	9	220
10a Total IRA distributions.	10a	
10b Taxable amount (see page 26).	10b	
11a Total pensions and annuities.	11a	
11b Taxable amount (see page 27).	11b	
12 Unemployment compensation (see page 30).	12	
13a Social security benefits.	13a	
13b Taxable amount (see page 31).	13b	
14 Add lines 7 through 13b (far right column). This is your total income.	14	14,762
15a Your IRA deduction (see page 34).	15a	
b Spouse's IRA deduction (see page 34).	15b	
c Add lines 15a and 15b. These are your total adjustments.	15c	
16 Subtract line 15c from line 14. This is your adjusted gross income. If less than \$25,296 and a child lived with you (less than \$9,000 if a child didn't live with you), see "Earned income credit" on page 44.	16	14,762

Figure your adjusted gross income

Figure your standard deduction, exemption amount, and taxable income

17 Enter the amount from line 16. 17 14,762

18a Check You were 65 or older Blind } Enter number of boxes checked ▶ 18a
 if: Spouse was 65 or older Blind }
 b If your parent (or someone else) can claim you as a dependent, check here. ▶ 18b
 c If you are married filing separately and your spouse files Form 1040 and itemizes deductions, see page 38 and check here. ▶ 18c

19 Enter the **standard deduction** shown below for your filing status. But if you checked any box on line 18a or b, go to page 38 to find your standard deduction. If you checked box 18c, enter -0-.

- Single—\$3,800 • Married filing jointly or Qualifying widow(er)—\$6,350
- Head of household—\$5,600 • Married filing separately—\$3,175

19	3,800	19	3,800
20 Subtract line 19 from line 17. If line 19 is more than line 17, enter -0-.	10,962	20	10,962
21 Multiply \$2,450 by the total number of exemptions claimed on line 6e.	2,450	21	2,450
22 Subtract line 21 from line 20. If line 21 is more than line 20, enter -0-. This is your taxable income .	8,512	▶ 22	8,512

Figure your tax, credits, and payments

If you want the IRS to figure your tax, see the instructions for line 22 on page 39.

23 Find the tax on the amount on line 22. Check if from:
 Tax Table (pages 62-67) or Form 9815 (see page 40). 23 1,279

24a Credit for child and dependent care expenses. Attach Schedule 2. 24a

b Credit for the elderly or the disabled. Attach Schedule 3. 24b

c Add lines 24a and 24b. These are your **total credits**. 24c

25 Subtract line 24c from line 23. If line 24c is more than line 23, enter -0-.	1,279	25	1,279
26 Advance earned income credit payments from Form W-2.		26	
27 Add lines 25 and 26. This is your total tax .	1,279	▶ 27	1,279

28a Total Federal income tax withheld. If any tax is from Form(s) 1099, check here. ▶ 28a 1,700

b 1994 estimated tax payments and amount applied from 1993 return. 28b

c **Earned income credit.** If required, attach Schedule EIC (see page 44). 28c
 Nontaxable earned income: _____ and type ▶ _____

d Add lines 28a, 28b, and 28c (don't include nontaxable earned income). These are your **total payments**. ▶ 28d 1,700

Figure your refund or amount you owe

29 If line 28d is more than line 27, subtract line 27 from line 28d. This is the amount you **overpaid**. 29 421

30 Amount of line 29 you want **refunded to you**. 30 421

31 Amount of line 29 you want **applied to your 1995 estimated tax**. 31

32 If line 27 is more than line 28d, subtract line 28d from line 27. This is the amount you **owe**. For details on how to pay, including what to write on your payment, see page 52. 32

33 Estimated tax penalty (see page 52). Also, include on line 32. 33

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

Keep a copy of this return for your records.	Your signature <i>William R. Class</i>	Date 2/11/95	Your occupation Student
	Spouse's signature. If joint return, BOTH must sign.	Date	Spouse's occupation
Paid preparer's use only	Preparer's signature	Date	Check if self-employed <input type="checkbox"/>
	Firm's name (or yours if self-employed) and address	E.I. No.	Preparer's social security no.
		ZIP code	

List of Tax Publications for Individuals

General Guides

- 1 Your Rights as a Taxpayer
- 17 Your Federal Income Tax
- 225 .. Farmer's Tax Guide
- 334 .. Tax Guide for Small Business
- 509 .. Tax Calendars for 1995
- 553 .. Highlights of 1994 Tax Changes
- 910 .. Guide to Free Tax Services
(Includes a list of publications)

Specialized Publications

- 3 Tax Information for Military Personnel (Including Reservists Called to Active Duty)
- 54 Tax Guide for U.S. Citizens and Resident Aliens Abroad
- 378 .. Fuel Tax Credits and Refunds
- 448 .. Federal Estate and Gift Taxes
- 463 .. Travel, Entertainment, and Gift Expenses
- 501 .. Exemptions, Standard Deduction, and Filing Information
- 502 .. Medical and Dental Expenses
- 503 .. Child and Dependent Care Expenses
- 504 .. Divorced or Separated Individuals
- 505 .. Tax Withholding and Estimated Tax
- 508 .. Educational Expenses
- 513 .. Tax Information for Visitors to the United States
- 514 .. Foreign Tax Credit for Individuals
- 516 .. Tax Information for U.S. Government Civilian Employees Stationed Abroad
- 517 .. Social Security and Other Information for Members of the Clergy and Religious Workers
- 519 .. U.S. Tax Guide for Aliens
- 520 .. Scholarships and Fellowships
- 521 .. Moving Expenses
- 523 .. Selling Your Home
- 524 .. Credit for the Elderly or the Disabled
- 525 .. Taxable and Nontaxable Income
- 526 .. Charitable Contributions
- 527 .. Residential Rental Property
- 529 .. Miscellaneous Deductions
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Spanish Language Publications

- 1SP .. Derechos del Contribuyente
- 556SP .. Revisión de las Declaraciones de Impuesto, Derecho de Apelación y Reclamaciones de Reembolsos
- 579SP .. Cómo Preparar la Declaración de Impuesto Federal
- 594SP .. Comprendiendo el Proceso de Cobro
- 596SP .. Crédito por Ingreso del Trabajo
- 850 .. English-Spanish Glossary of Words and Phrases Used in Publications Issued by the Internal Revenue Service

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You can get the following forms, schedules, and instructions at participating banks, post offices, or libraries.

Form 1040

Instructions for Form 1040 & Schedules
Schedule A for itemized deductions
Schedule B for interest and dividend income if over \$400; and for answering the foreign accounts or foreign trusts questions

Schedule EIC for the earned income credit

Form 1040A
 Instructions for Form 1040A & Schedules
Schedule 1 for Form 1040A filers to report interest and dividend income

Schedule 2 for Form 1040A filers to report

child and dependent care expenses
Form 1040EZ
 Instructions for Form 1040EZ

You can photocopy the items listed below (as well as those listed above) at participating libraries or order them from the IRS.

Schedule 3, Credit for the Elderly or the Disabled for Form 1040A Filers
Schedule C, Profit or Loss From Business
Schedule C-EZ, Net Profit From Business
Schedule D, Capital Gains and Losses
Schedule E, Supplemental Income and Loss
Schedule F, Profit or Loss From Farming
Schedule R, Credit for the Elderly or the Disabled
Schedule SE, Self-Employment Tax
Form 1040-ES, Estimated Tax for Individuals
Form 1040X, Amended U.S. Individual

Income Tax Return
Form 2106, Employee Business Expenses
Form 2106-EZ, Unreimbursed Employee Business Expenses
Form 2119, Sale of Your Home
Form 2210, Underpayment of Estimated Tax by Individuals and Fiduciaries
Form 2441, Child and Dependent Care Expenses
Form 3903, Moving Expenses
Form 4562, Depreciation and Amortization
Form 4068, Application for Automatic Extension of Time To File U.S. Individual Income Tax Return

Form 5329, Return for Additional Taxes Attributable to Qualified Retirement Plans, Annuities, and Modified Endowment Contracts
Form 8283, Noncash Charitable Contributions
Form 8582, Passive Activity Loss Limitations
Form 8606, Nondeductible IRA Contributions, IRA Basis, and Nontaxable IRA Distributions
Form 8822, Change of Address
Form 8829, Expenses for Business Use of Your Home

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