

How to use this guide

The *Ernst & Young Tax Guide 2013* is an easy-to-use, step-by-step guide to preparing your own tax return. It has been designed with you in mind, and its format should help highlight information to save you time and money.

The book explains, in clear and simple English, important aspects of the tax laws that affect you. It covers what you need to know about your taxes—from how to file your return to how to lower the tax you'll pay next year. Throughout the book, you will find hundreds of examples illustrating how the tax laws work. Sample tax forms and schedules show you how to fill out your return line by line. Here are some of the book's special features and how to use them:

- **Two Books in One.** The *Ernst & Young Tax Guide 2013* is really two books. The first book is the 2011 version of the official Internal Revenue Service tax guide, Publication 17, *Your Federal Income Tax*, which is reproduced here. Published annually, it contains the IRS's position on many of the tax questions taxpayers face. To make the *Ernst & Young Tax Guide 2013* available to the public as quickly as possible, we have updated the text of the 2011 version of IRS Publication 17 to take into account developments during 2012. These updates are noted throughout the text. Upon release, the 2012 IRS Publication 17 can be found at www.irs.gov. The second book is the Ernst & Young guide. Here are comments, explanations, and tax-saving tips on what the IRS tells you—and doesn't tell you. It's no surprise that the IRS doesn't tell you everything, and what it does say often favors the U.S. government. Courts and tax professionals frequently differ with IRS opinions. The Ernst & Young text provides you this additional material. The two books have been spliced together to give you the most well-rounded tax guide on the market. To distinguish between the two perspectives, the original IRS text appears in black throughout the book, our updates of the IRS text are underlined, and Ernst & Young's comments appear in the green boxes.
- **TaxSavers, TaxPlanners, TaxAlerts, and TaxOrganizers.** Among this book's biggest attractions are the more than 400 **TaxSavers**, **TaxPlanners**, **TaxAlerts**, and **TaxOrganizers** that you'll find appropriately placed throughout the text. **TaxSavers** are tips that help

you slash your tax bill this year and next—legally. **TaxPlanners** outline ideas that help you plan better for the upcoming year. **TaxAlerts** point out tax rules and regulations that have just changed or may change in the near future; they give you important current filing advice about issues you will want to consider as you prepare your return. **TaxOrganizers** point out steps you can take now to make it easier to file your taxes later.

- **Tax Breaks and Deductions You Can Use Checklists.** You will find a checklist of key tax breaks and deductions for which you may be eligible at the beginning of each chapter, immediately following the Introduction. You should review each checklist to make sure you are taking all the deductions and tax breaks that you deserve.
- **Companion Website.** Purchase of this guide includes access throughout the 2012 tax return filing season to ey.com/EYTaxGuide. This website contains up-to-date information you need about changes in the tax laws that occur throughout the year.
- **Special Contents.** We've taken great pains to ensure that this book is clearly organized for easy access. If you can't find the section you want in the regular Contents, check the **Special Contents**. All told, there are eight of these—one each for families, homeowners, investors in stocks and bonds, investors in real estate, self-employed entrepreneurs, business executives, senior citizens, and members of the Armed Forces. Each **Special Contents** section contains a listing of the major tax issues for members of that group and tells where you can find the answers in the book. In addition, we have a table of contents at the beginning of each chapter to help you find what you need.

We have drawn from the tax experience of scores of Ernst & Young LLP partners, professionals, and staff from all parts of the United States to create this tax guide. Among the major accounting firms, only Ernst & Young LLP publishes a complete tax guide that is available to the general public. It provides the most complete and up-to-date tax information of any tax guide published.

Contents

ii	2013 tax calendar
v	How to use this guide
viii	Special contents
x	Changes in the tax law you should know about
xv	Summary of expiring provisions
xvii	Important 2012 tax reminders
xix	How to avoid 25 common errors
xx	50 of the most easily overlooked deductions
xxi	Individual tax organizer
xxix	Income and expense records you should keep in addition to your income tax return

Part I ▶	The income tax return / 1
3	CHAPTER 1 ▶ Filing information Do I Have To File a Return? / 5 Which Form Should I Use? / 10 Does My Return Have To Be on Paper? / 12 When Do I Have To File? / 17 How Do I Prepare My Return? / 20 Where Do I File? / 32 What Happens After I File? / 32 What If I Made a Mistake? / 37
44	CHAPTER 2 ▶ Filing status Marital Status / 45 Single / 47 Married Filing Jointly / 47 Married Filing Separately / 50 Head of Household / 52 Qualifying Widow(er) With Dependent Child / 56

58	CHAPTER 3 ▶ Personal exemptions and dependents Exemptions / 59 Exemptions for Dependents / 60 Social Security Numbers for Dependents / 86
88	CHAPTER 4 ▶ Tax withholding and estimated tax Tax Withholding for 2013 / 90 Estimated Tax for 2013 / 103 Credit for Withholding and Estimated Tax for 2012 / 110 Underpayment Penalty for 2012 / 114

Part II ▶	Income / 117
119	CHAPTER 5 ▶ Wages, salaries, and other earnings Employee Compensation / 121 Miscellaneous Compensation / 122 Special Rules for Certain Employees / 137 Sickness and Injury Benefits / 141

- 145 **CHAPTER 6 ▶ Tip income**
 Keeping a Daily Tip Record / 146
 Reporting Tips to Your Employer / 147
 Allocated Tips / 152
- 155 **CHAPTER 7 ▶ Interest income**
 General Information / 157
 Taxable Interest / 162
 When To Report Interest Income / 184
 How To Report Interest Income / 184
- 187 **CHAPTER 8 ▶ Dividends and other corporate distributions**
 General Information / 190
 Ordinary Dividends / 194
 Capital Gain Distributions / 199
 Nondividend Distributions / 200
 Other Distributions / 203
 How To Report Dividend Income / 204
- 208 **CHAPTER 9 ▶ Rental income and expenses**
 Rental Income / 209
 Rental Expenses / 212
 Repairs and Improvements / 213
 Property Changed to Rental Use / 216
 Renting Part of Property / 216
 Not Rented for Profit / 217
 Personal Use of Dwelling Unit (Including Vacation Home) / 218
 Depreciation / 224
 Limits on Rental Losses / 226
 How To Report Rental Income and Expenses / 229
- 233 **CHAPTER 10 ▶ Retirement plans, pensions, and annuities**
 General Information / 234
 Cost (Investment in the Contract) / 240
 Taxation of Periodic Payments / 241
 Taxation of Nonperiodic Payments / 244
 Rollovers / 247
 Special Additional Taxes / 254
 Survivors and Beneficiaries / 260
- 262 **CHAPTER 11 ▶ Social security and equivalent railroad retirement benefits**
 Are Any of Your Benefits Taxable? / 263
 How To Report Your Benefits / 266
 Examples / 268
 Deductions Related to Your Benefits / 272
 Repayments More Than Gross Benefits / 272
- 275 **CHAPTER 12 ▶ Other income**
 Bartering / 277
 Canceled Debts / 277
 Host or Hostess / 280
 Life Insurance Proceeds / 280
 Partnership Income / 282
 S Corporation Income / 284
 Recoveries / 286
 Rents from Personal Property / 289
 Repayments / 289
 Royalties / 291
 Unemployment Benefits / 292
 Welfare and Other Public Assistance Benefits / 293

Other Sickness and Injury Benefits / 295
 Other Income / 296
 Passive Activity Limitations and At-Risk Limitations / 310

Part III ▶ Gains and losses / 315

- 317 **CHAPTER 13 ▶ Basis of property**
 Cost Basis / 318
 Adjusted Basis / 321
 Basis Other Than Cost / 324
- 339 **CHAPTER 14 ▶ Sale of property**
 Sales and Trades / 341
 Capital Gains and Losses / 356
- 379 **CHAPTER 15 ▶ Selling your home**
 Main Home / 381
 Figuring Gain or Loss / 382
 Excluding the Gain / 386
 Business Use or Rental of Home / 392
 Reporting the Sale / 395
 Recapturing (Paying Back) a Federal Mortgage Subsidy / 396
- 399 **CHAPTER 16 ▶ Reporting gains and losses**
 Reporting Capital Gains and Losses / 402
 Comprehensive Example / 417

Part IV ▶ Adjustments to income / 425

- 427 **CHAPTER 17 ▶ Individual retirement arrangements (IRAs)**
 Traditional IRAs / 431
 Roth IRAs / 457
 Simplified Employee Pensions (SEPs) / 464
 Savings Incentive Match Plans for Employees (SIMPLE) / 465
- 466 **CHAPTER 18 ▶ Alimony**
 General Rules / 467
 Instruments Executed After 1984 / 468
 How To Deduct Alimony Paid / 473
 How To Report Alimony Received / 474
 Recapture Rule / 474
 Other Alimony Issues and Rules / 475
- 480 **CHAPTER 19 ▶ Education-related adjustments**
 Student Loan Interest Deduction / 481
 Tuition and Fees Deduction / 484
 Educator Expenses / 488
- 489 **CHAPTER 20 ▶ Moving expenses**
 Who Can Deduct Moving Expenses / 490
 Members of the Armed Forces / 496
 Retirees or Survivors Who Move to the United States / 496
 Deductible Moving Expenses / 497
 Nondeductible Expenses / 499
 How and When To Report / 501
 When To Deduct Expenses / 501

Part V ▶ Standard deduction and itemized deductions / 505

- 507 **CHAPTER 21 ▶ Standard deduction**
 Standard Deduction Amount / 508
 Standard Deduction for Dependents / 510
 Who Should Itemize / 511
- 514 **CHAPTER 22 ▶ Medical and dental expenses**
 What Are Medical Expenses? / 515
 What Expenses Can You Include This Year? / 515
 How Much of the Expenses Can You Deduct? / 516
 Whose Medical Expenses Can You Include? / 517
 What Medical Expenses Are Includible? / 519
 How Do You Treat Reimbursements? / 527
 Damages for Personal Injuries / 531
 How Do You Figure and Report the Deduction on Your Tax Return? / 531
 Impairment-Related Work Expenses / 531
 Health Insurance Costs for Self-Employed Persons / 532
- 534 **CHAPTER 23 ▶ Taxes you may deduct**
 Tests To Deduct Any Tax / 535
 Income Taxes / 535
 Real Estate Taxes / 540
 Personal Property Taxes / 546
 Taxes and Fees You Cannot Deduct / 546
 Where To Deduct / 547
- 548 **CHAPTER 24 ▶ Interest expense**
 Home Mortgage Interest / 549
 Investment Interest / 561
 Items You Cannot Deduct / 565
 Allocation of Interest / 567
 How To Report / 569
- 572 **CHAPTER 25 ▶ Contributions**
 Organizations That Qualify To Receive Deductible Contributions / 574
 Contributions You Can Deduct / 575
 Contributions You Cannot Deduct / 583
 When To Deduct / 593
 Limits on Deductions / 593
 Records To Keep / 596
 How To Report / 601
- 602 **CHAPTER 26 ▶ Nonbusiness casualty and theft losses**
 Casualty / 604
 Theft / 607
 Loss on Deposits / 608
 Proof of Loss / 610
 Figuring a Loss / 611
 Deduction Limits / 621
 When To Report Gains and Losses / 624
 How To Report Gains and Losses / 626

- 628 **CHAPTER 27 ▶ Car expenses and other employee business expenses**
 Travel Expenses / 630
 Entertainment Expenses / 643
 Gift Expenses / 649
 Transportation Expenses / 650
 Recordkeeping / 659
 How To Report / 663
- 676 **CHAPTER 28 ▶ Tax benefits for work-related education**
 Qualifying Work-Related Education / 678
 Education To Meet Minimum Requirements / 680
 What Expenses Can Be Deducted / 684
 Reimbursements / 688
 Deducting Business Expenses / 688
 Recordkeeping / 689
- 690 **CHAPTER 29 ▶ Miscellaneous deductions**
 Deductions Subject to the 2% Limit / 691
 Deductions Not Subject to the 2% Limit / 706
 Nondeductible Expenses / 708
- 713 **CHAPTER 30 ▶ Limit on itemized deductions**

Part VI ▶ Figuring your taxes and credits / 715

- 717 **CHAPTER 31 ▶ How to figure your tax**
 Figuring Your Tax / 718
 Alternative Minimum Tax / 721
 Tax Figured by IRS / 728
- 731 **CHAPTER 32 ▶ Tax on investment income of certain children**
 Which Parent's Return To Use / 732
 Parent's Election To Report Child's Interest and Dividends / 733
 Tax for Certain Children Who Have Investment Income of More Than \$1,900 / 738
- 745 **CHAPTER 33 ▶ Child and dependent care credit**
 Tests To Claim the Credit / 746
 How To Figure the Credit / 755
 How To Claim the Credit / 761
 Employment Taxes for Household Employers / 761
 Example / 762
- 765 **CHAPTER 34 ▶ Credit for the elderly or the disabled**
 Are You Eligible for the Credit? / 766
 Figuring the Credit Yourself / 770
- 775 **CHAPTER 35 ▶ Child tax credit**
 Qualifying Child / 776
 Amount of Credit / 776
 Claiming the Credit / 777
 Additional Child Tax Credit / 777
 Checking Your Withholding / 778
 Example / 778

- 783 **CHAPTER 36 ▶ Education credits and other education tax benefits**
 Who Can Claim an Education Credit / 784
 Qualified Education Expenses / 785
 When Must the Credit Be Repaid (Recaptured) / 787
- 793 **CHAPTER 37 ▶ Other credits including the earned income credit**
 Nonrefundable Credits / 796
 Refundable Credits / 805
 Earned Income Credit (EIC) / 810
 Do You Qualify for the Credit? / 812
 Part A. Rules for Everyone / 813
 Part B. Rules If You Have a Qualifying Child / 816
 Part C. Rules If You Do Not Have a Qualifying Child / 823
 Part D. Figuring and Claiming the EIC / 824
 Examples / 826

Part VII ▶ Special situations and tax planning / 831

- 833 **CHAPTER 38 ▶ Self-employment income: How to file Schedule C**
 Who Must File Schedule C / 834
 What Is Included in Net Self-Employment Earnings? / 838
 How to Determine Items of Income and Expenses / 840
 How to Complete Schedule C / 843
 Sales of Business Property Used in Your Business / 856
 Business Tax Credit / 857
 Special Situations / 857
 How to Complete Schedule SE Line by Line, Briefly / 858
- 866 **CHAPTER 39 ▶ Mutual funds**
 Tax Treatment of Distributions / 869
 Sales, Exchanges, and Redemptions / 875
 Keeping Track of Your Basis / 875
 Gains and Losses / 881
 Holding Period / 882
 How to Figure Gains and Losses on Form 8949 and Schedule D / 883
 Capital Losses / 884
 Investment Expenses / 885
- 887 **CHAPTER 40 ▶ What to do if you employ domestic help**
 Employment Taxes for Household Employers / 888
 Reporting and Paying Taxes on Wages Paid to Household Employees / 894
- 899 **CHAPTER 41 ▶ U.S. Citizens working abroad: Tax treatment of foreign earned income**
 How to Qualify for the Foreign Earned Income Exclusion / 899
 The Foreign Earned Income Exclusion / 900
 The Foreign Housing Exclusion / 902

- Employer-Provided Meals and Lodging / 903
 Foreign Tax Credit / 903
- 906 **CHAPTER 42 ▶ Foreign citizens living in the United States**
 Determining Your Status / 906
 How Resident Aliens Are Taxed / 909
 How Nonresident Aliens Are Taxed / 912
 Departing from the United States / 914
- 916 **CHAPTER 43 ▶ Decedents: Dealing with the death of a family member**
 Personal Representative / 917
 Final Return for the Decedent / 917
 Tax Effect on Others / 927
- 932 **CHAPTER 44 ▶ Estate and gift tax planning**
 Getting Started / 932
 Estate Tax Fundamentals / 933
 How Your Estate Is Taxed / 935
 The Fundamentals of the Gift Tax / 938
 The Generation-Skipping Transfer Tax / 943
 How to Use Trusts / 943
 How to Raise Cash to Pay Estate Taxes / 945
 Concerns Regarding Community Property / 946
 Estate Planning—Steps to Take Now / 946
- 947 **CHAPTER 45 ▶ Everything you need to know about e-filing**
 Information You'll Need to E-File / 948
 Making Tax Payments / 950
 Methods of E-Filing / 951
- 954 **CHAPTER 46 ▶ If your return is examined**
 IRS Declaration of Taxpayer Rights / 954
 Examinations, Appeals, Collections, and Refunds / 955
 The Examination Process / 956
 Appeals / 963
 Collections / 967
 Potential Third Party Contacts / 967
 Claims for Refunds / 967
 Past-Due Taxes / 968
- 970 **CHAPTER 47 ▶ Planning ahead for 2013 and beyond**
 Changes in Tax Rates, Deductions, and Credits / 971
 Inflation Adjustments for 2013 / 977
 Temporary Changes to Gift, Estate, and Generation-Skipping Transfer (GST) Taxes Expire In 2013 / 978
 A Summary for 2013 and Beyond / 978
- 980 **CHAPTER 48 ▶ 2012 Tax rate schedules**
- 981 **Index**

Special contents

Family tax guide

Abortion / 521
Adoption / 4, 10, 25, 43, 50, 62, 63, 68, 75, 86, 109, 120, 128-129, 505, 582, 585, 708, 749, 776, 794, 795, 796-798, 809, 817, 819, 825, 975-976, 977
Alimony and separated maintenance: 466-479
 Child support not included / 472-473
 Expense of a home / 477-478
Burial or funeral expenses / 82, 277, 293, 302, 313, 521, 583, 708, 920, 926, 933, 934-935, 938, 945
Child and dependent care credit / 745-764
Children:
 Gifts to / 939-941
 Tax credit / 61, 65, 70, 71-72
 Tax on investment income / 158, 190-191, 563-564, 731-744
Child support / 85, 297, 472-473
Common law marriage / 46, 60, 77
Community property / 44, 45, 52, 53, 331-332, 433, 758, 813, 816, 870, 946
Custody, child / 66, 83-85, 471-473, 518, 710, 733, 749, 822, 946
Day care centers / 584, 855
Dependents / 5, 7-8, 25, 58-87, 86, 487, 496, 517-519, 729, 745-764, 785, 820-823
Divorce / 47, 48, 50, 60, 66-67, 72, 83-85, 113, 384-385, 435, 518-519, 544, 555, 733, 747, 749, 819, 822
 Alimony / 466-479
 Dependents support test for children / 83-85
 Exemptions / 60, 66-67, 72, 83-84
 Filing status / 48
 Transfers of property / 354
Domestic help / 887-898
Earned income credit / 729-730, 810-830, 972
Educational expenses / 480-488, 676-689, 783-792
Education Savings Bond Program / 174-176
Estate tax / 260, 932-946, 978
Exemptions / 58-87
Filing status / 6, 44-57, 438
 Married filing jointly / 43, 47-50
 Married filing separately / 50-52, 814
Final tax return / 508, 916-931
Foster care / 63, 68-69, 74, 79, 303-304, 582, 817-819
Gifts / 129, 300, 304-305, 328-330, 371, 671, 877, 881, 927, 928, 934, 938-946, 978-979
Grandparents / 54, 71, 74, 219, 355, 396, 482, 510, 550, 740, 940, 943
Head of household / 52-56, 768
Household employees / 91, 752, 753, 755, 761-764, 887-898
Joint returns / 43, 47-50, 56, 59, 68, 70, 74, 240, 272, 390, 495, 538, 754-755, 809, 811, 819
Married taxpayers / 19, 46-47, 92, 105-106, 390, 733, 754, 766-767
 Filing jointly / 43, 47-50
 Filing separately / 50-52, 814
 Filing status / 44-57, 438
 Marriage tax / 47-48, 60
Medical and dental expenses / 514-533
Moving household goods / 489-504
Multiple support agreement / 82-83, 86, 519
Parents as dependents / 72-82, 518-519
 Additional standard deduction / 11, 289, 508
Registered domestic partners / 6, 45
Retirement planning / 233-261
 IRAs / 51, 162, 425-465

Retirement plans / 133-135, 139, 141, 233-261, 804-805
 Social Security / 139, 151, 262-274, 289, 437, 705, 808-810, 890
Scholarships / 68, 76, 309, 431, 482, 688, 787-788, 790, 825
Separated taxpayers / 60, 66-68, 72, 83-84, 518, 555, 749, 754, 758, 822
Social security number / 4, 24-25, 86-87, 158-159, 191, 813-814, 819
Spouse:
 Deceased / 18, 519, 906-915
 Disabled, qualifying for dependent care credit / 765-770
 Exemption / 59
 IRA / 441-442, 458-459
 Medical expenses / 517, 519
 Standard deduction / 507-513
 Surviving / 6, 248, 390-391, 758, 927-931
Trusts / 158, 171, 191, 299-301, 943-944

Homeowners' tax guide

Appraisals / 585, 613-614, 616
Calculating your gain / 347-350, 382-383
Change to rental property / 216, 392-394
Closing costs / 319-320, 385
Condominiums / 190, 209, 218, 221-222, 228, 331, 407, 703, 804
Cooperative apartments / 209, 387, 388, 407, 536, 541, 560, 611, 804
Credit for mortgage interest / 801-802
Damages / 606-607, 613, 622
Definition of principal residence / 381-382
Excluding gain on sale of home / 387-388
First-time homebuyer credit / 397-398, 805-808
Improvements / 213-214, 322-323, 557-558
Interest on mortgage and home equity loans / 230, 287, 549-561, 569-570, 801-802
Home office / 654, 695-699, 851-855
Loan fees / 555-556, 559-560
Measuring your investment in property / 324-338
Points / 555-560
Principal home defined / 381-382
Real estate taxes / 320, 540-546
Recordkeeping / 230, 386-387, 627, 699
Renting your home / 51-52, 208-232, 289, 332, 392-395
Replacement period / 326, 397, 962
Selling expenses / 322-323, 349, 366-367, 382-383, 394-395
Settlement fees / 319-320, 385
Special problems:
 Casualty and theft losses / 604-610
 Condemnations / 326, 353, 385, 398-399, 405, 603, 608, 805-806
 Divorces / 391, 544, 555
 Installment sales / 164, 313, 343, 344-345, 346-347, 366, 367, 405, 476, 928
 Mortgage debt forgiveness / 381
Vacation homes / 218-224

Investors' tax guide

(If You Own Stocks, Bonds, or Limited Partnerships)

Alternative minimum tax (AMT) / 224, 417, 721-728, 743, 974
Amortization of bond premium / 570, 706

Annuities / 99, 236-237, 240, 353-354, 368, 707, 825
Basis / 317-338, 875-881

Bonds:

Coupon stripping / 180-181
 Redemption and sale of bonds / 341, 344
 Tax-exempt bonds / 160-161, 178-179, 180, 183, 334, 359, 570
 U.S. savings bonds / 167-174
 Zero-coupon bonds / 179-180, 182
Capital gains and losses / 199-200, 356-378, 402-418, 593, 735, 805, 872, 972
 Holding period / 195-196, 370-372, 882
 Loss carryover rules / 413, 884
Certificate of deposit (CD) / 183-184
Charitable donations, using your portfolio / 589-592
Commodity futures / 364
Computer at home / 693-694, 703, 848
Covered call options / 363
Deductible expenses for the investor:
 Limitations on investment income / 567
 Safe-deposit box / 705
 Stockholders meetings / 711
Dividends / 136, 161-162, 187-207, 372, 703, 705, 733-738, 871-873, 886, 971-972
 Nontaxable dividends / 333, 336, 352-353
 Reinvestment plans / 23, 196-197, 333, 335, 348, 399-400, 705, 869
 Stock dividends / 136, 193-194, 201, 204, 333-336, 372
Education Savings Bonds / 174-176
Fair market value / 335-338, 589-590, 613
Figuring gains and losses / 347-349, 881-882
Foreign bank and financial accounts / 206, 905, 914
Foreign investment disclosures / 155-156, 195-196
Foreign tax credit / 800-801, 903-905
Holding period / 195, 370-372, 882-883
Index options / 363
Interest income / 155-186, 800
Investment clubs / 305, 704
Investment interest / 414, 561-565, 570, 886
Market discount bonds / 183, 360, 570
Municipal bonds / 76, 157, 178, 265, 360, 440, 476, 537, 562, 565, 722, 741, 872
Mutual funds / 199, 334, 704, 866-885
 Distributions / 870-875
 Foreign mutual funds / 156, 868
Nominees / 407
Nontaxable distributions / 333, 451, 730
Nontaxable exchanges / 327-328, 352
Options / 134-135, 334, 364
Original issue discount (OID) / 179-184, 325, 559
Passive activity limits / 227-229
Passive activity losses / 405-406, 564
Portfolio strategies:
 Short sales against the box / 362
 Stripped-coupon bonds / 180-182
 Using puts and calls / 361, 363
 Wash sales / 361, 363, 377, 873
 Writing covered calls / 363
Qualified small business stock (QSBS) / 370-371
Related parties / 351-356
Reporting gains and losses / 399-418
Retirement of bonds / 341-342
Safe deposit boxes / 705
Savings bonds / 167-174, 306-307
Short sales / 206, 361
Stock / 125, 134, 192, 196-199, 279, 332-338, 341, 352-353, 358, 369-370, 372, 415, 607, 945

Stock rights / 134-135, 201-203, 335-338, 358, 372
Straddles / 364-365, 405, 561
Tax-exempts / 565
Wash sales / 361, 363, 377-378, 883
Worthless securities / 342
Zero-coupon bonds / 179-180, 182

Real estate investors' tax guide

Active participation / 228
Advance rent / 209-210, 212
Alternative minimum tax (AMT) / 224, 417, 717-728, 743, 974
Appraisals / 348, 395, 522-523, 613, 703
Basis (measuring your investment in property) / 315-338, 383, 385-387
 At-risk / 226-227, 283-284
 Closing costs / 319-320, 385
 Improvements / 213-214, 322-323, 557
Capital gains/losses (See Investors' Tax Guide)
Cost of keeping up / 53, 55, 754, 853
Damages / 606-607, 613-614, 622
Depreciation / 212, 224-226, 323, 327, 355, 393
 Accelerated Cost Recovery System (ACRS) / 224-225, 416, 656, 847
 Modified Accelerated Cost Recovery System (MACRS) / 224-225, 327, 656, 847, 854
Exchanges of like-kind property / 327-328, 340, 355, 396
Fair market value / 318, 319, 324-332, 589-590, 613-616
Fair rental value / 80-81, 138, 468, 478, 578
Home office / 654, 695-699, 851-855
Passive activities / 227-229, 405-406, 564
Points / 555-560
Real estate investment trusts (REITs) / 187, 194, 199, 805
Recordkeeping / 230, 386-387
Rental income and expenses / 208-232, 289
Repairs / 213-214, 220, 613-614
Sales and exchanges / 379-398
 Installment sales / 164-165, 340, 344-345, 347-348, 366-367, 405, 476, 929
 Nontaxable exchanges / 327-329
 Repossession of real property / 372, 384
Security deposits / 212
Subdivision of land / 366-367
Subletting / 211, 366
Vacation homes / 218-224

Self-employed entrepreneurs' tax guide

Accounting methods:
 Accrual method / 24, 168, 184, 842
 Cash method / 21-24, 168, 184, 842
Accounting periods / 842
Alternative minimum tax (AMT) / 224, 417, 721-728, 743, 974
Artists and authors / 857
Bad debts / 835, 843, 845-846
Barter income / 277-278
Business assets:
 Automobiles / 654-659, 849-850, 856
 Business tax credits / 857
 Depreciation / 841, 845, 847-849, 851-852, 856-857
 Expense election (section 179 deductions) / 847-848, 852
Business expenses / 628-675, 688, 845-846
Business gifts / 650, 665, 693
Business tax credits / 857
Carryback/carryforward / 836-837, 903

Club fees and dues / 646, 708
Computer at home / 693-694, 703-704, 848
Constructive receipt of income / 22, 24, 122, 184
Convention expenses / 580, 642-643, 646, 687
Depreciation / 843, 845, 847-849, 856-857
Estimated taxes / 30, 103-115, 236, 266, 537, 734-735
Federal unemployment tax (FUTA) / 762, 889, 892, 894-895, 898
Foreign conventions / 642-643, 687
Foreign earned income / 899-905
Form 8829 / 695, 851, 854-855, 865
Health insurance / 849-850
Hobby losses / 836
Home office / 654, 695-699, 851-852
How to complete Schedule C / 843-856
Income received by an agent / 839, 842, 851
Independent contractors / 834, 850-851, 889-890
Installment sales / 164, 313, 343, 344-345, 347-348, 366, 367, 395, 405, 476, 929
Inventions / 291, 367-368
Inventory methods / 845
Leasing a car / 658
Legal expenses / 856
Losses, reporting / 399-418, 611-620, 831-838, 853, 856
Medical insurance / 850-851
Miscellaneous expenses:
 Entertainment expenses / 643-649, 856
 Moving expenses / 489-504
 Travel expenses / 630-643, 856
New business start-up costs / 320, 840-841
Office rent / 703
Payroll taxes / 120, 125, 851
Recordkeeping / 503, 659, 674, 689, 699, 709, 712, 730, 761, 854, 905, 914-915
Retirement plans:
 IRAs / 425-465, 843, 855
 Keogh plans / 843, 855
 Simplified employee pension (SEP) / 843, 855
Royalties / 291-292, 844
S corporations / 284-286, 836, 848, 854
Sale of business assets / 856-857
 Recapture of depreciation / 857
Schedule C / 831-865
Schedule C-EZ / 835
Self-employment taxes / 837
Social security tax (FICA) for your employees / 851, 892, 894-895
Standard mileage rate / 655-656, 846-845
Start-up expenses / 320, 840-841
Statutory employees / 835
Tax year / 841
Travel and entertainment / 630-649, 856

Business executives' tax guide

Accounting to employer / 664-671
Alternative minimum tax (AMT) / 224, 417, 721-728, 743, 974
Bonuses / 123-124, 308
Business expenses:
 Automobiles / 654-658, 846-847, 848
 Business gifts / 649-650, 664, 665, 693
 Computer at home / 693-694, 703-704, 848
 Conventions / 580, 642-643, 646, 687
 Entertainment / 643-649, 856
 Travel in the United States / 640-641
 Travel outside the United States / 641-642
Club fees and dues / 646, 708
Commuting expenses / 132, 653, 709
Compensation:
 Bargain purchases from your employer / 325
 Deferred compensation / 124, 235, 825

Life insurance / 129-130, 710
Stock appreciation rights / 125
Stock options / 134-135, 201-202, 334, 358, 372
Directors' fees / 302
Educational expenses / 785-787
Employment agency fees / 299
Foreign-earned income exclusion / 899-905
Fringe benefits / 98, 126-133
Home office / 654, 695-699, 851-852
Job hunting / 691, 699-700
Living abroad / 139, 496-497, 755, 899-905
Lump-sum distributions from retirement plans / 244-245, 268-269
Moving expenses / 489-504
Passive activity losses / 405-406, 564
Recordkeeping / 503, 659-661, 674, 689, 693, 699, 709, 712, 730, 761, 854, 905, 914
Resumé expenses / 699
Severance pay / 125
Sick pay / 98-99, 125, 143
Simplified employee pension (SEP) / 238-239, 431, 464-465, 843, 855-856
Stock for services / 204
Stock options:
 Incentive stock options / 135, 334, 726-728, 807, 974
 Nonqualified stock options / 135
Tax credit for child care / 745-764
Unemployment benefits / 292-293
Withholding / 90-103, 110-114, 236, 266, 893-894
Workers' compensation / 143, 295

Senior citizens' tax guide

Credit for the elderly and disabled / 729, 765-774
Dependents / 7, 56-57, 60-87, 763-764
Filing requirements / 3-43
Free help with your return / 16
Final tax return / 508, 917-927
Nursing homes / 75, 166, 389, 525
Retirement plans:
 Death benefit exclusion / 282, 924
 Excise tax on early distribution / 254-257, 447, 454, 464
 IRAs / 51, 162, 249, 255, 425-465
 Lump-sum distributions / 244-247, 268
Purchased annuities / 236
Sale of principal residence (See Homeowners' tax guide)
Social security income, amount taxable / 267-268
Standard deduction / 287-288, 507-508
 Additional standard deduction / 12, 288, 508
Widows and widowers / 47, 56-57

Members of the Armed Forces' tax guide (Including Veterans)

Disability benefits / 141-142
Dependency allotments / 78
Extension of time to file return / 19
Insurance proceeds / 140, 203, 280
Meals and lodging / 631, 634
MIAs and POWs / 46
Moving expenses / 492, 496
Nontaxable military benefits / 431, 771, 816
Pay / 139-140, 431
Reservists' transportation / 653
Retirement pay / 91, 100, 139
Uniforms, cost of / 701
Veterans' benefits / 140
Where to file your return / 32