Department of the Treasury
Internal Revenue Service

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Divorced or Separated Individuals

For use in preparing
1999 Returns

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See *How To Get More Information* in this publication.

Contents

Important Change for 1999

Photographs of missing children. The Internal Revenue Service is a proud partner with the National Center for Missing and Exploited Children. Photographs of missing children selected by the Center may appear in this publication on pages that would otherwise be blank. You can help bring these children home by looking at the photographs and calling **1–800–THE–LOST (1–800–843–5678)** if you recognize a child.

Important Reminders

Relief from joint liability. In some cases, one spouse may be relieved of joint liability for tax, interest, and penalties on a joint tax return. For more information, see *Relief from joint liability* under *Joint Return.*

Social security numbers for dependents. You must include the taxpayer identification number (generally the social security number) of every person for whom you claim an exemption. See *Exemptions for Dependents,* later.

Individual taxpayer identification number (ITIN). The IRS will issue an ITIN to a nonresident or resident alien who does not have and is not eligible to get a social security number (SSN). To apply for an ITIN, Form W–7 must be filed with the IRS. It usually takes about 30 days to get an ITIN. The ITIN is entered wherever an SSN is requested on a tax return. If you are required to include another person's SSN on your return and that person does not have and cannot get an SSN, enter that person's ITIN.

Change of address. If you change your mailing address, be sure to notify the Internal Revenue Service using **Form 8822,** *Change of Address.* Mail it to the Internal Revenue Service Center for your old address. (Addresses for the Service Centers are on the back of the form.)

Change of name. If you change your name, be sure to notify the Social Security Administration using **Form SS–5,** *Application for a Social Security Card.*

Introduction

This publication explains tax rules that apply if you are divorced or separated from your spouse. It covers general filing information and can help you choose your filing status. It also can help you decide which exemptions you are entitled to claim, including exemptions for dependents.

The publication also discusses payments and transfers of property that often occur as a result of divorce and how you must treat them on your tax return. Examples include alimony, child support, other court-ordered payments, property settlements, and transfers of individual retirement arrangements. In addition, this publication also explains deductions allowed for some of the costs of obtaining a divorce and how to handle tax withholding and estimated tax payments.

The last part of the publication explains special rules that may apply to persons who live in community property states.

Useful Items

You may want to see:

Publications

- ☐ **501** Exemptions, Standard Deduction, and Filing Information
- ☐ **544** Sales and Other Dispositions of Assets
- ☐ **555** Community Property
- ☐ **590** Individual Retirement Arrangements (IRAs) (Including Roth IRAs and Education IRAs)
- ☐ **971** Innocent Spouse Relief (And Separation of Liability and Equitable Relief)

Form (and Instructions)

- ☐ **8332** Release of Claim to Exemption for Child of Divorced or Separated Parents
- ☐ **8857** Request for Innocent Spouse Relief (And Separation of Liability and Equitable Relief)

Filing Status

Your filing status is used in determining whether you must file a return, your standard deduction, and the correct tax. It may also determine whether you can claim certain deductions and credits. The filing status you can choose depends partly on your marital status on the last day of your tax year.

Marital status. If you are considered unmarried, your filing status is single or, if you meet certain requirements, head of household or qualifying widow(er). If you are considered married, your filing status is either married filing a joint return or married filing a separate return. For information about the single and qualifying widow(er) filing statuses, see Publication 501.

Considered unmarried. You are considered unmarried for the whole year if either of the following applies.

1) You have obtained a final ***decree of divorce or separate maintenance*** by the last day of your tax year. You must follow your state law to determine if you are divorced or legally separated.

   Exception. If you and your spouse obtain a divorce in one year for the sole purpose of filing tax returns as unmarried individuals, and at the time of divorce you intend to remarry each other and do so in the next tax year, you and your spouse must file as married individuals.

2) You have obtained a ***decree of annulment,*** which holds that no valid marriage ever existed. You must file amended returns for all tax years affected by the annulment that are not closed by the period of limitations. The period of limitations generally does not end until 3 years after the due date of your original return. On the amended return you will change your filing status to single, or if you meet certain requirements, head of household.

Considered married. You are considered married for the whole year if you are separated but you have not obtained a final decree of divorce or separate maintenance by the last day of your tax year. An interlocutory decree is not a final decree.

Exception. If you live apart from your spouse, under certain circumstances you may be considered unmarried and can file as head of household. See *Head of Household,* later.

Joint Return

If you are married, you and your spouse can choose to file a joint return. If you file jointly, you both must include all your income, exemptions, deductions, and credits on that return. You can file a joint return even if one of you had no income or deductions.

If both you and your spouse have income, you should usually figure your tax on both a joint return and separate returns to see which gives you the lower tax.

To file a joint return, at least one of you must be a U.S. citizen or resident at the end of the tax year. If either of you was a nonresident alien at any time during the tax year, you can file a joint return only if you agree to treat the nonresident spouse as a resident of the United States. This means that your combined worldwide incomes are subject to U.S. income tax. These rules are explained in Publication 519, *U.S. Tax Guide for Aliens.*

Signing a joint return. Both you and your spouse must sign the return, or it will not be considered a joint return.

Joint and individual liability. Both you and your spouse are responsible, jointly and individually, for the tax and any interest or penalty due on your joint return. This means that one spouse may be held liable for all the tax due even if all the income was earned by the other spouse.

Divorced taxpayers. If you are divorced, you are still jointly and individually responsible for any tax, interest, and penalties due on a joint return for a tax year ending before your divorce. This responsibility applies even if your divorce decree states that your former spouse will be responsible for any amounts due on previously filed joint returns.

Relief from joint liability. In some cases, one spouse may be relieved of liability for tax, interest, and penalties for items of the other spouse which were incorrectly reported on a joint return. You can ask for relief no matter how small the liability.

There are three types of relief available.

1) Innocent spouse relief, which may apply to all joint filers.
2) Separation of liability, which may apply to joint filers who are divorced, widowed, legally separated, or have not lived together for the past 12 months.
3) Equitable relief, which applies to all joint filers.

Innocent spouse relief and separation of liability apply only to items incorrectly reported on the return. If a spouse does not qualify for innocent spouse relief or separation of liability, the IRS may grant equitable relief.

Each of these kinds of relief is different, and they each have different requirements. You must file Form 8857 to request any of these kinds of relief. Publication 971 explains these kinds of relief and who may qualify for them.

The relief from liability rules discussed here apply to tax liabilities arising after July 22, 1998, and tax liabilities arising on or before July 22, 1998, that were unpaid as of that date.

Tax refund applied to spouse's debts. The overpayment shown on your joint return may be used to pay the past-due amount of your spouse's debts. You can get your share of the refund if you qualify as an injured spouse.

Injured spouse. You are an injured spouse if all or part of your share of the overpayment shown on your joint return was, or is expected to be, applied against your spouse's past-due child or spousal support payments or certain Federal debts such as student loans. You should file **Form 8379,** *Injured Spouse Claim and Allocation,* if you meet ***all three*** of the following conditions.

1) You are not required to pay the past-due amount.
2) You received and reported income (such as wages, taxable interest, etc.) on the joint return.
3) You made and reported tax payments (such as federal income tax withheld from your wages or estimated tax payments), or you claimed the earned income credit or other refundable credit on the joint return.

If ***all three*** of the above apply and you want your share of the overpayment shown on the joint return refunded to you, complete Form 8379. If your main home was in a community property state, you can file Form 8379 if only item 1 applies. Follow the instructions on the form.

Refunds that involve community property states must be divided according to local law. If you live in a community property state in which all community property is subject to the debts of either spouse, your entire refund can be used to pay those debts.

Separate Returns

If you and your spouse file separate returns, you should each report only your own income, exemptions, deductions, and credits on your individual return. You can file a separate return even if only one of you had income. For information on exemptions you can claim on your separate return, see *Exemptions,* later.

Community or separate income. If you live in a community property state and file a separate return, your income may be separate income or community income for income tax purposes. For more information, see *Community Income,* later.

Separate liability. If you and your spouse file separately, you each are responsible only for the tax due on your own return.

Itemized deductions. If you and your spouse file separate returns and one of you itemizes deductions, the other spouse will not qualify for the standard deduction and should also itemize deductions.

Table 1. **Itemized Deductions on Separate Returns**

This table shows itemized deductions you can claim on your separate return whether you paid the expenses separately with your own funds or jointly with your spouse. **Caution:** If you live in a community property state, these rules do not apply. See *Community Income.*

Itemized Deduction	IF you...	THEN you can deduct on your separate return...
Medical expenses	Paid with funds deposited in a joint checking account in which you and your spouse have an equal interest	One-half of the total medical expenses, unless you can show that you alone paid the expenses.
State income tax	File a separate state income tax return	The amount of state income tax you alone paid during the year.
	File a joint state income tax return and you and your spouse are jointly and individually liable for the full amount of the state income tax	The amount of state income tax you alone paid during the year.
	File a joint state income tax return and you are liable for only your own share of state income tax	The smaller of: • The state income tax you alone paid during the year, or • The total state income tax you and your spouse paid during the year multiplied by the following fraction. The numerator is the amount of your gross income and the denominator is your combined gross income.
Property tax	Paid on property held as tenants by the entirety	The amount of property tax that you alone paid.
Mortgage interest	Paid on property held as tenants by the entirety	The amount of mortgage interest that you alone paid.
Casualty loss	Have a casualty loss on a home you own as tenants by the entirety	Half of the loss. Neither spouse may report the total casualty loss.

Dividing itemized deductions. You may be able to claim itemized deductions on a separate return for certain expenses that you paid separately or jointly with your spouse. See *Table 1.*

Separate returns may give you a higher tax. Some married couples file separate returns because each wants to be responsible only for his or her own tax. But in almost all instances, if you file separate returns, you will pay more combined federal tax than you would with a joint return. This is because the tax rate is higher for married persons filing separately. The following rules also apply if you file a separate return.

1) You cannot take the credit for child and dependent care expenses in most cases.

2) You cannot take the earned income credit.

3) You cannot take the exclusion or credit for adoption expenses in most instances.

4) You cannot take the credit for higher education expenses or the deduction for student loan interest.

5) You cannot exclude the interest from qualified savings bonds that you used for higher education expenses.

6) If you lived with your spouse at any time during the tax year:

   a) You cannot claim the credit for the elderly or the disabled, and

   b) You will have to include in income up to 85% of any social security or equivalent railroad retirement benefits you received.

7) You will become subject to the limit on the child tax credit, itemized deductions, and the phaseout of the deduction for personal exemptions at income levels that are half of those for a joint return.

8) You cannot roll over amounts from a traditional IRA into a Roth IRA during a year you file a separate return.

Joint return after separate returns. If either you or your spouse file a separate return, you can change to a joint return any time within 3 years from the due date (not including extensions) of the separate returns. This

applies even if either of you filed as head of household. Use Form 1040X, *Amended U.S. Individual Income Tax Return.*

Separate returns after joint return. After the due date of your return, you and your spouse ***cannot*** file separate returns if you previously filed a joint return.

Exception. A personal representative for a decedent can change from a joint return elected by the surviving spouse to a separate return for the decedent. The personal representative has one year from the due date of the joint return to make the change.

Head of Household

You may be eligible to file as head of household if you meet the requirements discussed later.

Filing as head of household has the following advantages.

1) You can claim the standard deduction even if your spouse files a separate return and itemizes deductions.
2) Your standard deduction is higher than is allowed on a single or married filing separate return.
3) Your tax rate may be lower than it is on a single or married filing separate return.
4) You may be able to claim certain credits (such as child care credit and earned income credit) you cannot claim on a married filing separate return.
5) You will become subject to the limit on itemized deductions and the phaseout of the deduction for personal exemptions at income levels that are twice the levels for a single or a married filing separate return.

Requirements. You can file as head of household only if you were unmarried or considered unmarried on the last day of the year. You also must have paid more than half the cost of keeping up a home that was the main home for more than half the year (except for temporary absences, such as for school) for you and any of the following qualifying persons.

1) ***Certain unmarried children.*** This includes your unmarried child, grandchild, stepchild, foster child, or adopted child. A foster child must qualify as your dependent and must have lived in your home for the entire year.
2) ***Certain married children.*** This includes your married child, grandchild, stepchild, foster child, or adopted child for whom you can claim an exemption, or for whom you could claim an exemption except that:
   a) By your written declaration you allow the noncustodial parent to claim the exemption, or
   b) The noncustodial parent provided at least $600 for the support of the dependent and claims the exemption under a pre-1985 agreement.
3) ***Other relatives.*** This includes any other relative for whom you can claim an exemption. However, your parent for whom you can claim an exemption does not have to live with you. (See *Father or mother,* later.) For a list of persons who are relatives for purposes of these requirements, see *1. Member of Household or Relationship Test* under *Exemption Tests,* later.

Your married child or other relative will not qualify you as a head of household if you claim an exemption for that person under a multiple support agreement (discussed later).

Father or mother. If your parent for whom you can claim an exemption does not live with you, you can file as head of household if you paid more than half the cost of keeping up a home that was your parent's main home for the ***entire year.*** This includes paying more than half the cost of keeping your parent in a rest home or home for the elderly.

Considered unmarried. Even if you are married, you will be considered unmarried on the last day of the year if you meet ***all*** of the following tests.

1) You do not file a joint return.
2) You paid more than half the cost of keeping up your home for the tax year.
3) Your spouse did not live in your home during the last 6 months of the tax year.
4) Your home was, for more than half the year, the main home of your child, stepchild, adopted child, or for the entire year, the main home for your foster child. You generally must be able to claim an exemption for your child. However, you can still meet this test if you cannot claim an exemption for your child only because:
   a) By your written declaration you allow the noncustodial parent to claim the exemption, or
   b) The noncustodial parent provided at least $600 for the support of the child and claims the exemption under a pre-1985 agreement.

Nonresident alien spouse. If your spouse was a nonresident alien at any time during the tax year, and you have not chosen to treat your spouse as a resident alien, you are considered unmarried for head of household purposes. However, your spouse is not a qualifying person for head of household purposes. You must have paid most of the cost of keeping up a home that was the main home for most of the year for you and a qualifying person (other than your spouse) and meet the other requirements to file as head of household.

Keeping up a home. You are keeping up a home only if you pay more than half the cost of its upkeep. This includes rent, mortgage interest, taxes, insurance on the home, repairs, utilities, and food eaten in the home. This does not include the cost of clothing, education, medical treatment, or transportation for any member of the household.

For more information on filing as head of household, get Publication 501.

Exemptions

Generally, you can deduct $2,750 for each exemption you claim in 1999. However, if your adjusted gross income is more than $94,975, see *Phaseout of Exemptions,* later.

There are two types of exemptions: personal exemptions and exemptions for dependents. If you are entitled to claim an exemption for a dependent (such as your child), that dependent cannot claim his or her personal exemption on his or her own tax return.

Personal Exemptions

You can claim your own exemption unless someone else can claim it. If you are married, you may be able to take an exemption for your spouse. These are called personal exemptions.

Exemption for Your Spouse

Your spouse is never considered your dependent. You may be able to take an exemption for your spouse only because you are married.

Joint return. On a joint return, you can claim one exemption for yourself and one for your spouse.

If your spouse had ***any gross income,*** you can claim his or her exemption only if you file a joint return.

Separate return. If you file a separate return, you can take an exemption for your spouse only if your spouse had ***no gross income*** and was not the dependent of another taxpayer. If your spouse is the dependent of another taxpayer, you cannot claim an exemption for your spouse even if the other taxpayer does not actually claim your spouse's exemption.

Alimony paid. If you paid alimony to your spouse, you cannot take an exemption for your spouse. This is because alimony is gross income to the spouse who received it.

Divorced or separated spouse. You cannot take an exemption for your former spouse for the year in which you were divorced or legally separated under a final decree. This rule applies even if you paid all your former spouse's support that year.

Exemptions for Dependents

You can take an exemption for each person who meets ***all five*** of the exemption tests discussed later.

If you can claim an exemption for your dependent, the dependent cannot claim his or her own exemption on his or her own tax return. This is true even if you do not claim the dependent's exemption on your return or if the exemption will be reduced or eliminated under the phaseout rule for high-income individuals.

Exemption Tests

The following five tests must be met for you to claim an exemption for a person other than yourself or your spouse.

1) Member of Household or Relationship Test.
2) Citizenship Test.
3) Joint Return Test.
4) Gross Income Test.
5) Support Test.

1. Member of Household or Relationship Test

To meet this test, the person must either:

1) Be related to you, or
2) Live with you for the entire year as a member of your household.

Related. A person related to you in any of the following ways meets this test even if he or she did not live with you for the entire year as a member of your household.

Child
Stepchild
Mother
Father
Grandparent
Great-grandparent
Brother
Sister
Grandchild
Great-grandchild
Half-brother
Half-sister
Stepbrother
Stepsister
Stepmother
Stepfather
Mother-in-law
Father-in-law
Brother-in-law
Sister-in-law
Son-in-law
Daughter-in-law
If related by blood:
- Uncle
- Aunt
- Nephew
- Niece

Any relationships that have been established by marriage are not considered ended by death or divorce.

Child. Your child is:

1) Your son, daughter, stepson, stepdaughter, or legally adopted son or daughter,
2) A child who lived with you in your home as a member of your family, if placed with you by an authorized placement agency for legal adoption, or
3) A foster child (any child who lived with you in your home as a member of your family for the entire year).

Member of household. If the person is not related to you, he or she must have lived in your home as a member of your household for the entire year (except for temporary absences, such as for vacation or school) for you to be able to claim his or her exemption. A person is not a member of your household if at any time during your tax year the relationship between you and that person violates local law.

2. Citizenship Test

To meet the citizenship test, a person must be a U.S. citizen or resident, or a resident of Canada or Mexico for some part of the calendar year in which your tax year begins.

Children usually are citizens or residents of the country of their parents. If you were a U.S. citizen when your child was born, the child may be a U.S. citizen although the other parent was a nonresident alien and the child was born in a foreign country. If so, and the other exemption tests are met, the child is your dependent and you may take the exemption. It does not matter if the child lives abroad with the nonresident alien parent.

Special rule for your adopted child. If you are a U.S. citizen living abroad who has legally adopted a child who meets the other exemption tests, the citizenship test does not apply. You can take the exemption if your home is the child's main home and the child is a member of your household for the entire year.

3. Joint Return Test

Even if the other exemption tests are met, you are generally not allowed an exemption for a person other than yourself or your spouse if he or she files a joint return. However, this test does not apply if a joint return is filed by a dependent and his or her spouse merely as a claim for refund and no tax liability would exist for either spouse on the basis of separate returns.

4. Gross Income Test

You cannot take an exemption for a person other than yourself or your spouse if that person had gross income of $2,750 or more for the year. All income in the form of money, property, and services that is not exempt from tax is gross income. Gross income does not include nontaxable income, such as welfare benefits or nontaxable social security benefits.

Special rules for your child. The gross income test does not apply if your child:

1) Is under age 19 at the end of the year, or
2) Is a student during the year and is under age 24 at the end of the year.

Child. See *1. Member of Household or Relationship Test,* earlier, for the definition of "child."

Student. To qualify as a student, your child must be, during some part of each of 5 calendar months during the year (not necessarily consecutive):

1) A full-time student at a school that has a regular teaching staff and course of study, and a regularly enrolled body of students in attendance, or
2) A student taking a full-time, on-farm training course given by a school described in (1) above or a state, county, or local government.

A ***full-time student*** is one who is enrolled for the number of hours or courses the school considers to be full-time attendance.

The term "school" includes elementary schools, junior and senior high schools, colleges, universities, and technical, trade, and mechanical schools. It ***does not*** include on-the-job training courses, correspondence schools, or night schools.

5. Support Test

You must provide more than half of a person's total support for the calendar year to meet the support test. If you file a joint return, the support could have come from you or your spouse. Even if you did not provide over half the person's support, you will be treated as having provided over half the support if you meet the tests explained later under *Multiple Support Agreement.*

If you are divorced or separated and you or the other parent, or both together, provided over half your child's support for the year, the support test for your child may be based on a special rule. See *Children of Divorced or Separated Parents,* later.

In figuring total support, you must include money the person provided for his or her own support, even if this money was not taxable (for example, gifts, savings, and welfare benefits). If your child was a student, do not include amounts he or she received as scholarships while a full-time student.

Support includes food, a place to live, clothes, medical and dental care, recreation, and education. In figuring support, use the actual cost of these items. However, the cost of a place to live is figured at its fair rental value.

Support does not include income tax, social security and Medicare taxes, premiums for life insurance, or funeral expenses.

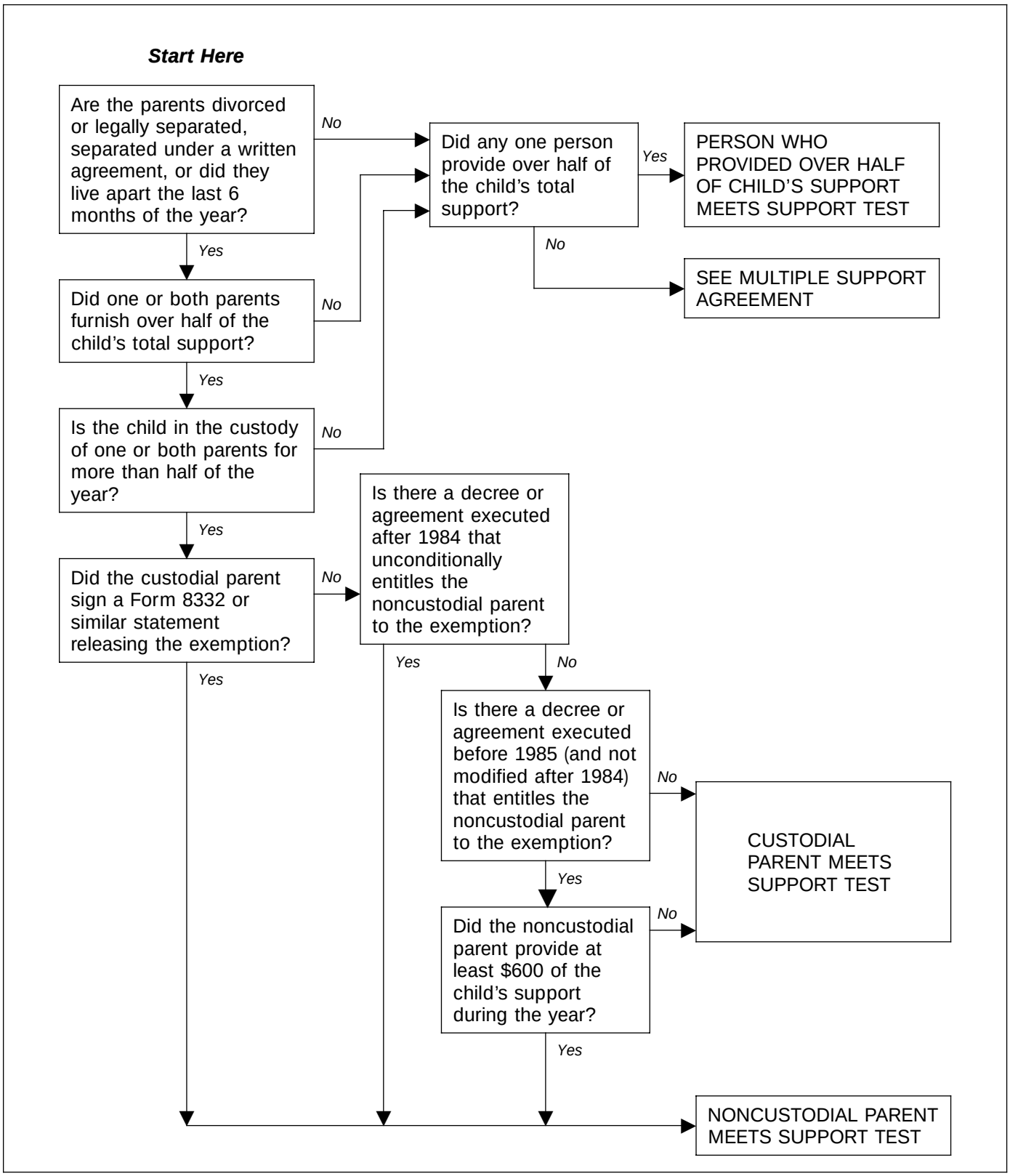
Joint ownership of home. If the person lives with you in a home that is jointly owned by you and your spouse or former spouse, and each of you has the right to use and live in the home, each of you is considered to provide half of the person's lodging. However, if your decree of divorce gives only you the right to use and live in the home, you are considered to provide the person's entire lodging. This is true even though legal title to the home remains in the names of both you and your former spouse.

Capital items. You must include capital items such as a car or furniture in figuring support, but only if they were actually given to, or bought by, the person for his or her use or benefit. Do not include the cost of a capital item for the use or benefit of other members of the household. For example, include in support a bicycle purchased by and used solely by the person for transportation; do not include a lawn mower you purchase that is occasionally used by the person.

Children of Divorced or Separated Parents

In general, a person must meet the support test explained earlier under *5. Support Test.* However, the support test for a child of divorced or separated parents is based on a special rule if the parents meet certain requirements.

Figure 1. **Support Test for Children of Divorced or Separated Parents**



Special Rule Requirements

Apply the special rule only if the parents meet ***all three*** of the following requirements.

1) The parents are:
   a) Divorced or legally separated under a decree of divorce or separate maintenance,
   b) Separated under a written separation agreement, or
   c) Lived apart at all times during the last 6 months of the calendar year.
2) One or both parents provide more than half the child's total support for the calendar year.
3) One or both parents have custody of the child for more than half the calendar year.

The special rule does not apply if the child's support is determined under a multiple support agreement discussed later.

Child is defined earlier under *1. Member of Household or Relationship Test.*

Support provided by others. Support provided to a child of a divorced or separated parent by a relative or friend is not included as support provided by the parent. However, if you remarried, the support your new spouse provided is treated as provided by you.

Example 1. You are divorced. During the whole year, you and your child lived with your mother in a house she owns. You must include the fair rental value of the home provided by your mother for your child in figuring total support, but not as part of the support provided by you.

Example 2. You have two children from a former marriage who lived with you. You remarried and lived in a home owned by your present spouse. The fair rental value of the home provided to the children by your present spouse is treated as provided by you.

Custodial Parent

Under the special rule, the parent who had custody of the child for the greater part of the year (the custodial parent) is generally treated as the parent who provided more than half of the child's support. This parent is usually allowed to claim the exemption for the child if the other exemption tests are met. However, see *Noncustodial Parent,* later.

Custody. Custody is usually determined by the terms of the most recent decree of divorce or separate maintenance, or a later custody decree. If there is no decree, it will be determined by the written separation agreement.

If neither a decree nor an agreement establishes custody, then the parent who had physical custody of the child for the greater part of the year is considered to have custody of the child. This also applies if a decree or agreement calls for “split” custody, or if the validity of a decree or agreement awarding custody is uncertain because of legal proceedings pending on the last day of the calendar year.

If the parents were divorced or separated during the year after having had joint custody of the child before the separation, the parent who had custody for the greater part of the rest of the year is considered the custodial parent.

Example 1. Under the terms of your divorce decree, you had custody of your child for 10 months of the year. Your former spouse had custody for the other 2 months. You and your former spouse provided the child's total support. You are considered to have provided more than half the child's support because you are the custodial parent.

Example 2. You and your former spouse provided your child's total support for the year. You had custody of your child under your 1990 divorce decree, but in October, a new custody decree granted custody to your former spouse. Because you had custody for the greater part of the year, you are the custodial parent and are considered to have provided more than half of your child's support.

Example 3. You were separated on June 1. Before the separation, you and your spouse had joint custody of your child. Your spouse had custody from June through September and you had custody from October through December. Because your spouse had custody for 4 of the 7 months following the separation, your spouse was the custodial parent for the year and is treated as having provided more than half of the child's support for the year.

Noncustodial Parent

Under the special rule, the parent who did not have custody, or who had it for the shorter time, is the noncustodial parent. The noncustodial parent is treated as the parent who provided more than half of the child's support if any one of the following three conditions is met.

1) The custodial parent signs a written declaration that he or she will not claim the exemption for the child, and the noncustodial parent attaches this written declaration to his or her return.
2) A decree or agreement went into effect ***after 1984*** and states the noncustodial parent can claim the child as a dependent without regard to any condition, such as payment of support.
3) A decree or agreement executed ***before 1985*** provides that the noncustodial parent is entitled to the exemption, and he or she gave at least $600 for the child's support during the year. This is true unless the pre-1985 decree or agreement was modified after 1984 to specify that this provision will not apply.

Example 1. Under your 1984 divorce decree, your former spouse has custody of your child. The decree specifically states that you can claim the child's exemption. You provided $1,000 of your child's support during the year and your spouse provided the rest. You are considered to have provided over half the child's support. See item (3) above.

Example 2. You and your spouse provided all of your child's support. Under your 1988 written separation agreement, your spouse has custody of your child. Because the agreement was made after 1984, you are considered to have provided over half the child's support only if your spouse agrees not to claim the child's exemption by signing a written declaration. See item (1) above.

Written declaration. The custodial parent should use Form 8332, or a similar statement, to make the written declaration to release the exemption to the noncustodial parent. The noncustodial parent must attach the form or statement to his or her tax return.

The exemption can be released for a single year, for a number of specified years (for example, alternate years), or for all future years, as specified in the declaration. If the exemption is released for more than one year, the original release must be attached to the return of the noncustodial parent for the first year, and a copy of the release must be attached to the return for each succeeding taxable year for which the noncustodial parent claims the exemption.

Divorce decree or separation agreement made after 1984. If your divorce decree or separation agreement went into effect after 1984 and it states that you can claim the exemption for your child ***without regard to any condition,*** such as payment of support, you can attach a copy of the following pages from the decree or agreement instead of Form 8332.

1) The cover page (write the other parent's social security number on this page).

2) The page that states you can claim the exemption for your child.

3) The signature page with the other parent's signature and the date of the agreement.

CAUTION *If your divorce decree or separation agreement went into effect after 1984 and it states that you can claim the exemption for your child* ***if you meet certain conditions,*** *you must attach to your return Form 8332 or a similar statement from the custodial parent releasing the exemption.*

Divorce decree or separation agreement made before 1985. If you are a noncustodial parent who claims a child's exemption under a decree or agreement made before 1985, you must give at least $600 for that child's support.

Child support. Child support payments received from the noncustodial parent are considered used for the child's support, even if actually spent on things other than support.

Example. Your 1982 divorce decree requires you to pay child support to the custodial parent and states that you can claim your child's exemption. The custodial parent paid for all support items and put the $1,000 child support you paid during the year into a savings account for the child. Because your payments are considered used for support, you are considered to have provided over half the child's support.

Back child support. If you fail to pay child support in the year it is due, but pay it in a later year, any payment of the overdue amount is not considered child support either for the year it was due or for the year in which it is paid. It is payment of an amount owed to the custodial parent, but it is not child support provided by you.

Example. You and your former spouse provide all your child's support. Your 1984 divorce decree requires you to pay $800 child support each year to the custodial parent and allows you to claim your child's exemption. Last year you paid only $500, but you made up the $300 you owed by paying $1,100 this year. The $300 back child support you paid this year is not considered support for last year or for this year.

Medical Expenses

A child of divorced or separated parents whose support test is based on the special rule described in this section is treated as a dependent of both parents for the medical expense deduction. A parent can deduct medical expenses he or she paid for the child even if an exemption for the child is claimed by the other parent.

Multiple Support Agreement

Sometimes no one individual provides more than half of the support of a person. Instead, two or more people, each of whom would be able to take the exemption but for the support test, together provide more than half of the person's support. One of those people can claim an exemption for that person if the requirements in *Figure 2* are met.

Phaseout of Exemptions

The amount you can claim as a deduction for exemptions is phased out if your adjusted gross income (AGI) for 1999 falls within the range shown below for your filing status.

Filing Status	AGI
Single	$126,600 – $249,100
Married filing jointly or qualifying widow(er)	$189,950 – $312,450
Married filing separately	$94,975 – $156,225
Head of household	$158,300 – $280,800

If your AGI is more than the highest amount for your filing status, your deduction for exemptions is zero. If your AGI falls within the range, use the *Deduction for Exemptions Worksheet* in the instructions for Form 1040 to figure your deduction.

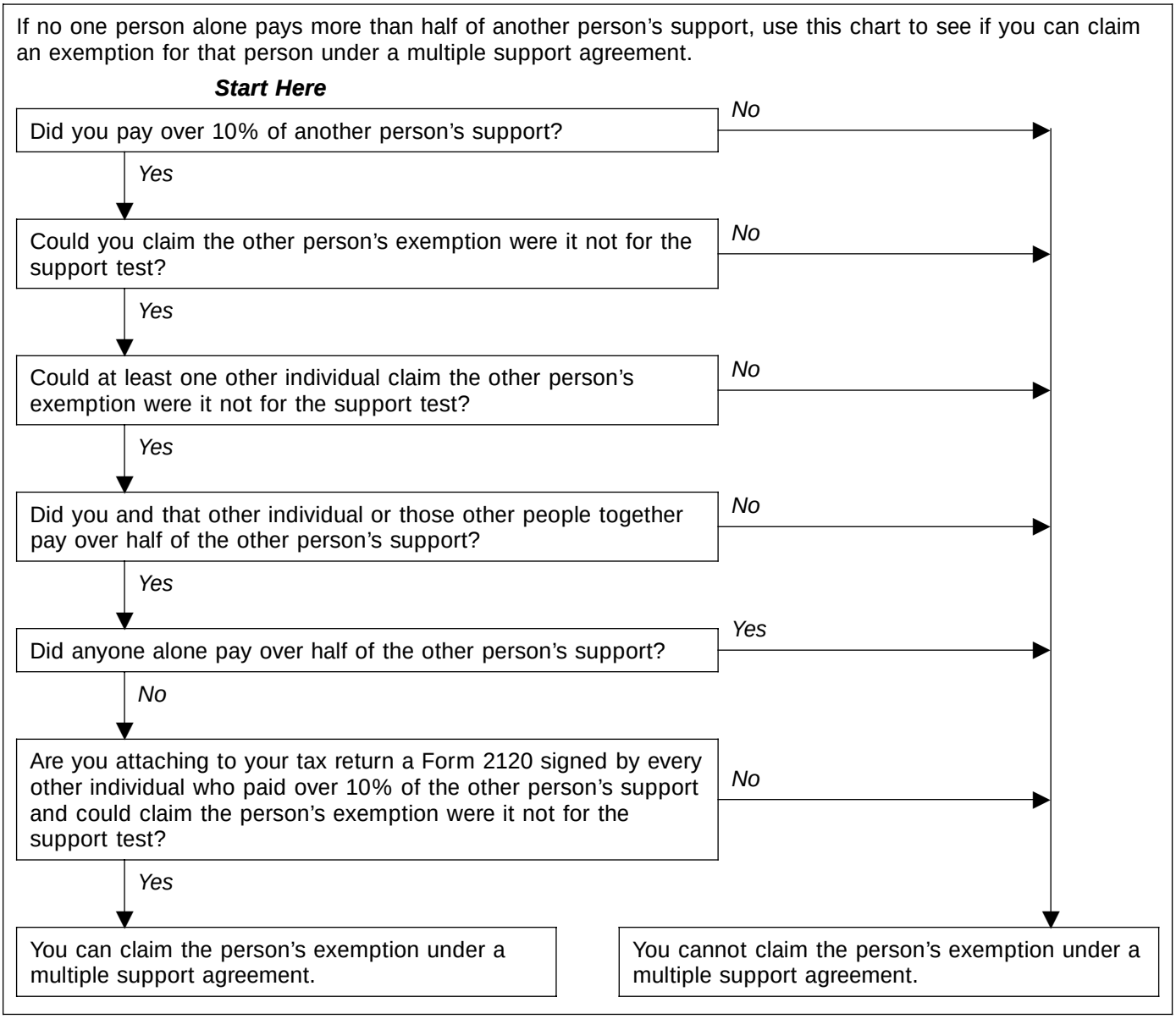
Alimony

Alimony is a payment to or for a spouse or former spouse under a divorce or separation instrument. It does not include voluntary payments that are not made under a divorce or separation instrument.

Alimony is deductible by the payer and must be included in the spouse's or former spouse's income. Although this discussion is generally written for the payer of the alimony, the recipient can use the information to determine whether an amount received is alimony.

To be alimony, a payment must meet certain requirements. Different requirements apply to payments

Figure 2. **Can You Claim an Exemption for a Person Under a Multiple Support Agreement?**



under instruments executed after 1984 and to payments under instruments executed before 1985. These requirements are discussed later.

Spouse or former spouse. Unless otherwise stated in the following discussions about alimony, the term "spouse" includes former spouse.

Divorce or separation instrument. The term "divorce or separation instrument" means:

1) A decree of divorce or separate maintenance or a written instrument incident to that decree,

2) A written separation agreement, or

3) A decree or any type of court order requiring a spouse to make payments for the support or maintenance of the other spouse. This includes a temporary decree, an interlocutory (not final) decree, and a decree of alimony *pendente lite* (while awaiting action on the final decree or agreement).

Invalid decree. Payments under a divorce decree can be alimony even if the decree's validity is in question. A divorce decree is valid for tax purposes until a court having proper jurisdiction holds it invalid.

Amended instrument. An amendment to a divorce decree may change the nature of your payments. Amendments are not ordinarily retroactive for federal tax purposes. However, a retroactive amendment to a divorce decree correcting a clerical error to reflect the original intent of the court will generally be effective retroactively for federal tax purposes.

Example 1. A court order retroactively corrected a mathematical error under your divorce decree to express the original intent to spread the payments over more than 10 years. This change also is effective retroactively for federal tax purposes.

Example 2. Your original divorce decree did not fix any part of the payment as child support. To reflect the true intention of the court, a court order retroactively corrected the error by designating a part of the payment as child support. The amended order is effective retroactively for federal tax purposes.

Deducting alimony paid. You can deduct alimony you paid, whether or not you itemize deductions on your return. You must file Form 1040. You cannot use Form 1040A or Form 1040EZ.

Enter the amount of alimony you paid on line 31a (Form 1040). In the space provided on line 31b, enter your spouse's or former spouse's social security number.

If you paid alimony to more than one person, enter the social security number of one of the recipients. Show the social security number and amount paid to each other recipient on an attached statement. Enter your total payments on line 31a.

If you do not provide your spouse's or former spouse's social security number, you may have to pay a $50 penalty and your deduction may be disallowed.

Reporting alimony received. Report alimony you received on line 11 of Form 1040. You cannot use Form 1040A or Form 1040EZ.

You must give the person who paid the alimony your social security number. If you do not, you may have to pay a $50 penalty.

Withholding on nonresident aliens. If you are a U.S. citizen or resident and you pay alimony to a nonresident alien spouse or former spouse, you must withhold income tax at a rate of 30% (or lower treaty rate) on each payment unless you are exempted by an income tax treaty. For more information, get Publication 515, *Withholding of Tax on Nonresident Aliens and Foreign Corporations.*

General Rules

The following rules apply to alimony regardless of when the divorce or separation instrument was executed.

Payments not alimony. Not all payments under a divorce or separation instrument are alimony. Alimony does not include:

1) Child support,

2) Noncash property settlements,

3) Payments that are your spouse's part of community income, as explained later under *Community Property,*

4) Payments to keep up the payer's property. or

5) Use of property.

Example. Under your written separation agreement, your spouse lives rent-free in a home you own and you must pay the mortgage, real estate taxes, insurance, repairs, and utilities for the home. Because you own the home and the debts are yours, your payments for the mortgage, real estate taxes, insurance, and repairs are not alimony. Neither is the value of your spouse's use of the home.

If they otherwise qualify, you can deduct the payments for utilities as alimony. Your spouse must report them as income. If you itemize deductions, you can deduct the real estate taxes and, if the home is a qualified home, you can also include the interest on the mortgage in figuring your deductible interest.

Child support. To determine whether a payment is child support, see the separate discussions under *Instruments Executed After 1984* or *Instruments Executed Before 1985,* later.

Underpayment. If both alimony and child support payments are called for by your divorce or separation instrument, and you pay less than the total required, the payments apply first to child support and then to alimony.

Example. Your divorce decree calls for you to pay your former spouse $200 a month as child support and $150 a month as alimony. If you pay the full amount of $4,200 during the year, you can deduct $1,800 as alimony and your former spouse must report $1,800 as alimony received. If you pay only $3,600 during the year, $2,400 is child support. You can deduct only $1,200 as alimony and your former spouse must report $1,200 as alimony received.

Payments to a third party. Cash payments (including checks and money orders) to a third party on behalf of your spouse under the terms of your divorce or separation instrument may be alimony, if they otherwise qualify. These include payments for your spouse's medical expenses, housing costs (rent, utilities, etc.), taxes, tuition, etc. The payments are treated as received by your spouse and then paid to the third party.

Example 1. Under your divorce decree, you must pay your former spouse's medical and dental expenses. If the payments otherwise qualify, you can deduct them as alimony on your return. Your former spouse must report them as alimony received and can include them in figuring deductible medical expenses.

Example 2. Under your separation agreement, you must pay the real estate taxes, mortgage payments, and insurance premiums on a home owned by your spouse. If they otherwise qualify, you can deduct the payments as alimony on your return, and your spouse must report them as alimony received. If itemizing deductions, your spouse can deduct the real estate taxes and, if the home is a qualified home, also include the interest on the mortgage in figuring deductible interest.

Life insurance premiums. Alimony includes premiums you must pay under your divorce or separation instrument for insurance on your life to the extent your spouse owns the policy.

Payments for jointly-owned home. If your divorce or separation instrument states that you must pay expenses for a home owned by you and your spouse or

Table 2. **Expenses for a Jointly-Owned Home**

Use the table below to find how much of your payment is alimony and how much you can claim as an itemized deduction.

IF you must pay all of the...	AND your home is...	THEN you can deduct and your spouse (or former spouse) must include as alimony...	AND you can claim as an itemized deduction...
Mortgage payments (principal and interest)	Jointly-owned	One-half of the total payments	One-half of the interest as interest expense (if the home is a qualified home).[1]
Real estate taxes and home insurance	Held as tenants in common	One-half of the total payments	One-half of the real estate taxes[2] and none of the home insurance.
	Held as tenants by the entirety or in joint tenancy	None of the payments	All of the real estate taxes and none of the home insurance.

[1] Your spouse (or former spouse) can deduct the other one-half of the interest if the home is a qualified home.

[2] Your spouse (or former spouse) can deduct the other one-half of the real estate taxes.

former spouse, some of your payments may be alimony. See *Table 2.*

Instruments Executed After 1984

The following rules for alimony apply to payments under divorce or separation instruments executed after 1984. They also apply to alimony payments under earlier instruments that were modified after 1984 to:

1) Specify that these rules will apply, or

2) Change the amount or period of payment or add or delete any contingency or condition.

The rules in this section do not apply to divorce or separation instruments executed after 1984 if the terms for alimony are unchanged from an instrument executed before 1985. For the rules for alimony payments under other pre-1985 instruments, see *Instruments Executed Before 1985,* later.

Example 1. In November 1984, you and your former spouse executed a written separation agreement. In February 1985, a decree of divorce was substituted for the written separation agreement. The decree of divorce did not change the terms for the alimony you pay your former spouse. The decree of divorce is treated as executed before 1985. Alimony payments under this decree are not subject to the rules for payments under instruments executed after 1984.

Example 2. Assume the same facts as in Example 1 except that the decree of divorce changed the amount of the alimony. In this example, the decree of divorce is not treated as executed before 1985. The alimony payments are subject to the rules for payments under instruments executed after 1984.

Alimony Requirements

A payment to or for a spouse under a divorce or separation instrument is alimony if the spouses do not file a joint return with each other and ***all*** the following requirements are met.

1) The payment is in cash.

2) The instrument does not designate the payment as not alimony.

3) The spouses are not members of the same household at the time the payments are made. This requirement applies only if the spouses are legally separated under a decree of divorce or separate maintenance.

4) There is no liability to make any payment (in cash or property) after the death of the recipient spouse.

5) The payment is not treated as child support.

Each of these requirements is discussed below.

Payment must be in cash. Only cash payments, including checks and money orders, qualify as alimony. The following do not qualify as alimony.

- Transfers of services or property (including a debt instrument of a third party or an annuity contract).
- Execution of a debt instrument by the payor.
- The use of property.

Payments to a third party. Cash payments to a third party under the terms of your divorce or separation instrument can qualify as a cash payment to your spouse. See *Payments to a third party* under *General Rules,* earlier.

Also, cash payments made to a third party at the written request of your spouse qualify as alimony if ***all*** the following requirements are met.

1) The payments are in lieu of payments of alimony directly to your spouse.

2) The written request states that both spouses intend the payments to be treated as alimony.

3) You receive the written request from your spouse before you file your return for the year you made the payments.

Payments designated as not alimony. You and your spouse can designate that otherwise qualifying payments are not alimony. You do this by including a provision in your divorce or separation instrument that states the payments are not deductible by you and are excludable from your spouse's income. For this purpose, any instrument (written statement) signed by both of you that makes this designation and that refers to a previous written separation agreement is treated as a written separation agreement. If you are subject to temporary support orders, the designation must be made in the original or a later temporary support order.

Your spouse can exclude the payments from income only if he or she attaches a copy of the instrument designating them as not alimony to his or her return. The copy must be attached each year the designation applies.

Spouses cannot be members of the same household. Payments to your spouse while you are members of the same household are not alimony if you are legally separated under a decree of divorce or separate maintenance. A home you formerly shared is considered one household, even if you physically separate yourselves in the home.

You are not treated as members of the same household if one of you is preparing to leave the household and does leave no later than one month after the date of the payment.

Exception. If you are not legally separated under a decree of divorce or separate maintenance, a payment under a written separation agreement, support decree, or other court order may qualify as alimony even if you are members of the same household when the payment is made.

Liability for payments after death of recipient spouse. If you must continue to make payments for any period after your spouse's death, none of the payments made before or after the death are alimony.

The divorce or separation instrument does not have to expressly state that the payments cease upon the death of your spouse if, for example, the liability for continued payments would end under state law.

Example. You must pay your former spouse $10,000 in cash each year for 10 years. Your divorce decree states that the payments will end upon your former spouse's death. You must also pay your former spouse or your former spouse's estate $20,000 in cash each year for 10 years. The death of your spouse would not terminate these payments under state law.

The $10,000 annual payments are alimony. But because the $20,000 annual payments will not end upon your former spouse's death, they are not alimony.

Substitute payments. If you must make any payments in cash or property after your spouse's death as a substitute for continuing otherwise qualifying payments, the otherwise qualifying payments are not alimony. To the extent that your payments begin, accelerate, or increase because of the death of your spouse, otherwise qualifying payments you made may be treated as payments that were not alimony. Whether or not such payments will be treated as not alimony depends on all the facts and circumstances.

Example 1. Under your divorce decree, you must pay your former spouse $30,000 annually. The payments will stop at the end of 6 years or upon your former spouse's death, if earlier.

Your former spouse has custody of your minor children. The decree provides that if any child is still a minor at your spouse's death, you must pay $10,000 annually to a trust until the youngest child reaches the age of majority. The trust income and corpus (principal) are to be used for your children's benefit.

These facts indicate that the payments to be made after your former spouse's death are a substitute for $10,000 of the $30,000 annual payments. $10,000 of each of the $30,000 annual payments is not alimony.

Example 2. Under your divorce decree, you must pay your former spouse $30,000 annually. The payments will stop at the end of 15 years or upon your former spouse's death, if earlier. The decree provides that if your former spouse dies before the end of the 15-year period, you must pay the estate the difference between $450,000 ($30,000 $\times$ 15) and the total amount paid up to that time. For example, if your spouse dies at the end of the tenth year, you must pay the estate $150,000 ($450,000 – $300,000).

These facts indicate that the lump-sum payment to be made after your former spouse's death is a substitute for the full amount of the $30,000 annual payments. None of the annual payments are alimony. The result would be the same if the payment required at death were to be discounted by an appropriate interest factor to account for the prepayment.

Child support. A payment that is specifically designated as child support or treated as specifically designated as child support under your divorce or separation instrument is not alimony. The designated amount or part may vary from time to time. Child support payments are neither deductible by the payer nor taxable to the payee.

Specifically designated as child support. A payment will be treated as specifically designated as child support to the extent that the payment is reduced either:

1) On the happening of a contingency relating to your child, or

2) At a time that can be clearly associated with the contingency.

A payment may be treated as specifically designated as child support even if other separate payments are specifically designated as child support.

Contingency relating to your child. A contingency relates to your child if it depends on any event relating to that child. It does not matter whether the event is certain or likely to occur. Events relating to your child include the child's:

- Becoming employed,
- Dying,
- Leaving the household,
- Leaving school,
- Marrying, or
- Reaching a specified age or income level.

Clearly associated with a contingency. Payments are presumed to be reduced at a time clearly associated with the happening of a contingency relating to your child only in the following situations.

1) The payments are to be reduced not more than 6 months before or after the date the child will reach 18, 21, or local age of majority.
2) The payments are to be reduced on two or more occasions that occur not more than one year before or after a different one of your children reaches a certain age from 18 to 24. This certain age must be the same for each child, but need not be a whole number of years.

In all other situations, reductions in payments are not treated as clearly associated with the happening of a contingency relating to your child.

Either you or the IRS can overcome the presumption in the two situations above. This is done by showing that the time at which the payments are to be reduced was determined independently of any contingencies relating to your children. For example, if you can show that the period of alimony payments is customary in the local jurisdiction, such as a period equal to one-half of the duration of the marriage, you can treat the amount as alimony.

Recapture of Alimony

If your alimony payments decrease or terminate during the first 3 calendar years, you may be subject to the recapture rule. If you are subject to this rule, you have to include in income in the third year part of the alimony payments you previously deducted. Your spouse can deduct in the third year part of the alimony payments he or she previously included in income.

The 3-year period starts with the first calendar year you make a payment qualifying as alimony under a decree of divorce or separate maintenance or a written separation agreement. Do not include any time in which payments were being made under temporary support orders. The second and third years are the next 2 calendar years, whether or not payments are made during those years.

The reasons for a reduction or termination of alimony payments that can require a recapture include:

- A change in your divorce or separation instrument,
- A failure to make timely payments,
- A reduction in your ability to provide support, or
- A reduction in your spouse's support needs.

When to apply the recapture rule. You are subject to the recapture rule in the third year if the alimony you pay in either the second year or the third year decreases by more than $15,000 from the prior year.

When you figure a decrease in alimony, do not include the following amounts.

1) Payments made under a temporary support order.
2) Payments required over a period of at least 3 calendar years of a fixed part of your income from a business or property, or from compensation for employment or self-employment.
3) Payments that decrease because of the death of either spouse or the remarriage of the spouse receiving the payments.

How to figure and report the recapture. Both you and your spouse can use *Table 3* to figure recaptured alimony.

Including the recapture in income. If you must include a recapture amount in income, show it on Form 1040, line 11 (“Alimony received”). Cross out “received” and write “recapture.” On the dotted line next to the amount, enter your spouse's last name and social security number.

Deducting the recapture. If you can deduct a recapture amount, show it on Form 1040, line 31a (“Alimony paid”). Cross out “paid” and write “recapture.” In the space provided, enter your spouse's social security number.

Instruments Executed Before 1985

The following rules for alimony apply to payments under divorce or separation instruments executed before 1985. However, if the instrument was modified after 1984 to specify that the rules for instruments executed after 1984 apply, or to change the terms regarding the amount or period of payment or other contingency or condition, follow the rules under *Instruments Executed After 1984,* earlier.

Alimony Requirements

A payment to or for a spouse under a divorce or separation instrument is alimony if the spouses do not file a joint return and the payment meets ***both*** of the following requirements.

1) It is based on the marital or family relationship.
2) It is not child support.

In addition, the spouses must be separated and living apart for a payment under a separation agreement or court order to qualify as alimony.

Payments of a fixed sum. If you must pay a fixed sum in installments, your payments during the year that you treat as alimony cannot be more than 10% of the fixed sum. This limit applies to payments for the current year

Table 3. **Worksheet for Recapture of Alimony**

Note: Do not enter less than zero on any line.

1.	Alimony paid in **2nd year**			
2.	Alimony paid in **3rd year**			
3.	Floor	$15,000		
4.	Add lines 2 and 3			
5.	Subtract line 4 from line 1			
6.	Alimony paid in **1st year**			
7.	Adjusted alimony paid in **2nd year** (line 1 less line 5)			
8.	Alimony paid in **3rd year**			
9.	Add lines 7 and 8			
10.	Divide line 9 by 2			
11.	Floor	$15,000		
12.	Add lines 10 and 11			
13.	Subtract line 12 from line 6			
14.	**Recaptured alimony.** Add lines 5 and 13			*

* If you deducted alimony paid, report this amount as income on line 11, Form 1040.
If you reported alimony received, deduct this amount on line 31a, Form 1040.

and payments in advance, but not to late payments for an earlier year.

However, do not treat any part of a late installment payment as alimony if the fixed sum was payable over a period ending 10 years or less from the date of the divorce or separation instrument.

Payments subject to contingencies. Payments are not considered installment payments of a fixed sum if they are to end or change in amount on the happening of ***one or more*** of the following contingencies.

1) The death of you or your spouse.

2) The remarriage of your spouse.

3) A change in the economic status of you or your spouse.

The contingency may be either specified in your instrument or imposed by local law.

Marital or family relationship. To be alimony, your payments must be based on your obligation, because of the marital or family relationship, to continue supporting your spouse. Any payment that does not arise out of that support obligation, such as the repayment of a loan, is not alimony.

Property settlement. Payments are not based on your obligation to continue support if they are a settlement of property rights. However, even if a state court describes payments made under a divorce decree as payments for property rights, they are alimony if they are made to fulfill a legal support obligation and they otherwise qualify.

Child support. A payment that is specifically designated as child support under your divorce or separation instrument is not alimony. If the instrument calls for payments that otherwise qualify as alimony and does not separately designate an amount as child support, all the payments are alimony. This is true even if the payments are subject to a contingency relating to your child.

Example. Your divorce decree states that you must pay your former spouse $400 a month for life for the support of your former spouse and your child. The payment is to be reduced to $300 upon the first of the following to happen: the child's death, the child's 22nd birthday, or the child's marriage. Despite these contingencies, no amount of child support is fixed by the decree. The entire payment is alimony.

Alimony Trusts, Annuities, and Endowment Contracts

If you transferred property to a trust or bought or transferred an annuity or endowment contract to pay the alimony you owe, the trust income or other proceeds that would ordinarily be includible in your income must be included in your former spouse's income as alimony received. You do not include the payments in your income, nor can you deduct them as alimony paid. This rule applies whether the proceeds are from the earnings or the principal of the transferred property. It does not apply to any trust income that is fixed for child support.

Example. You must make monthly alimony payments of $500. You bought your former spouse a commercial annuity contract paying $500 a month. Your former spouse must include the full amount received

under the contract in income, as alimony. It does not matter whether the amount is paid out of principal or interest. You do not include any part of the payment in your income, nor can you deduct any part.

Annuity and endowment contracts. Proceeds from annuity and endowment contracts bought for or transferred to a spouse after July 18, 1984, cannot be treated as alimony. However, this does not apply to contracts bought or transferred to pay alimony under a divorce or separation instrument executed before July 19, 1984, unless both spouses choose to have it apply.

Proceeds not alimony. If the proceeds from an annuity or endowment contract cannot be treated as alimony, the amount received is reduced by the cost of the contract. Get Publication 575, *Pension and Annuity Income,* for information on reporting annuities, and Publication 525, *Taxable and Nontaxable Income,* for information on reporting endowment proceeds.

If the proceeds from a trust cannot be treated as alimony, see the rules for reporting trust income in Publication 525.

Qualified Domestic Relations Order

A qualified domestic relations order (QDRO) is a judgment, decree, or court order (including an approved property settlement agreement) issued under a domestic relations law that:

1) Relates to the rights of someone other than a participant to receive benefits from a qualified retirement plan (such as most pension and profit-sharing plans) or a tax-sheltered annuity,
2) Relates to payment of child support, alimony, or marital property rights to a spouse, former spouse, child, or other dependent of the participant, and
3) Specifies the amount or portion of the participant's benefits to be paid to the participant's spouse, former spouse, child, or dependent.

Benefits paid to a child or dependent. Benefits paid under a QDRO to the plan participant's child or dependent are treated as paid to the participant. For information about the tax treatment of benefits from retirement plans, see Publication 575.

Benefits paid to a spouse or former spouse. Benefits paid under a QDRO to the plan participant's spouse or former spouse generally must be included in the spouse's or former spouse's income. If the participant contributed to the retirement plan, a prorated share of the participant's cost (investment in the contract) is used to figure the taxable amount.

The spouse or former spouse can use the special rules for lump-sum distributions if the benefits would have been treated as a lump-sum distribution had the participant received them. For this purpose, consider only the balance to the spouse's or former spouse's credit in determining whether the distribution is a total distribution. See *Lump-Sum Distributions* in Publication 575 for information about the special rules.

Rollovers. If you receive an eligible rollover distribution under a QDRO as the plan participant's spouse or former spouse, you may be able to roll it over tax free into an individual retirement arrangement (IRA) or another qualified retirement plan.

For more information on the tax treatment of eligible rollover distributions, see Publication 575.

Individual Retirement Arrangements

The following discussions explain some of the effects of divorce or separation on traditional individual retirement arrangements (IRAs). Traditional IRAs are IRAs other than Roth, SIMPLE, or education IRAs.

Spousal IRA. If you get a final decree of divorce or separate maintenance by the end of your tax year, you cannot deduct contributions you make to your former spouse's traditional IRA. You can deduct only contributions to your own traditional IRA.

IRA transferred as a result of divorce. The transfer of all or part of your interest in a traditional IRA to your spouse or former spouse, under a decree of divorce or separate maintenance or a written instrument incident to the decree, is not considered a taxable transfer. Starting from the date of the transfer, the traditional IRA interest transferred is treated as your spouse's or former spouse's traditional IRA.

IRA contribution and deduction limits. All taxable alimony you receive under a decree of divorce or separate maintenance is treated as compensation for the contribution and deduction limits for traditional IRAs.

More information. For more information about IRAs, see Publication 590.

Property Settlements

There is no recognized gain or loss on the transfer of property between spouses, or former spouses, if the transfer is because of a divorce. You may, however, have to report the transaction on a gift tax return. See *Gift Tax on Property Settlements,* later. If you sell property that you own jointly to split the proceeds as part of your property settlement, you each must report your share of the gain or loss on the sale. See *Sale of Jointly-Owned Property,* later.

Transfer Between Spouses

No gain or loss is recognized on a transfer of property from you to (or in trust for the benefit of):

- Your spouse, or
- Your former spouse, but only if the transfer is incident to your divorce.

This rule applies even if the transfer was in exchange for cash, the release of marital rights, the assumption of liabilities, or other considerations.

However, this rule does not apply if your spouse or former spouse is a nonresident alien. Nor does it apply to certain transfers covered under *Transfers in trust,* later.

The term "property" includes all property whether real or personal, tangible or intangible, or separate or community. It includes property acquired after the end of your marriage and transferred to your former spouse. It does not include services.

Medical savings accounts. If you transfer your interest in a medical savings account to your spouse or former spouse under a divorce or separation instrument, it is not considered a taxable transfer. After the transfer, the interest is treated as your spouse's medical savings account.

Incident to divorce. A property transfer is incident to your divorce if the transfer:

1) Occurs within one year after the date your marriage ends, or
2) Is related to the ending of your marriage.

A divorce, for this purpose, includes the ending of your marriage by annulment or due to violations of state laws.

Related to the ending of marriage. A property transfer is related to the ending of your marriage if ***both*** the following conditions apply.

1) The transfer is made under your original or modified divorce or separation instrument.
2) The transfer occurs within 6 years after the date your marriage ends.

Unless these conditions are met, the transfer is presumed not to be related to the ending of your marriage. However, this presumption will not apply if you can show that the transfer was made to carry out the division of property owned by you and your spouse at the time your marriage ended. For example, the presumption will not apply if you can show that the transfer was made more than 6 years after the end of your marriage because of business or legal factors which prevented earlier transfer of the property and the transfer was made promptly after those factors were taken care of.

Transfers to third parties. If you transfer property to a third party on behalf of your spouse (or former spouse, if incident to your divorce), the transfer is treated as two transfers:

1) A transfer of the property from you to your spouse or former spouse, and
2) An immediate transfer of the property from your spouse or former spouse to the third party.

You do not recognize gain or loss on the first transfer. Instead, your spouse or former spouse may have to recognize gain or loss on the second transfer.

For this treatment to apply, the transfer from you to the third party must be one of the following:

1) Required by your divorce or separation instrument,
2) Requested in writing by your spouse or former spouse, or
3) Consented to in writing by your spouse or former spouse. The consent must state that both you and your spouse or former spouse intend the transfer to be treated as a transfer from you to your spouse or former spouse subject to the rules of section 1041 of the Internal Revenue Code. You must receive the consent before filing your tax return for the year you transfer the property.

Transfers in trust. If you make a transfer of property in trust for the benefit of your spouse (or former spouse, if incident to your divorce), you generally do not recognize any gain or loss.

However, you must recognize gain or loss if, incident to your divorce, you transfer an installment obligation in trust for the benefit of your former spouse. For information on the disposition of an installment obligation, see Publication 537, *Installment Sales.*

You also must recognize gain on the transfer of property in trust in the amount by which the liabilities assumed by the trust, plus the liabilities to which the property is subject, exceeds the total of your adjusted basis in the transferred property.

Example. You own property with a fair market value of $10,000 and an adjusted basis of $1,000. The trust did not assume any liabilities. The property is subject to a $5,000 liability. Your recognized gain on the transfer of the property in trust for the benefit of your spouse is $4,000 ($5,000 – $1,000).

Reporting income from property. You should report income from property transferred to your spouse or former spouse as shown on *Table 4.*

For information on the treatment of interest on U.S. savings bonds, see chapter 1 of Publication 550, *Investment Income and Expenses.*

When you transfer property to your spouse (or former spouse, if incident to divorce), you must give your spouse sufficient records to determine the adjusted basis and holding period of the property on the date of the transfer. If you transfer investment credit property with recapture potential, you also must provide sufficient records to determine the amount and period of the recapture.

Tax treatment of property received. Property you receive from your spouse (or former spouse, if the transfer is incident to divorce) is treated as acquired by gift for income tax purposes. Its value is not taxable to you.

Basis of property received. Your basis in property received from your spouse (or former spouse, if incident to divorce) is the same as your spouse's adjusted basis. This applies for determining either gain or loss when you later dispose of the property. It applies whether the

Table 4. **Property Transferred Pursuant to Divorce**

The tax treatment of items of property transferred from you to your spouse or former spouse pursuant to divorce is shown below.

IF you transfer:	THEN you:	AND your spouse or former spouse:	FOR more information, see
Income-producing property (such as an interest in a business, rental property, stocks, or bonds)	Include on your tax return any profit or loss, rental income or loss, dividends, or interest generated or derived from the property during the year until the property is transferred.	Reports any income or loss generated or derived after the property is transferred.	
Interest in a passive activity with unused passive activity losses	Cannot deduct your accumulated unused passive activity losses allocable to the interest.	Increases the adjusted basis of the transferred interest by the amount of the unused losses.	Publication 925, *Passive Activity and At-Risk Rules*
Investment credit property with recapture potential	Do not have to recapture any part of the credit.	May have to recapture part of the credit if he or she disposes of the property or changes its use before the end of the recapture period.	Form 4225, *Recapture of Investment Credit*

property's adjusted basis is less than, equal to, or greater than either its value at the time of the transfer or any consideration you paid. It also applies even if the property's liabilities are more than its adjusted basis.

This rule generally applies to all property received after July 18, 1984, under a divorce or separation instrument in effect after that date. It also applies to all other property received after 1983 for which you and your spouse (or former spouse) made a section 1041 election to apply this rule. For information about that election, see Regulation section 1.1041–1T(g).

Example. Karen and Don owned their home jointly. Karen transferred her interest in the home to Don as part of their property settlement when they divorced last year. Don's basis in the interest received from Karen is her adjusted basis in the home. His total basis in the home is their joint adjusted basis.

Property received before July 19, 1984. Your basis in property received in settlement of marital support rights before July 19, 1984, or under an instrument in effect before that date (other than property for which you made a section 1041 election) is its fair market value when you received it.

Example. Larry and Gina owned their home jointly before their divorce in 1978. That year, Gina received Larry's interest in the home in settlement of her marital support rights. Gina's basis in the interest received from Larry is the part of the home's fair market value proportionate to that interest. Her total basis in the home is that part of the fair market value plus her adjusted basis in her own interest.

Property transferred in trust. If the transferor recognizes gain on property transferred in trust, as described earlier under *Transfers in trust,* the trust's basis in the property is increased by the recognized gain.

Example. Your spouse transfers property in trust, recognizing a $4,000 gain. Your spouse's adjusted basis in the property was $1,000. The trust's basis in the property is $5,000 ($1,000 + $4,000).

Gift Tax on Property Settlements

The federal gift tax does not apply to most transfers of property between spouses, or between former spouses because of divorce. The transfers usually qualify for one or more of the exceptions explained in this discussion. However, if your transfer of property does not qualify for an exception, or qualifies only in part, you must report it on a gift tax return. See *Gift Tax Return,* later.

For more information about the federal gift tax, get Publication 950, *Introduction to Estate and Gift Taxes.*

Exceptions

Your transfer of property to your spouse or former spouse is not subject to gift tax if it meets any of the following exceptions.

1) It is made in settlement of marital support rights.
2) It qualifies for the marital deduction.
3) It is made under a divorce decree.
4) It is made under a written agreement, and you are divorced within a specified period.
5) It qualifies for the annual exclusion.

Settlement of marital support rights. A transfer in settlement of marital support rights is not subject to gift tax to the extent the value of the property transferred is not more than the value of those rights. This exception does not apply to a transfer in settlement of dower, curtesy, or other marital property rights.

Marital deduction. A transfer of property to your spouse before receiving a final decree of divorce or separate maintenance is not subject to gift tax. However, this exception does not apply to:

- Transfers of certain terminable interests, or
- Transfers to your spouse if your spouse is not a U.S. citizen.

Get the instructions for Form 709, *United States Gift (and Generation-Skipping Transfer) Tax Return,* for more information.

Transfer under divorce decree. A transfer of property under the decree of a divorce court having the power to prescribe a property settlement is not subject to gift tax. This exception also applies to a property settlement agreed on before the divorce if it was made part of or approved by the decree.

Transfer under written agreement. A transfer of property under a written agreement in settlement of marital rights or to provide a reasonable child support allowance is not subject to gift tax if you are divorced within the 3-year period beginning 1 year before and ending 2 years after the date of the agreement. This exception applies whether or not the agreement is part of or approved by the divorce decree.

Annual exclusion. The first $10,000 of gifts of present interests to any person during 1999 is not subject to gift tax. The annual exclusion is $101,000 for transfers to a spouse who is not a U.S. citizen provided the gift would otherwise qualify for the gift tax marital deduction if the donee were a U.S. citizen.

Present interest. A gift is considered a present interest if the donee has all immediate rights to the use, possession, and enjoyment of the property and income from the property.

Gift Tax Return

Report a transfer of property subject to gift tax on Form 709. Generally, Form 709 is due April 15 following the year of the transfer.

Transfer under written agreement. If a property transfer would be subject to gift tax except that it is made under a written agreement, and you do not receive a final decree of divorce by the due date for filing the gift tax return, you must report the transfer on Form 709 and attach a copy of your written agreement. The transfer will be treated as not subject to the gift tax until the final decree of divorce is granted, but no longer than 2 years after the effective date of the written agreement.

Within 60 days after you receive a final decree of divorce, send a certified copy of the decree to the IRS office where you filed Form 709.

Sale of Jointly-Owned Property

If you sell property that you and your spouse own jointly, you must report your share of the gain or loss on your income tax return for the year of the sale. Your share of the gain or loss is determined by your state law governing ownership of property. For information on reporting gain or loss, get Publication 544.

Sale of home before May 7, 1997. If you sold your main home before May 7, 1997, and you buy or build a new one in the time required, you may have been required to postpone paying the tax on some or all of any gain from the sale. If you and your spouse had agreed to live apart and sold your jointly-owned home, the rules for postponing tax apply separately to the gain realized by each of you. For information on these rules, and on the rules for excluding gain if you were 55 or older when you sold your home, get Publication 523, *Selling Your Home*.

If you are divorced after filing a joint return on which you postponed tax on the gain on the sale of your home, but you do not buy or build a new home in the time required (and your former spouse does), you must file an amended joint return to report the tax on your share of the gain. If your former spouse refuses to sign the amended joint return, attach a letter explaining why your former spouse's signature is missing.

Sale of home after May 6, 1997. If you sold your main home after May 6, 1997, you may be able to exclude up to $250,000 (up to $500,000 if you and your spouse file a joint return) of gain on the sale. For more information, see Publication 523.

Costs of Getting a Divorce

You cannot deduct legal fees and court costs for getting a divorce. But you may be able to deduct legal fees paid for tax advice in connection with a divorce and legal fees to get alimony. In addition, you may be able to deduct fees you pay to appraisers, actuaries, and accountants for services in determining your correct tax or in helping to get alimony.

TIP *Fees you pay may include charges that are deductible and charges that are not deductible. You should request a breakdown showing the amount charged for each service performed.*

You can claim deductible fees only if you itemize deductions on Schedule A (Form 1040). Claim them as miscellaneous itemized deductions subject to the 2%-of-adjusted-gross-income limit. For more information, get Publication 529, *Miscellaneous Deductions.*

Fees for tax advice. You can deduct fees for advice on federal, state, and local taxes of all types, including income, estate, gift, inheritance, and property taxes.

If a fee is also for other services, you must determine and prove the expense for tax advice. The following examples show how you can meet this requirement.

Example 1. The lawyer handling your divorce consults another law firm, which handles only tax matters, to get information on how the divorce will affect your taxes. You can deduct the part of the fee paid over to the second firm and separately stated on your bill, subject to the 2% limit.

Example 2. The lawyer handling your divorce uses the firm's tax department for tax matters related to your divorce. Your statement from the firm shows the part of the total fee for tax matters. This is based on the time used, the difficulty of the tax questions, and the amount of tax involved. You can deduct this part of your bill, subject to the 2% limit.

Example 3. The lawyer handling your divorce also works on the tax matters. The fee for tax advice and the fee for other services are shown on the lawyer's statement. They are based on the time spent on each service and the fees charged locally for similar services. You can deduct the fee charged for tax advice, subject to the 2% limit.

Fees for getting alimony. Because you must include alimony you receive in your gross income, you can deduct fees you pay to get or collect alimony.

Example. You pay your attorney a fee for handling your divorce and an additional fee that is for services in getting and collecting alimony. You can deduct the fee for getting and collecting alimony, subject to the 2% limit, if it is separately stated on your attorney's bill.

Nondeductible expenses. You cannot deduct the costs of personal advice, counseling, or legal action in a divorce. These costs are not deductible, even if they are paid, in part, to arrive at a financial settlement or to protect income-producing property.

However, you can add certain legal fees you pay specifically for a property settlement to the basis of the property you receive. For example, you can add the cost of preparing and filing a deed to put title to your house in your name alone to the basis of the house.

You cannot deduct fees you pay for your spouse or former spouse, unless your payments qualify as alimony. (See *Payments to a third party* in the earlier discussion of the general rules for alimony.) If you have no legal responsibility arising from the divorce settlement or decree to pay your spouse's legal fees, your payments are gifts and may be subject to the gift tax.

Tax Withholding and Estimated Tax

When you become divorced or separated, you will usually have to file a new **Form W–4,** *Employee's Withholding Allowance Certificate,* with your employer to claim your proper withholding allowances. If you receive alimony, you may have to make estimated tax payments.

CAUTION *If you do not pay enough tax either through withholding or by making estimated tax payments, you will have an underpayment of estimated tax and you may have to pay a penalty. If you do not pay enough tax by the due date of each payment, you may have to pay a penalty even if you are due a refund when you file your tax return.*

For more information, get Publication 505, *Tax Withholding and Estimated Tax.*

Joint estimated tax payments. If you and your spouse made joint estimated tax payments for 1999 but file separate returns, either of you can claim all of your payments, or you can divide them in any way on which you both agree. If you cannot agree, you must divide the payments in proportion to your individual tax amounts as shown on your separate returns for 1999.

If you claim any of the payments on your tax return, enter your spouse's or former spouse's social security number in the space provided on the front of Form 1040 or Form 1040A. If you were divorced and remarried in 1999, enter your present spouse's social security number in that space. Also write your former spouse's social security number, followed by “DIV” to the left of line 58, Form 1040, or line 36, Form 1040A.

Community Property

If you are married and your domicile (permanent legal home) is in a community property state, special rules determine your income. Some of these rules are explained in the following discussions. For more information, get Publication 555.

Community property states. The community property states are:

- Arizona,
- California,
- Idaho,
- Louisiana,
- Nevada,
- New Mexico,
- Texas,
- Washington, and
- Wisconsin.

Community Income

If your domicile is in a community property state during any part of your tax year, you may have community income. Your state law determines whether your income is separate or community income. If you and your spouse file separate returns, you must report half of any income described by state law as community income, and your spouse must report the other half. Each of you can claim credit for half the income tax withheld from community income.

Community property laws disregarded. Community property laws do not apply to an item of community income, and you will be responsible for reporting all of it if:

1) You treat the item as if only you are entitled to the income, and
2) You do not notify your spouse of the nature and amount of the income by the due date for filing the return (including extensions).

Relief from separate return liability for community income. You are not responsible for reporting an item of community income if ***all*** of the following conditions exist.

1) You do not file a joint return for the tax year.
2) You do not include an item of community income in gross income on your separate return.
3) You establish that you did not know of, and had no reason to know of, that community income.
4) Under all facts and circumstances, it would not be fair to include the item of community income in your gross income.

Spousal agreements. In some states a husband and wife may enter into an agreement that affects the status of property or income as community or separate property. Check your state law to determine how it affects you.

Spouses Living Apart All Year

Special rules apply if all the following conditions exist.

1) You and your spouse live apart all year.
2) You and your spouse do not file a joint return for a tax year beginning or ending in the calendar year.
3) You or your spouse has earned income for the calendar year that is community income.
4) You and your spouse have not transferred, directly or indirectly, any of the earned income in (3) between yourselves before the end of the year. Do not take into account transfers satisfying child support obligations or transfers of very small amounts or value.

If all these conditions exist, you and your spouse must report your ***community*** income as explained in the following discussions.

Earned income. Treat earned income that is not trade or business or partnership income as the income of the spouse who performed the services to earn the income. Earned income is wages, salaries, professional fees, and other pay for personal services.

Earned income does not include amounts paid by a corporation that are a distribution of earnings and profits rather than a reasonable allowance for personal services rendered.

Trade or business income. Treat income and related deductions from a trade or business that is not a partnership as those of the spouse carrying on the trade or business.

If capital investment and personal services both produce business income, treat all of the income as trade or business income.

Partnership income or loss. Treat income or loss from a trade or business carried on by a partnership as the income or loss of the spouse who is the partner.

Separate property income. Treat income from the separate property of one spouse as the income of that spouse.

Social security benefits. Treat social security and equivalent railroad retirement benefits as the income of the spouse who receives the benefits.

Other income. Treat all other community income, such as dividends, interest, rents, royalties, or gains, as provided under your state's community property law.

Example. George and Sharon were married throughout the year but did not live together at any time during the year. Both domiciles were in a community property state. They did not file a joint return or transfer any of their earned income between themselves. During the year their incomes were as follows:

	George	Sharon
Wages	$20,000	$22,000
Consulting business	5,000	
Partnership		10,000
Dividends from separate property	1,000	2,000
Interest from community property	500	500
Totals	$26,500	$34,500

Under the community property law of their state, all the income is considered community income. (Some states treat income from separate property as separate income—check your state law.) Sharon did not take part in George's consulting business.

Ordinarily, they would each report $30,500, half the total community income, on their separate returns. But because they meet the four conditions listed earlier under *Spouses Living Apart All Year,* they must disregard community property law in reporting all their income except the interest income from community property. They each report on their returns only their own earnings and other income, and their share of the interest income from community property. George reports $26,500 and Sharon reports $34,500.

Ending the Community

When the marital community ends, the community assets (money and property) are divided between the spouses. Income received before the community ended is treated according to the rules explained earlier. Income received after the community ended is separate income, taxable only to the spouse to whom it belongs.

An ***absolute decree of divorce or annulment*** ends the community in all community property states. A decree of annulment, even though it holds that no valid marriage ever existed, usually does not nullify commu-

nity property rights arising during the "marriage." However, you should check your state law for exceptions.

A ***decree of legal separation or of separate maintenance*** may or may not end the community. The court issuing the decree may terminate the community and divide the property between the spouses.

A ***separation agreement*** may divide the community property between you and your spouse. It may provide that this property, along with future earnings and property acquired, will be separate property. This agreement may end the community.

In some states, the community ends when the spouses permanently separate, even if there is no formal agreement. Check your state law.

Alimony (Community Income)

Payments that may otherwise qualify as alimony are not deductible by the payer if they are the recipient spouse's part of community income. They are deductible as alimony only to the extent they are more than that spouse's part of community income.

Example. You live in a community property state. You are separated but the special rules explained earlier under *Spouses Living Apart All Year* do not apply. Under a written agreement, you pay your spouse $12,000 of your $20,000 total yearly community income. Your spouse receives no other community income. Under your state law, earnings of a spouse living separately and apart from the other spouse continue as community property.

On your separate returns, each of you must report $10,000 of the total community income. In addition, your spouse must report $2,000 as alimony received on line 11 of Form 1040. You can deduct $2,000 as alimony paid on line 31a of Form 1040.

How To Get More Information

You can order free publications and forms, ask tax questions, and get more information from the IRS in several ways. By selecting the method that is best for you, you will have quick and easy access to tax help.

Free tax services. To find out what services are available, get Publication 910, *Guide to Free Tax Services.* It contains a list of free tax publications and an index of tax topics. It also describes other free tax information services, including tax education and assistance programs and a list of TeleTax topics.

Personal computer. With your personal computer and modem, you can access the IRS on the Internet at **www.irs.gov**. While visiting our web site, you can select:

- *Frequently Asked Tax Questions* (located under *Taxpayer Help & Ed)* to find answers to questions you may have.
- *Forms & Pubs* to download forms and publications or search for forms and publications by topic or keyword.
- *Fill-in Forms* (located under *Forms & Pubs)* to enter information while the form is displayed and then print the completed form.
- *Tax Info For You* to view Internal Revenue Bulletins published in the last few years.
- *Tax Regs in English* to search regulations and the Internal Revenue Code (under *United States Code (USC)).*
- *Digital Dispatch* and *IRS Local News Net* (both located under *Tax Info For Business)* to receive our electronic newsletters on hot tax issues and news.
- *Small Business Corner* (located under *Tax Info For Business)* to get information on starting and operating a small business.

You can also reach us with your computer using File Transfer Protocol at **ftp.irs.gov.**

TaxFax Service. Using the phone attached to your fax machine, you can receive forms and instructions by calling **703–368–9694.** Follow the directions from the prompts. When you order forms, enter the catalog number for the form you need. The items you request will be faxed to you.

Phone. Many services are available by phone.

- *Ordering forms, instructions, and publications.* Call **1–800–829–3676** to order current and prior year forms, instructions, and publications.
- *Asking tax questions.* Call the IRS with your tax questions at **1–800–829–1040**.
- *TTY/TDD equipment.* If you have access to TTY/TDD equipment, call **1–800–829–4059** to ask tax questions or to order forms and publications.
- *TeleTax topics.* Call **1–800–829–4477** to listen to pre-recorded messages covering various tax topics.

Evaluating the quality of our telephone services. To ensure that IRS representatives give accurate, courteous, and professional answers, we evaluate the quality of our telephone services in several ways.

- A second IRS representative sometimes monitors live telephone calls. That person only evaluates the IRS assistor and does not keep a record of any taxpayer's name or tax identification number.
- We sometimes record telephone calls to evaluate IRS assistors objectively. We hold these recordings no longer than one week and use them only to measure the quality of assistance.

- We value our customers' opinions. Throughout this year, we will be surveying our customers for their opinions on our service.

Walk-in. You can walk in to many post offices, libraries, and IRS offices to pick up certain forms, instructions, and publications. Also, some libraries and IRS offices have:

- An extensive collection of products available to print from a CD-ROM or photocopy from reproducible proofs.
- The Internal Revenue Code, regulations, Internal Revenue Bulletins, and Cumulative Bulletins available for research purposes.

Mail. You can send your order for forms, instructions, and publications to the Distribution Center nearest to you and receive a response within 10 workdays after your request is received. Find the address that applies to your part of the country.

- **Western part of U.S.:**
  Western Area Distribution Center
  Rancho Cordova, CA 95743–0001
- **Central part of U.S.:**
  Central Area Distribution Center
  P.O. Box 8903
  Bloomington, IL 61702–8903
- **Eastern part of U.S. and foreign addresses:**
  Eastern Area Distribution Center
  P.O. Box 85074
  Richmond, VA 23261–5074

CD-ROM. You can order IRS Publication 1796, *Federal Tax Products on CD-ROM,* and obtain:

- Current tax forms, instructions, and publications.
- Prior-year tax forms, instructions, and publications.
- Popular tax forms which may be filled in electronically, printed out for submission, and saved for recordkeeping.
- Internal Revenue Bulletins.

The CD-ROM can be purchased from National Technical Information Service (NTIS) by calling **1–877–233–6767** or on the Internet at **www.irs.gov/cdorders.** The first release is available in mid-December and the final release is available in late January.

IRS Publication 3207, *Small Business Resource Guide,* is an interactive CD-ROM that contains information important to small businesses. It is available in mid-February. You can get one free copy by calling **1–800–829–3676.**

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Tax Publications for Individual Taxpayers

See *How To Get More Information* for a variety of ways to get publications, including by computer, phone, and mail.

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17 Your Federal Income Tax (For Individuals)
225 Farmer's Tax Guide
334 Tax Guide for Small Business
509 Tax Calendars for 2000
553 Highlights of 1999 Tax Changes
595 Tax Highlights for Commercial Fishermen
910 Guide to Free Tax Services

Specialized Publications

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502 Medical and Dental Expenses
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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
1544SP Informe de Pagos en Efectivo en Exceso de $10,000 (Recibidos en una Ocupación o Negocio)

Commonly Used Tax Forms

See *How To Get More Information* for a variety of ways to get forms, including by computer, fax, phone, and mail. For fax orders only, use the catalog numbers when ordering.

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4868 Application for Automatic Extension of Time To File U.S. Individual Income Tax Return	13141
4952 Investment Interest Expense Deduction	13177
5329 Additional Taxes Attributable to IRAs, Other Qualified Retirement Plans, Annuities, Modified Endowment Contracts, and MSAs	13329
6251 Alternative Minimum Tax–Individuals	13600
8283 Noncash Charitable Contributions	62299
8582 Passive Activity Loss Limitations	63704
8606 Nondeductible IRAs	63966
8812 Additional Child Tax Credit	10644
8822 Change of Address	12081
8829 Expenses for Business Use of Your Home	13232
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