



# TAXATION BASICS FOR GIFT PLANNERS

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## I. Introduction

The desire to support the work of one or more deserving organizations is the central motivation for entering into a planned gift arrangement.

However, charitable gift planning is driven in no small measure by the tax incentives that can be associated with making a planned gift. Very often, the size of planned gifts that are made exceed the amounts of other gifts precisely because of the leverage of saving taxes. That being said, it is important to remember though that ultimately the donor is parting with an asset in order to benefit charity. You can never get rich by giving money away.

Every fundraiser with responsibility for planned gifts should establish at least a basic understanding of the role played not only by the income tax, but also by the gift, estate, and even generation-skipping transfer taxes. Note: These are all forms of federal taxation, and while many states also have one or more of these taxes, the emphasis in these materials will be on federal taxes.

## II. Income Tax Basics

### Marginal Tax Rate vs. Effective Tax Rate

The federal income tax system applies a progressive rate structure. On the one hand, some types of income, such as the interest paid on many municipal bonds, are completely exempt from tax. As to taxable income, however, the greater the income the higher the tax due as a percentage of income. In other words, not every dollar is taxed at the same rate. The marginal tax rate is the tax rate that applies to the last dollar of the income earned by a donor. Below is the tax table for 2016 for a married couple filing a joint return:

<b>Taxable Income</b>	<b>Tax</b>	<b>% on Excess</b>
\$0	\$0	10
\$18,550	\$1,855.00	15
\$75,300	\$10,367.50	25
\$151,900	\$29,517.50	28
\$231,450	\$51,791.50	33
\$413,350	\$111,818.50	35
\$466,950	\$130,578.50	39.6

The first \$18,550 of income is taxed at a rate of 10 percent. For income earned in excess of \$18,550 up to \$75,300 the tax rate is 15 percent, and so on up to the top bracket of 39.6 percent. If someone is indeed in the 39.6 percent tax bracket, it means that every taxable dollar in excess of \$466,950 is taxed at a rate of 39.6 percent, with other dollars taxed at rates ranging from 10 to 35 percent.

The *effective* tax rate is the amount of tax a donor pays on a particular amount of income after accounting for the progressive tax schedule and for any deductions or credits to which the donor may be entitled.

*Taxable Income* is the amount of income that is taxed, and is typically the *gross income* net of adjustments, deductions and exemptions.

**Example:** *Ted and Alice, a married couple with two children, have a combined gross income of \$200,000. Nevertheless, they have itemized deductions of \$40,000. They can also claim four \$4,050 personal exemptions totaling \$16,200 for themselves and their children. That leaves them with only \$143,800 of taxable income:  $\$200,000 - (\$40,000 + \$16,200)$ . This places them in the 25% marginal income tax bracket. The tax on this amount is \$ 27,492.50, per the tax table above ( $\$10,367.50 + 25\%$  of  $(\$143,800 - \$75,300)$ ). In addition, they have tax credits totaling \$1,000. By virtue of their \$1,000 in tax credits, the amount of tax they must actually pay is reduced to \$26,492.50. This means their effective tax rate is only 13.2%:  $\$26,492.50/\$200,000 = 0.132$ .*

### Capital Gains Tax

Capital gain is income derived from the sale of an investment asset. By way of example, a capital asset can be stocks, bonds, mutual fund shares, a home or farm, a business, or a work of art. The capital gain is the difference between what the asset is worth and its cost basis, which will typically be what was paid to acquire it, possibly adjusted upwards for certain amounts paid to preserve or enhance its value or downwards for any depreciation claimed by the donor.

There is an income tax on capital gains, just as there is on the different sorts of “ordinary” taxable income, such as wages and interest. The tax rate is lower on “long-term” capital gains, which are gains on assets held for over one year before being sold, than on “short-term” capital gains associated with assets held for a year or less.

The American Taxpayer Relief Act (ATRA) was passed by Congress on January 1, 2013 increased some capital gain tax rates. The top federal tax rate on most long term capital gain income and qualified dividends has increased from 15% to 20% for high income taxpayers. The taxable income thresholds for the 20% rate are the same as for the 39.6% income tax rate: single taxpayers with taxable income over \$415,050, and married filing jointly and surviving spouses with taxable income over \$466,950.

Taxpayers who are in the 25% - 35% income tax brackets still pay 15% on capital gain income or 0% if they are in the 10% or 15% income tax brackets. Long term capital gain from the sale of collectibles is taxed at 28% and unrecaptured depreciation is taxed at 25%.

Both taxes are progressive. For example, if a single taxpayer has taxable income of \$360,000 plus another \$100,000 of long term capital gain income, the first \$55,050 of capital gain income will be taxed at 15% because it is below the \$415,050 threshold. The remaining \$44,950 will be taxed at 20% because it is above the \$415,050 threshold.

**Definition:** Qualified dividends are dividends paid by stock in a U.S. corporation or by stock in a foreign corporation that is readily traded on an established U.S. stock market.

*Example:* Mr. and Mrs. Albertson purchased 2,000 shares of Proctor and Gamble stock in September 1994 for \$58 a share. There was a two-for-one stock split in March 2000, so the Albertsons now own 4,000 shares. In April 2016 Proctor and Gamble was trading for \$82 a share and its annual dividend yield was a little over 3.1%, generating \$8,400 in income for the Albertsons.

*If Mr. and Mrs. Albertson sell their Proctor and Gamble stock to reinvest in a higher yielding asset, they would realize capital gain income of \$212,000, which is equal to the difference between what they paid for their stock (\$116,000) and its current value (\$328,000.) Assuming a capital gains tax rate of 15%, the capital gain tax bill on the sale of this stock would be \$31,800.*

### Impact of Charitable Giving on Taxation of Capital Gains

Capital gain attributable to assets donated outright to charity is completely forgiven. Therefore, if the Albertsons in the example above donated their entire interest in their Proctor and Gamble stock to charity, they would avoid being taxed on any of the capital gain associated with the stock. For many donors, this phenomenon makes a gift of cash less attractive than a gift of long-term capital gain assets having the same value, as in either case, the deduction will be the same. If, however, a donor is contemplating donating capital assets held at a loss, he or she is generally better off selling those assets and then contributing some or all of the resulting cash. This approach allows the donor to recognize a capital loss that can, at least to some extent, reduce the amount of his or her income subject to taxation.

Appreciated assets used to fund life income gifts are likewise entitled to favorable capital gains tax treatment. A gift annuity funded with appreciated property will always eliminate the capital gain associated with the gift portion of the transaction. If the donor is also the annuitant, the gain associated with the retained annuity interest can be reported over the annuitant's life expectancy. If the donor is not the annuitant, the capital gain associated with the retained income interest must be reported in the year of the gift.

The income paid from a charitable remainder trust is generally taxed on a "worst-in, first-out" basis. This means that, with a few exceptions, the most heavily tax-burdened assets are considered the first assets distributed to the income beneficiary. The tax character of the assets in the trust determines how the payments made to income beneficiaries will be taxed. Therefore, if the trust realizes long-term capital gain from the sale of its assets (regardless of whether the assets were transferred to the trust by the donor or acquired by the trust as investments), a portion of the income paid to the beneficiary will be taxed at capital gain rates after any ordinary income earned by the trust has been distributed. Note that a special kind of ordinary income, i.e., "qualified dividends" paid in connection with most publicly-traded securities, is distributed before any capital gain income even though it is taxed at a flat rate of no more than 20 percent.

Finally, if a short-term capital gain asset is used to make a charitable gift, the capital gain will still escape taxation, but the income tax charitable deduction will be based on the asset's cost basis, rather than its full value.

### Net Investment Income Tax (Medicare surtax)

This new tax went into effect on January 1, 2013 and is part of the Affordable Care Act of 2010. It is imposed on top of other income taxes.

The surtax kicks in when modified adjusted gross income (MAGI) is above \$250,000 for joint returns and surviving spouses, \$200,000 for heads of households and single taxpayers, and \$125,000 for married filing separately. Notice that these thresholds are substantially lower than the thresholds for the 39.6% income tax rate and 20% tax rate on long term capital gain. We'll come back to this fact in the example below.

MAGI equals AGI plus any foreign earned income exclusion. Taxpayers below the MAGI thresholds do not pay any Medicare surtax. The rest of this discussion applies to donors who are above the applicable MAGI threshold.

The Medicare surtax has two parts. The first part is an extra .9% tax on wages and self-employment income above the thresholds. Just as there is no charitable planning against the current Medicare payroll tax, this extra .9% will have little effect on gift planning.

The second part is a 3.8% surtax called the Net Investment Income Tax or NIIT. This surtax is imposed on the lesser of (1) net investment income or (2) the amount by which a taxpayer's MAGI exceeds the applicable threshold.

Net investment income includes income or realized capital gain from stock, bonds, certificates of deposit and other passive sources, but not qualified retirement plan distributions or gains from sales of an active business, S corporation, or partnership interest. It also includes income from life income gifts, such as gift annuities, charitable remainder trusts, and pooled income funds.

### The Impact of State and Local Taxes

In view of the fact that state and local taxes may generally be claimed as itemized deductions on a federal income tax return, the impact of state and local taxes on a taxpayer's marginal rate is not equal to the sum of the federal, state, and local income tax rates. For example, the combined marginal rate for someone whose marginal rate is 28 percent for federal income tax purposes and 5 percent for state income tax purposes is not 33 percent, which is the sum of the two rates. Rather, the effective rate is 31.6 percent, computed as follows:  $.28 + ((1 - .28) \times .05) = .316 = 31.6\%$ .

A separate issue is whether a gift that results in a charitable deduction for federal income tax purposes will also result in a charitable deduction for state income tax purposes. Not all states are as generous as the federal government in connection with charitable gifts. In

the past decade at least a dozen states have tinkered with the limitation or disallowance of their charitable deductions. Our home state of Massachusetts doesn't allow any charitable deductions.

### III. The Income Tax Charitable Deduction

To encourage charitable giving, contributions to qualified charitable organizations are deductible for income tax purposes (as well as for gift and estate tax purposes, as noted later in these materials). Contributions must generally meet the conditions of Internal Revenue Code Section 170 to be deductible for income tax purposes. This Code section and the accompanying regulations address the types of charities eligible to receive deductible gifts, the kinds of property that can be donated, and the substantiation of charitable deductions.

Significantly, not all charitable gifts result in income tax deductions. For example, gifts made directly to individuals – no matter how great the need of the individual and no matter how pure the philanthropic motivation of the donor – are not deductible. The same is true for gifts to most foreign charitable organizations. Similarly, a donor may not be entitled to the deduction associated with a charitable gift until some point after the gift has been made. This can be the case in connection with certain gifts of vehicles or with gifts of tangible personal property to a charitable remainder trust.

To be strictly accurate and for the purpose of providing definitions, a *charitable contribution* is the amount that a donor gives to charity. The income tax *deduction* a taxpayer receives in connection with making a charitable gift is the benefit that may be claimed on his or her income tax return (IRS Form 1040), provided, among other things, that the total of all itemized deductions – including any other charitable deductions available for the year in question – is more than the applicable “standard deduction.”

Deductions reduce, dollar-for-dollar, the amount of income subject to taxation. By contrast, an income tax *credit* reduces, dollar-for-dollar, the amount of tax owed. Unfortunately, no type of charitable gift produces an income tax credit. If the gift is made on other than an outright basis, the amount of the contribution equals the amount transferred minus the value of the income stream or other non-charitable aspect of the arrangement. For example, if a donor funds a charitable remainder unitrust with \$100,000 and the present value of the payments to be made to the trust's income beneficiaries is \$60,000, the donor's contribution will be \$100,000 - \$60,000 or \$40,000, not the entire \$100,000.

#### The Value of the Income Tax Deduction

The income tax deduction may be considered a rebate of the taxes associated with income equal to the value of the assets contributed to charity. An example is useful to understand how this works. In the case of Ted and Alice (example on page 2), if \$10,000 of the

itemized deductions they claim are charitable deductions, what is the value of that portion of their overall total of \$40,000 in income tax deductions? The tax benefit of the charitable deductions is equal to \$10,000 multiplied by Ted and Alice's marginal tax rate of 28%, i.e., \$2,800. Another way of looking at it is that if the \$10,000 worth of gifts had not been made, they would have paid \$2,800 more in taxes (\$30,123 instead of \$27,323). Yet another way of looking at the situation is that it cost them only \$7,200 to make charitable gifts totaling \$10,000.

Note: Sometimes a charitable deduction will save money in taxes at more than one rate. Taking once again the case of Ted and Alice, if the total of their deductions had been \$45,000, rather than, \$40,000, and if their charitable deductions had totaled \$15,000, rather than \$10,000, most of the tax savings associated with their charitable giving would have been at the 28-percent rate, but the rest would have been at a rate of only 25 percent. In this situation, their tax savings per dollar given would be a little less than the 28 cents per dollar they save when their total deductions are \$40,000 and their charitable deductions are \$10,000.

### Deduction Reductions (the "Pease" Rule)

Reintroduced in 2013, the so-called "Pease limitation" reduces itemized deductions by 3% of the amount by which a donor's adjusted gross income exceeds a threshold amount, which is a \$311,300 for married couples who file jointly and \$259,400 for single filers. It's like an additional 3% tax on your AGI when you are over the threshold.

It's a complicated worksheet because among other things the limitation is capped at 80% of your itemized deductions. So if you have an AGI over the threshold, then you lose the value of some of your itemized deductions, including the charitable deduction. However, if itemized deductions, such as the ones for state and local taxes and mortgage interest, are greater than the Pease reduction, the amount by which your itemized *charitable* deductions reduce your income tax is not affected.

### Determining the Size of the Deduction Associated with Donating an Asset to Charity

There are a number of limitations on a taxpayer's ability to take advantage of income tax deductions associated with charitable gifts. The point is that a taxpayer may not reduce his or her tax liability to zero based solely on claiming such deductions.

There are three factors to consider when calculating the income tax charitable deduction attributable to a particular charitable gift. First, what type of property is being donated? Second, how long has the donor held the property? Third, if the property is tangible personal property, will the charity use the property in a way related to the charity's mission? In addition, a fourth consideration already touched on earlier is whether the gift is arranged in a manner that results in some benefit (e.g., a stream of payments for life) being received by any person or entity other than a charity.

The table on the next page summarizes those rules as they apply to public charities, pass-through foundations, and private operating foundations:

<u>Type of Property</u>	<u>Deductible Amount</u>
Cash	Face amount
Securities and real estate - owned over one year	Fair market value
Securities and real estate - owned one year or less	Cost basis or fair market value (whichever is less)
Tangible personal property:	
"Related Use" owned over one year	Fair market value
"Related Use" owned one year or less	Cost basis or fair market value (whichever is less)
"Unrelated Use" regardless of how long owned	Cost basis or fair market value (whichever is less)
Inventory (excluding inventory contributed for research and other special cases)	Cost basis or fair market value (whichever is less)

A Note about Private Foundations

Private operating foundations engage in activities in addition to grant making. For example, a private foundation dedicated to environmental causes that conducts educational programs on protecting the environment would be an operating foundation.

A private foundation that engages only in grant making is considered a non-operating foundation. The rules are much more restrictive for gifts to private non-operating foundations, which include most family foundations. The amount of the deduction to a private non-operating foundation is the face amount for cash and the fair market value for publicly-traded securities, but for all other property the deduction is limited to cost basis (or fair market value if less than cost basis). Thus, gifts of tangible personal property and real estate are treated less favorably when made to a private non-operating foundation than when made to a public charity or a private operating foundation.

Amount of the Deduction a Donor May Claim Each Year

The amount of the charitable deduction that can actually be used in any one year depends on two variables: the type of property donated and the type of organization that benefits from the gift. If, based on the application of these two criteria, the entire deduction cannot be reported in the year the gift is made, the donor has as many as five carryover years in which to use it. Carryovers apply in connection with gifts to private non-operating foundations as well as to public charities and operating foundations.



The table below summarizes the rules relating to deductibility by type of organization and type of property donated:

<b>Type of Organization</b>	<b>Examples</b>	<b>Type of Property</b>	<b>Deductibility</b>
Public charities and private operating foundations. Sometimes called "50% Charities."	Educational institutions, churches, tax-exempt hospitals, governmental units, publicly supported organizations such as the American Red Cross or a symphony orchestra, along with private operating foundations.	Cash and Ordinary Income Property	50% of AGI
		Long-term Capital Gain Property	30% of AGI
Private non-operating foundations. Sometimes called "30% Charities."	Strictly "grant making" foundations.	Cash and Ordinary Income Property	30% of AGI
		Long-term Capital Gain Property	20% of AGI

**Example:** Bob and Carol have an AGI of \$350,000. They are considering donating to an art museum publicly-traded stock worth \$700,000. They bought the stock several years ago for \$400,000. Since these shares of stock are appreciated publicly-traded securities held for more than one year, Bob and Carol would be entitled to a deduction for the full fair market value of the stock (and would completely avoid being taxed on any of \$300,000 of long-term capital gain).

Nevertheless, precisely because the securities are an appreciated capital asset held long term, Bob and Carol would be able to claim in the year of the gift only \$105,000 (i.e., 30% of \$350,000) of the \$700,000 deduction. Assuming their AGI remained at \$350,000 in each of the following five years and that they make no other charitable gifts during this period covering a total of six years, they would be able to deduct at most only \$630,000 (i.e., 6 x \$105,000) in the year of the gift plus the five carryover years. This means they will not be able to use \$70,000 of their \$700,000 deduction.

What if instead of donating publicly traded securities, Bob and Carol donated \$700,000 cash to the museum? Because of the increased ability to claim a deduction associated with a gift of cash (50% of AGI) versus long-term appreciated property (30% of AGI), they will be able to enjoy the full benefit of their income tax charitable deduction. They will be able to deduct \$175,000 dollars a year (50% of \$350,000) and use their entire \$700,000 deduction in four years ( $\$175,000 \times 4 = \$700,000$ ), again assuming their AGI remained at least \$350,000 in each of the following three years and that they make no other charitable gifts during this period covering a total of four years.

Let's now assume that instead of contributing publicly traded securities, Bob and Carol donated to the museum \$700,000 in artwork with a cost basis of \$250,000. In this case, the rules governing gifts of tangible personal property apply. If the museum displays the artwork in its galleries or otherwise uses it to further the museum's charitable mission, the gift will be deemed to be for a "related use" and the donors will be entitled to a deduction for the full fair market value of their artwork, \$700,000, and the deduction can

*be claimed up to a limit of 30% of AGI. If the museum instead sells the artwork upon receipt, the gift will be deemed to be for an "unrelated use" and the deduction Bob and Carol receive will be limited to their cost basis of \$250,000, although this deduction could be claimed up to a limit of 50% of AGI.*

### Order of Priority of Deductions

The deductibility projections in the example above do not account for the fact that Bob and Carol may have made prior charitable gifts that they are carrying over. They may well also make additional charitable contributions – either in the year of their gift to the museum or in future years – that will affect their ability to claim the deduction associated with whatever gift to the museum they actually make.

There are certain ordering rules provided by the IRS that guide a taxpayer as to how past and future deductibility will be netted against current contributions. The table below summarizes those rules from IRS Publication 526:

1. current contributions of cash and non-appreciated property to "50% charities."
2. carryover contributions of cash and non-appreciated property to "50% charities."
3. current contributions of long-term capital gain property to "50% charities."
4. carryover contributions of long-term capital gain property to "50% charities."
5. current contributions of cash and non-appreciated property to "30% charities" as well as contributions of such property "for the use of" "50% charities."
6. carryover contributions of cash and non-appreciated property to "30% charities" as well as contributions of such property "for the use of" "50% charities."
7. current contributions of long-term capital gain property to "30% charities" as well as contributions of such property "for the use of" "50% charities."
8. carryover contributions of long-term capital gain property to "30% charities" as well as contributions of such property "for the use of" "50% charities."

### Special Election

A donor may elect to have his or her contribution of long-term appreciated property come under the 50%-of-AGI ceiling, rather than 30% ceiling, by reducing the total allowable deduction to the property's cost basis. The reduction must be applied to (1) all long-term property gifts for the current year, and (2) all prior year long-term property gifts for which a deduction is being carried over.

Such an election may be warranted if (1) the total appreciation is small, (2) the donor probably would not be able to use the deduction over the course of as many as six years, or (3) the donor expects to be in a higher bracket this year than in subsequent years.

### Charitable IRA Rollover

The Charitable IRA rollover enables qualifying donors to transfer funds from their traditional IRA or Roth IRA directly to a public charity without recognizing any income from the withdrawal or receiving a deduction. Because the donor doesn't declare the withdrawal as income on his or her tax return, a Charitable IRA rollover never results in

additional income tax for the donor. When available, this giving technique has been a popular method for making charitable gifts. Congress finally made the Charitable IRA rollover permanent in late 2015.

Below are the key provisions of the Charitable IRA rollover as it is today:

- Rollovers will count towards the required minimum distributions (RMD) from an IRA, and they will not be included in the taxable income of the donor.
- The donor is age 70½ or older.
- The gift is made to a public charity and not to a private foundation or supporting organization.
- The gift is not made to a donor advised fund maintained by a charity;
- The donor receives no benefit in exchange for the gift. (This rules out gifts for life income arrangements.)
- The gift, combined with other qualifying IRA charitable rollover gifts made during the year, does not result in the total of such gifts exceeding \$100,000.
- The donor must have documentation from the charity that the distribution was received and that he or she received no benefits.
- The rollover can be made only from an IRA. Rollovers from 401(k) and 403(b) plans would be treated as taxable distributions. A donor could roll assets from these plans into an IRA and subsequently authorize a distribution to charity from the IRA.
- Funds transferred per the charitable IRA rollover can fulfill a pledge to the charity.

As of April 2016, several changes to the above rules are being considered in Congress. In one effort, Charitable IRA rollovers would be allowed to foundations and donor advised funds. In another effort, Charitable IRA rollovers would be allowed for certain life income plans with certain payout rates and amount limitations.

#### **IV. When Is a Charitable Gift Complete?**

The Regulations to the Internal Revenue Code tell us that “A gift is complete when the donor relinquishes dominion and control over the gift asset.” Reg. Sec. 1.170A-1(b). However, establishing when the donor has surrendered control of an asset can be complicated. A charity should consider two things when determining when a donor’s gift is complete: what type of property was donated and how was it delivered to the charity?

Gift by Check

A gift of a check is complete on the later of (a) the day the check is dated and (b) the day the check is hand delivered or mailed. Unless another date can be established, the date on the postmark is the date that it was mailed. If a check post-dated to January 10, 2016 is mailed on December 30, 2015, the gift is complete on January 10, 2016.

If a check is dated December 30, 2015 but mailed on January 5, 2016, the gift is complete on January 5, 2016. If a check is both dated and mailed on December 30, 2015, but clears on January 3, 2016, the gift is complete on December 30, 2015.

Gift by Credit Card

A credit card gift is complete on the day when the charge is made, regardless of when payment for the charge is made.

Gift of Stock

In the case of a properly-endorsed stock certificate (or an unendorsed stock certificate and a properly-signed stock power), the gift is complete when the documents are hand delivered or mailed. Again, the default date of mailing is the date on the postmark.

In the case of stock held in a brokerage account (i.e., “in street name”), the gift is complete when the stock is actually received in the charity’s account (i.e., when ownership of the stock is changed on the broker’s records), not when the donor gives transfer instructions to his or her broker.

In the event a donor asks the transfer agent for the company issuing the stock to transfer X number of shares to the charity by issuing a new certificate registered in the charity’s name, the gift is complete on the date that appears on the certificate. (Note: This method of transferring stock is generally not advisable because the transfer could take a few weeks, and stock values may have changed considerably in the meantime.)

Gift of Real Estate

The date of a gift of real estate depends on the law of the state where the property is located. In almost all states, the gift is complete upon the delivery (applying the same criteria as in the case of a cash gift) of a properly executed deed. The completion date is this delivery date, not the date when the deed is recorded, which will often be later.

Gift of Tangible Personal Property

A gift of tangible personal property is complete on the later of the date when (a) a deed of gift has been executed and (b) the object has been physically transferred to the charity.

### Charitable IRA Rollover

The completion date for a charitable IRA rollover is not important for claiming a charitable deduction, because no deduction is awarded. But it is important for the calculation of the RMD for the year and for staying inside the \$100,000 limit. Presumably, the mailbox rule would apply here. If the IRA administrator transfers cash or mails a check before year-end, that would permit counting the rollover gift in that calendar year, regardless of when it arrives at the charity.

## **V. Valuation of Securities**

In the case of publicly-traded securities, the deduction is the mean between the "high" and the "low" trading prices on the date of the gift. For securities sold over the counter, it is the mean between the "bid" and "ask" prices. In other words, the deduction is the average worth of the securities on the day they are relinquished. *It does not depend on the closing price or on the net proceeds actually received by the charity when the securities are sold.*

In the case of thinly-traded securities, i.e., those for which sales do not necessarily occur every day, the gift value is a weighted average of the value on the last trade date before the gift date and the value on the first trade date after the gift date.

The valuation of some securities – such as certain municipal bonds, local bank stock, and closely-held stock – is not based on market activity and thus may not be readily ascertainable. A broker can usually obtain market values of bonds and bank stock. Closely-held stock presents a different set of problems and must be valued by a qualified appraiser taking into consideration a number of factors about the company.

Mutual fund shares, if traded on a stock exchange, are valued in the same manner as shares of stock. For mutual funds which can be owned only through maintaining an account with the company that operates the fund, the value will be based on the closing net asset value on the date of gift.

## **VI. Substantiation of Charitable Gifts**

A charitable organization is required to provide donors with substantiation for charitable gifts to the organization. The type of documentation required depends upon the amount of the gift and the type of property donated.

### **A. Gift Receipts**

#### **Gift of \$250 or More, no Goods or Services Furnished to the Donor in Return**

If a donor makes a gift of \$250 or more to charity, the donor must obtain a receipt to support the deduction. A canceled check will be insufficient.

In these cases, the receipt provided by the charity must state that no goods or services were provided to the donor (see below if there were). The \$250 threshold applies to each particular gift, rather than to the total amount of all gifts made to a charity during the year.

**Gift of \$75 or More, Goods or Services Furnished to the Donor**

If a donor makes a gift of \$75 or more to a charity that provided goods or services to the donor in exchange for the gift, the charity is required to provide a receipt, informing the donor of the amount of the contribution that is deductible.

**Exceptions to Disclosure Requirements**

Token benefits– Goods or services that have “insubstantial value” as defined by the IRS do not reduce a donor’s deduction and need not be disclosed by the charitable organization. The amount considered of insubstantial value is adjusted annually for inflation. For calendar year 2016, these “low cost articles” are those whose value is not more than two percent of the donor’s gift or \$106, whichever is less; or when the payment is at least \$53 and the only benefits received are token items such as mugs, calendars etc., bearing the organization’s name or logo. These token items are deemed to be “low cost articles” if their cost (as opposed to their fair market value) does not exceed \$10.60, in the aggregate, for all items received by the donor during that year.

If the benefits exceed these *de minimis* limits, the receipt must provide a good faith estimate of the value of those benefits and indicate the deductible amount.

Failure to provide the required information can subject the charity to penalties – \$10 per contribution and up to \$5,000 per fundraising event.

**B. Substantiation of Noncash Gifts**

A donor must file IRS Form 8283 if the total value of all noncash property used to make a gift exceeds \$500. Depending on the value and type of property contributed, the donor may need to complete Section A of the form, Section B of the form, or both sections.

**Section A Gifts**

Section A of Form 8283 must be completed if the donor is contributing publicly-traded securities valued in excess of \$500 or closely-held securities, real estate or tangible personal property (paintings, boats, etc.) valued in excess of \$500 but not more than \$5,000.

**Section B Gifts**

Section B of Form 8283 must be completed if the donor is contributing closely-held securities, real estate or tangible personal property valued in excess of \$5,000. Section B must also be completed if the aggregate claimed value of all similar items exceeds \$5,000, even if the value of each single item is less than \$5,000

After completing the Form and before attaching it to his or her tax return, the donor should have it countersigned by the charity to acknowledge receipt of the property and to commit to the filing of IRS Form 8282 if the charity sells or otherwise disposes of the property within three years of the gift.

### Qualified Appraisal

To receive a charitable deduction for a Section B gift, the donor must obtain a qualified appraisal, in addition to attaching Form 8283 to the tax return on which the deduction is first claimed. Note: gifts of closely-held securities valued in excess of \$500 but not more than \$10,000 must be reported in Section B, but do not require a qualified appraisal.

A qualified appraisal is one that is completed not earlier than 60 days prior to the date of the gift (but no later than the due date – plus extensions – for the Form 1040 on which the deduction is being claimed) and is prepared by a qualified appraiser, that is to say, someone professionally qualified to value the type of property being appraised. The appraiser should be someone independent of both the donor and donee. The appraisal cannot be done by anyone affiliated with the charity, whatever his or her qualifications.

A qualified appraisal must not involve a prohibited type of appraisal fee. The fee should not be based on a percentage of the appraised value of the property. Rather, it should be a flat charge based on the time and expenses of the appraiser. PG Calc performs these types of appraisals in the specific case where a beneficiary relinquishes his/her right to receive income from a life income gift and the value of the beneficiary's income interest exceeds \$5,000.

If the charitable deduction claimed is over \$500,000, the qualified appraisal must be attached to the donor's tax return.

### Schedule A of IRS Form 1040

If a donor is itemizing his or her deductions, he or she must file IRS Form 1040 (rather than one of the other income tax returns, such as Form 1040-A or Form 1040-EZ). Itemized deductions are listed on Schedule A. As noted above, if the donor has made an outright non-cash gift valued at over \$500, the donor should attach a completed Form 8283.

For irrevocable deferred gifts, just as with outright gifts, the donor should also include a completed Form 8283 if the gift was made with an asset other than cash and the deduction is more than \$500. Schedule A should also be accompanied by a sheet showing how the deduction was calculated and a copy of the gift instrument.

## **VII. Gift, Estate, and Generation-Skipping Transfer Taxation**

The federal gift tax is levied on the right of a person to transfer property during life. The amount of the tax – which is paid by the giver of the gift, rather than by the recipient – depends in part on the size of the gift, taking into account any other gifts the giver has made during his or her lifetime. It also depends on the identity of the recipient. For

example, payments made on behalf of another person for tuition or medical care are exempt from gift tax if made directly to the educational or health institution in question.

The federal estate tax is levied on the right to transmit property at death. Using IRS Form 706, the amount of tax depends on the size of the estate the deceased leaves (as augmented by any taxable gifts made by the person during life and decreased by various deductions and exemptions), adjusted for any gift tax paid by the person during life. Many assets in which a person might have an interest upon death are considered part of his or her estate. Examples include the face amount of a life insurance policy owned by the person upon death (this despite the fact that such amount thereupon becomes payable to someone other than the owner) and half of any property jointly owned with a spouse.

The generation-skipping transfer tax (GST tax) is assessed on certain transfers of assets from an individual to one or more "skip persons," regardless of whether such transfers occur during the individual's life or upon his or her death. This tax is assessed *in addition to* gift or estate tax. Its purpose is to prevent skip persons from receiving free of gift or estate tax assets that otherwise would be subject to one of those two taxes.

**Transfer Taxes under the American Taxpayer Relief Act**

The American Taxpayer Relief Act (ATRA) passed by Congress on January 1, 2013 inaugurated a host of changes to U.S. federal tax rules for income, estate, gift and capital gains. Without passage of ATRA, federal estate, gift and generation skipping tax exemptions and tax rates would have reverted to the levels prior to passage of the Economic Growth and Tax Relief Reconciliation Act of 2001. The exemption amount would have plummeted to \$1,000,000 and the gift, estate and GST tax rate would have gone from 35% to 55%. ATRA made permanent an area of tax law that had been in flux since 2001. Like all tax laws, the permanence of ATRA is assured only until a new tax law is adopted that supersedes it.

These tax rates and exemptions apply as a result of the 2010 Act and ATRA:

Year	Maximum tax rate	Unified exemption from gift and estate tax
2011	35%	\$5,000,000
2012	35%	5,120,000*
2013	40%	5,250,000*
2014	40%	5,340,000*
2015	40%	5,430,000*
2016	40%	5,450,000*

\* This is \$5,000,000 indexed for inflation

Note: The GST tax exemption is also \$5,450,000, as indexed for inflation in 2016, but it is a separate exemption from the unified exemption for gift and estate tax.



As shown in the table below, the gift and estate tax schedule is ostensibly progressive. However, as a practical matter the top rate of 40% is the only rate that taxpayers and their estates actually pay. Why? Because the unified exemption amount in 2016 is \$5,450,000, which is far greater than the taxable transfer at which the 40% top rate starts. As a result, every dollar on which gift or estate tax is due is taxed at 40%.

Gift and Estate Tax Rate Schedule in 2016

<b>Taxable Transfer</b>	<b>Tax</b>	<b>% on Excess</b>
0	0	18
10,000	1,800	20
20,000	3,800	22
40,000	8,200	24
60,000	13,000	26
80,000	18,200	28
100,000	23,800	30
150,000	38,800	32
250,000	70,800	34
500,000	155,800	37
750,000	248,300	39
1,000,000	345,800	40

The highlights of ATRA are increased estate, gift and generation skipping tax exemption amounts and a modest increase in estate, gift and generation skipping tax rates. ATRA effectively repeals transfer taxes for Americans with modest estates because of the exemption amount (\$5,450,000 for 2016 and adjusted annually for inflation) and the portability of the exemption between spouses that now allows \$10,900,000 for a couple to pass estate tax free. The exemption amount is adjusted for inflation each year.

**Gift Taxes**

The gift tax is a federal transfer tax that is assessed on an individual who transfers assets to another individual during life. The tax is computed using the Gift and Estate Tax Schedule applicable in the year of transfer and with reference to the donor's annual gift tax exclusion and available gift tax credit. Retention of control may make gift incomplete, and therefore not subject to gift tax.

The gift tax is cumulative. If a net gift tax is due, it is usually payable by the taxpayer making the gift.

**Exclusions from gift tax**

Annual Gift Tax Exclusion - An individual may give another individual up to \$14,000 in cash or property *each year* without having to report the gift or incurring a gift tax. There is no limit to the number of individuals to whom such gifts may be made. Husbands and wives may join together (gift-splitting) and give up to \$28,000 to any individual without making a taxable gift. To qualify for the annual exclusion, the gifts must be present-interest gifts. That is, the donee must have a right to benefit from the property now.

The annual exclusion is adjusted for inflation in increments of \$1,000. Because inflation has been relatively low in recent years, the exclusion amount has increased only every three to four years. The inflation adjustment of the annual exclusion is unrelated to the adoption of ATRA.

Gift tax marital deduction - With the exception of certain gifts of future interests, gifts between spouses are not subject to gift tax whatever the amount. If the donee spouse is not a U.S. citizen, there is an annual exclusion of \$148,000 in 2016 – this amount is indexed for inflation each year– on the amount the donor spouse can give the donee spouse during life without beginning to incur possible gift tax liability.

Qualified transfers - Payments made directly to service providers for tuition or medical care are not considered taxable transfers for purposes of gift taxes. These payments must be made directly to an educational institution or medical provider to be considered qualified transfers.

***Example***

*The unified nature of gift and estate taxes makes the calculation of taxable transfers dependent not just on the transfer at any given point, but prior taxable transfers as well. That is because the calculation of transfer taxes is cumulative.*

*Suppose Mr. Soto made his first taxable gift with a gift of \$700,000 to his son in 2000, the maximum he could then transfer without owing any gift tax. In 2015, Mr. Soto made another gift to his son, this time for the exemption amount available to him in 2015: \$5,430,000. He had made no taxable gifts other than these two to his son.*

*In 2015, Mr. Soto owed gift tax of \$280,000, computed as follows:*

<i>Taxable gift made in 2015</i>	<i>\$5,430,000</i>
<i>Prior taxable gifts</i>	<i>+ \$700,000</i>
<i>Cumulative lifetime taxable gifts</i>	<i>\$6,130,000</i>
<i>Tentative tax on \$6,130,000</i>	<i>\$2,397,800</i>
<i>Less prior gift taxes paid</i>	<i>- \$0</i>
<i>Less tax on 2015 exemption of \$5,430,000</i>	<i>- \$2,117,800</i>
<i>Gift tax owed</i>	<i>\$280,000</i>

### **Estate taxes**

The estate tax is a tax that is assessed on the assets in a person's estate after the person dies. The federal estate tax is assessed against a person's taxable estate, as determined on the federal estate tax return (Form 706). If a net estate tax is due, it is usually payable by the estate of the deceased taxpayer.

Gross Estate - The total value of a person's estate before any deductions are made for taxes, funeral expenses, attorney's fees or administration costs. The proceeds of life insurance are included in the gross estate if the policies were owned or controlled by the decedent. One half of property owned jointly with the spouse included.

Basis step-up - Appreciated assets passing to heirs are entitled to a step-up in basis upon the death of the decedent. This step-up increases the cost basis of assets inherited upon the owner's death to their value on the date of death. The step-up in basis erases the potential capital gain associated with an appreciated asset up to the decedent's date of death. If the heirs subsequently sell the property, the taxable gain is calculated based on the increase in fair market value since the time of death, not the increase in fair market value since the asset was purchased.

Estate tax marital deduction - The first spouse to die can leave an unlimited amount to the surviving spouse, who is a U.S. citizen, completely free of federal estate tax. The amount passing to the surviving spouse can qualify for this marital deduction if it is given outright or under certain approved trust arrangements. Property passing to a surviving spouse, who is not a U.S. citizen, is not eligible for the marital deduction, unless the property passes to the alien spouse through a qualified domestic trust (QDT).

Deductibility of lifetime gifts to charity - A donor is allowed an unlimited charitable gift tax deduction for lifetime gifts to qualified charities. However, the donor is required to complete a Gift Tax Return Form 709 if a donor makes a future interest gift of any amount or a present interest gift of more than \$14,000 where less than the entire value of the donated property qualifies for a gift tax charitable deduction (this can be the case with certain contributions for gift annuities, for example).

Deductibility of bequests to charity - A donor is allowed an unlimited charitable estate tax deduction. If the bequest is in the form of a charitable remainder trust with the surviving spouse as income beneficiary, the deduction is for the present value of the remainder interest. If a surviving spouse is the only income beneficiary, the combination of the marital deduction and charitable deduction will eliminate estate tax on the property.

**Example**

Mrs. Soto dies in 2015 and leaves all of her assets to Mr. Soto. Mrs. Soto made no taxable gifts during her lifetime and there is no estate tax because of the unlimited marital deduction. In addition, Mrs. Soto's estate elects to port her \$5,430,000 lifetime exemption to Mr. Soto. Mr. Soto dies in 2016 with an estate worth \$6,000,000. As noted in the gift tax example above, he made taxable transfers (to his son) during his lifetime totaling \$6,130,000 on which he paid \$280,000 in gift tax.

If Mr. Soto leaves all his assets to his son, his estate would owe \$220,000 in estate tax, computed as follows:

Estate in 2016	\$6,000,000
Prior taxable gifts during life	+ \$6,130,000
Taxable estate	\$12,130,000
Tentative tax	\$4,797,800
Less gift tax paid during life	- \$280,000
Less tax on 2016 exemption of (\$5,450,000 + 5,430,000)	- \$4,297,800
Estate tax owed	\$220,000

Mr. Soto could have eliminated his estate tax by making charitable gifts in his estate of \$550,000 or more. His estate's tax calculation would look like this if he included in his estate plans charitable gifts totaling \$550,000:

Estate in 2016	\$6,000,000
<b>Less charitable gifts</b>	<b>- \$550,000</b>
Prior taxable gifts during life	+ \$6,130,000
Taxable estate	\$11,580,000
Tentative tax	\$4,577,800
Less gift tax paid during life	- \$280,000
Less tax on 2016 exemption of (\$5,450,000 + 5,430,000)	- \$4,297,800
Estate tax owed	\$0

**Significance of the GST Tax with Respect to Charitable Giving**

Because the GST tax applies only to certain types of transfers to *individuals*, there is no need for a GST tax charitable deduction as such. Nevertheless, it is important for gift planners to keep in mind that some gifts can have GST tax consequences for donors. As

mentioned previously, gift tax or estate tax may also need to be paid in connection with any gift arrangement that is partly charitable and partly non-charitable.

If an individual beneficiary is a lineal descendant belonging to a generation two or more generations below the transferor (or someone other than a lineal descendant, but 37.5 years or younger than the transferor), the beneficiary will be considered a skip person. There is an exception available in the case of a lineal descendant skip person if all members of the intervening generation(s) have died prior to establishment of the gift arrangement. For example, a charitable lead trust that terminates in favor of a donor's grandchild is not subject to GST tax if it was funded after the donor's child who parented the grandchild has died.

There are three kinds of generation skips:

### Direct Skip

A direct skip occurs when a transfer subject to GST tax is made directly from the donor to the skip person during the donor's life or by will. The donor pays GST tax if the transfer is made during the donor's life, and the donor's estate pays the tax if the transfer is by will.

### Taxable Distribution

A taxable distribution occurs when a transfer subject to GST tax is made to the skip person by means of a distribution from a trust (other than a distribution made in connection with a taxable termination – see below). A charitable remainder trust makes taxable distributions when it makes unitrust or annuity payments to a skip person, for example. The recipient of the distribution pays the tax.

### Taxable Termination

A taxable termination occurs when a transfer subject to GST tax is made to the skip person at the termination of a trust. A charitable lead trust makes a taxable termination when it distributes its remaining corpus to a skip person, for example. The trust pays the tax.

## **Impact of State Transfer Taxes**

Almost half of the states have an estate tax or some other form of tax that is imposed in connection with a person's death. The details associated with such taxes – in terms of tax rates and amounts exempt from tax – vary considerably from state to state. Just as with state income taxes, however, it is generally the case that the overall marginal rate for an estate that must pay both federal and state estate taxes will be something less than the federal rate plus the state rate, by virtue of the federal estate tax deduction for state estate taxes referenced earlier. Very few states have a gift tax and none has a GST tax.

## **Possible Income Tax Attributable to Transfers Made upon Death**

If a person was either the owner or beneficiary of something which, had he or she remained alive, would have been a source of payments that would have been taxed to him or her as ordinary income, then that asset features Income in Respect of a Decedent

(IRD). If, upon death, others then become entitled to receive such previously untaxed amounts, those payments constitute IRD.

Most distributions from an IRA made after the IRA owner has died are common examples of IRD with respect to every dollar distributed. (The only exceptions are distributions from a Roth IRA or distributions attributable to contributions of after-tax dollars made by the decedent to some other type of IRA.) The same can hold true for most qualified retirement plans. In the case of certain commercial annuity contracts and savings bonds, some of what is distributed will be IRD, with the rest being nontaxable principal.

The good news for charities is that by virtue of their tax-exempt status, no income tax will be due on any IRD they receive. This means that if a donor's estate plan calls for benefiting both individuals and charities upon death, it is most efficient from a tax standpoint to draw upon IRD assets (to the extent they are available) in making charitable gifts and to earmark other assets for individuals. An additional characteristic that distributions of IRD to charity share with bequests is deductibility of the distributions for estate tax purposes.

**Example**

Assume that \$500,000 of Mr. Soto's \$6,000,000 estate is from the balance in his qualified retirement plan. He can save \$175,000 in total taxes on his estate's assets by making his charitable gifts first from the \$500,000 in his qualified plan and then from other assets as needed:

<i>Estate tax</i>	<i>Give IRD to Charity</i>	<i>Give IRD to Son</i>
<i>Estate in 2016</i>	\$6,000,000	\$6,000,000
<i>Less charitable gifts</i>	- \$550,000	- \$550,000
<i>Prior taxable gifts during life</i>	+ <u>\$6,130,000</u>	+ <u>\$6,130,000</u>
<i>Taxable estate</i>	\$11,580,000	\$11,580,000
<i>Tentative tax</i>	\$4,577,800	\$4,577,800
<i>Less gift tax paid during life</i>	- \$280,000	- \$280,000
<i>Less tax on 2016 exemption of (\$5,450,000 + 5,430,000)</i>	- <u>\$4,297,800</u>	- <u>\$4,297,800</u>
<i>Estate tax owed</i>	\$0	\$0
<b><i>Income tax</i></b>		
<i>Balance in qualified plan</i>	\$500,000	\$500,000
<i>Less qualified plan assets donated</i>	- <u>\$500,000</u>	- <u>\$0</u>
<i>Taxable income</i>	\$0	\$500,000
<i>Income tax owed (son's rate=35%)</i>	\$0	\$175,000
<b><i>Total tax</i></b>	<b>\$0</b>	<b>\$175,000</b>

## IX. Conclusion

A basic understanding of the rules governing the federal income tax, as well as other types of taxes, will improve a gift planner's understanding of a donor's financial situation. In turn, this understanding can guide the planner in proposing a gift arrangement that is suitable for the donor. Furthermore, donors will often raise objections to making charitable gifts, based on aspects of their tax situations. A working knowledge of the tax rules can help overcome these objections. Likewise, when a donor voluntarily discusses his or her tax situation with a gift planner, knowledge of the tax rules will serve the planner well in such conversations. Of course, if the planner is a representative of a charity, he or she will ultimately need to advise the donor to consult an independent tax advisor before any gift is actually arranged.

## Appendices

### 1. Bernie Sanders Complete 2014 Individual Income Tax Return

There are many lessons to be learned from a review of this return, including seeing a fairly straightforward return for a married couple who gave around 4% of their income to charity. You might think that this couple was a pretty good candidate for a gift annuity to supplement their income. The political press has made some light over the fact that publically Bernie wants to change advantages available in the tax code and yet uses them, such as the mortgage deduction, partial non-deductibility of Social Security Income, and travel meals allowance.

### 2. Hillary Clinton's Partial 2014 Individual Income Tax Return

Pages 1-3 are shown which is the front and back of Form 1040 plus the itemized deductions page. As we can clearly see, this couple made a lot of money in the form of business income (mostly from speeches and a little from books) and had no wages. They gave away a lot to charity, as shown on the subschedule to Schedule A and then their deductions were limited by the Pease rule as shown on the last page.

### 3. Carly Fiorina's Partial 2013 Individual Income Tax Return

Carly and her husband made significant charitable gifts mostly in the form of appreciated property. Just those schedules are shown as her tax return had over 200 pages (and couldn't be filed electronically because of its complexity).

### 4. Franklin Delano Roosevelt's Partial 1914 Individual Income Tax Return

This was the income tax's second year (the 1913 return was not as clear to reproduce), and although FDR didn't make these public at the time, his paper returns were scanned from his presidential library. What's fun about these pages is that it was filled out by hand, in cursive no less, and the deductions page has some familiar items on it, but no charitable deduction.

For more tax returns, the best website is the Tax History Project run by Tax Analysts and is <http://www.taxhistory.org/www/website.nsf/web/presidentialtaxreturns> . There is an interesting passage there:

The deduction for charitable contributions is one of the oldest preferences in the tax law, making its debut during World War I (after a failed effort to include it in the original 1913 tax law).<sup>1</sup> The War Revenue Act of 1917 provided a deduction for:

contributions or gifts actually made within the year to corporations or associations organized and operated exclusively for religious, charitable, scientific, or educational purposes, or to societies for the prevention of cruelty to children or animals, no part of the net income of which inures to the benefit of any private stockholder or individual, to an amount not in excess of fifteen per centum of the taxpayer's taxable net income as computed without the benefit of this paragraph. Such contributions or gifts shall be allowable as deductions only if verified under rules and regulations prescribed by the Commissioner of Internal Revenue, with the approval of the Secretary of the Treasury.



# Appendix 1

For the year Jan. 1–Dec. 31, 2014, or other tax year beginning \_\_\_\_\_, 2014, ending \_\_\_\_\_, 2014, ending \_\_\_\_\_, 20

Your first name and initial: **Bernard** Last name: **Sanders** Your social security number: [REDACTED]

If a joint return, spouse's first name and initial: **Jane O** Last name: **Sanders** Spouse's social security number: [REDACTED]

Home address (number and street). If you have a P.O. box, see instructions. [REDACTED] Apt. no. [REDACTED] **▲ Make sure the SSN(s) above and on line 6c are correct.**

City, town or post office, state, and ZIP code. If you have a foreign address, also complete spaces below (see instructions). **Burlington VT 05408**

Foreign country name: \_\_\_\_\_ Foreign province/state/county: \_\_\_\_\_ Foreign postal code: \_\_\_\_\_ **Presidential Election Campaign**  
Check here if you, or your spouse if filing jointly, want \$3 to go to this fund. Checking a box below will not change your tax or refund.  You  Spouse

**Filing Status**

1  Single  
 2  Married filing jointly (even if only one had income)  
 3  Married filing separately. Enter spouse's SSN above and full name here. ▶  
 4  Head of household (with qualifying person). (See instructions.) If the qualifying person is a child but not your dependent, enter this child's name here. ▶  
 5  Qualifying widow(er) with dependent child

Check only one box.

**Exemptions**

6a  Yourself. If someone can claim you as a dependent, do not check box 6a . . . . .  
 b  Spouse . . . . .

**Boxes checked on 6a and 6b** 2  
**No. of children on 6c who:**  
 • lived with you \_\_\_\_\_  
 • did not live with you due to divorce or separation (see instructions) \_\_\_\_\_  
**Dependents on 6c not entered above** \_\_\_\_\_  
**Add numbers on lines above** 2

(1) First name		(2) Dependent's social security number	(3) Dependent's relationship to you	(4) <input checked="" type="checkbox"/> if child under age 17 qualifying for child tax credit (see instructions)
Last name				
				<input type="checkbox"/>
				<input type="checkbox"/>
				<input type="checkbox"/>
				<input type="checkbox"/>

If more than four dependents, see instructions and check here

**Income**

7 Wages, salaries, tips, etc. Attach Form(s) W-2 . . . . . **7** 156,441.  
 8a Taxable interest. Attach Schedule B if required . . . . . **8a** 11.  
 b Tax-exempt interest. Do not include on line 8a . . . . . **8b** \_\_\_\_\_  
 9a Ordinary dividends. Attach Schedule B if required . . . . . **9a** 2.  
 b Qualified dividends . . . . . **9b** \_\_\_\_\_  
 10 Taxable refunds, credits, or offsets of state and local income taxes . . . . . **10** \_\_\_\_\_  
 11 Alimony received . . . . . **11** \_\_\_\_\_  
 12 Business income or (loss). Attach Schedule C or C-EZ . . . . . **12** 4,900.  
 13 Capital gain or (loss). Attach Schedule D if required. If not required, check here  **13** \_\_\_\_\_  
 14 Other gains or (losses). Attach Form 4797 . . . . . **14** \_\_\_\_\_  
 15a IRA distributions . . . . . **15a** \_\_\_\_\_ **b Taxable amount** **15b** \_\_\_\_\_  
 16a Pensions and annuities . . . . . **16a** \_\_\_\_\_ **b Taxable amount** **16b** 4,982.  
 17 Rental real estate, royalties, partnerships, S corporations, trusts, etc. Attach Schedule E **17** \_\_\_\_\_  
 18 Farm income or (loss). Attach Schedule F . . . . . **18** \_\_\_\_\_  
 19 Unemployment compensation . . . . . **19** \_\_\_\_\_  
 20a Social security benefits . . . . . **20a** 46,213. **b Taxable amount** **20b** 39,281.  
 21 Other income. List type and amount **21** \_\_\_\_\_  
 22 Combine the amounts in the far right column for lines 7 through 21. This is your **total income** ▶ **22** 205,617.

**Adjusted Gross Income**

23 Educator expenses . . . . . **23** \_\_\_\_\_  
 24 Certain business expenses of reservists, performing artists, and fee-basis government officials. Attach Form 2106 or 2106-EZ **24** \_\_\_\_\_  
 25 Health savings account deduction. Attach Form 8889 . . . . . **25** \_\_\_\_\_  
 26 Moving expenses. Attach Form 3903 . . . . . **26** \_\_\_\_\_  
 27 Deductible part of self-employment tax. Attach Schedule SE . . . . . **27** 346.  
 28 Self-employed SEP, SIMPLE, and qualified plans . . . . . **28** \_\_\_\_\_  
 29 Self-employed health insurance deduction . . . . . **29** \_\_\_\_\_  
 30 Penalty on early withdrawal of savings . . . . . **30** \_\_\_\_\_  
 31a Alimony paid **b Recipient's SSN** ▶ **31a** \_\_\_\_\_  
 32 IRA deduction . . . . . **32** \_\_\_\_\_  
 33 Student loan interest deduction . . . . . **33** \_\_\_\_\_  
 34 Tuition and fees. Attach Form 8917 . . . . . **34** \_\_\_\_\_  
 35 Domestic production activities deduction. Attach Form 8903 **35** \_\_\_\_\_  
 36 Add lines 23 through 35 . . . . . **36** 346.  
 37 Subtract line 36 from line 22. This is your **adjusted gross income** ▶ **37** 205,271.

	38	Amount from line 37 (adjusted gross income)	38	205,271.
<b>Tax and Credits</b>	39a	Check <input checked="" type="checkbox"/> You were born before January 2, 1950, <input type="checkbox"/> Blind. Total boxes checked <b>▶ 39a</b> <span style="border: 1px solid black; padding: 2px;">1</span> if: <input type="checkbox"/> Spouse was born before January 2, 1950, <input type="checkbox"/> Blind.		
	b	If your spouse itemizes on a separate return or you were a dual-status alien, check here <b>▶ 39b</b> <input type="checkbox"/>		
<b>Standard Deduction for—</b> • People who check any box on line 39a or 39b or who can be claimed as a dependent, see instructions. • All others: Single or Married filing separately, \$6,200 Married filing jointly or Qualifying widow(er), \$12,400 Head of household, \$9,100	40	Itemized deductions (from Schedule A) or your standard deduction (see left margin)	40	56,377.
	41	Subtract line 40 from line 38	41	148,894.
	42	Exemptions. If line 38 is \$152,525 or less, multiply \$3,950 by the number on line 6d. Otherwise, see instructions	42	7,900.
	43	Taxable income. Subtract line 42 from line 41. If line 42 is more than line 41, enter -0-	43	140,994.
	44	Tax (see instructions). Check if any from: a <input type="checkbox"/> Form(s) 8814 b <input type="checkbox"/> Form 4972 c <input type="checkbox"/>	44	26,961.
	45	Alternative minimum tax (see instructions). Attach Form 6251	45	
	46	Excess advance premium tax credit repayment. Attach Form 8962	46	
	47	Add lines 44, 45, and 46	47	26,961.
	48	Foreign tax credit. Attach Form 1116 if required	48	
	49	Credit for child and dependent care expenses. Attach Form 2441	49	
	50	Education credits from Form 8863, line 19	50	
	51	Retirement savings contributions credit. Attach Form 8880	51	
	52	Child tax credit. Attach Schedule 8812, if required	52	
	53	Residential energy credits. Attach Form 5695	53	
	54	Other credits from Form: a <input type="checkbox"/> 3800 b <input type="checkbox"/> 8801 c <input type="checkbox"/>	54	
55	Add lines 48 through 54. These are your total credits	55		
56	Subtract line 55 from line 47. If line 55 is more than line 47, enter -0-	56	26,961.	
<b>Other Taxes</b>	57	Self-employment tax. Attach Schedule SE	57	692.
	58	Unreported social security and Medicare tax from Form: a <input type="checkbox"/> 4137 b <input type="checkbox"/> 8919	58	
	59	Additional tax on IRAs, other qualified retirement plans, etc. Attach Form 5329 if required	59	
	60a	Household employment taxes from Schedule H	60a	
	b	First-time homebuyer credit repayment. Attach Form 5405 if required	60b	
	61	Health care: individual responsibility (see instructions) Full-year coverage <input checked="" type="checkbox"/>	61	
	62	Taxes from: a <input type="checkbox"/> Form 8959 b <input type="checkbox"/> Form 8960 c <input type="checkbox"/> Instructions; enter code(s)	62	
63	Add lines 56 through 62. This is your total tax	63	27,653.	
<b>Payments</b>	64	Federal income tax withheld from Forms W-2 and 1099	64	31,825.
	65	2014 estimated tax payments and amount applied from 2013 return	65	
	66a	Earned income credit (EIC)	66a	
	b	Nontaxable combat pay election <span style="border: 1px solid black; padding: 2px;">66b</span>		
	67	Additional child tax credit. Attach Schedule 8812	67	
	68	American opportunity credit from Form 8863, line 8	68	
	69	Net premium tax credit. Attach Form 8962	69	
	70	Amount paid with request for extension to file	70	
	71	Excess social security and tier 1 RRTA tax withheld	71	
	72	Credit for federal tax on fuels. Attach Form 4136	72	
73	Credits from Form: a <input type="checkbox"/> 2439 b <input type="checkbox"/> Reserved c <input type="checkbox"/> Reserved d <input type="checkbox"/>	73		
74	Add lines 64, 65, 66a, and 67 through 73. These are your total payments	74	31,825.	
<b>Refund</b>	75	If line 74 is more than line 63, subtract line 63 from line 74. This is the amount you overpaid	75	4,172.
	76a	Amount of line 75 you want refunded to you. If Form 8888 is attached, check here <input type="checkbox"/>	76a	4,172.
	b	Routing number <span style="background-color: black; color: black;">XXXXXXXXXX</span> c Type: <input checked="" type="checkbox"/> Checking <input type="checkbox"/> Savings		
	d	Account number <span style="background-color: black; color: black;">XXXXXXXXXXXXXXXXXXXX</span>		
77	Amount of line 75 you want applied to your 2015 estimated tax	77		
<b>Amount You Owe</b>	78	Amount you owe. Subtract line 74 from line 63. For details on how to pay, see instructions	78	
	79	Estimated tax penalty (see instructions)	79	

**Third Party Designee** Do you want to allow another person to discuss this return with the IRS (see instructions)?  Yes. Complete below.  No

Designee's name  Phone no.  Personal identification number (PIN)

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

Your signature <input type="text"/>	Date <input type="text"/>	Your occupation Government Service	Daytime phone number <input type="text"/>
Spouse's signature. If a joint return, both must sign. <input type="text"/>	Date <input type="text"/>	Spouse's occupation Self-employed	If the IRS sent you an Identity Protection PIN, enter it here (see inst.) <input type="text"/>

**Print/Type preparer's name**  **Preparer's signature**  **Date**

**Firm's name**  Self-Prepared **Firm's EIN**

**Firm's address**  **Phone no.**

Check  if self-employed **PTIN**



# Appendix 1

**SCHEDULE A  
(Form 1040)**

## Itemized Deductions

OMB No. 1545-0074

2014

Attachment  
Sequence No. **07**

Department of the Treasury  
Internal Revenue Service (99)

▶ Information about Schedule A and its separate instructions is at [www.irs.gov/schedulea](http://www.irs.gov/schedulea).

▶ Attach to Form 1040.

Name(s) shown on Form 1040

Your social security number

Bernard & Jane O Sanders

<b>Caution.</b> Do not include expenses reimbursed or paid by others.			
<b>Medical and Dental Expenses</b>	<b>1</b> Medical and dental expenses (see instructions) . . . . .	<b>1</b>	
	<b>2</b> Enter amount from Form 1040, line 38 <span style="border: 1px solid black; padding: 0 5px;">2</span>		
	<b>3</b> Multiply line 2 by 10% (.10). But if either you or your spouse was born before January 2, 1950, multiply line 2 by 7.5% (.075) instead	<b>3</b>	
	<b>4</b> Subtract line 3 from line 1. If line 3 is more than line 1, enter -0-		<b>4</b>
<b>Taxes You Paid</b>			
<b>5</b> State and local (check only one box):			
<b>a</b> <input checked="" type="checkbox"/> Income taxes, or		<b>5</b>	9,666.
<b>b</b> <input type="checkbox"/> General sales taxes			
	<b>6</b> Real estate taxes (see instructions) . . . . .	<b>6</b>	14,843.
	<b>7</b> Personal property taxes . . . . .	<b>7</b>	
	<b>8</b> Other taxes. List type and amount ▶	<b>8</b>	
	<b>9</b> Add lines 5 through 8 . . . . .		<b>9</b> 24,509.
<b>Interest You Paid</b>			
	<b>10</b> Home mortgage interest and points reported to you on Form 1098	<b>10</b>	22,946.
<b>Note.</b> Your mortgage interest deduction may be limited (see instructions).	<b>11</b> Home mortgage interest not reported to you on Form 1098. If paid to the person from whom you bought the home, see instructions and show that person's name, identifying no., and address ▶	<b>11</b>	
	<b>12</b> Points not reported to you on Form 1098. See instructions for special rules . . . . .	<b>12</b>	
	<b>13</b> Mortgage insurance premiums (see instructions) . . . . .	<b>13</b>	
	<b>14</b> Investment interest. Attach Form 4952 if required. (See instructions.)	<b>14</b>	
	<b>15</b> Add lines 10 through 14 . . . . .		<b>15</b> 22,946.
<b>Gifts to Charity</b>			
If you made a gift and got a benefit for it, see instructions.	<b>16</b> Gifts by cash or check. If you made any gift of \$250 or more, see instructions. . . . .	<b>16</b>	8,000.
	<b>17</b> Other than by cash or check. If any gift of \$250 or more, see instructions. You <b>must</b> attach Form 8283 if over \$500 . . . . .	<b>17</b>	350.
	<b>18</b> Carryover from prior year . . . . .	<b>18</b>	
	<b>19</b> Add lines 16 through 18 . . . . .		<b>19</b> 8,350.
<b>Casualty and Theft Losses</b>			
<b>20</b> Casualty or theft loss(es). Attach Form 4684. (See instructions.) . . . . .		<b>20</b>	
<b>Job Expenses and Certain Miscellaneous Deductions</b>			
	<b>21</b> Unreimbursed employee expenses—job travel, union dues, job education, etc. Attach Form 2106 or 2106-EZ if required. (See instructions.) ▶ Deductible expenses from Form 2106	<b>21</b>	4,473.
	<b>22</b> Tax preparation fees . . . . .	<b>22</b>	204.
	<b>23</b> Other expenses—investment, safe deposit box, etc. List type and amount ▶	<b>23</b>	
	<b>24</b> Add lines 21 through 23 . . . . .	<b>24</b>	4,677.
	<b>25</b> Enter amount from Form 1040, line 38 <span style="border: 1px solid black; padding: 0 5px;">25</span> 205,271.		
	<b>26</b> Multiply line 25 by 2% (.02) . . . . .	<b>26</b>	4,105.
	<b>27</b> Subtract line 26 from line 24. If line 26 is more than line 24, enter -0-		<b>27</b> 572.
<b>Other Miscellaneous Deductions</b>			
	<b>28</b> Other—from list in instructions. List type and amount ▶		<b>28</b>
<b>Total Itemized Deductions</b>			
	<b>29</b> Is Form 1040, line 38, over \$152,525? <input type="checkbox"/> <b>No.</b> Your deduction is not limited. Add the amounts in the far right column for lines 4 through 28. Also, enter this amount on Form 1040, line 40. <input checked="" type="checkbox"/> <b>Yes.</b> Your deduction may be limited. See the Itemized Deductions Worksheet in the instructions to figure the amount to enter.	<b>29</b>	56,377.
	<b>30</b> If you elect to itemize deductions even though they are less than your standard deduction, check here <input type="checkbox"/>		

# Appendix 1

## SCHEDULE C (Form 1040)

Department of the Treasury  
Internal Revenue Service (99)

## Profit or Loss From Business (Sole Proprietorship)

▶ Information about Schedule C and its separate instructions is at [www.irs.gov/schedulec](http://www.irs.gov/schedulec).  
▶ Attach to Form 1040, 1040NR, or 1041; partnerships generally must file Form 1065.

OMB No. 1545-0074

2014

Attachment  
Sequence No. **09**

Name of proprietor <b>Jane O Sanders</b>		Social security number (SSN) [REDACTED]
<b>A</b> Principal business or profession, including product or service (see instructions) <b>TLLRWD Commissioner</b>	<b>B</b> Enter code from instructions ▶ 9   9   9   9   9   9	
<b>C</b> Business name. If no separate business name, leave blank. <b>Jane O'Meara Sanders</b>	<b>D</b> Employer ID number (EIN), (see instr.) [REDACTED]	
<b>E</b> Business address (including suite or room no.) ▶ [REDACTED] City, town or post office, state, and ZIP code		
<b>F</b> Accounting method: (1) <input checked="" type="checkbox"/> Cash (2) <input type="checkbox"/> Accrual (3) <input type="checkbox"/> Other (specify) ▶		
<b>G</b> Did you "materially participate" in the operation of this business during 2014? If "No," see instructions for limit on losses	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	
<b>H</b> If you started or acquired this business during 2014, check here	<input type="checkbox"/>	
<b>I</b> Did you make any payments in 2014 that would require you to file Form(s) 1099? (see instructions)	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	
<b>J</b> If "Yes," did you or will you file required Forms 1099?	<input type="checkbox"/> Yes <input type="checkbox"/> No	

Part I Income		
1	Gross receipts or sales. See instructions for line 1 and check the box if this income was reported to you on Form W-2 and the "Statutory employee" box on that form was checked . . . . . ▶ <input type="checkbox"/>	4,900.
2	Returns and allowances . . . . .	
3	Subtract line 2 from line 1 . . . . .	4,900.
4	Cost of goods sold (from line 42) . . . . .	
5	<b>Gross profit.</b> Subtract line 4 from line 3 . . . . .	4,900.
6	Other income, including federal and state gasoline or fuel tax credit or refund (see instructions) . . . . .	
7	<b>Gross income.</b> Add lines 5 and 6 . . . . . ▶	4,900.

Part II Expenses. Enter expenses for business use of your home <b>only</b> on line 30.			
8	Advertising . . . . .	18	Office expense (see instructions)
9	Car and truck expenses (see instructions). . . . .	19	Pension and profit-sharing plans . . . . .
10	Commissions and fees . . . . .	20	Rent or lease (see instructions):
11	Contract labor (see instructions)	20a	a Vehicles, machinery, and equipment
12	Depletion . . . . .	20b	b Other business property . . . . .
13	Depreciation and section 179 expense deduction (not included in Part III) (see instructions). . . . .	21	21 Repairs and maintenance . . . . .
14	Employee benefit programs (other than on line 19) . . . . .	22	22 Supplies (not included in Part III) . . . . .
15	Insurance (other than health)	23	23 Taxes and licenses . . . . .
16	Interest:	24	24 Travel, meals, and entertainment:
16a	a Mortgage (paid to banks, etc.)	24a	a Travel . . . . .
16b	b Other . . . . .	24b	b Deductible meals and entertainment (see instructions) . . . . .
17	Legal and professional services	25	25 Utilities . . . . .
18	<b>Total expenses</b> before expenses for business use of home. Add lines 8 through 27a . . . . . ▶	26	26 Wages (less employment credits) . . . . .
19	Tentative profit or (loss). Subtract line 28 from line 7 . . . . .	27a	27a Other expenses (from line 48) . . . . .
20	Expenses for business use of your home. Do not report these expenses elsewhere. Attach Form 8829 unless using the simplified method (see instructions). <b>Simplified method filers only:</b> enter the total square footage of: (a) your home: _____ and (b) the part of your home used for business: _____ . Use the Simplified Method Worksheet in the instructions to figure the amount to enter on line 30 . . . . .	27b	b <b>Reserved for future use</b> . . . . .
21	<b>Net profit or (loss).</b> Subtract line 30 from line 29.	28	
22	• If a profit, enter on both <b>Form 1040, line 12</b> (or <b>Form 1040NR, line 13</b> ) and on <b>Schedule SE, line 2</b> . (If you checked the box on line 1, see instructions). Estates and trusts, enter on <b>Form 1041, line 3</b> .	29	4,900.
23	• If a loss, you <b>must</b> go to line 32.	30	
24	If you have a loss, check the box that describes your investment in this activity (see instructions).	31	4,900.
25	• If you checked 32a, enter the loss on both <b>Form 1040, line 12</b> , (or <b>Form 1040NR, line 13</b> ) and on <b>Schedule SE, line 2</b> . (If you checked the box on line 1, see the line 31 instructions). Estates and trusts, enter on <b>Form 1041, line 3</b> .	32a	<input checked="" type="checkbox"/> All investment is at risk.
26	• If you checked 32b, you <b>must</b> attach <b>Form 6198</b> . Your loss may be limited.	32b	<input type="checkbox"/> Some investment is not at risk.



# Appendix 1

## SCHEDULE SE (Form 1040)

Department of the Treasury  
Internal Revenue Service (99)

## Self-Employment Tax

▶ Information about Schedule SE and its separate instructions is at [www.irs.gov/schedulese](http://www.irs.gov/schedulese).

▶ Attach to Form 1040 or Form 1040NR.

OMB No. 1545-0074

2014

Attachment  
Sequence No. **17**

Name of person with self-employment income (as shown on Form 1040 or Form 1040NR)

Jane O Sanders

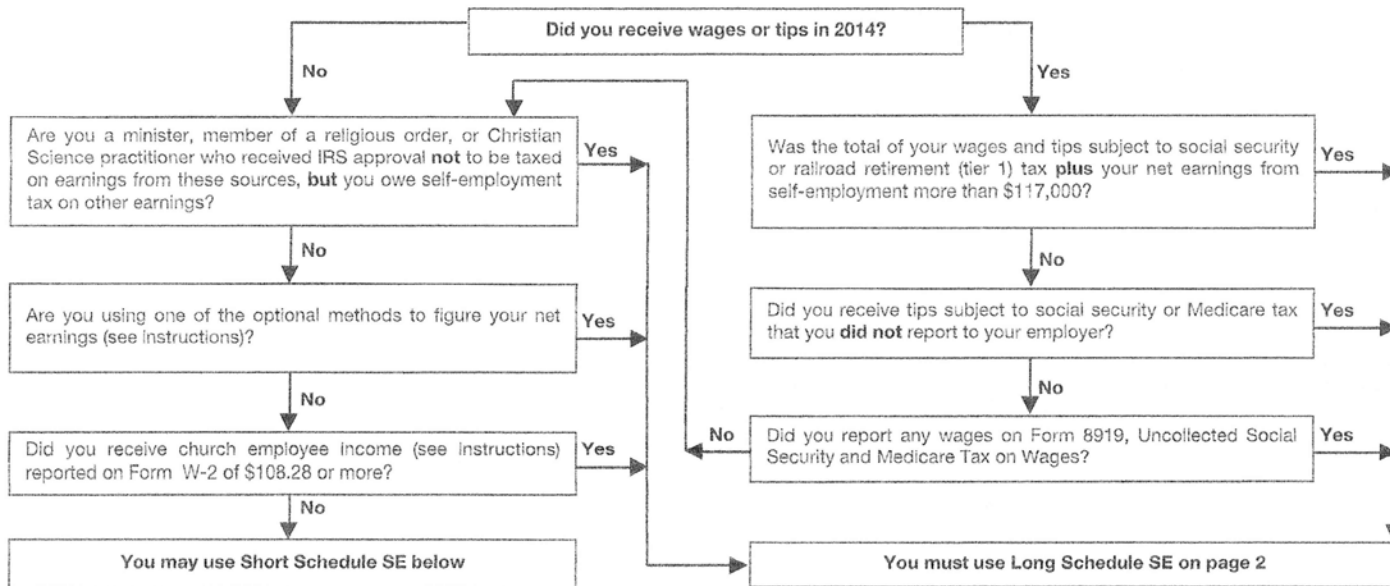
Social security number of person with self-employment income ▶



**Before you begin:** To determine if you must file Schedule SE, see the instructions.

### May I Use Short Schedule SE or Must I Use Long Schedule SE?

**Note.** Use this flowchart **only** if you must file Schedule SE. If unsure, see *Who Must File Schedule SE* in the instructions.



#### Section A—Short Schedule SE. **Caution.** Read above to see if you can use Short Schedule SE.

<b>1a</b> Net farm profit or (loss) from Schedule F, line 34, and farm partnerships, Schedule K-1 (Form 1065), box 14, code A . . . . .	<b>1a</b>	
<b>b</b> If you received social security retirement or disability benefits, enter the amount of Conservation Reserve Program payments included on Schedule F, line 4b, or listed on Schedule K-1 (Form 1065), box 20, code Z . . . . .	<b>1b</b>	( )
<b>2</b> Net profit or (loss) from Schedule C, line 31; Schedule C-EZ, line 3; Schedule K-1 (Form 1065), box 14, code A (other than farming); and Schedule K-1 (Form 1065-B), box 9, code J1. Ministers and members of religious orders, see instructions for types of income to report on this line. See instructions for other income to report . . . . .	<b>2</b>	4,900.
<b>3</b> Combine lines 1a, 1b, and 2 . . . . .	<b>3</b>	4,900.
<b>4</b> Multiply line 3 by 92.35% (.9235). If less than \$400, you do not owe self-employment tax; <b>do not</b> file this schedule unless you have an amount on line 1b . . . . . ▶	<b>4</b>	4,525.
<b>Note.</b> If line 4 is less than \$400 due to Conservation Reserve Program payments on line 1b, see instructions.		
<b>5 Self-employment tax.</b> If the amount on line 4 is: • \$117,000 or less, multiply line 4 by 15.3% (.153). Enter the result here and on <b>Form 1040, line 57</b> , or <b>Form 1040NR, line 55</b> • More than \$117,000, multiply line 4 by 2.9% (.029). Then, add \$14,508 to the result. Enter the total here and on <b>Form 1040, line 57</b> , or <b>Form 1040NR, line 55</b> . . . . .	<b>5</b>	692.
<b>6 Deduction for one-half of self-employment tax.</b> Multiply line 5 by 50% (.50). Enter the result here and on <b>Form 1040, line 27</b> , or <b>Form 1040NR, line 27</b> . . . . .	<b>6</b>	346.

# Appendix 1

Form **2106-EZ**

## Unreimbursed Employee Business Expenses

OMB No. 1545-0074

2014

Department of the Treasury  
Internal Revenue Service (99)

▶ Attach to Form 1040 or Form 1040NR.

▶ Information about Form 2106 and its separate instructions is available at [www.irs.gov/form2106](http://www.irs.gov/form2106).

Attachment  
Sequence No. **129A**

Your name Bernard Sanders	Occupation in which you incurred expenses Government Service	Social security number [REDACTED]
------------------------------	---	--------------------------------------

**You Can Use This Form Only if All of the Following Apply.**

- You are an employee deducting ordinary and necessary expenses attributable to your job. An ordinary expense is one that is common and accepted in your field of trade, business, or profession. A necessary expense is one that is helpful and appropriate for your business. An expense does not have to be required to be considered necessary.
- You **do not** get reimbursed by your employer for any expenses (amounts your employer included in box 1 of your Form W-2 are not considered reimbursements for this purpose).
- If you are claiming vehicle expense, you are using the standard mileage rate for 2014.

**Caution:** You can use the standard mileage rate for 2014 **only if:** (a) you owned the vehicle and used the standard mileage rate for the first year you placed the vehicle in service, **or** (b) you leased the vehicle and used the standard mileage rate for the portion of the lease period after 1997.

**Part I Figure Your Expenses**

1 Complete Part II. Multiply line 8a by 56¢ (.56). Enter the result here . . . . .	<b>1</b>	
2 Parking fees, tolls, and transportation, including train, bus, etc., that <b>did not</b> involve overnight travel or commuting to and from work . . . . .	<b>2</b>	
3 Travel expense while away from home overnight, including lodging, airplane, car rental, etc. <b>Do not</b> include meals and entertainment . . . . .	<b>3</b>	
4 Business expenses not included on lines 1 through 3. <b>Do not</b> include meals and entertainment . . . . .	<b>4</b>	
5 Meals and entertainment expenses: \$ <u>8,946.</u> × 50% (.50). (Employees subject to Department of Transportation (DOT) hours of service limits: Multiply meal expenses incurred while away from home on business by 80% (.80) instead of 50%. For details, see instructions.)	<b>5</b>	4,473.
6 <b>Total expenses.</b> Add lines 1 through 5. Enter here and on <b>Schedule A (Form 1040), line 21</b> (or on <b>Schedule A (Form 1040NR), line 7</b> ). (Armed Forces reservists, fee-basis state or local government officials, qualified performing artists, and individuals with disabilities: See the instructions for special rules on where to enter this amount.) . . . . .	<b>6</b>	4,473.

**Part II Information on Your Vehicle.** Complete this part **only** if you are claiming vehicle expense on line 1.

- 7 When did you place your vehicle in service for business use? (month, day, year) ▶
- 8 Of the total number of miles you drove your vehicle during 2014, enter the number of miles you used your vehicle for:
- |            |                                |         |
|------------|--------------------------------|---------|
| a Business | b Commuting (see instructions) | c Other |
|------------|--------------------------------|---------|
- 9 Was your vehicle available for personal use during off-duty hours? . . . . .  Yes  No
- 10 Do you (or your spouse) have another vehicle available for personal use? . . . . .  Yes  No
- 11a Do you have evidence to support your deduction? . . . . .  Yes  No
- b If "Yes," is the evidence written? . . . . .  Yes  No

# Appendix 2

For the year Jan 1-Dec 31, 2014, or other tax year beginning 2014, ending 20

See separate instructions.

Your first name and initial: **WILLIAM J** Last name: **CLINTON** Your social security number: [REDACTED]

If a joint return, spouse's first name and initial: **HILLARY** Last name: **RODHAM CLINTON** Spouse's social security number: [REDACTED]

Home address (number and street). If you have a P.O. box, see instructions. [REDACTED] Apt. no. [REDACTED]

City, town or post office, state, and ZIP code. If you have a foreign address, also complete spaces below (see instructions). **CHAPPAQUA NY 10514**

Foreign country name Foreign province/state/county Foreign postal code

Make sure the SSN(s) above and on line 6c are correct.

**Presidential Election Campaign**  
Check here if you, or your spouse if filing jointly, want \$3 to go to this fund. Checking a box below will not change your tax or refund.  You  Spouse

**Filing Status**

1  Single  
 2  Married filing jointly (even if only one had income)  
 3  Married filing separately. Enter spouse's SSN above and full name here.   
 4  Head of household (with qualifying person). (See instructions.) If the qualifying person is a child but not your dependent, enter this child's name here.   
 5  Qualifying widow(er) with dependent child

Check only one box.

**Exemptions**

6a  Yourself. If someone can claim you as a dependent, do not check box 6a.  
 6b  Spouse

c Dependents:		(2) Dependent's social security number	(3) Dependent's relationship to you	(4) <input type="checkbox"/> if child under age 17 qualifying for child tax credit (see instructions)
(1) First name	Last name			

If more than four dependents, see instructions and check here

Boxes checked on 6a and 6b: **2**  
 No. of children on 6c who:  
 • lived with you  
 • did not live with you due to divorce or separation (see instructions)  
 Dependents on 6c not entered above  
 Add numbers on lines above **2**

**Income**

7	Wages, salaries, tips, etc. Attach Form(s) W-2	STMT. 1.	7	93.		
8a	Taxable interest. Attach Schedule B if required		8a	25,171.		
b	Tax-exempt interest. Do not include on line 8a	8b				
9a	Ordinary dividends. Attach Schedule B if required		9a			
b	Qualified dividends	9b				
10	Taxable refunds, credits, or offsets of state and local income taxes		10	69,557.		
11	Alimony received		11			
12	Business income or (loss). Attach Schedule C or C-EZ		12	28,020,811.		
13	Capital gain or (loss). Attach Schedule D if required. If not required, check here <input type="checkbox"/>		13	-3,000.		
14	Other gains or (losses). Attach Form 4797		14			
15a	IRA distributions	15a	b Taxable amount	15b		
16a	Pensions and annuities	16a	223,639.	b Taxable amount	16b	223,580.
17	Rental real estate, royalties, partnerships, S corporations, trusts, etc. Attach Schedule E		17	NONE		
18	Farm income or (loss). Attach Schedule F		18			
19	Unemployment compensation		19			
20a	Social security benefits	20a	b Taxable amount	20b		
21	Other income. List type and amount		21			
22	Combine the amounts in the far right column for lines 7 through 21. This is your total income		22	28,336,212.		

Attach Form(s) W-2 here. Also attach Forms W-2G and 1099-R if tax was withheld.  
 If you did not get a W-2, see instructions.

**Adjusted Gross Income**

23	Educator expenses	23	
24	Certain business expenses of reservists, performing artists, and fee-basis government officials. Attach Form 2106 or 2106-EZ	24	
25	Health savings account deduction. Attach Form 8889	25	
26	Moving expenses. Attach Form 3903	26	
27	Deductible part of self-employment tax. Attach Schedule SE	27	389,722.
28	Self-employed SEP, SIMPLE, and qualified plans	28	
29	Self-employed health insurance deduction	29	
30	Penalty on early withdrawal of savings	30	
31a	Alimony paid b Recipient's SSN	31a	
32	IRA deduction	32	
33	Student loan interest deduction	33	
34	Tuition and fees. Attach Form 8917	34	
35	Domestic production activities deduction. Attach Form 8903	35	
36	Add lines 23 through 35	36	389,722.
37	Subtract line 36 from line 22. This is your adjusted gross income	37	27,946,490.



# Appendix 2

	38 Amount from line 37 (adjusted gross income)		38	27,946,490.
<b>Tax and Credits</b>	39a Check <input checked="" type="checkbox"/> You were born before January 2, 1950. <input type="checkbox"/> Blind. } Total boxes			
	if: <input checked="" type="checkbox"/> Spouse was born before January 2, 1950. <input type="checkbox"/> Blind. } checked ▶ 39a		2	
	b If your spouse itemizes on a separate return or you were a dual-status alien, check here ▶ 39b			
<b>Standard Deduction for -</b> ● People who check any box on line 39a or 39b or who can be claimed as a dependent, see instructions. ● All others Single or Married filing separately, \$6,200 Married filing jointly or Qualifying widow(er), \$12,400 Head of household, \$9,100	40 Itemized deductions (from Schedule A) or your standard deduction (see left margin)		40	5,159,242.
	41 Subtract line 40 from line 38		41	22,787,248.
	42 Exemptions. If line 38 is \$152,525 or less, multiply \$3,950 by the number on line 6d. Otherwise, see instructions		42	NONE
	43 Taxable income. Subtract line 42 from line 41. If line 42 is more than line 41, enter -0-		43	22,787,248.
	44 Tax (see instructions). Check if any from: a <input type="checkbox"/> Form(s) 8814 b <input type="checkbox"/> Form 4972 c <input type="checkbox"/>		44	8,970,503.
	45 Alternative minimum tax (see instructions). Attach Form 6251		45	NONE
	46 Excess advance premium tax credit repayment. Attach Form 8962		46	
	47 Add lines 44, 45, and 46		47	8,970,503.
	48 Foreign tax credit. Attach Form 1116 if required	48		NONE
	49 Credit for child and dependent care expenses. Attach Form 2441	49		
	50 Education credits from Form 8863, line 19	50		
	51 Retirement savings contributions credit. Attach Form 8880	51		
	52 Child tax credit. Attach Schedule 8812, if required	52		
	53 Residential energy credits. Attach Form 5695	53		
	54 Other credits from Form: a <input type="checkbox"/> 3800 b <input type="checkbox"/> 8801 c <input type="checkbox"/>	54		
55 Add lines 48 through 54. These are your total credits		55	NONE	
56 Subtract line 55 from line 47. If line 55 is more than line 47, enter -0-		56	8,970,503.	
57 Self-employment tax. Attach Schedule SE		57	779,444.	
58 Unreported social security and Medicare tax from Form: a <input type="checkbox"/> 4137 b <input type="checkbox"/> 8919		58		
59 Additional tax on IRAs, other qualified retirement plans, etc. Attach Form 5329 if required		59		
60a Household employment taxes from Schedule H		60a		
b First-time homebuyer credit repayment. Attach Form 5405 if required		60b		
61 Health care: individual responsibility (see instructions) Full-year coverage <input checked="" type="checkbox"/>		61		
62 Taxes from: a <input checked="" type="checkbox"/> Form 8959 b <input checked="" type="checkbox"/> Form 8960 c <input type="checkbox"/> Instructions; enter code(s)		62	231,403.	
63 Add lines 56 through 62. This is your total tax		63	9,981,350.	
<b>Payments</b>	64 Federal income tax withheld from Forms W-2 and 1099	64	42,480.	
	65 2014 estimated tax payments and amount applied from 2013 return	65	10,560,000.	
	66a Earned income credit (EIC)	66a		
	b Nontaxable combat pay election <input type="checkbox"/> 66b	66b		
	67 Additional child tax credit. Attach Schedule 8812	67		
	68 American opportunity credit from Form 8863, line 8	68		
	69 Net premium tax credit. Attach Form 8962	69		
	70 Amount paid with request for extension to file	70		
	71 Excess social security and tier 1 RRTA tax withheld	71		
	72 Credit for federal tax on fuels. Attach Form 4136	72		
73 Credits from Form: a <input type="checkbox"/> 2439 b <input type="checkbox"/> Reserved c <input type="checkbox"/> Reserved d <input type="checkbox"/>	73			
74 Add lines 64, 65, 66a, and 67 through 73. These are your total payments		74	10,602,480.	
<b>Refund</b>	75 If line 74 is more than line 63, subtract line 63 from line 74. This is the amount you overpaid		75	621,130.
	76a Amount of line 75 you want refunded to you. If Form 8888 is attached, check here		76a	
	b Routing number <input type="checkbox"/> c Type: <input type="checkbox"/> Checking <input type="checkbox"/> Savings			
	d Account number <input type="checkbox"/>			
77 Amount of line 75 you want applied to your 2015 estimated tax		77	621,130.	
<b>Amount You Owe</b>	78 Amount you owe. Subtract line 74 from line 63. For details on how to pay, see instructions		78	
	79 Estimated tax penalty (see instructions)	79		

**Third Party Designee** Do you want to allow another person to discuss this return with the IRS (see instructions)?  Yes. Complete below.  No

Designee's name ▶ **HOWARD M TOPAZ** Phone no ▶ **212-918-3000** Personal identification number (PIN) ▶ **[REDACTED]**

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

Your signature	Date	Your occupation	Daytime phone number
Spouse's signature. If a joint return, both must sign.	Date	Spouse's occupation	If the IRS sent you an Identity Protection PIN, enter it here (see inst.)

**Paid Preparer Use Only**

Print/Type preparer's name <b>HOWARD M TOPAZ</b>	Preparer's signature	Date	Check <input type="checkbox"/> if self-employed	PTIN <b>[REDACTED]</b>
Firm's name ▶ <b>HOGAN LOVELLS US LLP</b>	Firm's address ▶ <b>875 THIRD AVENUE NEW YORK, NY 10022</b>		Firm's EIN ▶ <b>[REDACTED]</b>	Phone no. <b>212-918-3000</b>



# Appendix 2

**SCHEDULE A  
(Form 1040)**

## Itemized Deductions

OMB No. 1545-0074

2014

Attachment  
Sequence No. **07**

Department of the Treasury  
Internal Revenue Service (99)

▶ Information about Schedule A and its separate instructions is at [www.irs.gov/schedulea](http://www.irs.gov/schedulea).

▶ Attach to Form 1040.

Name(s) shown on Form 1040		Your social security number	
WILLIAM J CLINTON & HILLARY RODHAM CLINTON		[REDACTED]	
<b>Medical and Dental Expenses</b>			
<small>Caution. Do not include expenses reimbursed or paid by others.</small>			
1	Medical and dental expenses (see instructions) . . . . .	1	
2	Enter amount from Form 1040, line 38 . . . . .	2	
3	Multiply line 2 by 10% (.10). But if either you or your spouse was born before January 2, 1950, multiply line 2 by 7.5% (.075) instead . . . . .	3	
4	Subtract line 3 from line 1. If line 3 is more than line 1, enter -0- . . . . .	4	
<b>Taxes You Paid</b>			
5 State and local (check only one box):			
a	<input checked="" type="checkbox"/> Income taxes, or	STMT. 3.	2,819,599.
b	<input type="checkbox"/> General sales taxes		
6	Real estate taxes (see instructions) . . . . .	6	104,303.
7	Personal property taxes . . . . .	7	
8	Other taxes. List type and amount ▶	8	
9	Add lines 5 through 8 . . . . .	9	2,923,902.
<b>Interest You Paid</b>			
10	Home mortgage interest and points reported to you on Form 1098 . . . . .	10	41,883.
11	Home mortgage interest not reported to you on Form 1098. If paid to the person from whom you bought the home, see instructions and show that person's name, identifying no., and address ▶	11	
12	Points not reported to you on Form 1098. See instructions for special rules . . . . .	12	
13	Mortgage insurance premiums (see instructions) . . . . .	13	
14	Investment interest. Attach Form 4952 if required. (See instructions) . . . . .	14	
15	Add lines 10 through 14 . . . . .	15	41,883.
<b>Gifts to Charity</b>			
16	Gifts by cash or check. If you made any gift of \$250 or more, see instructions . . . . .	16	3,022,700.
17	Other than by cash or check. If any gift of \$250 or more, see instructions. You <b>must</b> attach Form 8283 if over \$500 . . . . .	17	
18	Carryover from prior year . . . . .	18	
19	Add lines 16 through 18 . . . . .	19	3,022,700.
<b>Casualty and Theft Losses</b>			
20	Casualty or theft loss(es). Attach Form 4684. (See instructions.) . . . . .	20	
<b>Job Expenses and Certain Miscellaneous Deductions</b>			
21	Unreimbursed employee expenses - job travel, union dues, job education, etc. Attach Form 2106 or 2106-EZ if required. (See instructions.) ▶	21	
22	Tax preparation fees . . . . .	22	
23	Other expenses - investment, safe deposit box, etc. List type and amount ▶	23	
24	Add lines 21 through 23 . . . . .	24	
25	Enter amount from Form 1040, line 38 . . . . .	25	
26	Multiply line 25 by 2% (.02). . . . .	26	
27	Subtract line 26 from line 24. If line 26 is more than line 24, enter -0- . . . . .	27	
<b>Other Miscellaneous Deductions</b>			
28	Other - from list in instructions. List type and amount ▶	28	
<b>Total Itemized Deductions</b>			
29	Is Form 1040, line 38, over \$152,525? <span style="float: right;">SEE STMT 4</span>		
	<input type="checkbox"/> No. Your deduction is not limited. Add the amounts in the far right column for lines 4 through 28. Also, enter this amount on Form 1040, line 40.	29	5,159,242.
	<input checked="" type="checkbox"/> Yes. Your deduction may be limited. See the Itemized Deductions Worksheet in the instructions to figure the amount to enter.		
30	If you elect to itemize deductions even though they are less than your standard deduction, check here ▶ <input type="checkbox"/>		

For Paperwork Reduction Act Notice, see Form 1040 instructions.

Schedule A (Form 1040) 2014

## SUPPLEMENT TO SCHEDULE A

## STATE INCOME TAXES

TAXES WITHHELD FROM WAGES	6.
OTHER WITHHELD	323,078.
IRA DISTRIBUTIONS, PENSIONS & ANNUITIES	13,167.
ESTIMATED TAX AND EXTENSION PAYMENTS	2,483,348.
	-----
TOTAL TO SCHEDULE A, LINE 5	2,819,599.
	=====

## CASH CONTRIBUTIONS

## OTHER CASH CONTRIBUTIONS

	50% ORGANIZATION(S)	
ST. STEPHEN'S ARMENIAN APOSTOLIC CHURCH		2,500.
HOT SPRINGS HIGH SCHOOL CLASS OF '64		200.
FIRST UNITED METHODIST CHURCH		20,000.
	30% ORGANIZATION(S)	
THE CLINTON FAMILY FOUNDATION		3,000,000.
		-----
TOTAL CASH CONTRIBUTIONS BEFORE LIMITATION		3,022,700.
CASH CONTRIBUTION LIMITATION		NONE
		-----
TOTAL TO SCHEDULE A, LINE 16		3,022,700.
		=====

## SUPPLEMENT TO SCHEDULE A

## ITEMIZED DEDUCTION WORKSHEET

1.	SCHEDULE A, LINES 4, 9, 15, 19, 20, 27, AND 28 .....	5,988,485.
2.	SCHEDULE A, LINES 4, 14, 20, PLUS ANY GAMBLING AND CASUALTY OR THEFT LOSSES INCLUDED ON LINE 28 .....	
3.	IS THE AMOUNT ON LINE 2 LESS THAN THE AMOUNT ON LINE 1? NO.	-----
	X YES. SUBTRACT LINE 2 FROM LINE 1 .....	5,988,485.
		=====
4.	LINE 3 MULTIPLIED BY 80% (.80).....	4,790,788.
		=====
5.	ENTER THE AMOUNT FROM FORM 1040, LINE 38	27,946,490.
6.	ENTER LIMIT BASED ON FILING STATUS.....	305,050.
7.	IS THE AMOUNT ON LINE 6 LESS THAN THE AMOUNT ON LINE 5? NO.	-----
	X YES. SUBTRACT LINE 6 FROM LINE 5..	27,641,440.
		=====
8.	LINE 7 MULTIPLIED BY 3% (.03) .....	829,243.
		=====
9.	ENTER THE SMALLER OF LINE 4 OR LINE 8 .....	829,243.
		=====
10.	TOTAL ITEMIZED DEDUCTIONS (LINE 1 LESS LINE 9) .....	5,159,242.
		=====

# Appendix 3

FRANK J FIORINA & CARLETON S FIORINA



SUPPLEMENT TO SCHEDULE A

---

STATE INCOME TAXES

TAXES WITHHELD FROM WAGES	2,207.
K-1 SOURCES	1,902.
ESTIMATED TAX AND EXTENSION PAYMENTS	109,760.
OTHER TAXES PAID AND BALANCE DUE	7,285.
	-----
TOTAL TO SCHEDULE A, LINE 5	121,154.
	=====

REAL ESTATE TAXES

MOORE COUNTY TAX	624.
VA REAL ESTATE TAXES	63,564.
	-----
TOTAL TO SCHEDULE A, LINE 6	64,188.
	=====

INVESTMENT INTEREST EXPENSE

GS PRIV EQTY MANAGERS CONCENTRATED	65.
GS WEST ST PORTFOLIOS, LLC (NON-PAS)	182.
GS CONCENTRATED MEZZANINE AND DISTR	15,849.
GS MEZZANINE PARTNERS 2006, LP (PAS)	703.
DISTRESSED MANAGERS IV LP (NP)	12,640.
GS MEZZANINE PARTNERS V, LP (P)	13,288.
HEDGE FUND OPPORTUNITIES II P	1,900.
	-----
SUBTOTAL OF INVESTMENT INTEREST EXPENSE	44,627.
LESS: DISALLOWED INVESTMENT INTEREST EXP./FORM 4952	NONE
	-----
TOTAL TO SCHEDULE A, LINE 14	44,627.
	=====

CASH CONTRIBUTIONS

PARTNERSHIP/S CORPORATION/ESTATE AND TRUST	
-----	
50% ORGANIZATION(S)	
GS PRIV EQTY MANAGERS CONCEN	1.
GS WEST ST PORTFOLIOS, LLC (	1.
GS SPECIAL OPPORTUNITIES FUN	5.
GS CONCENTRATED MEZZANINE AN	41.
DISTRESSED MANAGERS IV LP (N	22.

CONTINUED...

STATEMENT 8

# Appendix 3

FRANK J FIORINA & CARLETON S FIORINA



SUPPLEMENT TO SCHEDULE A

=====

CASH CONTRIBUTIONS (CONT'D)

DISTRESSED MANAGERS IV LP (P) 1.

OTHER CASH CONTRIBUTIONS

50% ORGANIZATION(S)

AMERICAN HEART 1,000.  
 CHURCH 500.  
 LORTON COMMUNITY ACTION CENTER 10,000.

TOTAL CASH CONTRIBUTIONS BEFORE LIMITATION 11,571.

CASH CONTRIBUTION LIMITATION NONE

TOTAL TO SCHEDULE A, LINE 16 11,571.

=====

NONCASH CHARITABLE CONTRIBUTIONS

NONCASH CONTRIBUTIONS FROM FORM 8283 249,855.

TOTAL NONCASH CONTRIBUTIONS BEFORE LIMITATION 249,855.

NONCASH CONTRIBUTION LIMITATION NONE

TOTAL TO SCHEDULE A, LINE 17 249,855.

=====

OTHER MISC. DEDUCTIONS SUBJECT TO 2% LIMIT

PARTNERSHIP, S CORPORATION AND ESTATE AND TRUST 194,110.  
 TAX AND INVESTMENT ADVICE 17,000.  
 GOLDMAN SACHS [REDACTED] - MANAGEMENT FEES 12,356.  
 GOLDMAN SACHS [REDACTED] - MANAGEMENT FEES 3,267.  
 GOLDMAN SACHS [REDACTED] - MANAGEMENT FEES 16,410.  
 GOLDMAN SACHS [REDACTED] - MANAGEMENT FEES 13,146.  
 GOLDMAN SACHS [REDACTED] - MANAGEMENT FEES 39,011.  
 GOLDMAN SACHS [REDACTED] - MANAGEMENT FEES 11,738.  
 GOLDMAN SACHS [REDACTED] - MANAGEMENT FEES 5,710.  
 GOLDMAN SACHS [REDACTED] - MANAGEMENT AND ADR FEES 20,028.  
 GOLDMAN SACHS [REDACTED] - MANAGEMENT FEES 10,897.

TOTAL TO SCHEDULE A, LINE 23 343,673.

=====

TO BE FILLED IN BY COLLECTOR.

Form 1040 (Revised).

TO BE FILLED IN BY INTERNAL REVENUE BUREAU.

Assessment List 23-B (Month.)

INCOME TAX.

File No.

Folio Line

Examined by

THE PENALTY FOR FAILURE TO HAVE THIS RETURN IN THE HANDS OF THE COLLECTOR OF INTERNAL REVENUE ON OR BEFORE MARCH 1 IS \$20 TO \$1,000.

Audited by

(SEE INSTRUCTIONS ON PAGE 4.)

IMPORTANT. Read this form through carefully. Fill in pages 2 and 3 before making entries on first page.

Above space to be stamped by Collector, showing district and date received.

UNITED STATES INTERNAL REVENUE.

RETURN OF ANNUAL NET INCOME OF INDIVIDUALS.

(As provided by Act of Congress, approved October 3, 1913.)

INCOME RECEIVED OR ACCRUED DURING THE YEAR ENDED DECEMBER 31, 191...

Filed by (or for) Franklin D. Roosevelt, of Hyde Park, Dutchess County, New York

COMPLETE ANSWERS SHOULD BE GIVEN TO THE FOLLOWING QUESTIONS.

Did you render a return of income for the preceding year? Yes If so, in what Internal Revenue District was it filed? 11th
Were you single or married with wife or husband living with you on December 31, of the year for which this return is rendered? Married If married, give full name of wife or husband Anna Eleanor Roosevelt
Has your wife or husband income from sources independent of your own? Yes
Have you included your wife's or husband's income in this return? No

Table with 4 columns: Millions, Thousands, Hundreds, Cents. Rows for 1. GROSS INCOME (20321.36), 2. GENERAL DEDUCTIONS (122869), 3. NET INCOME (19092.67)

Specific deductions and exemptions allowed in computing normal tax of 1 per cent.

Table with 4 columns: Millions, Thousands, Hundreds, Cents. Rows for 4. Dividends (9237.80), 5. Income on which the normal tax has been paid (2422.50), 6. Specific exemption of \$3,000 or \$4,000 (4000)

NOTE.—If separate return is made by husband or wife and exemption is prorated, state amount claimed by: Husband \$4,000 Wife \$

Table with 4 columns: Millions, Thousands, Hundreds, Cents. Row 7. Total deductions and exemptions (15659.30) Row 8. TAXABLE INCOME on which the normal tax of 1 per cent is to be calculated (34393.7)

NOTE.—When the net income shown above on line 3 exceeds \$20,000 the additional tax thereon must be calculated as per schedule below.

Table with 8 columns: INCOME (Millions, Thousands, Hundreds, Cents) and TAX (Millions, Thousands, Hundreds, Cents). Rows for 9. Total additional or super tax, 10. Total normal tax (1 per cent of amount entered on line 8), 11. Total tax to be paid



GROSS INCOME.

This statement must show in the proper spaces the ENTIRE AMOUNT of gains, profits, and income received by or accrued to the individual from all sources during the year specified on page 1, EXCEPT income derived from the obligations of the United States or any of its possessions, or of any State or political subdivision thereof, including district drainage bonds; and amounts paid by a State or any political subdivision thereof for services rendered as an officer or employee.

DESCRIPTION OF INCOME.	A.				B.			
	Income on which the tax has been paid or is to be paid at the source.				Income on which the tax has NOT been paid or is not to be paid at the source.			
TOTAL AMOUNT DERIVED FROM—	Millions	Thousands	Hundreds	Cents	Millions	Thousands	Hundreds	Cents
NOTE.—If husband and wife render separate returns, only the income and deductions of the husband or wife (as the case may be) who renders this return shall be included herein; but if separate returns are not rendered by both husband and wife the income and deductions of both husband and wife shall be included separately as provided on this form.								
12. Salaries and wages.....	\$.				\$.			
Wife's income.....								
13. Professions and vocations.....								
Wife's income.....								
14. Business, trade, commerce, or sales, or dealings in property, whether real or personal.....								
Wife's income.....								
15. Rents.....								
Wife's income.....								
16. Interest on notes, mortgages, bank deposits, and securities other than reported on lines 17 and 20.....								
Wife's income.....								
17. Interest on bonds, mortgages or deeds of trust, or other similar obligations of domestic corporations, joint stock companies or associations, and insurance companies.....								
Wife's income.....								
18. Fiduciaries* (excepting dividends from domestic corporations, which must be included as indicated in line 26 below).....								
Wife's income.....								
19. Partnership gains and profits, whether distributed or not. (Net gains or profits must be reported here.).....								
Wife's income.....								
20. Interest upon bonds issued in foreign countries and upon foreign mortgages or like obligations (not payable in the United States), and also dividends upon the stock or interest upon the obligations of foreign corporations, associations, and insurance companies engaged in business in foreign countries.....								
Wife's income.....								
21. Royalties from mines, oil wells, patents, franchises, or other legalized privileges.....								
Wife's income.....								
22. Other sources not enumerated above.....								
Wife's income.....								
NOTE.—State here sources from which income entered on line 22 is received and amount received from each.								
23. TOTALS (NOTE.—Enter total of Column A on line 5).....	\$.				\$.			
24. AGGREGATE TOTALS OF COLUMNS A AND B.....								
25. Dividends on stock or from the net earnings of domestic corporations, joint stock companies, associations, or insurance companies subject to like tax.....	\$.							
26. Dividends received through fiduciaries (see line 18).....								
27. TOTAL DIVIDENDS (to be entered on line 4).....								
28. TOTAL GROSS INCOME (to be entered on line 1).....								

\* There should be included under this item all income received from guardians, trustees, executors, administrators, agents, receivers, conservators, or other persons acting in a fiduciary capacity.

GENERAL DEDUCTIONS.

NOTE.—Claims for deductions can not be allowed unless the information required below is clearly set forth.

	Millions	Thousands	Hundreds	Cents
29. The amount of necessary expenses actually paid within the calendar year, for which the return is made, in carrying on any <i>individual business</i> . There must not be included under this head personal, living, or family expenses, business expenses of partnerships, or cost of merchandise. Amounts paid for permanent improvement or betterment of property are not proper expense deductions.....				
Wife's deduction.....				
NOTE.—State on the following lines the principal businesses in which the above expenses were incurred.				
30. All interest paid within the year on personal indebtedness of taxpayer.....			240	00
Wife's deduction.....				
31. All national, State, county, school, and municipal taxes paid within the year (not including those assessed against local benefits).....			<del>128</del>	69
Wife's deduction.....			138	69
32. Losses actually sustained during the year incurred in trade or arising from fires, storms, or shipwreck, and not compensated by insurance or otherwise.....				
Wife's deduction.....				
NOTE.—State (a) of what the loss consisted, (b) when it was actually sustained, and (c) how it was determined to be a loss.				
33. Debts past due which have been actually ascertained to be worthless and which have been charged off within the year.....				
Wife's deduction.....				
NOTE.—State (a) of what the debts consisted, (b) when they were created, (c) when they became due, and (d) how they were actually determined to be worthless.				
34. Amount representing a reasonable allowance for the <i>exhaustion, wear and tear of property arising out of its use or employment in business</i> . No deduction shall be made for any amount of expense of restoring property or making good the exhaustion thereof for which a deduction is claimed elsewhere in this return.....			850	
Wife's deduction.....				
NOTE.—State (a) what the property was on which depreciation is taken (if buildings, state when erected, of what material constructed, and value of same, as of January 1, of the calendar year for which this return is rendered), and (b) what percentage of depreciation is claimed.				
<i>Harris, brick, 47 E. 65 St. N.Y. City, \$85,000</i>				
<i>1/2 of 1%</i>				
35. Amount allowed to cover depletion, in case of mines and oil wells, not to exceed 5 per cent of the gross value at the mine or well of the output for the calendar year for which this return is rendered.....				
Wife's deduction.....				
NOTE.—State (a) cost of mine or well, (b) gross value at the mine or well of the output for the calendar year for which this return is rendered, and (c) what percentage of depletion is claimed.				
36. TOTAL "GENERAL DEDUCTIONS" (to be entered on line 2).....			1228	69

NOTE.—If space is insufficient for answering any questions, attach a supplemental sheet to this return.