

How to Read a Tax Return to Uncover Financial Planning/Sales Opportunities

Since the majority of time and effort in our business goes to prospecting, you want to make the most profit from each contact, which means you want to have a broad array of services and products that will interest your target market and know how to determine when there is a fit.

To assist in doing that, I always have prospects bring their tax return. Here's what I look for to uncover opportunities and help me ask the right questions (the following may be more valuable if you follow the attached tax return). Since retirees generally have accumulated more money than younger people, attached is a tax return for a senior couple:

Form 1040, page 1 & 2

Line 8a – Is taxable interest high? More than \$10,000? Right now, taxable interest from CDs and money markets is maybe 3%, so if you see \$10,000 taxable interest, you know right away they have \$330,000 sitting in low yielding taxable accounts ($\$10,000/.03$). But you do not need to guess. You flip to schedule B and it's all detailed right there. A listing of every penny of interest they get. You can quickly determine how much is invested in each asset by estimating the yield and dividing that number into the amount you see on schedule B.

Schedule B

In this case we see on Schedule B that \$5500 of interest is from banks. They cannot be earning more than 5% and probably closer to 3%, so we know they have somewhere between \$110,000 and \$183,000 in bank deposits. As to the interest item from ABC Securities, the item probably does not pay more than 8%, so we know they have at least \$56,250 there ($\$4500/.08$). This analysis could be an opportunity to provide tax-free income or annuities to reduce taxes.

We can ask the prospect the details or if they bring their investments statements as you should insist, you will have your answer there. Let's continue back on form 1040

Line 8b – Do they have tax-exempt income? Should they? Look at line 39 on page 2 "taxable income" to determine if they are in a high bracket and should be investing for tax-free income. Look up their income on the attached tax rate schedule. If it's below 20% they should NOT own tax-free securities. In this case, taxable income is \$106,412 and their federal tax bracket from the tax rate schedule is 30.5%. Since tax free bonds usually yield about 80% of taxable securities of similar quality, these folks would be ahead by investing tax free and avoiding the taxes on interest. An immediate annuity is also a tax saving option if in fact they need the cash flow (otherwise a deferred annuity may meet their objectives).

Line 9 – Are there a lot of dividends? That must mean a lot of stocks or mutual funds and you have an opportunity to get third-party reports from Morningstar or Value Line to show them how their investments are really doing. These folks have \$51,612 of dividends. Flip to schedule B. Most of the dividends are from a securities firm. You should have the statement in your possession or often, there is a supplemental schedule with more detail attached to the tax return. In this case we see the supplemental schedule shows they own a number of large cap stocks. You should know that large cap stocks have dividends less than 2%, so \$41,200 of dividends shows they own about \$2 million of stock.

Obviously, they are not holding the stocks for the cash flow. They have probably owned these for a while and are trapped by capital gains taxes. This gives rise to some estate planning possibilities like a charitable trust or charitable gift annuity and possibly a life insurance sale and a portfolio to manage.

The other dividends are generated by two mutual fund positions. Check a Morningstar report to find out how the funds have been performing and their tax efficiency.

Line 12 – Do they have a business? If so, there may be multiple opportunities—establishing or managing a pension plan or 401k, group benefits: life, health, LTC, key man insurance, disability, etc. In this case, there is no business.

Line 13 – Unusually large capital gains last year? Did they sell something and have money sitting around now? Should they have a Charitable Trust to shelter capital gains or do they have mutual funds that generate 1099 capital gains (schedule D will show that)?

The capital gains were generated by the mutual funds they own as you can see by schedule D.

Schedule D

Had they actually sold securities, Part I and Part II of the form would have entries. But the only gains appear on line 13 which are gains distributions from mutual funds.

Had there actually been sales, maybe that money is still sitting around for new investment.

Line 15a – Are they taking large IRA distributions? Then they must have a large IRA that you should be investing for them! Or if it's large, they should use an advanced strategy to transfer it to future generations, tax-free. Just by looking at the amount on line 15a of \$14,000, we now that their IRAs have a value about \$300,000 (see IRS publication 590 for the life expectancy tables and multiply the number there matching the prospect's ages by the amount on line 15a).

Line 16a shows you they are receiving taxable pension income. You should ask who owns that account and what happens when they pass away. If the pension stops at death, you have the opportunity to sell a life insurance policy to replace that income for the surviving spouse.

Line 17,18 – Any real estate holdings and any plans to sell soon (and free up some cash)? Or maybe they don't sell because of gains taxes. This creates an opportunity to convert the property

to cash for you to manage using a charitable trust, foundation or donor-advised account. Or, don't forget about 1031 exchanges for like kind property that may be easier to manage, like triple net property. You may want to make friends with a real estate broker who specializes in tax-free real estate exchanges.

Line 20a - Indicate that they are receiving social security income and the number at the far right shows how much of that is taxable (up to 85%). Some people can reduce or eliminate taxes on social security income completely by moving investments from tax-free bonds or taxable investments to annuities (because deferred annuity income is one of the only items not included when calculating the tax on social security income). In this case, their total income is so far above the minimum threshold for taxing SS income (\$25,000 for singles, \$32,000 for joint return), there is no opportunity.

Line 23 & 29 – Did they make an IRA or qualified plan contribution—should they have? Can you help increase their deduction on a qualified plan by giving them a more advanced type of plan (e.g. age-weighted profit sharing plan vs. plain profit sharing plan). Do they have an IRA and a qualified plan? As of 1/1/02, the IRA can be rolled into the qualified plan. Why do that? Because qualified plans can own life insurance while IRAs cannot—possible sale in this case.

Line 33 – Total income--can they afford LTC or life premiums out of their cash flow?

Schedule A—This schedule is where people list their itemized deductions. Many seniors use the standard deduction rather than itemize as they have too little to itemize (e.g. their mortgage is paid off, medical costs are covered by insurance, etc). In this example, schedule A is attached but it is blank because they used the standard deduction. But here's what you can learn from schedule A:

Lines 1-4 Medical expenses. If they do not have their medical expenses covered by health insurance and they are able to take a deduction, it's your opportunity to sell them better health insurance! Also, if they were deducting medical expenses (or close to being able to do so), their long-term care insurance premium would be deductible (some limitations apply). So you may have an opportunity to sell an LTC policy and have the IRS share the cost.

Lines 10-14 Interest Paid. By the size of the mortgage interest deduction, you can get an idea of how large a mortgage they hold. Knowledge of mortgage size is useful if you are engaged in brokering mortgages or if you are seeking a source of liquidity (a property with a modest mortgage can be refinanced to get cash for investments).

Lines 15-18 Gifts to Charity. If you see significant gifts (e.g. more than 2% of income) this may indicate some interest in charitable gifting giving rise to 1) the sale of life insurance, 2) a CRT and life policy, 3) a charitable gift annuity, commissionable to you

After looking at the tax return, which takes less than 5 minutes once you have a little practice, **the only thing I ask is if they own any annuities or savings bonds or life policies (since these tax deferred items will not show on the tax return).**

By reviewing the tax return, even if your prospect forgets to mention some investment they own, you will probably find out about it. If you insist that prospect bring their tax return and investment statements when they first meet with you, you have pretty much the entire picture.

Label

(See instructions on page 16.)

Use the IRS label.

Otherwise, please print or type.

Label Here

For the year Jan. 1-Dec. 31, 2005, or other tax year beginning , 2005, ending , 20
Your first name and initial Last name
If a joint return, spouse's first name and initial Last name
Home address (number and street). If you have a P.O. box, see page 16. Apt. no.
City, town or post office, state, and ZIP code. If you have a foreign address, see page 16.

OMB No. 1545-0074
Your social security number
Spouse's social security number
You must enter your SSN(s) above.

Presidential Election Campaign

Check here if you, or your spouse if filing jointly, want \$3 to go to this fund (see page 16) You Spouse

Filing Status

Check only one box.

- 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 page 17.) If the qualifying person is a child but not your dependent, enter this child's name here.
5 Qualifying widow(er) with dependent child (see page 17)

Exemptions

If more than four dependents, see page 19.

6a Yourself. If someone can claim you as a dependent, do not check box 6a
6b Spouse
6c Dependents: (1) First name Last name (2) Dependent's social security number (3) Dependent's relationship to you (4) if qualifying child for child tax credit (see page 19)
6d Total number of exemptions claimed

Income

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 page 22.

Enclose, but do not attach, any payment. Also, please use Form 1040-V.

Table with 2 columns: Description and Amount. Rows include: 7 Wages, salaries, tips, etc. Attach Form(s) W-2; 8a Taxable interest; 8b Tax-exempt interest; 9a Ordinary dividends; 9b Qualified dividends; 10 Taxable refunds, credits, or offsets of state and local income taxes; 11 Alimony received; 12 Business income or (loss); 13 Capital gain or (loss); 14 Other gains or (losses); 15a IRA distributions; 15b Taxable amount; 16a Pensions and annuities; 16b Taxable amount; 17 Rental real estate, royalties, partnerships, S corporations, trusts, etc.; 18 Farm income or (loss); 19 Unemployment compensation; 20a Social security benefits; 20b Taxable amount; 21 Other income; 22 Add the amounts in the far right column for lines 7 through 21. This is your total income.

Adjusted Gross Income

Table with 2 columns: Description and Amount. Rows include: 23 Educator expenses; 24 Certain business expenses of reservists, performing artists, and fee-basis government officials; 25 Health savings account deduction; 26 Moving expenses; 27 One-half of self-employment tax; 28 Self-employed SEP, SIMPLE, and qualified plans; 29 Self-employed health insurance deduction; 30 Penalty on early withdrawal of savings; 31a Alimony paid; 31b Recipient's SSN; 32 IRA deduction; 33 Student loan interest deduction; 34 Tuition and fees deduction; 35 Domestic production activities deduction; 36 Add lines 23 through 31a and 32 through 35; 37 Subtract line 36 from line 22. This is your adjusted gross income.

Tax and Credits

38 Amount from line 37 (adjusted gross income)
39a Check [] You were born before January 2, 1941, [] Blind. Total boxes checked
b If your spouse itemizes on a separate return or you were a dual-status alien, see page 35 and check here
40 Itemized deductions (from Schedule A) or your standard deduction (see left margin)
41 Subtract line 40 from line 38
42 If line 38 is over \$109,475, or you provided housing to a person displaced by Hurricane Katrina, see page 37. Otherwise, multiply \$3,200 by the total number of exemptions claimed on line 6d
43 Taxable income. Subtract line 42 from line 41. If line 42 is more than line 41, enter -0-
44 Tax (see page 37). Check if any tax is from: a [] Form(s) 8814 b [] Form 4972
45 Alternative minimum tax (see page 39). Attach Form 6251
46 Add lines 44 and 45
47 Foreign tax credit. Attach Form 1116 if required
48 Credit for child and dependent care expenses. Attach Form 2441
49 Credit for the elderly or the disabled. Attach Schedule R
50 Education credits. Attach Form 8863
51 Retirement savings contributions credit. Attach Form 8880
52 Child tax credit (see page 41). Attach Form 8901 if required
53 Adoption credit. Attach Form 8839
54 Credits from: a [] Form 8396 b [] Form 8859
55 Other credits. Check applicable box(es): a [] Form 3800 b [] Form 8801 c [] Form
56 Add lines 47 through 55. These are your total credits
57 Subtract line 56 from line 46. If line 56 is more than line 46, enter -0-

Other Taxes

58 Self-employment tax. Attach Schedule SE
59 Social security and Medicare tax on tip income not reported to employer. Attach Form 4137
60 Additional tax on IRAs, other qualified retirement plans, etc. Attach Form 5329 if required
61 Advance earned income credit payments from Form(s) W-2
62 Household employment taxes. Attach Schedule H
63 Add lines 57 through 62. This is your total tax

Payments

64 Federal income tax withheld from Forms W-2 and 1099
65 2005 estimated tax payments and amount applied from 2004 return
66a Earned income credit (EIC)
b Nontaxable combat pay election
67 Excess social security and tier 1 RRTA tax withheld (see page 59)
68 Additional child tax credit. Attach Form 8812
69 Amount paid with request for extension to file (see page 59)
70 Payments from: a [] Form 2439 b [] Form 4136 c [] Form 8885
71 Add lines 64, 65, 66a, and 67 through 70. These are your total payments

Refund

Direct deposit? See page 59 and fill in 73b, 73c, and 73d.

72 If line 71 is more than line 63, subtract line 63 from line 71. This is the amount you overpaid
73a Amount of line 72 you want refunded to you
b Routing number
c Type: [] Checking [] Savings
d Account number
74 Amount of line 72 you want applied to your 2006 estimated tax

Amount You Owe

75 Amount you owe. Subtract line 71 from line 63. For details on how to pay, see page 60
76 Estimated tax penalty (see page 60)

Third Party Designee

Do you want to allow another person to discuss this return with the IRS (see page 61)? [] Yes. Complete the following. [] No
Designee's name Phone no. Personal identification number (PIN)

Sign Here

Joint return? See page 17. Keep a copy for your records.

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

Paid Preparer's Use Only

Preparer's signature Date Check if self-employed [] Preparer's SSN or PTIN
Firm's name (or yours if self-employed), address, and ZIP code EIN Phone no.

SCHEDULES A&B
(Form 1040)

Schedule A—Itemized Deductions

OMB No. 1545-0074

2005

Attachment
Sequence No. **07**

Department of the Treasury
Internal Revenue Service (99)

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

Name(s) shown on Form 1040

Your social security number

Medical and Dental Expenses	Caution. Do not include expenses reimbursed or paid by others.				
	1 Medical and dental expenses (see page A-2)	1			
	2 Enter amount from Form 1040, line 38 2	2			
	3 Multiply line 2 by 7.5% (.075)	3			
4 Subtract line 3 from line 1. If line 3 is more than line 1, enter -0-				4	
Taxes You Paid (See page A-2.)	5 State and local (check only one box):	5			
	a <input type="checkbox"/> Income taxes, or				
	b <input type="checkbox"/> General sales taxes (see page A-3)				
	6 Real estate taxes (see page A-5)	6			
	7 Personal property taxes	7			
8 Other taxes. List type and amount ▶	8				
9 Add lines 5 through 8				9	
Interest You Paid (See page A-5.)	10 Home mortgage interest and points reported to you on Form 1098	10			
	11 Home mortgage interest not reported to you on Form 1098. If paid to the person from whom you bought the home, see page A-6 and show that person's name, identifying no., and address ▶	11			
	12 Points not reported to you on Form 1098. See page A-6 for special rules	12			
	13 Investment interest. Attach Form 4952 if required. (See page A-6.)	13			
14 Add lines 10 through 13				14	
Gifts to Charity If you made a gift and got a benefit for it, see page A-7.	15a Total gifts by cash or check. If you made any gift of \$250 or more, see page A-7	15a			
	b Gifts by cash or check after August 27, 2005, that you elect to treat as qualified contributions (see page A-7) 15b	15b			
	16 Other than by cash or check. If any gift of \$250 or more, see page A-7. You must attach Form 8283 if over \$500	16			
	17 Carryover from prior year	17			
18 Add lines 15a, 16, and 17				18	
Casualty and Theft Losses	19 Casualty or theft loss(es). Attach Form 4684. (See page A-8.)				19
Job Expenses and Certain Miscellaneous Deductions (See page A-8.)	20 Unreimbursed employee expenses—job travel, union dues, job education, etc. Attach Form 2106 or 2106-EZ if required. (See page A-8.) ▶	20			
	21 Tax preparation fees.	21			
	22 Other expenses—investment, safe deposit box, etc. List type and amount ▶	22			
	23 Add lines 20 through 22	23			
	24 Enter amount from Form 1040, line 38 24	24			
	25 Multiply line 24 by 2% (.02)	25			
26 Subtract line 25 from line 23. If line 25 is more than line 23, enter -0-				26	
Other Miscellaneous Deductions	27 Other—from list on page A-9. List type and amount ▶				27
Total Itemized Deductions	28 Is Form 1040, line 38, over \$145,950 (over \$72,975 if married filing separately)? <input type="checkbox"/> No. Your deduction is not limited. Add the amounts in the far right column for lines 4 through 27. Also, enter this amount on Form 1040, line 40. <input type="checkbox"/> Yes. Your deduction may be limited. See page A-9 for the amount to enter.				28
	29 If you elect to itemize deductions even though they are less than your standard deduction, check here <input type="checkbox"/>				

Name(s) shown on Form 1040. Do not enter name and social security number if shown on other side.

Your social security number

Schedule B—Interest and Ordinary Dividends

Attachment Sequence No. **08**

Part I Interest

(See page B-1 and the instructions for Form 1040, line 8a.)

- 1** List name of payer. If any interest is from a seller-financed mortgage and the buyer used the property as a personal residence, see page B-1 and list this interest first. Also, show that buyer's social security number and address ►

Note. If you received a Form 1099-INT, Form 1099-OID, or substitute statement from a brokerage firm, list the firm's name as the payer and enter the total interest shown on that form.

- 2** Add the amounts on line 1
- 3** Excludable interest on series EE and I U.S. savings bonds issued after 1989. Attach Form 8815
- 4** Subtract line 3 from line 2. Enter the result here and on Form 1040, line 8a ►

Note. If line 4 is over \$1,500, you must complete Part III.

Part II Ordinary Dividends

(See page B-1 and the instructions for Form 1040, line 9a.)

- 5** List name of payer ►

Note. If you received a Form 1099-DIV or substitute statement from a brokerage firm, list the firm's name as the payer and enter the ordinary dividends shown on that form.

- 6** Add the amounts on line 5. Enter the total here and on Form 1040, line 9a . ►

Note. If line 6 is over \$1,500, you must complete Part III.

Part III Foreign Accounts and Trusts

(See page B-2.)

You must complete this part if you **(a)** had over \$1,500 of taxable interest or ordinary dividends; or **(b)** had a foreign account; or **(c)** received a distribution from, or were a grantor of, or a transferor to, a foreign trust.

- 7a** At any time during 2005, did you have an interest in or a signature or other authority over a financial account in a foreign country, such as a bank account, securities account, or other financial account? See page B-2 for exceptions and filing requirements for Form TD F 90-22.1.
- b** If "Yes," enter the name of the foreign country ►
- 8** During 2005, did you receive a distribution from, or were you the grantor of, or transferor to, a foreign trust? If "Yes," you may have to file Form 3520. See page B-2

**SCHEDULE D
(Form 1040)**

Department of the Treasury
Internal Revenue Service (99)
Name(s) shown on Form 1040

Capital Gains and Losses

▶ Attach to Form 1040. ▶ See Instructions for Schedule D (Form 1040).
▶ Use Schedule D-1 to list additional transactions for lines 1 and 8.

OMB No. 1545-0074

2005

Attachment
Sequence No. **12**

Your social security number

Part I Short-Term Capital Gains and Losses—Assets Held One Year or Less

(a) Description of property (Example: 100 sh. XYZ Co.)	(b) Date acquired (Mo., day, yr.)	(c) Date sold (Mo., day, yr.)	(d) Sales price (see page D-6 of the instructions)	(e) Cost or other basis (see page D-6 of the instructions)	(f) Gain or (loss) Subtract (e) from (d)
1					
2 Enter your short-term totals, if any, from Schedule D-1, line 2					
3 Total short-term sales price amounts. Add lines 1 and 2 in column (d)					
4 Short-term gain from Form 6252 and short-term gain or (loss) from Forms 4684, 6781, and 8824					
5 Net short-term gain or (loss) from partnerships, S corporations, estates, and trusts from Schedule(s) K-1					
6 Short-term capital loss carryover. Enter the amount, if any, from line 8 of your Capital Loss Carryover Worksheet on page D-6 of the instructions					()
7 Net short-term capital gain or (loss). Combine lines 1 through 6 in column (f)					

Part II Long-Term Capital Gains and Losses—Assets Held More Than One Year

(a) Description of property (Example: 100 sh. XYZ Co.)	(b) Date acquired (Mo., day, yr.)	(c) Date sold (Mo., day, yr.)	(d) Sales price (see page D-6 of the instructions)	(e) Cost or other basis (see page D-6 of the instructions)	(f) Gain or (loss) Subtract (e) from (d)
8					
9 Enter your long-term totals, if any, from Schedule D-1, line 9					
10 Total long-term sales price amounts. Add lines 8 and 9 in column (d)					
11 Gain from Form 4797, Part I; long-term gain from Forms 2439 and 6252; and long-term gain or (loss) from Forms 4684, 6781, and 8824					
12 Net long-term gain or (loss) from partnerships, S corporations, estates, and trusts from Schedule(s) K-1					
13 Capital gain distributions. See page D-1 of the instructions					
14 Long-term capital loss carryover. Enter the amount, if any, from line 13 of your Capital Loss Carryover Worksheet on page D-6 of the instructions					()
15 Net long-term capital gain or (loss). Combine lines 8 through 14 in column (f). Then go to Part III on the back					

Part III Summary

<p>16 Combine lines 7 and 15 and enter the result. If line 16 is a loss, skip lines 17 through 20, and go to line 21. If a gain, enter the gain on Form 1040, line 13, and then go to line 17 below . . .</p>	16		
<p>17 Are lines 15 and 16 both gains? <input type="checkbox"/> Yes. Go to line 18. <input type="checkbox"/> No. Skip lines 18 through 21, and go to line 22.</p>			
<p>18 Enter the amount, if any, from line 7 of the 28% Rate Gain Worksheet on page D-7 of the instructions ▶</p>	18		
<p>19 Enter the amount, if any, from line 18 of the Unrecaptured Section 1250 Gain Worksheet on page D-8 of the instructions ▶</p>	19		
<p>20 Are lines 18 and 19 both zero or blank? <input type="checkbox"/> Yes. Complete Form 1040 through line 43, and then complete the Qualified Dividends and Capital Gain Tax Worksheet on page 38 of the Instructions for Form 1040. Do not complete lines 21 and 22 below. <input type="checkbox"/> No. Complete Form 1040 through line 43, and then complete the Schedule D Tax Worksheet on page D-9 of the instructions. Do not complete lines 21 and 22 below.</p>			
<p>21 If line 16 is a loss, enter here and on Form 1040, line 13, the smaller of:</p> <ul style="list-style-type: none"> • The loss on line 16 or • (\$3,000), or if married filing separately, (\$1,500) } 	21	()	
<p>Note. When figuring which amount is smaller, treat both amounts as positive numbers.</p>			
<p>22 Do you have qualified dividends on Form 1040, line 9b? <input type="checkbox"/> Yes. Complete Form 1040 through line 43, and then complete the Qualified Dividends and Capital Gain Tax Worksheet on page 38 of the Instructions for Form 1040. <input type="checkbox"/> No. Complete the rest of Form 1040.</p>			

Supporting details of:

Schedule B/Ordinary dividends-1

Description	Amount
AT&T	6,500.00
GE	2,000.00
SBC	8,200.00
General Motors	4,000.00
Proctor and Gamble	5,500.00
Bank of America	3,000.00
Home Depot	12.00
Philip Morris	12,000.00
Total	<u>41,212.00</u>

Smart Worksheet for: Schedule B: Interest & Dividend Income

Interest Income Smart Worksheet				
Payer's Name To access a Form 1099-INT, Double-Click from a payer's name	Box 1			Box 3
	Regular Interest	Type	State ID	US Savings Bond /Treasury Obligations
Wells Fargo Bank	4,500.00		CA	
ABC Securities	4,500.00		CA	
Cal Fed Bank	1,000.00		CA	

Smart Worksheet for: Schedule B: Interest & Dividend Income

Dividend Income Smart Worksheet					
Payer's Name To access 1099-DIV, Double-Click from payer	Box 1	Box 2a	Box 2b	Box 3	Box 5
	Ordinary Dividends	Capital Gain Distributions	Capital Gain At 28%	Nontaxable Distributions	Investment Expenses
ABC Securities	41,212.00	1,500.00	500.00		
Vanguard Funds	2,200.00	2,500.00	2,200.00		
Fidelity Funds	8,200.00				

Keep for your records

2005 Tax Rate Schedules



The Tax Rate Schedules are shown so you can see the tax rate that applies to all levels of taxable income. Do not use them to figure your tax. Instead, see the instructions for line 44 that begin on page 37.

Schedule X—If your filing status is **Single**

If your taxable income is:		The tax is:	
Over—	But not over—		of the amount over—
\$0	\$7,300	..... 10%	\$0
7,300	29,700	\$730.00 + 15%	7,300
29,700	71,950	4,090.00 + 25%	29,700
71,950	150,150	14,652.50 + 28%	71,950
150,150	326,450	36,548.50 + 33%	150,150
326,450	.....	94,727.50 + 35%	326,450

Schedule Y-1—If your filing status is **Married filing jointly** or **Qualifying widow(er)**

If your taxable income is:		The tax is:	
Over—	But not over—		of the amount over—
\$0	\$14,600	..... 10%	\$0
14,600	59,400	\$1,460.00 + 15%	14,600
59,400	119,950	8,180.00 + 25%	59,400
119,950	182,800	23,317.50 + 28%	119,950
182,800	326,450	40,915.50 + 33%	182,800
326,450	.....	88,320.00 + 35%	326,450

Schedule Y-2—If your filing status is **Married filing separately**

If your taxable income is:		The tax is:	
Over—	But not over—		of the amount over—
\$0	\$7,300	..... 10%	\$0
7,300	29,700	\$730.00 + 15%	7,300
29,700	59,975	4,090.00 + 25%	29,700
59,975	91,400	11,658.75 + 28%	59,975
91,400	163,225	20,457.75 + 33%	91,400
163,225	.....	44,160.00 + 35%	163,225

Schedule Z—If your filing status is **Head of household**

If your taxable income is:		The tax is:	
Over—	But not over—		of the amount over—
\$0	\$10,450	..... 10%	\$0
10,450	39,800	\$1,045.00 + 15%	10,450
39,800	102,800	5,447.50 + 25%	39,800
102,800	166,450	21,197.50 + 28%	102,800
166,450	326,450	39,019.50 + 33%	166,450
326,450	.....	91,819.50 + 35%	326,450