

3 1040 Line Instructions

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■ New for 2025 ■

- **Residency.** There is a new checkbox on Form 1040 to indicate the taxpayer's main home for 2025. See *Residency*, page 3-8.
- **Dependents.** The dependents section of Form 1040 has been redesigned. See *Dependents*, page 3-12.
- **Deductions.** Checkboxes have been added to Form 1040 in the deduction section. See *Deductions (Form 1040)*, page 3-23.
- **Additional deductions.** Schedule 1-A has been created to claim recently enacted deductions. See *Additional Deductions (Schedule 1-A)*, page 3-24.

Common Elections

- Lump-sum election for Social Security payments, page 3-17.
- Election to exclude from income, distributions from eligible retirement plans to retired public safety officers, page 3-22.

2025 Federal Tax Rate Schedules

Single Taxable Income

\$ 0 to 11,925	× 10.0%	minus \$ 0.00	= Tax
11,926 to 48,475	× 12.0%	minus 238.50	= Tax
48,476 to 103,350	× 22.0%	minus 5,086.00	= Tax
103,351 to 197,300	× 24.0%	minus 7,153.00	= Tax
197,301 to 250,525	× 32.0%	minus 22,937.00	= Tax
250,526 to 626,350	× 35.0%	minus 30,452.75	= Tax
626,351 and over	× 37.0%	minus 42,979.75	= Tax

MFJ or QSS Taxable Income

\$ 0 to 23,850	× 10.0%	minus \$ 0.00	= Tax
23,851 to 96,950	× 12.0%	minus 477.00	= Tax
96,951 to 206,700	× 22.0%	minus 10,172.00	= Tax
206,701 to 394,600	× 24.0%	minus 14,306.00	= Tax
394,601 to 501,050	× 32.0%	minus 45,874.00	= Tax
501,051 to 751,600	× 35.0%	minus 60,905.50	= Tax
751,601 and over	× 37.0%	minus 75,937.50	= Tax

MFS Taxable Income

\$ 0 to 11,925	× 10.0%	minus \$ 0.00	= Tax
11,926 to 48,475	× 12.0%	minus 238.50	= Tax
48,476 to 103,350	× 22.0%	minus 5,086.00	= Tax
103,351 to 197,300	× 24.0%	minus 7,153.00	= Tax
197,301 to 250,525	× 32.0%	minus 22,937.00	= Tax
250,526 to 375,800	× 35.0%	minus 30,452.75	= Tax
375,801 and over	× 37.0%	minus 37,968.75	= Tax

HOH Taxable Income

\$ 0 to 17,000	× 10.0%	minus \$ 0.00	= Tax
17,001 to 64,850	× 12.0%	minus 340.00	= Tax
64,851 to 103,350	× 22.0%	minus 6,825.00	= Tax
103,351 to 197,300	× 24.0%	minus 8,892.00	= Tax
197,301 to 250,500	× 32.0%	minus 24,676.00	= Tax
250,501 to 626,350	× 35.0%	minus 32,191.00	= Tax
626,351 and over	× 37.0%	minus 44,718.00	= Tax

2025 Standard Deduction

Single or MFS	\$15,750
MFJ or QSS	\$31,500
HOH	\$23,625
Additional age 65 or older, or blind, per person, per event: MFJ, QSS, or MFS	\$ 1,600
Single or HOH	\$ 2,000

Dependents. The standard deduction is the greater of \$1,350 or earned income plus \$450, up to regular standard deduction.

2025 Personal Exemptions

The personal exemption deduction per person is	\$0
The qualifying relative income limit is	\$5,200
Deduction for seniors, per person (age 65 or older)	\$6,000
Phaseout begins when modified adjusted gross income reaches \$75,000 (\$150,000 MFJ).	

Form 1040 U.S. Individual Income Tax Return 2025 Line-by-Line Instructions

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Form 1040 U.S. Individual Income Tax Return 2025. Department of the Treasury—Internal Revenue Service. OMB No. 1545-0074. IRS Use Only—Do not write or staple in this space. For the year Jan. 1—Dec. 31, 2025, or other tax year beginning, 2025, ending, 20. See separate instructions.

See Filing Status, page 3-9.

See Digital Assets, page 3-9.

1a through 1i. See Wages, page 3-15.

2 and 3. See Interest and Dividend Income, page 3-16.

4b. See IRA distributions, page 3-17.

5b. See Pensions and annuities, page 3-17.

6a. See Social Security, page 13-26. 6b. See Social Security lump-sum payments, page 3-17.

7. See Capital Gains and Losses (Schedule D), page 6-8.

8. See Part I, Schedule 1 (Form 1040), page 3-4.

10. See Part II, Schedule 1 (Form 1040), page 3-4.

Tax and Credits. 11b Amount from line 11a (adjusted gross income). 12a Someone can claim. 12b Spouse itemizes on a separate return. 12c You were a dual-status alien. 12d You: Were born before January 2, 1961. Are blind. Spouse: Was born before January 2, 1961. Is blind.

Form 1040 continued on next page

Form 1040 U.S. Individual Income Tax Return 2025 Line-by-Line Instructions

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<p>Standard deduction for—</p> <ul style="list-style-type: none"> • Single or Married filing separately, \$15,750 • Married filing jointly or Qualifying surviving spouse, \$31,500 • Head of household, \$23,625 • If you checked a box on line 12a, 12b, 12c, or 12d, see inst. 	<p>Spouse: <input type="checkbox"/> Was born before January 2, 1961 <input type="checkbox"/> is blind</p> <p>e Standard deduction or itemized deductions (from Schedule A)</p> <p>13a Qualified business income deduction from Form 8995 or Form 8995-A</p> <p>b Additional deductions from Schedule 1-A, line 38</p> <p>14 Add lines 12e, 13a, and 13b</p> <p>15 Subtract line 14 from line 11b. If zero or less, enter -0-. This is your taxable income</p> <p>16 Tax (see instructions). Check if any from Form(s): 1 <input type="checkbox"/> 8814 2 <input type="checkbox"/> 4972 3 <input type="checkbox"/></p> <p>17 Amount from Schedule 2, line 3</p> <p>18 Add lines 16 and 17</p> <p>19 Child tax credit or credit for other dependents from Schedule 8812</p> <p>20 Amount from Schedule 3, line 8</p> <p>21 Add lines 19 and 20</p> <p>22 Subtract line 21 from line 18. If zero or less, enter -0-</p> <p>23 Other taxes, including self-employment tax, from Schedule 2, line 21</p> <p>24 Add lines 22 and 23. This is your total tax</p> <p>25 Federal income tax withheld from:</p> <p>a Form(s) W-2</p> <p>b Form(s) 1099</p> <p>c Other forms (see instructions)</p> <p>d Add lines 25a through 25c</p> <p>26 2025 estimated tax payments and amount applied from 2024 return</p> <p>If you made estimated tax payments with your former spouse in 2025, enter their SSN (see instructions):</p> <p>27a Earned income credit (EIC)</p> <p>b Clergy filing Schedule SE (see instructions)</p> <p>c If you do not want to claim the EIC, check here</p> <p>28 Additional child tax credit (ACTC) from Schedule 8812. If you do not want to claim the ACTC, check here</p> <p>29 American opportunity credit from Form 8863, line 8</p> <p>30 Refundable adoption credit from Form 8839, line 13</p> <p>31 Amount from Schedule 3, line 15</p> <p>32 Add lines 27a, 28, 29, 30, and 31. These are your total other payments and refundable credits</p> <p>33 Add lines 25d, 26, and 32. These are your total payments</p> <p>34 If line 33 is more than line 24, subtract line 24 from line 33. This is the amount you overpaid</p> <p>35a Amount of line 34 you want refunded to you. If Form 8888 is attached, check here</p> <p>b Routing number c Type: <input type="checkbox"/> Checking <input type="checkbox"/> Savings</p> <p>d Account number</p> <p>36 Amount of line 34 you want applied to your 2026 estimated tax</p> <p>37 Subtract line 33 from line 24. This is the amount you owe. For details on how to pay, go to www.irs.gov/Payments or see instructions</p> <p>38 Estimated tax penalty (see instructions)</p> <p>Do you want to allow another person to discuss this return with the IRS? See instructions. <input type="checkbox"/> Yes. Complete below. <input type="checkbox"/> No</p> <p>Designee's name Phone no. Personal identification number (PIN)</p> <p>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.</p> <p>Your signature Date Your occupation</p> <p>Spouse's signature. If a joint return, both must sign. Date Spouse's occupation</p> <p>Preparer's name Preparer's signature Date PTIN Check if: <input type="checkbox"/> Self-employed</p> <p>Firm's name Phone no.</p> <p>Firm's address Firm's EIN</p>	<p>12e 12. See Standard Deduction, page 3-23.</p> <p>13a 13a. See Qualified Business Income Deduction (QBI)—IRC §199A, page 8-15.</p> <p>13b</p> <p>14</p> <p>15</p> <p>16 16. See Income Tax, page 3-24.</p> <p>17 17. See Part I, Schedule 2 (Form 1040), page 3-5.</p> <p>18</p> <p>19 19. See Child Tax Credit and Credit for Other Dependents, page 11-7.</p> <p>20</p> <p>20. See Part I, Schedule 3 (Form 1040), page 3-6.</p> <p>21</p> <p>22</p> <p>23 23. See Part II, Schedule 2 (Form 1040), page 3-5.</p> <p>24</p> <p>25a 25. See Withholdings, page 3-27.</p> <p>25b</p> <p>25c</p> <p>25d</p> <p>26 26. See Estimated Tax Payments, page 3-27.</p> <p>27a 27. See Earned Income Credit, page 11-8.</p> <p>28 28. See Additional Child Tax Credit, page 11-7.</p> <p>29 29. See American Opportunity Credit, page 12-3.</p> <p>30 30. See Refundable amount, page 11-4.</p> <p>31 31. See Part II, Schedule 3 (Form 1040), page 3-6.</p> <p>32</p> <p>33</p> <p>34 34. See Refund or Amount Due (Form 1040), page 3-29.</p> <p>35a</p> <p>35. See Direct Deposit, page 3-29.</p> <p>36 36. See Applied to 2026 Estimated Tax, page 3-29.</p> <p>37 37. See Amount Owed, page 3-29.</p> <p>38 38. See Penalty for Underpayment of Estimated Tax, page 15-4.</p> <p>See Identity Protection PIN (IP PIN) Program, page 14-14.</p>
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<p>SCHEDULE 1 (Form 1040)</p> <p>Department of the Treasury Internal Revenue Service</p>	<p>Additional Income and Adjustments to Income</p> <p>Attach to Form 1040, 1040-SR, or 1040-NR.</p> <p>Go to www.irs.gov/Form1040 for instructions and the latest information.</p>	<p>OMB No. 1545-0074</p> <p>2025</p> <p>Attachment Sequence No. 01</p>
<p>Name(s) shown on Form 1040, 1040-SR, or 1040-NR</p>		<p>Your social security number</p>
<p>For 2025, enter the amount reported to you on Form(s) 1099-K that was included in error or for personal items sold at a loss</p> <p>Note: The remaining amounts reported to you on Form(s) 1099-K should be reported elsewhere on your return depending on the nature of the transaction. See www.irs.gov/1099k.</p>		

Schedule 1 continued on next page

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Part I Additional Income			
1	Taxable refunds, credits, or offsets of state and local income taxes	1	1. See State and local income tax refund, page 3-18.
2a	Alimony received	2a	2a. See Alimony received, page 3-18.
b	Date of original divorce or separation agreement (see instructions): _____		
3	Business income or (loss). Attach Schedule C	3	3. See Schedule C – Profit or Loss From Business, page 5-6.
4	Other gains or (losses). Check if any from Form(s). <input type="checkbox"/> 4797 <input type="checkbox"/> 4684	4	4. See Sales of Business Property (Form 4797), page 6-16, and Other gains or losses, page 3-18.
5	Rental real estate, royalties, partnerships, S corporations, trusts, etc. Attach Schedule E	5	5. See Schedule E (Form 1040), Supplemental Income and Loss, page 7-2.
6	Farm income or (loss). Attach Schedule F	6	6. See Schedule F – Profit or Loss From Farming, page 5-25.
7	Unemployment compensation. If you repaid a 2025 overpayment (see instructions), check here and enter amount repaid: _____	7	7. See Unemployment compensation, page 3-18.
8	Other income: 8. See Other income, page 3-18.		
a	Net operating loss	8a	()
b	Gambling	8b	
c	Cancellation of debt	8c	
d	Foreign earned income exclusion from Form 2555	8d	()
e	Income from Form 8853	8e	
f	Income from Form 8889	8f	
g	Alaska Permanent Fund dividends	8g	
h	Jury duty pay	8h	
i	Prizes and awards	8i	
j	Activity not engaged in for profit income	8j	
k	Stock options	8k	
l	Income from the rental of personal property if you engaged in the rental for profit but were not in the business of renting such property	8l	
m	Olympic and Paralympic medals and USOC prize money (see instructions)	8m	
n	Section 951(a) inclusion (see instructions)	8n	
o	Section 951A(a) inclusion (see instructions)	8o	
p	Section 461(l) excess business loss adjustment	8p	
q	Taxable distributions from an ABL account (see instructions)	8q	
r	Scholarship and fellowship grants not reported on Form W-2	8r	
s	Nontaxable amount of Medicaid waiver payments included on Form 1040, line 1a or 1d,	8s	()
t	Pension or annuity from a nonqualified deferred compensation plan or a nongovernmental section 457 plan	8t	
u	Wages earned while incarcerated	8u	
v	Digital assets received as ordinary income not reported elsewhere. See instructions	8v	
z	Other income. List type and amount: _____	8z	
9	Total other income. Add lines 8a through 8z	9	
10	Combine lines 1 through 7 and 9. This is your additional income . Enter here and on Form 1040, 1040-ISR, or 1040-NR, line 8	10	

For Paperwork Reduction Act Notice, see your tax return instructions.

Cat. No. 71479F

Schedule 1 (Form 1040) 2025 Created 3/17/25

Schedule 1 (Form 1040) 2025

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Part II Adjustments to Income			
11	Educator expenses	11	11. See Educator expenses, page 3-22.
12	Certain business expenses of reservists, performing artists, and fee-basis government officials. Attach Form 2106	12	
13	Health savings account deduction. Attach Form 8889	13	13. See Health Savings Accounts (HSAs) (IRC §223), page 22-6.
14	Moving expenses for members of the Armed Forces. Attach Form 3903. If claiming only storage fees (see instructions), check here <input type="checkbox"/>	14	14. See Moving expenses, page 3-22.
15	Deductible part of self-employment tax. Attach Schedule SE	15	15. See Deduction for one-half self-employment tax, page 5-25.
16	Self-employed SEP, SIMPLE, and qualified plans	16	
17	Self-employed health insurance deduction	17	17. See Self-employed health insurance deduction, page 5-10.
18	Penalty on early withdrawal of savings	18	18. See Penalty on early withdrawal of Savings, page 3-23.
19a	Alimony paid	19a	19a. See Alimony paid, page 3-23.
b	Recipient's SSN		
c	Date of original divorce or separation agreement (see instructions): _____		
20	IRA deduction. If you are married filing separately and lived apart from your spouse for the entire year (see instructions), check here <input type="checkbox"/>	20	20. See Individual Retirement Arrangement (IRA), page 13-7.
21	Student loan interest deduction	21	21. See Student Loan Interest Deduction, page 12-8.
22	Reserved for future use	22	
23	Archer MSA deduction	23	
24	Other adjustments: 24. See Other adjustments, page 3-23.		
a	Jury duty pay (see instructions)	24a	
b	Deductible expenses related to income reported on line 8l from the rental of personal property engaged in for profit	24b	
c	Nontaxable amount of the value of Olympic and Paralympic medals and USOC prize money reported on line 8m	24c	
d	Reforestation amortization and expenses	24d	
e	Repayment of supplemental unemployment benefits under the Trade Act of 1974	24e	
f	Contributions to section 501(c)(18)(D) pension plans	24f	

Schedule 1 continued on next page

Form 1040 U.S. Individual Income Tax Return 2025 Line-by-Line Instructions

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g Contributions by certain chaplains to section 403(b) plans	24g			
h Attorney fees and court costs for actions involving certain unlawful discrimination claims (see instructions)	24h			
i Attorney fees and court costs you paid in connection with an award from the IRS for information you provided that helped the IRS detect tax law violations	24i			
j Housing deduction from Form 2555	24j			
k Excess deductions of section 67(e) expenses from Schedule K-1 (Form 1041)	24k			
z Other income. List type and amount: _____	24z			
25 Total other adjustments. Add lines 24a through 24z	25			
26 Add lines 11 through 23 and 25. These are your adjustments to income . Enter here and on Form 1040 or 1040-SR, line 10, or Form 1040-NR, line 10	26			

Schedule 1 (Form 1040) 2025

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SCHEDULE 2 (Form 1040)	Additional Taxes	OMB No. 1545-0074
Department of the Treasury Internal Revenue Service	Attach to Form 1040, 1040-SR, or 1040-NR. Go to www.irs.gov/Form1040 for instructions and the latest information.	2025
		Attachment Sequence No. 02
Name(s) shown on Form 1040, 1040-SR, or 1040-NR		Your social security number
Part I Tax		
1 Additions to tax:		
a Excess advance premium tax credit repayment. Attach Form 8962	1a	1a. See <i>Premium Tax Credit</i> , page 11-13.
b Repayment of new clean vehicle credit(s) transferred to a registered dealer from Schedule A (Form 8936), Part II. Attach Form 8936 and Schedule A (Form 8936)	1b	
c Repayment of previously owned clean vehicle credit(s) transferred to a registered dealer from Schedule A (Form 8936), Part IV. Attach Form 8936 and Schedule A (Form 8936)	1c	
d Recapture of net EPE from Form 4255, line 2a, column (l).	1d	
e Excessive payments (EP) from Form 4255. Check applicable box and enter amount. See instructions. (i) <input type="checkbox"/> Line 1a (ii) <input type="checkbox"/> Line 1c (iii) <input type="checkbox"/> Line 1d (iv) <input type="checkbox"/> Line 2a	1e	
f 20% EP from Form 4255. Check applicable box and enter amount. See instructions. (i) <input type="checkbox"/> Line 1a (ii) <input type="checkbox"/> Line 1c (iii) <input type="checkbox"/> Line 1d (iv) <input type="checkbox"/> Line 2a	1f	
y Other additions to tax (see instructions): _____	1y	
z Add lines 1a through 1y	1z	
2 Alternative minimum tax. Attach Form 6251	2	2. See <i>Alternative Minimum Tax</i> , page 14-2.
3 Add lines 1z and 2. Enter here and on Form 1040, 1040-SR, or 1040-NR, line 17	3	
Part II Other Taxes		
4 Self-employment tax. Attach Schedule SE. Check if any exemption from (see instructions): 1 <input type="checkbox"/> 4361 2 <input type="checkbox"/> 4029 3 <input type="checkbox"/> _____	4	4. See <i>Self-Employment Tax</i> , page 5-25.
5 Social security and Medicare tax on unreported tip income. Attach Form 4137	5	5. See <i>Tip Reporting</i> , page 3-16.
6 Uncollected social security and Medicare tax on wages. Attach Form 8919	6	6. See <i>Uncollected Social Security and Medicare tax on wages</i> , page 3-25.
7 Total additional social security and Medicare tax. Add lines 5 and 6	7	
8 Additional tax on IRAs or other tax-favored accounts. Attach Form 5329 if required. If not required, check here	8	8. See <i>Exceptions to the 10% Penalty on Early Distributions</i> , page 13-3.
9 Household employment taxes. Attach Schedule H	9	9. See <i>Household Employees</i> , page 14-2.
10 Reserved for future use	10	
11 Additional Medicare Tax. Attach Form 8959	11	11. See <i>Additional Medicare Tax</i> , page 3-26.
12 Net investment income tax. Attach Form 8960	12	12. See <i>Net Investment Income Tax</i> , page 6-4.
13 Uncollected social security and Medicare or RRTA tax on tips or group-term life insurance from Form W-2, box 12.	13	
14 Interest on tax due on installment income from the sale of certain residential lots and timeshares	14	
15 Interest on the deferred tax on gain from certain installment sales with a sales price over \$150,000	15	
16 Recapture of low-income housing credit. Attach Form 8611	16	

(continued on page 2)

For Paperwork Reduction Act Notice, see your tax return instructions. Cat. No. 71478U Schedule 2 (Form 1040) 2025 Created 5/8/25

Schedule 2 (Form 1040) 2025 Page **2**

Part II Other Taxes (continued)				
17 Other additional taxes: 17. See Other additional taxes, page 3-26.	17	17a	17b	17c
a Recapture of other credits. List type, form number, and amount: _____	17a			
b Recapture of federal mortgage subsidy, if you sold your home see instructions	17b			
c Additional tax on HSA distributions. Attach Form 8889	17c			
d Additional tax on an HSA because you didn't remain an eligible individual. Attach Form 8889	17d			
e Additional tax on Archer MSA distributions. Attach Form 8853	17e			

Schedule 2 continued on next page

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f	Additional tax on Medicare Advantage MSA distributions. Attach Form 8853	17f	
g	Recapture of a charitable contribution deduction related to a fractional interest in tangible personal property	17g	
h	Income you received from a nonqualified deferred compensation plan that fails to meet the requirements of section 409A	17h	
i	Compensation you received from a nonqualified deferred compensation plan described in section 457A	17i	
j	Section 72(m)(5) excess benefits tax	17j	
k	Golden parachute payments	17k	
l	Tax on accumulation distribution of trusts	17l	
m	Excise tax on insider stock compensation from an expatriated corporation	17m	
n	Look-back interest under section 167(g) or 460(b) from Form 8697 or 8866	17n	
o	Tax on non-effectively connected income for any part of the year you were a nonresident alien from Form 1040-NR	17o	
p	Any interest from Form 8621, line 16f, relating to distributions from, and dispositions of, stock of a section 1291 fund	17p	
q	Any interest from Form 8621, line 24	17q	
z	Any other taxes. List type and amount: _____	17z	
18	Total additional taxes. Add lines 17a through 17z	18	
19	Recapture of net EPE from Form 4255, line 1d, column (l)	19	
20	Section 965 net tax liability installment from Form 965-A	20	
21	Add lines 4, 7 through 16, and 18. These are your total other taxes . Enter here and on Form 1040 or 1040-SR, line 23, or Form 1040-NR, line 23b	21	

Schedule 2 (Form 1040) 2025

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SCHEDULE 3 (Form 1040)		Additional Credits and Payments		OMB No. 1545-0074	
Department of the Treasury Internal Revenue Service		Attach to Form 1040, 1040-SR, or 1040-NR. Go to www.irs.gov/Form1040 for instructions and the latest information.		2025 Attachment Sequence No. 03	
Name(s) shown on Form 1040, 1040-SR, or 1040-NR				Your social security number	
Part I Nonrefundable Credits					
1	Foreign tax credit. Attach Form 1116 if required	1		1. See Foreign Tax Credit, page 11-10.	
2	Credit for child and dependent care expenses from Form 2441, line 11. Attach Form 2441.	2		2. See Child and Dependent Care Expenses, page 11-4.	
3	Education credits from Form 8863, line 19	3		3. See American Opportunity Credit, page 12-3, and Lifetime Learning Credit, page 12-4.	
4	Retirement savings contributions credit. Attach Form 8880	4		4. See Retirement Savings Contributions Credit, page 11-16.	
5a	Residential clean energy credits from Form 5695, line 15	5a			
b	Energy efficient home improvement credit from Form 5695, line 32	5b			
6	Other nonrefundable credits:				
a	General business credit. Attach Form 3800.	6a		6. See Other nonrefundable credits, page 3-27	
b	Credit for prior year minimum tax. Attach Form 8801	6b			
c	Adoption credit. Attach Form 8839	6c			
d	Credit for the elderly or disabled. Attach Schedule R	6d			
e	Reserved for future use	6e			
f	Clean vehicle credit. Attach Form 8936	6f			
g	Mortgage interest credit. Attach Form 8396	6g			
h	District of Columbia first-time homebuyer credit. Attach Form 8859	6h			
i	Qualified electric vehicle credit. Attach Form 8834	6i			
j	Alternative fuel vehicle refueling property credit. Attach Form 8911	6j			
k	Credit to holders of tax credit bonds. Attach Form 8912.	6k			
l	Amount on Form 8978, line 14. See instructions	6l			
m	Credit for previously owned clean vehicles. Attach Form 8936	6m			
z	Other nonrefundable credits. List type and amount: _____	6z			
7	Total other nonrefundable credits. Add lines 6a through 6z	7			
8	Add lines 1 through 4, 5a, 5b, and 7. Enter here and on Form 1040, 1040-SR, or 1040-NR, line 20	8			
Part II Other Payments and Refundable Credits					
9	Net premium tax credit. Attach Form 8962	9		9. See Premium Tax Credit, page 11-13.	
10	Amount paid with request for extension to file (see instructions)	10		10. See Extensions, page 15-1.	
11	Excess social security and tier 1 RRTA tax withheld	11		11. See Excess Social Security and RRTA Tax Withheld, page 3-28.	
12	Credit for federal tax on fuels. Attach Form 4136.	12		12. See Credit for Federal Tax Paid on Fuels, page 11-8.	
13	Other payments or refundable credits:				
a	Form 2439	13a		13a. See Undistributed capital gains, page 6-15.	
b	Section 1341 credit for repayment of amounts included in income from earlier years.	13b		13b. See Repayments, page 3-28.	
c	Net elective payment election amount from Form 3800, Part III, line 6, column (i)	13c			
d	Deferred amount of net 965 tax liability (see instructions)	13d			
z	Other payments or refundable credits. _____	13z			
14	Total other payments or refundable credits. Add lines 13a through 13z.	14			
15	Add lines 9 through 12 and 14. Enter here and on Form 1040, 1040-SR, or 1040-NR, line 31	15			

For Paperwork Reduction Act Notice, see your tax return instructions.

Cat. No. 71480G

Schedule 3 (Form 1040) 2025

Filing Requirements

Cross References

- IRS Pub. 17, *Your Federal Income Tax*
- IRC §6012, *Persons required to make returns of income*

Related Topics

- Inflation Adjusted Amounts—Filing Requirements, page 1-2
- Form 8814, *Parents' Election to Report Child's Interest and Dividends*, page 12-10

2025 Filing Requirements

To determine if a federal tax return (Form 1040) must be filed, use the *Most Taxpayers—2025 Filing Requirements* chart, next column, and *For Children and Other Dependents—2025 Filing Requirements* chart, next column. Even if a return is not required, a taxpayer should file to get a refund of any federal income tax withheld, or if eligible for the Earned Income Credit, Additional Child Tax Credit, American Opportunity Credit, Credit for Federal Tax on Fuels, Premium Tax Credit, or credits for sick and family leave.

Author's Comment: Other reasons to file may include getting the statute of limitations started for the tax year or making sure a taxpayer's Social Security Number has not been compromised by identity theft.

Form 1040-SR, U.S. Tax Return for Seniors. For 2025, if a taxpayer (or spouse, if MFJ) was born before January 2, 1961, Form 1040-SR may be used instead of Form 1040. Form 1040-SR generally mirrors Form 1040 using the same Schedules and Instructions, but has a larger font size, contains a standard deduction chart, and is four pages.

Form 1040-NR, U.S. Nonresident Alien Income Tax Return. Form 1040-NR follows Forms 1040 and 1040-SR formats, using the same Schedules. See *Resident vs. Nonresident Aliens*, page 14-8.

Form 1040-NR may be required if:

- The taxpayer was a nonresident alien engaged in a trade or business in the U. S. during 2025.
- The taxpayer was a nonresident alien not engaged in a trade or business in the U. S. during 2025, but:
 - He or she did receive income from U.S. sources that is reportable on lines 1 through 12, Schedule NEC (Form 1040-NR), *Tax on Income Not Effectively Connected With a U.S. Trade or Business*, and
 - Not all of the U.S. tax he or she owed was withheld from that income.
- The taxpayer represented a deceased person who would have been required to file Form 1040-NR.
- The taxpayer represented an estate or trust that was required to file Form 1040-NR.

Nonresident alien engaged in a trade or business. A nonresident alien engaged in a trade or business in the U. S. during 2025 must file Form 1040-NR even if the following are true.

- The taxpayer had no income from a trade or business conducted in the U. S.
- The taxpayer had no U.S. source income.
- The taxpayer's income is exempt from U.S. tax under a tax treaty or any section of the Internal Revenue Code.

However, if the taxpayer had no gross income for 2025, do not complete the schedules for Form 1040-NR other than Schedule OI (Form 1040-NR), *Other Information*. Instead, attach a list of the kinds and amounts of exclusions claimed.

Gross income. Gross income means all income received in the form of money, goods, property, and services that is not exempt from tax. In most cases it includes only income from U.S. sources. Gross income includes gains, but not losses, from asset transactions. Gross income from a business means, for example, the amount on line 7, Schedule C (Form 1040), or line 9, Schedule F (Form 1040). In computing gross income, do not reduce the income by any losses, including any loss on line 7, Schedule C, or line 9, Schedule F.

For more information, see *Foreign Income*, page 14-10.

Most Taxpayers—2025 Filing Requirements

If filing status is:	And at the end of 2025, the taxpayer was:	Then file a return if gross income was at least:
Single	Under age 65	\$15,750
	Age 65 or older	\$17,750
MFJ	Under age 65 (both spouses)	\$31,500
	Age 65 or older (one spouse)	\$33,100
	Age 65 or older (both spouses)	\$34,700
MFS	Any age	\$ 5
HOH	Under age 65	\$23,625
	Age 65 or older	\$25,625
QSS	Under age 65	\$31,500
	Age 65 or older	\$33,100

- A person born on January 1, 1961, is considered to be age 65 at the end of 2025.
- Gross income means all income received in the form of money, goods, property, and services that is not exempt from tax, including any income from sources outside the United States, or from the sale of a main home (even if part or all of it can be excluded). Social Security benefits are included in gross income only to the extent taxable.
- If a married taxpayer did not live with his or her spouse at the end of 2025, or on the date the spouse died, and gross income was at least \$5, a return must be filed regardless of age.

For Children and Other Dependents—2025 Filing Requirements

Use this chart if someone else, such as a parent, can claim the taxpayer as a dependent.

Single dependents: Was the taxpayer either age 65 or older or blind?

No	File a return if any of the following apply: <ul style="list-style-type: none"> • Unearned income was over \$1,350. • Earned income was over \$15,750. • Gross income was more than the larger of \$1,350 or earned income (up to \$15,300) plus \$450.
Yes	File a return if any of the following apply: <ul style="list-style-type: none"> • Unearned income was over \$3,350 (\$5,350 if age 65 or older and blind). • Earned income was over \$17,750 (\$19,750 if age 65 or older and blind). • Gross income was more than the larger of \$3,350 (\$5,350 if age 65 or older and blind), or earned income (up to \$15,300) plus \$2,450 (\$4,450 if age 65 or older and blind).

Married dependents: Was the taxpayer either age 65 or older or blind?

No	File a return if any of the following apply: <ul style="list-style-type: none"> • Unearned income was over \$1,350. • Earned income was over \$15,750. • Gross income was at least \$5 and spouse files a separate return and itemizes deductions. • Gross income was more than the larger of \$1,350, or earned income (up to \$15,750) plus \$450.
Yes	File a return if any of the following apply: <ul style="list-style-type: none"> • Unearned income was over \$2,950 (\$4,550 if age 65 or older and blind). • Earned income was over \$17,350 (\$18,950 if age 65 or older and blind). • Gross income was at least \$5 and spouse files a separate return and itemizes deductions. • Gross income was more than the larger of \$2,950 (\$4,550 if age 65 or older and blind), or earned income (up to \$15,300) plus \$2,050 (\$3,650 if age 65 or older and blind).

- Unearned income includes taxable interest, ordinary dividends, capital gain distributions, unemployment compensation, taxable Social Security benefits, pensions, annuities, and distributions of unearned income from a trust.
- Earned income includes salaries, wages, tips, professional fees, and taxable scholarship and fellowship grants.
- Gross income is the total of unearned and earned income.

Other Situations Where A Return Must Be Filed

A taxpayer must file a return if any of the seven conditions, below, apply for 2025.

- 1) The taxpayer owes any special taxes, including any of the following:
 - Alternative minimum tax. See *Alternative Minimum Tax*, page 14-2.
 - Additional tax on a qualified plan, including an IRA, or other tax-favored account. However, if a return is filed only because of this tax, Form 5329 can be filed by itself.
 - Household employment taxes. However, if a return is filed only because of this tax, Schedule H (Form 1040), *Household Employment Taxes*, can be filed by itself. See *Household Employees*, page 14-2.
 - Social Security and Medicare tax on tips that were not reported to the employer, or on wages received from an employer who did not withhold these taxes.
 - Uncollected Social Security and Medicare or RRTA tax on tips reported by an employer or on group-term life insurance and additional taxes on health savings accounts.
 - Other additional taxes. See *Other additional taxes*, page 3-26.
- 2) The taxpayer (or spouse, if filing jointly), received HSA, Archer MSA or Medicare Advantage MSA distributions.
- 3) The taxpayer had net earnings from self-employment of at least \$400.
- 4) The taxpayer had wages of \$108.28 or more from a church or qualified church-controlled organization that is exempt from employer Social Security and Medicare taxes.
- 5) Advance payments of the Premium Tax Credit were made for the taxpayer, spouse, or a dependent who enrolled in coverage through the Marketplace. Advance payments are shown on Form 1095-A, *Health Insurance Marketplace Statement*. See *Premium Tax Credit*, page 11-13.
- 6) The taxpayer is required to include amounts in income under IRC section 965 or has a net tax liability that is being paid in installments under IRC section 965(h) or being deferred by making an election under IRC section 965(i).
- 7) The taxpayer purchased a new or used clean vehicle from a registered dealer and reduced the amount paid at the time of sale by transferring the credit to the dealer. See *Transfer of electric vehicle credits*, page 11-18.

to file a tax return. An e-filed return will be rejected if the name entered on the return does not match the name on file with the SSA.

Decedent. Check the “Deceased” box at the top of Form 1040 and enter the date of death in the entry spaces.

Address

The taxpayer’s home address should be used.

Address change. If the taxpayer moves after the return has been filed, file Form 8822, *Change of Address*, to notify the IRS of the address change.

P.O. Box. A P.O. Box should only be used if the post office does not deliver mail to the taxpayer’s home.

Foreign address. If the taxpayer has a foreign address, enter the city name on the appropriate line. Do not enter any other information on that line. Do not abbreviate the country name. Follow the country’s practice for entering the postal code and the name of the province, county, or state.

New for 2025 Residency. If the taxpayer’s main home (and spouse’s, if MFJ) was in the U.S. for more than half of 2025, check the box. This will help determine eligibility for certain tax benefits.

Social Security Number (SSN)

An SSN or other taxpayer ID number is required for the taxpayer, spouse, and all dependents except a child who was born and died during the year. If the taxpayer is married, a valid SSN or ITIN must also be included for his or her spouse, even if the taxpayer and spouse are not filing a joint return.

Child born and died in the same year. If a taxpayer’s dependent child was born and died in the same year and he or she does not have an SSN for the child, enter “Died” on row 3 of the Dependents section and attach a copy of the child’s birth certificate, death certificate, or hospital records. The document must show that the child was born alive.

Nonresident alien spouse. If the taxpayer’s spouse is a nonresident alien, he or she must have either an SSN or an ITIN if:

- The taxpayer and spouse are filing a joint return, or
- The spouse is filing his or her separate return.

Adoption taxpayer identification number (ATIN) and individual taxpayer identification number (ITIN). An ATIN is a temporary number issued to taxpayers who adopted children who are U.S. citizens or residents if they cannot get SSNs in time to file a tax return. An ITIN is issued to individuals who are not eligible for SSNs. See *Individual Taxpayer Identification Number (ITIN)*, below.

File Form W-7, *Application for IRS Individual Taxpayer Identification Number*, or Form W-7A, *Application for Taxpayer Identification Number for Pending U.S. Adoptions*, with the IRS to obtain a number. ATINs and ITINs can be used to claim dependents, the Credit for Other Dependents, and Adoption Credit. They cannot be used to claim the Earned Income Credit or the Child Tax Credit.

Individual Taxpayer Identification Number (ITIN)

An ITIN is for federal tax reporting purposes only, and is not intended to serve any other purpose. The IRS issues ITINs to help taxpayers who are not eligible for SSNs comply with tax law. An ITIN does not authorize work in the U.S., or provide eligibility for Social Security benefits, the Earned Income Credit, or the Child Tax Credit (the dependent must have an SSN).

ITIN expiration and renewal. Certain ITINs need to be renewed. All ITINs not used on a federal income tax return at least once during the three prior tax years will expire on December 31 of the current year.

Name, Address, Social Security Number

Cross References

- Instructions for Form 1040, *U.S. Individual Income Tax Return*
- IRS Pub. 17, *Your Federal Income Tax*

Related Topics

- Resident vs. Nonresident Aliens, page 14-8
- Decedent’s Final Form 1040, page 21-9

Schedule LEP (Form 1040), Request for Change in Language Preference. Schedule LEP (Form 1040) can be filed with a tax return to indicate a preference to receive written communications from the IRS in a language other than English.

Name

Names must be entered exactly as shown on currently valid Social Security cards.

Name change. If a taxpayer changed his or her name because of marriage, divorce, etc., the change must be reported to the Social Security Administration (SSA) and the taxpayer must receive a new Social Security card with his or her new name before using it

Form W-7, Application for IRS Individual Taxpayer Identification Number. File Form W-7 to apply for an ITIN or to renew an expired ITIN. There must be a federal tax purpose for seeking an ITIN. For more information, see the instructions for Form W-7 or www.irs.gov/individuals/individual-taxpayer-identification-number.

Digital Assets

Digital assets include non-fungible tokens (NFTs) and virtual currencies, such as cryptocurrencies and stablecoins. If a particular asset has the characteristics of a digital asset, it will be treated as a digital asset for federal income tax purposes.

Check the “Yes” box next to the question on digital assets on page 1, Form 1040, if at any time during 2025, the taxpayer:

- Received as a reward, award, or payment for property or services, or
- Sold, exchanged, or otherwise disposed of a digital asset, or any financial interest in any digital asset.

For example, check “Yes” if at any time during 2025 the taxpayer:

- Received digital assets as payment for property or services provided,
- Received digital assets as a reward or award,
- Received new digital assets as a result of mining, staking, and similar activities,
- Received digital assets as a result of a hard fork,
- Disposed of digital assets in exchange for property or services,
- Disposed of a digital asset in exchange or trade for another digital asset,
- Sold a digital asset,
- Otherwise disposed of any other financial interest in a digital asset.

A taxpayer has a financial interest in a digital asset if he or she is the owner of record of a digital asset, has an ownership stake in an account that holds one or more digital assets, including the rights and obligations to acquire a financial interest, or he or she owns a wallet that holds digital assets.

The following actions or transactions alone generally do not require a taxpayer to check “Yes.”

- Holding a digital asset in a wallet or account,
- Transferring a digital asset from one wallet or account owned or controlled by the taxpayer to another wallet or account that he or she owns or controls, or
- Purchasing digital assets using U.S. or other real currency, including through electronic platforms such as PayPal and Venmo.

Do not leave the question unanswered. For more information, go to www.irs.gov/virtualcurrencyfaqs.

Reporting digital asset transactions. If the taxpayer disposed of any digital asset in 2025 that was held as a capital asset, whether through a sale, exchange, gift, or transfer, check “Yes” and use Form 8949, *Sales and Other Dispositions of Capital Assets*, to calculate the capital gain or loss to report on Schedule D (Form 1040), *Capital Gains and Losses*. See *Digital Asset Sale or Exchange*, page 6-14.

If a broker was used to effect the sale of a digital asset, the taxpayer should receive Form 1099-DA, *Digital Asset Proceeds From Broker Transactions*. See *Form 1099-DA, Digital Asset Proceeds From Broker Transactions*, page 6-9.

If the taxpayer received any digital asset as compensation for services or disposed of any digital asset that were held for sale to customers in a trade or business, report the income as any other income of the same type (for example, W-2 wages on line 1a, Form 1040, or inventory or services on Schedule C).

Cross References

- IRS Pub. 17, *Your Federal Income Tax*
- IRS Pub. 501, *Dependents, Standard Deduction, and Eiling Information*
- IRC §2, *Definitions and special rules*

Related Topics

- Change in filing status, page 8-21
- Filing Separately, page 14-4

Married Taxpayers

For federal tax purposes, two individuals are married if the marriage is recognized by the state, possession, or territory of the United States (or foreign jurisdiction) in which the marriage is entered. Married individuals can file a joint return or separate returns. See *Married Filing Jointly (MFJ)*, below, and *Married Filing Separately (MFS)*, page 3-10. In some cases, a married taxpayer can be considered unmarried, see *Married individuals considered unmarried*, page 3-11.

A legally married taxpayer may not use the Single filing status.

Registered domestic partnerships and civil unions. For federal tax purposes, individuals who have entered into a registered domestic partnership, civil union, or other similar relationship that is not considered a marriage under state law, are not considered married.

Single

A taxpayer can file as Single if any of the following was true on December 31, 2025.

- The taxpayer has never married.
- The taxpayer was legally separated, according to state law, under a final decree of divorce or separate maintenance. An interlocutory decree is not a final decree.
- The taxpayer’s spouse died before January 1, 2025, and the taxpayer did not remarry in 2025.

If the taxpayer meets the definition of unmarried, file as Single unless the requirements for one of the following filing statuses are met that will give lower tax.

- Head of Household, or
- Qualifying Surviving Spouse (QSS).

Married Filing Jointly (MFJ)

A taxpayer can file a joint return for 2025 with a spouse if:

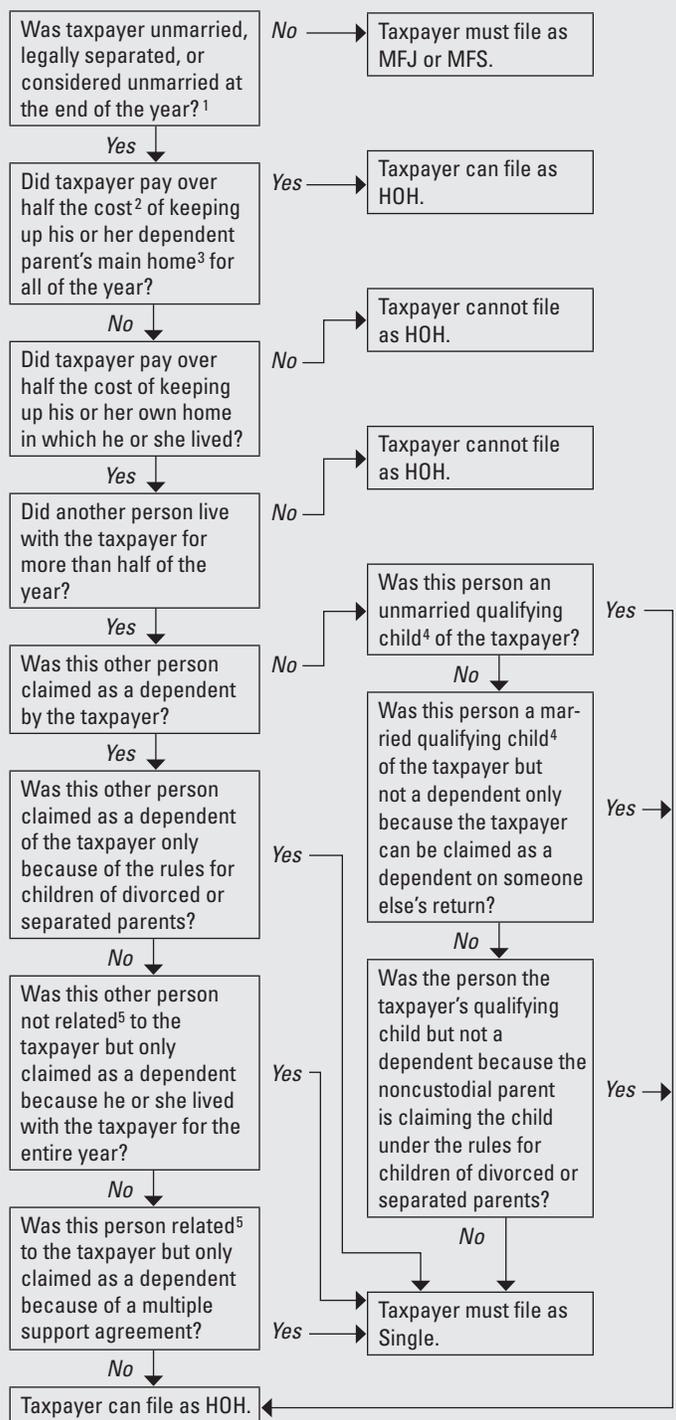
- The taxpayer was married at the end of 2025, even if the taxpayer did not live with the spouse at the end of 2025.
- The taxpayer’s spouse died in 2025, and the taxpayer did not remarry in 2025.
- The taxpayer was married at the end of 2025, and the spouse died in 2026 before filing a 2025 return.
- The taxpayer lived with a person in a common-law marriage recognized in the state where they live or in the state where the common-law marriage began.

A taxpayer can file MFJ if both spouses agree, otherwise a married taxpayer must file:

- Married Filing Separately (MFS), or
- Head of Household (HOH) if the taxpayer meets the requirements to be “Considered Unmarried.” See *Married individuals considered unmarried*, page 3-11.

Nonresidents and dual-status aliens. Generally, a married couple cannot file a joint return if either spouse is a nonresident alien at any time during the year. However, if an individual is a nonresident alien or a dual-status alien and was married to a U.S. citizen or resident alien at the end of the year, the individual can

Filing Status Chart



¹ See *Married individuals considered unmarried*, page 3-11.
² Other than under a multiple support agreement.
³ Dependent parent does not have to live with the taxpayer.
⁴ See *Dependency Tests for 2025* chart, page 3-12, qualifying child, tests 4-7.
⁵ See *Dependency Tests for 2025* chart, page 3-12, qualifying relative, tests 4-7.

elect to be treated as a resident alien and file a joint return. See *Resident vs. Nonresident Aliens*, page 14-8.

To make this election, check the box in the Filing Status section of Form 1040, *U.S. Individual Income Tax Return*, and enter the name of the nonresident spouse or dual-status spouse, whichever applies.

Married Filing Separately (MFS)

A taxpayer filing MFS enters his or her spouse's name in the space below the filing status checkboxes. Enter the spouse's SSN or ITIN in the space for a spouse's SSN on Form 1040. If the spouse does not have, and is not required to have, an SSN or ITIN, enter "NRA."

Reasons to file separately. Any taxpayer that was married at the end of 2025 can file as MFS. Generally, a taxpayer will pay more tax by filing MFS. The following are reasons why a taxpayer might choose to file separately.

- **Limit liability.** Spouses filing jointly have joint and several liability. Each spouse is responsible for the accuracy of a joint return and for the payment of the entire tax due. Spouses who file separately are not responsible for their spouses' reporting or tax. A spouse who has filed a joint return may seek relief from joint liability under the innocent spouse rules. See *Innocent Spouse*, page 15-12.
- **Adjusted gross income (AGI) limits.** If a spouse's AGI on a separate return is lower than it would be on a joint return, he or she may be able to utilize a larger amount of certain deductions that are limited by AGI, such as medical expenses.
- **Student loan repayment.** Required payments may be reduced if calculated under income-based repayment methods.

Section 179 deduction. The total allowed Section 179 deduction must be allocated between each spouse. See *Married taxpayers*, page 9-9.

Standard deduction. If a taxpayer files MFS and his or her spouse itemizes, the taxpayer cannot claim the standard deduction.

Exception: A taxpayer filing Head of Household (HOH) can claim a standard deduction if his or her spouse itemizes.

Estimated tax payments. For information on claiming joint payments on separate returns, see *Joint payments and separate returns*, page 3-27.

Amending joint/separate returns. Spouses can amend separate returns to file jointly. Once a joint return is filed, taxpayers cannot choose to file separate returns after the due date of the return.

Exception: A personal representative can choose to file a separate return for a deceased spouse up to one year from the due date of the return.

Married Filing Separately—Special Rules

50% of MFJ	<ul style="list-style-type: none"> • Standard deduction. • Tax brackets. • AMT exemptions. • Net capital loss deduction (\$1,500). 	<ul style="list-style-type: none"> • Exclusion of gain on home sale. • Home mortgage interest limits. • Dependent care benefits exclusion (\$2,500).
Income limits 50% of MFJ	<ul style="list-style-type: none"> • Child Tax Credit. • Credit for Other Dependents. • Retirement Savings Contributions Credit. 	
Deductions disallowed	See <i>Additional Deductions (Schedule 1-A)</i> , page 3-24. <ul style="list-style-type: none"> • No tax on tips. • Qualified tips. • Qualified overtime. • Enhanced senior deduction (\$6,000). 	
Credits disallowed	<ul style="list-style-type: none"> • Earned Income Credit in most cases. See <i>Married Filing Separately</i>, page 11-9. • Elderly or Disabled Credit unless spouses lived apart all year. • Child and Dependent Care Credit in most cases. • Adoption Expense Credit or exclusion in most cases. 	

continued on next page

Married Filing Separately—Special Rules continued

Education benefits disallowed	<ul style="list-style-type: none"> • Education credits. • U.S. Savings Bond interest exclusion. • Student loan interest deduction.
IRAs	<ul style="list-style-type: none"> • If the taxpayer or spouse is covered by an employer retirement plan, contributions are phased out at AGI of \$10,000 unless the spouses lived apart all year. • If the spouses did not live together at any time during the year, they are considered as Single for purposes of the phaseout.
Social Security	Base amount to calculate taxable benefits: <ul style="list-style-type: none"> • \$25,000 if spouses lived apart for the entire year. • \$0 if spouses lived together at any time during the year.
Rental Real Estate Losses	<ul style="list-style-type: none"> • Special loss allowance maximum is \$12,500, reduced at modified AGI over \$50,000. • No special loss allowance if spouses lived together at any time during the year.

Head of Household (HOH)

The HOH filing status applies to unmarried individuals (or married individuals considered unmarried) who provide a home for either a qualifying child or a qualifying relative. See *Filing Status Chart*, page 3-10.

Qualifying child. For HOH filing status purposes, a qualifying child is an individual:

- Under age 19 (age 24 if a full-time student) and younger than the taxpayer, or any age and permanently and total disabled,
- Who lived with the taxpayer for more than half of the year,
- Who did not provide over half of his or her own support, and
- Who is the taxpayer’s son, daughter, stepchild, foster child, brother, sister, stepbrother, stepsister, half brother, half sister, or a descendant of any of them (for example, a grandchild, niece, or nephew).

Qualifying relative. For HOH filing status purposes a qualifying relative is an individual:

- Who is not a qualifying child of the taxpayer or any other taxpayer,
- Who lived with the taxpayer for more than half of the year (except a parent),
- Whom the taxpayer can claim as a dependent, and
- Who is the taxpayer’s son, daughter, stepchild, foster child, grandchild, brother, sister, half brother, half sister, niece, nephew, father, mother, grandfather, grandmother, aunt, uncle, stepbrother, stepsister, stepfather, stepmother, son-in-law, daughter-in-law, father-in-law, mother-in-law, brother-in-law, or sister-in-law.

Note: A person other than the relationships listed above, who

lived with the taxpayer all year as a member of the taxpayer’s household, can qualify to be claimed as a dependent by the taxpayer, but such person who is a dependent only because he or she lived with the taxpayer all year does not qualify the taxpayer for HOH filing status.

Unmarried individuals. A taxpayer can file using the HOH filing status if he or she was unmarried or legally separated according to state law under a final decree of divorce or separate maintenance at the end of 2025, and one of the following applies.

- The taxpayer paid over half the cost of keeping up a home that was the main home for all of 2025 of his or her parent who can be claimed as a dependent of the taxpayer, other than under a multiple support agreement. The dependent parent did not have to live with the taxpayer.
- The taxpayer paid over half the cost of keeping up a home in which the taxpayer lived and in which one of the following persons also lived for more than half the year.

- Any person the taxpayer can claim as a dependent, but not including the following:
 - The taxpayer’s qualifying child claimed as a dependent based on the rules for children of divorced or separated parents,
 - Any person who is the taxpayer’s dependent only because he or she lived with the taxpayer for all of 2025, or
 - Any person claimed as a dependent under a multiple support agreement.
- The taxpayer’s unmarried qualifying child who is not a dependent of the taxpayer.
- The taxpayer’s married qualifying child who is not a dependent of the taxpayer only because the taxpayer can be claimed as a dependent on someone else’s 2025 return.
- The taxpayer’s qualifying child who, even though the taxpayer is the custodial parent, is not the taxpayer’s dependent because of the rules for children of divorced or separated parents.

If the taxpayer does not claim the child as a dependent, enter the child’s name in the space below the filing status check boxes.

Temporary absences. Temporary absences for special circumstances count as time lived in the taxpayer’s home. See *Exceptions to Time Lived With Taxpayer*, page 3-15.

Keeping up a home. To qualify for HOH filing status a taxpayer must pay more than half of the cost of keeping up a home for the year. The requirement is met only if the amount the taxpayer paid is more than the amount others paid toward the total costs of keeping up the home.

Keeping Up a Home

<i>Costs included:</i>	<i>Costs not included:</i>
<ul style="list-style-type: none"> • Rent. • Mortgage interest. • Real estate taxes. • Homeowner’s/renter’s insurance. 	<ul style="list-style-type: none"> • Repairs/maintenance. • Utilities. • Food eaten in the home. • Other household expenses.
	<ul style="list-style-type: none"> • Clothing. • Education. • Medical treatment. • Vacation. • Life insurance. • Transportation.

Married individuals considered unmarried. A married individual can be considered unmarried for HOH filing status purposes if all the following apply.

- The taxpayer lived apart from his or her spouse for the last six months of the year. See *Temporary absences*, page 3-15.
- The taxpayer does not file a joint return with his or her spouse.
- The taxpayer paid over half the cost of keeping up the home during the year.
- The taxpayer’s home was the main home of the taxpayer’s child, stepchild, or foster child for more than half the year.
- The taxpayer claims this child as a dependent, or the child’s noncustodial parent claims him or her as a dependent under the rules for children of divorced or separated parents.

Nonresident alien spouse. A taxpayer is considered unmarried for HOH filing status purposes if his or her spouse was a nonresident alien at any time during the year and the taxpayer does not elect to treat the nonresident spouse as a resident alien. However, the spouse is not a qualifying person for HOH purposes. The taxpayer must have another qualifying person and meet the other tests to be eligible to file as Head of Household.

Qualifying Surviving Spouse (QSS)

The QSS filing status is available for the first two years following the year a spouse died, if all the following requirements are met.

- The spouse died in 2023 or 2024 and the taxpayer did not remarry before the end of 2025.
- The taxpayer has a child or stepchild (not a foster child) whom the taxpayer can claim as a dependent or could claim as a dependent except that for 2025:

continued on next page

- The child had gross income of \$5,200 or more,
- The child filed a joint return, or
- The taxpayer could be claimed as a dependent on someone else’s return.

If the child is not claimed as the taxpayer’s dependent, enter the child’s name in the space below the filing status checkboxes.

- The child lived in the taxpayer’s home for all of 2025, except for temporary absences. See *Exceptions to Time Lived With Taxpayer*, page 3-15.
- The taxpayer paid over half the cost of keeping up a home.
- The taxpayer filed a joint return with deceased spouse in the year of death or could have filed a joint return that year.

If the taxpayer’s spouse died in 2025, the taxpayer is married for 2025 and cannot file as a QSS until 2026.

Qualifying surviving spouse benefits. The QSS filing status may be more beneficial than filing as Single or HOH because it is treated the same as the MFJ filing status for the following tax rules.

- Tax tables and tax rate schedules.
- Standard deduction.
- AMT exemption amounts.
- Phaseout of IRA deduction if covered by an employer plan.
- Phaseout of Roth IRA contribution.

Dependents

Cross References

- IRS Pub. 501, *Dependents, Standard Deduction, and Filing Information*
- IRC §152, *Dependent defined*

Related Topics

- Spouse or Dependent Medical Expenses, page 4-4
- Child and Dependent Care Expenses, page 11-4
- Child Tax Credit and Credit for Other Dependents, page 11-7
- Children, College, and Family, Tab 12

A dependent must be either a qualifying child or a qualifying relative of the taxpayer. See the *Dependency Tests for 2025* chart, below.

continued on page 3-14

Dependency Tests for 2025

All seven of the following tests must be met in order for a taxpayer to claim another person as a dependent in 2025. Test numbers 4 through 7 vary depending on whether the person is a qualifying child or a qualifying relative of the taxpayer.

1) **Dependent taxpayer test.** To claim another person as a dependent, the taxpayer, or spouse of the taxpayer if filing jointly, cannot be eligible to be claimed as a dependent on someone else’s tax return.

2) **Married Filing Jointly test.** A person cannot be treated as a dependent if he or she files a joint return with a spouse. This rule does not apply if the joint return was filed only to claim a refund of income tax withheld or estimated tax paid.

3) **Citizen or resident test.** The person claimed as a dependent must be either a U.S. citizen, U.S. national, U.S. resident alien, or a resident of Canada or Mexico.

Exception: An adopted child (or child lawfully placed for legal adoption) who is not a U.S. citizen, U.S. resident alien, or U.S. national that lived with the taxpayer all year passes this test if the taxpayer is a U.S. citizen or U.S. national.

Qualifying Child	Qualifying Relative*
<p>4) Relationship test. The child must be the taxpayer’s son, daughter, stepchild, foster child, brother, sister, stepbrother, stepsister, half brother, half sister, or a descendant of any of these, such as the taxpayer’s grandchild, niece, or nephew.</p> <p>Note: If a child meets tests 4 through 7 for more than one taxpayer, see <i>Qualifying Child of More Than One Person</i>, page 3-14.</p>	<p>4) Relationship or member of household test. A relative of the taxpayer must be:</p> <ul style="list-style-type: none"> • A son, daughter, stepchild, foster child, or a descendant of any of these (such as a grandchild), • A brother, sister, half brother, half sister, or a son or daughter of either of these (such as a niece or nephew), • A father, mother, or an ancestor or sibling of either of them (such as a grandmother, grandfather, aunt, or uncle), but not a foster parent, • A stepbrother, stepsister, stepfather, stepmother, son-in-law, daughter-in-law, father-in-law, mother-in-law, brother-in-law, or sister-in-law, or • Any other person (other than the taxpayer’s spouse) who lived with the taxpayer all year as a member of the taxpayer’s household if the relationship does not violate local law. See <i>Exceptions to Time Lived With Taxpayer</i>, page 3-15.
<p>5) Residency test. The child must have lived with the taxpayer for more than half of 2025. See <i>Exceptions to Time Lived With Taxpayer</i>, page 3-15.</p>	<p>5) Not a qualifying child test. The relative must not be a qualifying child of any taxpayer for 2025. For this purpose, a person is not a taxpayer if he or she is not required to file a tax return and either does not file a return or only files a return to get a refund of withheld income taxes or estimated tax paid.</p>
<p>6) Age test. The child must be:</p> <ul style="list-style-type: none"> • Under age 19 at the end of 2025 and younger than the taxpayer (or spouse if MFJ), or • Under age 24 at the end of 2025, a full-time student for some part of each of any five calendar months during 2025, and younger than the taxpayer (or spouse if MFJ), or • Permanently and totally disabled at any time during the year, regardless of age. See <i>Permanently and totally disabled</i>, page 3-15. 	<p>6) Gross income test. The relative must have gross income of less than \$5,200 in 2025. Gross income defined. Gross income is all income that is not exempt from tax. Gross income includes all taxable unemployment compensation, taxable Social Security benefits, and certain scholarship and fellowship grants. Scholarships received by degree candidates that are used for tuition, fees, supplies, books, and equipment required for particular courses are generally not included in gross income. See <i>Gross income</i>, page 3-15.</p>
<p>7) Support test. The child cannot have provided over half of his or her own support during 2025.</p> <p>Note: Third party payments (foster care payments, welfare, TANF, etc.) and scholarships received by a student are not considered support provided by the child.</p>	<p>7) Support test. The taxpayer must have provided over half of the relative’s support in 2025. This test does not apply for persons who qualify as dependents under the children of divorced or separated parents rule (see above), the multiple support agreements rule (see page 3-14), and for kidnapped children (see page 3-15). Note: TANF (or similar payments) received by the taxpayer and used to support the relative is considered support provided by the taxpayer.</p>

Note: If a taxpayer’s child is not a dependent under the qualifying child rules, the child may still qualify as a dependent under the qualifying relative rules.

* Claiming a dependent under the qualifying relative rules will not qualify the taxpayer for the Earned Income Credit or the Child Tax Credit.

Single Parent Situations for 2025

Does the single parent qualify to take...	HOH	Child Tax Credit or Credit for Other Dependents	EIC Eligible	Dependent Care Credit Eligible
<ul style="list-style-type: none"> 5-year-old child lives with mom. Mom pays over 1/2 cost of home. Dad provides over 1/2 child's support. Mom has not signed over dependency to dad. 	Mom..... Yes Dad No	Mom..... Yes Dad No	Mom..... Yes Dad No	Mom..... Yes Dad No
<ul style="list-style-type: none"> 5-year-old child lives with mom. Mom pays over 1/2 cost of home. Dad provides over 1/2 child's support. Mom signed over dependency to dad. 	Mom..... Yes Dad No	Mom..... No Dad Yes	Mom..... Yes Dad No	Mom..... Yes Dad No
<ul style="list-style-type: none"> 5-year-old child lives with mom. Dad pays over 1/2 cost of mom's home. Dad provides over 1/2 child's support. Mom has not signed over dependency to dad. 	Mom..... No Dad No	Mom..... Yes Dad No	Mom..... Yes Dad No	Mom..... Yes Dad No
<ul style="list-style-type: none"> 5-year-old child lives with mom and grandma. Grandma pays over 1/2 cost of home and has highest AGI. Mom, dad, and grandma each contribute 1/3 child's support. 	Mom..... No Dad No Grandma, yes if Mom does not claim child.	Mom..... Tie ¹ Dad No Grandma..... Tie ¹	Mom..... Tie ¹ Dad No Grandma..... Tie ¹	Mom..... Tie ¹ Dad No Grandma..... Tie ¹
<ul style="list-style-type: none"> 5-year-old child lives with mom and grandma. Grandma pays over 1/2 cost of home and has highest AGI. Mom, dad, and grandma each contribute 1/3 child's support. Mom signed over dependency to dad. 	Mom..... No Dad No Grandma, yes if Mom does not claim child.	Mom..... No Dad Yes Grandma..... No	Mom..... Tie ¹ Dad No Grandma..... Tie ¹	Mom..... Tie ¹ Dad No Grandma..... Tie ¹
<ul style="list-style-type: none"> 5-year-old child lives with mom and grandma. Grandma pays over 1/2 cost of home and has highest AGI. Grandma provides over 1/2 child's and mom's support, while dad provides no support. Mom is age 24 and makes less than \$5,200 (2025). 	Mom..... No Dad No Grandma..... Maybe ²	Mom..... No Dad No Grandma..... Maybe ²	Mom..... Maybe ² Dad No Grandma..... Maybe ²	Mom..... No Dad No Grandma..... Maybe ²
<ul style="list-style-type: none"> 5-year-old child, mom, and dad, live together for first 8 months, then dad moves out for last 4 months. Mom and dad (married) file separate tax returns. They are not divorced or separated under any decree. 	Nobody ⁴	Mom..... Tie ³ Dad Tie ³	Nobody..... Not allowed for MFS in this case	Nobody ⁴
<ul style="list-style-type: none"> 5-year-old child, mom, and dad, live together. Mom and dad have never married. Dad has highest AGI and pays over 1/2 cost of home and child's support. 	Mom..... No Dad Yes ⁵	Mom..... Tie ⁵ Dad Tie ⁵	Mom..... Tie ⁵ Dad Tie ⁵	Mom..... Tie ⁵ Dad Tie ⁵
<ul style="list-style-type: none"> 5-year-old lives with mom and her boyfriend. Mom has some earnings and files a tax return to claim EIC. Boyfriend pays over 1/2 cost of home. Boyfriend pays over 1/2 of child's support. Mom has not signed over dependency to dad. 	Mom..... No Dad No Boyfriend..... No	Mom..... Yes Dad No Boyfriend..... No	Mom..... Yes Dad No Boyfriend..... No	Mom..... Yes Dad No Boyfriend..... No
<ul style="list-style-type: none"> 5-year-old lives with mom and her boyfriend. Mom's income is below filing requirement and does not file a return (although she could to claim EIC if she wanted to). Boyfriend pays over 1/2 cost of home. Boyfriend pays over 1/2 of child's support. Mom has not signed over dependency to dad. 	Mom..... No Dad No Boyfriend..... No	Mom..... No ⁶ Dad No Boyfriend..... Yes ⁶	Mom..... No ⁶ Dad No Boyfriend..... No	Mom..... No ⁶ Dad No Boyfriend..... No

¹ Tiebreaker goes to mom if she claims the child. Grandma can claim the child if mom decides not to claim the child.

² Mom cannot claim any dependents because mom can be claimed as a dependent by grandma. Mom may claim EIC with the child as an eligible child. Because the tiebreaker rules apply as a group, if mom claims the child for EIC, grandma cannot claim the child for any of the tax benefits. If mom does not claim the child for any of the tax benefits, grandma may claim the child for each benefit if she otherwise qualifies.

³ Since the child is a qualifying child for both parents, the parents can choose who claims the child. If both parents actually claim the same child on their separate returns, the first tiebreaker goes to the parent with whom the child resided for the longest period of time. If the child is in the custody of each parent for an equal amount of time, the second tiebreaker goes to the parent with the higher AGI.

⁴ A parent must be considered unmarried in order to claim HOH filing status or the Credit for Child and Dependent Care Expenses on an MFS return. Since mom and dad lived together during the last six months of the year, neither can be considered unmarried for these purposes.

⁵ Tiebreaker goes to dad. If he decides not to claim the child as a dependent, mom can. If dad does decide to let mom claim the child, he no longer qualifies for HOH.

⁶ An individual is not considered a qualifying child of another taxpayer if the taxpayer is not required to file a return and does not file a return, or files a return solely to obtain a refund of withheld income taxes or estimated tax paid. Since mom is not required to file a return and does not do so, the child can be a qualifying relative for the boyfriend for the Credit for Other Dependents only. Mom cannot claim any of the other benefits because she chooses not to file a return. The boyfriend cannot claim any other benefits because the child is not his qualifying child.

Author's Comment: The above rules and situations may be irrelevant if only one parent claims a child as a dependent. If a taxpayer can be sure that the other parent does not claim the child on his or her tax return, the IRS is not going to question the one and only taxpayer who claims the child as a dependent. In most cases, the IRS only gets involved when more than one taxpayer claims the same child as a dependent.

New for 2025 The dependents section of Form 1040 now has numbered rows and asks for more information about the taxpayer and dependents to help determine eligibility for certain tax benefits.

Qualifying Child of More than One Person

Although a child can meet the tests to be a qualifying child of more than one person, only one taxpayer can actually claim the child. The other taxpayer cannot claim any of the tax benefits listed below unless he or she has a different qualifying child.

- HOH filing status. See *Head of Household (HOH)*, page 3-11.
- Credit or exclusion for child and dependent care expenses. See *Child and Dependent Care Expenses*, page 11-4.
- Child Tax Credit. See *Child Tax Credit*, page 11-7.
- Additional Child Tax Credit. See *Additional Child Tax Credit*, page 11-7.
- Credit for Other Dependents. See *Credit for Other Dependents*, page 11-8.
- Earned Income Credit. See *Earned Income Credit*, page 11-8.

Exception: See *Release of Child to Noncustodial Parent*, next column.

Tiebreaker rules. Tiebreaker rules apply in cases where a child can be a qualifying child of more than one taxpayer.

Qualifying Child of More Than One Taxpayer—Tiebreaker	
Taxpayers	Who Gets the Tax Benefit
Parent vs. parent.	Parents can choose as long as only one parent actually claims the child.*
Parent vs. nonparent.	Parent.
Parent vs. nonparent but no parent claims the child.	Nonparent if nonparent's AGI is higher than any of the parents.
Nonparent vs. nonparent.	Taxpayer with highest AGI.

* See *More than one parent claims a child*, below.

More than one parent claims a child. Special rules address how the tie will be broken if a child is the qualifying child of two parents and both parents actually claim the same child on their separate returns.

- If two parents claim the same qualifying child, the tiebreaker goes to the parent with whom the child resided for the longest period of time during the year (custodial parent).
- If the child resides with both parents an equal amount of time during the year, the tiebreaker goes to the parent with the highest AGI.

Example #1: Nathan and Connie are married with one child. They lived together for all of 2025. In January 2026, the couple separated. Nathan and Connie will file separate returns for tax year 2025. Since their child is a qualifying child for both, Nathan and Connie can choose which of them will claim their child as a dependent.

Example #2: Assume the same facts as Example #1, except Nathan and Connie do not agree, file separate returns, and both claim their child. Assume Nathan's AGI is \$70,000 and Connie's AGI is \$75,000. Under the rules for more than one parent claiming a child, since the child resided with them for an equal amount of time during 2025, the tiebreaker goes to Connie because she has the higher AGI.

Author's Comment: The IRS will generally grant the tax benefit(s) for a dependent to the first taxpayer claiming it on a return. It is not uncommon for a taxpayer who qualifies to claim the dependent to have an e-filed return rejected because the dependent has already been claimed by another taxpayer, such as an ex-spouse or when the dependent claims him or herself on their own return.

Return e-filed with IP PIN. Beginning with the 2024 tax year, the IRS will accept Forms 1040, *U.S. Individual Income Tax Return*, 1040-NR, *U.S. Nonresident Alien Income Tax Return*, and 1040-SS, *U.S. Self-Employment Tax Return*, even if a dependent has already been claimed on a previously filed return, if the primary taxpayer on the second return includes an Identity Protection Personal Identification Number (IP PIN). (IR-2024-294)

To qualify, the taxpayer listed first on an e-filed tax return claiming a duplicate dependent must provide a current year IP PIN when they file. The spouse (if filing jointly) and dependents on the return do not need to provide an IP PIN if they do not have one.

Taxpayers who do not have IP PINs will have their e-filed returns rejected if one of their dependents has already been claimed by another taxpayer. However, if the taxpayer obtains an IP PIN and e-files again with the IP PIN entered on the return, the IRS will accept the return assuming there are no other issues with it.

An IP PIN will be required when claiming duplicate dependents on Forms 1040, 1040-NR, and 1040-SS. It will also be required on Form 2441, *Child Care and Dependent Expenses*, Form 8863, *Education Credits*, and Schedule EIC, *Earned Income Credit*.

Tax returns claiming duplicate dependents for years prior to 2024 must still be filed on paper.

See *Identity Protection PIN (IP PIN) Program*, page 14-14.

Release of Child to Noncustodial Parent (Release of Claim to Exemption)

Children of divorced or separated parents. A child can be treated as the qualifying child or qualifying relative of his or her noncustodial parent for purposes of the Child Tax Credit, Additional Child Tax Credit, or the Credit for Other Dependents.

If a custodial parent has released the claim for a child to the noncustodial parent, the child may still be a qualifying child for the custodial parent for purposes of HOH filing status, Child and Dependent Care Credit or exclusion, or the EIC. The noncustodial parent claiming the child may not claim these tax benefits unless he or she has a different qualifying child.

Form 8332, Release/Revocation of Release of Claim to Exemption for Child by Custodial Parent. The custodial parent can release the claim for a child under the following circumstances.

- The parents are divorced, legally separated, separated under a written separation agreement, or lived apart at all times during the last six months of the tax year,
- The child received over half of his or her support during the tax year from the parents,
- The child is in the custody of one or both parents for more than half the tax year, and
- The custodial parent signs Form 8332 stating that he or she will not claim the child as a dependent for the tax year and the noncustodial parent attaches it to his or her tax return.

Pre-2009 decree or agreement. See IRS Pub. 501, *Dependents, Standard Deduction, and Filing Information*, for information about pre-2009 decrees or agreements.

Multiple Support Agreements

If no one person contributed over half the support of a relative, including a person who lived with the taxpayer all year as a member of the household, but the taxpayer and another person(s) combined provided more than half the person's support, they can agree that anyone who individually provided more than 10% of the person's support can claim that person as a dependent. Use Form 2120, *Multiple Support Declaration*, or similar statement, to identify the other person(s) who agrees not to claim the person

as a dependent, and attach to the return of the taxpayer claiming the person as a dependent.

Exceptions to Time Lived With Taxpayer

Death or birth of child. A child who was born or died during the year is treated as having lived with the taxpayer more than half the year if the taxpayer's home was the child's home more than half the time he or she was alive during the year. A stillborn child does not qualify as a dependent.

Temporary absences. Temporary absences for special circumstances, such as for school, vacation, business, medical care, military services, or detention in a juvenile facility, count as time lived with the taxpayer. Exceptions apply. See *Children of divorced or separated parents*, page 3-14, and *Kidnapped child*, below.

Kidnapped child. A child kidnapped by a non-family member may still be a qualifying child for purposes of the HOH or QSS filing status, Child Tax Credit, the Credit for Other Dependents, and EIC. See IRS Pub. 501, *Dependents, Standard Deduction, and Filing Information*.

Other Dependency Rules

Foster child. A foster child is any child placed with the taxpayer by an authorized placement agency or by judgment, decree, or other order of any court of competent jurisdiction.

Adopted child. An adopted child is always treated as the taxpayer's child. An adopted child includes a child lawfully placed with the taxpayer for legal adoption.

Relationships. Relationships established by marriage do not end by divorce or at the death of a spouse.

Full-time student. A child qualifies as a full-time student if he or she was, during some part of each of any five calendar months, enrolled as a full-time student at a school, or took a full-time, on-farm training course given by a school or a state, county, or local government agency. A school includes a technical, trade, or mechanical school but does not include an on-the-job training course, correspondence school, or internet-only school. "Full-time" is defined by the school. A student who registered for classes on August 28 was considered a full-time student in August even though classes started in September. (Ltr. Rul. 9838027)

Permanently and totally disabled. A person is permanently and totally disabled if he or she cannot engage in any substantial gainful activity because of a physical or mental condition that a doctor has determined has lasted, or can be expected to last, continuously for at least a year or can be expected to lead to death.

Gross income. For purposes of the dependency rules, gross income is all taxable income before adjustments and deductions including:

- Schedule C (Form 1040) income less cost of goods sold. Other Schedule C deductions do not reduce gross income.
- Gross receipts from rental property. Do not deduct taxes, repairs, or other expenses.
- Partner's share of the gross, not the net, partnership income.
- Taxable unemployment compensation.
- Taxable scholarships or grants.

Gross income does not include:

- Tax-exempt income.
- Nontaxable Social Security benefits.
- Income received by an individual who is permanently and totally disabled for services performed at a sheltered workshop. Income must come solely from activities at the workshop that are incident to medical care. Sheltered workshops are schools operated by tax-exempt organizations that provide training designed to alleviate disabilities.

Income (Form 1040)

Cross References

- Instructions for Form 1040, *U.S. Individual Income Tax Return*
- IRS Pub. 17, *Your Federal Income Tax for Individuals*
- IRS Pub. 525, *Taxable and Nontaxable Income*

Related Topics

- Sole Proprietorships and Farmers, Tab 5
- Investment Income, Tab 6
- Rental, Passive, and At-Risk, Tab 7
- Retirement, Social Security, and Medicare, Tab 13

Wages

See *Statutory employee income*, page 5-9.

Line 1a. Wages, salaries, tips, etc. Enter the total from box 1 of all Forms W-2, *Wage and Tax Statement*, (except Forms W-2G).

Line 1b. Household employee wages not reported on Form(s) W-2. Enter household employee wages under \$2,800 (2025) not required to be reported on Form W-2.

Line 1c. Tip income not reported on line 1a. Include tip income not reported to the taxpayer's employer and allocated tips shown on box 8, Form W-2, unless the taxpayer can prove that unreported tips are less than the amount in box 8. See *Tip Reporting*, page 3-16.

Also include the value of noncash tips received, such as tickets, passes, or other items of value. Although not reported to the employer, these noncash tips must be reported on line 1c.

Line 1d. Medicaid waiver payments not reported on Form(s) W-2. Enter taxable Medicaid waiver payments not reported on Form(s) W-2 as well as any Medicaid waiver payments the taxpayer chooses to include in earned income for purposes of claiming a credit or other tax benefit. See *Line 8s. Nontaxable amount of Medicare waiver payments*, page 3-20.

Nontaxable Medicaid waiver payments should be reported to a taxpayer in box 12, code II, Form W-2.

Line 1e. Taxable dependent care benefits from Form 2441, line 26. Dependent care benefits should be shown in box 10, Form W-2. First complete Form 2441, *Child and Dependent Care Expenses*, to see if the taxpayer can exclude part or all of the benefits. See *Child and Dependent Care Expenses*, page 11-4.

Line 1f. Employer-provided adoption benefits from Form 8839, line 29. Employer-provided adoption benefits should be shown in box 12, code T, Form W-2. The taxpayer may be able to exclude some or all of the benefits. See *Adoption Expenses*, page 11-3.

Line 1g. Wages from Form 8919, line 6. See *Uncollected Social Security and Medicare tax on wages*, page 3-25.

Line 1h. Other earned income. The following types of income must be reported on line 1h.

- Strike or lockout benefits (other than bona fide gifts).
- Excess salary deferrals and corrective distributions from 401(k) plans and other employer retirement plans. See *Excess Salary Deferrals*, page 3-16.
- Disability pensions reported on Form 1099-R, *Distributions From Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts, etc.*, if the taxpayer has not reached the employer's minimum retirement age.
- Corrective distributions from a retirement plan. See *Corrective distributions from retirement plans*, page 3-16.

Line 1i. Nontaxable combat pay election. Taxpayers who elect to include their nontaxable combat pay in earned income to compute the Earned Income Credit enter the amount here. See *Combat pay election*, page 11-10.

Substitute Form W-2 or Form 1099-R. If a taxpayer has not received Form W-2 or Form 1099-R by January 31, or the information is incorrect, the taxpayer must contact his or her employer or payer. If the taxpayer has not received the information by the end of February, then he or she may call the IRS at 800-829-1040 for assistance. The IRS will contact the employer or payer for the taxpayer and request the missing form(s).

The IRS will also send the taxpayer Form 4852, *Substitute for Form W-2, Wage and Tax Statement*, or Form 1099-R, *Distributions From Pension, Annuities, Retirement or Profit Sharing Plans, IRAs, Insurance Contracts, etc.*, along with a letter of instructions. If the missing or corrected forms are not received in time to file the taxpayer's tax return, he or she completes Form 4852 and either uses information from paycheck stubs or estimates the wages, payments, and tax withheld to complete the tax return.

If the missing or corrected forms are received after the tax return is filed and the information differs from the estimates, then the taxpayer must file Form 1040-X, *Amended U.S. Individual Income Tax Return*. See *Amended Returns*, page 14-12.

Tip Reporting

Also see *No tax on tips*, page 3-24.

Tipped employees must do the following:

1) **Keep a daily tip record.** Write the information in a tip diary or keep copies of documents that show tips received, such as restaurant bills and credit or debit card charge slips. Record the following daily.

- Cash tips from customers and other employees.
- Tips from credit and debit card charges.
- Noncash tips such as tickets, passes, etc.
- Tips paid out to other employees and their names.

Do not include service charges that an employer adds to a bill and passes on to the employee. These amounts should be treated as wages.

2) **Report tips to employer.** An employee is required to report tips monthly if tips for the month are \$20 or more. This threshold applies separately to each employer. Only cash, check, debit or credit card tips are reported to an employer. Do not report tips paid out to other employees.

3) **Report tips on tax return.**

- **Income tax.** Tips reported to an employer are included in box 1, Form W-2. All tips are taxable, including noncash tips and tips that total less than \$20 in a month. Add tips not reported to an employer to the total reported on line 1c, Form 1040.
- **Social Security and Medicare tax.**
 - If employee's wages are not enough to withhold tax, tax uncollected at year-end is reported in box 12, Form W-2, Codes A and B. Report these amounts on line 6, Schedule 2 (Form 1040), *Additional Taxes*.
 - If an employee received \$20 or more in cash and charge tips in a month and did not report tips to employer, complete Form 4137, *Social Security and Medicare Tax on Unreported Tip Income*, and report tax on line 5, Schedule 2 (Form 1040), *Additional Taxes*. Tax reported on Form 4137 is subject to a 50% penalty. The penalty may be waived for reasonable cause by attaching a statement to the return explaining why the tips were not reported.

Allocated tips. Allocated tips are tips that an employer assigns to an employee in addition to tips reported by the employee. Allocated tips are reported by restaurants, lounges, and similar

businesses when the employee reported less than 8% of his or her share of food and drink sales.

Reporting. Allocated tips are reported in box 8, Form W-2. They are not included in box 1, 3, 5, or 7. No income, Social Security, or Medicare taxes are withheld on allocated tips. Report the amount from box 8, Form W-2, on line 1c, Form 1040, and on Form 4137, *Social Security and Medicare Tax on Unreported Tip Income*. Social Security and Medicare taxes computed on Form 4137 are reported on line 5, Schedule 2 (Form 1040), *Additional Taxes*.

Actual tips less than allocated tips. An employee can report less than the allocated amount on Form 1040 if the employee has a daily tip record or other evidence that is as credible and as reliable as a daily tip record. Report actual tips (less reported tips) instead of the allocated amount.

How to request a lower rate. Either the employer or a majority of employees can file a petition with the IRS to request an allocated tip rate lower than 8%. For information about how to file the petition, see the instructions for Form 8027, *Employer's Annual Information Return of Tip Income and Allocated Tips*.

Excess Salary Deferrals

401(k) and other retirement plans. Excess salary deferrals from 401(k) plans and other retirement plans are reported as taxable wages on line 1h, Form 1040.

Example: Mary is 45 and works two jobs. She receives a Form W-2 from one employer showing elective deferrals to a 401(k) plan in box 12, code D, in the amount of \$12,500. The Form W-2 from her second employer shows an elective salary deferrals of \$11,500 for total combined deferrals of \$24,000. Since the limit for elective salary deferrals to a 401(k) plan is \$23,500 for 2025, Mary must report the \$500 excess deferral as taxable wages on line 1h, Form 1040.

For 401(k), 403(b), and SIMPLE elective deferral limits, see *Pension Plan Limitations—2025*, page 13-2.

Corrective distributions from retirement plans. Corrective distributions and excess contributions (including earnings) reported on Form 1099-R are treated as taxable income on line 1h, Form 1040, to the extent the contributions were deducted from wages. However, report any IRA distributions on line 4a and line 4b, Form 1040. See *Retirement, Social Security, and Medicare*, Tab 13.

Interest and Dividend Income

Schedule B (Form 1040), Interest and Ordinary Dividends. Generally, a taxpayer must file Schedule B (Form 1040) if taxable interest or ordinary dividends exceed \$1,500, the taxpayer is excluding interest from U.S. Savings Bonds, or receives nominee interest income. However, for more situations, see *Interest and Dividends (Schedule B)*, page 6-5.

Nominee interest and dividends. Nominee income is income reported to a taxpayer that belongs (in whole or in part) to someone else. For example, if several taxpayers jointly own a bank account, one owner usually receives the Form 1099-INT for all taxable interest for the year as a nominee. Nominee interest and dividends are reported in the following manner.

- 1) Report the Form 1099-INT or Form 1099-DIV total on Schedule B (Form 1040).
- 2) After the last interest entry on line 1 or the last ordinary dividend entry on line 5, enter a subtotal of all interest or dividends. Below the subtotal enter "Nominee Distribution" and list the interest or dividends received as a nominee as a negative amount.
- 3) Subtract the nominee interest or ordinary dividends from the subtotal and enter the result on line 2 or line 6.

The taxpayer must issue a Form 1099-INT or Form 1099-DIV for the nominee amount unless the owner of the income is the taxpayer's spouse. List the taxpayer as payer and the owner as recipient. File Forms 1099-INT, 1099-DIV, and Form 1096, *Annual Summary and Transmittal of U.S. Information Returns*, with the IRS.

Tax-exempt interest. Municipal bond interest and exempt-interest dividends from mutual funds or other regulated investment companies are reported on line 2a, Form 1040, but are not included in gross income. See *Tax-Exempt Interest*, page 6-6.

Ordinary dividends. Ordinary dividends are generally reported on line 3b, Form 1040, and are taxed as ordinary income. See *Taxable Dividends*, page 6-7.

Qualified dividends. Qualified dividends are ordinary dividends eligible for the lower maximum tax rates that apply to capital gains and reported on line 3a, Form 1040. See *Qualified Dividends*, page 6-8.

Retirement Distributions

Form 1099-R, Distributions From Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts, etc. Taxpayers should receive a Form 1099-R showing the total reportable amount of any distribution from an IRA or other retirement plan. If Form 1099-R is incorrect, see *Substitute Form W-2 or Form 1099-R*, page 3-16.

IRA distributions. Enter any distribution from a traditional IRA, Roth IRA, SEP IRA, and a SIMPLE IRA on line 4, Form 1040. See *Individual Retirement Arrangement (IRA)*, page 13-7.

If the total distribution is taxable, leave line 4a blank and enter the total distribution on line 4b. If all or a portion of the distribution is not taxable, enter the total distribution on line 4a and the taxable portion on line 4b. The following are examples where the total distribution may not be fully taxable.

- Part or all of the distribution was rolled over. Check the "Rollover" box on line 4c. See *Rollovers and Transfers*, page 13-19.
- The taxpayer has a nondeductible basis in the IRA (other than a Roth IRA). See *Form 8606, Nondeductible IRAs*, page 13-11.
- The taxpayer received a distribution from a Roth IRA that did not have Code T or Code Q in box 7, Form 1099-R. Use Form 8606 to calculate the taxable portion. **Exception:** A portion may be taxable with Code T if the 5-year holding period has not been met.
- Conversion from a traditional, SEP, or SIMPLE IRA to a Roth IRA.
- A 2024 or 2025 IRA contribution was returned along with the related earnings.
- Excess contributions to an IRA for an earlier year were made and returned in 2025.
- Recharacterization of part or all of a contribution to a Roth IRA as a contribution to another type of IRA, or vice versa.
- Qualified health savings account (HSA) funding distribution (HFD). Check box 3 and enter "HFD" on line 4c. See *Qualified HSA funding distribution*, page 22-7.
- Qualified charitable distribution (QCD). Check the "QCD" box on line 4c. See *Qualified charitable distribution (QCD)*, page 4-20.

If more than one exception applies, check a box for each exception and include a statement showing the amount of each exception.

Pensions and annuities. Report amounts from Form 1099-R on line 5, Form 1040.

Fully taxable. Enter the total on line 5b and leave line 5a blank. Payments are fully taxable if:

- The taxpayer did not contribute to the cost of the plan, or
- The taxpayer has received the entire cost tax free in prior years.

Military retirement pay reported on Form 1099-R is fully taxable.

Partially taxable. Enter total payments on line 5a. Enter taxable amount on line 5b. The taxable amount may be taken from Form 1099-R (if a taxable amount is shown) or calculated using the method that applies to the payments—either the General Rule or Simplified Method. See *Cost basis in a retirement plan*, page 13-18.

If the taxpayer received U.S. Civil Service retirement benefits and chooses the alternative annuity option, see IRS Pub. 721, *Tax Guide to U.S. Civil Service Retirement Benefits*, to calculate the taxable part of the annuity.

Public safety officers. Retired law enforcement officers, firefighters, ambulance crews, and other public safety officers can elect to exclude up to \$3,000 from retirement plan distributions used to pay premiums for accident, health, or long-term care insurance policies. See *Public Safety Officers*, page 3-22.

Rollovers. Report rollovers from qualified employer plans. Enter the total distribution (box 1, 1099-R) on line 5a, and:

- Subtract any contributions that were taxable when made (box 5, 1099-R).
- Subtract the amount of the qualified rollover.

Enter the remaining amount, even if zero, on line 5b. Check the "Rollover" box on line 5c. See *Rollovers and Transfers*, page 13-19.

1099-R income reported on line 1h rather than line 5, Form 1040:

- Disability pensions if the taxpayer has not reached employer's minimum retirement age.
- Corrective distributions of excess salary deferrals or excess contributions to retirement plans.

Social Security Income

Social Security lump-sum payments. Benefits reported in box 5, Form SSA-1099, can include amounts paid for prior years. A footnote on Form SSA-1099 will list any amount included in 2025 paid for a prior year.

Taxable benefits for 2025 can be calculated in two ways. Use the one that produces lower taxable benefits.

- Use the regular method as if all benefits were for 2025.
- Use the Lump-Sum Election Method:
 - 1) Recalculate 2025 taxable benefits without the prior year lump-sum payments.
 - 2) Recalculate taxable benefits for each prior year by adding the lump-sum payment designated for that year to the return.
 - 3) Subtract any taxable benefits reported on the prior year return before recalculation. The result is the taxable part of the lump-sum payment for that year.
 - 4) Add 2025 taxable benefits from Step 1 to all prior year taxable benefits.

Detailed instructions and worksheets can be found in IRS Pub. 915, *Social Security and Equivalent Railroad Retirement Benefits*.

Election. If taxable benefits are lower using the lump-sum election method, report total benefits from box 5, SSA-1099, on line 6a, Form 1040, and taxable benefits from Step 4, above, on line 6b, and check the box on line 6c.

Married Filing Separately. A taxpayer who files as Married Filing Separately and who lived apart from his or her spouse for all of 2025 must check the box on line 6d. If the box is not checked, the taxpayer may get a math error notice from the IRS.

Capital Gain or Loss

Capital gain or loss is reported on line 7, Form 1040. Generally, if the taxpayer sold an asset, such as a stock or bond, complete and attach Form 8949, *Sales and Other Dispositions of Capital Assets*, and Schedule D (Form 1040), *Capital Gains and Losses*. See *Capital Gains and Losses (Schedule D)*, page 6-8.

Additional Income (Schedule 1)

Form(s) 1099-K. If the taxpayer received Form 1099-K that shows payments that were included in error (for example, money for gifts or reimbursements) or for personal items sold at a loss, enter that amount where indicated at the top of Schedule 1.

Recoveries. A recovery is a return of an amount a taxpayer deducted or took a credit for in an earlier year.

Recoveries include refunds, reimbursements, and rebates of itemized deductions. A taxpayer may also have recoveries of nonitemized deductions (such as payments on previously deducted bad debts) and recoveries of items for which he or she previously claimed a tax credit.

Tax benefit rule. A recovery is taxable only if tax was reduced by deducting the payment or claiming a credit on the amount paid. An increase to a carryover to the current year that resulted from the deduction or credit is considered to have reduced tax in the earlier year.

Recovery and payment in the same year. The recovery reduces the deduction or credit and is not reported as taxable income.

Recovery of payment made in a previous year. The recovery is included as taxable income in the year received. The taxable amount is limited to the amount that actually reduced tax in the earlier year.

Nondeductible payments. Recoveries of nondeductible payments are not taxable.

Itemized deduction recoveries. The most common recovery is a refund of state tax paid in the previous year. To calculate whether the taxpayer received a tax benefit requires that itemized deductions be checked against the standard deduction for the previous year and that other modifications be made for special situations.

Other recoveries. Recalculate tax in the prior year without the amount deducted or used to claim a credit. If the refund does not change, the recovery is not taxable. If the recalculated tax is higher, include the recovery in income up to the amount used to reduce tax. These rules do not apply to credits subject to recapture.

State and local income tax refund. If a refund was for tax paid in 2024 and deducted as state and local income taxes on Schedule A (Form 1040), *Itemized Deductions*, use the *State and Local Income Tax Refund Worksheet* to calculate the taxable portion for line 1, Schedule 1. Do not use the worksheet if any of the following apply. Instead, see *Itemized Deduction Recoveries* in IRS Pub. 525, *Taxable and Nontaxable Income*.

- The refund was for tax paid in a year other than 2024.
- The refund was for taxes other than income taxes, such as general sales tax or real property tax.
- The qualified business income deduction for 2024 was more than 2024 AGI plus the standard/itemized deduction taken.
- The taxpayer had taxable income for 2025, but no income tax was due because of the 0% tax rate on net capital gain and qualified dividends.
- The 2024 state and local income tax refund is more than the 2024 state and local income tax deduction minus the amount that could have been deducted as 2024 state and local general sales tax.
- The last payment of 2024 estimated state or local income tax was paid in 2025.
- The taxpayer owed AMT in 2024.
- Total nonrefundable credits were not deducted in full in 2024 because they exceeded the 2024 tax amount.
- The taxpayer could be claimed as a dependent by someone else in 2024.

- The taxpayer received a refund because of a jointly-filed state or local income tax return, but is not filing a joint 2025 federal tax return with the same person.

Alimony received. Enter on line 2a, Schedule 1, amounts received as alimony or separate maintenance from a divorce or separation agreement entered into on or before December 31, 2018, unless that agreement was changed after December 31, 2018, to expressly provide that alimony received is not included in the taxpayer's income.

For divorce or separation agreements entered into after December 31, 2018, alimony is not included in the taxpayer's income. See *Alimony*, page 12-12.

The month and year of the original divorce or separation agreement that relates to the alimony payment must be entered on line 2b, Schedule 1.

Other gains or losses. If the taxpayer sold or exchanged assets used in a trade or business, and is filing Form 4797, *Sales of Business Property*, include the amount from line 18b, Form 4797, on line 4 and check the "4797" box. See *Sales of Business Property (Form 4797)*, page 6-16.

If Form 4797 is not required, include the amount from line 31, Form 4684, *Casualties and Thefts*, on line 4 and check the "4684" box. See *Casualty and Theft Losses*, page 4-21.

Unemployment compensation. Box 1, Form 1099-G, *Certain Government Payments*, reports total unemployment compensation paid. If contributions were made to a governmental unemployment compensation program or paid family leave program, and the taxpayer is not itemizing deductions, reduce the amount on line 7, Schedule 1 by those contributions.

Other types of unemployment. Report other types of unemployment benefits as follows.

- Benefits received from an employer-financed fund to which the employees did not contribute are taxable as wages on Form W-2. Report on line 1a, Form 1040.
- Benefits received from a private non-union fund to which the taxpayer voluntarily contributed are taxable only when amounts received exceed total payments into the fund. Report on line 8z, Schedule 1.
- Benefits received from a union paid from regular union dues are reported on line 8z, Schedule 1. However, if the taxpayer contributed to a special union fund that was not deductible, benefits are taxable only to the extent they exceed contributions.
- Guaranteed full pay benefits received from an employer under a union agreement are taxable as wages on line 1a, Form 1040.
- Payments to state employees who are not covered by the state's unemployment compensation law are fully taxable and reported on line 8z, Schedule 1.

Repayments. If the taxpayer received benefits in 2025 and repaid any of the amount in 2025, subtract the amount repaid and enter the result on line 7, Schedule 1. Enter "Repaid" and the amount repaid on the dotted line next to line 7, Schedule 1. For benefits received in an earlier year and repaid in 2025, see *Repayments*, page 3-28.

New for 2025 **Paid family leave.** Beginning in 2025, contributions made to a governmental paid family leave program are included in full in a taxpayer's income. Contributions can be deducted as part of the state and local taxes paid for taxpayers who itemize deductions. See *State and Local Income Taxes*, page 4-8.

Other income. Use lines 8a through 8z, Schedule 1 to report any income not reported elsewhere on the return or other schedules. Examples of income to report include the following. For additional information, see IRS Pub. 525, *Taxable and Nontaxable Income*.

Line 8a. Net operating loss (NOL). An NOL carryover from another year is entered as a negative number. See *Net Operating Loss (NOL)*, page 8-20.

Line 8b. Gambling income. The full amount of gambling winnings (e.g., winnings from bingo, casinos, daily fantasy sports, lotteries, or raffles) is included in taxable income. If the taxpayer itemizes deductions on Schedule A (Form 1040), gambling losses up to the amount of winnings can be deducted. See *Gambling losses*, page 4-26.

Proof of winnings and losses. A taxpayer must keep an accurate diary or similar record of losses and winnings, which should contain the date and type of the specific wager, name and address of the gambling establishment, names of other persons present, and the amount(s) won or lost. In addition, other documentation to prove winnings and losses include wagering tickets, cancelled checks, substitute checks, credit records, bank withdrawals, and statements of actual winnings or payment slips provided by the gambling establishment, if applicable.

Form W2-G, Certain Gambling Winnings. Gambling winnings may or may not be reported on Form W2-G, but all gambling winnings are taxable. Report any federal income tax withheld on line 25c. Form 1040.

Court Case: A taxpayer won \$2,000 on a slot machine, but ended up ahead only \$1,100 at the end of the day. The taxpayer did not report the winnings on the tax return, and did not itemize deductions to claim losses. The IRS claimed the taxpayer failed to report gambling winnings of \$2,000. However, the Tax Court determined that the amount of unreported gambling winnings was \$1,100. The decision stated that computing wins and losses for each separate wager was too burdensome, and “the fluctuating wins and losses left in play are not accretions to wealth until the taxpayer redeems his or her tokens and can definitely calculate the amount above or below basis (the wager realized.” (*Shollenberger*, T.C. Memo. 2009-306)

Professional gambler. If the taxpayer can prove the gambling activity was conducted as a trade or business, gambling losses would be deductible on Schedule C (Form 1040). Courts often rule for nonprofessional status when the activity has some characteristics of being recreational. (*Mohammadpour*, T.C. Summary 2007-163)

Note: Professional gambling losses and expenses are limited to the amount of winnings. [IRC §165(d)]

OBBBA The OBBBA made changes to the gambling loss deduction for tax years beginning after 2025. For more information, see *What's New*, Tab 1.

Line 8c. Cancellation of debt. Generally, report cancelled debt from box 2, Form 1099-C, *Cancellation of Debt*. See *Cancellation of Debt*, page 6-27.

Line 8d. Foreign earned income exclusion from Form 2555. Enter the amount of the taxpayer's foreign earned income and housing exclusion from Form 2555, *Foreign Earned Income*. See *Foreign Earned Income Exclusion and Housing Exclusion and Deduction*, page 14-11.

Line 8e. Income from Form 8853. Enter the total of lines 8, 12, and 26 from Form 8853, *Archer MSAs and Long-Term Care Insurance Contracts*. See *Taxable long-term care payments*, page 4-6, and *Medical Savings Account (MSA)*, page 30-13.

Line 8f. Income from Form 8889. Enter the total of lines 16 and 20 from Form 8889, *Health Savings Accounts (HSAs)*. See *Health Savings Accounts (HSAs)* (IRC §223), page 22-6.

Line 8g. Alaska Permanent Fund dividends. Payments for Alaska's mineral income fund to residents are taxable. The recipient

should receive a document showing the amount, which is also reported to the IRS.

Line 8h. Jury duty pay. Include in income jury duty pay received that is not reported on Form W-2. If jury duty pay is given to employer, the taxpayer can deduct the amount turned over. See *Line 24a. Jury duty*, page 3-23.

Line 8i. Prizes and awards. Prizes and awards are taxable income, including noncash items, and are generally reported on Form 1099-MISC. However, see *Line 8m. Olympic and Paralympic medals and USOC prize money*, below.

Noncash. For noncash prizes, a taxpayer can report a lower value than the FMV reported on Form 1099-MISC if he or she can substantiate the lower value. [*McCoy*, 38 T.C. No. 841 (1962)]

Line 8j. Activity not engage in for profit income. Income from a hobby is taxable. See *Hobby Loss Rules*, page 5-21.

Line 8k. Stock options. Enter income from the exercise of stock options not otherwise reported on the taxpayer's Form 1040. See *Tax Treatment of Stock Options*, page 6-2.

Line 8l. Rental of personal property. Income from the rental of personal property is taxable if the taxpayer is engaged in the rental for profit but was not in the business of renting such property. Related expenses can be deducted on line 24b, Schedule 1. See *Rental of personal property*, page 7-2.

Line 8m. Olympic and Paralympic medals and USOC prize money. The value of Olympic and Paralympic medals and the amount of United States Olympic Committee (USOC) prize money received because of the taxpayer's participation in Olympic or Paralympic games may be nontaxable. These amounts should be reported to the taxpayer in box 3, Form 1099-MISC.

To see if the amounts are nontaxable, first compute adjusted gross income (AGI) including the value of the medals and prize money. If AGI is not more than \$1,000,000 (\$500,000 MFS), these amounts are nontaxable. Include the amount from box 3, Form 1099-MISC, on line 8m. Then subtract the same amount by including it on line 24c, Schedule 1. See *Line 24c. Nontaxable prizes and awards*, page 3-23.

Line 8n. Section 951(a) inclusion. U.S. shareholders of controlled foreign corporations are required to report their pro rata share of the corporations' subpart F income and the amounts determined under IRC section 956 with respect to such shareholders for such years in taxable income. Use the amount calculated on Form 5471, *Information Return of U.S. Persons With Respect to Certain Foreign Corporations*, and attach a copy of the form to the return. (IRC §951)

Line 8o. Section 951A(a) inclusion. U.S. shareholders of controlled foreign corporations are required to report their global intangible low-taxed income (GILTI) in taxable income. Use the amount calculated on Form 8992, *U.S. Shareholder Calculation of Global Intangible Low-Taxed Income (GILTI)*, and attach a copy of the form to the return. If the taxpayer has a Form 5471 reporting requirement, attach a copy of the form to the return.

Election. If the taxpayer made an IRC section 962 election with respect to income inclusions, report the tax due on line 16, Form 1040 and attach a statement showing how the tax was calculated.

Line 8p. Section 461(l) excess business loss adjustment. See *Excess Business Loss Limitation*, page 5-13.

Line 8q. Taxable distributions from an ABLE account. Distributions from an ABLE account are taxable if they exceed the designated beneficiary's qualified disability expenses and distribution was not included in a qualified rollover. See, *Achieving a Better Life Experience (ABLE)*, page 12-9.

Line 8r. Scholarship and fellowship grants. Enter the amount of scholarship and fellowship grants not reported on Form W-2. Degree candidates only include the amounts used for expenses

other than tuition and course-related expenses. See *Scholarships, Fellowships, and Grants*, page 12-7.

Line 8s. Nontaxable amount of Medicaid waiver payments. Certain Medicaid waiver payments a taxpayer received for caring for someone living in his or her home may be nontaxable. (Notice 2014-7)

Enter the nontaxable portion of amounts previously entered on line 1a or 1d, Form 1040. For more information, see IRS Pub. 525, *Taxable and Nontaxable Income*.

Line 8t. Pension or annuity from nonqualified deferred compensation plan. Enter the amount received as a pension or annuity from a nonqualified deferred compensation plan or a non-governmental 457 plan. This may be shown in box 11, Form W-2.

8u. Wages earned while incarcerated. Enter the amount received for work performed while an inmate in a penal institution.

8v. Digital assets not reported elsewhere. If the taxpayer received ordinary income in connection with digital assets that is not reported elsewhere on the return, report this income on line 8v. Do not report a gift or inheritance of digital assets on line 8v.

Line 8z. Other income. Use line 8z, Schedule 1 to report income not listed above. For more information, see IRS Pub. 525, *Taxable and Nontaxable Income*. Examples of such income include:

Reimbursements. Reimbursements or other amounts received for items deducted in an earlier year. For more information, see *Recoveries*, page 3-18.

Reemployment trade adjustment assistance (RTAA) payments. RTAA payments are taxable income and reported in box 5, Form 1099-G, *Certain Government Payments*.

Loss on certain corrective distributions of excess deferrals. See IRS Pub. 525, *Taxable and Nontaxable Income*.

Dividends on life insurance policies. If dividends on life insurance policies exceed the total of all net premiums paid for the contracts. See *Life Insurance*, next column.

Recapture of a charitable contribution deductions. Certain deductions of charitable contributions must be recaptured if they relate to (1) a fractional interest in tangible personal property and (2) the disposition of donated property by the charitable organization within three years of the donation. See *Recapture of Charitable Contribution Deduction*, page 4-18.

Taxable part of disaster relief payments. See *Casualty and Theft Losses*, page 4-21.

Taxable distributions from a Coverdell ESA or QTP. Certain distributions may be taxable if they exceed qualified higher education expenses and they were not included in a qualified rollover. See *Qualified Tuition Programs (QTPs) and Education Savings Accounts (ESAs)*, page 12-5.

Campaign contributions. Campaign contributions diverted for a candidate's personal use are taxable income.

Illegal activities. Income from illegal activities such as money from dealing illegal drugs, must be included as other income. However, if from self-employment activity include on Schedule C (Form 1040). See *Marijuana Sales*, page 8-7.

Manufacturer incentive payments. Any incentive payments (SPIFFS) are taxable but not subject to Social Security or self-employment tax. (Rev. Rul. 70-337)

Disability Payments and Sick Pay

Payments for sickness or injury, including disability pension payments, are not taxable if the taxpayer paid for the plan. If both the taxpayer and employer paid, only the amount received due to the employer's payments is reported as income. If insurance premiums are paid through a cafeteria plan, the employee is considered to have paid the premiums only if the benefits were

included in income. See IRS Pub. 907, *Tax Highlights for Persons With Disabilities*.

Imputed Interest on Below-Market Loans

If interest is less than the applicable federal rate, the foregone interest may be taxable interest income to the lender. Imputed interest rules prevent taxpayers from using loans to shift income to taxpayers in lower brackets or to shift income from ordinary income to capital gains by raising a purchase price and charging less interest. (IRC §7872)

Exceptions: Imputed interest rules do not apply if the loans between the following parties are \$10,000 or less.

- Compensation-related loans between an employer and employee or between an independent contractor and a person for whom the contractor provides services.
- Loans between a corporation and its shareholder.
- Gift loans. See *Below-market gift loans*, page 21-25.

Applicable federal rates. An index of applicable federal rates can be found at: <https://www.irs.gov/applicable-federal-rates>.

Lawsuit Settlements and Awards

- All interest on awards is taxable.
- All punitive damages are taxable except in certain wrongful death actions.

The taxpayer should receive Form 1099-MISC reporting any taxable punitive damages or other amounts.

Car accidents and other personal injuries. Compensatory damages received for personal physical injury or sickness are not taxable, including damages for loss of wages or earnings, loss of earning capacity, and for emotional distress caused by a physical injury or sickness. (IRC §104)

Compensatory damages are amounts paid to compensate for actual loss or injury. Punitive damages, on the other hand, are intended to punish or make an example of the defendant.

Emotional distress. Damages for emotional distress are taxable if not caused by physical injury or sickness. Damages are taxable even if the emotional distress causes physical symptoms.

Exception: Damages up to the cost of deductible medical care are excluded from income. (*Pettit*, T.C. Memo. 2008-87)

Other claims. Whether a settlement or award is taxable depends on the item the settlement replaces. If the item replaced would be taxable income, the settlement or award is taxable.

Legal fees and court costs. Miscellaneous itemized deductions subject to the 2% AGI limitation are not allowed. Therefore, most legal fees and court costs cannot be deducted. These costs cannot be netted against the settlement.

Exceptions: For exceptions, see *Line 24h. Attorney fees—unlawful discrimination claims*, page 3-23, and *Line 24i. Attorney fees—IRS award for detecting tax law violations*, page 3-23.

Life Insurance

At death. Proceeds paid because of the death of the insured are not taxable unless the policy was turned over to the taxpayer for a price. Interest on proceeds held by the insurance company after death are taxable. If proceeds are paid in installments, part of each installment is taxable as interest.

During life. Premiums on cash value policies that are more than the cost of insurance are invested and pay dividends, building up cash value. Policy dividends are generally not taxable unless dividends withdrawn exceed the premiums paid. Interest on accumulated dividends is taxable each year.

Surrender of policy for cash. Proceeds that are more than the cost of the policy are taxable. Cost is the total premiums paid for the policy less any refunded premiums, rebates, dividends, or unrepaid loans that were not included in income. (Rev. Rul. 2009-13)

Endowment contracts. An endowment contract is a policy that will pay a specific amount on a certain date or, if the insured dies before that date, to a beneficiary. Payments before maturity because of the death of the insured are treated as life insurance proceeds. Lump-sum payments at maturity are taxable if they exceed the cost of the policy. If the taxpayer elects to receive installments, the payments are treated as an annuity.

Modified endowment contracts. Policies that fail certain tests are treated for tax purposes as tax-sheltered investments. These contracts lose many of the tax advantages of life insurance. Loans against the policy are generally considered distributions. Only dividends used to pay for the contract are excluded from income. Distributions are treated as income first. An early withdrawal penalty may apply to distributions. (IRC §7702A)

Accelerated death benefits. Amounts paid to a terminally ill insured under a life insurance contract or viatical settlement are not taxable. A physician must certify that an illness or physical condition can reasonably be expected to result in death within 24 months. Amounts paid to a chronically-ill individual for costs of qualified long-term care services are not taxable. Amounts paid on a per diem or other periodic basis may be excludable under rules for long-term care contracts.

Viatical settlements. A viatical settlement provider is a person who regularly engages in the business of buying or taking assignment of life insurance contracts on the lives of insured individuals who are terminally or chronically ill and who meet certain requirements. [IRC §101(g)(2)(B)]

Reporting. File Form 8853, *Archer MSAs and Long-Term Care Insurance Contracts*, to claim an exclusion for accelerated death benefits paid on a per diem or other periodic basis. Form 8853 is not required for benefits paid on the basis of actual expenses.

Tax-Free Insurance Policy Exchanges (IRC §1035)

<i>From</i> \ <i>To</i>	Life	Annuity	Endowment	Qualified Long-Term Care (LTC)
Life	Yes	Yes	Yes	Yes
Annuity	No	Yes	No	Yes
Endowment	No	Yes	Yes*	Yes
Qualified LTC	No	No	No	Yes

* The exchange must be made for an endowment contract which provides for regular payments which begin at a date not later than the date payments would have begun under the contract exchanged.

Note: An exchange to a new policy will generally start a new contestability period for incontestability clauses and suicide provisions. Generally no ownership change may occur in the exchange.

Notary Public

Fees for services to notarize documents are reported on Schedule C (Form 1040), but are not subject to self-employment tax. Check box 3 and enter "EN" on line 4, Schedule 2 (Form 1040). Fees for other services are subject to self-employment tax.

Fiduciaries

Nonprofessional fiduciaries. Taxpayers who serve as executors, personal representatives, and other fiduciaries for friends or family members report fees on line 8z, Schedule 1, not subject to self-employment tax. Fees are not taxable if waived.

Exception: Fees received by a nonprofessional fiduciary related to the active participation in the operation of an estate's business or

the management of an estate that requires extensive management activities over a long period of time are subject to self-employment tax.

Professional fiduciaries. Professional fiduciaries report fees as business income on Schedule C (Form 1040), subject to self-employment tax.

Corporate directors. Corporate directors report fiduciary fees as business income on Schedule C (Form 1040), subject to self-employment tax.

Nontaxable Income

The following list of nontaxable income is not all-inclusive.

Nontaxable Income

- Certain Social Security and Tier 1 Railroad Retirement benefits. (§86)
- Certain death benefits. (§101)
- Gifts and inheritances. (§102)
- Interest on state and local bonds. (§103)
- Workers' compensation. (§104)
- Compensation for injuries or sickness. (§104)
- Certain amounts received under accident and health plans. (§105)
- Contributions by employer to accident and health plans. (§106)
- Rental value of parsonages. (§107)
- Certain income from discharge of indebtedness. (§108)
- Improvements by lessee on lessor's property. (§109)
- Qualified lessee construction allowances for short-term leases. (§110)
- Recovery of tax benefit items. (§111)
- Certain combat zone compensation of members of the Armed Forces. (§112)
- Qualified scholarships. (§117)
- Contributions to the capital of a corporation. (§118)
- Meals or lodging furnished for the convenience of the employer. (§119)
- Exclusion of gain from sale of principal residence. (§121)
- Certain reduced uniformed services retirement pay. (§122)
- Amounts received under insurance contracts for certain living expenses. (§123)
- Cafeteria plans. (§125)
- Certain cost-sharing payments. (§126)
- Educational assistance program. (§127)
- Dependent care assistance programs. (§129)
- Certain personal injury liability assignments. (§130)
- Certain foster care payments. (§131)
- Certain fringe benefits. (§132)
- Certain military benefits. (§134)
- Income from U.S. Savings Bonds used to pay higher education tuition and fees. (§135)
- Energy conservation subsidies provided by public utilities. (§136)
- Adoption assistance program. (§137)
- Medicare Advantage MSA. (§138)
- Disaster relief payments. (§139)
- Federal subsidies for prescription drug plans. (§139A)
- Certain volunteer firefighter and emergency medical responder benefits. (§139B)
- Indian health care benefits. (§139D)
- Indian general welfare benefits. (§139E)
- Certain amounts received by wrongfully-incarcerated individuals. (§139F)
- Assignments to Alaska Native Settlement Trusts. (§139G)
- Certain interest received in action to recover property seized by the IRS. (§139H)
- Continuation coverage premium assistance. (§139I)

Foster Care Payments

Qualified foster care payments are not taxable (IRC §131). To qualify for this exclusion, all the following must be true.

- Payments are received in accordance with a foster care program of a state or local government.
- Payments are received from either the state or local government or a licensed foster care placement agency.
- Payments are received either for caring for a person who was placed in the foster care provider's home by the government or licensed agency or for a difficulty of care payment.
- If the foster home cares for any individual over the age of 18, the exclusion is limited to five foster individuals, other than difficulty-of-care payments.
- In the case of difficulty-of-care payments, the exclusion is limited to 10 individuals under age 19 and five individuals over age 18.

Difficulty-of-care payments. These are payments designated as compensation for providing additional care for physically, mentally, or emotionally handicapped qualified foster individuals. A state must determine the additional compensation is needed, and the care for which the payments are made must be provided in the foster care provider's home in which the qualified foster individual was placed.

Medicaid waiver payments. Certain Medicaid waiver payments are treated as difficulty-of-care payments, and excluded from gross income, when received by an individual care provider for caring for an eligible individual living in the provider's home (Notice 2014-7). See *Line 1d, Medicaid waiver payments not reported on Form(s) W-2*, page 3-15, and *Line 8s, Nontaxable amount of Medicaid waiver payments*, page 3-20.

Respite care provider. Payments made to a person who fills in while the foster care provider is on vacation are not excludable from income because the substitute care provider is not providing the care in his or her own home, and the state or licensed agency did not place the foster individual in his or her own home. (Ltr. Rul. 200347004)

Charitable contributions. Under certain circumstances for a child placed in a foster home under the supervision of a charitable organization:

- Reimbursement payments may not be taxable, and
- Unreimbursed expenses may be treated as charitable contributions. (Rev. Rul. 77-280)

Public Safety Officers

Insurance premiums for retired public safety officer (PSO). A retired PSO (law enforcement officer, firefighter, chaplain, or member of a rescue squad or ambulance crew) can elect to exclude up to \$3,000 from income distributions made from eligible retirement plans used to pay the premiums for accident, health, or long-term care insurance (for the PSO, spouse, or dependents). The distribution must be from the plan maintained by the employer from which the taxpayer retired as a PSO. The distribution can be made directly from the plan to the insurance provider, or the distribution can be made to the taxpayer to pay the insurance provider. The amount excluded cannot be used to claim a medical expense deduction.

Election. To make this election, reduce the otherwise taxable amount of the pension or annuity by the amount excluded. The taxable amount in box 2a, Form 1099-R does not reflect the exclusion. Report total distributions on line 5a, Form 1040, and the taxable amount on line 5b. Check box 2 on line 5c. If the PSO is retired on disability and reporting a disability pension on line 1h, Form 1040, include only the taxable amount on that line. Enter "PSO" and the amount excluded on the dotted line next to line 1h, Form 1040.

Public safety officers killed or disabled in the line of duty. Certain compensation paid to PSOs and their dependents due to the officer's death or disability as a result of an injury sustained in the line of duty is not subject to federal income tax. The following amounts may be excluded.

- Death benefits paid by the U.S. Bureau of Justice Assistance (BJA) to survivors of a PSO who has died as a result of an injury sustained in the line of duty,
- Disability benefits paid by the BJA to a PSO who has become permanently and totally disabled as a result of an injury sustained in the line of duty, and
- Any amount received under a program established under the laws of any state which provides compensation for surviving dependents of a PSO who has died as a result of an injury sustained in the line of duty.

Homeowner Assistance Fund (HAF) Payments

Financially distressed homeowners who receive a payment by a state with funds allocated from the Homeowners Assistance Fund do not include the payment in gross income. The payments are treated as a qualified disaster relief payment. For more information, see Rev. Proc. 2021-47.

Adjustments to Income (Schedule 1)

Educator expenses. Eligible educators can deduct up to \$300 (per spouse) of qualified out-of-pocket expenses paid in 2025 as an adjustment to income on line 11, Schedule 1. The maximum deduction is \$600, however, neither spouse can deduct more than \$300 of his or her own qualified expenses.

Eligible educators include kindergarten through grade 12 teachers, instructors, counselors, principals, or aides in a school for at least 900 hours during a school year. Qualified expenses include books, supplies, equipment (including computer equipment, software, and services), other materials used in the classroom, and professional development courses related to the curriculum taught by the educator. Reduce qualified expenses by any reimbursements from the employer not included in box 1, Form W-2.

Certain business expenses of reservists, performing artists, and fee-based government employees. See *Employee Business Expenses (Form 2106)*, page 8-5.

Health savings accounts (HSAs). A deduction for contributions to an HSA is allowed as an adjustment to income on line 13, Schedule 1. See *Health Savings Accounts (HSAs) (IRC §223)*, page 22-6.

Moving expenses. The moving expense deduction and the exclusion from income provision are allowed only to members of the Armed Forces on active duty, and due to a military order, the servicemember, spouse, or dependents move because of a permanent change of station.

Form 3903, Moving Expenses. Use Form 3903 to compute the moving expense deduction and enter as an adjustment to income on line 14, Schedule 1.

Permanent change of station. A permanent change of station includes moves from:

- A servicemember's home to his or her first post of active duty,
- One permanent post of duty to another, and
- A servicemember's last post of duty to his or her home or to a nearer point in the U.S. The move must occur within one year of ending the servicemember's active duty or within the period allowed under the Joint Travel Regulations.

Eligible expenses. Eligible expenses include:

- The cost of transportation and storage (up to 30 consecutive days after the move) of household goods and personal effects.
- Travel, including lodging, from the old home to the new home. Travel is limited to one trip per person. However, each member of the household can move separately and at separate times. If the taxpayer drives his or her own vehicle, expenses can be calculated either using actual out-of-pocket expenses for gas and oil (but not depreciation), or the standard mileage rate for moving, plus parking fees and tolls.

The 2025 standard mileage rate per mile for moving is 21.0¢.

Not deductible. Cost of meals while traveling, temporary living expenses, or house hunting expenses before or after the move are not deductible.

Governmental provided moving services and allowances. Nondeductible expenses include:

- Moving or storage services provided by the government.
- Reimbursements by an allowance not included in the servicemember's income.

Deductible part of self-employment tax. See *Self-Employment Tax*, page 5-25.

Self-employed SEP, SIMPLE, and qualified plans. See *Small Business Retirement*, Tab 29.

Self-employed health insurance deduction. See *Self-employed health insurance deduction*, page 5-10.

Penalty on early withdrawal of savings. Form 1099-INT or Form 1099-OID will show the amount of any penalty charged to the taxpayer. The taxpayer can deduct the penalty on line 18, Schedule 1. The entire penalty is deductible even if it is more than the taxpayer's interest income.

Alimony paid. Alimony or separate maintenance payments made to a taxpayer's spouse or former spouse under a divorce or separation agreement entered into on or before December 31, 2018, may be deductible as an adjustment to income on line 19a, Schedule 1. The recipient spouse's SSN must be entered on line 19b, Schedule 1. In addition, the month and year of the original divorce or separation agreement that relates to the alimony payment must be entered on line 19c, Schedule 1.

A taxpayer cannot deduct alimony paid for agreements entered into after December 31, 2018, or for agreements entered into on or before December 31, 2018, that are modified to expressly provide that alimony paid is not included in his or her former spouse's income. See *Alimony*, page 12-12.

IRA deduction. See *Individual Retirement Arrangement (IRA)*, page 13-7.

Student loan interest deduction. See *Student Loan Interest Deduction*, page 12-8.

Archer MSA deduction. See *Archer MSAs (IRC §220)*, page 22-3.

Other adjustments. Use lines 24a through 24z, Schedule 1 to report the following adjustments to income.

Line 24a. Jury duty. Report jury duty pay given back to the employer because the employer paid the taxpayer's salary while he or she served on a jury.

Line 24b. Personal property rental. Report the deductible expenses related to income reported on line 8l, Schedule 1. See *Rental of personal property*, page 7-2.

Line 24c. Nontaxable prizes and awards. Report the nontaxable amount of the value of Olympic and Paralympic medals and USOC prize money reported on line 8m, Schedule 1.

Line 24d. Reforestation amortization and expenses. Report qualified reforestation amortization and expenses. See *Forestation and reforestation costs*, page 38-14.

Line 24e. Repayment of supplemental unemployment benefits under the Trade Act of 1974. Report any repayments of these benefits.

Line 24f. Contributions to section 501(c)(18)(D) pension plans. Enter contributions shown in box 12, code H, Form W-2.

Line 24g. Contributions by certain chaplains. Report contributions by certain chaplains to section 403(b) plans. See IRS Pub. 517, *Social Security and Other Information for Members of the Clergy and Religious Workers*.

Line 24h. Attorney fees—unlawful discrimination claims. Report attorney fees and court costs for actions involving certain unlawful discrimination claims, but only to the extent of gross income from such actions.

Line 24i. Attorney fees—IRS award for detecting tax law violations. Report attorney fees and court costs paid in connection with an award from the IRS for information provided that helped the IRS to detect tax law violations, up to the amount of the award.

Line 24j. Housing deduction. Report the housing deduction from Form 2555, *Foreign Earned Income*. See *Foreign Earned Income Exclusion and Housing Exclusion and Deduction*, page 14-11.

Line 24k. Excess deduction of section 67(e) expenses. Report excess deductions of IRC section 67(e) expenses from box 11, code A, Schedule K-1 (Form 1041).

Line 24z. Other adjustments. Use line 24z to report any adjustments not reported elsewhere. List the type and amount of the adjustment.

Deductions (Form 1040)

Cross References

- Instructions for Form 1040, *U.S. Individual Income Tax Return*
- IRS Pub. 17, *Your Federal Income Tax*
- IRS Pub. 501, *Dependents, Standard Deduction, and Filing Information*

Related Topics

- Itemized Deductions, Tab 4
- Qualified Business Income Deduction (QBID)—IRC §199A, page 8-15

Standard Deduction

Most taxpayers have a choice of either taking a standard deduction or itemizing their deductions. If a taxpayer has a choice, he or she can use the method that results in a lower amount of tax. For rules on itemizing deductions, see *Itemized Deductions*, Tab 4. The standard deduction is increased for taxpayers who are age 65 or older, or who are blind, as an additional amount is added per person, per event.

Standard Deduction Amounts—2025

Single or MFS	\$15,750
MFJ or QSS.....	\$31,500
HOH.....	\$23,625
Additional amount if age 65* or older and/or blind, per person, per event:	
MFJ, QSS, MFS	\$1,600
Single or HOH	\$2,000

*For 2025, a taxpayer is age 65 if born before January 2, 1961.

New for 2025 Checkboxes have been added to line 12, Form 1040, to indicate when:

- The taxpayer or spouse can be claimed as a dependent on someone else's return (line 12a),
- The taxpayer files MFS and his or her spouse itemizes deductions on their return (line 12b),
- The taxpayer is a dual-status alien (line 12c), or
- The taxpayer or spouse is age 65 or older, or is blind (line 12d).

Blindness. The taxpayer qualifies as blind if he or she cannot see better than 20/200 in his or her better eye with glasses or contact lenses, or his or her field of vision is 20 degrees or less. Certification from an eye doctor must be kept in the taxpayer's files.

Form 9000, Alternate Media Preference. Taxpayers with print disabilities can use Form 9000 to elect to receive notices from the IRS in an alternative format including Braille, large print, audio, and electronic. Form 9000 can be attached to the taxpayer's Form 1040 or mailed separately.

Death of taxpayer or spouse. The additional amount if age 65 or over is not allowed if the taxpayer or spouse was born before January 2, 1961, but died in 2025 before reaching age 65. A person is considered to reach age 65 on the day before his or her 65th birthday.

Dependents. For taxpayers (or spouse if MFJ) who can be claimed as a dependent by someone else, even if not actually claimed as a dependent, the standard deduction cannot exceed the greater of \$1,350, or earned income plus \$450 (but not more than the regular standard deduction).

Increased standard deduction for net qualified disaster loss.

If a taxpayer had a net qualified disaster loss, he or she may elect to increase his or her standard deduction by the amount of his or her net qualified disaster loss. See *Increased standard deduction*, page 4-26.

Taxpayers not eligible for the standard deduction. A taxpayer's standard deduction is zero if:

- His or her filing status is Married Filing Separately (MFS) and his or her spouse itemizes deductions on his or her return,
- The taxpayer is filing a tax return for a short tax year because of a change in his or her annual accounting period, or
- The taxpayer is a nonresident or dual-status alien during the year.

A nonresident alien taxpayer who is married to a U.S. citizen or resident alien at the end of the year can choose to be treated as a U.S. resident. If this choice is made, then the taxpayer can take the standard deduction. See *Nonresident Spouse*, page 14-9.

Court Case: The taxpayer failed to prove that he had filed a tax return for the period at issue. As a result, the IRS prepared a substitute return based on third-party reporting and used the standard deduction to reduce taxable income. The taxpayer then filed an amended return, claiming itemized deductions, which was rejected by the IRS. The tax court agreed with the IRS, noting that the statutory direction that an election to itemize deductions "shall be made on the taxpayer's return" is mandatory. Thus, if no return is filed and, as a result, the IRS prepares a substitute return, the individual has made no election and may not claim itemized deductions. (*Salter*, T.C. Memo. 2022-029)

Author's Comment: This case primarily affects non-filers who have had substitute returns prepared for them by the IRS. Once that happens, the taxpayer loses the ability to reduce taxes by itemizing deductions on an amended return.

Qualified Business Income Deduction (QBID)

An eligible taxpayer's QBID is reported on line 13a, Form 1040. The QBID lowers taxable income. See *Calculation of QBID*, page 8-18.

Additional Deductions (Schedule 1-A)

OBBBA Effective for tax years beginning after 2024 and before 2029, four deductions are available to itemizers and non-itemizers. These deductions are claimed on Schedule 1-A (Form 1040).

No tax on tips. A deduction is allowed equal to the qualified tips received during the tax year that are included on statements furnished to the taxpayer by the employer (or payee if the recipient is not an employee) or reported by the taxpayer on Form 4137, *Social Security and Medicare Tax on Unreported Tip Income*. The amount allowed is limited to \$25,000 for each tax year. The deduction begins to phase out when the taxpayer's modified adjusted gross income (MAGI) exceeds \$150,000 (\$300,000 MFJ). For self-employed taxpayers, the deduction is limited to net profit from the taxpayer's trade or business that received the tips.

Qualified tips. Qualified tips are cash or credit card transactions received by an individual in an occupation which customarily and regularly received tips on or before December 31, 2024. They do not include amounts received in a specified service trade or business. See *Specified Service Trade or Business (SSTB)*, page 8-17.

No tax on overtime. A deduction is allowed equal to the qualified overtime compensation received during the year that is included on statements furnished to the taxpayer by the payee. The amount allowed for any tax year is limited to \$12,500 (\$25,000 MFJ). The deduction begins to phase out when the taxpayer's MAGI exceeds \$150,000 (\$300,000 MFJ).

Qualified overtime compensation. This is overtime compensation paid to an individual required under section 7 of the Fair Labor Standards Act of 1938 that is in excess of the regular rate at which the individual is employed. Employers must separately account for the amount of qualified overtime compensation paid to the employee.

No tax on car loan interest. A deduction is allowed for qualified passenger vehicle loan interest. This is any interest which is paid or accrued during the tax year on indebtedness incurred after 2024 for the purchase of, and that is secured by a first lien on, an applicable passenger vehicle for personal use. The deduction for any tax year is limited to \$10,000. The deduction begins to phase out when the taxpayer's MAGI exceeds \$100,000 (\$200,000 MFJ).

Applicable passenger vehicle. An applicable passenger vehicle is a vehicle in which the final assembly occurs within the United States. For more requirements, see the instructions for Schedule A-1 (Form 1040).

Enhanced deduction for seniors. The deduction is \$6,000 for each taxpayer, and spouse if MFJ, who is age 65 or over before the close of the tax year. The \$6,000 is reduced by 6% of the taxpayer's MAGI that exceeds \$75,000 (\$150,000 MFJ).

Taxes (Form 1040)

Cross References

- Schedule 2 (Form 1040), *Additional Taxes*
- IRS Pub. 17, *Your Federal Income Tax*
- IRC §1, *Tax imposed*
- IRC §55, *Alternative minimum tax imposed*

Related Topics

- 2025 Federal Tax Table, page 2-1
- Capital Gains and Losses (Schedule D), page 6-8
- Children and Taxes, page 12-10
- Alternative Minimum Tax, page 14-2

Income Tax

Include on line 16, Form 1040, all the following taxes that apply.

- Tax on taxable income. See *Tax table or tax rate schedule*, page 3-25.
- Tax from Form 8814, *Parents' Election to Report Child's Interest and Dividends*. Check box 1 on line 16, Form 1040.
- Form 4972, *Tax on Lump-Sum Distributions*. Check box 2 on line 16, Form 1040.
- Tax due to making an IRC section 962 election (the election made by a domestic shareholder of a controlled foreign corporation to be taxed at corporate rates). Check box 3 and enter the amount and "962" in the space next to the box.
- Recapture of an education credit. The taxpayer may owe this tax if an education credit was claimed in an earlier year, and either tax-free educational assistance or a refund of qualified expenses was received in 2025 for the student. Check box 3 and enter the amount and "ECR" in the space next to the box. See *Refunds*, page 12-3.
- Any tax from line 16e of Form 8621, *Information Return by a Shareholder of a Passive Foreign Investment Company or Qualified Electing Fund*, relating to an IRC section 1291 fund. Check box 3 and enter the amount of the tax and "1291TAX" in the space next to that box.

continued on next page

- Tax from line 14, Form 8978, *Partner's Additional Reporting Year Tax*. Check box 3 and enter the amount of the liability and "Form 8978" in the space next to the box.
- Triggering event under IRC section 965(i). If the taxpayer had a triggering event under IRC section 965(i) during the year and did not enter into a transfer agreement, check box 3 and enter the amount of the triggered deferred net 965 tax liability and "965INC" on the line next to the box.

Tax table or tax rate schedule. If taxable income is less than \$100,000, use the 2025 *Federal Tax Table* beginning on page 2-1 to calculate the tax. If taxable income is \$100,000 or more, use the 2025 *Federal Tax Rate Schedules*, page 3-1.

Note: Do not use the 2025 *Federal Tax Table* or 2025 *Federal Tax Rate Schedule* to calculate tax if any of the following applies.

- The taxpayer is subject to the Kiddie Tax. See *Kiddie Tax*, page 12-10.
- The taxpayer has to file Schedule D (Form 1040), and line 18 or 19, Schedule D, is greater than zero. However, if Form 2555, *Foreign Earned Income*, is filed, use the *Foreign Earned Income Tax Worksheet* from the Form 1040 Instructions.
- The taxpayer has to file Form 4952, *Investment Interest Expense Deduction*, and has an amount on line 4g, even if he or she does not have to file Schedule D (Form 1040). However, if Form 2555, *Foreign Earned Income*, is filed, use the *Foreign Earned Income Tax Worksheet* from the Form 1040 Instructions.
- The taxpayer has qualified dividends or long-term capital gains and does not have to use the Schedule D Tax Worksheet. However, if Form 2555, *Foreign Earned Income*, is filed, use the *Foreign Earned Income Tax Worksheet* from the Form 1040 Instructions.
- The taxpayer qualifies for income averaging. See *Income Averaging for Farmers and Fishermen*, page 5-28.
- The taxpayer claimed the foreign earned income exclusion, housing exclusion, or housing deduction on Form 2555. Use the *Foreign Earned Income Tax Worksheet* from the Form 1040 Instructions.

Additional Taxes (Schedule 2)

Additions to tax. Additions are listed individually in Part I, Schedule 2 (Form 1040).

Line 1a. Excess advance premium tax credit repayment. If the advance credit payments were more than the Premium Tax Credit the taxpayer can claim, the amount that must be repaid will be shown on line 29, Form 8962, *Premium Tax Credit (PTC)*, and entered as a tax on line 1a. See *Premium Tax Credit*, page 11-13.

Line 1b. Repayment of new clean vehicle credit(s) from Schedule A (Form 8936), Part II. If the taxpayer purchased a new clean vehicle from a registered dealer and reduced the amount paid at the time of sale by transferring the credit to the dealer, the taxpayer may have to repay the amount of credit transferred if he or she no longer qualifies.

If the taxpayer completed Part II, Schedule A (Form 8936), and,

- Checked the "Yes" box on Part II, line 8a or 8d, and
- Checked the "Yes" box on Part I, line 4a,

then, enter the amount from Part I, line 4a, on Schedule 2, line 1b. See *Clean Vehicle Credit*, page 11-18.

Line 1c. Repayment of previously owned clean vehicle credit(s). If the taxpayer purchased a previously owned clean vehicle from a registered dealer and reduced the amount paid at the time of sale by transferring the credit to the dealer, the taxpayer may have to repay the amount of credit transferred if he or she no longer qualifies.

- If the taxpayer completed Part IV, Schedule A (Form 8936) and,
- Checked the "Yes" box on Part IV, line 13a or 13c, and
 - Checked the "Yes" box on Part I, line 4a,

then, enter the amount from Part I, line 4a, on Schedule 2, line 1c. See *Clean Vehicle Credit*, page 11-18.

Line 1d. Recapture of net EPE from Form 4255. Enter any amount of net elective payment election (EPE) recapture from line 2a, column (l), Form 4255, *Certain Credit Recapture, Excessive Payments, and Penalties*.

Line 1e. Excessive payments (EP) from Form 4255. If the taxpayer reported an amount on Form 4255, lines 1a, 1c, 1d, and/or 2a, column (n), check the applicable box and enter the amount on line 1e. If multiple boxes are checked, enter the total on line 1e.

Line 1f. 20% EP from Form 4255. If the amount reported on Form 4255, lines 1a, 1c, 1d, and/or 2a, column (n), includes an additional 20% excessive payments (EP), check the applicable box and enter the 20% EP amount included on line 1f.

Line 1y. Other additions to tax. Enter the following additions to tax.

- Recapture of the alternative fuel vehicle refueling property credit (Form 8911). Identify as "ARPCR." See *Alternative Fuel Vehicle Refueling Property Credit*, page 11-17.
- Any elective payment election (EPE) related to the credit applied against tax from Form 8933, *Carbon Oxide Sequestration Credit*, or Form 4255, line 2a, column (k). Identify as "EPE8933." See *Carbon Oxide Sequestration Credit (Form 8933)*, page 31-6.
- Recapture of any non-EPE credit from Form 8933 on Form 4255, line 2a, column (j). Identify as "NEPE8933."
- Any amount that was reported on Form 4255, line 1a, 1c, 1d, and/or 2a, column (n). Identify as "EPGEPE."
- Any section 6418(g)(2) excessive credit transfer amount reported on Form 4255, column (m)(1) and (m)(2). Identify as "6418(g)(2)."

Alternative minimum tax (AMT). If a taxpayer owes the AMT, the tax is reported on line 2, Schedule 2, *Additional Taxes*. See *Alternative Minimum Tax*, page 14-2.

Other Taxes

Self-employment tax. See *Self-Employment Tax*, page 5-25.

Social Security and Medicare tax on unreported tip income. Enter the total of any taxes from Form 4137, *Social Security and Medicare Tax on Unreported Tip Income*, on line 5, Schedule 2. See *Report tips on tax return*, page 3-16.

Uncollected Social Security and Medicare tax on wages. An employee that received wages from an employer who did not withhold Social Security and Medicare tax from wages because the employer improperly classified the employee as an independent contractor, uses Form 8919, *Uncollected Social Security and Medicare Tax on Wages*, to compute the employee's share of unreported tax. Enter the total from line 13, Form 8919 on line 6, Schedule 2. Also, include the wages on line 1g, Form 1040.

Example: Tony is an employee at a restaurant. His employer incorrectly classifies him as an independent contractor and issues him a Form 1099-NEC with no taxes withheld instead of Form W-2. Tony uses Form 8919 to report the amount as wages and pay his share of Social Security and Medicare tax.

See Form 8919, *Uncollected Social Security and Medicare Tax on Wages*, page 5-24.

Additional tax on IRAs or other qualified plans. For information about penalties for early withdrawal, excess contributions, or failure to take required minimum distributions from retirement plans, see *Retirement, Social Security, and Medicare*, Tab 13.

Household employment taxes. Household employment taxes from line 26, Schedule H (Form 1040) are reported on line 9, Schedule 2, *Additional Taxes*. See *Household Employees*, page 14-2.

Additional Medicare tax. Enter the tax on line 11, Schedule 2. See *Additional Medicare Tax*, next column.

Net investment income tax. Enter the tax on line 12, Schedule 2. See *Net Investment Income Tax*, page 6-4.

Uncollected Social Security and Medicare or RRTA tax on tips or group-term life insurance. Enter the tax from box 12, Form W-2 with codes A and B or M and N on line 13, Schedule 2.

Interest on tax due on installment income from the sale of certain residential lots and timeshares. Enter the tax due on line 14, Schedule 2. [IRC §453(l)(3)]

Interest on the deferred tax gain from certain installment sales with a sales price over \$150,000. Enter the interest on the deferred tax due on line 15, Schedule 2. For more information, see IRS Pub. 537, *Installment Sales*. [IRC § 453A(c)]

Recapture of low-income housing credit. Enter the tax on line 16, Schedule 2. See *Low-Income Housing Credit (Form 8586)*, page 31-15.

Other additional taxes. The following taxes are reported on lines 17a through 17z, Schedule 2.

Line 17a. Recapture of other credits. Recapture of the following credits:

Investment credit. See Form 4255, *Certain Credit Recapture, Excessive Payments, and Penalties*, and Form 3468, *Investment Credit*. Enter amounts from Form 4255, lines 1b, 1j, 1l, and 1m, column (j). Identify as "3468."

Non-EPE recapture. Enter the amount applied against tax from Form 3468, Part IV and/or Form 4255, line 1d, column (j). Identify as "NEPE3458."

New markets credit. Identify as "NMCR." See *New Markets Credit (Form 8874)*, page 31-15.

Credit for employer-provided childcare facilities. Identify as "ECCFR." See *Credit for Employer-Provided Childcare Facilities and Services (Form 8882)*, page 31-7.

Section 6418(g)(3) credit transfer recapture from Form 4255, column (m)(3). Identify as "6418(g)(3)."

Line 17b. Recapture of federal mortgage subsidy. See *Mortgage Interest Credit*, page 11-12.

Line 17c. Additional tax on health savings account (HSA) distributions. See *Reporting penalty taxes*, page 30-12.

Line 17d. Additional tax on an HSA because of testing period. See *Testing Period*, page 30-9.

Line 17e. Additional tax on Archer MSA distributions. See *Medical Savings Account (MSA)*, page 30-13.

Line 17f. Additional tax on Medicare Advantage MSA distributions. See *Medical Savings Account (MSA)*, page 30-13.

Line 17g. Recapture of charitable contributions. Enter the additional tax on recapture of a charitable contribution deduction relating to a fractional interest in tangible personal property. See IRS Pub. 526, *Charitable Contributions*.

Line 17h. Additional tax on income from nonqualified deferred compensation plans. If the plan fails to meet the requirements of IRC section 409A, report the income shown in box 12, code Z, Form W-2 or box 15, Form 1099-MISC. [IRC §409A(a)(1)(B)]

Line 17i. Additional tax on income from nonqualified deferred compensation plan in section 457A. [IRC 457A(c)(2)]

Line 17j. Section 72(m)(5) excess benefits tax. See IRS Pub. 560, *Retirement Plans for Small Business*.

Line 17k. Golden parachutes. An additional tax of 20% may be assessed on golden parachute payments (box 12, code K, Form W-2 or box 15, Form 1099-MISC).

Line 17l. Tax on accumulation distribution of trusts. See Form 4970, *Tax on Accumulation Distribution of Trusts*.

Line 17m. Excise tax on insider stock compensation from an expatriated corporation. (IRC §4985)

Line 17n. Look-back interest. See Form 8697, *Interest Computation Under the Look-Back Method for Completed Long-Term Contracts*, or Form 8866, *Interest Computation Under the Look-Back Method for Property Depreciated Under the Income Forecast Method*. [IRC §167(g) or IRC §460(b)]

Line 17o. Tax on non-effectively connected income. The tax applies for any part of the year that the taxpayer was a nonresident alien. See Form 1040-NR Instructions.

Line 17p. Any interest from Form 8621, line 16f. Enter interest from Form 8621, *Information Return by a Shareholder of a Passive Foreign Investment Company or Qualifying Electing Fund*, relating to distributions from, and dispositions of, stock of a section 1291 fund.

Line 17q. Any interest from Form 8621, line 24. Enter any interest amount from Form 8621, line 24.

Line 17z. Any other taxes. Use line 17z to report any taxes not reported elsewhere on the tax return or other schedules. List type and amount of tax.

Recapture of net EPE from Form 4255. Enter the recapture amount of the net EPE claimed on Form 4255, line 1d, column (l), related to the credit from Form 3468, Part IV.

Additional Medicare Tax

A 0.9% additional Medicare tax applies to a taxpayer's combined Medicare wages, other compensation, self-employment income, and RRTA (Railroad Retirement Tax Act) compensation above certain threshold amounts based on filing status.

Medicare wages and self-employment income are combined to determine if the taxpayer's income exceeds the threshold. However, a self-employment loss does not reduce Form W-2 wages and the tax must be calculated separately for each type of income. RRTA compensation should be separately compared to the threshold.

Additional Medicare Tax Threshold Amounts

Filing Status	Single, HOH, QSS.....	MFJ.....	MFS
Threshold Amount	\$200,000.....	\$250,000.....	\$125,000

Form 8959, Additional Medicare Tax. All taxpayers who are above the threshold amounts must use Form 8959 to calculate:

- The additional Medicare tax amount owed, reported on line 11, Schedule 2, and
- The total additional Medicare tax withholding amount to include with federal tax withholding on line 25c, Form 1040.

Employee. An employer must withhold the additional Medicare tax on Medicare wages or RRTA compensation it pays to an individual in excess of \$200,000 in a calendar year, without regard to the individual's filing status or wages paid by another employer. The amount in box 6, Form W-2, includes the additional Medicare tax withheld, if applicable, in addition to the regular Medicare tax withheld.

Self-employed. For self-employed individuals, the additional Medicare tax is calculated based on self-employment income from line 6, Part I, Schedule SE (Form 1040), *Self-Employment Tax*.

Credits and Payments (Form 1040)

Cross References

- Schedule 3 (Form 1040), *Additional Credits and Payments*
- IRS Pub. 15, (Circular E), *Employer's Tax Guide*
- IRS Pub. 505, *Tax Withholding and Estimated Tax*
- IRC §31, *Tax withheld on wages*

Related Topics

- Penalty for Underpayment of Estimated Tax, page 15-4
- Tax Credits, Tab 11
- Payroll and Labor Laws, Tab 23

Child Tax Credit

Use Schedule 8812 (Form 1040), *Credits for Qualifying Children and Other Dependents*, to compute the Child Tax Credit and Credit for Other Dependents. The credit is claimed on line 19, Form 1040. See *Child Tax Credit and Credit for Other Dependents*, page 11-7.

Additional Child Tax Credit. If a portion of the regular Child Tax Credit is disallowed because the taxpayer's tax is reduced to zero, the taxpayer may be able to claim the Additional Child Tax Credit is computed on Schedule 8812 and entered on line 28, Form 1040. See *Additional Child Tax Credit*, page 11-7.

Nonrefundable Credits (Schedule 3)

Report nonrefundable credits on Part 1, Schedule 3 (Form 1040). These credits include the following.

Foreign Tax Credit. See *Foreign Tax Credit*, page 11-10.

Child and Dependent Care Credit. See *Child and Dependent Care Expenses*, page 11-4.

Education credits. See *American Opportunity Credit*, page 12-3 and *Lifetime Learning Credit*, page 12-4.

Retirement Savings Contribution Credit. See *Retirement Savings Contributions Credit*, page 11-16.

Residential Clean Energy Credit. See *Residential Clean Energy Credit*, page 11-16.

Energy Efficient Home Improvement Credit. See *Energy Efficient Home Improvement Credit*, page 11-15.

Other nonrefundable credits. The following nonrefundable credits are reported on lines 6a through 6z, Schedule 3.

Line 6a. General business credit. See *General Business Credit*, page 31-3.

Line 6b. Credit for prior year minimum tax. See *Credit for Prior Year AMT*, page 14-4.

Line 6c. Adoption Expense Credit. See *Adoption Expenses*, page 11-3.

Line 6d. Credit for the Elderly or Disabled. See *Credit for the Elderly or the Disabled*, page 11-8.

Line 6f. Clean Vehicle Credit. See *Clean Vehicle Credit*, page 11-18.

Line 6g. Mortgage Interest Credit. See *Mortgage Interest Credit*, page 11-12.

Line 6h. District of Columbia First-Time Homebuyer Credit. This credit can only be claimed for homes purchased before 2012 and only for a credit carryforward from 2023. See Form 8859, *Carryforward of the District of Columbia First-Time Homebuyer Credit*.

Line 6i. Qualified Electric Vehicle Credit. A taxpayer can claim this credit only if he or she has an electric vehicle passive credit carried forward from a prior year. See Form 8834, *Qualified Electric Vehicle Credit*.

Line 6j. Alternative Fuel Vehicle Refueling Property Credit. See *Alternative Fuel Vehicle Refueling Property Credit*, page 11-17.

Line 6k. Credit to holders of tax credit bonds. See Form 8912, *Credit to Holders of Tax Credit Bonds*.

Line 6l. Amount from line 14, Form 8978. See Form 8978, *Partner's Additional Reporting Tax Year*.

Line 6m. Previously-Owned Clean Vehicle Credit. See *Previously-Owned Clean Vehicle Credit*, page 11-18.

Line 6z. Other nonrefundable credits. Leave line 6z blank.

Withholdings

Form W-2. Enter on line 25a, Form 1040, the total federal income tax withheld from all Forms W-2 (box 2). If the tax was actually withheld from wages, the taxpayer gets credit for the withholding even if the employer did not pay over the tax to the government. (Reg. §1.31-1)

Form(s) 1099. Enter on line 25b, Form 1040, any federal income tax withheld from Form 1099-R (box 4), Form 1099-INT (box 4), Form 1099-DIV (box 4), Form SSA-1099 (box 6), and Form RRB-1099 (box 10).

Other forms. Enter on line 25c, Form 1040, any federal income tax withheld from Form W-2G (box 4), additional Medicare Tax withheld, calculated from Form 8959 (see *Additional Medicare Tax*, page 3-26), Schedule K-1, or foreign person withholding shown on Form 1042-S, *Foreign Person's U.S. Source Income Subject to Withholding*, Form 8805, *Foreign Partner's Information Statement of Section 1446 Withholding Tax*, or Form 8288-A, *Statement of Withholding on Dispositions by Foreign Persons*.

Estimated Tax Payments

If a taxpayer does not pay tax (or enough tax) through withholding, he or she may need to make estimated tax payments. Self-employed taxpayers generally pay tax this way. Other taxpayers may need to pay estimated tax if they receive income such as dividends, interest, capital gains, rents, and royalties. Estimated taxes include not only income tax, but other taxes such as self-employment tax and AMT. Estimated taxes are due quarterly and reported on line 26, Form 1040.

Due dates and penalties. See *Penalty for Underpayment of Estimated Tax*, page 15-4.

Payments by married taxpayers.

Joint payments and separate returns. Spouses filing separately can agree to divide estimated payments made jointly between their returns in any manner they choose. If the spouses cannot agree, payments are divided in proportion to each spouse's individual tax as shown on their separate returns.

Divorced taxpayers. If any joint payments are claimed, enter the other spouse's SSN in the space provided on line 26. If remarried, enter current spouse's SSN on the front of Form 1040.

Separate payments. If spouses made separate estimated tax payments and file separate returns, each spouse must claim his or her separate payments and cannot claim payments made by the other spouse.

Name change. If a taxpayer changed his or her name and made estimated tax payments using his or her former name, attach a statement to the front of Form 1040 that explains all the payments the taxpayer and spouse made in 2025 and the name(s) and SSN(s) under which the payments were made.

Estate or trust beneficiaries. Include on line 26, Form 1040, any estimated payments credited to the taxpayer from box 13, code A, Schedule K-1 (Form 1041). On the dotted line next to line 37, Schedule E (Form 1040), write "ES payment claimed" and the

amount, but do not include the estimated payment in the total on line 37, Schedule E (Form 1040).

Earned Income Credit

The Earned Income Credit (EIC) is a refundable credit claimed on line 27, Form 1040. See *Earned Income Credit*, page 11-8.

Other Payments and Refundable Credits (Schedule 3)

Other payments and refundable credits include the following:

Net Premium Tax Credit. See *Premium Tax Credit*, page 11-13.

Amount paid with request for extension to file. Taxpayers who get an automatic extension to file Form 1040 by filing Form 4868, *Application for Automatic Extension of Time to File U.S. Individual Income Tax Return*, or by making a payment, enter the amount paid. If the payment was made by debit or credit card, do not include the convenience fee paid.

Excess Social Security and RRTA tax withheld. See *Excess Social Security and RRTA Tax Withheld*, below.

Credit for tax paid on fuels. See *Credit for Federal Tax Paid on Fuels*, page 11-8.

Other payments and refundable credits. The following payments and credits are reported on lines 13a through 13z, Schedule 3.

Line 13a. Form 2439. Enter the amount from line 2, Form 2439, *Notice to Shareholder of Undistributed Long-Term Capital Gains*. See *Undistributed capital gains*, page 6-15.

Line 13b. Credit for repayment of amounts included in income from earlier years. See *Repayments*, next column.

Line 13c. Elective payment election amount from Form 3800. Enter any elective payment election amount from line 6, column j, Part III, Form 3800, *General Business Credit*.

Line 13d. Deferred amount of net 965 tax liability. If the taxpayer elected to pay his or her net IRC section 965 tax liability in installments, report the net liability remaining to be paid in future years here.

Line 13z. Other payments or refundable credits. Use line 13z to report any other payments or refundable credits not reported elsewhere on the return. List the type and amount of payment or credit.

Excess Social Security and RRTA Tax Withheld

If the taxpayer earned more than \$176,100 and had more than one employer, claim a credit for excess Social Security or Tier 1 RRTA on line 11, Schedule 3.

Calculation:

1) Add the following:

- Social Security withheld from all employers, but not more than \$10,918.20 for each employer.
- Any uncollected Social Security tax on tips or group-term life insurance included in the total on line 7, Schedule 2 (Form 1040). These taxes should be reported in box 12, Form W-2, Codes A and/or M.

2) Subtract \$10,918.20 from the total of line 1.

3) Enter the result on line 11, Schedule 3.

Employer error. If any one employer withheld more than \$10,918.20, the employer must correct the error. The taxpayer cannot claim the excess on Form 1040. If the employer does not correct the error, the taxpayer can claim a refund by filing Form 843, *Claim for Refund and Request for Abatement*.

Author's Comment: When a taxpayer works for two or more related corporations that pay him or her through a common paymaster, the taxpayer will receive two Forms W-2 with the same EIN. It is this author's experience that the IRS often sends a letter to the taxpayer stating that this is an employer error and it needs to be corrected by the employer. However, this is not the case and it is supposed to be corrected by claiming the credit on line 11, Schedule 3. [Reg. §31.3121(s)-1]

Spouses. Calculate any excess separately for each spouse.

Railroad employees. Tier 1 tax is equivalent to Social Security and Medicare tax and paid at the same rates. The Social Security equivalent component of Tier 1 tax is reported in box 14, Form W-2, and labeled "Tier 1." Include this amount in Step 1. The calculation is the same even if the taxpayer had both railroad and non-railroad employers.

Tier 2. If a taxpayer had two railroad employers, the excess must be claimed on Form 843 and cannot be claimed on Form 1040.

Repayments

A taxpayer may be able to deduct or take credit for an amount of a repayment that has been included in income.

Income received and amount repaid in same year. The taxpayer reduces the income by the amount repaid and reports the net amount as taxable income.

Claim of right. For income received in an earlier year and repaid in current year, a claim of right exists if, at the time the income was reported, it appeared the taxpayer had unrestricted rights to the income. (IRC §1341)

Repayment of \$3,000 or less. Deduct the repayment on the form or schedule on which the income was previously reported (Schedule C, F, etc.). If reported as a capital gain, deduct the repayment as a capital loss on Schedule D (Form 1040). If the income was reported as wages, unemployment, or other nonbusiness income, no deduction is allowed.

Repayment more than \$3,000. The taxpayer can choose to either:

- **Claim a deduction.** If the amount is an Other Itemized deduction, report the deduction on line 16, Schedule A (Form 1040), or
- **Claim a credit.** Claim a credit for the amount repaid by calculating the tax from the earlier year without the income that was later repaid. Subtract the recalculated tax from the tax shown on the original return and report on line 13b, Schedule 3.

Repayment rules do not apply to:

- Deductions for bad debts. See *Bad Debts*, page 8-5.
- Deductions for theft losses due to criminal fraud or embezzlement in a transaction entered into for profit. See *Form 4684, Section C*, page 4-22.
- Deductions from sales to customers, such as returns and allowances, and similar items. See *Returns and allowances*, page 5-9.
- Deductions for legal and other expenses of contesting the repayment.

Repayment of Social Security benefits. All repayments made in 2025 are subtracted from gross benefits before the net amount is reported on Form SSA-1099 or Form RRB-1099. It does not matter whether the repayment was for a benefit received in 2025 or in an earlier year. If total benefits repaid from box 4 are more than gross benefits from box 3, the net benefits in box 5 will be a negative amount. A negative amount can be used to reduce a spouse's box 5 benefits on a joint return.

Repayments more than gross benefits. If the total amount from box 5 for all Forms SSA-1099 and RRB-1099 is negative, and more than \$3,000, the taxpayer may be able to deduct part of this negative amount that represents benefits included in gross income

in an earlier year. If the amount is less than \$3,000, no deduction is allowed.

More than \$3,000. If the amount is more than \$3,000, compute tax two ways.

- 1) Compute the 2025 tax with the itemized deduction included on line 16, Schedule A (Form 1040), *Itemized Deductions*.
- 2) Compute the 2025 tax in the following steps:
 - a) Compute the tax without the itemized deduction included on line 16, Schedule A.
 - b) For each year after 1983 for which part of the negative amount represents a repayment of benefits, recompute taxable Social Security benefits as if total benefits for that year were reduced by that part of the negative amount. Then, recompute the tax for that year.
 - c) Subtract the total of the recomputed tax amounts in (b) from the total of the actual tax amounts.
 - d) Subtract the result in (c) from the result in (a).

Compare the tax computed in methods 1 and 2, above. The 2025 tax is the smaller of the two amounts. If method 1 results in less tax, take the itemized deduction on line 16, Schedule A (Form 1040). If method 2 results in less tax, claim a credit for the amount from step 2c on line 13b, Schedule 3. If both methods produce the same tax, deduct the repayment on line 16, Schedule A.

Refund or Amount Due (Form 1040)

Cross References

- Form 8888, *Allocation of Refund*
- IRS Pub. 17, *Your Federal Income Tax*
- IRC §6151, *Time and place for paying tax shown on returns*
- IRC §6301, *Collection authority*

Related Topics

- Refund Inquiries, page 15-1
- Overpayment/Underpayment Interest Rates, page 15-1
- Taxpayer Penalties, page 15-2

Delayed Refunds for Returns Claiming Certain Credits

The IRS cannot issue refunds before February 15 for returns that claim the Earned Income Credit and/or the Additional Child Tax Credit. If the taxpayer claimed one of these credits, he or she can check www.irs.gov/refunds after February 15, to check the status.

Refund Offsets

If the taxpayer owes past-due federal tax, state income tax, state unemployment compensation debts, child support, spousal support, or certain federal nontax debts, such as student loans, all or part of the overpayment may be used to pay the past-due amount. The taxpayer will receive written notice of the offset. If the debts are owed by only one spouse, see *Injured Spouse*, page 15-12.

Direct Deposit

Instead of receiving a refund by paper check, the taxpayer can choose to have the refund electronically transferred into a checking or savings account, or into a traditional IRA, Roth IRA, SEP IRA (not a SIMPLE IRA), HSA, or Archer MSA. Direct deposit results in a faster refund than a paper check. Bank information for direct deposit information is entered on line 35, Form 1040. For IRA deposits, contact the custodian for information about availability of direct deposit.

Routing number. The routing number is a nine-digit number located on the lower left corner of the check. The first two digits must be 01 through 12 or 21 through 32. Do not request a deposit into an account that is not in the taxpayer's name.

Account number. The account number can be up to 17 characters (both number and letters). Include hyphens but omit spaces and special symbols.

Form 8888, Allocation of Refund. Use Form 8888 to split the refund into more than one account, or to split a refund between direct deposit and a paper check.

New for 2025 Starting in October 2025, the IRS will generally stop issuing paper checks for federal disbursements, including tax refunds, unless an exception applies. For more information, go to www.irs.gov/ModernPayments.

Applied to 2026 Estimated Tax

Enter on line 36, Form 1040, the refund amount, if any, that the taxpayer wants applied to his or her 2026 estimated tax.

Amount Owed

The amount reported on line 37, Form 1040, should include any estimated tax penalty from line 38, Form 1040. See *Penalty for Underpayment of Estimated Tax*, page 15-4. See also *Taxpayer Unable to Pay*, page 15-5.

The IRS offers several payment options to taxpayers.

Direct debit. The taxpayer can e-file and authorize an electronic funds withdrawal by providing account and routing numbers for his or her financial institution. The payment may be scheduled for withdrawal on a future date (up to 365 days), but must be effective on or before the return due date. After the due date, the payment date must be the same as the date the return is transmitted, or be within the previous five days of that date.

Cancelling direct debit. To cancel a direct debit, call the IRS at 888-353-4537 seven to ten days after the return was accepted, and at least two business days prior to the scheduled payment date.

Online account. A taxpayer may make tax payments through his or her online account, including balance payments, estimated payments, or other types of payments. The taxpayer can also see his or her payment history and other tax records there. Go to www.irs.gov/account.

Direct Pay. The IRS Direct Pay website allows taxpayers to pay tax due or make estimated payments directly from their checking or savings account. Go to www.irs.gov/payments.

Check or money order. Make payable to "United States Treasury." Write "2025 Form 1040" and name, address, daytime phone number and the SSN shown first on the return on the payment. Enclose Form 1040-V, *Payment Voucher*, with payment. Do not attach payment or Form 1040-V to the return. Do not send cash.

Cash. Cash is an in-person payment option provided through retail partners with a maximum of \$1,000 per day per transaction. To pay by cash, the taxpayer must be registered online at <https://fed.acipayonline.com>.

Card or digital wallet. The taxpayer can pay by debit or credit card, or digital wallet by going to www.irs.gov/payments. A fee is charged by the service provider.

Mobile device. To pay through a mobile device, use the IRS2Go app.

Signature

Form 1040 is not valid unless signed by the taxpayer(s).

The signature must be handwritten. Digital, electronic, or typed-font signatures are not valid signatures for forms filed on paper.

Electronically-filed returns must be signed in accordance with the requirements contained in the instructions for the return. See *Signing an Electronic Return—Individuals*, page 15-14.

Joint return. If a taxpayer and spouse are filing a joint return, both must sign the return, even if only one had income.

Spouse died before signing. If a spouse died before signing the return, the executor or administrator must sign the return for the spouse. If no executor or administrator has been appointed, the taxpayer can sign the return and enter "Filing as surviving spouse" in the signature area. See *Who Files and Signs*, page 21-9.

Spouse away from home. If a spouse is away from home, the return should be prepared, signed, and sent to the spouse to sign.

Injury or disease prevents signing. If a spouse cannot sign because of disease or injury, he or she can request the taxpayer sign for him or her. In this case, the taxpayer can sign the spouse's name in the proper space on the return followed by the words "By (taxpayer's name), Spouse." The taxpayer must sign in the space provided for his or her signature. Attach a dated statement, signed by the taxpayer, to the return. The statement should include the form number of the return being filed, the tax year, and the reason the spouse cannot sign. It should also state that the spouse has agreed to the taxpayer signing for him or her.

Signing as guardian of spouse. If the taxpayer is the guardian of a spouse who is mentally incompetent, the taxpayer can sign the return as guardian.

Spouse in combat zone. A taxpayer can sign a joint return for his or her spouse if the spouse cannot sign because he or she is serving in a combat zone, even if the taxpayer does not have a power of attorney or other statement. Attach a signed statement to the return explaining that the spouse is serving in a combat zone.

For more information on special tax rules for persons who are serving in a combat zone, or who are in missing status as a result of serving in a combat zone, see IRS Pub. 3, *Armed Forces' Tax Guide*.

Power of attorney. In order for a taxpayer to sign a return for his or her spouse in any of these cases, the taxpayer must attach to the return a power of attorney (POA) that authorizes him or her to sign for their spouse. The taxpayer can use a POA that states that he or she has been granted authority to sign the return, or the taxpayer can use Form 2848, *Power of Attorney and Declaration of Representative*. Part I of Form 2848 must state that the taxpayer is granted authority to sign the return.

Signing for a child. If a child cannot sign a return, either parent can sign the child's name in the space provide by writing, "[Child's Name] by [parent's signature], parent for minor child." See *Children and Taxes*, page 12-10.

Representative. If the return is signed by a representative, attach Form 2848, *Power of Attorney and Declaration of Representative*, to the return.

Paid preparer's signature. If the taxpayer pays someone to prepare the return, that person must sign in the space provided. The preparer must give the taxpayer a copy of the return for his or her records. If someone prepares the return but does not charge the taxpayer for his or her services, that person should not sign the return. Any individual who receives compensation for preparing or assisting in preparing all or substantially all of an income tax return or claim for refund is required to obtain a preparer tax identification number (PTIN).

Identity Protection PIN (IP PIN) Program. All taxpayers who can verify their identity are eligible for the IP PIN Program. See *Getting an IP PIN*, page 14-14.

Third Party Designee

If the taxpayer wants to allow the paid preparer, a friend, a family member, or any other person to discuss the tax return with the IRS, check the "Yes" box in the "Third Party Designee" area of the return, and enter the designee's name, phone number, and any five digits the designee chooses as his or her personal identification number (PIN).

Authorization. By assigning a third party designee, the taxpayer is authorizing the IRS to call with questions that may arise during the processing of the return, such as missing information, processing of return or status of refund or payment, receipt of notices or transcripts related to the return, or respond to certain IRS notices about math errors, offsets, and return preparation. The authorization does not allow the third party designee the right to receive refund checks, bind the taxpayer with additional tax, or otherwise represent the taxpayer before the IRS. The authorization automatically ends on the due date not including extensions, for the 2026 tax return. See *Authorizing a Representative*, page 15-10.

Return Due Date

The due date for the 2025 tax return is April 15, 2026.

The date postmarked by the U.S. Postal Service is considered the date filed if mailed using the U.S. Postal Service.

U.S. Armed Forces. Taxpayers serving in, or in support of, the U.S. Armed Forces in a designated combat zone or contingency operation may be able to file later. See *Extensions and Deferrals*, page 14-8.

Extensions

Use Form 4868, *Application for Automatic Extension of Time to File U.S. Individual Income Tax Return*, to receive an automatic 6-month extension of time to file (October 15, 2026).

Instead of filing Form 4868, a taxpayer can also apply for an automatic extension by making an electronic payment by the due date of his or her return.

If any tax is due, the tax must be paid by the original due date to avoid late payment penalties, even if an extension is filed.

2-month extension. U.S. citizens or resident aliens may qualify for an automatic 2-month extension of time to file without filing Form 4868. To qualify, the taxpayer must meet one of the following requirements on the due date of his or her return.

- The taxpayer lives outside the United States and Puerto Rico and his or her main place of business or post of duty is outside the United States and Puerto Rico, or
- The taxpayer is in military or naval service on duty outside the United State and Puerto Rico.

This extension gives the taxpayer an extra two months to file and pay the tax, but interest will be charged from the original due date of the return on any unpaid tax. The taxpayer must include a statement showing that he or she meets the requirements.

Additional 4-month extension. If the taxpayer is eligible for the automatic 2-month extension, above, but is still unable to file his or her return by the end of the 2-month period, he or she can receive an additional four months by filing Form 4868, *Application for Automatic Extension of Time to File U.S. Individual Income Tax Return*, no later than June 15, 2026. This additional 4-month extension does not extend the time to pay the tax.