

# 1040

NOTE: THIS BOOKLET DOES NOT CONTAIN TAX FORMS

## INSTRUCTIONS

# 2011



**irs e-file**

makes doing your taxes faster and easier.

**freefile**

is the fast, safe, and free way to prepare and e-file your taxes. See [www.irs.gov/freefile](http://www.irs.gov/freefile).

Get a faster refund, reduce errors, and save paper. For more information on IRS e-file and Free File, see Options for e-filing your returns in these instructions or click on IRS e-file at IRS.gov.

### NEW FORMS

You may have to report your capital gains and losses on new Form 8949 and report the totals on Schedule D. If you have foreign financial assets, you may have to file new Form 8938.

### MAILING YOUR RETURN

If you file a paper return, you may be mailing it to a different address this year.

### FUTURE DEVELOPMENTS

The IRS has created a page on IRS.gov for information about Form 1040 and its instructions at [www.irs.gov/form1040](http://www.irs.gov/form1040). Information about any future developments affecting Form 1040 (such as legislation enacted after we release it) will be posted on that page.

For details on these and other changes, see *What's New* in these instructions.



Department of the Treasury Internal Revenue Service IRS.gov

You must have been at least age 70½ when the distribution was made.

Generally, your total QCDs for the year cannot be more than \$100,000. (On a joint return, your spouse can also have a QCD of up to \$100,000.) If you elected to treat a January 2011 QCD as made in 2010, report it on your 2011 return like any other 2011 QCD, as just described. However, if you also made another 2011 QCD and the total was more than \$100,000 per spouse, attach a brief explanation. For example: "Line 15b – Spouse One's 2010 QCD \$75,000; Spouse One's 2011 QCD \$70,000."

The amount of the QCD is limited to the amount that would otherwise be included in your income. If your IRA includes nondeductible contributions, the distribution is first considered to be paid out of otherwise taxable income.



*You cannot claim a charitable contribution deduction for any QCD not included in your income.*

**Exception 4.** If the distribution is a health savings account (HSA) funding distribution (HFD), enter the total distribution on line 15a. If the total amount distributed is an HFD and you elect to exclude it from income, enter -0- on line 15b. If only part of the distribution is an HFD and you elect to exclude that part from income, enter the part that is not an HFD on line 15b unless *Exception 2* applies to that part. Enter "HFD" next to line 15b.

An HFD is a distribution made directly by the trustee of your IRA (other than an ongoing SEP or SIMPLE IRA) to your HSA. If eligible, you generally can elect to exclude an HFD from your income once in your lifetime. You cannot exclude more than the limit on HSA contributions or more than the amount that would otherwise be included in your income. If your IRA includes nondeductible contributions, the HFD is first considered to be paid out of otherwise taxable income. See Pub. 969 for details.



*The amount of an HFD reduces the amount you can contribute to your HSA for the year. If you fail to maintain eligibility for an HSA for the 12 months following the month of the HFD, you may have to report the HFD as income and pay an additional tax. See Form 8889, Part III.*

**More than one exception applies.** If more than one exception applies, include a statement showing the amount of each exception, instead of making an entry next to line 15b. For example: "Line 15b – \$1,000 Rollover and \$500 HFD." But you do not need to attach a statement if only *Exception 2* and one other exception apply.

**2010 Roth IRA conversions.** If you converted part or all of an IRA to a Roth IRA in

2010 and did not elect to report the taxable amount on your 2010 return, include on line 15b the amount from your 2010 Form 8606, line 20a. However, you may have to include a different amount on line 15b if either of the following applies.

- You received a distribution from a Roth IRA in 2010 or the owner of the Roth IRA died in 2011. See Pub. 590 to figure the amount to include on line 15b.

- You received a distribution from a Roth IRA in 2011. Use Form 8606 to figure the amount to include on line 15b.

**More than one distribution.** If you (or your spouse if filing jointly) received more than one distribution, figure the taxable amount of each distribution and enter the total of the taxable amounts on line 15b. Enter the total amount of those distributions on line 15a.



*You may have to pay an additional tax if (a) you received an early distribution from your IRA and the total was not rolled over, or (b) you were born before July 1, 1940, and received less than the minimum required distribution from your traditional, SEP, and SIMPLE IRAs. See the instructions for line 58 for details.*

**More information.** For more information about IRAs, see Pub. 590.

## Lines 16a and 16b Pensions and Annuities

You should receive a Form 1099-R showing the total amount of your pension and annuity payments before income tax or other deductions were withheld. This amount should be shown in box 1 of Form 1099-R. Pension and annuity payments include distributions from 401(k), 403(b), and governmental 457(b) plans. Rollovers and lump-sum distributions are explained later. Do not include the following payments on lines 16a and 16b. Instead, report them on line 7.

- Disability pensions received before you reach the minimum retirement age set by your employer.

- Corrective distributions (including any earnings) of excess salary deferrals or excess contributions to retirement plans. The plan must advise you of the year(s) the distributions are includible in income.



*Attach Form(s) 1099-R to Form 1040 if any federal income tax was withheld.*

If you rolled over part or all of a qualified retirement plan (other than a designated Roth account) to a Roth IRA in 2010 (or you rolled over part or all of a 401(k) or 403(b) plan to a designated Roth account in

2010) and did not elect to report the taxable amount on your 2010 return, you generally must report half of it on your 2011 return and the rest on your 2012 return. See *2010 Roth IRA rollovers*, or *2010 in-plan rollovers*, whichever applies, later.

### Fully Taxable Pensions and Annuities

Your payments are fully taxable if (a) you did not contribute to the cost (see *Cost*, later) of your pension or annuity, or (b) you got your entire cost back tax free before 2011. But see *Insurance Premiums for Retired Public Safety Officers*, later. If your pension or annuity is fully taxable, enter the total pension or annuity payments (from Form(s) 1099-R, box 1) on line 16b; do not make an entry on line 16a.

Fully taxable pensions and annuities also include military retirement pay shown on Form 1099-R. For details on military disability pensions, see Pub. 525. If you received a Form RRB-1099-R, see Pub. 575 to find out how to report your benefits.

### Partially Taxable Pensions and Annuities

Enter the total pension or annuity payments (from Form 1099-R, box 1) on line 16a. If your Form 1099-R does not show the taxable amount, you must use the General Rule explained in Pub. 939 to figure the taxable part to enter on line 16b. But if your annuity starting date (defined later) was after July 1, 1986, see *Simplified Method*, later, to find out if you must use that method to figure the taxable part.

You can ask the IRS to figure the taxable part for you for a \$1,000 fee. For details, see Pub. 939.

If your Form 1099-R shows a taxable amount, you can report that amount on line 16b. But you may be able to report a lower taxable amount by using the General Rule or the Simplified Method or if the exclusion for retired public safety officers, discussed next, applies.

### Insurance Premiums for Retired Public Safety Officers

If you are an eligible retired public safety officer (law enforcement officer, firefighter, chaplain, or member of a rescue squad or ambulance crew), you can elect to exclude from income distributions made from your eligible retirement plan that are used to pay the premiums for coverage by an accident or health plan or a long-term care insurance contract. You can do this only if you retired because of disability or because you reached normal retirement age. The premiums can be for coverage for you, your spouse, or dependents. The distribution must be from a plan maintained by the employer from which you retired as a public safety officer. Also, the distribution must be made directly from the plan to

the provider of the accident or health plan or long-term care insurance contract. You can exclude from income the smaller of the amount of the premiums or \$3,000. You can only make this election for amounts

that would otherwise be included in your income.


An eligible retirement plan is a governmental plan that is:

- A qualified trust,

- A section 403(a) plan,
- A section 403(b) plan, or
- A section 457(b) plan.


If you make this election, reduce the otherwise taxable amount of your pension

**Simplified Method Worksheet—Lines 16a and 16b**

Keep for Your Records 

**Before you begin:**  If you are the beneficiary of a deceased employee or former employee who died before August 21, 1996, include any death benefit exclusion that you are entitled to (up to \$5,000) in the amount entered on line 2 below.

**Note.** If you had more than one partially taxable pension or annuity, figure the taxable part of each separately. Enter the total of the taxable parts on Form 1040, line 16b. Enter the total pension or annuity payments received in 2011 on Form 1040, line 16a.

1. Enter the total pension or annuity payments from Form 1099-R, box 1. Also, enter this amount on Form 1040, line 16a . . . . . **1.** \_\_\_\_\_
2. Enter your cost in the plan at the annuity starting date . . . . . **2.** \_\_\_\_\_  
**Note.** If you completed this worksheet last year, skip line 3 and enter the amount from line 4 of last year's worksheet on line 4 below (even if the amount of your pension or annuity has changed). Otherwise, go to line 3.
3. Enter the appropriate number from Table 1 below. But if your annuity starting date was after 1997 and the payments are for your life and that of your beneficiary, enter the appropriate number from Table 2 below. . . . . **3.** \_\_\_\_\_
4. Divide line 2 by the number on line 3 . . . . . **4.** \_\_\_\_\_
5. Multiply line 4 by the number of months for which this year's payments were made. If your annuity starting date was before 1987, skip lines 6 and 7 and enter this amount on line 8. Otherwise, go to line 6 . . . . . **5.** \_\_\_\_\_
6. Enter the amount, if any, recovered tax free in years after 1986. If you completed this worksheet last year, enter the amount from line 10 of last year's worksheet . . . . . **6.** \_\_\_\_\_
7. Subtract line 6 from line 2 . . . . . **7.** \_\_\_\_\_
8. Enter the smaller of line 5 or line 7. . . . . **8.** \_\_\_\_\_
9. Taxable amount. Subtract line 8 from line 1. Enter the result, but not less than zero. Also, enter this amount on Form 1040, line 16b. If your Form 1099-R shows a larger amount, use the amount on this line instead of the amount from Form 1099-R. If you are a retired public safety officer, see *Insurance Premiums for Retired Public Safety Officers* before entering an amount on line 16b . . . . . **9.** \_\_\_\_\_
10. Was your annuity starting date before 1987?  
 Yes.  Leave line 10 blank.  
 No. Add lines 6 and 8. This is the amount you have recovered tax free through 2011. You will need this number when you fill out this worksheet next year . . . . . **10.** \_\_\_\_\_

**Table 1 for Line 3 Above**

**AND your annuity starting date was—**

IF the age at annuity starting date was . . .	before November 19, 1996, enter on line 3 . . .	after November 18, 1996, enter on line 3 . . .
55 or under	300	360
56–60	260	310
61–65	240	260
66–70	170	210
71 or older	120	160

**Table 2 for Line 3 Above**

IF the combined ages at annuity starting date were . . .	THEN enter on line 3 . . .
110 or under	410
111–120	360
121–130	310
131–140	260
141 or older	210

or annuity by the amount excluded. The amount shown in box 2a of Form 1099-R does not reflect the exclusion. Report your total distributions on line 16a and the taxable amount on line 16b. Enter "PSO" next to line 16b.

If you are retired on disability and reporting your disability pension on line 7, include only the taxable amount on that line and enter "PSO" and the amount excluded on the dotted line next to line 7.

### Simplified Method

You must use the Simplified Method if either of the following applies.

1. Your annuity starting date was after July 1, 1986, and you used this method last year to figure the taxable part.

2. Your annuity starting date was after November 18, 1996, and both of the following apply.

a. The payments are from a qualified employee plan, a qualified employee annuity, or a tax-sheltered annuity.

b. On your annuity starting date, either you were under age 75 or the number of years of guaranteed payments was fewer than five. See Pub. 575 for the definition of guaranteed payments.

If you must use the Simplified Method, complete the Simplified Method Worksheet in these instructions to figure the taxable part of your pension or annuity. For more details on the Simplified Method, see Pub. 575 or Pub. 721 for U.S. Civil Service retirement benefits.



*If you received U.S. Civil Service retirement benefits and you chose the alternative annuity option, see Pub. 721 to figure the taxable part of your annuity. Do not use the Simplified Method Worksheet in these instructions.*

### Annuity Starting Date

Your annuity starting date is the later of the first day of the first period for which you received a payment or the date the plan's obligations became fixed.

### Age (or Combined Ages) at Annuity Starting Date

If you are the retiree, use your age on the annuity starting date. If you are the survivor of a retiree, use the retiree's age on his or her annuity starting date. But if your annuity starting date was after 1997 and the payments are for your life and that of your beneficiary, use your combined ages on the annuity starting date.

If you are the beneficiary of an employee who died, see Pub. 575. If there is more than one beneficiary, see Pub. 575 or Pub. 721 to figure each beneficiary's taxable amount.

### Cost

Your cost is generally your net investment in the plan as of the annuity starting date. It does not include pre-tax contributions. Your net investment should be shown in box 9b of Form 1099-R for the first year you received payments from the plan.

### Rollovers

Generally, a qualified rollover is a tax-free distribution of cash or other assets from one retirement plan that is contributed to another plan within 60 days of receiving the distribution. However, a qualified rollover to a Roth IRA or a designated Roth account is generally not a tax-free distribution. Use lines 16a and 16b to report a qualified rollover, including a direct rollover, from one qualified employer's plan to another or to an IRA or SEP.

Enter on line 16a the distribution from Form 1099-R, box 1. From this amount, subtract any contributions (usually shown in box 5) that were taxable to you when made. From that result, subtract the amount of the qualified rollover. Enter the remaining amount on line 16b. If the remaining amount is zero and you have no other distribution to report on line 16b, enter zero on line 16b. Also, enter "Rollover" next to line 16b.

See Pub. 575 for more details on rollovers, including special rules that apply to rollovers from designated Roth accounts, partial rollovers of property, and distributions under qualified domestic relations orders.

**2010 Roth IRA rollovers.** If you rolled over part or all of a qualified retirement plan (other than a designated Roth account) to a Roth IRA in 2010 and did not elect to report the taxable amount on your 2010 return, include on line 16b the amount from your 2010 Form 8606, line 25a. However, you may have to include a different amount on line 16b (or include an amount on line 15b instead of line 16b) if either of the following applies.

- You received a distribution from a Roth IRA in 2010 or the owner of the Roth IRA died in 2011. See Pub. 575 to figure the amount to include on line 16b.

- You received a distribution from a Roth IRA in 2011. Use Form 8606 to figure the amount to include on line 15b.

**2010 in-plan Roth rollovers.** If you rolled over part or all of a qualified retirement plan to a designated Roth account in 2010 and did not elect to report the taxable amount on your 2010 return, include on line 16b the amount from your 2010 Form 8606, line 25a. However, you may have to include a different amount on line 16b if either of the following applies.

- You received a distribution from your designated Roth account in 2010 after September 27, or the owner of the designated

Roth account died in 2011. See Pub. 575 to figure the amount to include on line 16b.

- You received a distribution from the designated Roth account in 2011. Use Form 8606 to figure the amount to include on line 16b.

### Lump-Sum Distributions

If you received a lump-sum distribution from a profit-sharing or retirement plan, your Form 1099-R should have the "Total distribution" box in box 2b checked. You may owe an additional tax if you received an early distribution from a qualified retirement plan and the total amount was not rolled over in a qualified rollover. For details, see the instructions for line 58.

Enter the total distribution on line 16a and the taxable part on line 16b. For details, see Pub. 575.



*You may be able to pay less tax on the distribution if you were born before January 2, 1936, or you are the beneficiary of a deceased employee who was born before January 2, 1936. For details, see Form 4972.*

## Line 19

### Unemployment Compensation

You should receive a Form 1099-G showing in box 1 the total unemployment compensation paid to you in 2011. Report this amount on line 19. However, if you made contributions to a governmental unemployment compensation program and you are not itemizing deductions, reduce the amount you report on line 19 by those contributions.

If you received an overpayment of unemployment compensation in 2011 and you repaid any of it in 2011, subtract the amount you repaid from the total amount you received. Enter the result on line 19. Also, enter "Repaid" and the amount you repaid on the dotted line next to line 19. If, in 2011, you repaid unemployment compensation that you included in gross income in an earlier year, you can deduct the amount repaid on Schedule A, line 23. But if you repaid more than \$3,000, see *Repayments* in Pub. 525 for details on how to report the repayment.

## Lines 20a and 20b

### Social Security Benefits

You should receive a Form SSA-1099 showing in box 3 the total social security benefits paid to you. Box 4 will show the amount of any benefits you repaid in 2011. If you received railroad retirement benefits