



1997 Instructions for Schedule R (Form 1040)

Credit for the Elderly or the Disabled

Use Schedule R to figure the credit for the elderly or the disabled.
Additional Information. See **Pub. 524** for more details.

Who Can Take the Credit

The credit is based on your filing status, age, and income. If you are married filing a joint return, it is also based on your spouse's age and income.

You may be able to take this credit if either of the following applies:

- You were **age 65 or older** at the end of 1997, **OR**
- You were **under age 65** at the end of 1997 and you meet **all three** of the following.

1. You were **permanently and totally disabled** on the date you retired. If you retired before 1977, you must have been permanently and totally disabled on January 1, 1976, or January 1, 1977.

2. You received taxable disability income for 1997.

3. On January 1, 1997, you had not reached mandatory retirement age (the age when your employer's retirement program would have required you to retire).

For the definition of permanent and total disability, see **What Is Permanent and Total Disability?** on this page. Also, see the instructions for Part II.

Married Persons Filing Separate Returns

If your filing status is married filing separately and you lived with your spouse at any time during 1997, you **cannot** take the credit.

Nonresident Aliens

If you were a nonresident alien at any time during 1997, you may be able to take the credit only if **(1)** you were married to a U.S. citizen or resident alien at the end of 1997, and **(2)** you and your spouse elect to file a joint return.

Income Limits

See the chart on this page for details.

Want the IRS To Figure Your Credit?

If you can take the credit and you want us to figure it for you, check the box in Part I of Schedule R for your filing status and age. Fill in Part II and lines 11 and 13 of Part III if they apply to you. Then, enter "CFE" on the dotted line next to line 41 on Form 1040 and attach Schedule R to your return.

What Is Permanent and Total Disability?

If you were under age 65 at the end of 1997, you must be permanently and totally disabled to take the credit. A person is **permanently and totally disabled** if **both** of the following apply:

- 1.** He or she cannot engage in any substantial gainful activity because of a physical or mental condition, and
- 2.** A physician determines that the condition has lasted or can be expected to last continuously for at least a year or can lead to death.

Examples 1 and 2 on this page show situations in which the individuals are considered engaged in a substantial gainful activity. Example 3 shows a person who might not be considered engaged in a

substantial gainful activity. In each example, the person was under age 65 at the end of the year.

Example 1. Sue retired on disability as a sales clerk. She now works as a full-time babysitter at the minimum wage. Although she does different work, Sue babysits on ordinary terms for the minimum wage. She cannot take the credit because she is engaged in a substantial gainful activity.

Example 2. Mary, the president of XYZ Corporation, retired on disability because of her terminal illness. On her doctor's advice, she works part time as a manager and is paid more than the minimum wage. Her employer sets her days and hours. Although Mary's illness is terminal and she works part time, the work is done at her employer's convenience. Mary is considered engaged in a substantial gainful activity and cannot take the credit.

Example 3. John, who retired on disability, took a job with a former employer on a trial basis. The purpose of the job was to see if John could do the work. The trial period lasted for some time during which John was paid at a rate equal to the minimum wage. But because of John's disability, he was given only light duties of a nonproductive, make-work nature. Unless the activity is both substantial and gainful,

Income Limits for Credit for the Elderly or the Disabled

IF you are . . .	THEN you generally cannot take the credit if:	
	The amount on Form 1040, line 33, is . . .	Or you received . . .
Single, Head of household, or Qualifying widow(er)	\$17,500 or more	\$5,000 or more of nontaxable social security or other nontaxable pensions
Married filing a joint return and only one spouse is eligible for the credit	\$20,000 or more	\$5,000 or more of nontaxable social security or other nontaxable pensions
Married filing a joint return and both spouses are eligible for the credit	\$25,000 or more	\$7,500 or more of nontaxable social security or other nontaxable pensions
Married filing a separate return and you lived apart from your spouse for all of 1997	\$12,500 or more	\$3,750 or more of nontaxable social security or other nontaxable pensions

John is not engaged in a substantial gainful activity. The activity was gainful because John was paid at a rate at or above the minimum wage. However, the activity was not substantial because the duties were of a nonproductive, make-work nature. More facts are needed to establish John's ability to engage in a substantial gainful activity.

Disability Income

Generally, disability income is the total amount you were paid under your employer's accident and health plan or pension plan that is included in your income as wages or payments instead of wages for the time you were absent from work because of permanent and total disability. However, any payment you received from a plan that does not provide for disability retirement is not disability income. In figuring the credit, disability income **does not** include any amount you received from your employer's pension plan after you have reached mandatory retirement age. For more details on disability income, see **Pub. 525**.

Part II. Statement of Permanent and Total Disability

If you checked box 2, 4, 5, 6, or 9 in Part I and you did not file a physician's statement for 1983 or an earlier year, or you filed a statement for tax years after 1983 and your physician signed on line A of the statement, you must have your physician complete a statement certifying that:

- You were permanently and totally disabled on the date you retired, or
- If you retired before 1977, you were permanently and totally disabled on January 1, 1976, or January 1, 1977.

You must attach this statement to Form 1040. You may use the physician's statement in Part II for this purpose. Your physician should show on the statement if the disability has lasted or can be expected to last continuously for at least a year, or if there is no reasonable probability that the disabled condition will ever improve. If you file a joint return and you checked box 5 in Part I, you and your spouse must each file a statement. If both you and your spouse use the statement in Part II, attach a separate Schedule R for your spouse with only Part II filled in. Keep copies of these statements with your tax records.

If you filed a physician's statement for 1983 or an earlier year, or you filed a statement for tax years after 1983 and your physician signed on line B of the statement, you do not have to attach another statement for 1997. But you must check the box on line 2 in Part II to certify that (1) you filed a physician's statement in an earlier year, (2) you were permanently and totally disabled during 1997, and (3) you were unable to engage in any substantial gainful activity during 1997 because of

your physical or mental condition. If you checked box 4, 5, or 6 in Part I, write in the space above the box on line 2 in Part II the first name(s) of the spouse(s) for whom the box is checked.

If the Department of Veterans Affairs (VA) certifies that you are permanently and totally disabled, you can file **VA Form 21-0172** instead of the physician's statement. VA Form 21-0172 must be signed by a person authorized by the VA to do so. You can get this form from your local VA regional office.

Part III. Figure Your Credit

Line 11

If you checked box 2, 4, 5, 6, or 9 in Part I, complete line 11 as follows:

- If you checked box 6, add \$5,000 to the amount of disability income you reported on Form 1040 for the spouse who was under age 65. Enter the total on line 11.
- If you checked box 2, 4, or 9, enter on line 11 the total amount of disability income you reported on Form 1040.
- If you checked box 5, enter on line 11 the total amount of disability income for both you and your spouse that you reported on Form 1040.

Example 1. Bill, age 63, retired on permanent and total disability in 1997. He received \$4,000 of taxable disability income that he reported on Form 1040, line 7. He filed a joint return with his wife who was age 67 in 1997. On line 11, Bill enters \$9,000 (\$5,000 plus the \$4,000 of disability income reported on Form 1040).

Example 2. John checked box 2 in Part I and enters \$5,000 on line 10. He received \$3,000 of taxable disability income, which he enters on line 11. John also enters \$3,000 on line 12 (the smaller of line 10 or line 11). The largest amount he can use to figure the credit is \$3,000.

Lines 13a Through 18

The amount on which you figure your credit may be reduced if you received certain types of nontaxable pensions and annuities. The amount may also be reduced if your adjusted gross income is over a certain amount, depending on which box you checked in Part I.

Line 13a. Enter any social security benefits (before deduction of Medicare premiums) you (and your spouse if filing a joint return) received for 1997 that are not taxable. Also, enter any tier 1 railroad retirement benefits treated as social security that are not taxable.

If any of your social security or equivalent railroad retirement benefits are taxable, the amount to enter on this line is generally the difference between the amounts entered on Form 1040, line 20a and line 20b.

Note: If your social security or equivalent railroad retirement benefits are reduced

because of workers' compensation benefits, treat the workers' compensation benefits as social security benefits when completing Schedule R, line 13a.

Line 13b. Enter the total of the following types of income that you (and your spouse if filing a joint return) received for 1997.

- Veterans' pensions (but not military disability pensions).
- Any other pension, annuity, or disability benefit that is excluded from income under any provision of Federal law other than the Internal Revenue Code. **Do not** include amounts that are treated as a return of your cost of a pension or annuity.

Do not include on line 13b any pension, annuity, or similar allowance for personal injuries or sickness resulting from active service in the armed forces of any country, or in the National Oceanic and Atmospheric Administration or the Public Health Service. Also, do not include a disability annuity payable under section 808 of the Foreign Service Act of 1980.

Line 20

You may not be able to take the full amount of the credit you figured on line 20 if **both 1 and 2** below apply:

1. You file Schedule C, C-EZ, D, E, or F (Form 1040), **and**
2. The amount on Form 1040, line 22, is more than:
 - \$33,750 if single or head of household,
 - \$45,000 if married filing jointly or qualifying widow(er), or
 - \$22,500 if married filing separately.

Note: For purposes of 2 above, increase the amount on Form 1040, line 22, by any tax-exempt interest from private activity bonds issued after August 7, 1986, and any net operating loss deduction.

If both 1 and 2 above **do not** apply, enter on Form 1040, line 41, the amount from Schedule R, line 20. If both 1 and 2 above **do** apply, get **Form 6251**, relating to the alternative minimum tax, and complete it through line 24. Then, figure the amount of credit you may take as follows:

1. Enter the amount from Form 1040, line 39, minus any child and dependent care credit on Form 1040, line 40 1. _____
2. Enter the amount from Form 6251, line 24 2. _____
3. **Maximum credit.** Subtract line 2 from line 1. If zero or less, enter -0- 3. _____
4. Enter the credit you first figured on Schedule R, line 20 4. _____

Look at lines 3 and 4 above. Enter the **smaller** of the two amounts on Form 1040, line 41. If line 3 is the smaller amount, also write "AMT" on the dotted line next to line 41 and replace the amount on Schedule R, line 20, with that amount.

