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THE CALIFORNIA
PERSONAL INCOME TAX
MICROSIMULATION MODEL

by
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and
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July, 1991

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**Research Bureau
FRANCHISE TAX BOARD**

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**THE CALIFORNIA
PERSONAL INCOME TAX
MICROSIMULATION MODEL¹**

**CHAPTER I. OVERVIEW OF THE STATE OF CALIFORNIA FRANCHISE TAX
 BOARD'S PERSONAL INCOME TAX MICROSIMULATION MODEL**

The California Franchise Tax Board (FTB) is charged with the administration of the state's Personal Income Tax (PIT) and Bank and Corporation (B&C) tax law, as well as the state's Homeowner and Renter Assistance Program. As part of these duties, the FTB assists the State Legislature and the Administration by providing analyses of proposed legislation affecting either PIT law or B&C Tax law.

The estimated impact of a particular tax legislation on state tax revenues is vital to a full analysis of any legislation, and, more often than not, this estimate is of crucial importance to the political fate of tax legislation. Furthermore, the

¹ The views expressed in this paper are those of the authors. They do not necessarily represent the views of the State of California or the Franchise Tax Board.

Legislature is often interested not only in the bottom line impact of legislation on state revenues but also in the impact of legislation across income groups.

The calculation of California PIT liability for even one tax return can involve a complex set of interacting equations. Thus, the assessment of the aggregate effects of proposed legislative changes in PIT law can be difficult. Because of the many interactions between different income and deduction items, and because of nonlinearities in the tax system, it is often not possible to obtain a reliable estimate of the impact of a particular proposed tax legislation by using aggregate, or even somewhat disaggregated, data. In order to understand the true impact of proposed legislation, it is often necessary to analyze the impact of the legislation on an individual return basis.

The FTB's PIT Model is the basic tool used for producing quantitative analyses of legislation affecting the state's PIT law. The PIT Model is a microsimulation model; that is, it is a computer model that simulates the impact of proposed legislation by actually calculating tax liability for each sample individual tax return under a base law and under proposed law. The change in tax liability is weighted and summed over all returns in the sample to obtain an estimate of the aggregate impact of the proposed legislation on total California PIT receipts.

The PIT Model is an important tool for the analysis of tax policy. It is used to estimate the total impact of proposed legislation on state tax revenues. The PIT Model can also be used to estimate the distributional impact of proposed legislation. There are some legislative proposals that involve economic variables that are not available on the PIT Model data base and, thus, the PIT Model cannot be directly used to analyze the proposal. In these cases, however, the PIT Model is often used to produce input, such as the marginal tax rate on a particular type of income, to an external model that will ultimately be used to estimate the effects of the proposed legislation. The PIT Model can also be used to incorporate a priori estimates of behavioral response to legislation into the analysis of legislation.

Finally, the PIT Model can be used, in an iterative manner, to help design legislation. Sometimes a legislator may have a particular goal in mind, as opposed to a firm tax legislative proposal. The goal may be to raise a certain amount of revenue from a particular income group or to expand a certain credit program such that the revenue lost from that program will exactly offset the revenue produced from some other proposal. This latter type of analysis is particularly important in California, because of a provision in the state's constitution that specifies that all legislation that increases state revenues must be passed by a two-thirds majority of both houses of the Legislature,

whereas revenue neutral tax legislation can be passed by a simple majority.

It should be noted that the FTB's PIT Model is not used for forecasting total state PIT revenue. The State Department of Finance is charged with that task.

Because of the many uses of the PIT Model, and because of California's heavy reliance upon PIT revenues, the PIT Model is the most widely used tool in the Franchise Tax Board for the quantitative analysis of legislation, as well as for general tax policy analysis. This paper discusses the current structure of the PIT Model and lays out some potential model improvements that we hope to integrate into the current model. Chapter II of this report discusses the contents and development of the PIT Sample. Chapter III discusses the structure of the microsimulation model and the user interface. Chapter IV discusses possible future model improvements.

CHAPTER II. THE PERSONAL INCOME TAX SAMPLE DATA BASE

The PIT Sample data base contains tax return data. The tax return data consist of each of the line items from the primary California personal income tax forms, Forms 540, 540A, and 540NR, and from the California adjustment form, Schedule CA. Additionally, several data items are collected from the California forms for depreciation and amortization adjustments, for capital gain or loss adjustment, and for passive activity loss limitations. Federal tax data are also collected, including most of the line items on the Form 1040 and Schedule A, as well as many items from federal Schedules D and E. The quantity of tax items to include in the sample is reviewed each year and adjusted when appropriate.

A set of tax forms marked with the fields collected for the 1988 California PIT Sample data base is included in Exhibit I. The number listed on the tax returns relates to the sequential position of that data item on the PIT Sample. When there are two numbers presented for a particular item (such as 22,222 for number of dependents) it means that a residual has been calculated for that field. (Residuals will be discussed later in this chapter.) Exhibit II includes a brief statistical summary of California's 1988 PIT returns, as represented by the PIT Sample data base. The data item numbers in Exhibit II correspond

to the data item numbers in Exhibit I.

Data Collection

The collection of data for the PIT Sample begins when tax returns are first received by the California Franchise Tax Board. A limited number of tax items are collected from all of the California personal income tax returns (540, 540A, and 540NR) for the department's PIT Master File. The Master File contains basic tax information for every taxpayer filing a California tax return. From this Master File, a stratified random sample of tax returns is selected to become part of the PIT Sample.

The sample is stratified by adjusted gross income (AGI) so that high-income tax returns are sampled more heavily than low-income tax returns. The sampling is stratified because there is more variation among the composition of income and deductions for high income taxpayers than for low income taxpayers. There were five sampling categories for the 1988 PIT Sample. For the highest income category, all California tax returns with an AGI greater in absolute value than \$300,000, as well as all returns with an AGI greater than \$200,000 that reported no tax liability, are selected to be in the PIT Sample. For the lowest income category, tax returns with an AGI less in absolute value than \$100,000, are sampled at the rate of one in approximately 500

returns.

Once a return is randomly selected to be part of the PIT Sample, all data from the departments's PIT Master File (described above) are copied onto the PIT Sample file. At this point, detailed California tax return information and federal tax return information are added. Taxpayers who file the California short form, Form 540A, are not required to file their federal return with their state return. Furthermore, although taxpayers who file the California long form are required to file their federal return with their state return, many taxpayers do not comply. Because of this problem of missing federal tax information, the department merges the PIT Sample with the Internal Revenue Service's Individual Master File/Individual Returns Transaction File to pick up, when available, the missing federal data.

Once the raw PIT Sample file is created, there are three steps necessary before the sample is ready to be used in the PIT Model. The first step is the calculation of residual values and the appending of these residual values to the PIT Sample so that the PIT Model will be able to exactly replicate the tax liabilities reported by taxpayers. This step is necessary because of taxpayer errors and to account for missing data. The second step is the calculation of sample weights that can be used to weight the PIT Sample to represent the universe of California personal income tax returns. The third step is the development of

extrapolation factors so that the PIT Sample can be used to represent the population of California personal income tax returns in years beyond the sample year. The remainder of this chapter will discuss these steps in more detail.

Data Verification and the Calculation of Residuals

The process of creating residual fields, using what we refer to as a verification program, allows the model to reproduce actual tax return figures, even if the items on the tax return have been incorrectly computed. As the PIT Sample is being created, each return record is checked to determine if the tax return figures are computed correctly. This edit process is done only to uncover errors in the coding or transcription of data items. If a return record fails an edit, and it is determined that the return was correctly coded and transcribed but that the taxpayer incorrectly computed some figure, the record will stay in the sample as it is; but it will include a code that indicates that there are errors on the return. Given that there are tax returns with incorrectly calculated tax liabilities on the PIT Sample, the PIT Model would not be able to use the data on this raw sample data base to reproduce the reported tax liability amounts. It is for this reason that we calculate residuals to use in the PIT Model.

Assume a tax return reports a federal adjusted gross income of \$50,000, while the federal income items add up to only \$40,000. This sort of discrepancy can occur for three primary reasons. First, the taxpayer can simply make a mistake in the computation of a tax returns figure. Second, a taxpayer can neglect to carry forward a particular figure from a supporting schedule to the Form 540 or 1040. The situation described above could occur, for example, if the taxpayer had received \$10,000 in capital gains but had failed to carry forward that \$10,000 from the Schedule D, even though the \$10,000 was included in the calculated adjusted gross income figure. The third reason for this type of discrepancy is that a taxpayer fails to supply the appropriate supporting schedule, even though the appropriate figure from the schedule was correctly carried forward.

In the case described above, the verification program would create a \$10,000 residual for the federal adjusted gross income field for this return. When the model calculates federal adjusted gross income, it adds together not only all of the income items on the 1040 but also the residual for the federal adjusted gross income field. The reason for this adjustment is twofold. First, in the case of a taxpayer computational error, the residual can be used by the PIT Model to produce an estimate of tax liability under a pre-audit environment, which is a more accurate gauge of what sort of revenues the state could expect to receive from any particular legislative change. Second, in the

case of problems with carryforwards from schedules, the residuals simply act to fill in missing information for the taxpayer.

In summary, if the bottom line tax liability is correct, the residuals will allow the model to compute the correct tax liability, even if the taxpayer neglects to correctly carry forward the appropriate data. If the bottom line tax liability is incorrect, the residuals will allow the model to reproduce the incorrect numbers, so as to simulate a pre-audit environment.

Record Weighting

Another important step in developing a sample that can be used with the PIT Model is the calculation of record weights so that the returns can be weighted to represent the entire population of California taxpayers. The five broadly defined adjusted gross income categories used for sampling purposes are split up by type of return (540, 540A, 540NR, remit, nonremit, etc.) into 31 adjusted gross income/return type categories. One weight is assigned to each category. The weights are generally very close to the inverse of the sampling ratio for each broad adjusted gross income category. The weights assigned to each category are calculated by dividing the number of returns in each adjusted gross income/return type category on the department's PIT Master File, by the number of returns in each category on the PIT Sample. Although the weights are designed to reproduce the

total number of returns in the population, the division of the sample into 31 relatively homogeneous categories of tax returns, along with the one-to-one sampling of the very high-income returns, results in a sample estimated tax liability that is very close to the true liability amount.

Extrapolation

Because the PIT Model is used for forecasting the impact of legislation with effective dates in or after the current tax year, and because the PIT Sample data base for a particular tax year becomes available two tax years after that year (e.g., the 1988 PIT Sample was first available in 1990), it is necessary to extrapolate the PIT Sample to future tax years. Extrapolation procedures are developed, generally, to enable the extrapolation of the sample for five years beyond the actual tax year. For example, the 1988 PIT Sample can currently be extrapolated to 1989, 1990, 1991, 1992, and 1993.

The extrapolation procedure for the PIT Sample involves the development, from outside sources, of expected growth factors (or, for the extrapolation to 1989, actual growth factors) for the number of returns and for the individual income, deduction, credit, and adjustment items. The growth rates for the individual tax return items are determined from several sources. The Franchise Tax Board generally attempts to employ growth rate

assumptions that are in agreement with the California Department of Finance estimates. The calculated growth rates for the number of tax returns and for the amount of the various income, deduction, credit, and adjustment items are used as an input data base for the PIT Model. Thus, when the PIT Model is run to simulate the impact of legislation for a future year, the sample return values are automatically grown to the appropriate levels.

Once the PIT Sample data base is created, along with the data base residuals, the sample weights, and the extrapolation factors, the PIT Model can be used to simulate a variety of potential tax legislation for several different income years. The following chapter discusses the general design of the model, the use of the model, and the model maintenance requirements.

**CHAPTER III. THE CALIFORNIA FRANCHISE TAX BOARD'S PERSONAL
INCOME TAX MICROSIMULATION MODEL: STRUCTURE AND
USER INTERFACE**

The PIT Model is a microsimulation model. The model is designed to replicate the process undertaken by taxpayers to minimize tax liability, or maximize after-tax income, consistent with the tax law being simulated. The model calculates the California tax liability for each tax return in the PIT Sample under two tax law scenarios, calculates the difference between the two liability amounts, if any, and weights and aggregates the returns to represent the population of California tax returns. The model can be a powerful tool for analyzing the impact of tax legislation.

Model Structure

The general logical structure of the PIT Model is presented in Exhibit III. As shown in this exhibit, the first procedure involved in any model run is the setting of simulation parameters. These parameters include input parameters, such as how many records are to be read, what type of records are to be read (for example, should nonresident tax returns be excluded from a particular simulation?), output parameters (such as which tables should be printed), and tax law parameters (such as

specific rates and brackets, limitations on itemized deductions, actual credit and deduction amounts, and exclusions from income).

The category of tax law parameters includes:

1. A parameter that determines the income year that is to be simulated (the year to which the sample data base is to be extrapolated); and,
2. Parameters that allow the model user to specify various behavioral responses to legislation.

The model first initializes the input, output, and tax law parameter arrays to default settings, and then reads in any user defined parameter changes.

The second major procedure involved in a model run is the reading of the PIT Sample data base and the calculation of tax liability under both Plan X and Plan Y law. This procedure also includes the accumulation of results. Using the input parameters, each appropriate return is read one at a time. The data from each return are then fed into the tax calculator, along with the Plan X tax law parameters. The tax calculator calculates the lowest tax liability for each return under Plan X law. Similarly, the return's lowest tax liability under Plan Y law is calculated, and the results from both Plan X and Plan Y are accumulated.

The final procedure in a model run is the table printing procedure. This procedure uses the output parameters set in the first procedure to determine which of the tables are to be printed. It then uses the results accumulated in the second

procedure to print the appropriate tables.

Prior to discussing the user interface of the model, it would be useful to present a brief overview of the workings of the tax calculator and of tax law simulations for future years. These subjects are presented in the remainder of this section.

The tax calculator begins with the federal tax return. In the cases in which data are available, such as for Schedules D and E, the federal income items are computed. Otherwise, the income and adjustment amounts reported by the taxpayer on Form 1040 are used to compute adjusted gross income. Similarly, the amount reported on Schedule A is used to calculate the taxpayer's itemized deductions.

This federal adjusted gross income figure is then used, together with detailed data on the taxpayer's California adjustments, to compute the taxpayer's California adjusted gross income. (The model user does have the option to request, instead of California tax liability, that federal tax liability be calculated and tabulated.) The federal itemized deduction figure, along with the taxpayer's reported California itemized deduction adjustments, is used to determine whether the taxpayer should use the standard deduction or his itemized deduction amount. The taxpayer's taxable income and regular tax are then computed. Finally, the taxpayer's alternative minimum tax is computed, and

credits, which can be limited by the interaction of regular tax and alternative minimum tax, are subtracted in the statutorily defined specific order from the taxpayer's tax liability. The final task for the calculator is to send the computed amounts for various income, adjustment, deduction, credit, and tax liability items to a series of arrays. These arrays are later used in the accumulation of table output information.

In order to estimate the impact of legislation for future tax years, it is necessary to extrapolate the data base to the future year. The current PIT extrapolation procedure is discussed in Chapter II. It is necessary, however, to also simulate what the California Personal Income Tax Law will be in the future years. We do not know, for example, in 1990 what California Personal Income Tax Law will be in 1992. We assume, for the purpose of the model, that the tax law will be the same in 1992 as it is in 1990, with the exception of indexing, sunseting provisions, and provisions that have been enacted but are not yet effective. In essence, we assume the tax law in 1992 will be exactly what we would currently predict the tax law to be in 1992, if there were to be no more legislative activity on tax matters. This approach is actually very reasonable since, if there is to be any tax legislation prior to 1992, the PIT Model will be used to determine the overall impact of that legislation. That impact will include any interactions with other newly passed tax legislation. Thus, by the time the Legislature needs to consider

the revenues to be obtained from the 1992 tax year, the base law revenue estimate for that year will take into account all newly passed tax legislation.

User Interface

The PIT Model user is typically interested in analyzing the impact of a particular legislative proposal. This impact most usually will include the impact on state revenues, the impact on the distribution of the income tax burden, and the interaction between various tax code provisions (for example, the impact of an increase in the top tax rate on alternative minimum tax liability). Additionally, users are sometimes interested in determining the impact of legislative proposals upon taxpayers in different filing statuses, determining the extent to which certain credits that are claimed are actually applied to reduce tax liability, obtaining average marginal tax rates for particular income or deduction items, and obtaining estimates of the state's tax expenditure for particular tax preference items.

In most cases, the model user is interested in analyzing these issues on a prospective basis; i.e., the user is interested in what the impact of legislation would be if it became effective in the current or subsequent tax years. Furthermore, the user is generally interested in analyzing the impact of the proposal over two or more years. For this reason, the ability of the model to

extrapolate the data base and to simulate the tax code in future years is very important.

In order to produce a PIT Model simulation, the model user must edit a Job Command Language (JCL) parameter file, set the input, output, and tax law parameters to the desired settings, and submit the job for execution. The model user has a manual available for instruction as to how to set particular model options. The manual contains over 50 pages of very detailed instructions on how to set the various model options. These instructions need to be followed precisely since, if a particular switch is set in the wrong column, a simulation produced may be completely different from what the model user was attempting to simulate. One future development that we are considering is the development of a menu-driven system that would prove much more user-friendly.

The model user has many choices as to what law to simulate and what output information should be produced. Following is a brief discussion of the options available, by broad category.

The model user can set input parameters that will determine the number of returns to analyze, what tax year to simulate and whether the returns analyzed should be limited to a certain population (such as nonresidents or taxpayers with an alternative minimum tax liability).

The model user has many available options concerning the amount and form of output that will be produced by the model. There are a total of nine different tables that the model can produce, although model users generally will only use one or two tables for any one simulation. The first table displays the number of returns with a tax change and the amount of tax change distributed by percentage change in tax. The second table displays the same information as the first table, except that the tax returns are distributed by absolute change in tax liability. The third table displays the total amount of income and adjustment items tabulated under either Plan X or Plan Y, distributed by income class. The fourth table displays deduction and credit items tabulated under either Plan X or Plan Y (chosen by the user), again distributed by income class.

The fifth table displays the number of returns with a tax change and the total amount of the tax change, distributed by income class and by itemized/standard deduction distinction. This table is particularly useful for an analysis of which taxpayers are "winners" and which taxpayers will be "losers" under a particular set of tax legislation. The sixth table shows the amount of taxable income in each marginal tax bracket, along with the tax change for each bracket. The seventh table shows the average tax rate under both Plan X and Plan Y by income class and itemized/standard deduction distinction. The eighth table shows the number of returns, the total adjusted gross income, and the

tax change by income class and by itemized/standard deduction distinction. The ninth table provides information on the number of returns, adjusted gross income, taxable income, deductions, credits, alternative minimum tax, and tax liability under Plan X and Plan Y by income class.

For the first through eighth tables, the user has the option of having each table produced not just for the total sample but to have each table broken down by filing status. Although the filing status breakdowns are not generally useful, for certain proposals, legislators are interested in the differential impact of the proposal upon various categories; e.g., joint filers and single filers. Additionally, the option exists to break down some of the tables even further.

As a default, however, the model will only produce the fifth and the ninth tables (the "winners and losers" table and the summary table). Examples of these tables are reproduced in Exhibits IV and V. For the majority of simulations, these two tables provide the user with all of the information that is needed.

Besides setting switches to determine the number of tables to produce, the model user can also set switches to determine, to some extent, the form in which the output is to be presented. The most important of these parameters include:

1. The income breakpoints;

2. The income definition (adjusted gross income, taxable income, or alternative minimum taxable income) used to categorize returns; and,
3. The calculation of that income amount that will be used to categorize returns (if adjusted gross income is chosen as the classifier, the model user could choose the data base AGI, AGI calculated under Plan X, and AGI calculated under Plan Y).

These parameters are very useful, because they give the model user the ability to focus in on a particular income group.

The final set of parameters that the user can set are the tax law parameters. The current PIT Model can accommodate tax law changes relating to:

1. personal exemptions/credits;
2. dividend and interest exclusions, and capital gains treatment;
3. scaling up or down of income, adjustment and deduction items;
4. floors and ceilings on itemized deductions;
5. tax rates;
6. regular tax credits;
7. low income tax credit;
8. alternative minimum tax (or preference tax); and
9. renter's credit.

Model Maintenance Requirements

Every year the California Franchise Tax Board produces a new PIT Sample data base and updates the PIT Model so that the most current information can be used in the analysis of proposed tax legislation. In Chapter I of this report, the steps involved in the development of a PIT Sample data base were outlined. The steps involved in updating the PIT Model are discussed below.

There are three aspects of the model that will potentially require changes. First, the data base read statement and the Fortran common blocks need to be changed to reflect the addition of any new variables to the data base. For example, the 1989 PIT Sample data base will include items from the schedule for the California alternative minimum tax, from the schedule for California source income for nonresidents, and additional information from Federal Schedule E that were not included in the 1988 PIT Sample.

Second, the default tax parameters need to be changed to incorporate any new tax legislation that has been signed into law. In 1990, the California Legislature passed legislation that alters the state child care credit and renter's credit. These law changes have been included in the default law parameter files. In a year in which there has been substantial law changes (such as California's 1987 federal conformity bill), not only would a change in the default law parameter file be required, but changes to the tax calculator computer code would also be required.

Third, to the extent that new data items are available, the computer code will be changed so that the new data can be used in the calculation of tax liability. The new data items contained in the 1989 PIT Sample data base will be incorporated into the tax calculator computations. For example, rather than simply

using the taxpayer's reported amount of California source income, the new model will calculate source income. This will increase model flexibility in that the model user will be able to analyze, for example, the impact of allowing an exemption for some types of California source income. Additionally, these data and the accompanying computer code will allow the model user to do more detailed analyses of non resident tax returns.

Finally, after each of the three above steps are completed, the model is subjected to extensive testing. The tests include running base law runs for the data base year and for each of the extrapolation years, and running simulations that have been produced using a prior version of the model. The purpose of the first type of test is to determine if the extrapolation and tax calculation procedures are working correctly. The aggregate tax liability amounts and the individual income, deduction, and credit items are compared with other estimates of these items. To the extent that there are substantial differences between model estimates and other estimates, an effort is made to determine the source of the difference. In many cases, the difference is due to an error in the model software. Although model results are compared with other estimates, the model is not targeted to any other estimates. The PIT Model does not employ any artificial adjustments to force it to hit an external target.

The second type of test is used to check any new calculation

procedures introduced to the PIT Model. Again, the model is not targeted against some prior simulation result. The purpose of these tests is to determine if the model is calculating tax liability correctly. To the extent the tests reveal software errors, the errors are corrected. In most cases, the reason for a discrepancy can be traced to errors in either the current or prior software.

Beyond the maintenance requirements discussed above, the model is a relatively malleable product. Model users often are in need of output that the model is not set up to produce. In those cases, when possible, the model is altered to produce the desired output. These alterations take place throughout the year, as they are needed.

CHAPTER IV. DIRECTIONS FOR THE FUTURE DEVELOPMENT OF THE CALIFORNIA FRANCHISE TAX BOARD'S PERSONAL INCOME TAX MODEL

As mentioned in the prior chapter, the PIT Model is, to some extent, in a constant state of flux. Minor alterations are constantly being made to accommodate the needs of the model users. However, in addition to these minor alterations, the Franchise Tax Board is looking towards greatly expanding the capabilities of the PIT Model. The primary areas that are being explored are:

1. The improvement of the user interface;
2. The augmentation of the PIT Sample data base with nontax return data; and,
3. The development of improved extrapolation procedures.

Menu Driven User Interface

As discussed in Chapter II, the current model user interface is rather cumbersome. The model user must edit a JCL file and enter tax law parameter codes precisely as they are recorded in the users' manual. This procedure presents two problems. First, to change something like the tax bracket structure, the model user will be required to spend a good amount of time entering the brackets and breakpoints for every filing status. If the tax law changes are not recorded precisely as they should be (for

example, if the codes are misplaced to the right by one column), the PIT Model will simulate something much different from what the user wants. Second, this procedure reduces the number of people who can use the model. In order to effectively use the PIT Model, an analyst needs to be given very specific training on the use of the model. Certainly, after an analyst has spent several months using the model, the difficulties involved in the current model user interface will be minimized. However, the current interface can be very imposing to a first time or relatively new model user.

The Franchise Tax Board is working to implement a menu driven user interface for the PIT Model. With a menu driven user interface, the model user would be required only to access the menus and to make the appropriate selections as to what input, output, and tax law parameter changes are required. This interface would be set up so that the user would know exactly what parameters were being set and how the parameters were being set. Unlike the current interface, in which the user must type a line of code with no intrinsic meaning into a JCL file, the model user with the menus system would simply respond to the interface prompts to produce a parameter change.

As an example, assume a model user wanted to analyze the impact of allowing a \$1,000 exclusion for interest income. With the

current user interface the user would be required to type the following line into the JCL file:

```
3 2 2 1000 1000 1000 0
```

With the menu-driven system, the model user would first choose the screen for Plan Y tax parameters. The next screen for the user would be the menu of tax law parameter categories. The user would choose the category "Dividends, Interest, and Capital Gains". The next screen would be the menu of potential changes within that category. The user would choose the "Interest Exclusion" category. The next screen would prompt the user to supply, one at a time, the desired exclusion for single/married filing separate returns, for joint/surviving spouse returns, and for head of household returns. At each prompt, the user would simply type in "1000", with no worry about whether the numbers were placed in the correct column.

It is not clear that the menu-driven system will be of significant benefit to the few analysts of the FTB's staff who currently use the PIT Model. These analysts are already familiar with the use of the model and can use the current interface fairly efficiently. However, a menu driven system would open up the use of the model to more individuals and would make it easier to teach the use of the model to new analysts.

Data Base Expansion

The PIT Model currently employs only data from state and federal tax returns. While these data are sufficient to analyze most legislative tax proposals, some proposals base a tax liability or credit amounts upon types of income or demographic characteristics that are not currently available on tax returns. Examples include the age of the taxpayer and the taxpayer's children, employer-provided health insurance amounts, whether there are one or two earners for a joint return, and the number of employees at the taxpayer's place of employment. Additionally, since sales and excise tax revenues appear to be growing in importance for both state and federal governments, it would be useful to be able to analyze sales and excise tax proposals with a microsimulation model.

The two most obvious candidates for data bases that the Franchise Tax Board may use to augment its current PIT Sample data base are the March supplement to the Current Population Survey (CPS) and the Bureau of Labor Statistics' Consumer Expenditure Survey (CES). The CPS includes a substantial number of demographic data items. Among these items are number and age of each member of the family, income sources for each family member, participation in government transfer programs, coverage by employer-provided health insurance, years of education, and occupation. The CES includes detailed data on all consumer expenditures, as well as

income sources and amounts and a small amount of demographic data, for a sample of households. Besides these two major data sources, other data sources, particularly in the areas of employee benefits and wealth, could be used to impute specific items to the PIT Sample data base.

The basic approach behind any imputation is to find variables common to both the tax data base and the additional data base and to exploit any correlation between these common variables and the nontax data that are to be imputed. The best approach, but one that is usually not feasible, is to create a hard match between the tax return data base and the additional data base. This is possible if there is a common variable on both data bases that uniquely identifies each record, such as a social security number. However, because of the confidentiality concerns of agencies that gather survey data, such a match is almost never possible. Possible exceptions would be a hard match with data from another state agency or a match of one CPS supplement with another CPS supplement.

The following few paragraphs discuss possible methods of merging together information from two different data bases. For expository purposes, unless otherwise noted, it will be assumed that the two data bases are a tax return data base and the March CPS supplement.

In most cases, the best imputation that can be achieved is a statistical merge between two data sets. Under this approach, each tax return is assigned one record from the CPS. The CPS record to be assigned to the tax return is chosen on the basis of a penalty function. The penalty function measures the difference between common variables from the two data bases (income sources and amounts, married or single). A linear programming routine is used to select the CPS record that minimizes the penalty for any particular tax return record.

Similar to the statistical merge is the hot deck procedure. With this procedure, the tax return records and the CPS records are assigned to cells based on income sources and amounts, marital status, and other common variables. Then, for each tax return record in a particular cell, a CPS record from the corresponding cell is chosen at random and appended to the tax return record.

Individual variables from the CPS can be imputed with the use of regression based techniques. With this technique, the variable of interest, years of education, for example, is regressed against some variables that are common to both data bases. The regression equation intercept term and slope coefficients are then used to impute the variable to the data base. One drawback of this approach is that, if multiple variables are being imputed from one data base to another, the information on the correlation between the imputed variables is lost. For example, if one were

to impute years of education and occupation from the CPS sample to a tax return sample using the regression techniques described above, the fact that years of education and occupation are strongly correlated would not appear in the data².

Finally, a technique that can be used when micro data are not available is to obtain the mean value of a particular variable by whatever income classes are available (when possible, the standard deviation by income class should also be obtained). These mean values (or distributions, if possible) can then be directly imputed to the tax return data set based on income.

Ultimately, the Franchise Tax Board would like to merge its current PIT data base with a CPS file and a CES file. Additionally, it would be very useful to impute a series of employee benefit data to the sample. To this end, Steve Sheffrin and Bob Triest, of the University of California, Davis, are currently working on a regression approach to imputation that would take into account correlations between the imputed variables. This type of approach would remove one of the primary faults of the regression based approach.

² The correlation between these two variables would be reproduced on the data base to the extent that both education and occupation are similarly correlated with wages. However, some of the information on the correlation between these two variables would be lost.

Enhancement of the Extrapolation Procedure

Another development currently under consideration for the PIT Model is an enhancement of the extrapolation procedures used for the model runs for years beyond the sample year. The extrapolation procedure is extremely important because, for model results to have direct use for policy, tax liabilities must be simulated for returns in the current or subsequent year. Since a PIT Sample is generally not available until more than one year after the tax year that it represents, the most important model simulations are based on extrapolated return information. If the extrapolation procedure does not produce a reasonably accurate forecast of future year returns, the simulation results may not be trustworthy. As such, we are very interested in improving the model extrapolation procedure.

There currently exists a more sophisticated approach to extrapolation than that used for the PIT Model. This approach, besides growing data base items as is done with the current PIT Model extrapolation, uses a linear programming technique to alter record weights so that actual targets for specific income, adjustment, and deduction items are met. While the linear programming approach produces more accurate extrapolations for the targeted variables³, it is possible that the extrapolation

³ Accuracy here is measured relative to the targets, not to actuals. If the targets are bad, any extrapolation procedure will produce bad results when compared with actual realized figures.

results for some of the untargeted variables will be unreasonable. Under the Franchise Tax Board's current extrapolation procedure, all tax returns items are grown at some externally determined rate.

Additionally, the linear programming approach, like the current PIT Model approach, does not allow the model user to track a particular return over several years. From year to year, any one record can represent a substantially different number of returns (the linear programming approach does attempt to reduce this effect by using as its objective function the minimization of the sum of the weight changes). Many of the interesting issues facing tax policy economists concern the effects of tax legislation on a taxpayer over several years. For example, a taxpayer with an alternative minimum tax liability in 1988 may be able to use his alternative minimum tax credit in 1989, or he may never be in a position to use it. Obviously, the difference between the two scenarios is of vital interest to a policymaker⁴. The current extrapolation methodology does not allow the model user to analyze, within a microsimulation framework, the impact of a proposal over the lifetime of a taxpayer (or even over several years of his life).

⁴ Besides the alternative minimum tax, other issues which require a multi-year analysis are depreciation, net operating losses, and capital gains.

We are currently working to develop an extrapolation procedure that can alleviate the problems discussed above. Our efforts are driven by two concerns: one pragmatic and the other conceptual. On the pragmatic side, the value of microsimulation models would be increased significantly if it were possible to use them to simulate the impact of tax law changes on taxpayers over several years. Currently, it is generally possible to estimate on a microsimulation model only a one year impact for proposals that have significant carryover effects, such as the alternative minimum tax. The carryover effects must be analyzed, usually in a somewhat ad hoc manner, without the use of the microsimulation model.

The conceptual concern is not completely unrelated to the pragmatic concern. There are conceptual problems with the current extrapolation procedure because they are not based on any theoretical understanding of the changes within an income distribution. In fact, we know that income distributions do not move through time the way current extrapolation procedures model that movement (i.e., growing individual income items and changing record weights). We are looking for an approach to extrapolation that is based on a conceptual understanding of the movement of and within an income distribution.

Casual empiricism suggests that income distributions as a whole change over time in a fairly predictable and stable manner, given

economic conditions. While individual incomes can fluctuate wildly, the distribution as a whole should be fairly stable. At this point in our analysis, this conclusion is based solely on casual empiricism; it is not clear what a more rigorous analysis would reveal. However, if an extrapolation methodology can be developed that is based on a solid conceptual understanding of how income distributions change over time, it would likely produce reasonable results for both targeted and untargeted tax return items.

The approach that we are pursuing at this time is to view the change in income, for any one taxpayer, as a Markov process; that is, an individual's income level in a future year will fall within some probability distribution, and that probability distribution will be dependent upon the individual's income level in the current year and projected economic and demographic trends.

Obviously, if we possessed a transition matrix that mapped, in a deterministic manner, for every return on the PIT Sample, from current income to the following year's income, we could predict the following year's income distribution with complete accuracy and precision. It would be impossible to create such a matrix (prior to the time when the following year's returns are available, at which time the matrix is not necessary). However, it should be possible to develop a transition matrix, based on

historical data, that maps probabilistically from a current income distribution to the following year's income distribution. Although we have not worked out any details for this approach, our initial idea is to develop transition matrices that would map tax returns within a certain cell (defined, perhaps, by income level and sources of income) into a distribution of income levels for the following year. Once such a transition matrix was developed, we would also need to model entrances and exits from the taxpaying population. This would conceivably be accomplished through an analysis of historical tax return data.

The first step in developing this methodology is to try to estimate the income transition matrix. An economics doctoral candidate from the University of California, Davis is currently working with the Franchise Tax Board to develop these Markov transition matrices for the population of California taxpayers.

As is probably clear from this section, we are just beginning to develop this approach, even conceptually. At this point, we are not even considering how this approach could be practically implemented. We are working from the premise that an extrapolation methodology can be developed that would be a significant improvement over current extrapolation procedures. Furthermore, such improvements would not be merely academic, but would result in a profound advancement in the usefulness of microsimulation models for tax policy analysis.

Chapter V. SUMMARY

The California Franchise Tax Board's Personal Income Tax Model is a powerful and often used tool for the analysis of tax legislation. As a microsimulation model, it allows tax policy analysts to determine how tax legislation involving complex interactions between tax return items will impact the state's fisc, as well as how its impact will be distributed over California taxpayers. Although the model is currently of great use to the state, we are continually working on improvements to the model to make it an even more powerful and, ultimately, useful tool.

EXHIBIT I

Use the California mailing label. Otherwise, please print or type. Fiscal year beginning _____, 1988, ending _____, 19____. **Do Not Use These Spaces**

Your first name and initial (if joint return, also give spouse's name and initial) _____ Last name _____ Your social security number _____
 P
 M
 A
 R
 E

Present home address - number and street including apartment number, P.O. Box or rural route _____ Spouse's social security number _____

City, town or post office, state and ZIP code _____

Step 2
Filing Status
 Check only one

- 1 Single
- 2 Married filing joint return (even if only one had income)
- 3 Married filing separate return. Enter spouse's social security number above and name here. 9
- 4 Head of household. Enter name and relationship of qualifying person. Do not claim this person as a dependent.
- 5 Qualifying widow(er) with dependent child. Enter year spouse died 19 _____.

Step 3
Exemptions

- 6 If someone (such as your parent) can claim you as a dependent, check here, skip lines 7 through 10 and enter -0- on line 11 6 10
- 7 Personal: If you checked box 1 or 3 above, enter \$52. If you checked box 2, 4 or 5, enter \$104 7 13
- 8 Blind: If you or your spouse is visually impaired, enter \$52. If both are visually impaired, enter \$104 8 14
- 9 Elderly: If you or your spouse is 65 or older, enter \$52. If both are 65 or older, enter \$104 9 15
- 10 Dependents: Enter name and relationship. Do not include yourself, spouse or person listed in Step 2 above.

 Number of dependents 11 x \$52 10 22, 220
- 11 Total exemption credits. Add lines 7 through 10. Enter here and on line 20 below 11 16, 219

Step 4
Taxable Income
 Attach copy of your Form(s) W-2 here

- 12a Wages (included in your federal adjusted gross income) from line 7 of your Form 1040, line 7 of your Form 1040A, or line 1 of your Form 1040EZ .. • 12a 18, 221
- 12b Federal adjusted gross income from line 31 of your Form 1040, line 13 of your Form 1040A, or line 3 of your Form 1040EZ 12b 19, 222
- 13 California adjustments - subtractions. Enter amount from Schedule CA, line 14 • 13 20, 223
- 14 Subtract line 13 from line 12b. If less than zero, enter the result in brackets. See instructions 14
- 15 California adjustments - additions. Enter amount from Schedule CA, line 21 • 15 21, 224
- 16 California adjusted gross income. Combine line 14 and line 15. If \$19,850 or less, see instructions • 16 22, 225
- 17 Enter the **larger of:** { • Your standard deduction (see instructions), OR }
 { • Your itemized deductions (from Schedule CA, line 26). } • 17 24, 226
- 18 Taxable income. Subtract line 17 from line 16. If less than zero, enter zero 18 25, 227

Step 5
Figure Your Tax and Credits
 Attach check or money order here

- 19 Enter tax. Check if from Tax Table, Schedule G-1 or FTB 3800 17 • 19 26, 229
Caution: If under age 14 and you have more than \$1,000 of investment income, read line 19 instructions to see if form FTB 3800 must be attached.
- 20 Exemption credits. Enter amount from line 11 above 20 16
- 21 Credit for child and dependent care expenses. See instructions • 21 29, 230
- 22 Credit for taxpayers with military income. See instructions • 22 30
- 23 Total credits. Add lines 20 through 22 23
- 24a Subtract line 23 from line 19. If less than zero, enter zero. Continue on side 2 24a 31

Step 6
Special Credits

24b	Amount from line 24a on front side	.....	24b	_____
25	Enter credit name _____ Code no. _____ and amount	◆ 25	32 - 56	_____
26	Enter credit name _____ Code no. _____ and amount	◆ 26	_____	_____
27	To claim more than two credits, enter the amount from Schedule SC, line 30	• 27	_____	_____
28	Credit for taxpayers with limited income. See instructions	• 28	57, 231	_____
29	Total credits. Add lines 25 through 28	.....	29	_____
30	Subtract line 29 from line 24b. If less than zero, enter zero	.....	30	_____

Step 7
Other Taxes

31	Alternative minimum tax. Attach Schedule P (540)	.....	• 31	58
32	Tax on an IRA or a qualified retirement plan. Attach form FTB 3805P	.....	• 32	59
33	Total tax. Add lines 30 through 32.	.....	• 33	63, 232

Step 8
Payments

34	California income tax withheld. Enter total from your 1988 W-2 forms	.....	■ 34	64
35	1988 California estimated tax and amount applied from 1987 return. Include amount paid with any extension request (form FTB 3502)	.....	■ 35	65
36	Renter's credit. Enter amount from Schedule H (540), line 9	.....	■ 36	66
37	Excess California SDI withheld. See instructions	.....	■ 37	67
38	Total payments. Add lines 34 through 37	.....	38	_____

Step 9
Overpaid Tax or Tax Due

39	Overpaid tax. If line 38 is larger than line 33, subtract line 33 from line 38.	.....	39	(68), 233
40	Amount of line 39 to be applied to your 1989 estimated tax	.....	■ 40	61
41	Amount of overpaid tax available this year. Subtract line 40 from line 39	.....	■ 41	68, 233
42	Tax due. If line 33 is larger than line 38, subtract line 38 from line 33	.....	42	_____

Step 10
Voluntary Contributions

You may make a contribution of \$1 or more to the following funds:

43	Alzheimer's Disease/Related Disorders Fund	.....	• 43	_____
44	California Fund for Senior Citizens	.....	• 44	_____
45	Rare and Endangered Species Preservation Program	.....	• 45	_____
46	State Children's Trust Fund for the Prevention of Child Abuse	.....	• 46	_____
47	United States Olympic Committee Fund	.....	• 47	_____
48	Vietnam Veterans Memorial Fund	.....	• 48	_____
49	California Election Campaign Fund	} 49 Your Political Party _____ Amount (\$25 max) ▶	• 49	_____
50	Spouse's Political Party _____ Amount (\$25 max) ▶		• 50	_____
51	Total Contributions. Add lines 43 through 50	.....	• 51	62

Step 11
Refund or Amount You Owe

52	REFUND OR NO AMOUNT DUE. Subtract line 51 from line 41. Mail your return to: Franchise Tax Board, P.O. Box 942840, Sacramento, CA 94240-0000	.....	■ 52	(72), 234
53	AMOUNT YOU OWE. Add line 42 and line 51. Attach check or money order for full amount payable to "Franchise Tax Board." Write your social security number and "1988 Form 540" on it. Mail it with your return to: Franchise Tax Board, P.O. Box 942867, Sacramento, CA 94267-0001	.....	■ 53	72, 234

Step 12
Penalties and Interest

54	Late return and late payment penalties and interest	.....	54	70
55	Underpayment of estimated tax. If form FTB 5805 or 5805F is attached, check box at right.	<input type="checkbox"/> • 55	71
56	To reduce State printing costs, if you and your tax preparer do not need California income tax forms and instructions mailed to you next year, check box at right	.....	• 56	<input type="checkbox"/>

Step 13
Sign Your Return

IMPORTANT: You must attach a copy of your federal income tax return and federal schedules. 3

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct and complete.

Your signature	Spouse's signature (if filing jointly, both must sign)	Date
X	X	
Signature of paid preparer (declaration of preparer is based on all information of which preparer has any knowledge.)		Preparer's SSN/FEIN
Firm's name (or yours if self-employed)		Firm's address

Step 1 Name and Address

Use the California mailing label. If you don't have one, please print or type. For Privacy Act Notice, see instructions. Your first name and initial (if joint return, also give spouse's name and initial) Last name Your social security number Present home address - number and street including apartment number, P.O. Box or rural route Spouse's social security number City, town or post office, state and ZIP code

Do Not Write In These Spaces P M A R E

Step 2 Filing Status

1 Single 2 Married filing joint return (even if only one had income) 3 Married filing separate return. Enter spouse's social security number above and name here. 9 4 Head of household. Enter name and relationship of qualifying person. Do not claim this person as a dependent. 5 Qualifying widow(er) with dependent child. Enter year spouse died 19

Step 3 Exemptions

6 If someone (such as your parent) can claim you as a dependent, check here, skip lines 7 through 10 and enter -0- on line 11 6 10 7 Personal: If you checked box 1 or 3 above, enter \$52. If you checked box 2, 4 or 5, enter \$104 7 13 8 Blind: If you or your spouse is visually impaired, enter \$52. If both are visually impaired, enter \$104 8 14 9 Elderly: If you or your spouse is 65 or older, enter \$52. If both are 65 or older, enter \$104 9 15 10 Dependents: Enter name and relationship. Do not include yourself, spouse or person listed in Step 2 above. Number of dependents x \$52 10 12, 220 11 Total exemption credits. Add lines 7 through 10. Enter here and on line 18 below 11 16, 219

Step 4 Taxable Income

12 Federal adjusted gross income from line 3 of your Form 1040EZ, line 13 of your Form 1040A, or line 31 of your Form 1040 12 19, 222 13 California income adjustments. Enter amount from side 2, Part I, line 5 13 14 California adjusted gross income. Subtract line 13 from line 12. If \$19,850 or less, see instructions 14 22, 225 15 Enter the larger of: Your standard deduction from the worksheet in the instructions, OR Your itemized deductions from the worksheet in the instructions. 15 24, 226 16 Taxable income. Subtract line 15 from line 14. If less than -0-, enter -0- 16 25, 227

Step 5 Figure Your Tax and Credits

17 Tax. Use the tax table to find the tax on the amount shown on line 16 17 26, 229 18 Exemption credits. Enter amount from line 11 above 18 16 19 Credit for child and dependent care expenses. See instructions 19 29, 230 20 Credit for taxpayers with limited income. See instructions 20 30, 231 21 Total credits. Add lines 18 through 20 21 31, 232 22 Total tax. Subtract line 21 from line 17. If less than -0-, enter -0- 22

Step 6 Overpaid Tax or Tax Due

23 California income tax withheld. Enter total from all 1988 W-2 forms 23 64 24 Renter's credit. Enter amount from side 2, Part II, line 9 24 65 25 Total payments. Add line 23 and line 24 25 26 Overpaid tax. If line 25 is more than line 22, subtract line 22 from line 25 26 (68), 233 27 Tax due. If line 22 is more than line 25, subtract line 25 from line 22 27 68, 233

Step 7 Refund or Amount You Owe

28 Voluntary contributions. Enter amount from side 2, Part III, line 9 28 262 29 Refund or no amount due. Subtract line 28 from line 26. Mail return to: Franchise Tax Board, P.O. Box 942840, Sacramento, CA 94240-0000 29 (72), 234 30 Amount you owe. Add line 27 and line 28. Attach check or money order for full amount payable to "Franchise Tax Board." Write your social security number and "1988 Form 540A" on it. Mail it with your return to Franchise Tax Board, P.O. Box 942867, Sacramento, CA 94267-0001 30 72, 234

Step 8 Sign Your Form

Under penalties of perjury, I declare that I have examined this return and to the best of my knowledge and belief, it is true, correct and complete. 3 Your signature Spouse's signature (if filing jointly, both must sign) Date Signature of paid preparer (declaration of preparer is based on all information of which preparer has any knowledge.) Preparer's SSN/FEIN Firm's name (or yours if self-employed) Firm's address

Part I California Income Adjustments. See instructions

1 State income tax refund from Form 1040, line 10. See instructions	1	73, 235
2 Unemployment compensation from Form 1040A, line 10 or Form 1040, line 20. See instructions	2	74, 236
3 Social security benefits from Form 1040, line 21b. See instructions	3	75, 237
4 California nontaxable interest income. See instructions	4	76
5 Total. Add lines 1 through 4. Enter here and on side 1, line 13	5	

Part II Renter's Credit. If you claim this credit on side 1, line 24, you must complete lines 1 through 9 below.

Caution: Renter's credit qualifications have changed for 1988. See instructions.

- Did you pay rent, for at least six months in 1988, on property in California which was your principal residence?
If yes, go to line 2. If no, STOP. You do not qualify. Yes No
- Were you a resident of California for the entire year? If yes, go to line 3. If no, STOP. File Form 540NR and Schedule H (540NR) Yes No
- Did you live with any other person (such as your parent) who claimed you as a dependent on a 1988 income tax return? If no, go to line 4.
If yes, or if you are a minor living with and under the care of a parent, foster parent or legal guardian, STOP. You do not qualify. Yes No
- Was the property you rented exempt from property tax? If no, go to line 5. If yes, see instructions. Yes No
- Did you or your spouse claim the homeowner's property tax exemption? If no, skip line 5a and complete lines 6 through 9. If yes, go to line 5a.
 - Did you and your spouse maintain separate residences for the entire year? Yes No
If yes, see instructions. If you qualify, complete lines 6 through 9. If no, STOP. You do not qualify.
- List the address(es) of residence(s) you rented in California during 1988 which qualified you for this credit. Do not list post office boxes.

STREET ADDRESS

CITY, STATE AND ZIP CODE

DATES RENTED
FROM — TO

a

b

- Name, address and telephone number of your landlord(s) or the person(s) you paid your rent to for the residence(s) listed on line 6.

NAME

STREET ADDRESS

CITY, STATE AND ZIP CODE

TELEPHONE NUMBER

a

b

- If you did not report any income on side 1, line 12 of this form, you must list the sources and total 1988 income from which you paid your rent (include AFDC, social security, general assistance, family loans, etc.).

SOURCE OF INCOME

AMOUNT

SOURCE OF INCOME

AMOUNT

- Renter's Credit.** Use the chart below to find the amount of your credit. Enter here and on side 1, line 24

Filing Status	Amount of Credit
1 - Single	\$ 60.00
2 - Married filing joint	\$137.00
3 - Married filing separate	\$ 68.50
4 - Head of household	\$137.00
5 - Qualifying widow(er) with dependent child	\$137.00

Part III Voluntary Contributions. You may make a voluntary contribution of \$1 or more to the following funds.

1 Alzheimer's Disease/Related Disorders Fund	<43>	1	
2 California Fund for Senior Citizens	<44>	2	
3 Rare and Endangered Species Preservation Program	<45>	3	
4 State Children's Trust Fund for the Prevention of Child Abuse	<46>	4	
5 United States Olympic Committee Fund	<47>	5	
6 Vietnam Veterans Memorial Fund	<48>	6	
7 California Election Campaign Fund			
7 Your Political Party	Amount (\$25 maximum)	>49	7
8 Spouse's Political Party	Amount (\$25 maximum)	>50	8
9 Total contributions. Add lines 1 through 8. Transfer the total to side 1, line 28			9

**Step 1
Name and
Address**

Use the California mailing label. Otherwise, please print or type. Fiscal year beginning _____ 1988 ending _____ 19____
 Your first name and initial (if joint return, also give spouse's name and initial) _____ Last name _____ Your social security number _____
 Present home address - number and street including apartment number, P.O. Box or rural route _____ Spouse's social security number _____
 City, town or post office, state and ZIP code _____

Do Not Write
In These Spaces
P _____
M _____
A _____
R _____
E _____

**Step 2
Filing Status**

Check only one

- 1 Single
- 2 Married filing joint return (even if only one had income)
- 3 Married filing separate return. Enter spouse's social security number above and name here. _____ 9 _____
- 4 Head of household. Enter name and relationship of qualifying person. Do not claim this person as a dependent. _____
- 5 Qualifying widow(er) with dependent child. Enter year spouse died 19 _____ .

**Step 3
Exemptions**

- 6 If someone (such as your parent) can claim you as a dependent, check here, skip lines 7 through 10 and enter 0 on line 11 6
- 7 Personal: If you checked box 1 or 3 in Step 2, enter \$52. If you checked box 2, 4 or 5, enter \$104 7 10 13
- 8 Blind: If you or your spouse is visually impaired, enter \$52. If both are visually impaired, enter \$104 8 14
- 9 Elderly: If you or your spouse is 65 or older, enter \$52. If both are 65 or older, enter \$104 9 15
- 10 Dependents: Enter name and relationship. Do not include yourself, spouse or person listed in Step 2 above.

 Number of dependents _____ x \$52 10 12, 220
- 11 Total exemption credits. Add lines 7 through 10. Enter here and on line 25 below 11 16, 219

**Step 4
Taxable
Income**

Attach copy
of your
Form(s)
W-2 here

- 12a Wages (included in your federal adjusted gross income) from line 7 of your Form 1040, line 7 of your Form 1040A, line 1 of your Form 1040EZ or line 8 of your Form 1040NR 12a 18, 221
- 12b Federal adjusted gross income from line 31 of your Form 1040, line 13 of your Form 1040A, line 3 of your Form 1040EZ or line 31 of your Form 1040NR 12b 19, 222
- 13 California adjustments-subtractions. Enter amount from Schedule CA, line 14 13 20, 223
- 14 Subtract line 13 from line 12b. If less than zero, enter the result in brackets. See instructions 14 _____
- 15 California adjustments-additions. Enter amount from Schedule CA, line 21 15 21, 224
- 16 Total adjusted gross income (from all sources). Combine line 14 and line 15.
 If \$19,850 or less, see instructions 16 23, 225
- 17 Enter the { • Your standard deduction (see instructions), OR }
 larger of: { • Your itemized deductions (from Schedule CA, line 26). } 17 24, 226
- 18 Total taxable income. Subtract line 17 from line 16. If less than zero, enter zero 18 26, 227

**Step 5
Figure Your
Tax and
Credits**

Attach
check or
money order
here

- 19 California source adjusted gross income from Schedule SI, line 22 19 22
- 20 Ratio. Divide line 19 by line 16. Enter the percentage 20 _____
- 21 Tax on the amount shown on line 18.
 Check if from Tax Table or FTB 3800 21 _____
- 22 Multiply line 21 by the percentage on line 20 22 _____
- 23 Tax from Schedule G-1, line 23 23 27
- 24 Total tax. Add line 22 and line 23 24 228
- 25 Credit for exemptions. Enter amount from line 11 above 25 16
- 26 Credit for child and dependent care expenses. See instructions 26 29, 230
- 28 Credit for taxpayers with military income. See instructions 28 30, 231
- 30 Total credits. Add lines 25, 26 and 28 30 _____
- 31 Prorated credits. Multiply line 30 by the percentage on line 20 31 _____
- 32 Subtract line 31 from line 24. If less than zero, enter zero 32 31

Step 6
Special Credits

33	Amount from line 32 on side 1	.....	33	_____
34	Enter credit name _____ Code no. _____ and amount	.....	34	32 - 56
35	Enter credit name _____ Code no. _____ and amount	.....	35	_____
36	To claim more than two credits, enter the amount from Schedule SC, line 30	.....	36	_____
37	Credit for taxpayers with limited income. See instructions	.....	37	57, 231
38	Total credits. Add lines 34 through 37	.....	38	_____
39	Subtract line 38 from line 33. If less than zero, enter zero	.....	39	_____

Step 7
Other Taxes

40	Alternative minimum tax. Attach Schedule P (540NR)	.....	40	58
41	Tax on an IRA or a qualified retirement plan. Attach form FTB 3805P	.....	41	59
42	Total tax liability. Add lines 39 through 41	.....	42	63, 232

Step 8
Payments

43	California income tax withheld. Enter total from your 1988 W-2 Forms	.....	43	64
44	1988 California estimated tax and amount applied from 1987 return. Include amount paid with any extension request (form FTB 3502)	.....	44	65
45	Renter's credit. Enter amount from Schedule H (540NR), line 9	.....	45	66
46	Excess California SDI withheld. See instructions	.....	46	67
47	Total payments. Add lines 43 through 46	.....	47	_____

Step 9
Overpaid Tax or Tax Due

48	Overpaid tax. If line 47 is larger than line 42, subtract line 42 from line 47	.....	48	(68), 233
49	Amount of line 48 to be applied to your 1989 estimated tax	.....	49	69
50	Amount of overpaid tax available this year. Subtract line 49 from line 48	.....	50	_____
51	Tax due. If line 42 is larger than line 47, subtract line 47 from line 42	.....	51	68, 233

Step 10
Voluntary Contributions

You may make a contribution of \$1 or more to the following funds:

52	Alzheimer's Disease/Related Disorders Fund	.....	52	_____
53	California Fund for Senior Citizens	.....	53	_____
54	Rare and Endangered Species Preservation Program	.....	54	_____
55	State Children's Trust Fund for the Prevention of Child Abuse	.....	55	_____
56	United States Olympic Committee Fund	.....	56	_____
57	Vietnam Veterans Memorial Fund	.....	57	_____
58	California Election Campaign Fund	.....	58	_____
	58 Your Political Party _____ Amount (\$25 max)	.....	58	_____
	59 Spouse's Political Party _____ Amount (\$25 max)	.....	59	_____
60	Total contributions. Add lines 52 through 59	.....	60	62

Step 11
Refund or Amount You Owe

61	REFUND OR NO AMOUNT DUE. Subtract line 60 from line 50. Mail your return to: Franchise Tax Board, P.O. Box 942840, Sacramento, CA 94240-0000	.....	61	(72), 234
62	AMOUNT YOU OWE. Add line 51 and line 60. Attach check or money order for full amount payable to "Franchise Tax Board." Write your social security number and "1988 Form 540NR" on it. Mail it with your return to: Franchise Tax Board, P.O. Box 942867, Sacramento, CA 94267-0001	.....	62	72, 234

Step 12
Penalties and Interest

63	Late return and late payment penalties and interest	.....	63	70
64	Underpayment of estimated tax. If form FTB 5805 or 5805F is attached, check box at right.	.....	64	71
65	To reduce State printing costs, if you and your tax preparer do not need California income tax forms and instructions mailed to you next year, check box at right	.....	65	<input type="checkbox"/>

Step 13
Sign Your Return

IMPORTANT: You must attach a copy of your federal income tax return and federal schedules. 2

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct and complete.

Your signature	Spouse's signature (if filing jointly, both must sign)	Date
X	X	
Signature of paid preparer (declaration of preparer is based on all information of which preparer has any knowledge.)		Preparer's SSN/FEIN
Firm's name (or yours if self-employed)	Firm's address	

1988

California Special Credits

SC

Name(s) as shown on Form 540, Form 540NR or Form 541

Your social security number or federal employee identification number

Use Schedule SC if you are claiming three or more credits. You must attach the required credit form, schedule or statement for each special credit claimed and Schedule SC to your Form 540, Form 540NR or Form 541.

1 Enter amount from Form 540, line 24b, Form 540NR, line 23 or Form 541, line 22 1 _____

Part I Noncarryover Credits

Credit Code Number	Credit Name		Total Credit Amount
65	2 Credit for the Elderly or Permanently and Totally Disabled.....	2	32
66	3 Jobs Tax Credit	3	33
67	4 Pollution Abatement Equipment Credit	4	34
68	5 Vehicle Conversion to Alcohol Fuel Credit.....	5	35
69	6 Enterprise Zone Employee Tax Credit.....	6	36
70	7 Joint Custody Head of Household Credit.....	7	37
73	8 Dependent Parent Credit.....	8	40
	9 Total Noncarryover Credits Add lines 2 through 8	9	
10	Tax Balance Subtract line 9 from line 1 Enter here and on line 11 below	10	

Note: If the tax balance is zero or less than zero, enter the amount from line 9 on Form 540, line 27, Form 540NR, line 36 or Form 541, line 24. If you claim two or less credits see Side 2. Specific Instructions Use the remaining portion of the form as a worksheet for future carryover credits

Part II Carryover Credits

Code Number	Credit Name	(a) Total Credit Amount	(b) Credit Used This Year	(c) Tax Balance	(d) Credit Carryover
	11 Tax Balance (from line 10)	11			
71	12 Ridesharing Credit Carryover Subtract line 12, column (b) from line 11, column (c) Enter on the difference line 12, column (c)	12	38		
	13 Low Income Housing Credit. Subtract line 13, column (b), from line 12, column (c). Enter the difference on line 13, column (c)	13	39		
76	14 Enterprise Zone Hiring and Sales and Use Tax Credit. Subtract line 14, column (b) from line 13, column (c) Enter the difference on line 14, column (c).....	14	41		
77	15 Program Area Hiring Sales and Use Tax Credit Subtract line 15, column (b) from line 14, column (c) Enter the difference on line 15, column (c).....	15	42		
78	16 Water Conservation Credit Carryover. Subtract line 16, column (b) from line 15, column (c) Enter the difference on line 16, column (c)	16	43		
79	17 Solar Pump Credit Carryover (farmers only). Subtract line 17, column (b) from line 16, column (c) Enter the difference on line 17, column (c).....	17	44		
80	18 Solar Energy Credit Carryover. Subtract line 18, column (b) from line 17, column (c) Enter the difference on line 18, column (c)	18	45		
81	19 Commercial Solar Energy Credit Subtract line 19, column (b) from line 18, column (c) Enter the difference on line 19, column (c)	19	46		
82	20 Energy Conservation Credit Carryover. Subtract line 20, column (b) from line 19, column (c) Enter the difference on line 20, column (c)	20	47		
83	21 Research and Development Credit. Subtract line 21, column (b) from line 20, column (c). Enter the difference on line 21, column (c)	21	48		

Code Number	Credit Name	(a) Total Credit Amount	(b) Credit Used This Year	(c) Tax Balance	(d) Credit Carryover
84	22 Political Contribution Credit. Subtract line 22, column (b) from line 21, column (c). Enter the difference on line 22, column (c)	22 40			
85	23 Orphan Drug Research Credit. Subtract line 23, column (b) from line 22, column (c). Enter the difference on line 23, column (c)	23 50			
86	24 Residential Rental and Farm Sales Credit. Subtract line 24, column (b) from line 23, column (c). Enter the difference on line 24, column (c)	24 51			
89	25 Employer Child Care Program Credit. Subtract line 25, column (b) from line 26, column (c). Enter the difference on line 25, column (c)	25 54			
90	26 Employer Child Care Contribution Credit. Subtract line 26, column (b) from line 25, column (c). Enter the difference on line 26, column (c)	26 55			
	27 Subtotal Carryover Credits. Add column (b)	27 52			
87	28 Other State Tax Credit	28			
88	29 Credit for Prior Year Minimum Tax. Subtract line 29, column (b) from line 28, column (c). Enter the difference on line 29, column (c)	29 53			
	30 Total Special Credits. Add lines 9, 27, 28 and 29, column (b). Enter the total on Form 540, line 27, Form 540NR, line 36 or Form 541, line 24	30			

Instructions for Completing Schedule SC

General Instructions

If you are claiming three or more credits, you must use Schedule SC. Attach a copy of Schedule SC and all other required credit schedules to your Form 540, Form 540NR or Form 541.

A variety of special tax credits are available to California taxpayers. A special credit helps to reduce your tax. Two types of special credits are available:

- Noncarryover credits which are used to reduce your current year tax liability to zero, but not below zero, and
- Carryover credits which may be carried over to succeeding years if your current year tax liability is reduced to zero.

For a description of the credits refer to the instructions for Form 540, Form 540NR or Form 541.

Caution: If you are claiming a credit other than those listed below and if you have tentative minimum tax, you must complete Schedule P (540, 540NR, or 541). Tentative minimum tax is the tax computed on your alternative minimum taxable income.

- Personal Exemption Credit.
- Joint Custody Head of Household Credit.
- Low-Income Housing Credit.
- Solar Energy Credit (carryovers only).
- Commercial Solar Energy Credit, and
- Credit for Taxes Paid to Other States.

Some credits require that you attach another form or schedule, while others require that you attach an explanatory statement to your California tax return.

Specific Instructions

If you are claiming only one or two credits, enter the credit name, credit code number and amount directly on Form 540, line 25 and line 26 or Form 540NR, line 34 and line 35. For Form 541, if you are claiming one credit, enter the credit code number and amount directly on Form 541, Side 1, line 24.

Part I

Lines 2-9 -

Noncarryover Credits

Noncarryover credits are credits that are used only in the current year. If your tax liability for the year is less than the amount of the credit, the remaining credit is not allowed to be carried forward to future years.

Enter the amount of each noncarryover credit from the appropriate forms, schedules or statements on lines 2 through 8. Add lines 2 through 8 and enter the total on line 9. Subtract line 9 from line 1. Enter this amount on line 10 and line 11. If the amount is zero or less, enter zero on line 10 and line 11. Enter the amount on line 9, Schedule SC, or Form 540, line 27, Form 540NR, line 36 or Form 541, line 24.

Note: If your tax liability is zero after applying the noncarryover credits, use the remaining portion of the form as a worksheet to enter in column (d) the amount of any carryover credits that may be used in future years.

Part II

Lines 11

29 -

Carryover Credits

Carryover credits are credits that may reduce your tax liability to zero and any remaining credit may be applied to future years tax liabilities.

You must claim carryover credits as follows:

- Column (a) Use column (a) to enter your total credit from the appropriate schedules, forms and statements.
- Column (b) Use column (b) to enter the amount of credit you are allowed to claim for 1988.
- Column (c) Use column (c) to enter the amount of tax remaining after claiming each credit. Example: Subtract line 12, column (b), from line 11, column (c) and enter the difference in line 12, column (c).
- Column (d) Use column (d) to enter any remaining credit. If the amount shown in column (b) is greater than the amount in column (c) of the previous line, then enter the remaining amount of the credit in column (d).

Once the tax balance has been reduced to zero, you may not claim any other credits. Even though no tax liability remains, you must still show your carryover credits so that they may be applied to your tax liability in future years.

Important: Attach this schedule directly behind Form 540.

Name(s) as shown on return

Social security number

| |

PART I ADJUSTMENTS TO FEDERAL ADJUSTED GROSS INCOME

Step 1

Subtractions

1	State income tax refund from federal Form 1040, line 10	1	73,235
2	Unemployment compensation from federal Form 1040, line 20 or Form 1040A, line 10	2	74,236
3	Social security benefits from federal Form 1040, line 21b	3	75,237
4	California nontaxable interest income. See instructions	4	76
5	Railroad retirement benefits and sick pay. See instructions	5	77
6	California Lottery winnings. See instructions	6	78
7	IRA distributions. See instructions	7	79
8	Pensions and annuities. See instructions	8	80
9	Passive activity loss. See instructions	9	81
10	Depreciation and amortization from form FTB 3885A, line 6a and line 9a	10	82,238
11	Capital gains or (losses) from California Schedule D, line 10a	11	83,239
12	Other gains or (losses) from California Schedule D-1, line 21a	12	84
13	Other subtractions:		
	a California net operating loss deduction from your 1987 form FTB 3805V and FTB 3805Z. See instructions	13a	85
	b Other. See instructions. Specify _____	13b	86
14	Total subtractions. Add lines 1 through 13b. Enter here and on Form 540, line 13	14	

Step 2

Additions

15	Interest on state and municipal bonds from a state other than California. See instructions	15	87
16	Passive activity loss. See instructions	16	88
17	Depreciation and amortization from form FTB 3885A, line 6b and line 9b	17	89,240
18	Capital gains or (losses) from California Schedule D, line 10b	18	90,241
19	Other gains or (losses) from California Schedule D-1, line 21b	19	91
20	Other additions:		
	a Federal net operating loss deduction from your 1988 federal Form 1040, line 22	20a	92
	b Other. See instructions. Specify _____	20b	93
21	Total additions. Add lines 15 through 20b. Enter here and on Form 540, line 15	21	

PART II ADJUSTMENTS TO FEDERAL ITEMIZED DEDUCTIONS

22	Federal itemized deductions from federal Schedule A, line 26	22	94,242
23	State and local income taxes from federal Schedule A, line 5 and foreign income taxes. See instructions	23	95
24	Subtract line 23 from line 22	24	
25	Other adjustments. See instructions. Specify _____	25	96
26	California itemized deductions. Combine line 24 and line 25	26	

If your California itemized deductions on line 26 are larger than your standard deduction, enter your California itemized deductions on Form 540, line 17. Otherwise, enter your standard deduction on Form 540, line 17.

General Instructions for Schedule CA

Part I

Adjustments To Federal Adjusted Gross Income

Use Part I to convert your federal adjusted gross income to your California adjusted gross income.

California does not tax some types of income that are taxed under federal law. Income such as interest earned on U.S. savings bonds and treasury bills, your state income tax refund and social security benefits are not taxed by California.

California does tax some types of income that are not taxed under federal law. For example, interest earned from bonds issued by another state is taxed by California.

Certain items such as capital gains, depreciation and net operating losses are treated differently under California

law than under federal law. Adjustments for these items either are subtracted from or added to federal adjusted gross income. Read the Specific Line Instructions on page 29.

Part II

Adjustments To Federal Itemized Deductions

Use Part II to convert your federal itemized deductions to the amount allowed by California. You must complete your federal Schedule A before you begin Part II.

California allows most of the deductions which you claim on your federal Schedule A. However, you must subtract the amount of state income taxes claimed on federal Schedule A, and you must make other adjustments as described in the Specific Line Instructions on page 29.

3885A

Depreciation and Amortization Adjustments

1988

net(s) as shown on return

Social security number

Assets placed in service on or before 12/31/86 (depreciation); Property placed in service on or before 12/31/87 (amortization):				Depreciation of Assets			Amortization of Property		
Description of property	(b) Date acquired	(c) Cost or other basis	(d) Dep'n or Amortiz'n allowed or allowable in earlier years	(e) Method of figuring depreciation	(f) Life or rate	(g) Depreciation for this year	(h) Code section	(i) Period or per- centage	(j) Amortization for this year
1 Passive Activities (see Instruction C):									
Total Passive. Add column (g) and column (j) amounts of line 1.									
2 Nonpassive Activities (see Instruction C):									
Total Nonpassive. Add column (g) and column (j) amounts of line 2.									

Depreciation			
3	California depreciation from nonpassive activities for assets placed in service on or after January 1, 1987. See instructions and enter the amount from line 3 of the worksheet in the instructions. Note: Be sure to make adjustments for any basis differences.	3	97
4	Total California depreciation from nonpassive activities. Add line 2(g) and line 3	4	98
5	Total federal depreciation from nonpassive activities. Enter the amount that relates to nonpassive activities from federal Form 4562, Part I, line 12	5	99
6	Depreciation Adjustment		
a	If line 4 is larger than line 5, subtract line 5 from line 4. Enter the difference here and on Schedule CA, line 10	6a	
b	If line 4 is less than line 5, subtract line 4 from line 5. Enter the difference here and on Schedule CA, line 17	6b	
Amortization			
7	Total California amortization from nonpassive activities for property placed in service on or after January 1, 1988. Add line 2(j) and the amount that relates to nonpassive activities from federal Form 4562, Part II, line 1, column (f) Note: Be sure to make adjustments for any basis differences.	7	100
8	Total federal amortization from nonpassive activities. Enter the amount that relates to nonpassive activities from federal Form 4562, Part II, line 3	8	101
9	Amortization Adjustment		
a	If line 7 is larger than line 8, subtract line 8 from line 7. Enter the difference here and on Schedule CA, line 10	9a	
b	If line 7 is less than line 8, subtract line 7 from line 8. Enter the difference here and on Schedule CA, line 17	9b	

SCHEDULE

D California Capital Gain or Loss Adjustment

TAXABLE YEAR

1988

(a) Kind of property and description (Example, 100 shares of "Z" Co.)	(b) Sales price	(c) Cost or other basis	(d) Loss If (c) is more than (b), subtract (b) from (c)	(e) Gain If (b) is more than (c), subtract (c) from (b)
1				
2	Total 1988 gains. Add column (e) amounts of line 1			2 102
3	1988 loss. Add column (d) amounts of line 1			3 103
4	California capital loss carryover from 1987, if any. See instructions			4 104
5	Total 1988 loss. Add line 3 and line 4			5
6	Net gain or net loss. Combine line 2 and line 5 and enter the net gain or (loss) here. If the result is a gain, also enter the gain on line 9			6
7	If line 6 is a loss, enter here. Enter as a loss on line 9, the lesser of: (a) the amount on line 6; or (b) \$3,000 (\$1,500 if married filing a separate return). See instructions			7 ()
8	Combine and enter the amount(s) from federal Form 1040, line 13 and line 14			8
9	Enter the California gain from line 6 or loss from line 7			9 105, 243
10	California gain or loss adjustment: Compare line 8 and line 9. See instructions.			
a	Adjustment decrease. Enter the difference here and on Schedule CA, line 11			10a
b	Adjustment increase. Enter the difference here and on Schedule CA, line 18			10b

YEAR

1988

Passive Activity Loss Limitations

3801

▶ Attach to Form 540, 540NR, 541 or 100S (S corporations)

Name(s) as shown on return

Social security no., Calif. corporation no. or F.E.I.N

Part I Computation of 1988 Passive Activity Loss

Caution: See the instructions for Worksheet I in federal Form 8582 before completing Part I. Be sure to use California amounts.

Rental Real Estate Activities With Active Participation

Activities acquired before 10-23-86: (Pre-enactment):

- 1a Activities with net income from federal Worksheet 1, Part 1, column (a)
1b Activities with net loss from federal Worksheet 1, Part 1, column (b)
1c Combine line 1a and line 1b

Table with 2 columns: Line number, Amount. Rows: 1a (106), 1b (107), 1c

Activities acquired after 10-22-86 (Post-enactment):

- 1d Activities with net income from federal Worksheet 1, Part 2, column (a)
1e Activities with net loss from federal Worksheet 1, Part 2, column (b)
1f Combine line 1d and line 1e

Table with 2 columns: Line number, Amount. Rows: 1d (108), 1e (109), 1f

- 1g Net income or (loss). Combine line 1c and line 1f.
1h Prior year unallowed losses from 1987 from federal Worksheet I, Parts 1 and 2, column (c) (see instructions).
1i Combine line 1g and line 1h

Table with 2 columns: Line number, Amount. Rows: 1g (110, 244), 1h, 1i

All Other Passive Activities (See the instructions for federal Form 8582 for lines 2a through 2h.)

Activities acquired before 10-23-86: (Pre-enactment):

- 2a Activities with net income from federal Worksheet 2, Part 1, column (a)
2b Activities with net loss from federal Worksheet 2, Part 1, column (b)
2c Combine line 2a and line 2b

Table with 2 columns: Line number, Amount. Rows: 2a (111), 2b (112), 2c

Activities acquired after 10-22-86 (Post-enactment):

- 2d Activities with net income from federal Worksheet 2, Part 2, column (a)
2e Activities with net loss from federal Worksheet 2, Part 2, column (b)
2f Combine line 2d and line 2e

Table with 2 columns: Line number, Amount. Rows: 2d (113), 2e (114), 2f

- 2g Net income or (loss). Combine line 2c and line 2f.
2h Prior year unallowed losses from 1987 from federal Worksheet 2, Parts 1 and 2, column (c) (see instructions).
2i Combine line 2g and line 2h

Table with 2 columns: Line number, Amount. Rows: 2g (115, 245), 2h, 2i

- 3 Combine line 1i and 2i. If the result is net income or -0-, see the instructions for line 3. If line 3 and line 1c or line 1i are losses, go to line 4. Otherwise, enter -0- on line 8 and line 9 and go to line 10 (see instructions).

Table with 2 columns: Line number, Amount. Row: 3 (3)

Part II Computation of the Special Allowance for Rental Real Estate With Active Participation

Note: Before completing Parts II and III, see the instructions for how to treat numbers as if they were all positive.

- 4 Enter the smaller of the loss on line 1i or the loss on line 3. If line 1i is -0- or net income, enter -0- and complete lines 5 through 9

Table with 2 columns: Line number, Amount. Row: 4 (4)

- 5 Enter \$150,000 (\$75,000 if married filing separately and you lived apart for the entire year)
6 Enter modified adjusted gross income, but not less than -0- (see instructions). If line 6 is equal to or greater than line 5, skip line 7, enter -0- on line 8 and line 9, and then go to line 10. Otherwise, go to line 7.
7 Subtract line 6 from line 5

Table with 2 columns: Line number, Amount. Rows: 5, 6, 7

- 8 Multiply line 7 by 50% (.5). Do not enter more than \$25,000 (\$12,500 if married filing separately and you lived apart for the entire year)
9 Enter the smaller of line 4 or line 8

Table with 2 columns: Line number, Amount. Rows: 8, 9 (116)

Part III Computation of Passive Activity Loss Allowed

- 10 Combine line 1c and line 2c and enter the result. If the result is -0- or net income, skip to line 16
11 If line 1c shows income, has no entry, or shows -0-, enter -0- on line 11. Otherwise, enter the smaller of line 1c or line 8
12 Subtract line 11 from line 10. If line 11 is equal to or greater than line 10, enter -0-
13 Subtract line 9 from line 3
14 Enter the smaller of line 12 or line 13
15 Multiply line 14 by 40% (.40) and enter the result
16 Enter the amount from line 9
17 Passive activity loss allowed for 1988. Add line 15 and line 16

Table with 2 columns: Line number, Amount. Rows: 10, 11, 12, 13, 14 (117), 15, 16, 17 (118, 246), 18, 19

- 18 Add the income, if any, on line 1a, line 1d, line 2a, and line 2d and enter the result
19 Total losses allowed from all passive activities for 1988. Add line 17a and line 18 (see Step 3 instructions)

For the year Jan.-Dec. 31, 1988, or other tax year beginning _____, 1988, ending _____, 19 OMB No. 1545-0074

Label

Use IRS label. Otherwise, please print or type.

L A B E L H E R E	Your first name and initial (if joint return, also give spouse's name and initial) _____ Last name _____	Your social security number _____
	Present home address (number, street, and apt. no. or rural route). (If a P.O. Box, see page 6 of Instructions.) _____	Spouse's social security number _____
	City, town or post office, state, and ZIP code _____	For Privacy Act and Paperwork Reduction Act Notice, see Instructions.

Presidential Election Campaign

Do you want \$1 to go to this fund? Yes No
 If joint return, does your spouse want \$1 to go to this fund? Yes No
 Note: Checking "Yes" will not change your tax or reduce your refund.

Filing Status

Check only one box.

1	<input type="checkbox"/>	Single
2	<input type="checkbox"/>	Married filing joint return (even if only one had income)
3	<input type="checkbox"/>	Married filing separate return. Enter spouse's social security no. above and full name here. <u>119</u>
4	<input type="checkbox"/>	Head of household (with qualifying person). (See page 7 of Instructions.) If the qualifying person is your child but not your dependent, enter child's name here. _____
5	<input type="checkbox"/>	Qualifying widow(er) with dependent child (year spouse died \blacktriangleright 19 ____). (See page 7 of Instructions.)

Exemptions

(See Instructions on page 8.)

If more than 6 dependents, see Instructions on page 8.

6a Yourself If someone (such as your parent) can claim you as a dependent, do not check box 6a. But be sure to check the box on line 33b on page 2.

b Spouse

c Dependents:	(2) Check if under age 5	(3) If age 5 or older, dependent's social security number	(4) Relationship	(5) No. of months lived in your home in 1988
(1) Name (first, initial, and last name)				

d If your child didn't live with you but is claimed as your dependent under a pre-1985 agreement, check here

e Total number of exemptions claimed 120

No. of boxes checked on 6a and 6b _____

No. of your children on 6c who:
 • lived with you _____
 • didn't live with you due to divorce or separation _____

No. of other dependents listed on 6c _____

Add numbers entered on lines above 120

Income

Please attach Copy B of your Forms W-2, W-2G, and W-2P here.
 If you do not have a W-2, see page 6 of Instructions.

Please attach check or money order here.

7	Wages, salaries, tips, etc. (attach Form(s) W-2)	7	125
8a	Taxable interest income (also attach Schedule B if over \$400)	8a	126
b	Tax-exempt interest income (see page 11). DON'T include on line 8a	8b	127
9	Dividend income (also attach Schedule B if over \$400)	9	128
10	Taxable refunds of state and local income taxes, if any, from worksheet on page 11 of Instructions	10	129
11	Alimony received	11	130
12	Business income or (loss) (attach Schedule C)	12	131
13	Capital gain or (loss) (attach Schedule D)	13	132, 247
14	Capital gain distributions not reported on line 13 (see page 11)	14	133
15	Other gains or (losses) (attach Form 4797)	15	134
16a	Total IRA distributions	16a	16b Taxable amount (see page 11)
17a	Total pensions and annuities	17a	17b Taxable amount (see page 12)
18	Rents, royalties, partnerships, estates, trusts, etc. (attach Schedule E)	18	137
19	Farm income or (loss) (attach Schedule F)	19	138, 249
20	Unemployment compensation (insurance) (see page 13)	20	139
21a	Social security benefits (see page 13)	21a	21b Taxable amount, if any, from the worksheet on page 13
22	Other income (list type and amount—see page 13)	22	141
23	Add the amounts shown in the far right column for lines 7 through 22. This is your total income	23	142, 250

Adjustments to Income

(See Instructions on page 13.)

24	Reimbursed employee business expenses from Form 2106, line 13	24	143
25a	Your IRA deduction, from applicable worksheet on page 14 or 15	25a	144
b	Spouse's IRA deduction, from applicable worksheet on page 14 or 15	25b	145
26	Self-employed health insurance deduction, from worksheet on page 15	26	146
27	Keogh retirement plan and self-employed SEP deduction	27	147
28	Penalty on early withdrawal of savings	28	148
29	Alimony paid (recipient's last name and social security no.)	29	149
30	Add lines 24 through 29. These are your total adjustments	30	150, 251

Adjusted Gross Income

31	Subtract line 30 from line 23. This is your adjusted gross income. If this line is less than \$18,576 and a child lived with you, see "Earned Income Credit" (line 56) on page 19 of the Instructions. If you want IRS to figure your tax, see page 16 of the Instructions	31	151, 252
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Tax Computation

32	Amount from line 31 (adjusted gross income)	32	
33a	Check if: <input type="checkbox"/> You were 65 or older <input type="checkbox"/> Blind; <input type="checkbox"/> Spouse was 65 or older <input type="checkbox"/> Blind. Add the number of boxes checked and enter the total here	33a	121
b	If someone (such as your parent) can claim you as a dependent, check here	33b	<input type="checkbox"/> 122
c	If you are married filing a separate return and your spouse itemizes deductions, or you are a dual-status alien, see page 16 and check here	33c	<input type="checkbox"/> 123
34	Enter the larger of: • Your standard deduction (from page 17 of the Instructions), OR • Your itemized deductions (from Schedule A, line 26). If you itemize, attach Schedule A and check here <input type="checkbox"/>	34	152, 253 153, 254
35	Subtract line 34 from line 32. Enter the result here	35	
36	Multiply \$1,950 by the total number of exemptions claimed on line 6e	36	154
37	Taxable income. Subtract line 36 from line 35. Enter the result (if less than zero, enter zero) Caution: If under age 14 and you have more than \$1,000 of investment income, check here <input type="checkbox"/> and see page 17 to see if you have to use Form 8615 to figure your tax.	37	155, 255
38	Enter tax. Check if from: <input type="checkbox"/> Tax Table, <input type="checkbox"/> Tax Rate Schedules, or <input type="checkbox"/> Form 8615	38	156, 256
39	Additional taxes (see page 17). Check if from: <input type="checkbox"/> Form 4970 <input type="checkbox"/> Form 4972	39	157
40	Add lines 38 and 39. Enter the total	40	

Credits

(See Instructions on page 18.)

41	Credit for child and dependent care expenses (attach Form 2441)	41	158
42	Credit for the elderly or the disabled (attach Schedule R)	42	159
43	Foreign tax credit (attach Form 1116)	43	160
44	General business credit. Check if from: <input type="checkbox"/> Form 3800 or <input type="checkbox"/> Form (specify)	44	161
45	Credit for prior year minimum tax (attach Form 8801)	45	162
46	Add lines 41 through 45. Enter the total.	46	
47	Subtract line 46 from line 40. Enter the result (if less than zero, enter zero)	47	163, 257

Other Taxes

(Including Advance EIC Payments)

48	Self-employment tax (attach Schedule SE)	48	164
49	Alternative minimum tax (attach Form 6251)	49	165
50	Recapture taxes (see page 18). Check if from: <input type="checkbox"/> Form 4255 <input type="checkbox"/> Form 8611	50	166
51	Social security tax on tip income not reported to employer (attach Form 4137)	51	167
52	Tax on an IRA or a qualified retirement plan (attach Form 5329)	52	168
53	Add lines 47 through 52. This is your total tax	53	169, 258

Payments

Attach Forms W-2, W-2G, and W-2P to front.

54	Federal income tax withheld (if any is from Form(s) 1099, check <input type="checkbox"/>)	54	170
55	1988 estimated tax payments and amount applied from 1987 return	55	
56	Earned income credit (see page 19)	56	171
57	Amount paid with Form 4868 (extension request)	57	
58	Excess social security tax and RRTA tax withheld (see page 20)	58	
59	Credit for Federal tax on fuels (attach Form 4136)	59	172
60	Regulated investment company credit (attach Form 2439)	60	173
61	Add lines 54 through 60. These are your total payments	61	

Refund or Amount You Owe

62	If line 61 is larger than line 53, enter amount OVERPAID	62	
63	Amount of line 62 to be REFUNDED TO YOU	63	
64	Amount of line 62 to be applied to your 1989 estimated tax	64	
65	If line 53 is larger than line 61, enter AMOUNT YOU OWE. Attach check or money order for full amount payable to "Internal Revenue Service." Write your social security number, daytime phone number, and "1988 Form 1040" on it Check <input type="checkbox"/> if Form 2210 (2210F) is attached. See page 21. Penalty: \$	65	

Please Sign Here

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

Your signature	Date	Your occupation
Spouse's signature (if joint return, BOTH must sign)	Date	Spouse's occupation

Paid Preparer's Use Only

Preparer's signature	Date	Check if self-employed <input type="checkbox"/>	Preparer's social security no.
Firm's name (or yours if self-employed) and address	E.I. No.	ZIP code	

Step 1
Label

Use IRS label. Otherwise, please print or type.

L A B E L H E R E	Your first name and initial (if joint return, also give spouse's name and initial)	Last name
	Present home address (number, street, and apt. no.). (If you have a P.O. Box, see page 13 of the instructions.)	
	City, town or post office, state, and ZIP code	

Your social security no. _____

Spouse's social security no. _____

For Privacy Act and Paperwork Reduction Act Notice, see page 3.

Presidential Election Campaign Fund

Do you want \$1 to go to this fund? Yes No
 If joint return, does your spouse want \$1 to go to this fund? Yes No
 Note: Checking "Yes" will not change your tax or reduce your refund.

Step 2
Check your filing status
(Check only one)

- 1 Single (See if you can use Form 1040EZ.)
- 2 Married filing joint return (even if only one had income)
- 3 Married filing separate return. Enter spouse's social security number above 119 and spouse's full name here. _____
- 4 Head of household (with qualifying person). (See page 15.) If the qualifying person is your child but not your dependent, enter this child's name here. _____
- 5 Qualifying widow(er) with dependent child (year spouse died ▶ 19 ____). (See page 16.)

Step 3
Figure your exemptions

(See page 16 of instructions.)

If more than 7 dependents, see page 19.

Attach Copy B of Form(s) W-2 here.

6a Yourself If someone (such as your parent) can claim you as a dependent on his or her tax return, do not check box 6a. But be sure to check the box on line 15b on page 2.

6b Spouse

c Dependents:		2. Check if under age 5	3. If age 5 or older, dependent's social security number	4. Relationship	5. No. of months lived in your home in 1988	No. of boxes checked on 6a and 6b
1. Name (first, initial, and last name)						No. of your children on 6c who:
						• lived with you
						• didn't live with you due to divorce or separation (see page 19)
						No. of other dependents listed on 6c
						Add numbers entered on lines above

d If your child didn't live with you but is claimed as your dependent under a pre-1985 agreement, check here

e Total number of exemptions claimed. ▶

120

Step 4
Figure your total income

Attach check or money order here.

7	Wages, salaries, tips, etc. This should be shown in Box 10 of your W-2 form(s). (Attach Form(s) W-2.)	7	125
8a	Taxable interest income (see page 22). (If over \$400, also complete and attach Schedule 1, Part II.)	8a	126
b	Tax-exempt interest income (see page 23). (DO NOT include on line 8a.)	8b	127
9	Dividends. (If over \$400, also complete and attach Schedule 1, Part III.)	9	128
10	Unemployment compensation (insurance) from Form(s) 1099-G.	10	139
11	Add lines 7, 8a, 9, and 10. Enter the total. This is your total income.	▶ 11	142, 250

Step 5
Figure your adjusted gross income

12a	Your IRA deduction from applicable worksheet. Rules for IRAs begin on page 24.	12a	144
b	Spouse's IRA deduction from applicable worksheet. Rules for IRAs begin on page 24.	12b	145
c	Add lines 12a and 12b. Enter the total. These are your total adjustments.	12c	150, 251
13	Subtract line 12c from line 11. Enter the result. This is your adjusted gross income. (If this line is less than \$18,576 and a child lived with you, see "Earned Income Credit" (line 23b) on page 34 of instructions.)	▶ 13	151, 252

Step 6 Figure your standard deduction,

14 Enter the amount from line 13. 14

15a Check if: You were 65 or older Blind Spouse was 65 or older Blind Enter number of boxes checked ▶ 15a **121**

b If someone (such as your parent) can claim you as a dependent, check here. ▶ 15b 122

c If you are married filing separately and your spouse files Form 1040 and itemizes deductions, see page 28 and check here. . . . ▶ 15c 123

16 Standard deduction. See pages 28-29 for the amount to enter. 16 153, 254

17 Subtract line 16 from line 14. Enter the result. (If line 16 is more than line 14, enter -0-.) 17

18 Multiply \$1,950 by the total number of exemptions claimed on line 6e. 18 154

19 Subtract line 18 from line 17. Enter the result. (If line 18 is more than line 17, enter -0-.) This is your taxable income. ▶ 19 155, 255

exemption amount, and

taxable income

If You Want IRS To Figure Your Tax, See Page 29 of the Instructions.

Caution: If you are under age 14 and have more than \$1,000 of investment income, check here Also see page 30 to see if you have to use Form 8615 to figure your tax.

Step 7 Figure your tax, credits, and payments (including advance EIC payments)

20 Find the tax on the amount on line 19. Check if from: Tax Table (pages 37-42) or Form 8615 124 20 156, 256

21 Credit for child and dependent care expenses. Complete and attach Schedule 1, Part I. 21 158

22 Subtract line 21 from line 20. Enter the result. (If line 21 is more than line 20, enter -0-.) This is your total tax. ▶ 22 163, 257

23a Total Federal income tax withheld—from Box 9 of your W-2 form(s). (If any is from Form(s) 1099, check here ▶ .) 23a 170

b Earned income credit, from the worksheet on page 35 of the instructions. Also see page 34. 23b 171

24 Add lines 23a and 23b. Enter the total. These are your total payments. ▶ 24

Step 8 Figure your refund or amount you owe

25 If line 24 is more than line 22, subtract line 22 from line 24. Enter the result. This is the amount of your refund. 25

26 If line 22 is more than line 24, subtract line 24 from line 22. Enter the result. This is the amount you owe. Attach check or money order for full amount payable to "Internal Revenue Service." Write your social security number, daytime phone number, and "1988 Form 1040A" on it. 26

Step 9 Sign your return

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 the taxpayer) is based on all information of which the preparer has any knowledge.

Your signature _____ Date _____ Your occupation _____

X Spouse's signature (if joint return, both must sign) _____ Date _____ Spouse's occupation _____

Paid preparer's use only

Preparer's signature _____ Date _____ Preparer's social security no. _____

X Firm's name (or yours if self-employed) _____ Employer identification no. _____

Address and ZIP code _____ Check if self-employed

Name & address

Use the IRS mailing label. If you don't have one, please print.

Please print your numbers like this:

0 1 2 3 4 5 6 7 8 9

Print your name above (first, initial, last)

Present home address (number, street, and apt. no.). (If you have a P.O. box, see back.)

City, town, or post office, state, and ZIP code

Your social security number

Please read the instructions on the back of this form.
Also, see page 13 of the booklet for a helpful checklist.

Presidential Election Campaign Fund
Do you want \$1 to go to this fund?

Note: Checking "Yes" will not change your tax or reduce your refund.

Report your income

- | | | | | |
|-----------------------------------|---|---|--|-----------|
| | 1 Total wages, salaries, and tips. This should be shown in Box 10 of your W-2 form(s). (Attach your W-2 form(s).) | 1 | | 125 |
| Attach Copy B of Form(s) W-2 here | 2 Taxable interest income of \$400 or less. If the total is more than \$400, you cannot use Form 1040EZ. | 2 | | 126 |
| | 3 Add line 1 and line 2. This is your adjusted gross income. | 3 | | 142, 252 |
| Note: You must check Yes or No. | 4 Can your parents or someone else claim you on their return? | | | |
| | <input type="checkbox"/> Yes. Do worksheet on back; enter amount from line E here. | 4 | | 153 |
| | <input type="checkbox"/> No. Enter 3,000 as your standard deduction. | | | |
| | 5 Subtract line 4 from line 3. If line 4 is larger than line 3, enter 0. | 5 | | |
| | 6 If you checked the "Yes" box on line 4, enter 0.
If you checked the "No" box on line 4, enter 1,950.
This is your personal exemption. | 6 | | 154 |
| | 7 Subtract line 6 from line 5. If line 6 is larger than line 5, enter 0. This is your taxable income. | 7 | | 155, 255- |

Figure your tax

- | | | | | |
|--|--|---|--|----------|
| | 8 Enter your Federal income tax withheld from Box 9 of your W-2 form(s). | 8 | | 170 |
| | 9 Use the single column in the tax table on pages 37-42 of the Form 1040A/1040EZ booklet to find the tax on the amount shown on line 7 above. Enter the amount of tax. | 9 | | 156, 256 |

Refund or amount you owe

- | | | | | |
|-------------------------|---|----|--|--|
| | 10 If line 8 is larger than line 9, subtract line 9 from line 8.
Enter the amount of your refund. | 10 | | |
| Attach tax payment here | 11 If line 9 is larger than line 8, subtract line 8 from line 9.
Enter the amount you owe. Attach check or money order for the full amount, payable to "Internal Revenue Service." | 11 | | |

Sign your return

I have read this return. Under penalties of perjury, I declare that to the best of my knowledge and belief, the return is true, correct, and complete.

Your signature

Date

Department of the Treasury
Internal Revenue Service (X)

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

Name(s) as shown on Form 1040

Your social security number

Medical and Dental Expenses (Do not include expenses reimbursed or paid by others.) (See Instructions on page 23.)	1a	Prescription medicines and drugs, insulin, doctors, dentists, nurses, hospitals, medical insurance premiums you paid, etc.	1a		
	b	Other (list—include hearing aids, dentures, eyeglasses, transportation and lodging, etc.) ▶			
			1b		
	2	Add lines 1a and 1b, and enter the total here	2	174	
	3	Multiply the amount on Form 1040, line 32, by 7.5% (.075)	3		
	4	Subtract line 3 from line 2. If zero or less, enter -0-. Total medical and dental	4	263, 259	
Taxes You Paid (See Instructions on page 23.)	5	State and local income taxes	5	175	
	6	Real estate taxes	6	176	
	7	Other taxes (list—include personal property taxes) ▶	7	177	
	8	Add the amounts on lines 5 through 7. Enter the total here. Total taxes	8		
Interest You Paid (See Instructions on page 24.)	<i>Note: New rules apply to the home mortgage interest deduction. See Instructions.</i>				
	9a	Deductible home mortgage interest you paid to financial institutions (report deductible points on line 10)	9a	178	
	b	Deductible home mortgage interest you paid to individuals (show that person's name and address) ▶			
			9b	179	
	10	Deductible points. (See Instructions for special rules.)	10	180	
	11	Deductible investment interest (see page 24)	11	181	
	12a	Personal interest you paid (see page 24) | 12a |			
	b	Multiply the amount on line 12a by 40% (.40). Enter the result	12b	182	
	13	Add the amounts on lines 9a through 11, and 12b. Enter the total here. Total interest	13		
Gifts to Charity (See Instructions on page 25.)	14	Contributions by cash or check. (If you gave \$3,000 or more to any one organization, show to whom you gave and how much you gave.) ▶	14	183	
	15	Other than cash or check. (You must attach Form 8283 if over \$500.)	15	184	
	16	Carryover from prior year	16	185	
	17	Add the amounts on lines 14 through 16. Enter the total here. Total contributions	17		
Casualty and Theft Losses	18	Casualty or theft loss(es) (attach Form 4684). (See page 25 of the Instructions.) ▶	18	186	
Moving Expenses	19	Moving expenses (attach Form 3903 or 3903F). (See page 26 of the Instructions.) ▶	19	187	
Job Expenses and Most Other Miscellaneous Deductions (See page 26 for expenses to deduct here.)	20	Unreimbursed employee expenses—job travel, union dues, job education, etc. (You MUST attach Form 2106 in some cases. See Instructions.) ▶	20	188	
	21	Other expenses (investment, tax preparation, safe deposit box, etc.). List type and amount ▶			
			21	189	
	22	Add the amounts on lines 20 and 21. Enter the total.	22	190, 260	
	23	Multiply the amount on Form 1040, line 32, by 2% (.02). Enter the result here	23		
	24	Subtract line 23 from line 22. Enter the result (if zero or less, enter zero)	24	191, 261	
Other Miscellaneous Deductions	25	Other (from list on page 26 of Instructions). Enter type and amount ▶	25	192	
Total Itemized Deductions	26	Add the amounts on lines 4, 8, 13, 17, 18, 19, 24, and 25. Enter the total here. Then enter on Form 1040, line 34, the LARGER of this total or your standard deduction from page 17 of the Instructions	26	193	

Supplemental Income Schedule

(From rents, royalties, partnerships, estates, trusts, REMICs, etc.)
▶ Attach to Form 1040, Form 1041, or Form 1041S.
▶ See Instructions for Schedule E (Form 1040).

Name(s) as shown on return

Your social security number

Part I Rental and Royalty Income or Loss Caution: *Your rental loss may be limited. See Instructions.*

1 In the space provided below, show the kind and location of each rental property.	2 For each rental property listed, did you or a member of your family use it for personal purposes for more than the greater of 14 days or 10% of the total days rented at fair rental value during the tax year?			3 For each rental real estate property listed in item 1, did you actively participate in its operation during the tax year? (See Instructions.)		
		Yes	No		Yes	No
Property A	▶			Property A	▶	
Property B	▶			Property B	▶	
Property C	▶			Property C	▶	

Rental and Royalty Income	Properties			Totals (Add columns A, B, and C)
	A	B	C	
4 Rents received				4
5 Royalties received				5
Rental and Royalty Expenses				
6 Advertising	6			
7 Auto and travel	7			
8 Cleaning and maintenance	8			
9 Commissions	9			
10 Insurance	10			
11 Legal and other professional fees	11			
12 Mortgage interest paid to banks, etc. (see Instructions)	12			12
13 Other interest	13			
14 Repairs	14			
15 Supplies	15			
16 Taxes (Do not include windfall profit tax here. See Part V, line 40.)	16			
17 Utilities	17			
18 Wages and salaries	18			
19 Other (list) ▶	19			
20 Total expenses other than depreciation and depletion. Add lines 6 through 19.	20			20
21 Depreciation expense (see Instructions), or depletion (see Pub. 535)	21			21
22 Total. Add lines 20 and 21.	22			
23 Income or (loss) from rental or royalty properties. Subtract line 22 from line 4 (rents) or 5 (royalties)	23			
24 Deductible rental loss. Caution: <i>Your rental loss on line 23 may be limited. See Instructions to determine if you must file Form 8582, Passive Activity Loss Limitations</i>	24			
25 Profits. Add rental and royalty profits from line 23. Enter the total profits here	25			204
26 Losses. Add royalty losses from line 23 and rental losses from line 24. Enter the total (losses) here	26			(205)
27 Combine amounts on lines 25 and 26. Enter the net profit or (loss) here	27			
28 Net farm rental profit or loss from Form 4835. (Also complete Part VI, line 43.)	28			206
29 Total rental or royalty income or (loss). Combine amounts on lines 27 and 28. Enter the total here. If Parts II, III, IV, and V on page 2 do not apply to you, enter the amount from line 29 on Form 1040, line 18. Otherwise, include the amount from line 29 in line 42 on page 2 of Schedule E	29			207, 248

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

Your social security number

Part II Income or Loss From Partnerships and S Corporations

If you report a loss from an at-risk activity, you MUST check either column (e) or (f) to describe your investment in the activity. See Instructions. If you check column (f), you must attach Form 6198.

	(a) Name	(b) Enter P for partnership; S for S corporation	(c) Check if foreign partnership	(d) Employer identification number	Investment At Risk?	
					(e) All is at risk	(f) Some is not at risk
A						
B						
C						
D						
E						
Passive Income and Loss				Nonpassive Income and Loss		
	(g) Passive loss allowed from Form 8582	(h) Passive income from Schedule K-1	(i) Nonpassive loss from Schedule K-1	(j) Section 179 deduction (see Instructions for limits)	(k) Nonpassive income from Schedule K-1	
A						
B						
C						
D						
E						
30a Totals		208				
b Totals	209					
31	Add amounts in columns (h) and (k), line 30a. Enter total income here				31	210
32	Add amounts in columns (g), (i), and (j), line 30b. Enter total here				32	(211)
33	Total partnership and S corporation income or (loss). Combine amounts on lines 31 and 32. Enter the total here and include in line 42 below				33	

Part III Income or Loss From Estates and Trusts

	(a) Name	(b) Employer identification number	Passive Income and Loss		Nonpassive Income and Loss	
			(c) Passive deduction or loss allowed from Form 8582	(d) Passive income from Schedule K-1	(e) Deduction or loss from Schedule K-1	(f) Other income from Schedule K-1
A						
B						
C						
34a Totals				212		
b Totals	213					
35	Add amounts in columns (d) and (f), line 34a. Enter total income here				35	214
36	Add amounts in columns (c) and (e), line 34b. Enter total here				36	(215)
37	Total estate and trust income or (loss). Combine amounts on lines 35 and 36. Enter the total here and include in line 42 below				37	

Part IV Income or Loss From Real Estate Mortgage Investment Conduits (REMICs)—Residual Holder

(a) Name	(b) Employer identification number	(c) Excess inclusion from Schedules Q, line 2c (see Instructions)	(d) Taxable income (net loss) from Schedules Q, line 1b	(e) Income from Schedules Q, line 3b	
38	Combine amounts in columns (d) and (e) only. Enter the total here and include in line 42 below			38	216

Part V Windfall Profit Tax Summary

39	Windfall profit tax credit or refund received in 1988 (see Instructions)	39	
40	Windfall profit tax withheld in 1988 (see Instructions)	40	()
41	Combine amounts on lines 39 and 40. Enter the total here and include in line 42 below	41	217

Part VI Summary

42	TOTAL income or (loss). Combine amounts on lines 29, 33, 37, 38, and 41. Enter the total here and on Form 1040, line 18	42	
43	Farmers and fishermen: Enter your share of GROSS FARMING AND FISHING INCOME applicable to Parts I, II, and III (see Instructions)	43	

EXHIBIT II

STATISTICAL SUMMARY OF 1988 CALIFORNIA PIT SAMPLE DATA BASE

ARRAY POSITION	DESCRIPTION	WEIGHTED POPULATION	WEIGHTED SUM (MILL)
1.	DLN		
2.	SSA		
3.	COUNTY CODE		
4.	SERIES CODE		
5.	1040 CODE		
6.	DEDUCTION TYPE		
7.	MATH FLAG		
8.	TAX YEAR		
9.	FILING STATUS		
10.	DEPNDT, ANOTHER RETURN		
11.	NUMBER OF DEPENDENTS	4,068,898.	8.1
12.	DEPENDENT EXEMPTIONS	4,068,521.	-426.6
13.	PERSONAL EXEMPTION CREDIT	12,465,194.	-1,019.7
14.	BLIND EXEMPTION CREDIT	28,741.	-1.5
15.	AGE 65 EXEMPTION CREDIT	1,580,094.	-109.7
16.	TOTAL EXEMPTION CREDIT	12,406,190.	-1,554.3
17.	SCHEDULE CODE	47,138.	0.1
18.	WAGES	5,285,147.	228,147.8
19.	FED AGI	12,790,289.	437,074.5
20.	CAL ADJUSTMENT SUB	4,957,992.	-31,752.7
21.	CAL ADJUSTMENT ADD	1,196,778.	36,763.3
22.	CAL AGI	12,748,318.	418,720.4
23.	TOTAL AGI NR	496,004.	47,222.3
24.	TOTAL DEDUCTIONS	13,224,917.	-90,687.0
25.	TAXABLE INCOME	12,014,376.	372,352.5
26.	TAX	11,984,686.	19,887.2
27.	NR GI TAX	1,375.	3.2
28.	SCHEDULE TAX DIFFERENCE	41,134.	40.8
29.	CHILD CARE CREDIT	1,037,285.	-136.9
30.	MILITARY CREDIT	57,823.	-2.0
31.	NET TAX	8,757,915.	14,844.0
32.	ELDERLY CREDIT CLAIMED	49,822.	-10.6
33.	JOBS CREDIT CLAIMED	1,794.	-0.7
34.	POLLUTION CREDIT CLAIMED	76.	-0.1
35.	VEHICLE CONV. CRED. CLAIMED	627.	-0.8
36.	EZ WAGE CRED. CLAIMED	*	*
37.	JOINT HEAD CREDIT CLAIMED	999.	-0.2
38.	RIDESHARE CRED. CLAIMED	817.	-0.2
39.	HOUSING CREDIT CLAIMED	809.	-2.4
40.	DEPENDENT PARENT CLAIM	*	*
41.	EZ HIRE CREDIT CLAIMED	55.	-0.3
42.	PA HIRE CREDIT CLAIMED	*	*
43.	WATER CREDIT CLAIMED	736.	-0.2
44.	SOLAR PUMP CLAIMED	18.	0.0
45.	SOLAR CREDIT CLAIMED	8,666.	-19.3
46.	COMM. SOLAR CLAIMED	908.	-21.2
47.	ENERGY CREDIT CLAIMED	11,627.	-4.8
48.	RESEARCH CREDIT CLAIMED	1,658.	-1.6
49.	POLITICAL CREDIT CLAIMED	145,791.	-4.4

ARRAY POSITION	DESCRIPTION	WEIGHTED POPULATION	WEIGHTED SUM (MILL)
50.	ORPHAN DRUG CREDIT CLAIMED	1,307.	-0.4
51.	FARM SALES CREDIT CLAIMED	68,173.	-102.9
52.	OTHER STATE CREDIT CLAIMED	44,703.	-140.8
53.	PY MIN TAX CREDIT CLAIMED	4,269.	-11.8
54.	EMP CHILD CARE PROGRAM CLAIMED	363.	-0.6
55.	EMP CHILD CARE CONTRIB CLAIMED	666.	-0.5
56.	UNIDENTIFIED CREDIT CLAIM	1,386.	-0.8
57.	LOW INCOME CREDIT	1,206,796.	-24.1
58.	ALT. MIN. TAX	23,848.	58.4
59.	PREM. DIST. TAX	225,440.	32.1
60.	3805Z TAX	0.	0.0
61.	5870A TAX	423.	0.3
62.	THROWBACK TAX	288.	0.2
63.	TOTAL TAX LIAB	8,654,225.	15,821.8
64.	WITHHELD	9,789,181.	-10,397.5
65.	EST TAX PAID	1,454,283.	-5,843.5
66.	RENTERS CREDIT	5,109,427.	-498.1
67.	EXCESS SDI	442,751.	-43.1
68.	OVERPAY/TAX DUE	12,113,217.	-954.1
69.	EST NEXT YEAR	490,822.	621.7
70.	PENALTIES/INT	36,734.	8.9
71.	EST PENALTIES	171,083.	12.6
72.	REFUND/BAL DUE	11,801,234.	-160.0
73.	CAL TAX REFUND	3,339,965.	3,432.0
74.	UNEMPLOYMENT	754,111.	1,244.9
75.	SOCIAL SECURITY	603,258.	2,183.5
76.	CA NONTAXABLE INT	375,437.	2,422.2
77.	RR AND SICK PAY	10,332.	37.3
78.	LOTTERY	66,350.	343.3
79.	IRA DISTRIBUTIONS	78,851.	277.9
80.	PENSIONS/ANNUITY	43,553.	283.0
81.	PASSIVE LOSS SUB	126,693.	2,141.2
82.	DEPRECIATION SUB	288,403.	405.1
83.	CAPITAL GAIN SUB	222,812.	4,743.8
84.	OTHER GAIN SUB	69,876.	578.7
85.	NOL LOSS SUB	38,594.	4,324.9
86.	OTHER SUBS	318,162.	5,146.2
87.	OTHER STATE BOND INTEREST	104,227.	1,147.4
88.	PASSIVE LOSS ADD	461,480.	3,886.5
89.	DEPRECIATION ADD	383,826.	769.6
90.	CAPITAL GAIN ADD	85,454.	764.9
91.	OTHER GAIN ADD	37,386.	116.6
92.	NOL LOSS ADD	55,998.	27,115.9
93.	OTHER ADDS	296,658.	2,635.3
94.	FED ITEMIZED DED	4,444,434.	79,186.4
95.	ST AND LOCAL TAX	4,080,039.	16,494.5
96.	OTH DED ADJUSMNT	208,849.	-672.5
97.	CAL DEP 87 ON	255,562.	1,117.0
98.	TOTAL CA D DEP	604,247.	4,079.3

ARRAY POSITION	DESCRIPTION	WEIGHTED POPULATION	WEIGHTED SUM (MILL)
99.	TOTAL FED DEP	586,613.	4,392.3
100.	TOTAL CA AMORT	27,353.	74.2
101.	TOTAL FED AMORT	29,576.	79.7
102.	1988 CAP GAIN	217,205.	19,392.9
103.	1988 CAP LOSS	110,527.	1,997.1
104.	CAP LOSS CARRYOVER	70,914.	1,609.3
105.	ORDINARY GAIN LOSS	272,719.	17,236.9
106.	PRE ACT INC	103,687.	2,817.8
107.	PRE ACT LOSS	269,005.	5,390.0
108.	POST ACT INC	9,501.	162.2
109.	POST ACT LOSS	27,241.	525.7
110.	TOTAL LACTIVE	309,040.	-2,931.7
111.	PRE PAS INC	123,948.	6,854.1
112.	PRE PAS LOSS	189,718.	8,699.0
113.	POST PAS INC	27,861.	318.8
114.	POST PAS LOSS	50,834.	1,359.0
115.	TOTAL PASSIVE	233,141.	-2,884.5
116.	PART II	215,052.	1,588.4
117.	SMALLER L12 L13	177,866.	6,104.5
118.	PASSIVE LOSS ALLOW	345,567.	4,073.2
119.	1040 FILING STATUS	13,224,917.	23.8
120.	1040 NUMBER EXEMPTIONS	11,537,440.	25.8
121.	1040 BLIND	1,491,286.	2.0
122.	1040 DEPE	12,380,393.	23.9
123.	1040 SEPA	6,957,229.	13.9
124.	1040 TAX SOURCE	6,959,178.	8.0
125.	1040 WAGE	10,241,406.	306,834.3
126.	1040 TAXABLE INT	8,231,840.	38,549.5
127.	1040 EXEMPT INT	446,645.	5,731.7
128.	1040 DIV	2,677,543.	12,723.7
129.	1040 ST TAX REF	3,316,403.	3,393.6
130.	1040 ALIMONY	77,496.	710.7
131.	1040 BUS INCOME	1,960,640.	19,244.4
132.	1040 CAP GAINS	1,769,733.	47,372.3
133.	1040 OTH CAP GAIN	176,746.	140.8
134.	1040 OTHER GAIN	259,361.	566.6
135.	1040 IRA	289,156.	1,588.5
136.	1040 PENSIONS	1,538,431.	15,719.6
137.	1040 RENT/ROYALTIES	2,090,581.	1,420.5
138.	1040 FARM INCOME	114,005.	-1,645.3
139.	1040 UNEMPLOYMENT	799,213.	1,335.9
140.	1040 TAXABLE SS	606,701.	2,155.7
141.	1040 OTHER INC	1,027,579.	-23,149.6
142.	1040 TOTAL INC	12,258,538.	428,772.2
143.	1040 BUS EXPENSE	206,348.	607.0
144.	1040 TP IRA	597,031.	942.1
145.	1040 SP IRA	260,733.	336.1
146.	1040 HEALTH INS	254,605.	117.9
147.	1040 KEOGH	132,566.	1,257.7

ARRAY POSITION	DESCRIPTION	WEIGHTED POPULATION	WEIGHTED SUM (MILL)
148.	1040 INT PENALTY	129,220.	38.3
149.	1040 ALIMONY PAID	97,471.	912.2
150.	1040 TOTAL ADJ	1,313,362.	4,258.1
151.	1040 AGI	12,326,113.	425,823.3
152.	1040 ITEMIZED DED	4,777,991.	83,780.9
153.	1040 STANDARD DED	7,544,018.	29,206.5
154.	1040 EXEMPTIONS	11,619,212.	50,459.0
155.	1040 TAXABLE INC	10,388,437.	305,154.2
156.	1040 TAX	10,313,227.	65,392.1
157.	1040 ADD TAX	31,764.	208.3
158.	1040 CHILD CARE	1,204,392.	603.3
159.	1040 ELDERLY	74,440.	23.4
160.	1040 FOREIGN TAX	87,521.	221.8
161.	1040 BUS CREDIT	37,659.	197.0
162.	1040 MIN TAX CR	11,181.	51.9
163.	1040 NET TAX	10,180,408.	64,551.7
164.	1040 SELF EMP TAX	1,453,391.	2,635.8
165.	1040 MIN TAX	29,907.	307.6
166.	1040 INV CRED TAX	44,964.	27.5
167.	1040 TIP TAX	27,330.	3.7
168.	1040 IRA TAX	242,336.	148.6
169.	1040 TOT TAX LIAB	10,529,814.	67,787.5
170.	1040 WITHHOLDING	10,153,141.	20,221.3
171.	1040 EARNED CR	1,089,501.	606.8
172.	1040 GAS TAX CR	28,438.	29.1
173.	1040 INVEST CR	9,696.	35.1
174.	1040A MED EXP	1,843,953.	6,512.8
175.	1040A ST TAX	4,517,649.	17,165.4
176.	1040A REAL TAX	4,087,502.	5,592.7
177.	1040A OTH TAX	4,090,414.	1,505.9
178.	1040A MORT INT TAX	3,879,972.	31,581.1
179.	1040A MORT INT IND	303,711.	962.7
180.	1040A POINTS	642,389.	1,168.8
181.	1040A INVEST INT	336,387.	5,512.4
182.	1040A PERSONAL INT	3,838,231.	2,701.6
183.	1040A CASH CHECK	4,272,955.	6,918.8
184.	1040A NON CASH CONT	2,141,787.	1,780.7
185.	1040A CONT C OVER	45,315.	732.2
186.	1040A CASUALTY	25,860.	196.5
187.	1040A MOVING EXP	176,513.	844.9
188.	1040A BUS EXP	1,272,397.	3,054.1
189.	1040A OTHER EXP	2,208,495.	2,979.2
190.	1040A TOTAL EXP	2,968,919.	6,629.4
191.	1040A EXP ALLOWED	2,968,919.	6,629.4
192.	1040A MISC DED	134,559.	351.9
193.	1040A TOT DED	4,887,649.	85,514.5
194.	1040D NET S LOSS	38,510.	385.5
195.	1040D NET S GAIN	59,042.	1,294.2
196.	1040D S C OVER	98,121.	2,747.4

ARRAY POSITION	DESCRIPTION	WEIGHTED POPULATION	WEIGHTED SUM (MILL)
197.	1040D TOT S LOSS	404,792.	5,335.8
198.	1040D TOT S GAIN	326,794.	3,389.0
199.	1040D NET L LOSS	89,657.	641.2
200.	1040D NET L GAIN	141,870.	8,418.1
201.	1040D L C OVER	163,285.	3,477.7
202.	1040D TOT L LOSS	716,309.	9,984.7
203.	1040D TOT L GAIN	1,240,213.	51,299.3
204.	1040E TOT RENT PROF	705,709.	7,227.4
205.	1040E TOT RENT LOSS	963,012.	-1,581.8
206.	1040E FARM RENT	15,427.	186.1
207.	1040E TOT RENT INC	1,384,184.	-669.0
208.	1040E PASS INC	366,642.	10,897.4
209.	1040E PASS LOSS	501,184.	16,606.0
210.	1040E TOT PASS INC	555,761.	32,789.6
211.	1040E TOT PASS LOSS	678,085.	30,339.9
212.	1040E EST INC	38,666.	955.9
213.	1040E EST LOSS	12,359.	113.9
214.	1040E TOT EST INC	69,191.	1,283.8
215.	1040E TOT EST LOSS	21,855.	209.7
216.	1040E NET INC	62.	0.0
217.	1040E PROF TAX	2,810.	4.6
218.	1040F AGRI ACT	100,647.	52.3

* FIELD HAS BEEN SUPPRESSED TO MAINTAIN CONFIDENTIALITY OF TAX RETURN DATA

EXHIBIT III

FLOWCHART FOR THE CALIFORNIA PERSONAL INCOME TAX MICROSIMULATION MODEL

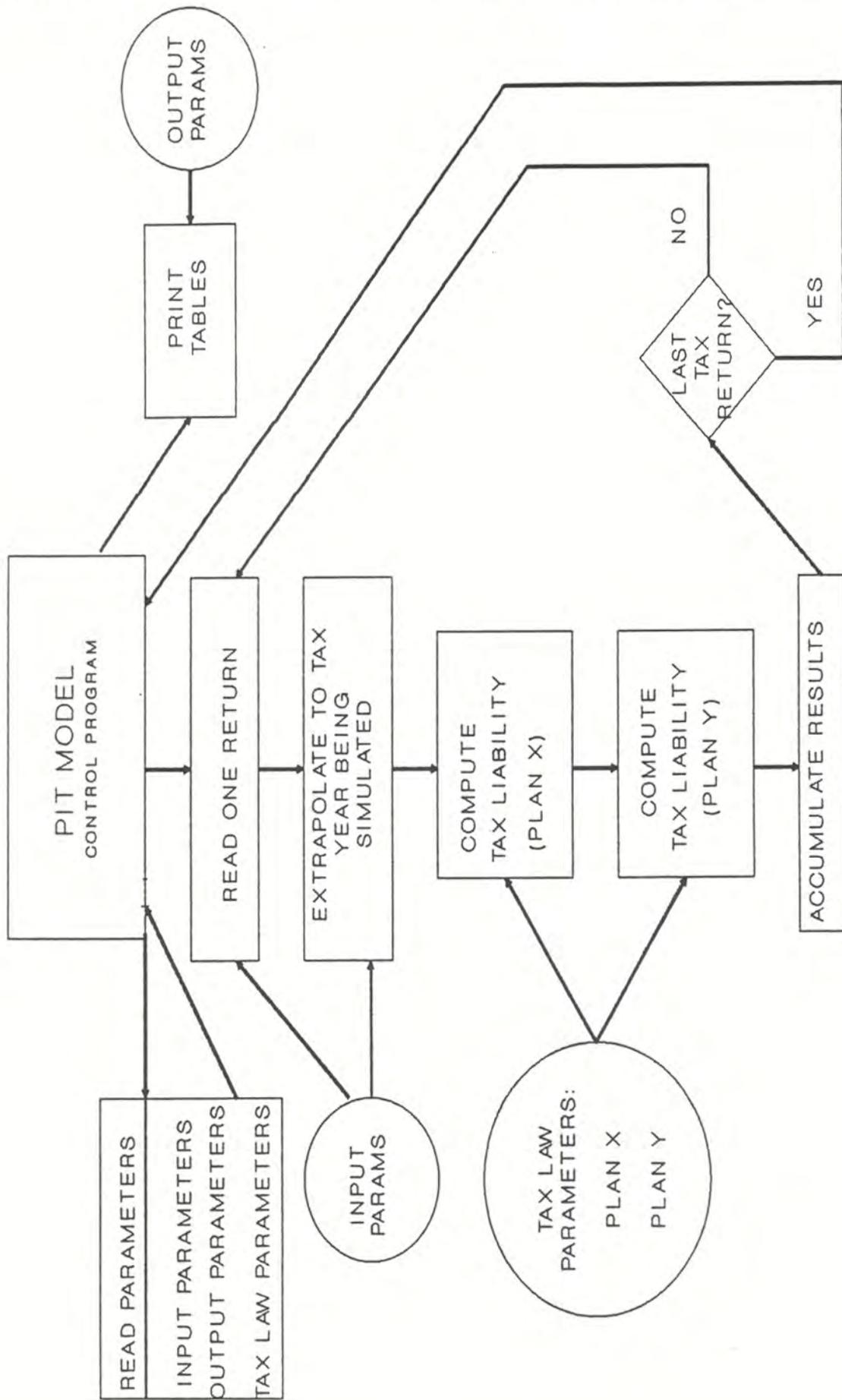


EXHIBIT IV

ALL SCHEDULES

"PLAN X" ADJUSTED GROSS INCOME CLASS	PRESENTLY TAXABLE RETURNS MADE HONTAXABLE		PRESENTLY NONTAXABLE RETURNS MADE TAXABLE		RETURNS WITH CHANGE IN TAX LIABILITY TAX DECREASE		RETURNS WITH CHANGE IN TAX LIABILITY TAX INCREASE		RETURNS WHICH CHANGED THEIR TYPE OF DEDUCTION	
	NUMBER OF RETURNS	AMOUNT OF TAX CHANGE (THOUSANDS)	NUMBER OF RETURNS	AMOUNT OF TAX CHANGE (THOUSANDS)	NUMBER OF RETURNS	AMOUNT OF TAX CHANGE (THOUSANDS)	NUMBER OF RETURNS	AMOUNT OF TAX CHANGE (THOUSANDS)	NUMBER OF RETURNS	AMOUNT OF TAX CHANGE (THOUSANDS)
*****-\$	0.	0.	0.	0.	0.	0.	0.	0.	0.	0.
\$ 0-\$	0.	0.	0.	0.	0.	0.	0.	0.	0.	0.
\$ 5000-\$	0.	0.	0.	0.	0.	0.	0.	0.	0.	0.
\$ 10000-\$	0.	0.	0.	0.	0.	0.	0.	0.	0.	0.
\$ 20000-\$	0.	0.	0.	0.	0.	0.	0.	0.	0.	0.
\$ 30000-\$	0.	0.	0.	0.	0.	0.	0.	0.	0.	0.
\$ 40000-\$	0.	0.	0.	0.	0.	0.	0.	0.	0.	0.
\$ 50000-\$	0.	0.	0.	0.	0.	0.	0.	0.	0.	0.
\$ 100000-\$	0.	0.	0.	0.	0.	0.	0.	0.	0.	0.
*****	0.	0.	0.	0.	0.	0.	0.	0.	0.	0.
TOTALS	0.	0.	0.	0.	0.	0.	0.	0.	0.	0.

RETURNS WHICH ORIGINALLY ITEMIZED DEDUCTIONS										
"PLAN X" ADJUSTED GROSS INCOME CLASS	RETURNS WHICH ORIGINALLY TOOK STANDARD DEDUCTION									
	NUMBER OF RETURNS	AMOUNT OF TAX CHANGE (THOUSANDS)								
*****-\$	0.	0.	0.	0.	0.	0.	0.	0.	0.	0.
\$ 0-\$	0.	0.	0.	0.	0.	0.	0.	0.	0.	0.
\$ 5000-\$	0.	0.	0.	0.	0.	0.	0.	0.	0.	0.
\$ 10000-\$	0.	0.	0.	0.	0.	0.	0.	0.	0.	0.
\$ 20000-\$	0.	0.	0.	0.	0.	0.	0.	0.	0.	0.
\$ 30000-\$	0.	0.	0.	0.	0.	0.	0.	0.	0.	0.
\$ 40000-\$	0.	0.	0.	0.	0.	0.	0.	0.	0.	0.
\$ 50000-\$	0.	0.	0.	0.	0.	0.	0.	0.	0.	0.
\$ 100000-\$	0.	0.	0.	0.	0.	0.	0.	0.	0.	0.
*****	0.	0.	0.	0.	0.	0.	0.	0.	0.	0.
TOTALS	0.	0.	0.	0.	0.	0.	0.	0.	0.	0.

RETURNS FOR BOTH TYPES DEDUCTION										
"PLAN X" ADJUSTED GROSS INCOME CLASS	RETURNS FOR BOTH TYPES DEDUCTION									
	NUMBER OF RETURNS	AMOUNT OF TAX CHANGE (THOUSANDS)								
*****-\$	0.	0.	0.	0.	0.	0.	0.	0.	0.	0.
\$ 0-\$	0.	0.	0.	0.	0.	0.	0.	0.	0.	0.
\$ 5000-\$	0.	0.	0.	0.	0.	0.	0.	0.	0.	0.
\$ 10000-\$	0.	0.	0.	0.	0.	0.	0.	0.	0.	0.
\$ 20000-\$	0.	0.	0.	0.	0.	0.	0.	0.	0.	0.
\$ 30000-\$	0.	0.	0.	0.	0.	0.	0.	0.	0.	0.
\$ 40000-\$	0.	0.	0.	0.	0.	0.	0.	0.	0.	0.
\$ 50000-\$	0.	0.	0.	0.	0.	0.	0.	0.	0.	0.
\$ 100000-\$	0.	0.	0.	0.	0.	0.	0.	0.	0.	0.
*****	0.	0.	0.	0.	0.	0.	0.	0.	0.	0.
TOTALS	0.	0.	0.	0.	0.	0.	0.	0.	0.	0.

EXHIBIT V

***** 1991 STANDARD PLAN *****
 PLANX = 1991 TAX MODEL PLAN X AGI (88BASE REV 11/6/90)
 SUMMARY OF THE EFFECTS OF THE PROPOSAL: PLAN X, PLAN Y, AND CHANGE

(DOLLARS)	NUMBER OF RETURNS		TAXABLE RETURNS		ADJUSTED GROSS INCOME		TAXABLE INCOME	
	PLAN X (000'S)	PLAN Y (000'S)	PLAN X (000'S)	PLAN Y (000'S)	PLAN X (\$ MIL)	PLAN Y (\$ MIL)	PLAN X (\$ MIL)	PLAN Y (\$ MIL)
*****-\$	0	107.	1.	1.	-6869.	-6869.	0.	0.
\$ 0-\$	5000	1793.	378.	378.	3741.	3741.	994.	994.
\$ 5000-\$	10000	1620.	526.	526.	12126.	12126.	6996.	6996.
\$ 10000-\$	20000	2756.	1638.	1638.	40547.	40547.	29602.	29602.
\$ 20000-\$	30000	2110.	1753.	1753.	52299.	52299.	41766.	41766.
\$ 30000-\$	40000	1549.	1462.	1462.	53855.	53855.	43661.	43661.
\$ 40000-\$	50000	1191.	1167.	1167.	53300.	53300.	43551.	43551.
\$ 50000-\$	100000	2350.	2329.	2329.	159942.	159942.	129892.	129892.
\$ 100000-\$*****	628.	628.	624.	624.	156140.	156140.	135652.	135652.
TOTALS	14105.	14105.	9879.	9879.	525081.	525081.	432114.	432114.

(DOLLARS)	ITEMIZED RETURNS		TOTAL DEDUCTIONS		INCOME EXEMPTIONS		TAX CREDITS		ALTERN. MINIMUM TAX	
	PLAN X (000'S)	PLAN Y (000'S)	PLAN X (\$ MIL)	PLAN Y (\$ MIL)	PLAN X (\$ MIL)	PLAN Y (\$ MIL)	PLAN X (\$ MIL)	PLAN Y (\$ MIL)	PLAN X (\$ MIL)	PLAN Y (\$ MIL)
*****-\$	0	46.	1925.	1925.	0.	0.	0.	0.	11.	11.
\$ 0-\$	5000	171.	5038.	5038.	0.	0.	12.	12.	0.	0.
\$ 5000-\$	10000	130.	5560.	5560.	0.	0.	74.	74.	3.	3.
\$ 10000-\$	20000	393.	11363.	11363.	0.	0.	242.	242.	0.	0.
\$ 20000-\$	30000	549.	10628.	10628.	0.	0.	286.	286.	0.	0.
\$ 30000-\$	40000	666.	10304.	10304.	0.	0.	247.	247.	0.	0.
\$ 40000-\$	50000	677.	9743.	9743.	0.	0.	221.	221.	0.	0.
\$ 50000-\$	100000	1829.	30291.	30291.	0.	0.	523.	523.	7.	7.
\$ 100000-\$*****	574.	574.	20755.	20755.	0.	0.	343.	343.	28.	28.
TOTALS	5036.	5036.	105607.	105607.	0.	0.	1949.	1949.	50.	50.

(DOLLARS)	TAX BEFORE REFUND. CREDITS		REFUNDABLE CREDITS		TAX AFTER REFUNDABLE CREDITS	
	PLAN X (\$ MIL)	PLAN Y (\$ MIL)	PLAN X (\$ MIL)	PLAN Y (\$ MIL)	PLAN X (\$ MIL)	PLAN Y (\$ MIL)
*****-\$	0	11.	2.	2.	9.	9.
\$ 0-\$	5000	0.	68.	68.	-68.	0.
\$ 5000-\$	10000	12.	62.	62.	-50.	0.
\$ 10000-\$	20000	249.	126.	126.	123.	0.
\$ 20000-\$	30000	744.	91.	91.	653.	0.
\$ 30000-\$	40000	1136.	57.	57.	1079.	0.
\$ 40000-\$	50000	1365.	38.	38.	1327.	0.
\$ 50000-\$	100000	5633.	40.	40.	5593.	0.
\$ 100000-\$*****	10166.	10166.	4.	4.	10163.	0.
TOTALS	19316.	19316.	489.	489.	18828.	0.