



Dividends on insurance policies are a partial return of the premiums you paid. Do not report them as dividends. Include them in income on line 21 only if they exceed the total of all net premiums you paid for the contract.

Line 9b

Qualified Dividends

Enter your total qualified dividends on line 9b. Qualified dividends are also included in the ordinary dividend total required to be shown on line 9a. Qualified dividends are eligible for a lower tax rate than other ordinary income. Generally, these dividends are shown in box 1b of Form(s) 1099-DIV. See Pub. 550 for the definition of qualified dividends if you received dividends not reported on Form 1099-DIV.

Exception. Some dividends may be reported as qualified dividends in box 1b of Form 1099-DIV but aren't qualified dividends. These include:

- Dividends you received as a nominee. See the Schedule B instructions.
- Dividends you received on any share of stock that you held for less than 61 days during the 121-day period that began 60 days before the ex-dividend date. The ex-dividend date is the first date following the declaration of a dividend on which the purchaser of a stock isn't entitled to receive the next dividend payment. When counting the number of days you held the stock, include the day you disposed of the stock but not the day you acquired it. See the examples that follow. Also, when counting the number of days you held the stock, you can't count certain days during which your risk of loss was diminished. See Pub. 550 for more details.

- Dividends attributable to periods totaling more than 366 days that you received on any share of preferred stock held for less than 91 days during the 181-day period that began 90 days before the ex-dividend date. When counting the number of days you held the stock, you can't count certain days during which your risk of loss was diminished. See Pub. 550 for more details. Preferred dividends attributable to periods totaling less than 367 days are subject to the 61-day holding period rule just described.

- Dividends on any share of stock to the extent that you are under an obligation (including a short sale) to make related payments with respect to positions in substantially similar or related property.

- Payments in lieu of dividends, but only if you know or have reason to know that the payments aren't qualified dividends.

Example 1. You bought 5,000 shares of XYZ Corp. common stock on July 8, 2016. XYZ Corp. paid a cash dividend of 10 cents per share. The ex-dividend date was July 16, 2016. Your Form 1099-DIV from XYZ Corp. shows \$500 in box 1a (ordinary dividends) and in box 1b (qualified dividends). However, you sold the 5,000 shares on August 11, 2016. You held your shares of XYZ Corp. for only 34 days of the 121-day period (from July 9, 2016, through August 11, 2016). The 121-day period began on May 17, 2016 (60 days before the ex-dividend date), and ended on September 14, 2016. You have no qualified dividends from XYZ Corp. because you held the XYZ stock for less than 61 days.

Example 2. The facts are the same as in Example 1 except that you bought the stock on July 15, 2016 (the day before the ex-dividend date), and you sold the stock on September 16, 2016. You held the stock for 63 days (from July 16, 2016, through September 16, 2016). The \$500 of qualified dividends shown in box 1b of Form 1099-DIV are all qualified dividends because you held the stock for 61 days of the 121-day period (from July 16, 2016, through September 14, 2016).

Example 3. You bought 10,000 shares of ABC Mutual Fund common stock on July 8, 2016. ABC Mutual Fund paid a cash dividend of 10 cents a share. The ex-dividend date was July 16, 2016. The ABC Mutual Fund advises you that the part of the dividend eligible to be treated as qualified dividends equals 2 cents a share. Your Form 1099-DIV from ABC Mutual Fund shows total ordinary dividends of \$1,000 and qualified dividends of \$200. However, you sold the 10,000 shares on August 11, 2016. You have no qualified dividends from ABC Mutual Fund because you held the ABC Mutual Fund stock for less than 61 days.



Use the Qualified Dividends and Capital Gain Tax Worksheet or the Schedule D Tax Worksheet, whichever applies, to figure your tax. See the instructions for line 44 for details.

Line 10

Taxable Refunds, Credits, or Offsets of State and Local Income Taxes



None of your refund is taxable if, in the year you paid the tax, you either (a) didn't itemize deductions, or (b) elected to deduct state and local general sales taxes instead of state and local income taxes.

If you received a refund, credit, or offset of state or local income taxes in 2016, you may be required to report this amount. If you didn't receive a Form 1099-G, check with the government agency that made the payments to you. Your 2016 Form 1099-G may have been made available to you only in an electronic format, and you will need to get instructions from the agency to retrieve this document. Report any taxable refund you received even if you didn't receive Form 1099-G.

If you chose to apply part or all of the refund to your 2016 estimated state or local income tax, the amount applied is treated as received in 2016. If the refund was for a tax you paid in 2015 and you deducted state and local income taxes on line 5 of your 2015 Schedule A, use the State and Local Income Tax Refund Worksheet in these instructions to see if any of your refund is taxable.

Exception. See *Itemized Deduction Recoveries* in Pub. 525 instead of using the State and Local Income Tax Refund Worksheet in these instructions if any of the following applies.

1. You received a refund in 2016 that is for a tax year other than 2015.
2. You received a refund other than an income tax refund, such as a general sales tax or real property tax refund, in 2016 of an amount deducted or credit claimed in an earlier year.
3. The amount on your 2015 Form 1040, line 42, was more than the amount on your 2015 Form 1040, line 41.

State and Local Income Tax Refund Worksheet—Line 10

Keep for Your Records



Before you begin: ✓ Be sure you have read the **Exception** in the instructions for this line to see if you can use this worksheet instead of Pub. 525 to figure if any of your refund is taxable.

1. Enter the income tax refund from **Form(s) 1099-G** (or similar statement). But **don't** enter more than the amount of your state and local income taxes shown on your 2015 Schedule A, line 5 1.

2. Enter your total itemized deductions from your 2015 Schedule A, line 29 2.

Note. If the filing status on your 2015 Form 1040 was married filing separately and your spouse itemized deductions in 2015, skip lines 3 through 5, enter the amount from line 2 on line 6, and go to line 7.

3. Enter the amount shown below for the filing status claimed on your **2015** Form 1040.

- Single or married filing separately—\$6,300
- Married filing jointly or qualifying widow(er)—\$12,600
- Head of household—\$9,250

} 3.

4. Did you fill in line 39a on your 2015 Form 1040?

No. Enter -0-.

Yes. Multiply the number in the box on line 39a of your 2015 Form 1040 by \$1,250 (\$1,550 if your 2015 filing status was single or head of household).

} 4.

5. Add lines 3 and 4 5.

6. Is the amount on line 5 less than the amount on line 2?

No. None of your refund is taxable.

Yes. Subtract line 5 from line 2 6.

7. **Taxable part of your refund.** Enter the **smaller** of line 1 or line 6 here and on Form 1040, line 10 7.

4. You had taxable income on your 2015 Form 1040, line 43, but no tax on your Form 1040, line 44, because of the 0% tax rate on net capital gain and qualified dividends in certain situations.

5. Your 2015 state and local income tax refund is more than your 2015 state and local income tax deduction minus the amount you could have deducted as your 2015 state and local general sales taxes.

6. You made your last payment of 2015 estimated state or local income tax in 2016.

7. You owed alternative minimum tax in 2015.

8. You couldn't use the full amount of credits you were entitled to in 2015 because the total credits were more than the amount shown on your 2015 Form 1040, line 47.

9. You could be claimed as a dependent by someone else in 2015.

10. You received a refund because of a jointly filed state or local income tax return, but you aren't filing a joint 2016 Form 1040 with the same person.

11. You had to use the Itemized Deductions Worksheet in the 2015 Instructions for Schedule A and both of the following apply.

a. You couldn't deduct all of the amount on the 2015 Itemized Deductions Worksheet, line 1.

b. The amount on line 8 of that 2015 worksheet would be more than the amount on line 4 of that worksheet if the amount on line 4 were reduced by 80% of the refund you received in 2016.

Line 11

Alimony Received

Enter amounts received as alimony or separate maintenance. You must let the person who made the payments know your social security number. If you do not, you may have to pay a penalty. For more details, see Pub. 504.

Line 12

Business Income or (Loss)

If you operated a business or practiced your profession as a sole proprietor, report your income and expenses on Schedule C or C-EZ.