

Purpose of This Package

If you are a nonresident alien, use this package to figure and pay your estimated tax. Estimated tax is the method used to pay tax on income that is not subject to withholding.

Do not use the payment vouchers in this package to notify the IRS of a **change of address**. Instead, use **Form 8822**, Change of Address.

You can order Form 8822 and other forms and publications by writing to the Eastern Area Distribution Center, P.O. Box 85074, Richmond, VA 23261-5074, USA. Or, if you have a computer and modem, you can access the IRS's Internet Web site 24 hours a day, 7 days a week, at www.irs.gov. For file transfer protocol, connect to <ftp.irs.gov>.

Who Must Make Estimated Tax Payments

Generally, you must make estimated tax payments if you expect to owe at least \$1,000 in tax for 2000 (after subtracting your withholding and credits) and you expect your withholding and credits to be less than the **smaller** of:

1. 90% of the tax on your 2000 tax return, **or**
2. The tax shown on your 1999 tax return (108.6% of that amount if you are not a farmer or fisherman and the adjusted gross income shown on that return is more than \$150,000 or, if married filing separately for 2000, more than \$75,000).

For this purpose, include household employment taxes (before subtracting advance EIC payments made to your employee(s)) when figuring the tax shown on your tax return, if:

1. You will have Federal income tax withheld from wages, pensions, annuities, or other income effectively connected with a U.S. trade or business, **or**
2. You would be required to make estimated tax payments to avoid a penalty even if you did not include household employment taxes when figuring your estimated tax.

Tax Law Changes Effective for 2000

Use your 1999 tax return as a guide in figuring your 2000 estimated tax, but be sure to consider the changes noted in this section. For more information on changes that may affect your 2000 estimated tax, see **Pub. 553**, Highlights of 1999 Tax Changes.

Modification of estimated tax safe harbor for some taxpayers. For 2000, the estimated tax safe harbor that is based on the tax shown on your 1999 tax return is 108.6% of that amount if you are not a farmer or fisherman and the adjusted gross income shown on that return is more than \$150,000 or, if married filing separately for 2000, more than \$75,000.

Student loan interest deduction. The amount you may be allowed to deduct on your tax return for interest that is paid during 2000 on a qualified student loan has been increased to \$2,000.

Business standard mileage rate. For 2000, the rate for business use of a vehicle has increased to 32½ cents a mile.

Tax liability limit increased for personal credits. For 2000, the personal credits you claim may be taken against the total of your alternative minimum tax and regular tax, reduced by the foreign tax credit. The personal credits are the credit for child and dependent care expenses, child tax credit, adoption credit, mortgage interest credit, and District of Columbia first-time homebuyer credit.

Foreign tax credit. When figuring the limit on your foreign tax credit for 2000, your U.S. income tax is no longer reduced by any personal credits.

IRA deduction restored for some people covered by retirement plans. You may be able to claim an IRA deduction for 2000 if you are covered by a retirement plan and your

modified AGI is less than \$42,000 if single or married filing separately and you lived apart from your spouse for all of 2000; \$62,000 if qualifying widow(er).

Section 179 expense deduction increased. For 2000, the deduction to expense certain property under section 179 generally has been increased to \$20,000.

Lump-sum distributions. The 5-year averaging method for figuring the tax on a qualified lump-sum distribution is not available for tax years beginning after 1999.

Special rule for the research credit. A special rule applies when figuring your research credit for estimated tax purposes. The credit attributable to the first suspension period (defined below) cannot be used to reduce any estimated tax payments due before October 1, 2000. Instead, the research credit attributable to the first suspension period is allowed in full against the installment due on January 16, 2001. The credit attributable to the second suspension period (defined below) cannot be used to reduce any of your estimated tax payments for 2000.

For tax years after 1999, the first suspension period begins January 1, 2000, and ends September 30, 2000, and the second suspension period begins October 1, 2000, and ends September 30, 2001. The credit attributable to a suspension period is figured by multiplying the total research credit for the tax year by the ratio of (a) the number of months in the suspension period that are included in the tax year to (b) the number of months in the tax year. For the 2000 tax year, 75% of the research credit is attributable to the first suspension period, and 25% is attributable to the second suspension period.

To Figure Your Estimated Tax, Use:

- The **2000 Estimated Tax Worksheet** on page 3.
- The instructions below for the worksheet on page 3.
- The **2000 Tax Rate Schedules** on page 4 for your filing status.*
- Your 1999 tax return and instructions as a guide to figuring your income, deductions, and credits (but be sure to consider the tax law changes noted earlier).

If you receive your income unevenly throughout the year (for example, you operate your business on a seasonal basis), you may be able to lower or eliminate the amount of your required estimated tax payment for one or more periods by using the annualized income installment method. See **Pub. 505**, Tax Withholding and Estimated Tax, for details.

*If you are married, you must generally use Tax Rate Schedule Y. For exceptions, see **Pub. 519**, U.S. Tax Guide for Aliens.

Instructions for Worksheet on Page 3

Line 8. Include on this line the additional taxes from **Form 4972**, Tax on Lump-Sum Distributions, or **Form 8814**, Parents' Election To Report Child's Interest and Dividends.

Line 9—Credits. See the 1999 Form 1040NR, lines 40 through 44, and the related instructions. However, be sure to consider the tax law changes noted earlier on the increase in the tax liability limit for personal credits, the foreign tax credit, and the special rule for the research credit.

Line 11—Other Taxes. Except as noted below, enter any other taxes, such as the taxes on accumulation distribution of trusts, distributions from an MSA, and early distributions from (a) an IRA or other qualified retirement plan, (b) an annuity, or (c) a modified endowment contract entered into after June 20, 1988.

Include household employment taxes (before subtracting advance EIC payments made to your employee(s)) on line 11 if:

- You will have Federal income tax withheld from wages, pensions, annuities, or other income effectively connected with a U.S. trade or business, **or**