Form **2440**	**Sick-Pay Exclusion**	**1975**
Department of the Treasury Internal Revenue Service	▶ Attach to Form 1040.	

Name of taxpayer	Social Security Number

Period of absence from work (see instruction B) From ...., 19........, to ...., 19........	Were you hospitalized (bed patient) at least one day during this period? . . . ▢ Yes ▢ No
Regular weekly rate of wages (see instruction F) ▶ $	Number of workdays in your normal workweek ▶	Nature of illness or injury
Name of employer	Payer of sick pay, if other than employer

Part I — General (Disability Retirees See Part IV and Instruction J)

1 Total workdays for which you were paid during this period of absence (see instruction C) . . . .

2 Number of workdays in the first 30 calendar days for which you were paid . . .

3 Number of workdays after the first 30 calendar days for which you were paid (if any)

4 Total amount received as "sick pay" . . . . $

5 Daily rate of "sick pay" (line 4 divided by line 1) (see instruction E) . . . . $

Part II — Use this Part if Your Weekly Sick Pay Rate for the First 30 Calendar Days of Absence is 75% or Less of Your Regular Weekly Wage Rate

6 Number of workdays from line 2 . . . .

7 Limitation: If you were not hospitalized, enter the number of workdays for which you were paid in the first 7 calendar days of absence. If you were hospitalized, enter ZERO . . . .

8 Balance (line 6 less line 7) . . . .

9 $75 divided by the number of workdays in a normal workweek (maximum daily rate) . . . . . . $

10 Enter the amount on line 5, or line 9, whichever is smaller . . . . $

11 Multiply the amount on line 10 by the number of days on line 8 . . . . $

Note: *Omit lines 12, 13, 14, and 15, if your period of absence was 30 calendar days or less.*

12 $100 divided by the number of workdays in a normal workweek (maximum daily rate after the first 30 calendar days) . . . . $

13 Enter the amount on line 5, or line 12, whichever is smaller . . . . $

14 Enter the number of workdays from line 3 . . . .

15 Multiply the amount on line 13 by the number of days on line 14 . . . . $

16 Enter the amount shown on line 11 . . . . $

17 Total (line 15 plus line 16) . . . . $

18 "Sick pay" for that period of absence listed in Part I received in another taxable year (see instruction D) $

19 Total "sick pay" exclusion (line 17 less line 18). Enter here and on Form 1040, line 37 . . . . . . $

Part III — Use this Part if Your Weekly Sick Pay Rate for the First 30 Calendar Days of Absence is More Than 75% of your Regular Weekly Wage Rate

20 Daily rate of "sick pay" from line 5 . . . . $

21 $100 divided by the number of workdays in a normal workweek (maximum daily rate) . . . . $

22 Enter the amount on line 20 or 21, whichever is smaller . . . . $

23 Number of workdays from line 3 . . . .

24 Multiply the amount on line 22 by the number of days on line 23 . . . . $

25 "Sick pay" for that period of absence listed in Part I received in another taxable year (see instruction D) $

26 Total "sick pay" exclusion (line 24 less line 25). Enter here and on Form 1040, line 37 . . . . . . $

Part IV — Disability Retirees

You need to complete only line 27 or line 28 below to claim your "sick pay" exclusion if none of these four conditions apply: (1) you were retired within the last month of the preceding taxable year and the "waiting period" extended into this taxable year; (2) there was a change in the rate of your annuity during the year whereby some payments were made at a rate less than $100 a week, while other payments were made at a rate of $100 or more a week; (3) your disability pension or annuity was paid to you for less than the entire taxable year; or (4) your "sick pay" exclusion exceeds $5,200. If any of these four conditions apply, you must complete Parts I and II or III, whichever is applicable, to claim any "sick pay" exclusion.

27 If total disability payments received this taxable year were less than $5,200, enter the total received here and on Form 1040, line 37 . . . . $

28 If total disability payments received this taxable year were $5,200 or more, enter $5,200 here and on Form 1040, line 37 . . . . $

Form **2440** (1975)

Instructions

A. Sick Pay Exclusion.—For any year you receive sick pay, you may be able to exclude a part or all of it from your gross income, even though all or a part of your period of absence from work may have occurred in the year before (see instruction D).

Sick Pay is all or part of those wages or payments you receive under a wage continuation plan (if you have not reached retirement age) and are absent from work due to personal injury or sickness. Sick pay does not include disability payments after you reach retirement age (see instruction J).

B. Period of Absence From Work.—Enter the dates for one period of absence from work. A period of absence for computing your "sick pay" starts the moment you become absent from work and ends the moment you return. The beginning date must be a normal working day. For example, if you became sick on Sunday, September 8, 1974 (a nonworkday) and did not return to work until Thursday, January 16, 1975, you would have shown as your period of absence on your 1974 Form 2440 9/9/74 to 1/1/75. You should show on your 1975 Form 2440 the actual date that the period of absence began, even though it occurred in the prior year and you reported it on your 1974 Form 2440. Thus, you would show as your period of absence on your 1975 Form 2440 9/9/74 to 1/16/75. Lines 18 and 25 allow you to subtract the sick pay you received in another taxable year. If you were absent for more than one period in a taxable year, complete a separate Form 2440 for each period of absence. If you use more than one Form 2440, add together the sick pay exclusion shown on line 19 or line 26 of each form, and enter the total on Form 1040, line 37.

C. Total Workdays.—Count all normal workdays for which you are paid in the period reported on this form. Include paid holidays, but exclude Saturdays and Sundays unless they are normal workdays for which you are paid. Include in the period of absence any normal workdays that fall before the beginning of your taxable year.

Example: For the absence from 9/9/74 to 1/16/75 discussed in instruction B, the workdays for a 5-day workweek to be reported in lines 1, 2, and 3 of Form 2440 for 1974 and 1975, respectively, are as follows:

	1974	1975
Total workdays in this period of absence	82	93
Workdays in the first 30 calendar days	− 22	− 22
Workdays after the first 30 calendar days	60	71

D. Sick Pay Received in Another Tax Year.—Lines 18 and 25 permit you to subtract the sick pay you received in another taxable year. In the example above, in which the absence from 9/9/74 to 1/1/75 was shown on your 1974 Form 2240, you would subtract the sick pay that you did not receive in 1974. If the last pay period for which you received pay in 1974 was the pay period ended on December 20, 1974, then on line 18 or 25, whichever is appropriate, you must subtract the sick pay you received for the 7 workdays in the period 12/21/74 through 12/31/74.

On your 1975 Form 2440 you would subtract the sick pay reported on your 1974 Form 2440, line 19 or 26.

E. Daily Rate of Sick Pay.—If you receive sick pay at a weekly rate of $100 or more for part of a period of absence but at a weekly rate of less than $100 for the remainder of the period, your daily rate of sick pay differs for the two parts; and you must submit a separate Form 2440 for each of the two parts of that period. This will permit you to claim the maximum exclusion allowable for the period during which your weekly rate was $100 or more, and will limit your exclusion to the amount of sick pay you received for the period during which your weekly rate was less than $100. On the Form 2440 for the first part of the period, show as the ending date of the period of absence the last day for which you received sick pay at the daily rate you showed on Form 2440, line 5. On the Form 2440 for the second part of the period, show as the beginning date of the period of absence the first day for which you received sick pay at the daily rate entered on Form 2440, line 5. On the second Form 2440, omit lines 2 and 3 of Part I. If you use Part II, also omit lines 6 through 11 and 16 and 18. Omit line 25 if you use Part III. On line 14 (or line 23) enter the total workdays from line 1 rather than from line 3. If you went through the required "waiting period" and reflected it on the first of these forms, none is required on the second form. Write "See other Form 2440 for remainder of period" on both forms to ensure association of the two forms.

For information about situations where your daily rate of sick pay varies during your period of absence from work, consult any Internal Revenue Service office.

F. Regular Weekly Wage Rate.—To determine this amount, you must convert wages paid on a non-weekly basis into weekly rates of payment. Determine your regular weekly wage rate or weekly rate of sick pay as follows:

If you are paid on the basis of a:

(1) Weekly pay period, this is the weekly rate.

(2) Biweekly pay period, the weekly rate is one-half of the biweekly rate.

(3) Semimonthly pay period, the weekly rate is the semimonthly rate multiplied by 24 and divided by 52.

(4) Monthly pay period, the weekly rate is the monthly rate multiplied by 12 and divided by 52.

(5) Other pay period, the weekly rate is the annual rate divided by 52.

If your income fluctuates, compute your regular weekly wage rate as follows:

Add together your wages for the last four weeks immediately before the period of absence and divide the total by 4. Include such items as commissions and overtime pay.

The four weeks used must fall within a full pay period or full pay periods. A pay period is the period of time for which payments of wages are made to you: for example, weekly, biweekly, or monthly periods. If you were absent from work for three or more normal working days during any pay period falling within the four-week period, or if you do not qualify because of unusual pay periods, consult any Internal Revenue Service office for other methods of computing your regular weekly wage.

G. Part I.—Except as specified in instructions E and J, you must complete all information in Part I on each Form 2440 you file.

H. Part II.—Complete Part II if your weekly sick pay rate for the first 30 calendar days (or shorter period) is 75 percent or less of your regular weekly wage rate and you are not a disability retiree entitled to use Part IV. This Part II gives effect to the law which provides, in these circumstances, that the waiting period is seven calendar days, and the exclusion is limited to a rate not to exceed $75 a week. There is no exclusion for the waiting period regardless of whether you were sick or injured, unless you were hospitalized at least one day during your absence. After 30 calendar days the weekly rate of exclusion is increased to an amount not to exceed $100.

I. Part III.—Complete Part III if your weekly sick pay rate for the first 30 calendar days (or longer period) of absence is more than 75 percent of your regular weekly wage rate and you are not a disability retiree entitled to use Part IV. This Part gives effect to the law which provides, in these circumstances, for a waiting period of 30 calendar days before you qualify for the exclusion. The waiting period applies even though you were injured or hospitalized. After 30 days the exclusion is not to exceed $100 a week.

J. Disability Retirees.—Report the total disability payments received during your 1975 taxable year as income on Form 1040, line 9. Exclude that portion of your disability payments that are excludable as sick pay until you reach retirement age. Retirement age is the age at which your employer would have required you to retire. If your employer has no set age for requiring retirement or has no set practice of terminating, due to age, the service of the class of employees to which you last belonged, age 65 is considered your retirement age. You cannot offset any of your pension or annuity cost against this income.

Any amount included in income is not considered retirement income (Schedule R (Form 1040), line 5), but all payments received are considered earned income (Schedule R (Form 1040), line 2(b)).

When you reach retirement age, you will begin to report the total amount of your disability payments under the applicable pension or annuity rule.

If none of the conditions listed in Part IV apply to you, complete Part IV of Form 2440. Otherwise, you must complete Part I and Part II or Part III, whichever is applicable, of Form 2440.

K. Additional Information.—For detailed information on sick pay, obtain Publication 522, "Adjustments to Income for Sick Pay," which is available free from your District Director.