Form **2440**

Department of the Treasury
Internal Revenue Service (0)

Disability Income Exclusion

(Applies Only to Disabled Retirees Under Age 65)

▶ Attach to Form 1040. ▶ See Instructions on back.

OMB No. 1545-0089

1983

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Name(s) as shown on Form 1040	Social security number

See Line 4 Instructions for Income Limits on Exclusion

	Date you retired (if after December 31, 1976, also enter this date in the space after box (2) on physician's statement below).	Employer's name (also give payer's name, if other than employer)
Yourself		
Spouse		

Note: *To take the disability income exclusion, you must complete lines 1 through 5.*

Joint return filers use column (a) for wife and column (b) for husband. All other filers use column (b) only.

		(a)	(b)
1	Enter total disability pay you received during 1983		
2	Excludable disability pay (see instructions):		
	(i) Multiply $100 by the number of weeks for which your disability payments were at least $100. Enter total		
	(ii) If you received disability payments of less than a $100 for any week, enter the total amount you received for all such weeks		
	(iii) If you received disability payments for less than a week, enter the smaller amount of either the amount you received or the highest exclusion allowable for the period (see instructions)		
	(iv) Add lines (i), (ii), and (iii). Enter total		
3	Add amounts on line 2(iv), columns (a) and (b). Enter total		
4	Limit on exclusion (see instructions):		
	(i) Enter total income from Form 1040, line 22		
	(ii) Add amounts on Form 1040, lines 23 through 28 and any write-in adjustments on line 31. Enter total		
	(iii) Subtract line (ii) from line (i)		
	(iv) Amount used to figure any exclusion decrease	$15,000.00	
	(v) Subtract line (iv) from line (iii). If line (iv) is more than line (iii), enter zero		
5	Subtract line 4(v) from line 3. This is your disability income exclusion. Enter here and on Form 1040, line 30		

6 If you filed a physician's statement for this disability in an earlier year, please check this box. ▶ ☐ You do not have to file another statement. If you have not, you must file a physician's statement (see below).

For Paperwork Reduction Act Notice, see Instructions on back.

Form **2440** **(1983)**

Physician's Statement of Permanent and Total Disability

▶ Please complete and return to taxpayer.

Name of disabled taxpayer	Social security number

I certify that the taxpayer named above was (check only one box—please see instructions below):

(1) ☐ Permanently and totally disabled on January 1, 1976, or January 1, 1977.

(2) ☐ Permanently and totally disabled on the date he or she retired. Date retired ▶

Physician's name

Physician's address

Physician's signature	Date

Instructions for Statement

Taxpayer

Please enter your name and social security number. If you retired after December 31, 1976, enter your retirement date in the space after box (2).

Physician

Box (1) applies to taxpayers who retired before January 1, 1977.

Box (2) applies to taxpayers who retired after December 31, 1976.

What is Permanent and Total Disabillity?

A person is permanently and totally disabled when—

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

General Instructions

Paperwork Reduction Act Notice.—We ask for this information to carry out the Internal Revenue laws of the United States. We need it to ensure that taxpayers are complying with these laws and to allow us to figure and collect the right amount of tax. You are required to give us this information.

A. Purpose of Form.—If you retired on disability, you must include all of your disability income on Form 1040, line 7 (see Instruction D for exception). However, you may be able to exclude part of it from the income on which you are taxed. To do that, you must meet the tests explained below. For details, please see **Publication 522**. Disability Payments.

B. Who Can Exclude Disability Income.—You can take the exclusion for 1983 if you meet ALL these tests:

- You received disability pay.
- You were not yet 65 when your tax year ended.
- You retired on disability and were permanently and totally disabled when you retired. (See Instruction C. **What is Permanent and Total Disability?**) (See also instructions for **Physician's Statement**.)
- On January 1, 1983, you had not yet reached the age when your employer's retirement program would have required you to retire.
- You did not let IRS know that you chose to treat your disability income as a pension instead of taking the exclusion. (See Instruction D.)
- If you were married at the end of 1983, you must file a joint return. (This rule does not apply if you did not live with your spouse at any time in 1983. If this is the case, write on the Spouse line on page 1, "I did not live with my spouse during the tax year.")

If you meet these tests, you can take the exclusion until the earliest of the following dates:

(1) The first day of the tax year in which you turn 65.

(2) The first day of the tax year for which you choose to treat your disability income as a pension (See Instruction D.)

(3) The day you reach the age when your employer's retirement program would have required you to retire.

C. What Is Permanent and Total Disability?—A person is permanently and totally disabled when:

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

The examples below show substantial gainful activity. In such cases, the disability income exclusion cannot be taken.

Example (1): Bob worked at a hotel as a desk clerk. After retiring on disability, he got a desk clerk job at another hotel. Bob does all the duties of the job and is paid more than the minimum wage. Because Bob does the job on the same terms as the other desk clerks and is paid more then the minimum wage, he is considered engaged in a substantial gainful activity. He cannot take the disability income exclusion.

Example (2): Sue retired on disability as a sales clerk. She now works as a full-time babysitter for more than the minimum wage. Even though Sue does different work, she babysits on ordinary terms for more than the minimum wage. She cannot take the disability income exclusion.

Example (3): Mary, president of the XYZ Corporation, retired on disability because of terminal illness. However, her doctor advised her to work part time. She now works for another company as a part-time manager. She is paid more than the minimum wage and the employer sets her days and hours. Even though Mary's illness is terminal and she works part time, she is considered engaged in a substantial gainful activity. She cannot take the exclusion.

Example (4): Jane retired on disability and now works at an easier job in a full-time competitive work situation. She earns half of what she used to, but is paid more than the minimum wage. She is considered engaged in a substantial gainful activity. She cannot take the exclusion.

The following example shows a person who might not be considered to be engaged in a substantial gainful activity.

Example: John, who retired on disability, took a job with a former employer on a trial basis. The purpose of the job was to see if John could do the work. The trial period lasted for some time during which John was paid at a rate equal to the minimum wage. However, because of John's disability only light duties of a nonproductive make-work nature were given him. Unless the activity is both substantial and gainful, John is not engaged in a substantial gainful activity. The activity was gainful because John was paid at a rate at or above the minimum wage. However, the activity was not substantial because the duties were of a nonproductive, make-work nature. Therefore, these facts do not, by themselves, establish John's ability to engage in substantial gainful activity.

D. Treating Disability Income as a Pension.—Instead of taking the exclusion, you can choose to treat your disability income as a pension. If you do, you cannot take the disability income exclusion in any later year.

It may help you more not to take the exclusion, but to treat the income as a pension instead. This may be so if:

(1) The income limits in line 4 lower your exclusion; or

(2) You reached minimum retirement age in 1983 and can take a **Credit for the Elderly** under the Schedule RP (Form 1040) rules; or

(3) Because of your condition, you do not expect to live long enough to recover the tax-free part (your cost) of the pension.

To treat your disability income as a pension, attach to your Form 1040 a statement that:

- You are eligible to take the exclusion; and
- You choose to treat the income as a pension and will not take the exclusion.

You must also attach a physician's statement (described in Specific Instructions) if you have not submitted one.

For more information, see instructions for Form 1040, line 17.

Specific Instructions

Lines 2(i) and (ii).—You can exclude either your actual weekly disability pay or $100 a week, whichever is less. This table shows how to figure your weekly disability pay.

Pay period	Your weekly pay is the following part of what you receive each pay period
Weekly	All
Every 2 weeks . . .	Half
Twice a month. . .	Multiply your pay by 24, and divide the result by 52
Each month . . .	Multiply your pay by 12, and divide the result by 52
Other	Divide your yearly pay by 52

Line 2(iii).—If you received disability pay for part of a week, follow the steps below.

Step 1. Divide $100 by the number of days a week you normally worked before you retired.

Step 2. Divide the disability pay you got by the number of days it covered in that week.

Step 3. Compare the Step 1 and Step 2 amounts. The smaller amount is your daily rate. Your exclusion for the week is based on it.

Step 4. Multiply your daily rate by the number of days you received disability pay in the short week. The result is your exclusion for that week.

Step 5. Add your exclusion for that week to your exclusion for any other short weeks. Enter the total on line 2(iii).

Disability payments are made for part of a week when one of the following happens after the first day of the taxpayers normal workweek:

(1) The disability retirement begins.

(2) The disability retirement ends because the taxpayer reaches required retirement age.

(3) The taxpayer dies.

Line 4.—Generally, the most a person can exclude is $5,200. This exclusion goes down, dollar for dollar, by any amount over $15,000 on line 4(iii). That line shows your adjusted gross income before you take the deduction for a married couple when both work and the disability income exclusion.

Generally, no exclusion is left if line 4(iii) is—

- $20,200 or more, and one person could take the exclusion.
- $25,400 or more, and both husband and wife could take the exclusion.

Treating your disability income as a pension may help you more than taking the exclusion. (See Instruction D.)

Physician's Statement.—Attach to Form 2440 a physician's statement of permanent and total disability. You can use the physician's statement on Form 2440 for this purpose. Please take it off the form and have your physician fill it in. Be sure to attach the completed statement to Form 2440 and file it with your tax return.

If both husband and wife take the exclusion, each must file a statement. If you filed a statement for the disability in an earlier year, do not file another. Instead, check the box on line 6 of Form 2440.

If you retired on disability before January 1, 1977, the physician's statement must show that you were permanently and totally disabled on January 1, 1976, or January 1, 1977.

If you retired on disability after 1976, the physician's statement must show that you were permanently and totally disabled when you retired.

If the Veterans Administration certifies that you are permanently and totally disabled, you can file Form 6004 instead of the physician's statement. Form 6004 must be signed by a physician on the VA disability rating board. You can get Form 6004 from the Veterans Administration.