

cover your child (defined on this page) who was under age 27 at the end of 2010, even if the child was not your dependent.

One of the following statements must be true.

- You were self-employed and had a net profit for the year.
- You used one of the optional methods to figure your net earnings from self-employment on Schedule SE.
- You received wages in 2010 from an S corporation in which you were a more-than-2% shareholder. Health insurance premiums paid or reimbursed by the S corporation may be shown in box 14 of Form W-2.

A child includes your son, daughter, stepchild, adopted child, or foster child.

The insurance plan must be established under your business. Your personal services must have been a material income-producing factor in the business. If you are a more-than-2% shareholder in an S corporation, the plan must be established by the S corporation. A plan is established by the S corporation if (a) the S corporation makes the premium payments for the policy in 2010 or (b) you make the premium payments and furnish proof of payment to the S corporation and then the S corporation reimburses you for the premium payments in 2010. You can deduct the premiums only if the S corporation reports the premiums paid or reimbursed as wages in box 1 of your Form W-2 in 2010 and you also report the premium payments or reimbursements as wages on Form 1040, line 7.

But if you were also eligible to participate in any subsidized health plan maintained by your or your spouse's employer for any month or part of a month in 2010, amounts paid for health insurance coverage for that month cannot be used to figure the deduction. In addition, effective March 30, 2010, if you were eligible for any month or part of a month to participate in any subsidized health plan maintained by the employer of either your dependent or your child who was under age 27 at the end of 2010, do not use amounts paid for coverage for that month to figure the deduction.

**Example.** If you were eligible to participate in a subsidized health plan maintained by your spouse's employer from September 30 through December 31, you cannot use amounts paid for health insurance coverage for September through December to figure your deduction.

Medicare premiums cannot be used to figure the deduction. Also, amounts paid for health insurance coverage from retirement plan distributions that were nontaxable because you are a retired public safety officer cannot be used to figure the deduction.

For more details, see Pub. 535.

**Note.** If, during 2010, you were an eligible trade adjustment assistance (TAA) recipient, alternative TAA (ATAA) recipient, re-employment trade adjustment assistance (RTAA) recipient, or Pension Benefit Guaranty Corporation pension recipient, you must complete Form 8885 before completing the worksheet on page 28. When

figuring the amount to enter on line 1 of the worksheet on page 28, do not include:

- Any amounts you included on Form 8885, line 4,
- Any qualified health insurance premiums you paid to "U.S. Treasury-HCTC," or
- Any health coverage tax credit advance payments shown in box 1 of Form 1099-H.

If you qualify to take the deduction, use the worksheet on page 28 to figure the amount you can deduct.

**Exception.** Use Pub. 535 instead of the worksheet on page 28 to figure your deduction if any of the following applies.

- You had more than one source of income subject to self-employment tax.
- You file Form 2555 or 2555-EZ.
- You are using amounts paid for qualified long-term care insurance to figure the deduction.

## Line 30

### Penalty on Early Withdrawal of Savings

The Form 1099-INT or Form 1099-OID you received will show the amount of any penalty you were charged.

## Lines 31a and 31b

### Alimony Paid

If you made payments to or for your spouse or former spouse under a divorce or separation instrument, you may be able to take this deduction. Use TeleTax topic 452 (see page 91) or see Pub. 504.

## Line 32

### IRA Deduction



*If you made any nondeductible contributions to a traditional individual retirement arrangement (IRA) for 2010, you must report them on Form 8606.*

If you made contributions to a traditional IRA for 2010, you may be able to take an IRA deduction. But you, or your spouse if filing a joint return, must have had earned income to do so. For IRA purposes, earned income includes alimony and separate maintenance payments reported on line 11. If you were a member of the U.S. Armed Forces, earned income includes any nontaxable combat pay you received. If you were self-employed, earned income is generally your net earnings from self-employment if your personal services were a material income-producing factor. For more details, see Pub. 590. A statement should be sent to you by May 31, 2011, that

shows all contributions to your traditional IRA for 2010.

Use the worksheet on pages 30 and 31 to figure the amount, if any, of your IRA deduction. But read the following list before you fill in the worksheet.

1. If you were age 70½ or older at the end of 2010, you cannot deduct any contributions made to your traditional IRA for 2010 or treat them as nondeductible contributions.

2. You cannot deduct contributions to a Roth IRA. But you may be able to take the retirement savings contributions credit (saver's credit). See the instructions for line 50 on page 38.



*If you are filing a joint return and you or your spouse made contributions to both a traditional IRA and a Roth IRA for 2010, do not use the worksheet on pages 30 and 31. Instead, see Pub. 590 to figure the amount, if any, of your IRA deduction.*

3. You cannot deduct elective deferrals to a 401(k) plan, 403(b) plan, section 457 plan, SIMPLE plan, or the federal Thrift Savings Plan. These amounts are not included as income in box 1 of your Form W-2. But you may be able to take the retirement savings contributions credit. See the instructions for line 50 on page 38.

4. If you made contributions to your IRA in 2010 that you deducted for 2009, do not include them in the worksheet.

5. If you received income from a non-qualified deferred compensation plan or nongovernmental section 457 plan that is included in box 1 of your Form W-2, or in box 7 of Form 1099-MISC, do not include that income on line 8 of the worksheet. The income should be shown in (a) box 11 of your Form W-2, (b) box 12 of your Form W-2 with code Z, or (c) box 15b of Form 1099-MISC. If it is not, contact your employer or the payer for the amount of the income.

6. You must file a joint return to deduct contributions to your spouse's IRA. Enter the total IRA deduction for you and your spouse on line 32.

7. Do not include qualified rollover contributions in figuring your deduction. Instead, see the instructions for lines 15a and 15b that begin on page 22.

8. Do not include trustees' fees that were billed separately and paid by you for your IRA. These fees can be deducted only as an itemized deduction on Schedule A.

9. Do not include any repayments of qualified reservist distributions. You cannot deduct them. For information on how to report these repayments, see *Qualified reservist repayments* in Pub. 590.

10. If the total of your IRA deduction on line 32 plus any nondeductible contribution