

Doc 86-3043

THE WHITE HOUSE
Office of the Press Secretary

For Immediate Release

April 11, 1986

The President and Mrs. Reagan today released their U.S. individual Income Tax Return for 1985, which is attached.

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Form 1040 U.S. Individual Income Tax Return 1985

For the year January 1-December 31, 1985 or other tax year beginning 1985 ending 19 OMB No. 1545-0074

Use IRS label. Other-wise, please print or type. RONALD W & NANCY D. REAGAN RCY MILLER ESQ 333 SO GRAND 4723 LOS ANGELES CA 90071 0578

Presidential Election Campaign Do you want \$1 to go to this fund? If joint return, does your spouse want \$1 to go to this fund? Yes No Yes No

Filing Status 1 Single 2 Married filing joint return (even if only one had income) 3 Married filing separate return 4 Head of household 5 Qualifying widow(er) with dependent child

Exemptions 6a Yourself 65 or over Blind 6b Spouse 65 or over Blind 6c First names of your dependent children who lived with you 6d First names of your dependent children who did not live with you 6e Other dependents

Income 7 Wages, salaries, tips, etc. 8 Interest income 9a Dividends 9b Exclusion 9c Subtract line 9b from line 9a 10 Taxable refunds 11 Alimony received 12 Business income 13 Capital gain 14 40% of capital gain 15 Other gains 16 Fully taxable pensions 17a Other pensions 17b Taxable amount 18 Rents, royalties 19 Farm income 20a Unemployment compensation 20b Taxable amount 21a Social security benefits 21b Taxable amount 22 Other income 23 Add lines 7 through 22

Adjustments to Income 24 Moving expense 25 Employee business expenses 26 IRA deduction 27 Keogh retirement plan deduction 28 Penalty on early withdrawal 29 Alimony paid 30 Deduction for a married couple 31 Add lines 24 through 30

Adjusted Gross Income 32 Subtract line 31 from line 23 This is your adjusted gross income

Tax Computation

(See Instructions on page 13.)

33	Amount from line 32 (adjusted gross income)	33	394,492
34a	If you itemize, attach Schedule A (Form 1040) and enter the amount from Schedule A, line 26. Caution: If you have unearned income and can be claimed as a dependent on your parents' return, check here <input type="checkbox"/> and see page 13 of Instructions. Also see page 13 if you are married filing a separate return and your spouse itemizes deductions, or you are a dual-status alien.	34a	107,109
b	If you do not itemize but you made charitable contributions, enter your cash contributions here (if you gave \$3,000 or more to any one organization, see page 14.)	34b	
c	Enter your noncash contributions (you must attach Form 8283 if over \$500)	34c	
d	Add lines 34b and 34c. Enter the total	34d	
e	Divide the amount on line 34d by 2. Enter the result here	34e	
35	Subtract line 34a or line 34e, whichever applies, from line 33	35	287,383
36	Multiply \$1,040 by the total number of exemptions claimed on line 6f (see page 14)	36	3,120
37	Taxable income. Subtract line 36 from line 35. Enter the result (but not less than zero)	37	284,263
38	Enter tax here. Check if from <input type="checkbox"/> Tax Table, <input checked="" type="checkbox"/> Tax Rate Schedule X, Y, or Z, or <input type="checkbox"/> Schedule G	38	122,774
39	Additional taxes. (See page 14 of Instructions.) Enter here and check if from <input type="checkbox"/> Form 4970, <input type="checkbox"/> Form 4972, or <input type="checkbox"/> Form 5544.	39	
40	Add lines 38 and 39. Enter the total	40	122,774

Credits

(See Instructions on page 14.)

41	Credit for child and dependent care expenses (attach Form 2441)	41	
42	Credit for the elderly and the permanently and totally disabled (attach Schedule R)	42	
43	Residential energy credit (attach Form 5695)	43	
44	Partial credit for political contributions for which you have receipts	44	
45	Add lines 41 through 44. These are your total personal credits	45	
46	Subtract line 45 from line 40. Enter the result (but not less than zero)	46	122,774
47	Foreign tax credit (attach Form 1116)	47	71
48	General business credit. Check if from <input type="checkbox"/> Form 3800, <input type="checkbox"/> Form 3468, <input type="checkbox"/> Form 5884, <input type="checkbox"/> Form 6478.	48	
49	Add lines 47 and 48. These are your total business and other credits	49	71
50	Subtract line 49 from line 46. Enter the result (but not less than zero)	50	122,703

Other Taxes

(Including Advance EIC Payments)

51	Self-employment tax (attach Schedule SE)	51	
52	Alternative minimum tax (attach Form 6251)	52	0
53	Tax from recapture of investment credit (attach Form 4255)	53	
54	Social security tax on tip income not reported to employer (attach Form 4137)	54	
55	Tax on an IRA (attach Form 5329)	55	
56	Add lines 50 through 55. This is your total tax	56	122,703

Payments

Attach Forms W-2, W-2G, and W-2P to front.

57	Federal income tax withheld	57	69,610
58	1985 estimated tax payments and amount applied from 1984 return	58	80,000
59	Earned income credit (see page 16)	59	
60	Amount paid with Form 4868	60	
61	Excess social security tax and RRTA tax withheld (two or more employers)	61	
62	Credit for Federal tax on gasoline and special fuels (attach Form 4136)	62	
63	Regulated Investment Company credit (attach Form 2439)	63	
64	Add lines 57 through 63. These are your total payments	64	149,610

Refund or Amount You Owe

65	If line 64 is larger than line 56, enter amount OVERPAID	65	26,907
66	Amount of line 65 to be REFUNDED TO YOU	66	0
67	Amount of line 65 to be applied to your 1986 estimated tax	67	26,907
68	If line 56 is larger than line 64, enter AMOUNT YOU OWE. Attach check or money order for full amount payable to "Internal Revenue Service." Write your social security number and "1985 Form 1040" on it. Check <input type="checkbox"/> if Form 2210 (2210F) is attached. See page 17. Penalty: \$	68	

Please Sign Here

Under penalties of perjury, I declare that I have examined this return and accompanying schedules and statements, and to the best of my knowledge and belief, they are true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

Your signature _____ Date _____ Spouse's signature (if filing jointly, BOTH must sign) _____

Paid Preparer's Use Only

Preparer's signature: [Signature] Date: 12/19/86 Check if self-employed: Preparer's social security no: _____
 Firm's name (or yours, if self-employed) and address: GIBSON, DUNN & CRUTCHER E.I. No. _____
333 S. GRAND AV. LOS ANGELES, CA ZIP code: 90071

SCHEDULES A & B
(Form 1040)

Department of the Treasury
Internal Revenue Service (01)

Schedule A—Itemized Deductions

(Schedule B is on back)

▶ Attach to Form 1040. ▶ See Instructions for Schedules A and B (Form 1040).

OMB No. 1545-0074

1985
07

Name(s) as shown on Form 1040

RONALD W. & NANCY D. REAGAN

Your social security number

Medical and Dental Expenses (Do not include expenses reimbursed or paid by others.) (See instructions on page 19.)	1	Prescription medicines and drugs, and insulin	1			
	2	a	Doctors, dentists, nurses, hospitals, insurance premiums you paid for medical and dental care, etc.	2a		
		b	Transportation and lodging	2b		
		c	Other (list—include hearing aids, dentures, eyeglasses, etc.)	2c		
	3	Add lines 1 through 2c, and write the total here	3			
4	Multiply the amount on Form 1040, line 33, by 5% (.05)	4				
5	Subtract line 4 from line 3. If zero or less, write -0-. Total medical and dental	5				
Taxes You Paid (See instructions on page 20.)	6	State and local income taxes	6	33,956		
	7	Real estate taxes	7	4,253		
	8	a	General sales tax (see sales tax tables in instruction booklet)	8a	1,308	
		b	General sales tax on motor vehicles	8b		
	9	Other taxes (list—include personal property taxes) ▶ SOI LICENSES - PERSONAL PROPERTY PORTION	9	5 273		
10	Add the amounts on lines 6 through 9. Write the total here. Total taxes	10		39,795		
Interest You Paid (See instructions on page 20.)	11	a	Home mortgage interest you paid to financial institutions	11a		
		b	Home mortgage interest you paid to individuals (show that person's name and address)	11b		
	12	Total credit card and charge account interest you paid	12			
	13	Other interest you paid (list) ▶ INSTALLMENT CONTRACT	13	3,271		
			MASS MUTUAL 2,951 PENN MUTUAL 704 CONN MUTUAL 232 IRS & FTB 167		4,054	
14	Add the amounts on lines 11a through 13. Write the total here. Total interest	14		7,355		
Contributions You Made (See instructions on page 21.)	15	a	Cash contributions. (If you gave \$3,000 or more to any one organization, report those contributions on line 15b.)	15a	10,798	
		b	Cash contributions totaling \$3,000 or more to any one organization. (Show to whom you gave and how much you gave) ▶ EUREKA COLLEGE NORTHWESTERN UNIV. MED. SCHOOL	15b	7,500 5,000	
	16	Other than cash. (You must attach Form B283 if over \$500)	16			
	17	Carryover from prior year	17			
	18	Add the amounts on lines 15a through 17. Write the total here. Total contributions	18		23,298	
Casualty and Theft Losses	19	Total casualty or theft loss(es). (You must attach Form 4684 or similar statement.) (See page 21 of Instructions.)	19			
Miscellaneous Deductions (See instructions on page 21.)	20	Union and professional dues	20	133		
	21	Tax return preparation fee	21			
	22	Other (list type and amount):	22	33,000		
		LEGAL FEES - SCHEDULE		7,033		
		RONALD REAGAN QUALIFIED BLIND TRUST - MANAGEMENT FEES BANK OF AMERICA - TRUSTEE FEES BANK OF AMERICA - SERVICE CHG U.S. TREASURY		44 21		
23	Add the amounts on lines 20 through 22. Write the total here. Total miscellaneous	23		40,231		
Summary of Itemized Deductions (See instructions on page 22.)	24	Add the amounts on lines 5, 10, 14, 18, 19, and 23. Write your answer here.	24		110,649	
	25	If you checked Form 1040 { Filing Status box 2 or 5, write \$3,540 } { Filing Status box 1 or 4, write \$2,390 } { Filing Status box 3, write \$1,770 }	25		3,540	
			26	Subtract line 25 from line 24. Write your answer here and on Form 1040, line 34a. (If line 25 is more than line 24, see the instructions for line 26 on page 22.)	26	107,109

Names as shown on Form 1040 (Do not enter name and social security number if shown on other side) Your social security number
RONALD W. & NANCY D. REAGAN

Part I Interest Income If you received more than \$400 in interest income, you must complete Part I and list ALL interest received. If you received interest as a nominee for another, or you received or paid accrued interest on securities transferred between interest payment dates, see page 22.

Interest income	Amount
1 Interest income from seller-financed mortgages. (See Instructions and show name of payer.) ▶	1
2 Other interest income (list name of payer) ▶	2
STEVEN HALPERN	4,500
BANK OF CALIFORNIA	34,712
BANK OF AMERICA	210
BANK OF AMERICA	1,230
BANK OF AMERICA	1,932
MASS. MUTUAL LIFE	847
TENN. MUTUAL LIFE	511
U.S. TREASURY BILLS	6,275
RONALD REAGAN QUALIFIED	
BLIND TRUST-I.D.No.	66,026
3 Add the amounts on lines 1 and 2. Write the total here and on Form 1040, line 8 ▶	3 115,203

Part II Dividend Income If you received more than \$400 in gross dividends and other distributions on stock, or you are electing to exclude qualified reinvested dividends from a public utility, complete Part II. If you received dividends as a nominee for another, see page 23.

Dividend income	Amount
4 Dividend income (list name of payer—include on line 4 capital gain distributions, nontaxable distributions, etc.) ▶	4
RONALD REAGAN QUALIFIED	4,195
BLIND TRUST-I.D.No.	472
QUALIFYING	
NON-QUALIFYING	
5 Add the amounts on line 4. Write the total here	5 4,667
6 Capital gain distributions. Enter here and on line 15, Schedule D *	6
7 Nontaxable distributions (See Schedule D Instructions for adjustment to basis)	7
8 Exclusion of qualified reinvested dividends from a public utility. (See page 23 of Instructions)	8
9 Add the amounts on lines 6, 7, and 8. Write the total here	9
10 Subtract line 9 from line 5. Write the result here and on Form 1040, line 9a ▶	10 4,667

*If you received capital gain distributions for the year and you do not need Schedule D to report any other gains or losses, do not file that schedule. Instead, enter 40% of your capital gain distributions on Form 1040, line 15.

Part III Foreign Accounts and Foreign Trusts If you received more than \$400 of interest or dividends, OR if you had a foreign account or were a grantor of, or a transferor to, a foreign trust, you must answer both questions in Part III. Yes No

- 11 At any time during the tax year, did you have an interest in or a signature or other authority over a financial account in a foreign country (such as a bank account, securities account, or other financial account)? (See page 23 of the Instructions for exceptions and filing requirements for Form TDF 90-22.1) If "Yes," write the name of the foreign country ▶
- 12 Were you the grantor of, or transferor to, a foreign trust which existed during the current tax year, whether or not you have any beneficial interest in it? If "Yes," you may have to file Forms 3520, 3520-A, or 926

Name(s) as shown on Form 1040 (Do not enter name and social security number if shown on other side)

RONALD W. & NANCY D. REAGAN

Your social security number

Part IV Summary of Parts II and III

Table with 2 columns: Description and Amount. Rows 20-25. Row 20: 47,050. Row 21: 47,068. Row 22: 28,541. Row 23: 18,827.

Part V Computation of Post-1969 Capital Loss Carryovers from 1985 to 1986

Table with 2 columns: Description and Amount. Rows 26-36. All amounts are blank.

Part VI Complete This Part Only If You Elect Out of the Installment Method and Report a Note or Other Obligation at Less Than Full Face Value

Check here if you elect out of the installment method.

Enter the face amount of the note or other obligation.

Enter the percentage of valuation of the note or other obligation.

Part VII Reconciliation of Forms 1099-B With Tax Return

SECTION A - Reconciliation of Sales of Stocks, Bonds, etc.

Table with 2 columns: Description and Amount. Rows 37-41. All amounts are blank.

SECTION B - Reconciliation of Bartering Income

Indicate below, the amount of bartering income reported on each form or schedule.

Table with 2 columns: Description and Amount. Rows 42-48. All amounts are blank.

Note: The amount on line 48 should be the same as the total bartering on all Forms 1099-B or equivalent statements received

SCHEDULE E
(Form 1040)

Supplemental Income Schedule

(From rents and royalties, partnerships, estates, and trusts, etc.)

OMB No. 1545-0047

1985

Department of the Treasury
Internal Revenue Service (10)

▶ Attach to Form 1040. ▶ See instructions for Schedule E (Form 1040).

13

Name(s) as shown on Form 1040

RONALD W. & NANCY D. REAGAN

Your social security number

Part I Rental and Royalty Income or Loss

- 1 In the space provided below, show the kind and location of each rental property. 2 For each property listed, did you or a member of your family use for personal purposes any of the properties for more than the greater of 14 days or 10% of the total days rented at fair rental value during the tax year? Yes No

Property A VACANT LAND (FOR RADIO STATION) SANTA BARBARA, CA. ▶ X
Property B VACANT LAND (FOR RADIO REPEATER STATION) SANTA BARBARA, CA. ▶ X
Property C

	Properties			Totals (Add columns A, B, and C)
	A	B	C	
3 a Rents received	2,000	1,600		3
b Royalties received				
Rental and Royalty Expenses				
4 Advertising				
5 Auto and travel				
6 Cleaning and maintenance				
7 Commissions				
8 Insurance				
9 Legal and other professional fees				
10 Mortgage interest paid to financial institutions (see instructions)				10
11 Other interest				
12 Repairs				
13 Supplies				
14 Taxes (Do not include Windfall Profit Tax here. See Part III, line 34.)				
15 Utilities				
16 Wages and salaries				
17 Other (list) ▶				
18 Total expenses other than depreciation and depletion. Add lines 4 through 17				18
19 Depreciation expense (see Part V instructions), or depletion				19
20 Total. Add lines 18 and 19				20
21 Income or (loss) from rental or royalty properties. Subtract line 20 from line 3a (rents) or 3b (royalties)	2,000	1,600		21
22 Add properties with profits on line 21, and write the total profits here				22 3,600
23 Add properties with losses on line 21, and write the total (losses) here				23
24 Combine amounts on lines 22 and 23, and write the net profit or (loss) here				24 3,600
25 Net farm rental profit or (loss) from Form 4835, line 35				25
26 Total rental or royalty income or (loss). Combine amounts on lines 24 and 25, and write the total here. If Parts II and III on page 2 do not apply to you, write the amount from line 26 on Form 1040, line 18. Otherwise, include the amount in line 36 on page 2 of Schedule E.				26 3,600

Computation of Installment Sale Income

Department of the Treasury
Internal Revenue Service

▶ See instructions on back. ▶ Attach to your tax return.
Use a separate form for each sale or other disposition of property on the installment method.

Name(s) as shown on tax return RONALD W. & NANCY D. REAGAN Identifying number _____

- A Description of property ▶ RESIDENCE
- B Date acquired (month, day, and year) ▶ 11-55 C Date sold (month, day, and year) ▶ 1-29-82
- D Was property sold to a related party after May 14, 1980? (See instructions) Yes No
- E If the answer to D is "Yes," was the property a marketable security? Yes No
- If you checked "Yes" to question E, complete Part III.
If you checked "No" to question E, complete Part III for the year of sale and for 2 years after the year of sale.

Part I Computation of Gross Profit and Contract Price (Complete this part for the year of sale only.)

1 Selling price including mortgages and other indebtedness (Do not include stated or unstated interest)	1	
2 Mortgages and other indebtedness buyer assumes or takes property subject to. (Do not include new mortgages from a bank or other source.)	2	
3 Subtract line 2 from line 1	3	
4 Cost or other basis of property sold	4	
5 Depreciation allowed or allowable	5	
6 Adjusted basis (subtract line 5 from line 4)	6	
7 Commissions and other expenses of sale	7	
8 Income recapture from Form 4797, Part III (See instructions.)	8	
9 Add lines 6, 7, and 8	9	
10 Subtract line 9 from line 1. If zero or less, do not complete rest of form.	10	
11 If question A is a principal residence, enter the sum of Form 2119, lines 7 and 13	11	
12 Gross profit (subtract line 11 from line 10)	12	
13 Subtract line 9 from line 2. If line 9 is more than line 2, enter zero	13	
14 Contract price (add line 3 and line 13)	14	

Part II Computation of Taxable Part of Installment Sale (Complete this part for the year of sale and any year you receive a payment.)

15 Gross profit ratio (divide line 12 by line 14) (for years after the year of sale, see instructions)	15		59.51%
16 For year of sale only—enter amount from line 13 above; otherwise enter zero	16		
17 Payments received during year. (Do not include stated or unstated interest.)	17		200,000
18 Add lines 16 and 17	18		200,000
19 Payments received in prior years. (Do not include stated or unstated interest.)	19	800,000	
20 Taxable part of installment sale (multiply line 18 by line 15)	20		119,083
21 Part of line 20 that is ordinary income under recapture rules (See instructions.)	21		0
22 Subtract line 21 from line 20. Enter on Schedule D or Form 4797	22		119,083

Part III Information and Computation for Related Party Installment Sale (Do not complete this part if you received the final installment payment this tax year.)

F Name, address, and taxpayer identifying number of related party _____

G Did the related party, during this tax year, resell or dispose of the property? Yes No

- H If the answer to question G is "Yes," complete lines 23 through 30 below unless one of the following conditions is met (check only the box that applies).
- The first disposition was a sale or exchange of stock to the issuing corporation
 - The second disposition was an involuntary conversion where the threat of conversion occurred after the first disposition.
 - The second disposition occurred after the death of the original seller or purchaser.
 - It can be established to the satisfaction of the Internal Revenue Service that tax avoidance was not a principal purpose for either of the dispositions. If this box is checked, attach an explanation. (See instructions)

23 Selling price of property sold by related party	23	
24 Enter contract price from line 14 for year of first sale	24	
25 Enter the smaller of line 23 or line 24	25	
26 Total payments received by the end of your 1985 tax year. Add lines 18 and 19	26	
27 Subtract line 26 from line 25. If line 26 is more than line 25, enter zero	27	
28 Multiply line 27 by the gross profit ratio on line 15 for year of first sale	28	
29 Part of line 28 that is ordinary income under recapture rules (See instructions)	29	
30 Subtract line 29 from line 28. Enter on Schedule D or Form 4797	30	

Instructions

(Section references are to the Internal Revenue Code, unless otherwise noted.)

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.

Purpose of Form

Form 6252 is used to report income from sales of real property and casual sales of personal property other than inventory if you will receive any payments (including payments from sales reported on the installment method prior to 1980) in a tax year after the year of sale.

Dealers in real or personal property may use the installment method, but should report the sale directly on their tax return instead of using this form.

Use Form 6252 unless you elect not to report the sale on the installment method. If you want to elect out, see the instructions for your Schedule D, Capital Gains and Losses and Reconciliation of Forms 1099-B, or Form 4797, Gains and Losses From Sales or Exchanges of Assets Used in a Trade or Business and Involuntary Conversions. If you do not use the installment method, report the sale on your Schedule D or Form 4797.

You need not use this form for year-end stock sales where payment is received in the following year. Instead, report the sale directly on your Schedule D for the year of payment unless you elect out of the installment method by reporting it on Schedule D in the year of sale.

Report the ordinary income from sections 1245, 1250, 179, and 291 in full in the year of the sale even if no payments were received.

What Parts To Complete

For the Year of Sale—Complete questions A through E, Part I, and Part II.

For Years After the Year of Sale—Complete questions A through E and Part II, for any year you receive a payment from an installment sale.

Related Party Sales—If you sold marketable securities to a related party, complete Form 6252 for each year of the installment agreement, even if you did not receive a payment. (See **Installment Sales to Related Party** for the definition of a related party.) For a year after the year of sale, complete questions A through E and Part III. (If you received a payment, also complete Part II.) If you sold property other than marketable securities to a related party, complete the form for the year of sale and for 2 years after the year of sale, regardless of whether you received any payments. If during this 2-year period you did not receive a payment, complete questions A through E and Part III. After this 2-year period, see "For Years After the Year of Sale" above.

Installment Sales to Related Party

A related party is your spouse, child, grandchild, parent, or a related corporation, S corporation, partnership, estate, or trust.

If one of the exceptions in Part III applies, check the appropriate box and do not complete lines 23 through 30. If you

can establish that tax avoidance was not a principal purpose for either disposition, attach an explanation. The following are some examples that are not tax avoidance:

- The second disposition is also an installment sale and the payment terms are equal to or longer than the first installment sale.
- The property sold is not real property or real property improvements, and it is used by the related purchaser as inventory for sale in the ordinary course of conducting a trade or business.
- The second disposition is a charitable contribution but not a bargain sale, and the property is capital-gain type property for which an election under section 170(b)(1)(C)(iii) is not in effect.
- Certain tax-free transfers, certain like-kind exchanges, and in some cases bankruptcy of the related buyer.

Sale of Depreciable Property to Related Party

If you sell depreciable property to a related party as defined in section 1239, installment sale rules do not apply, unless it is established to the satisfaction of the Internal Revenue Service that tax avoidance was not a principal purpose for the sale.

See Publication 537, *Installment Sales*, and the regulations under section 453 for more information, including single sales of several assets, disposition of installment obligations, like-kind exchanges, and change in selling price.

Line-By-Line Instructions

Do not include interest received, carrying charges received, or unstated interest on this form. See Publication 537 for information on unstated interest.

Partnerships and S corporations that pass through a section 179 expense to their partners or shareholders should not include this amount on lines 5 and 8.

Line 1—Selling price.—Enter the sum of the money, face amount of the installment obligation, and the fair market value of other property, such as the buyer's note, that you received or will receive in exchange for the property sold. Include in line 1 any existing mortgage or other debt the buyer assumes or takes the property subject to.

If there is no stated maximum selling price, such as in a contingent sale, attach a schedule showing the computation of gain, and enter the taxable part on lines 20 and 28, if Part III applies. See the regulations under section 453.

Line 2—Mortgage and other indebtedness.—Enter only mortgages (or other indebtedness) the buyer assumes from the seller or takes the property subject to. Do not include new mortgages the buyer gets from a bank, the seller, or other source.

For information on wraparound mortgages, see regulations section 15A 453-1(b)(3)(ii).

Line 4—Cost or other basis of property sold.—Enter the original cost and other expenses you incurred in buying the property. Add the cost of improvements, etc., and subtract any casualty losses previously allowed. For more information, see Publication 551, *Basis of Assets*.

Line 5—Depreciation allowed or allowable.—Enter all depreciation or amortization you deducted or should have

deducted from the date of purchase until the date of sale. Add any deduction you took under section 179 and the section 48(q)(1) downward basis adjustment, if any. Subtract 50% of any investment tax credit recaptured if the basis of the property was reduced under section 48(q)(1).

Line 7—Commissions and other expenses of sale.—Enter sales commissions, advertising expenses, attorney and legal fees, etc., you incurred in selling the property.

Line 8—Ordinary Income recapture.—Enter the part of the gain from the sale of depreciable property recaptured under sections 1245 and 1250 (including sections 179 and 291) here and on line 11 of Form 4797. See Form 4797, Part III and Part IV of the instructions for Form 4797 to figure the recapture.

Line 15—Gross profit ratio.—Enter the gross profit ratio determined for the year of sale even if you did not file Form 6252 for that year.

Line 17—Payments received during the year.—Enter all money you received and the fair market value of any property you received in 1985. Include as payments any amount withheld to pay off a mortgage or other debt, such as broker and legal fees. Do not include the buyer's note, or any mortgage or other liability assumed by the buyer. If you did not receive any payments in 1985, enter zero.

If in prior years, an amount was entered on the equivalent of line 25 of the 1985 form, do not include it on this line. Include it, however, on line 19.

Line 19—Payments received in prior years.—Enter all money and the fair market value of property you received before 1985 from the sale.

Lines 21 and 29.—Use line 21 (or 29) to report all of the ordinary income portion of line 20 (or 28) (other than the section 179 deduction) for sales occurring before 6/7/84. Also use these lines to report the ordinary income recapture from sections 1252, 1254, or 1255 regardless of the date of sale. Line 21 (or 29) should not exceed the amount on line 20 (or 28). If you sold section 1252, 1254, or 1255 property this year, use Form 4797, Part III to figure the ordinary income recapture and enter the ordinary income portion from these sections on line 21 (or 29) of this form. Also enter the amount from line 21 (or 29) of this form on line 13 of Form 4797. If this is a sale of section 1252, 1254, or 1255 property, disregard the following sentence on line 13 of Form 4797 that states, "Applies only to sales before 6/7/84."

Lines 22 and 30—Trade or business property.—Enter this amount on Form 4797, line 3 if the property was held more than 6 months (more than one year if acquired before 6/23/84). If the property was held 6 months or less (one year or less if acquired before 6/23/84), enter it on Form 4797, line 15.

Capital assets.—Enter this amount on Schedule D as short term or long-term gain. Use the lines identified as from Form 6252.

Line 23.—If in 1985, the related party sold part of the property from the original sale, enter the selling price of the part resold. If part was sold in an earlier year and part was sold this year, enter the cumulative selling price.

RONALD W. & NANCY D. REAGAN
INCOME TAX RETURN - 1985

WAGES FEDERAL CALIFORNIA
GROSS INCOME TAX INCOME TAX SDI

LINE 7, PAGE 1
WAGES & SALARIES

(H)	U.S. GOVERNMENT	200000	65765	0	
(W)	TWIDEM PRODUCTIONS	358	72	11	3
(W)	NATIONAL BROADCASTING	235	24	3	1
(W)	NORMAN LEAR, GEN. PTN.	179	36	5	1
		<u>200772</u>	<u>65897</u>	<u>19</u>	<u>5</u>

PENSION
LINE 16, PAGE 1

STATE OF CALIF.	<u>28091</u>	<u>3713</u>	<u>0</u>
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OTHER INCOME
LINE 22, PAGE 1

(H)	INTERNATIONAL CREATIVE MANAGEMENT	17282	(ACCRUED ROYALTIES - "WHERE'S THE REST OF ME")
(H)	LIFE INSURANCE PROCEEDS - PENN MUTUAL LIFE INS.	<u>5552</u>	(MATURED POLICY)
		<u>22834</u>	

RONALD W. & NANCY D. REASAN
INCOME TAX RETURN - 1985
MISCELLANEOUS DEDUCTIONS

LEGAL FEES - GIBSON, DUNN & CRUTCHER

I. General Matters - Business:

Reviewing periodic statements concerning assets as to which Bank of America is custodian and analyzing income and income projections; coordinating communication between trustees and custodian in regard to management of certain 1966 Trust matters; preparing financial statements; advice as to contractual provisions involving literary property; work with respect to receiving final payoff of Halpern trust deed note, and reconveying deed of trust.

4800

II. General Matters - Financial Disclosure:

Preparation of portions of Federal Financial Disclosure Statement as required by federal law; review and consultation concerning specific provisions of financial disclosure law and related accounting procedures; securing necessary data for statement, including various consultations, review of asset transactions, and valuing assets and liabilities.

3100

III. General Matters - Blind Trust:

Work and advice with respect to administration of Blind Trust, and provisions of Ethics In Government Act and applicable regulations.

3200

IV. Preparation of Tax Returns:

Preparation of 1984 federal and California joint income tax returns; preparation of Declaration of Estimated Tax for the 1985 year for federal and California purposes; financial planning to meet income tax liabilities; preparing and filing county tax forms; preparation of employer's tax returns required under federal and state law.

8000

RONALD W. & NANCY D. REAGAN
 INCOME TAX RETURN - 1985
 MISCELLANEOUS DEDUCTIONS

LEGAL FEES - GIBSON, DUNN & CRUTCHER

V. Santa Barbara Property:

Work in connection with Santa Barbara property, including particularly consultations and correspondence with FAA as to establishing a new site and installing a new Direction Finder tower;

1600

VI. Rancho California Property:

Work with respect to sale of Rancho California property, including conferences with Trustee and monitoring status of payments and property sales.

2200

VII. General Matters - Tax Advice:

Consideration and advice with respect to various income tax matters, and income tax planning.

4600

VIII. Handling of 1984 Tax Audit:

Work with respect to federal income tax audit for 1984, including meetings and discussions with Internal Revenue Service agent, assembling and furnishing items and information requested, and related matters.

5500

TOTAL

33000

Alternative Minimum Tax Computation

Attach to Forms 1040, 1040NR, 1041 or 990-T (Trust).

Name(s) as shown on tax return: RONALD W. & NANCY D. REAGAN Identifying number: 1

Table with 12 main rows and sub-rows (a-k) for deductions and tax preference items. Includes handwritten values for adjusted gross income (39,412), deductions (23,298), and alternative minimum tax (0).

Instructions (Section References are to the Internal Revenue Code) Paperwork Reduction Act Notice. Who Must File. Individuals, estates or trusts may be liable if their adjusted gross income plus tax preference items listed on line 4 total more than line 6.

For more information, see Publication 909, Alternative Minimum Tax. Minimum Tax Deferred From Earlier Year(s). Partners, Beneficiaries, etc. - If you are a partner or shareholder of an S corporation, take into account separately your distributive share of items of income and deductions that

enter into the computation of tax preference items. (2) Beneficiary of an estate or trust. (3) Participant in a common trust fund. (4) Shareholder or holder of beneficial interest in a regulated investment company or a real estate investment trust. Carryback and Carryover of Unused Credits. Note: If you have an earned income credit, you must reduce that credit by any alternative minimum tax.

Line by Line Instructions

Line 1, Estates and Trusts.—Adjusted gross income is figured in the same way as for an individual except that the costs of the administration of the estate or trust are allowed in figuring adjusted gross income.

All taxpayers.—Do not include in adjusted gross income, interest expense incurred to purchase or carry a limited business interest in a partnership or S corporation. Instead, include in line 2(e)(1).

Do not include in line 1 any alcohol fuel credit included in income.

A net operating loss deduction taken in figuring adjusted gross income may have to be changed in figuring the alternative minimum tax. See Publication 909, Alternative Minimum Tax, for details and attach a computation.

Lines 2(a) through 2(h).—Do not include on these lines any deduction that can be carried back or forward as a net operating loss or forward as a charitable contribution.

Individuals.—Complete and attach Schedule A (Form 1040) for any deduction listed on these lines, whether or not you completed it in figuring Form 1040, line 34. If you did not use Schedule A to figure Form 1040, line 34, write "Alt Min Tax" in the top margin of Schedule A.

Estates and Trusts.—Enter on the applicable line any deduction listed on these lines allowable to the estate or trust.

Line 2(d).—Enter the part of the interest that is from debts you incurred in acquiring, constructing, or substantially rehabilitating property other than a houseboat, which you, or certain family members listed in section 267(c)(4), use as a residence.

If the interest expense is on debts incurred before July 1, 1982 the following applies. At the time you incurred the debt, it must have been secured by property which you, or certain family members listed in section 267(c)(4), used as a residence.

Line 2(e)(2).—Enter your investment income minus investment expenses.

Investment income is your gross income from interest, dividends, rents, and royalties, and any amount treated as ordinary income under sections 1245, 1250, and 1254. Do not include income from a trade or business. Include as investment income, your capital gain net income from the sale or exchange of property held for investment, and the amount to be entered on line 4(a). Add or subtract from investment income, any income or loss from a limited business interest.

Investment expenses are those expenses allowable against the production of investment income provided they are allowed in figuring adjusted gross income and not includible in line 4.

Line 4(b), 60% Capital gain deduction—Individuals.—Enter your 60% capital gain deduction from your Schedule D (Form 1040), line 22, or Form 4798, line 9. If you had an entry on Form 1040, line 14, enter 60% of your capital gain distributions. Do not include the capital gain deduction attributable to a sale or exchange of a principal residence.

Estates and Trusts.—Enter the capital gain deduction taken into account on Forms 1041 or 990-T. However, an amount paid or permanently set aside for a charitable purpose is not a tax preference item.

Lines 4(c) and 4(d), Accelerated depreciation on real property, Accelerated depreciation on leased personal property or leased recovery property other than 15-year (or 18-year) real property.—If you use the Class Life Asset Depreciation Range (CLADR) System, use the asset guideline period as the straight-line useful life to figure lines 4(c) and (d).

For (c) but not (d), use any variance in useful life under section 167(m)(1) as the straight-line useful life.

Line 4(e).—For property other than recovery property, enter the amount you get (never less than zero) by subtracting the depreciation that would have been allowable for the year if you had used the straight-line method, from the depreciation or amortization actually allowable. Figure this amount separately for each property.

For 15-year (or 18-year) real property, or low income housing, enter the amount by which the deduction allowed under section 168(a) (or section 167 for section 167(k) property) is more than the deduction which would have been allowable had the property been depreciated using a 15-year (or 18-year) period and the straight-line method without salvage value.

Line 4(d).—For leased property other than recovery property, enter the amount you get (never less than zero) by subtracting the depreciation that would have been allowable for the year if you had used the straight-line method, from the depreciation or amortization actually allowable. Figure this amount separately for each property.

For leased recovery property other than 15-year (or 18-year) real property, or low income housing, enter the amount by which your deduction under section 168(a) is more than the deduction allowable using the straight-line method with a half-year convention, no salvage value, and the following recovery period:

3 year property	5 years
5 year property	8 years
10 year property	15 years
15 year public utility property	22 years

Note: If the recovery period actually used is longer than the recovery period in 4(c) or 4(d), do not complete lines 4(c) or 4(d).

Line 4(e), Amortization of certified pollution control facilities.—Enter the amount by which the amortization allowable under section 169 is more than the depreciation deduction otherwise allowable.

Line 4(f), Mining exploration and development costs.—For each mine or other natural deposit (other than an oil or gas well), enter the amount by which the deductions allowable under section 616(a) or 617 are more than the amount that would have been allowable if you had amortized the expenses over a 10-year period.

Line 4(g), Circulation and research and experimental expenditures.—Enter the amount by which the deductions allowable for circulation and research and experimental expenditures under sections 173 or 174(a) are more than the amount that would have been allowable if you had amortized the circulation expenses over a 3-year period and the research and experimental expenditures over a 10-year period.

Line 4(h), Reserves for losses on bad debts of financial institutions.—Enter your share of the excess of the addition to the reserve for bad debts over the reasonable addition to the reserve for bad debts that would have been allowable if you had maintained the bad debt reserve for a tax year based on actual experience.

Line 4(i), Depletion.—In the case of mines, wells, and other natural deposits, enter the amount by which the deduction for depletion under section 611 (including percentage depletion for geothermal deposits) is more than the adjusted basis of such property at the end of the tax year. Figure the adjusted basis without regard to the depletion deduction and figure the excess separately for each property.

Line 4(j), Incentive stock options.—If you received stock by the exercise of an incentive stock option, enter the amount by which the fair market value of the shares at the time of exercise was more than the option price. See sections 57(a)(10) and 422A.

Line 4(k), Intangible drilling costs.—Intangible drilling costs are a tax preference item to the extent that the excess intangible drilling costs are more than your net income from oil, gas, and geothermal properties.

Figure excess intangible drilling costs as follows: From the allowable intangible drilling and development costs (except for costs in drilling a nonproductive well), subtract the amount that would have been allowable if you had capitalized these costs and either amortized them over the 120 months that started when production began, or treated them according to any election you made under section 57(d)(2).

Your net income from oil, gas, and geothermal properties is your gross income from them, minus the deductions allocable to them, except for excess intangible drilling costs and nonproductive well costs.

Figure the line 4(k) amount separately for oil and gas properties which are not geothermal deposits and for all properties which are geothermal deposits.

Lines 5 and 8.—If this is a short period return, use the formula in section 443(d)(1) to determine the amount to enter on these lines.

Nonresident Alien Individuals.—If you disposed of U.S. real property interests at a gain, see Form 1040NR instructions for a special rule in figuring line 8.

Line 9, Estates and trusts.—Enter the amount from Form 1041, line 29. Do not include any tax from Forms 4970, 4972 or 5544.

Line 11, Foreign Tax Credit.—If line 10 is more than zero, and you incurred foreign taxes and elect to take them as a credit, enter on line 11 the foreign tax credit allowed against the alternative minimum tax. Figure this credit as follows:

(1) Use and attach a separate Form 1116 for each type of income specified at the top of Form 1116.

(2) Print across the top of each Form 1116 used, "ALT MIN TAX."

(3) Part I.—Fill in a new Part I using that portion of your income, deductions and tax preference items from Form 6251, attributable to sources outside the U.S.

(4) Part III.—Complete only the following lines:

- (a) Insert on line 5 the result of the following:
 - (i) the amount from Part III, line 5 of the Form 1116 used to figure the credit allowed against your regular tax, minus
 - (ii) the amount from Part III, line 15 of that Form 1116, plus
 - (iii) the smaller of (A) the amount from Part III, line 15 of that Form 1116, or (B) Form 6251, line 10 (or more than one Form 1116 is being used, an allocable portion of Form 6251, line 10).

(b) Complete lines 6 through 8 using the result of step 3 for line 6.

(c) Line 11.—Enter Form 6251, line 5.

(d) Complete line 12 as indicated in Part III.

(e) Line 13.—Enter Form 6251, line 8.

(f) Complete lines 14 and 15 as indicated in Part III.

(5) Part IV.—Enter on line 11, Form 6251, the amount from line 7, Part IV of this Form 1116 (but not more than the amount on Form 6251, line 10).

Form **1116**
Department of the Treasury
Internal Revenue Service

Computation of Foreign Tax Credit
Individual, Fiduciary, or Nonresident Alien Individual
▶ Attach to Form 1040, 1040NR, 1041, or 990-T.
▶ See separate instructions.

CMB No 1545-0121

1985

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Name RONALD W. & NANCY D. REAGAN Identifying number as shown on page 1 of your tax return

Use a separate Form 1116 for each type of income. Check only one box. This form is being completed for credit for taxes on:

- Nonbusiness (section 904(d)) interest income
- Dividends from an IC-DISC or former DISC
- Distributions from a Foreign Sales Corporation (FSC) or former FSC
- All other income from sources outside the United States (including income from sources within U.S. possessions)

Resident of (name of country)

Note: If you paid taxes to one foreign country, use column A in Parts I and II. If you paid taxes to more than one foreign country, use a separate column for each country.

Part I Taxable Income From Sources Outside the United States

	Foreign Country or U.S. Possession			Total (Add Cols. A, B, and C)
	A	B	C	
Write the Name of the Foreign Country or U.S. Possession ▶	CANADA			
1 Gross income from sources within country shown above (see instructions):				
a Dividends	472			
b Gross rents and royalties				
c Foreign source capital gain net income				
d Wages, salaries, and other employee compensation				
e Business or profession (Schedules C or F (Form 1040), K-1 (Form 1065), and K-1 (Form 11205))				
f Gross income from trusts and estates				
g Other (including interest—attach schedule)				
h Add lines 1a through 1g	472			1h 472
2 Applicable deductions and losses (see instructions):				
a Expenses directly allocable to the income on line 1e				
b Depreciation, depletion, repairs, and other expenses directly allocable to the income on line 1b				
c Other expenses directly allocable to specific income items (attach schedule)				
d Pro rata share of all other deductions not directly allocable:				
(i) Itemized deductions (attach schedule)				
(ii) Other deductions (attach schedule)				
(iii) Add lines 2d(i) and 2d(ii)				
(iv) Total foreign source income (see instructions)				
(v) Gross income from all sources (see instructions)				
(vi) Divide line 2d(iv) by line 2d(v)				
(vii) Multiply line 2d(iii) by line 2d(vi)				
e Losses from foreign sources				
f Add lines 2a through 2c, 2d(vii), and 2e				2f
3 Subtract line 2f from line 1h. Enter the result here and in Part III, line 6 ▶				3 472

Part II Foreign Taxes Paid or Accrued (Attach receipt or copy of return)

Country	1. Credit claimed for taxes (you must check one)		2. Foreign Taxes Paid or Accrued					
	<input type="checkbox"/> Paid, or <input type="checkbox"/> Accrued	Date Paid or Accrued	In Foreign Currency		In U.S. Dollars			
			(a) Dividends	(b) Rents and Royalties	(c) Other Foreign Taxes Paid or Accrued	(d) Dividends	(e) Rents and Royalties	(f) Other Foreign Taxes Paid or Accrued
A						71		71
B								
C								

3 Add lines A through C, column (g). Enter the total here and on Part III, line 1

Part III Computation of Foreign Tax Credit

1	Enter amount from Part II, line 3. (This is the total foreign taxes paid or accrued.)	1	71	
2	Carryback or carryover (attach detailed computation)	2		
3	Add lines 1 and 2.	3	71	
4	Reduction in foreign taxes (see instructions)	4		
5	Subtract line 4 from line 3. (This is the total amount of foreign taxes available for credit.)	5		71
6	Enter amount from Part I, line 3. (This is your taxable income (or loss) from sources outside the United States.) If this is a loss, you have no foreign tax credit for the type of income you checked on page 1. Skip lines 7 through 15.	6	472	
7	Recapture of prior year overall foreign losses (attach computation)	7		
8	Subtract line 7 from line 6. This is your net foreign source taxable income	8		472
9	Individuals: Enter amount from Form 1040, line 35, or from Form 1040NR, line 37. Estates and trusts: Make no entry; skip to line 11.	9	287,383	
10	Enter \$3,540 (joint return or widow(er)), \$2,390 (single or head of household), or \$1,770 (married filing separate return).	10	3,540	
11	Individuals: Subtract line 10 from line 9. Estates and trusts: Enter on this line your taxable income without the deduction for your exemption.	11		283,843
12	Divide line 8 by line 11. (If line 8 is more than line 11, enter the figure "1.")	12		.0017
13	Individuals: Enter amount from Form 1040, line 46, or Form 1040NR, line 47. Estates and trusts: Enter amount from Form 1041, line 25c, or Form 990-T, line 8.	13		122,774
14	Multiply line 13 by line 12. (Maximum amount of credit.)	14		209
15	Enter the amount from line 5 or line 14, whichever is smaller. (If this is the only Form 1116 you are completing, skip lines 1 through 4 in Part IV and enter this amount on line 5, Part IV. Otherwise, complete the appropriate lines in Part IV.)	15		71

Part IV Summary of Credits From Separate Parts III (See Instructions)

1	Credit for taxes on nonbusiness (section 904(d)) interest income	1		
2	Credit for taxes on dividends from an IC-DISC or former DISC.	2		
3	Credit for taxes on distributions from a FSC or former FSC	3		
4	Credit for taxes on all other income from sources outside the United States (including income from sources within U.S. possessions)	4	71	
5	Add lines 1 through 4	5		71
6	Reduction of credit for international boycott operations (see "Reduction of Credit for International Boycott Operations" in instructions for Part III)	6		
7	Subtract line 6 from line 5. This is your foreign tax credit. Enter here and on Form 1040, line 47; Form 1040NR, line 48; Form 1041, line 25a; or Form 990-T, line 9(a).	7		71