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IF RETURN IS FOR CALENDAR YEAR 1919 FILE IT WITH THE COLLECTOR OF INTERNAL REVENUE FOR YOUR DISTRICT ON OR BEFORE MARCH 15, 1920

IF FOR A PERIOD OTHER THAN A CALENDAR YEAR THE RETURN SHOULD BE FILED ON OR BEFORE THE 15TH DAY OF THE THIRD MONTH FOLLOWING THE CLOSE OF SUCH PERIOD

Page 1 of Return Form 1040—UNITED STATES INTERNAL REVENUE SERVICE **INDIVIDUAL INCOME TAX RETURN**

FOR NET INCOMES OF MORE THAN \$5,000, OR FOR SEPARATE RETURNS OF HUSBAND AND WIFE IN CASE THEIR COMBINED NET INCOME EXCEEDS \$5,000, FOR CALENDAR YEAR 1919

Or for period begun _____, 19____, and ended _____, 19____

If the return is made for a period other than a calendar year, the dates of the beginning and ending of the period covered must be plainly stated in the space provided above.

PRINT NAME AND ADDRESS PLAINLY BELOW

 (Name)

 (Street and number or rural route)

 (Post office and State)

CASH _____
 CHECK _____
 M.O. _____
 Cert. of IND. _____

(DO NOT WRITE IN THIS SPACE)

Examined by _____
 Audited by _____
 FIRST PAYMENT \$ _____
 Cashier's Stamp

- Did you make a return for 1918? _____
- If so, what address did you give on that return? _____
- To what Collector's office was it sent? (Give district or city and State.) _____
- Did you receive any adjustments during the taxable period on account of Government contracts through the operations of a claims board or otherwise? _____
- Were you married and living with wife (or husband) on the last day of your taxable year? _____
- If not, were you on that date head of a family as defined in instructions under "Personal Exemption"? _____
- How many dependent persons under 18 (or mentally or physically defective) were receiving their chief support from you on the last day of your taxable year? (If so, give name and address entered at head of that return.) _____
- Write "R" if this return shows income received or "A" if it shows income accrued _____
- Did your wife (or husband) or minor child make a separate return? _____
- Did you pay during the year to any individual rent, wages, salaries, or other fixed or determinable income amounting to \$1,000 or over? _____
- Enter below all nontaxable income received by (or accrued to) you during the period from the following sources: _____

If so, secure from the Collector Forms 1096 and 1099 and file a return of information.

CLASS OF SECURITIES	PRINCIPAL	INTEREST	CLASS OF SECURITIES	PRINCIPAL	INTEREST	SALARY, ETC. (GIVE SOURCE)	AMOUNT
First Liberty Loan 3 1/2% Bonds unconverted	\$ _____	\$ _____	Obligations of States and Territories, political subdivisions thereof, and the District of Columbia	\$ _____	\$ _____		\$ _____
Other obligations of the U.S. issued before Sept. 1, 1917, and obligations of U.S. possessions			Federal Farm Loan Bonds				
Victory Liberty Loan 3 1/4% Notes							

12. Stock dividends received during the taxable period which were declared and paid between January 1 and November 1, 1918, both dates inclusive, or authorized or declared, and entered on the books of the corporation within those dates and received during such taxable period and before March 27, 1919, shall be allocated as follows:

I. ACCUMULATED IN—	2. 1918-19.		3. 1917.		4. 1916.		5. 1913-15.	
	(a) Received directly	(b) Received indirectly	(a) Received directly	(b) Received indirectly	(a) Received directly	(b) Received indirectly	(a) Received directly	(b) Received indirectly
(a) Received directly	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
(b) Received indirectly	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
(c) TOTALS	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____

13. Enter in the table below Interest on Liberty Bonds and other obligations of the United States issued since September 1, 1917, and War Finance Corporation Bonds received by (or accrued to) you during the year, and maximum amount of such obligations (par value) held at any one time from which such interest was derived (see instructions), page 2 under K(b):

1. CLASS OF OBLIGATIONS	2. INDIVIDUAL HOLDINGS		3. SHARE OF HOLDINGS OF PARTNERSHIPS, PERSONAL SERVICE CORPORATIONS, AND FIDUCIARIES		6. TOTAL OF COLUMNS 1 AND 5	7. MAXIMUM EXEMPTION FOR SURTAX PURPOSES			
	2. Amount of interest	3. Maximum amount of obligations	4. Amount of interest	5. Maximum amount of obligations		Until 2 years after end of war	Until 5 years after end of war	During life of Victory Liberty Loan	During life of bonds or obligations
(a) First Liberty Loan converted into Second Liberty Loan and Second Liberty Loan unconverted	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$45,000 (See Note A)	30,000	\$20,000 (See Note B)	\$5,000
(b) First and Second Liberty Loans converted into Third Liberty Loan and Third Liberty Loan									
(c) First Liberty Loan converted into Fourth Liberty Loan									
(d) Fourth Liberty Loan									
(e) Other obligations except class (f) issued since Sept. 1, 1917									
(f) Victory Liberty Loan 4 1/4% Notes									
(g) War Finance Corporation Bonds									\$5,000 (See Note C)

Note A.—This exemption (maximum \$45,000) is limited to one and one-half times the amount of bonds of the Fourth Liberty Loan originally subscribed for and still held. State here amount of bonds of the Fourth Liberty Loan originally subscribed for and still held \$ _____
 Note B.—This exemption (maximum \$20,000) is limited to three times the amount of notes of the Victory Liberty Loan originally subscribed for and still held. State here the amount of notes of the Victory Liberty Loan 3 1/4% and 4 1/4% originally subscribed for and still held \$ _____
 Note C.—This exemption is separate from the \$5,000 exemption allowed on other obligations, and can only be claimed against War Finance Corporation Bonds.

14. Enter in the table below (whether received or not) income from partnerships, personal service corporations, and fiduciaries, except stock dividends entered in Item 12:

1. NAME AND ADDRESS OF PARTNERSHIP, PERSONAL SERVICE CORPORATION, OR FIDUCIARY	2. PERIOD (ENTER 1919 or DATE ON WHICH FISCAL YEAR ENDED)	3. CASH DIVIDENDS	4. STOCK DIVIDENDS	5. INTEREST ON TAX-FREE BONDS (BY FIDUCIARIES ONLY)	6. INTEREST ON LIBERTY BONDS, ETC. ISSUED SINCE SEPT. 1, 1917, AND WAR FINANCE CORPORATION BONDS	7. OTHER INCOME, INCLUDING INTEREST ON TAX-FREE BONDS BY PARTNERSHIPS AND PERSONAL SERVICE CORPORATIONS
		\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
		\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
		\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
(a) Totals taxable at 1919 rates (see instructions, page 2, under C)		\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
(b) Totals taxable at 1918 rates (see instructions, page 2, under C)		X X X X X	X X X X X	X X X X X	X X X X X	X X X X X
(c) State amount of interest received by partnerships or personal service corporations on tax-free covenant bonds upon which normal tax has been or will be paid at source included in Item 14, column 7		\$ _____				

SUMMARY OF NET INCOME AND COMPUTATION OF TAX.

Income Subject to Surtax.		Income Subject to Normal Tax.		Computation of Tax.	
15. Item L, page 2 (1918-19 rates)	\$ _____	AT 1919 RATES.		32. Normal tax at 4% on amount of item 25	\$ _____
16. Item 12(c), column 3 (1917 rates)		22. Net income shown on page 2, item J	\$ _____	33. Normal tax at 8% on amount of item 26	\$ _____
17. TOTAL (Items 15 and 16)	\$ _____	23. Less personal exemption	\$ _____	34. Normal tax at 6% on amount of item 30	\$ _____
18. Item 12(c), column 4 (1916 rates)		24. BALANCE	\$ _____	35. Normal tax at 12% on amount of item 31	\$ _____
19. TOTAL (Items 17 and 18)	\$ _____	25. Amount subject to tax at 4% (not over \$4,000)	\$ _____	36. Normal tax (additional for fiscal-year return) see Note under Item 21	\$ _____
20. Item 12(c), column 5 (1913-15 rates)		26. Balance subject to tax at 8%	\$ _____	37. Surtax at 1919 rates (see surtax table on page 1 of instructions)	\$ _____
21. TOTAL NET INCOME (Items 19 and 20)	\$ _____	AT 1918 RATES.		38. Surtax at prior-year rates (see surtax table, page 1 of instructions)	\$ _____
NOTE: If the return is rendered for a fiscal year enter as Item 36 an amount equal to as many twenty-fourths of total of Items 32 and 33 as there were months of the fiscal year included in the calendar year 1918.		27. Amount of 14(b), column 7	\$ _____	39. TOTAL TAX	\$ _____
Did you employ anyone especially to prepare this return? If so, give name and address _____		28. Balance of personal exemption not used above (Item 23 minus Item 22)	\$ _____	40. Tax paid at source (2% of sum of Item F, page 2, and Item 14(c))	\$ _____
		29. BALANCE	\$ _____	41. Income, war-profits, and excess-profits taxes paid during taxable period to foreign countries or possessions of the United States	\$ _____
		30. Amount subject to tax at 6% (if Item 24 is less than \$4,000, enter difference here)	\$ _____	42. BALANCE OF TAX DUE (Item 30 minus items 40 and 41)	\$ _____
		31. Balance subject to tax at 12%	\$ _____	43. Amount of tax paid on submission of return	\$ _____

I swear (or affirm) that this return, including the accompanying schedules and statements (if any), has been examined by me, and, to the best of my knowledge and belief, is a true and complete return in good faith for the taxable period as stated.

INDIVIDUAL RETURN OF TAXABLE INCOME

A. INCOME FROM BUSINESS OR PROFESSION. 1. Kind of business 2. Business address 3. Total sales and income from business or professional services 4. Labor 5. Material and supplies 6. Merchandise bought for sale 7. Other costs 8. Plus inventories at beginning of year 9. TOTAL 10. Less inventories at end of year 11. NET COST OF GOODS SOLD 12. Salaries and wages not reported as "Labor" under "Cost of goods sold" 13. Rent on business property in which taxpayer has no equity 14. Interest on business indebtedness to others 15. Taxes on business and business property 16. Repairs, wear and tear, obsolescence, depletion, and property losses 17. Amortization of war facilities 18. Bad debts arising from sales or professional services 19. Other expenses 20. TOTAL (Items 12 to 19, inclusive) 21. NET COST, PLUS TOTAL DEDUCTIONS (Item 11 plus Item 20) 22. NET INCOME FROM BUSINESS OR PROFESSION (Item 3 minus Item 21)

B. INCOME FROM SALARIES, WAGES, COMMISSIONS, BONUSES, DIRECTOR'S FEES AND PENSIONS. 1. BY WHOM RECEIVED (Give name.) 2. OCCUPATION 3. NAME AND ADDRESS OF EMPLOYER 4. AMOUNT RECEIVED. Salary to self and dependent minor children included in any deduction in Schedule A TOTAL INCOME FROM SALARIES, ETC.

C. INCOME FROM PARTNERSHIPS, PERSONAL SERVICE CORPORATIONS AND FIDUCIARIES (From Item 14(a) Column 7, Page 1.)

D. PROFIT FROM SALE OF LAND, BUILDINGS, STOCKS, BONDS AND OTHER PROPERTY, AND FROM LIQUIDATING DIVIDENDS. 1. KIND OF PROPERTY 2. NAME AND ADDRESS OF PURCHASER OR BROKER 3. SALE PRICE OR LIQUIDATING DIVIDENDS 4. DATE ACQUIRED 5. COST OR MARKET VALUE MARCH 1, 1913 IF ACQUIRED PRIOR THERETO 6. COST OF SUBSEQUENT IMPROVEMENTS, IF ANY 7. DEPRECIATION SUBSEQUENTLY SUSTAINED NET PROFIT FROM SALES (total of columns 3 and 7 minus total of columns 5 and 6)

E. INCOME FROM RENTS AND ROYALTIES 1. KIND OF PROPERTY 2. NAME AND ADDRESS OF TENANT, LESSEE, etc. 3. AMOUNT Cash or equivalent 4. REPAIR, WEAR AND TEAR, OBSOLESCENCE, DEPRECIATION AND PROPERTY LOSSES 5. INTEREST 6. TAXES 7. OTHER EXPENSES (EXPLAIN BELOW) NET INCOME FROM RENTS AND ROYALTIES (total of column 3 minus total of columns 4, 5, 6 and 7)

F. INTEREST ON CORPORATION BONDS CONTAINING TAX-FREE COVENANT, ON WHICH A TAX OF 2% WAS PAID BY DEBTOR CORPORATION. Received directly, \$; received through fiduciaries (Item 14(a) column 5), \$ TOTAL \$

G. OTHER INCOME (not including dividends, or interest on obligations of the United States). 1. Interest on bonds, mortgages, and other obligations of domestic and resident corporations except as reported in Item F 2. Interest on bonds of foreign countries and corporations, and dividends on stock of foreign corporations which are not taxable by the United States upon any portion of their net incomes 3. Interest on bank deposits, mortgages, etc. 4. Amount paid for you by debtor corporation on tax-free covenant bonds 5. TOTAL \$

H. TOTAL NET INCOME FROM ABOVE SOURCES \$

I. GENERAL DEDUCTIONS NOT INCLUDED ABOVE. (Extend total deductions to last column.) 1. Interest paid \$ 2. Taxes paid 3. Losses by fire, storm, etc. (explain in table below) \$ 4. Contributions (list names and amounts below) 5. Bad debts and other deductions \$ 6. Amounts paid to beneficiaries, etc. \$

J. Total net income on which normal tax is to be calculated at 1919 rates (H minus I) enter as 22, page 1 (unless minus quantity) \$ K(a). Dividends, cash or stock, from earnings of corporations taxable by the United States upon any portion of their net incomes including dividends on stock of personal service corporations declared out of profits earned prior to January 1, 1918: 1. Received directly, including Item 12(a), column 2 \$ 2. Received through partnerships, personal service corporations, and fiduciaries. (Item 12(b), column 2, plus Item 14(a), columns 3 and 4) \$ TOTAL K(b). Taxable interest on bonds and other obligations of the United States issued after September 1, 1917, and War Finance Corporation Bonds: Received directly, \$; received through partnerships, personal service corporations and fiduciaries \$ TOTAL K(c). Other income from partnerships, personal service corporations and fiduciaries. (Item 14(b), column 7) L. Total net income subject to surtax at 1918-19 rates. (If Item J shows a minus quantity, deduct amount from total of K(a), K(b) and K(c) before entering on this line. (If this amount shows a minus quantity, see instructions L, page 2) \$

ENTER IN THIS TABLE DETAILS CONCERNING REPAIRS, WEAR AND TEAR, PROPERTY LOSSES, ETC., CLAIMED AS DEDUCTIONS IN SCHEDULES A, E AND I ABOVE. Table with 9 columns: 1. REFER TO "A," "E" OR "I." 2. KIND OF PROPERTY (IF BUILDINGS, STATE ALSO MATERIAL OF WHICH CONSTRUCTED). 3. DATE ACQUIRED. 4. COST OR MARKET VALUE MARCH 1, 1913 IF ACQUIRED PRIOR THERETO. 5. REPAIRS (NOT OFFSET BY CLAIMS FOR WEAR AND TEAR AND LOSSES). 6. WEAR AND TEAR, OBSOLESCENCE AND DEPLETION CHARGED OFF. 7. AMOUNT PREVIOUS YEARS. 8. AMOUNT THIS YEAR. 9. LOSSES NOT COMPENSATED FOR BY INSURANCE OR OTHERWISE. CAUSE AND HOW AMOUNT WAS ARRIVED AT.

EXPLANATION OF DEDUCTIONS claimed in Schedule A, lines 7 and 19; Schedule E, column 7; and Schedule I, Items 4, 5 and 6. (Attach separate sheet, if necessary.)

GENERAL INSTRUCTIONS—INDIVIDUAL RETURN

I. PERSONS REQUIRED TO MAKE A RETURN OF INCOME.

- Return of net income must be filed by every citizen of the United States whether residing at home or abroad, and every person residing in the United States, though not a citizen thereof, whose net income for the taxable year 1919 amount to—
 - \$1,000 if single or if married and not living with wife (or husband).
 - \$2,000 if married and living with wife (or husband).
- Under any of these circumstances a return must be made even though the amount of net income is not sufficient to incur tax liability. Note especially credits for personal exemption and dependents under Instruction VI on this page.
- If the combined income of husband, wife and dependent minor children equaled or exceeded \$2,000, all such income must be reported either on a joint return or on separate returns of husband and wife. If single and the income, including that of dependent having a net income of \$1,000 or \$2,000, according to the marital status, must file a return, as such person is not considered a dependent.
- In the case of husband and wife whose combined net income exceeds \$5,000, separate returns must be made on Form 1040, showing the respective amounts of income.
- Income of a minor or incompetent, if derived from a separate estate under control of a guardian, trustee or other fiduciary, must be reported by his guardian or other legal representative.

II. PERIOD TO BE COVERED BY RETURN.

- You were required to file your return for 1918 on the basis of your annual accounting period. Having established an accounting period for 1918 this period must be adhered to in 1919, unless permission was received from the Commissioner to make a change. A person having no fiscal year must file a return on the basis of a calendar year.
- The dates on which the period covered by the return begins and ends, if other than a calendar year, must be plainly stated at the head of the return, and answers to questions 5, 6 and 7 must be given accordingly.

III. ACCRUED OR RECEIVED INCOME.

- If you keep books showing income accrued and expenses incurred during the year, make your return from your books, but do not fail to include all your income, even if it is not entered in your books.
- If you do not keep books showing income accrued and expenses incurred, report income received and expenses paid.
- If you report income accrued, you must include all income that accrued in the taxable year even though not actually received.
- If you report income received, you must include all income constructively received, such as bank interest credited to your account.

IV. ITEMS EXEMPT FROM TAX.

The following items are exempt from Federal income tax. However, nontaxable income of the classes described in paragraphs 1, 3, 4, 5 and 6 below should be reported in Item 11, page 1 of the return.

- Pay not exceeding \$3,500 for active services in the military or naval forces of the United States received during the taxable year prior to the termination of the present was as fixed by proclamation of the President.
- Gifts (not made as a consideration for service rendered) and money and property acquired under a will or by inheritance (but the income derived from money or property received by gift, will or inheritance is taxable, and must be reported).
- Interest on bonds and other obligations of the United States issued before September 1, 1917, and on such bonds and other obligations issued since that date, to the extent provided by the acts authorizing the issue thereof. See Item 13, page 1 of return, and instructions, page 2, under K(b).
- Interest on bonds and other obligations of United States possessions (Philippines, Porto Rico, etc.).
- Interest on bonds and other obligations of States, Territories, political subdivisions thereof (such as cities, counties and townships), and the District of Columbia.
- Interest on Federal Farm Loan bonds.
- Dividends upon stock of Federal Reserve Banks. However, dividends paid by member banks are treated as dividends of ordinary corporations.
- Interest on bonds issued by the War Finance Corporation, only if and to the extent provided in the acts authorizing the issue thereof.
- Proceeds of life insurance policies paid upon the death of the insured to individual beneficiaries or the estate of the insured.
- Amounts received by the insured under life insurance, endowment, and annuity contracts, provided such payments do not exceed the premiums paid in. The amount by which the total payments that have been received exceed the total premiums paid in is income, and must be reported in Schedule G.
- Amounts received from accident and health insurance and under workmen's compensation acts plus the amount of any damages received by suit or agreement on account of injuries or sickness.
- Compensation paid by a State or political subdivision thereof to its officers or employees.

V. FARMER'S INCOME SCHEDULE.

If you are a farmer or a farm owner renting your farm out on shares, obtain from the collector and fill out Form 1040F "Schedule of Farm Income and Expenses," and attach it to this return. Transfer the net farm income to line 22 of Schedule A of the return. Report income from salaries, rents, interest, sales of property, etc., in Schedules B to G of the return.

VI. CREDITS FOR PERSONAL EXEMPTION AND DEPENDENTS.

- If you were married and living with your wife (or husband) or were head of a family on the last day of your taxable period, you may subtract from your net income, before calculating your normal tax, an exemption of \$2,000 plus \$300 for each person under 18 (or mentally or physically defective) who was receiving his chief support from you on that date. If husband and wife make separate returns, this exemption may be claimed by either (but not by both) or may be divided between them.
- If you were not married or did not live with wife (or husband) and were not head of a family on the last day of your taxable period, you are entitled to a personal exemption of \$1,000 plus \$200 for each dependent person under 18 (or mentally or physically defective) who was receiving his chief support from you on that date.
- If by reason of a change in your accounting period you make a return for a part of a year, your personal exemption shall be as many twelfths of the amount that would be allowed for a full year as there are months in the period covered by the return.
- The personal exemption must be reported on line 23, page 1 of the return, and must be supported by answers to questions 5, 6 and 7.
- A "head of family" is a person who is the chief support of one or more persons living in his (or her) household, who are closely related to him (or her) by blood, marriage or adoption. (As to credit for taxes claimed in Item 41, see Articles 381-384, Resolutions 45.)

VII. AFFIDAVIT.

- The affidavit must be executed by the person whose income is reported unless he is a minor or incompetent, or unless he is ill, absent from the country, or otherwise incapacitated, in which case the legal representative or agent may execute the affidavit. However, a minor making his own return may execute the affidavit.
- The oath will be administered without charge by any collector, deputy collector or internal-revenue agent, or (if you are in the military or naval service of the United States) by any military or naval officer who is authorized to administer oaths for purposes of military or naval justice and administration. If an internal-revenue officer is not available the return should be sworn to before a notary public, justice of the peace, or other person authorized to administer oaths.

VIII. WHEN AND WHERE THE RETURN MUST BE FILED.

- If the return is for the calendar year 1919, file it with the collector of internal revenue for the district in which you live or have your principal place of business, on or before March 15, 1920. If for a period other than a calendar year, the return should be filed on or before the 15th day of the third month following the close of such period.
- In case the taxpayer has no legal residence or place of business in the United States, the return should be forwarded to the Collector of Internal Revenue, Baltimore, Md.
- If the address of the collector is not printed on the return and you do not know it, ask at the post office or bank.

IX. WHEN AND TO WHOM THE TAX MUST BE PAID.

- The tax should be paid, if possible, by sending or bringing with the return a check or money order drawn to the order of "Collector of Internal Revenue at [insert name of city and State]."
- Do not send cash through the mail, nor pay it in person, except at the office of the collector or a regularly established internal revenue stamp office.
- The tax may be paid in four equal installments as follows:
The first installment shall be paid at the time fixed by law for filing the return, and the second installment shall be paid on the 15th day of the third month, the third installment on the 15th day of the sixth month, and the fourth installment on the 15th day of the ninth month, after the time fixed by law for filing the return.
- The total tax may be paid at the time of filing the return, or if not so paid, one installment may be paid and the balance may be paid in installments, or in full, on or prior to any subsequent installment date referred to above. Failure to pay any installment on the date fixed by law makes the taxpayer liable for the payment of the balance of tax due upon notice and demand by the Collector.

X. PENALTIES.

- For Making False or Fraudulent Return.**
Not exceeding \$10,000 or not exceeding one year's imprisonment, or both, in the discretion of the Court, and, in addition, 50 per cent of the tax evaded.
- For Failing to Make Return on Time.**
Not more than \$1,000, and, in addition, 25 per cent of the amount of tax due.
- For Failing to Pay Tax when Due, or Understatement of Tax Through Negligence.**
Five per cent of the tax due but unpaid, plus interest at the rate of 1 per cent per month during the period in which it remains unpaid.

NET LOSSES.—If for any taxable year beginning after October 31, 1918, and ending prior to January 1, 1920, it appears upon the production of evidence satisfactory to the Commissioner that any taxpayer has sustained a net loss, the amount of such net loss shall under regulations prescribed by the Commissioner with the approval of the Secretary be deducted from the net income of the taxpayer for the preceding taxable year; and the taxes imposed by this title and by Title III for such preceding taxable year shall be redetermined accordingly. Any amount found to be due to the taxpayer upon the basis of such redetermination shall be credited or refunded to the taxpayer in accordance with the provisions of section 252. If such net loss is in excess of the net income for such preceding taxable year, the amount of such excess shall under regulations prescribed by the Commissioner with the approval of the Secretary be allowed as a deduction in computing the net income for the succeeding taxable year. (See Articles 1601-1603, Regulations 45.)

TABLES AND INSTRUCTIONS FOR CALCULATION OF SURTAX

SURTAX RATES FOR 1918-19.			SURTAX RATES FOR 1917.			SURTAX RATES FOR 1916.		
Amount of net income.	Rate.	Total surtax on each amount.	Amount of net income.	Rate.	Total surtax on each amount.	Amount of net income.	Rate.	Amount of surtax at each rate.
A	B	C	A	B	C	A	B	C
\$5,000			\$20,000	1%	\$200			
6,000	1%	50	40,000	2%	800			
8,000	2%	160	60,000	3%	1,800			
10,000	3%	300	80,000	4%	3,200			
12,000	4%	480	100,000	5%	5,000			
14,000	5%	700	150,000	6%	9,000			
16,000	6%	960	200,000	7%	14,000			
18,000	7%	1,260	250,000	8%	20,000			
20,000	8%	1,600	300,000	9%	27,000			
22,000	9%	1,980	400,000	10%	40,000			
24,000	10%	2,400	500,000	11%	55,000			
26,000	11%	2,860	600,000	12%	72,000			
28,000	12%	3,360	700,000	13%	91,000			
30,000	13%	3,900	800,000	14%	112,000			
32,000	14%	4,480	900,000	15%	135,000			
34,000	15%	5,100	1,000,000	16%	160,000			
36,000	16%	5,760	1,100,000	17%	187,000			
38,000	17%	6,460	1,200,000	18%	216,000			
40,000	18%	7,200	1,300,000	19%	247,000			
42,000	19%	7,980	1,400,000	20%	280,000			
44,000	20%	8,800	1,500,000	21%	315,000			
46,000	21%	9,660	1,600,000	22%	352,000			
48,000	22%	10,560	1,700,000	23%	391,000			
50,000	23%	11,500	1,800,000	24%	432,000			
52,000	24%	12,480	1,900,000	25%	475,000			
54,000	25%	13,500	2,000,000	26%	520,000			
56,000	26%	14,560	2,100,000	27%	567,000			
58,000	27%	15,660	2,200,000	28%	616,000			
			2,300,000	29%	667,000			
			2,400,000	30%	720,000			
			2,500,000	31%	775,000			
			2,600,000	32%	832,000			
			2,700,000	33%	891,000			
			2,800,000	34%	952,000			
			2,900,000	35%	1,015,000			
			3,000,000	36%	1,080,000			
			3,100,000	37%	1,147,000			
			3,200,000	38%	1,216,000			
			3,300,000	39%	1,287,000			
			3,400,000	40%	1,360,000			
			3,500,000	41%	1,435,000			
			3,600,000	42%	1,512,000			
			3,700,000	43%	1,591,000			
			3,800,000	44%	1,672,000			
			3,900,000	45%	1,755,000			
			4,000,000	46%	1,840,000			
			4,100,000	47%	1,927,000			
			4,200,000	48%	2,016,000			
			4,300,000	49%	2,107,000			
			4,400,000	50%	2,200,000			
			4,500,000	51%	2,295,000			
			4,600,000	52%	2,392,000			
			4,700,000	53%	2,491,000			
			4,800,000	54%	2,592,000			
			4,900,000	55%	2,695,000			
			5,000,000	56%	2,800,000			
			5,100,000	57%	2,907,000			
			5,200,000	58%	3,016,000			
			5,300,000	59%	3,127,000			
			5,400,000	60%	3,240,000			
			5,500,000	61%	3,355,000			
			5,600,000	62%	3,472,000			
			5,700,000	63%	3,591,000			
			5,800,000	64%	3,712,000			
			5,900,000	65%	3,835,000			
			6,000,000	66%	3,960,000			
			6,100,000	67%	4,087,000			
			6,200,000	68%	4,216,000			
			6,300,000	69%	4,347,000			
			6,400,000	70%	4,480,000			
			6,500,000	71%	4,615,000			
			6,600,000	72%	4,752,000			
			6,700,000	73%	4,891,000			
			6,800,000	74%	5,032,000			
			6,900,000	75%	5,175,000			
			7,000,000	76%	5,320,000			
			7,100,000	77%	5,467,000			
			7,200,000	78%	5,616,000			
			7,300,000	79%	5,767,000			
			7,400,000	80%	5,920,000			
			7,500,000	81%	6,075,000			
			7,600,000	82%	6,232,000			
			7,700,000	83%	6,391,000			
			7,800,000	84%	6,552,000			
			7,900,000	85%	6,715,000			
			8,000,000	86%	6,880,000			
			8,100,000	87%	7,047,000			
			8,200,000	88%	7,216,000			
			8,300,000	89%	7,387,000			
			8,400,000	90%	7,560,000			
			8,500,000	91%	7,735,000			
			8,600,000	92%	7,912,000			
			8,700,000	93%	8,091,000			
			8,800,000	94%	8,272,000			
			8,900,000	95%	8,455,000			
			9,000,000	96%	8,640,000			
			9,100,000	97%	8,827,000			
			9,200,000	98%	9,016,000			
			9,300,000	99%	9,207,000			
			9,400,000	100%	9,400,000			

Calculation of Surtax at 1918-19 Rates.

To compute the amount of surtax on any amount of net income in excess of \$5,000—

- First: Find in column A the largest sum which is less than the amount of the total net income subject to surtax at 1918-19 rates (Item L., page 2, or Item 15, page 1 of the return).
- Second: Find in column C the corresponding amount of total surtax.
- Third: To the amount of surtax found as above add an amount computed as follows: Subtract from the net income the sum found in column A and multiply the remainder by the rate shown on the next line below in column B.

The sum of these two amounts is the total surtax due.

In the case of a bona fide sale of mines, oil or gas wells, the surtax on the profit shall not exceed 20% of the selling price as provided in Articles 13, and 219-221 of Regulations 45.

1. ITEM	2. Example: Net Income \$13,800	3. Computation of surtax on Item 15, page 1 of the return.
1. Largest sum in column A which is less than the amount of the total net income	\$12,000.00	\$
2. Total surtax thereon shown in column C	190.00	\$
3. Remainder of net income after subtracting Item 1, above	1,800.00	\$
4. Surtax on this remainder at rate shown in column B on line below that from which Item 1 was taken	90.00	\$
5. Total surtax due (sum of Items 2 and 4)	280.00	\$

Item 5, column 3, should be entered as Item 37, page 1 of the return.

Calculation of Surtax at Prior-Year Rates.

To calculate surtax at 1917 rates—

- First: Enter on the first line of column 1, below, the amount of Item 15, page 1 of the return.
- Second: Enter in column 2 either (a) the next larger amount shown in column A of the 1917 surtax table, or (b) the amount of Item 17, page 1 of the return, if less than such amount.
- Third: Enter in column 3 the difference between the amounts entered in columns 1 and 2.
- Fourth: Enter in column 4 the rate of tax shown in column B of the surtax table on the same line as the amount referred to in (a) of the second step.
- Fifth: Enter in column 5 the product of figures in columns 3 and 4.

If the amount of Item 17 is greater than the amount in column A of the 1917 surtax table referred to in (a) of the second step, proceed as follows:

- Sixth: Enter on the second line of column 1 the largest amount in column A of the surtax table which is smaller than Item 17.
- Seventh: Enter in column 2 the amount of Item 17.
- Eighth: Enter in column 3 the difference between the amounts entered in columns 1 and 2.
- Ninth: Enter in column 4 the rate shown in column B of the surtax table on the line below that on which is shown the amount entered on the second line of column 1.
- Tenth: Enter in column 5 the product of the figures in columns 3 and 4.
- Eleventh: Enter on line 3, column 5, the sum of the amounts shown in column C of the surtax table opposite the percentages (if any) shown in column B between the percentages that were entered on lines 1 and 2 of column 4.

1.	2.	3.	4. (Percent.)	5.
1. \$	\$	\$		\$
2.				
3.				
4.				
5.				
6.				

A. INCOME FROM BUSINESS OR PROFESSION.

Report here income from—

(a) Sale of merchandise, or of products of manufacturing, construction, mining, and agriculture. (For farm income see Instruction V on the reverse side of this sheet.)

(b) Business service, such as transportation, storage, laundering, hotel and restaurant service, livery and garage service, etc., if you owned the business. If you were engaged in the business as an employee, report your salary or wages in Schedule B.

(c) A profession, such as medicine, law, or dentistry, if you practiced it on your own account. If you were employed on a salary, report your salary in Schedule B.

In general, report in Schedule A any income in the earning of which you incurred expenses for labor, rent, etc. Do not report here partnership profits or profits of personal service corporations, which should be entered under C, or dividends from other corporations, which should be entered under K(a).

If you are a farmer (or a farm owner renting your farm to another person on shares), enter on line 22 your net income from farming, as shown by your "Schedule of Farm Income and Expenses," Form 1040 F.

If you keep books showing income accrued, report such income instead of cash received, and report expenses incurred instead of expenses paid.

Income received from sale of lands, buildings, equipment, stocks, bonds and other property not dealt in as a business, and from liquidating dividends, should be reported under D.

If you have a complete profit and loss statement, showing all the information called for under "Cost of goods sold" and "Other business deductions," attach it to the return and enter the amount of net income on line 22, Schedule A.

Kind of business.—State kind of goods dealt in or kind of services rendered, and whether manufacturer, jobber, wholesaler, retailer, importer, broker, etc.

Total sales and income from business or profession.—Report the total amount derived from sales or from services, less any discounts or allowances from the sale price or service charge.

Inventories.—Write "C" or "O or M" on lines 8 and 10 immediately before the amount column, to indicate that inventories are valued at either cost, or cost or market, whichever is lower.

Inventories at the end of the taxable period must be valued on the same basis as those at the end of the preceding taxable period, unless permission to make a change has been first obtained from the Commissioner. If claims for losses on inventories or rebates on sales made under Section 214(a) 12 of the Act have been allowed, the opening inventory must be correspondingly adjusted. (See Articles 266, and 1581-1585, Regulations 45).

Other business deductions.—Do not include cost of business equipment or furniture, expenditures for replacements or for permanent improvements to property, or living and family expenses.

Salaries.—Enter as Item 12 all salaries and wages not reported as "Labor" under "Cost of goods sold." Salary or wages for your own services or the services of your dependent minor children if deducted must be reported as income in Schedule "B".

Rent.—Enter as Item 13 rent on business property in which you have no equity. Do not include rent for dwelling you occupy for residential purposes.

Interest.—Enter as Item 14 interest on business indebtedness to others. Do not include interest on your capital investment in or advances to the business.

Taxes.—Enter as Item 15 only taxes on business property or for carrying on business. Do not include taxes assessed against local benefits of a kind tending to increase the value of the property assessed, as for paving, sewers, etc., nor Federal income taxes.

Repairs, wear and tear, obsolescence, and property losses.—Enter as Item 16, (a) ordinary repairs required to keep property in usable condition, (b) reasonable allowance for exhaustion, wear and tear of property used in the trade or business, including a reasonable allowance for obsolescence, and (c) losses of business property by fire, storm, or other casualty, or theft, not compensated for by insurance or otherwise and not made good by repairs claimed as deductions. Explain these deductions in table at foot of page 2 of return.

Losses due to causes enumerated under (c) with respect to property not used in your business, such as your dwelling or personal property, should be reported in Schedule I.

The amount claimed for wear and tear (depreciation), including obsolescence, should not exceed the original cost of the property (or its value March 1, 1913, if acquired before that date) divided by its estimated life in years. If obsolescence is claimed, state in table at foot of page 2 why useful life is less than actual life. When the amount of depreciation and obsolescence allowed equals the cost of the property (or its value March 1, 1913), no further claim should be made.

Do not claim any deduction for depreciation in the value of a building occupied by you as a dwelling, or of other property held for personal use. Do not claim any deduction for depreciation of real estate (exclusive of improvements thereon), nor for depreciation of stocks, bonds, and other securities.

Depreciation of patents, copyrights, etc., and depletion of mines, etc.—If you claim a deduction on account of depreciation in the value of patents, copyrights, franchises and other legal privileges, or on account of depletion of mines or oil and gas wells, see Regulations 45.

Amortization of war facilities.—If amortization of war facilities is claimed, the taxpayer is required to submit with this return the information and schedules called for in Articles 181 to 188 of Regulations 45.

Bad debts.—Enter as Item 18 only debts arising from sales or professional services which you have ascertained to be worthless and have charged off during the year.

A bad debt offsetting income accrued since March 1, 1913, will not be allowed as a deduction unless the amount was reflected in the income reported for the year in which the debt was created. In the case of debts existing prior to March 1, 1913, only their value on that date may be deducted upon subsequently ascertaining them to be worthless.

State under "Explanation of deductions," at the foot of the page, how the debts were ascertained to be worthless. Insolvency of the debtor, inability to collect by legal proceedings, or inability of debtor to pay as ascertained by a mercantile agency, would be a sufficient indication of worthlessness.

A debt previously charged off as bad must be returned as income for the year in which collected.

Bad debts arising out of personal loans should be reported in Schedule I.

Net loss.—If the net cost of goods sold plus other business deductions is in excess of the total amount of sales and income from business or professional services, report the difference as a loss by using red ink or a minus sign.

B. INCOME FROM SALARIES, COMMISSIONS, BONUS, DIRECTOR'S FEES AND PENSIONS.

If salary, wages, or other compensation received by yourself or dependent minor children from outside sources was at the rate of \$1,000 or more per annum, report on separate lines, together with the occupation or position and employer's name and address. The total of all other income from salaries, wages, commissions, etc., should be reported on a separate line.

Do not report here pay, not exceeding \$3,500, for active service in the military or naval forces of the United States received during the taxable year prior to the termination of the present war as fixed by proclamation of the President.

C. INCOME FROM PARTNERSHIPS, PERSONAL SERVICE CORPORATIONS, AND FIDUCIARIES.

Report your share (whether received or not) in the profits of the partnership or personal service corporation or in the income of the estate or trust. Do not include the part of such share that consisted of dividends on stock of corporations (to be included in Item K(a)), interest on obligations of the United States (see table 13, page 1 of the return, and instructions under K(h), below), or interest on corporation bonds containing a tax-free covenant received through fiduciaries, upon which a tax of 2 per cent was paid (or will be paid) by the debtor corporation (to be included in Item F).

No withholding of income tax at the source with respect to interest upon tax-free covenant bonds owned by partnerships and personal service corporations was required prior to February 25, 1919.

Report in Schedule B salary received from partnership or personal service corporation.

Apportionment of partnership income between years.—If you derived income from a partnership or personal service corporation whose fiscal year differed from the calendar year, assign

to 1918 as many twelfths of your share of such income (except dividends and Liberty Bond interest received through the partnership or personal service corporation) as the number of months of the fiscal year that fell in the calendar year 1918. Assign to 1919 the remainder of your share of such income, except stock dividends and Liberty Bond interest, which should be apportioned as provided in instructions under K(a) and K(b) below.

In the case of income to be distributed to the beneficiaries periodically, whether or not at regular intervals, each beneficiary must include in his return his distributive share of the net income, even though not yet paid him. If the taxable year on the basis of which he makes his return fails to coincide with the annual accounting period of the estate or trust, then he should include in his return his distributive share for such accounting period ending within his taxable year, which income will be taxable at the rates for the year in which the income was received.

D. PROFIT FROM THE SALE OF LAND, BUILDINGS, STOCKS, BONDS AND OTHER PROPERTY, AND FROM LIQUIDATING DIVIDENDS.

If the profits or losses on sales made through any one broker aggregated \$1,000 or more, report the transactions on a separate line with the name and address of the broker.

Kind of property.—Describe the property as definitely as you can in a word or two, as "farm," "house," "lot," "stocks," "bonds."

Sale price or liquidating dividends.—State the actual consideration or price, or, in case of an exchange, the fair market value of the property received.

Cost.—Enter the original cost of the property, or, if it was acquired before March 1, 1913,

its fair market value on that date. Attach statement explaining how value of March 1, 1913, was determined. Expenses incidental to the purchase may be included in the cost if never claimed in income tax returns as deductions from income. Enter in column 7 the amount of wear and tear, obsolescence, or depletion sustained since March 1, 1913 (or since date of acquisition, if subsequent to March 1, 1913).

Losses.—If the total of columns 5 and 6 is in excess of the total of columns 3 and 7, report the difference as a loss by using red ink or a minus sign.

E. INCOME FROM RENTS AND ROYALTIES.

Kind of property.—Describe briefly, as in D.

Rent.—If you received property or crops in lieu of cash rent, report the income as though the rent had been paid in cash. Crops received as rent on a crop share basis should be reported as income for year in which disposed of (unless your return shows income accrued).

Repairs, wear and tear, obsolescence, depletion, and property losses.—See instructions for Schedule A, above. Explain in table at foot of page 2 of the return.

Other expenses.—Report taxes on rented or leased property and interest on indebtedness incurred or continued to purchase or carry it. Do not include taxes assessed against local benefits of a kind tending to increase the value of the property assessed.

F. INTEREST ON CORPORATION BONDS CONTAINING TAX-FREE COVENANT, ON WHICH TAX OF 2% WAS PAID BY DEBTOR CORPORATION.

This item should include all interest received directly or through fiduciaries on bonds of corporations organized or doing business in the United States, containing a clause by which the debtor corporation agrees to pay the interest without any deduction for taxes, provided exemption from withholding was not claimed by the owner of the bonds. If exemption was claimed (by filing

a yellow certificate, Form 1001), the interest received must be reported in G. The amount of tax paid by the debtor corporation is treated as a credit against the tax due. (See Item 40, page 1 of the return), but such amount paid at the source should be reported as income in Schedule G, line 4.

G. OTHER INCOME (NOT INCLUDING DIVIDENDS, OR INTEREST ON OBLIGATIONS OF THE UNITED STATES).

Report in this schedule interest on bank deposits, notes, mortgages, etc., and all other taxable income for which no place is provided elsewhere on this return.

I. GENERAL DEDUCTIONS.

Interest.—Report here interest paid on personal indebtedness as distinguished from business indebtedness (which should be reported under A or E above). Do not include interest on indebtedness incurred for the purchase of bonds and other obligations, the interest on which is exempt from tax, except interest on indebtedness incurred to purchase or carry obligations of the United States issued after September 24, 1917.

Taxes.—Report here personal taxes paid, and all taxes on property not used in business or profession, not including those assessed against local benefits of a kind tending to increase the value of the property. Do not include Federal income taxes, nor estate or inheritance taxes.

Losses.—Report here losses of property not connected with your trade, business, or profession, sustained during the year from fire, storm, shipwreck, or other casualty, or from theft, which were not compensated for by insurance or otherwise. Do not include losses from transactions not entered into for profit. Losses claimed should be explained in table at foot of page 2.

Contributions.—Report here only contributions made within the year to corporations organized and operated exclusively for religious, charitable, scientific or educational purposes, or for the prevention of cruelty to children or animals, and contributions to the special fund for vocational

rehabilitation. The total amount of contributions to be entered here must not exceed 15 per cent of the net income computed without the benefit of this deduction. Therefore, if Item 4, Schedule I, exceeds 15 per cent of the sum of Item 21, page 1, plus Item 4, then Item 4 must be reduced to 15 per cent of such sum and your total net income must be recalculated accordingly.

Enter under "Explanation of deductions," at the foot of page 2 of the return, the name and address of each corporation to which you made contributions claimed as deductions, and the amount paid to each.

Bad debts and other deductions.—Bad debts arising out of loans should be reported here, and other proper deductions not claimed elsewhere. Attach detailed statement of all such deductions. Deductions claimed by traveling salesmen to cover meals and lodging should be fully explained in an attached statement setting forth conditions of employment.

Amounts paid to beneficiaries.—If this return is filed for an estate in the process of administration, there may be deducted the amount of any income properly paid or credited to any legatee, heir or other beneficiary.

K(a). DIVIDENDS.

Enter as Item K(a) all cash or stock dividends received during the year except (a) dividends paid by personal service corporations out of earnings accumulated subsequent to December 31,

1917; and (b) stock dividends received during the taxable year which are included in Item 12, columns 3, 4, and 5, page 1.

K(b). INTEREST ON OBLIGATIONS OF THE UNITED STATES ISSUED SINCE SEPTEMBER 1, 1917.

Interest upon First Liberty Loan, 3½ per cent bonds and Victory Liberty Loan 3½ per cent convertible gold notes is exempt from normal income taxes and graduated additional income taxes, commonly known as surtaxes. Interest upon all other issues of Liberty Loan Bonds, as well as interest upon certificates of indebtedness and War Savings Certificates, is exempt from normal income tax regardless of the amount of the principal and is exempt from graduated additional

income taxes, commonly known as surtaxes, only to the extent provided for in the act authorizing the issue and subsequent acts. If your holdings exceed the exemptions specified in Item 13, page 1, secure Form 1125 from Collector and compute taxable interest. Interest on War Finance Corporation bonds is exempt from all normal income tax and is exempt from surtax only with respect to a principal not exceeding \$5,000. This exemption is in addition to the exemptions above referred to.

K(c). OTHER INCOME FROM PARTNERSHIPS, PERSONAL SERVICE CORPORATIONS, AND FIDUCIARIES.

Report here all other income received from partnerships, personal service corporations, and fiduciaries, including interest on tax-free covenant bonds received through partnerships and personal

service corporations only, which should be entered in Item 14(b), column 7, page 1.

L. PARTS OF INCOME SUBJECT TO RATES FOR DIFFERENT YEARS.

In determining the income, any deductions, exemptions, or credits of a kind not plainly and properly chargeable against the income taxable at the rates for a preceding year shall first be applied against the income subject to rates for the most recent calendar year; but any balance

thereof shall be applied against the income subject to the rates of the next preceding year or years until fully allowed.