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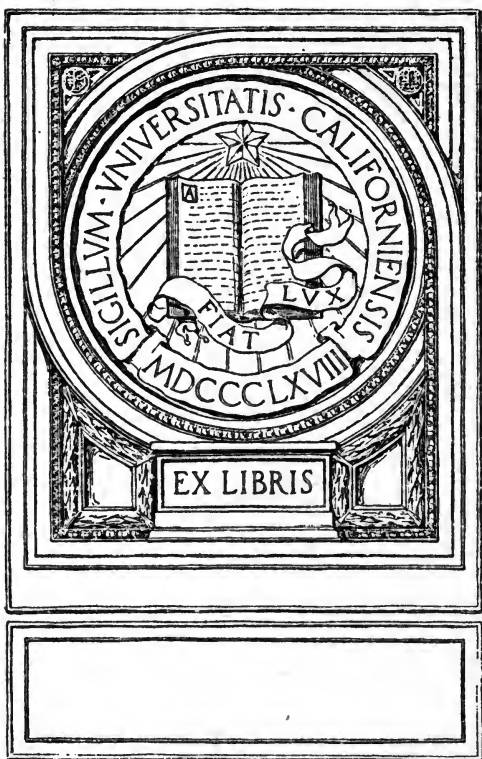


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WAR REVENUE AND INCOME TAX GUIDE

Annotated by
ELIAS H. HENDERSON
of the Illinois Bar

SECOND EDITION



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War Revenue
and
Income Tax Guide
for
1915

Second Edition

Price \$1.50

(Copyrighted 1914)

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HJ 2377
.H4

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WAR REVENUE LAW

(T. D. 2026.)

Fermented liquors—Additional tax on liquors on storage, and increase in rate of tax under act of October 22, 1914.

TREASURY DEPARTMENT,
OFFICE OF COMMISSIONER OF INTERNAL REVENUE,
Washington, D. C., October 24, 1914,

To collectors of internal revenue and others concerned:

The act approved October 22, 1914, imposes a tax of \$1.50 a barrel on fermented liquors, and provides for the assessment and collection of the additional tax at the rate of 50 cents a barrel on all fermented liquors removed from the brewery premises prior to the date when the act took effect and which on that date were stored in warehouse, and to which a stamp denoting the tax at the rate of \$1 per barrel had been affixed at the time of removal. This provision for additional tax on beer stored in warehouse is held to apply to all fermented liquors in the possession of brewers or their agents, whether contained in ordinary packages or in bottles, when the act took effect. For the purpose of assessing and collecting such additional tax, every brewer or agent of a brewer having stored in warehouse any fermented liquors which had been removed from the brewery where produced prior to October 23, 1914, bearing the proper stamp at the rate of \$1 per barrel shall make and render to the collector of the district a return in duplicate, under oath, on Form 417, Revised October 23, 1914, of the quantity thereof so held. Personal investigation will be made in each case by a deputy collector, who will certify to the accuracy of the return, or if he is not satisfied as to its accuracy, he will so state, and indicate the quantity which he believes to be correct. In case of substantial disagreement between the return and the deputy collector's statement the collector will make further investigation to satisfy himself as to the proper quantity and enter the same accordingly on his list, Form 23.

Collectors will at once furnish blank Forms 417 to each brewer, or agent of a brewer, in their respective districts, and require the returns to be made in accordance with the printed instructions thereon. The return must show the quantity of fermented liquors on hand on the morning of October 23, 1914, before the commencement of business. If any liquors subject to the additional tax have been removed in the interval between that time and the time when the return is actually made, the quantity returned will be the quantity of such liquors on hand when the return is made, together with the quantity of such liquors removed in the interval.

One copy of the return with the deputy collector's certificate is to be filed in the collector's office, and the other is to be forwarded to the Commissioner of Internal Revenue, and the additional tax found to be due as shown by the return will be entered by the collector on his next list, Form 23.

In making up Form 18 for October, 1914, brewers will show separately, by interlineation, the quantities of fermented liquor

TREASURY DECISIONS

sold or removed for consumption or sale by pipe line (where pipe lines exist) and by the package for the two portions of the month, viz, the portion before the 23d and the portion commencing with the 23d. In the stamp account on Form 18 brewers will also show separately, by interlineation, the number and kind of stamps purchased by them at the old and new rates, and the number and kind of stamps used at the old and new rates on beer transferred by pipe line (where pipe lines exist) and by the package, and also the number and kind of stamps at the old and new rates remaining on hand in their possession at the close of the month. Instead of one return, Form 18, for the month of October, the brewer may at his option render two returns, one for the portion of the month prior to the 23d and the other for the remaining portion, care being taken to show in the stamp account the number and kind of stamps, at the rate of \$1.50 per barrel, purchased, used, and on hand. Brewers will also make entries in the account of "Stamps purchased" on Record Form 104 in such a way as to distinguish between those at the rate of \$1 and those at the rate of \$1.50.

The attention of collectors is called to the fact that the increase in the rate of tax is likely to make necessary the giving of new bonds by brewers, in increased amounts, in order to satisfy the requirements of section 3336, Revised Statutes. Each new bond given on and after December 1, 1914, will by the terms of the act, while the same is in force, require a documentary stamp of the value of 50 cents.

Collectors will supply brewers and their agents with copies of this Circular.

W. H. OSBORN,

Commissioner of Internal Revenue.

(T. D. 2027.)

Domestic and imported wines, liqueurs, cordials, etc.

Dealers to keep an account of sales pending receipt of appropriate tax stamps.

TREASURY DEPARTMENT,

OFFICE OF COMMISSIONER OF INTERNAL REVENUE,

Washington, D. C., October 24, 1914.

To collectors of internal revenue and others concerned:

In view of the fact that the provisions of the revenue law, approved October 22, 1914, relating to the stamp taxes imposed on domestic and imported wines, cordials, etc., went into effect October 23, 1914, and that appropriate stamps for the payment of such taxes have not yet been provided, retail dealers in such unstamped wines, and wholesale dealers selling such wines to persons other than dealers must, until such stamps may be procured, keep a strict account of all such unstamped wines sold by them on and after October 23, 1914; and, upon procuring the necessary stamps, must at once render to the collector of the district a sworn statement of all such sales made by them and must transmit with such statement canceled stamps showing payment of tax on all such wines so sold. The required statement should be in the following form:

WAR REVENUE LAW

Dealers return of sales of unstamped wines taxable under the revenue act, approved October 22, 1914.

Special-Tax Stamp No. _____ DISTRICT OF _____, _____, _____, 1914.

The undersigned a _____^② liquor dealer, doing business at _____ in the _____ district of _____, on oath states that the following is a full and true account of all unstamped domestic and imported wines taxable under the provisions of an act of Congress, approved October 22, 1914, sold by him (or them) on and after October 23, 1914, up to and including the _____ day of _____, 1914; and that the attached canceled stamps cover all taxes due on the unstamped wines so sold.

Kinds of wine.	Rate of tax per quart.	Number of bottles or containers.					Amount of tax.
		Not more than one-fourth p't.	Not more than one-half pint.	Not more than one pint.	Not more than one quart.	Gal-ions. ^①	
Still wines	2	.....	.....	.....	.....	.....	\$.....
Champagne and other sparkling or artificially carbonated wines	20	.....	.....	.....	.....	.....	.....
Liqueurs, cordials, or other similar compounds	6	.....	.....	.....	.....	.....	.....

^① In bottles or containers not otherwise here designated.

Subscribed and sworn to before me this _____ day of _____, 1914. Dealer.

[SEAL.]

^② "Wholesale" or "retail."

Upon receipt of this circular, collectors will see that a copy thereof is at once furnished to each wholesale and retail liquor dealer in their respective districts; and that on receipt of the dealers' statements herein required, the same, with the canceled stamps (in sealed envelopes) securely attached, should be at once forwarded to the Commissioner of Internal Revenue.

W. H. OSBORN,
Commissioner of Internal Revenue.

References Cited

Treasury Decisions.....T. D.
 U. S. Attorney-General's Opinions.....A. G. Op.
 U. S. Supreme Court Reports.....U. S.
 Federal Reporter.....Fed. Rep.

War Revenue Law

An Act To increase the internal revenue, and for other purposes.

Approved October 22, 1914

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That there shall be levied, collected, and paid in lieu of the tax of \$1 now imposed by law, a tax of \$1.50 on all beer, lager beer, ale, porter, and other similar fermented liquor, brewed or manufactured and sold, or stored in warehouse, or removed for consumption or sale, within the United States, by whatever name such liquors may be called, for every barrel containing not more than thirty-one gallons; and at a like rate for any other quantity or for the fractional parts of a barrel authorized and defined by law. And section thirty-three hundred and thirty-nine of the Revised Statutes is hereby amended accordingly:

Beer, ale, porter and other similar fermented liquors.

Provided, That the additional tax imposed in this section on all fermented liquors stored in warehouse to which a stamp has been affixed shall be assessed and collected in the manner now provided by law for the collection of taxes not paid by stamp:

Temporary use and exchange of old stamps to be marked to denote new rate.

Provided further, That until appropriate stamps are prepared and furnished, the stamps heretofore used to denote the payment of the internal-revenue tax on fermented liquor may be stamped or imprinted with a suitable device to denote the new rate of tax herein imposed, and shall be affixed to all packages containing such liquors on which the tax imposed by this Act is paid. Any person having possession of unaffixed stamps heretofore issued for the payment of the tax on fermented liquors shall present the same to the collector of the district, who shall receive them at the price paid for such stamps by the purchaser and issue in lieu thereof new or imprinted stamps at the rate provided in this Act.

The tax is on fermented liquor in the possession of or stored by a brewer and not on that of a wholesale or retail dealer. 22 A. G., Op. 279; 23 Id. 228.

SEC. 2. That upon all still wines, domestic and imported, when sold or offered for sale or consumption, there shall be levied and collected taxes as follows: On each bottle containing one-fourth pint or less, one-fourth cent; on each bottle containing more than one-fourth pint and not more than one-half pint, one-half cent; on each bottle containing more than one-half pint and not more than one pint, 1 cent; and on each bottle containing more than one pint and not more than one quart, 2 cents; and on still wines in all other containers, not herein specifically provided for, the tax shall be at the rate of 8 cents per gallon.

Still wines, domestic and imported.

Champagne,
domestic and
imported.

That upon all domestic and imported champagne and other sparkling wines, and upon all artificially carbonated wines when sold or offered for sale or consumption, there shall be levied and collected taxes as follows: Upon each bottle containing one-half pint or less, 5 cents; on each bottle containing more than one-half pint and not more than one pint, 10 cents; on each bottle containing more than one pint and not more than one quart, 20 cents; and on other all containers at the rate of 20 cents per quart; and on all liqueurs, cordials, or similar compounds, domestic and imported, by whatever name sold or offered for sale, there shall be levied and collected a tax on each bottle containing not more than one-half pint, 1½ cents; more than one-half pint and not more than one pint, 3 cents; more than one pint and not more than one quart, 6 cents; and on larger containers a tax at the rate of 24 cents per gallon.

Each bottle or
container must
bear stamp.

All of the taxes imposed in the preceding paragraphs of this section shall be paid by stamps to be affixed to each bottle or container in which such still wines, champagne wines, carbonated wines, liqueurs, or cordials, or similar compounds, are sold or offered for sale:

Retail dealer
must affix stamp.

Provided, That when such still wines, champagne wines, carbonated wines, liqueurs, cordials, or similar compounds, taxable under the provisions of this section, are sold or delivered by the producer, importer, or dealer in wholesale quantities to other dealers, including rectifiers, manufacturing chemists, and druggists, the dealer receiving and selling, or offering the same for sale or consumption to any person other than a dealer, shall affix thereto the stamps hereinbefore prescribed:

No stamp tax
on still wine
used by recti-
fier, chemist or
druggist.

And provided further, That the stamp tax herein imposed shall not be collected on any still wine used by any rectifier, manufacturing chemist, or druggist in the manufacture of any liqueur, cordial, or compound subject to any internal-revenue tax imposed by this Act.

Stamps to be
prepared by
Commissioner of
Internal Revenue.

The Commissioner of Internal Revenue shall cause to be prepared suitable and special stamps denoting the tax herein imposed, to be affixed and canceled in such manner as he, with the approval of the Secretary of the Treasury, may prescribe; and in the absence of such stamps from any bottle or container containing wine, liqueur, cordial, or compound taxable under the provisions of this section, sold or offered for sale or consumption, shall be prima facie evidence that the tax thereon has not been paid, and all such wines, liqueurs, cordials, or compounds shall be forfeited to the United States.

Bottle or con-
tainer not bear-
ing stamps shall
be forfeited to
the United
States.

The existence of a bona fide mortgage on property will not prevent it being forfeited under this section. *United States v. 246½ lbs. of Tobacco*, 103 Fed. Rep., 791. *United States v. 231 patent machines*, 99 Fed. Rep., 559.

The word "compounded" means mixed and does not apply to the chemical union of elements. *United States v. Stubbs*, 91 Fed. Rep., 608. *L. Ellwood Lee Co. v. McClain*, 106 Fed. Rep., 164.

There shall be levied and assessed against the maker or producer of all wines fortified under the provisions and conforming to the

WAR REVENUE LAW

requirements of the sections of the tariff Act of October first eighteen hundred and ninety, relating to the fortification of pure sweet wines, as amended, and as further amended by this Act, a tax of 55 cents on each taxable gallon of grape brandy or wine spirits used by him in the fortification of such wines:

Grape, brandy or wine spirits used in fortification of sweet wines taxed 55 cents per gallon.

Provided, however, That the maker or producer of such fortified wines shall, under regulations and suitable bonds, to be prescribed by the Commissioner of Internal Revenue, with the approval of the Secretary of the Treasury, have assessed against him monthly the said tax of 55 cents on each taxable gallon of grape brandy or wine spirits used by him during the preceding month, which assessment shall be paid within ninety days from the date of notice thereof:

Provided further, That nothing herein contained shall be construed as exempting any still wines, cordials, liqueurs, or similar compounds from the payment of any stamp tax provided for in this section.

Fortified still wines not exempt from tax provided in Section 1 of this Act.

The Commissioner of Internal Revenue, with the approval of the Secretary of the Treasury, is hereby authorized to make all necessary regulations to make effective the provisions of this section.

Commissioner of Internal Revenue to make regulation.

That sections forty-two, forty-three, forty-five, forty-six and forty-nine of the Act of October first, eighteen hundred and ninety, as amended by section sixty-eight of an Act approved August twenty-eighth, eighteen hundred and ninety-four, and by an Act approved June seventh, nineteen hundred and six, are further amended to read as follows:

"SEC. 42. That any producer of pure sweet wines may use in the preparation of such sweet wines, under such regulations, and after the filing of such notices and bonds, together with the keeping of such records and the rendition of such reports as to materials and products as the Commissioner of Internal Revenue, with the approval of the Secretary of the Treasury, may prescribe, wine spirits produced by any duly authorized distiller, and the Commissioner of Internal Revenue in determining the liability of any distiller of wine spirits to assessment under section thirty-three hundred and nine of the Revised Statutes, is authorized to allow such distiller credit in his computations for the wine spirits withdrawn to be used in fortifying sweet wines under this Act:

Provided, That such wine containing after fortification more than twenty-four per centum of alcohol, as defined by section thirty-two hundred and forty-nine of the Revised Statutes, shall be forfeited to the United States.

"SEC. 43. That the wine spirits mentioned in section forty-two of this Act is the product resulting from the distillation of fermented grape juice, to which water may have been added prior to, during, or after fermentation, for the sole purpose of facilitating the fermentation and economical distillation thereof, and shall be held to include the product from grapes or their residues commonly known as grape brandy, and shall include commercial grape brandy which may have been colored with burnt sugar or caramel; and the pure sweet wine which may be fortified with wine spirits under the provisions of this Act is fermented or partially fermented

Wine spirits defined.

WAR REVENUE LAW

grape juice only, with the usual cellar treatment, and shall contain no other substance whatever introduced before, at the time of, or after fermentation, except as herein expressly provided:

Addition of
sugar.

“Provided, That the addition of pure boiled or condensed grape must or pure crystallized cane or beet sugar, or pure dextrose sugar or water, or any or all of them, to the pure grape juice before fermentation, or to the fermented product of such grape juice, or to both, prior to the fortification provided in this Act, either for the purpose of perfecting sweet wines according to commercial standards or for mechanical purposes, shall not be excluded by the definition of pure sweet wine aforesaid:

Addition of
water.

“Provided, however, That the cane or beet sugar, or pure dextrose sugar so used shall not be in excess of eleven per centum of the weight of the wine to be fortified under this Act:

“And provided further, That the addition of water herein authorized shall be under such regulations and limitations as the Commissioner of Internal Revenue, with the approval of the Secretary of the Treasury, may from time to time prescribe:

“Provided, however, That records kept in accordance with such regulations as to the percentage of saccharine, acid, alcoholic, and added water content of the wine offered for fortification shall be open to inspection by any official of the Department of Agriculture thereto duly authorized by the Secretary of Agriculture; but in no case shall such wines to which water has been added be eligible for fortification under the provisions of this Act, where the same, after fermentation and before fortification, have an alcoholic strength of less than five per centum of their volume.

Withdrawal of
wine spirits from
bonded ware-
house or distil-
lery.

“SEC. 45. That under such regulations and official supervision, and upon the execution of such entries and the giving of such bonds, bills of lading, and other security as the Commissioner of Internal Revenue, with the approval of the Secretary of the Treasury shall prescribe, any producer of pure sweet wines as defined by this Act may withdraw wine spirits from any special bonded warehouse in original packages or from any registered distillery in any quantity not less than eighty wine gallons, and may use so much of the same as may be required by him under such regulations, and after the filing of such notices and bonds and the keeping of such records and the rendition of such reports as to materials and products and the disposition of the same as the Commissioner of Internal Revenue, with the approval of the Secretary of the Treasury, shall prescribe, in fortifying the pure sweet wines made by him, and for no other purpose, in accordance with the foregoing limitations and provisions; and the Commissioner of Internal Revenue, with the approval of the Secretary of the Treasury, is authorized whenever he shall deem it to be necessary for the prevention of violations of this law to prescribe that wine spirits withdrawn under this section shall not be used to fortify wines except at a certain distance prescribed by him from any distillery, rectifying house, winery, or other establishment used for producing or storing distilled spirits, or for making or storing wines other than wines which are so fortified, and that in the building in which such fortification of wines is practiced no wines or

WAR REVENUE LAW

spirits other than those permitted by this regulation shall be stored in any room or part of the building in which fortification of wines is practiced. The use of wine spirits for the fortification of sweet wines under this Act shall be under the immediate supervision of an officer of internal revenue, who shall make returns describing the kinds and quantities of wine so fortified, and shall affix such stamps and seals to the packages containing such wines as may be prescribed by the Commissioner of Internal Revenue, with the approval of the Secretary of the Treasury; and the Commissioner of Internal Revenue shall provide by regulations the time within which wines so fortified with the wine spirits so withdrawn may be subject to inspection, and for final accounting for the use of such wine spirits and for rewarehousing, or for payment of the tax on any portion of such wine spirits which remain not used in fortifying pure sweet wines.

Fortification of
sweet wines
must be under
government su-
pervision.

"SEC. 46. That wine spirits may be withdrawn from special bonded warehouses at the instance of any person desiring to use the same to fortify any wines, in accordance with commercial demands of foreign markets, when such wines are intended for exportation, without the payment of tax on the amount of wine spirits used in such fortification, under such regulations, and after making such entries, and executing and filing with the collector of the district from which the removal is to be made such bonds and bills of lading, and giving such other additional security to prevent the use of such wine spirits free of tax otherwise than in the fortification of wine intended for exportation and for the due exportation of the wine so fortified, as may be prescribed by the Commissioner of Internal Revenue, with the approval of the Secretary of the Treasury; and all of the provisions of law governing the exportation of distilled spirits free of tax, so far as applicable, shall apply to the withdrawal and use of wine spirits and the exportation of the same in accordance with this section; and the Commissioner of Internal Revenue is authorized, subject to the approval of the Secretary of the Treasury, to prescribe that wine spirits intended for the fortification of wines under this section shall not be introduced into such wines except under the immediate supervision of an officer of internal revenue, who shall make returns describing the kinds and quantities of wine so fortified, and shall affix such stamps and seals to the packages containing such wines as may be prescribed by the Commissioner of Internal Revenue, with the approval of the Secretary of the Treasury. Whenever transportation of such wine is to be effected by land carriage the Commissioner of Internal Revenue, with the approval of the Secretary of the Treasury, shall prescribe such regulations as to sealing packages and vehicles containing the same, and as to the supervision of transportation from the point of departure, which point shall be determined as the place where such wine spirits may be introduced into such wines to the point of destination as may be necessary to insure the due exportation of such fortified wines:

Wine spirits
withdrawn for
exportation ex-
empt from tax.

Transportation.
Regulations.

"*Provided*, That where, in accordance with regulations of the Commissioner of Internal Revenue, with the approval of the Sec-

WAR REVENUE LAW

retary of the Treasury, wines fortified under the provisions of this Act with brandy taxable at 55 cents per proof gallon are exported directly from the winery where fortified, there shall be allowed an abatement or refund of tax equivalent to 55 cents per gallon on each proof gallon of wine spirits contained in such wine at the time of exportation, which amount of wine spirits shall be ascertained by the Commissioner of Internal Revenue under regulations approved by the Secretary of the Treasury:

Refund. *“Provided,* That such wine spirits on which abatement or refund of tax is allowed shall not exceed the total amount of alcohol in such wine over and above fourteen per centum thereof.

Recovery of wine spirits. *“SEC. 49.* That wine spirits used in fortifying wines may be recovered from such wines only on the premises of a duly authorized grape brandy distiller, and for the purpose of such recovery wine so fortified may be received as material on the premises of such a distiller, on a special permit of the collector of internal revenue in whose district the distillery is located; and the distiller will be held to pay the tax on the product from such wines as will include both the alcoholic strength therein produced by the fermentation of the grape juice and that obtained from the added distilled wine spirits:

Condition. *“Provided,* That when application for such special permit for redistillation shall be made by the producer of any wines fortified with brandy subject to the tax of 55 cents per proof gallon, before such wine shall have been removed from the premises of the winery where fortified and the redistillation is had under regulations made by the Commissioner of Internal Revenue, with the approval of the Secretary of the Treasury, an abatement or refund of the tax assessed against said producer shall be allowed equivalent to 55 cents per proof gallon of brandy contained in said spirits at the time of redistillation, which amount of brandy shall be ascertained by the Commissioner of Internal Revenue, under regulations approved by the Secretary of the Treasury, and wine spirits so recovered may be used in the manner provided by law for the fortification of other wine:

“Provided, That such wine spirits on which abatement or refund of tax is allowed shall not exceed the total amount of alcohol in such wine over and above fourteen per centum thereof.”

That section three and section six of the Act of June seventh, nineteen hundred and six, amending the laws relating to the fortification of pure sweet wines, are hereby amended to read as follows:

Gaugers and storekeepers. *“SEC. 3.* That the Commissioner of Internal Revenue is hereby authorized to assign at each winery where wines are to be fortified such number of gaugers or storekeeper gaugers, in the capacity of gaugers, for special duties as may be necessary for the proper supervision of the making and fortifying of such wines, and the compensation of such officers shall not exceed \$5 per diem while so assigned, together with their actual and necessary traveling expenses, and also a reasonable allowance for their board bills, to be fixed by the Commissioner of Internal Revenue, but not to exceed \$2 per diem for said board bills. That bonds hereafter given under the provisions of the aforesaid Act of October first, eighteen hun-

WAR REVENUE LAW

dred and ninety, as amended, shall be conditioned for the payment of the tax on all brandy removed thereunder and not used and accounted for within the time and in the manner required by law and regulations, and for the payment of all taxes imposed on the brandy so withdrawn and used for fortifications; and the said bonds shall contain such other conditions as the Commissioner of Internal Revenue, with the approval of the Secretary of the Treasury, may by regulation prescribe.

"SEC. 6. That any person who by any process recovers from wines fortified under the provisions of the aforesaid Act approved October first, eighteen hundred and ninety, as amendments thereto, any brandy or wine spirits used in the manufacture or fortification of said wine, otherwise than is provided for in said Act and its amendments, or who shall rectify, mix, or compound with distilled spirits or other materials, except as provided in this Act, such grape brandy, fortified wines or wine spirits unlawfully recovered therefrom, shall, on conviction, be punished for each such offense by a fine of not less than \$200 nor more than \$1,000. But the provisions of this section and the provisions of section thirty-two hundred and forty-four of the Revised Statutes of the United States, as amended, relating to rectification, or other internal revenue laws of the United States, shall not be held to apply to or prohibit the mixing or blending of pure sweet wines fortified under the provisions of this Act with each other or with other wines:

Unauthorized
recovery of
wine spirits.

Penalty.

Provided, That the pure sweet wines fortified under the provisions of this Act may be used in the manufacture of cordials, liqueurs, and similar compounds on which an internal revenue tax of 24 cents a gallon is imposed, and otherwise the provision of section thirty-two hundred and forty-four of the Revised Statutes of the United States shall remain in full force and effect."

SPECIAL TAXES

SEC. 3. That on and after November first, nineteen hundred and fourteen, special taxes shall be, and hereby are, imposed annually as follows, that is to say:

First. Bankers shall pay \$1 for each \$1,000 of capital used or employed, and in estimating capital surplus and undivided profits shall be included. The amount of such annual tax shall in all cases be computed on the basis of the capital, surplus, and undivided profits for the preceding fiscal year. Every person, firm or company, and every incorporated or other bank, having a place of business where credits are opened by the deposit or collection of money or currency, subject to be paid or remitted upon draft, check, or order, or where money is advanced or loaned on stocks, bonds, bullion, bills of exchange, or promissory notes, or where stocks, bonds, bullion, bills of exchange, or promissory notes are received for discount or sale, shall be a banker under this Act:

Bankers —
Computation
of
tax—defined.

WAR REVENUE LAW

(T. D. 2064.)

Emergency revenue law—Tax on undivided profits.

Method of arriving at undivided profits to be entered into the basis upon which tax on bankers, under the act of October 22, 1914, is to be computed.

TREASURY DEPARTMENT,
OFFICE OF COMMISSIONER OF INTERNAL REVENUE,
Washington, D. C., November 23, 1914.

To collectors of internal revenue, revenue agents, and others:

Subdivision 1, section 3, act of October 22, 1914, imposes an annual tax upon bankers of \$1 upon each \$1,000 of capital, surplus, and undivided profits used or employed during the preceding fiscal year.

Many inquiries have been received from bankers as to the proper method of arriving at the amount of undivided profits to be used in the basis upon which the tax is computed when such undivided profits have varied or fluctuated.

In T. D. 19797, dated July 29, 1898, it was held that the undivided profits should be figured for each business day, and the average thereof taken as the amount of undivided profits to be used in computing the tax due. In many instances it is clear that such a method would be more or less impracticable and involve too lengthy a calculation in arriving at the basis desired. Therefore, while, perhaps, the daily average of undivided profits, as set forth above, is the one absolutely accurate method by which to arrive at the amount to be entered into the total of capital, surplus, and undivided profits, this office will accept a return, under oath, from any banker where the undivided profits are computed in any manner whereby a fair and just amount is arrived at representing the average amount of the undivided profits employed by the bank during the fiscal year preceding the year for which the tax is due.

It should be understood, in the event the amount of undivided profits arrived at by the banker is questioned, that the average undivided profits should be computed for each business day, as set forth in T. D. 19797.

W. H. OSBORN,
Commissioner of Internal Revenue.

Provided, That any postal savings bank, or savings bank having no capital stock, and whose business is confined to receiving deposits and loaning or investing the same for the benefit of its depositors, and which does no other business of banking, shall not be subject to this tax.

(1) The decision of the Supreme Court in the case of *Selden v. Equitable Trust Co.* (94 U. S., 419) construes section 3407, Revised Statutes, the language of which in defining bankers is identical with section 2.

The test question as to the liability of a company or firm as bankers, as laid down in that case is whether or not, having a place of business, a firm or person is embraced in any one of the three following classes:

First. Do they have a place of business "where credits are opened (to the general public) by the deposit or collection of money or currency, subject to be paid or remitted upon draft, check, or order"?

Second. Do they have a place of business where money is advanced or loaned on collaterals (stocks, bonds, etc.)?

Third. Do they have a place of business where stocks, bonds, bullion, bills of exchange, or promissory notes are received from another person, for sale, or bills of exchange of promissory notes are received for discount, belonging to that other person? (Vol. 2, Treas. Dec. (1898), No. 20349.)

(2) Bankers, as well as all other special-tax payers, must be included in Record No. 10, kept by collectors for public inspection under section 3240,

Savings banks
exempted from
tax.

WAR REVENUE LAW

Revised Statutes; but nothing is required to be stated in the record but the name of the special-tax payer, his business, the place of business, and the time of payment of the special tax. (Vol. 2, Treas. Dec. (1898), No. 19969.)

(3) Loaning money on the personal notes of the borrowers, without collateral security, is not the business of banking contemplated by the statute. (Vol. 2, Treas. Dec. (1898), No. 20264.)

(4) When the charter of a savings bank (or other corporate bank, is surrendered, and the same persons who are officers and stockholders thereof carry on a private banking business, a new special tax is required. (Vol. 2, Treas. Dec. (1898), No. 20336.)

(5) Certain merchants receiving deposits from grain buyers and not from the general public do not thereby become bankers within the meaning of the statute. (Vol. 2, Treas. Dec. (1898), No. 20341.)

(6) City merchants who receive on deposit money from country merchants who are their customers, for the convenience of the latter, but not opening such accounts with the public generally, are not regarded as subject to special tax as bankers. (Vol. 2, Treas. Dec. (1898), No. 20342.)

(7) The receiving of employees' deposits on interest does not involve a company or firm in special-tax liability as bankers. (Vol. 2, Treas. Dec. (1898), No. 20343.)

(8) Merchants do not bring themselves within the definition of bankers by reason of selling their own drafts to their customers; they are not, on this account, required to pay special tax as bankers. (Vol. 2, Treas. Dec. (1898), No. 20365.)

(9) In the case of a bank with branches, a special tax is required of each branch, the special tax being due as to each place where the business of banking is carried on. (Sec. 3235, Rev. Stat., 1st clause; Vol. 2, Treas. Dec. (1898), No. 20397.)

(10) If two or more bankers, each of whom has paid a special tax, consolidated their business, the consolidated banking firm must pay a new special tax from the date of the consolidation. But in neither case are the capital and surplus of the old (defunct) firm to be considered in reckoning the special tax of the new firm. (Vol. 2, Treas. Dec. (1898), No. 20419.)

(11) *Bank's special tax—Change of name.*—Where a banking firm (not a corporation, changes its name, without any change in its membership, special tax is not required to be paid again on account of such change. (Vol. 2, Treas. Dec. (1899), No. 20786.)

(12) Private banks having no capital stock are subject to tax as bankers.

(13) In estimating the amount of special tax based upon capital and surplus, the amount invested in United States bonds is not to be deducted.

(14) The amount invested in a bank building is not to be deducted.

(15) A bank in liquidation, doing no business except collecting and dividing assets in closing, is not required to pay special tax.

(16) A bank engaged in business in the month of July must pay special tax for the entire year, beginning July 1.

(17) A trust company is liable as a banker if it comes within any one of the three clauses of definition in subdivision 1, section 3, act of October 22, 1914.

(18) Borrowed capital must be taken into account when estimating amount of special tax.

(19) It is not the subscribed capital, but the capital actually employed during the preceding fiscal year, that is to be taken as the basis for estimating the special tax. (Vol. 2, Treas. Dec., No. 19843.)

(20) The advancing or loaning of money by brokers on the collateral security of stocks, if these loans or advances are confined by them strictly

WAR REVENUE LAW

to customers who have given them, as brokers, orders for the purchase of stocks, and the collateral is held solely to secure themselves in filling such orders, is not regarded as involving them in special-tax liability as bankers within the meaning of the statute. (Vol. 1, Treas. Dec. (1889), No. 21152.)

Surplus on which bankers are taxed includes all surplus set apart for carrying on the general business of the bank. It also includes undivided profits. 22 A. G., Op., 320; 23 Id. 341.

(T. D. 2045.)

Emergency revenue law—Preparation of bankers' lists.

Instructions as to the preparation of special bankers' lists.

TREASURY DEPARTMENT,

OFFICE OF COMMISSIONER OF INTERNAL REVENUE,

Washington, D. C., November 6, 1914.

To collectors of internal revenue:

In view of the provisions of section 3 of the act approved October 22, 1914, imposing a special tax on bankers (for which special-tax stamps are not provided), each collector will, on or before the 10th of December, 1914, and on or before August 10, 1915, prepare and forward to this office a *special bankers' list* for the preceding month.

This list will be prepared on blanks prescribed for the regular assessment list, Form 23, and will be arranged alphabetically, (first) by names of cities or other places, and (second) by names of bankers in each city or other place in which two or more banks are located. If the district comprises two or more States or Territories, the names of the bankers should be arranged as above under the names of the States and Territories, also alphabetically arranged.

The heading of column 3 should be changed to read, "Amount of capital," and in this column will be entered the amount of capital, *including the surplus and undivided profits*, employed in business during the last fiscal year.

In column 4 will be entered the period, as "8 months ending June 30, 1915," "6 months ending December 31, 1915."

In column 5 of the November list will be entered the amount of tax computed on the basis of eight twelfths of the tax at \$1 for each \$1,000 of capital reported in column 3 in each case, as provided above.

In column 6 will be entered the basis of the assessment as now required by the regulations of this office, and in column 7 will be entered the date of the receipt of Form 457.

Bankers whose returns are received after the special bankers' list has been forwarded and those commencing business subsequent to the month of November will be reported on the regular assessment lists, Form 23.

Collectors will receipt for the amounts assessed on the special bankers' list on a special receipt, Form 23½.

W. H. OSBORN,
Commissioner of Internal Revenue.

WAR REVENUE LAW

Second. Brokers shall pay \$30. Every person, firm, or company, whose business it is to negotiate purchases or sales of stocks, bonds, exchange, bullion, coined money, bank notes, promissory notes, or other securities, for themselves or others, shall be regarded as a broker:

Brokers — defined.

Provided, That any person having paid the special tax as a banker shall not be required to pay the special tax as a broker.

Bankers not taxable as brokers.

(21) The loaning of money for oneself or for others on commission does not subject the lender to special tax as a broker; but if a person makes it a business to negotiate purchases or sales of stocks, bond, exchange, bullion, coined money, bank notes, promissory notes, or other securities, for himself or others, he is required to pay the tax. "It is only when making sales and purchases is his business, his trade, his profession, his means of getting his living, or making his fortune that he becomes a broker within the meaning of the statute." (Warren et al. v. Shook, 91 U. S., 704.)

(22) Persons or firms acting as agents for parties loaning money upon promissory notes secured by mortgages are not brokers.

(23) A lawyer can make investments for clients without being liable, unless he does it to such an extent that it can be called a "business."

(24) Loan and mortgage companies not liable for loaning money on notes or bonds secured by mortgage or trust deed on real estate. If they purchase notes, bonds, or other securities they become liable as brokers.

(25) A person engaged in the business of placing loans secured by notes and mortgages upon real estate, acting simply as agent, receiving a commission for his services in obtaining the application for the loan and attending to the execution of the papers, is not a broker.

(26) A person engaged in the business of selling real estate, acting as the agent of the owner in finding purchasers and receiving a commission for his services, is not a broker.

(27) When persons negotiate purchases or sales of promissory notes, if these are only occasional acts and do not constitute their regular business, they are not brokers within the meaning of the act.

(28) Bucket-shop proprietors giving memorandum of transactions are required to pay special tax as brokers.

(29) The principal's special-tax stamp for his place of business in another city covers the transactions only at that place of business and can not cover the business done elsewhere at a branch office.

(30) Broker's tax is not required to be paid at branch offices where a clerk is employed whose sole duty is to receive orders and transmit them by wire to the head of the office. The mere receipt and transmission by clerks of orders is not regarded as carrying on the business of a broker. (Vol. 2, Treas. Dec., No. 19843.)

(31) Special tax must be paid for every branch office where the employee in charge not only receives and transmits orders with the money to the main office, but also receives from the main office moneys for disbursement to customers, or keeps accounts with the customers at the branch office, or does other business with relation to the transaction of brokers at such branch office. Separate special tax must be paid and a separate stamp taken out for every "bucket shop," whether such office is called a branch office or a main office. (Vol. 2, Treas. Dec. (1898), No. 20374.)

(32) It is the language of the statute, and not the ordinary and usual meaning of the word "broker," which must govern in determining who is a broker required to pay a special tax. (Vol. 1, Treas. Dec. (1899), No. 20549.)

WAR REVENUE LAW

(33) While a mining syndicate or other association issuing certificates of stock in a company organized by it is not required to pay a special tax as a broker therefor, a manager or other person employed by it to sell such certificates on commission is a broker and required to pay special tax. (Vol. 1, Treas. Dec. (1899), No. 20037.)

(34) An express or railway agent doing business for his principals only, not a broker. (Vol. 1, Treas. Dec. (1898), No. 10106.)

(35) Bills of exchange, bonds for the payment of money, and promissory notes are in the popular acceptance of the term "securities" for money. (Jennings v. Davis, 31 Conn., 139.)

(36) Securities: "Evidences of indebtedness." "Written assurance for the return or payment of money." (Anderson's Dictionary of Law.)

(37) Proprietors of bucket shops who issue memoranda of their transactions in stocks and in cotton, grain, etc., even though they sell only "futures," are required to pay special tax both as brokers and as commercial brokers. (Vol. 2, Treas. Dec. (1899), No. 21007.)

(38) Loan and mortgage companies are not liable for special tax as brokers unless they engage in the sale of the securities on which they make loans. When they engage in such sales they become brokers and are required to pay special tax accordingly. (Vol. 2, Treas. Dec. (1899), No. 21620.)

(39) An express company engaged in the business of buying or selling foreign money or bills of exchange is required to pay special tax as a broker. (Vol. 2, Treas. Dec. (1899), No. 21709.)

(40) No person or firm liable to special tax for simply buying or selling real estate on commission. (T. D. 19755.)

(41) Business of selling land on commission, taking applications for farm loans, and writing insurance, is not the business of a broker, and special tax is not required. (T. D. 19872.)

(42) Purchase of State, county, school, or district orders, or warrants, by any person does not subject him to special tax as a broker, if not done to an extent constituting it his business. (T. D. 19885.)

(43) Broker's special tax not required for negotiating loans of money. (T. D. 19894.)

(44) Occasional transactions in sale of sight draft do not necessitate the payment of special tax as broker. (T. D. 19937.)

(45) Only those whose business it is to negotiate purchases or sales of the securities contemplated by paragraph two of section 2, act of June 30, 1898 (subdivision 2, of section 3, act of October 22, 1914), are brokers and liable to tax. (T. D. 19940.)

(46) Special tax not required to be paid by a person because of the fact of his holding a seat on the stock exchange, if he transacts no business, directly or indirectly. (T. D. 19943.)

(47) Special tax as broker not required for the mere cashing of checks for customers by merchants. (T. D. 20026.)

(48) Persons whose practice it is to buy fee bills of witnesses are not brokers. Such paper is not properly described by any of the terms used in the law, to wit, "stocks, bonds, exchange, bullion, coined money, bank notes, promissory notes, or other securities." (T. D. 21647.)

An express company which issues money orders and travelers' checks is not taxable as a broker. 23 A. G., Op. 139.

**Pawnbrokers
defined.**

Third. Pawnbrokers shall pay \$50. Every person, firm or company whose business or occupation it is to take or receive, by way of pledge, pawn, or exchange, any goods, wares, or merchandise, or

WAR REVENUE LAW

any kind of personal property whatever, as security for the repayment of money loaned thereon, shall be deemed a pawnbroker.

The actual value of securities pledged is immaterial in computing the tax. 22 A. G., Op. 219.

(49) A person is not required to pay a special tax as a pawnbroker for rare or occasional acts, which can not be regarded as his business or occupation. (Circular No. 508, Aug. 8, 1898; Vol. 2, Treas. Dec. (1898), No. 19843.)

(50) Special tax of pawnbroker not required to be paid for making loans when the chattels are not taken or received by way of pledge, pawn, or exchange. (T. D. 20552.)

(51) A person using no tickets in his business, but making a pretense of buying articles which are brought to him, which he holds with a verbal agreement that the articles can be bought back again by the person selling them, upon the payment of a specified bonus, is liable to special tax as pawnbroker. (T. D. 20439.)

Fourth. Commercial brokers shall pay \$20. Every person, firm, or company whose business it is as a broker to negotiate sales or purchases of goods, wares, produce, or merchandise, or to negotiate freights and other business for the owners of vessels, or for the shippers or consignors or consignees of freight carried by vessels, shall be regarded as a commercial broker under this Act.

Commercial
brokers — de-
fined.

(52) Commercial brokers are those persons only who, without having in their possession goods, wares, or merchandise, negotiate sales or purchases thereof on commission. (Vol. 2, Treas. Dec. (1898), No. 20416.)

(53) Commission merchants who receive goods in possession to sell for others are not commercial brokers. The difference between a factor or commission merchant and a broker is that a factor may buy and sell in his own name and has the goods in his possession, while a broker, as such, can not ordinarily buy or sell in his own name and has no possession of the goods sold. (*Slack v. Tucker*, 23 Wall., 321.)

(54) Cattle brokers, who receive and sell cattle on commission, are not required to pay special tax as commercial brokers.

(55) A person who is employed by certain firms to solicit and receive orders on commission for their goods and is bound by his agreement with them to give his entire services to them, to the exclusion of other firms or persons, not a commercial broker.

(56) Warehousemen who receive tobacco, cotton, or any other produce or goods on consignment for sale on commission are not liable as commercial brokers, but are liable as commission merchants under act of October 22, 1914.

(57) Auctioneers who receive and sell goods at their auction rooms or on the premises of the owners on commission are not subject to special tax as commercial brokers.

(58) Drug brokers are subject to the special tax.

(59) If cotton buyers have possession of cotton which they sell, they are not liable as commercial brokers; if they have not, and sell on commission, they are liable.

(Circular No. 508, Vol. 2, Treas. Dec. (1898), No. 19843.) *

(60) Persons representing cigar manufacturers who are furnished with samples and send orders to factories, receiving a commission for furnishing orders, are liable as commercial brokers. (T. D. 19575.)

(61) Warehouse receipts for grain transferred through elevators liable —Brokers must pay special tax at branch offices. (T. D. 19615.)

WAR REVENUE LAW

(62) Definition of commercial broker. Settled ruling, modifying prior rulings. (Vol. 2, Treas. Dec. (1898), No. 20417.)

Decision of Comptroller Tracewell. (VI Comp. Dec., 545.)

(63) Persons whose business it is to obtain orders from those who desire to buy goods, and who purchase, receive, and forward the goods to their customers, are not on this account commercial brokers, nor are they required to pay special tax under the act of June 13, 1898, for such business, though they make a profit therein through discounts allowed them by merchants and commissions paid them by their customers—"Installment purchasers," who have running accounts at stores and give orders to their customers, on which orders these customers themselves buy and receive goods, are required to pay special tax as commercial brokers. (T. D. 19884.)

(64) A firm negotiating sales of goods not shipped to them nor held in their possession before being sold, but shipped from other points direct to purchasers from the mills, they being liable for all sales and doing their own "billing," making settlements with the mills at the end of each month, retaining a stipulated commission, held to be liable to tax as commercial brokers. (T. D. 19938.)

(65) Persons representing several houses in the negotiation of sales of goods on commission (the goods not being in their possession), if they are not bound by agreement to act solely for these houses, but are at liberty to engage in the same transactions for other houses, are commercial brokers, and must pay special tax as such. (T. D. 19966.)

(66) Special tax is not required to be paid for representing one, two, or three firms to solicit and receive orders, if person is bound by agreement to give his entire service to them. (T. D. 20117.)

(67) Leaf tobacco dealers, who are also engaged in the business of negotiating the purchase of tobacco as agents for others, on commission, are commercial brokers under the fourth paragraph of section 2 of the war-revenue act. (T. D. 20592.)

Fifth. Custom-house brokers shall pay \$10. Every person, firm, or company whose occupation it is, as the agent of others, to arrange entries and other custom-house papers, or transact business at any port of entry relating to the importation or exportation of goods, wares, or merchandise, shall be regarded as a custom-house broker.

(68) If the complete business of customhouse brokers is transacted by parties at offices at different ports of one district, a separate and distinct special tax must be paid for each of their offices, under the provisions of section 3235, Revised Statutes, page 114. (Circular No. 508, Aug. 8, 1898; vol. 2, T. D., No. 19843.)

(69) Transactions for which customhouse brokers' special tax is not required to be paid. Vol. 2, T. D. (1898), No. 20106.)

(70) A special-tax stamp taken out by a person in his own name as a customhouse broker is sufficient to cover the business done by him in his own name, at the place of business stated therein, whether such business is done by him on his own account or as an agent for other persons. (T. D. 20206.)

(71) Bills of sale of vessel property are "customhouse papers" in contemplation of the statute, and a person "whose occupation it is, as the agent of others," to prepare such bills of sale is required to pay special tax as a customhouse broker. (T. D. 20321.)

(72) Persons whose occupation it is, as agents for others, to enter and clear vessels at the customhouse, can not be relieved from payment of special

Customhouse
brokers — de-
fined.

WAR REVENUE LAW

tax as customhouse brokers on the ground that they have paid special tax as commercial brokers, which entitles them "to negotiate freights or other business for the owners of vessels." (T. D. 20725.)

Sixth. Proprietors of theaters, museums, and concert halls, where a charge for admission is made, having a seating capacity of not more than two hundred and fifty, shall pay \$25; having a seating capacity of more than two hundred and fifty and not exceeding five hundred shall pay \$50; having a seating capacity of exceeding five hundred and not exceeding eight hundred, shall pay \$75; having a seating capacity of more than eight hundred, shall pay \$100. Every edifice used for the purpose of dramatic or operatic or other representations, plays, or performances, for admission to which entrance money is received, not including halls or armories rented or used occasionally for concerts or theatrical representations, shall be regarded as a theater:

Theatres, museums and concert halls — defined.

Provided, That whenever such edifice is under lease at the passage of this Act, the tax shall be paid by the lessee, unless otherwise stipulated between the parties to said lease.

(73) Persons are not required to pay special taxes for the mere occasional renting of their hall for public performances to dramatic companies or other persons charging entrance money therefor, but the special tax of \$10 is required to be paid by such persons or companies if they give dramatic performances or the other exhibitions specifically mentioned in paragraph 8, section 2. (Subdivision 6, Sec. 3, Act Oct. 22, 1914.)

(74) Where theaters are entirely closed to performance during the months of July and August, and only open in the month of September, the special tax is to be reckoned from the 1st day of September to the 1st day of July following, at the rate of \$100 for the year beginning July 1. (Nov. 1, 1914, to June 30, 1915, current year.) (Circular No. 508, Aug. 8, 1898; Vol. 2, Treas. Dec., No. 19843.)

(75) Moving-picture shows taxable as theaters under Section 6. (T. D. 2040.)

(76) A special-tax stamp taken out by the lessees of a theater can not, upon their transferring their lease to other persons, be transferred and made to answer for the latter persons in conducting the theater. (T. D. 20396.)

(T. D. 2040.)

Emergency revenue law—Motion-picture theaters.

Motion-picture theaters classed as taxable under the sixth paragraph of section 3, act of October 22, 1914.

TREASURY DEPARTMENT,
OFFICE OF COMMISSIONER OF INTERNAL REVENUE,

Washington, D. C., November 3, 1914.

SIR: Replying to your communication of the 26th ultimo, you are informed that after careful consideration this office has reached the conclusion that motion-picture theaters come under the sixth paragraph of section 3 of the act of October 22, 1914, and therefore are taxable as theaters.

Respectfully,

G. E. FLETCHER,

Acting Commissioner of Internal Revenue.

COLLECTOR, ELEVENTH DISTRICT, Columbus, Ohio.

Circuses — defined.

Seventh. The proprietor or proprietors of circuses shall pay \$100. Every building, space, tent, or area where feats of horsemanship or acrobatic sports or theatrical performances not otherwise provided for in this Act are exhibited, shall be regarded as a circus:

Payment of special tax in one state not an exemption in another.

Provided, That no special tax paid in one State, Territory or the District of Columbia shall exempt exhibitions from the tax in another State, Territory, or the District of Columbia, and but one special tax shall be imposed for exhibitions within any one State, Territory, or District.

(77) Exhibitions of feats of horsemanship (such as are seen in circuses), which occur on race tracks, are subject to a special tax of \$100; but mere tests of speed of horses in racing are not regarded as "feats of horsemanship" within the meaning of paragraph 7 of section 2, act of June 13, 1898. (Subdivision 7, sec. 3, act of Oct. 22, 1914.)

(78) Variety shows, whether given at summer resorts or elsewhere, which include "acrobatic sports," come within the definition of a circus in the statute which requires special tax therefor.

(79) When a circus is exhibiting in any State in the month of July, the special tax of \$100 is required to be paid for the year beginning July 1. If in the following month the circus goes into another State, the special tax at the rate of \$100 for the year is to be reckoned from the 1st day of August to the 1st day of July following, and a separate special-tax stamp must be taken out accordingly for that State, and so on.

(80) The "theatrical performances" contemplated by paragraph 7, section 2, of the act of June 13, 1898 (subdivision 7, sec. 3, act of Oct. 22, 1914), are only those which are given in connection with a circus.

(81) A show under canvas exhibiting, among other things, acrobatic and athletic exercises, but no feats of horsemanship, and having no menagerie, is not subject to special tax as a circus (\$100) under paragraph 7 of section 2, act of June 13, 1898, if the acrobatic exercises are so few and simple as to make it unreasonable to hold that they constitute the show a circus. (T. D. 19944.)

(82) A small wagon show having no "circus feats," but only "such acts as trapeze, wire walking, trained ponies, singing, and dancing," is not to be regarded as a circus within the meaning and intent of paragraph 7 of section 2, act of June 13, 1898. It is a show coming under the eighth paragraph, for which the special tax of \$10 is required to be paid. (T. D. 19975.)

Exhibitions not enumerated herein.

Eighth. Proprietors or agents of all other public exhibitions or shows for money not enumerated in this section shall pay \$10:

Provided, That a special tax paid in one State, Territory, or the District of Columbia shall exempt exhibitions from the tax in another State, Territory, or the District of Columbia, and but one special tax shall be required for exhibitions within any one State, Territory, or the District of Columbia:

Provided further, That this paragraph shall not apply to Chautauquas, lecture lyceums, agricultural or industrial fairs, or exhibitions held under the auspices of religious or charitable associations.

(83) The show of a medicine vender (consisting of various "athletic, humorous, and comic performances," there being given also an exhibition of ropewalking and trapeze performance, the object being merely to attract a crowd), liable to a tax of \$10 under paragraph 8, act of June 13, 1898, instead of 100 under paragraph 7. (T. D. 19830.)

(84) The "theatrical performances" contemplated by this paragraph are only those which are given in connection with a circus.

(85) Agricultural associations are required to pay a special tax at the rate of \$10 for exhibitions, including horse racing.

(86) Exhibitions and shows given on fair grounds, but not under management of the fair association, are required to pay special tax.

(87) A lecturer using a stereopticon to illustrate his lectures, and charging an admission fee, is liable to the special tax as giving a public exhibition or show for money.

(88) If an exhibition is given in more than one State the law requires payment of special tax for every such State.

(89) Amateur theatrical exhibitions, either in private houses or licensed public halls, for payment of expenses incurred in giving the exhibition and not for pecuniary profit of the performers or the manager, are not such performances as are subject to tax.

Amateur clubs or local organizations giving exhibitions, even though they charge an admission price, are not required to pay special tax therefor if the proceeds are not for pecuniary profit of the clubs or associations, but are devoted to come charitable or public object and payment of expenses. (Vol. 1, Treas. Dec. (1899), No. 20840.)

(90) Concert gardens where no admission fee is charged, but where beer and other drinks are sold and shows or stage entertainments are given, are within the meaning of this paragraph, and the special tax of \$10 must be paid therefor. (Vol. 2, Treas. Dec. No. 19843.)

(91) Exhibitions and shows for which special tax *is required* to be paid. (Vol. 2, Treas. Dec. (1898), Decisions Nos. 19749, traveling shows; 19826-19830, medicine vender's show; 19873, horse races; 19968, exhibition at park or gardens; 19976, exhibition or show in a saloon; 20121, nickel-in-slot machine, liable under certain conditions; 20190, exhibitions by an athletic association; 20261, phonograph parlor; 20270, concert hall.)

(92) Entertainments for which special tax *is not required* to be paid. (Vol. 2, Treas. Dec. (1898), Decisions Nos. 19752, amateur theatricals; 19941, halls; 19977, lecturers or elocutionists; 20029, circus performances at county fairs; 20115, merry-go-round; 20123, illustrated lectures (educational association exclusively); 20124, harvest show; 20165, fortune telling; 20228, football, baseball, etc.; 20242, theatrical entertainment for benefit of fire department; 20273, bands in city parks; 20314, pianoforte lecture recital; 20319, store show (monkeys); 20337, university exhibitions.)

(93) Special tax is not required to be paid by proprietors of restaurants or cafes for employing bands of music or orchestras during meal hours for the benefit of their patrons, no admission price being charged and no performance or exhibition being given in connection therewith. Former rulings tending to a different conclusion modified. (Vol. 2, Treas. Dec. (1899), No. 21522.)

(94) An entertainment given by a railway company, to which no admission price is charged, is not regarded as an exhibition or show for money. (Vol. 2, Treas. Dec. (1899), No. 21559.)

(95) Special tax not required for bands of music playing in saloons to which no price of admission is charged, and where persons visiting such places are not under any obligation to buy. (Vol. 2, Treas. Dec. (1899), No. 21636.)

Ninth. Proprietors of bowling alleys and billiard rooms shall pay \$5 for each alley or table. Every building or place where bowls are thrown or where games of billiards or pool are played, and that are

Bowling Alleys,
Billiard Rooms
—defined:

open to the public with or without price, shall be regarded as a bowling alley or a billiard room, respectively.

(96) Social clubs open only to members are not required to pay special tax on billiard tables. (Circular No. 508, Aug. 8, 1898; vol. 2, Treas. Dec., No. 19843.)

(97) Club not required to pay special tax on its billiard tables. (Vol. 2, Treas. Dec. (1898), No. 19743.)

(98) A person for the time being in the possession and control of a billiard table in a place or building open to the public is prima facie the proprietor of a billiard room and liable to pay the special tax therefor, even if the general property and ultimate control of the table or place, or either of them, be in some one else. (United States *v.* Howard, 13 Int. Rev. Rec., 118.)

(99) Special-tax stamp to be issued for each bowling alley, pool or billiard table. (Vol. 2, Treas. Dec. (1898), No. 19610.)

(100) Bagatelle table not liable to special tax. (Vol. 2, Treas. Dec. (1898), No. 20102.)

(101) Tivoli table not liable to special tax. (Vol. 2, Treas. Dec. (1898), No. 20126.)

(102) Bowling alley at Sunday-school picnics or at colleges, special tax not required. (Vol. 2, Treas. Dec. (1898), Nos. 19890-20021.)

(103) When a person who has taken out a special-tax stamp for a bowling alley closes this alley and thereafter opens another to the public, the stamp may be transferred to the latter bowling alley under the provisions of section 3241, Revised Statutes, if it remains in his ownership and control. (Vol. 2, Treas. Dec. (1899), No. 21495.)

(104) In every building or place where bowls are thrown, each division or track is a separate alley, for which the special tax of \$5 must be paid. (Vol. 2, Treas. Dec. (1899), No. 21606.)

Tenth. Commission merchants shall pay \$20. Every person, firm, or company whose business or occupation it is to receive into his or its possession any goods, wares, or merchandise to sell the same on commission shall be regarded as a commission merchant:

Provided, That any person having paid the special tax as a commercial broker shall not be required to pay the special tax as a commission merchant:

Provided further, That this provision shall not apply to commission houses run upon a cooperative plan.

Not taxed under act June 30, 1909; hence no Treasury Decisions thereon.

TOBACCO DEALERS AND MANUFACTURERS

SEC. 4. That on and after November first, nineteen hundred and fourteen, special taxes on tobacco dealers and manufacturers shall be and hereby are imposed annually as follows, the amount of such annual taxes to be computed in all cases on the basis of the annual sales for the preceding fiscal year:

Dealers in leaf tobacco whose annual sales or transfers do not exceed fifty thousand pounds shall each pay \$6. Dealers in leaf tobacco whose annual sales or transfers exceed fifty thousand and

Leaf Tobacco
Dealers whose
annual sales ex-
ceed 1,000 lbs.

WAR REVENUE LAW

do not exceed one hundred thousand pounds shall pay \$12, and if their annual sales or transfers exceed one hundred thousand pounds shall pay \$24:

Provided, That dealers in leaf tobacco whose annual sales or transfers do not exceed one thousand pounds shall be exempt from the tax herein imposed on dealers in leaf tobacco.

Dealers in tobacco, not specially provided for in this section, whose annual receipts from the sale of tobacco exceed \$200, shall each pay \$4.80 for each store, shop, or other place in which tobacco in any form is sold.

Every person whose business it is to sell, or offer for sale, manufactured tobacco, snuff, cigars, or cigarettes shall be regarded as a dealer in tobacco:

Provided, That no manufacturer of tobacco, snuff, cigars, or cigarettes shall be required to pay a special tax as a dealer in manufactured tobacco, snuff, cigars, or cigarettes for selling his own products at the place of manufacture.

Manufacturers of tobacco whose annual sales do not exceed one hundred thousand pounds shall each pay \$6.

Manufacturers of tobacco whose annual sales exceed one hundred thousand and do not exceed two hundred thousand pounds shall each pay \$12.

Manufacturers of tobacco whose annual sales exceed two hundred thousand and do not exceed four hundred thousand pounds shall each pay \$24.

Manufacturers of tobacco whose annual sales exceed four hundred thousand and do not exceed one million pounds shall each pay \$60.

Manufacturers of tobacco whose annual sales exceed one million and do not exceed five million pounds shall each pay \$300.

Manufacturers of tobacco whose annual sales exceed five million and do not exceed ten million pounds shall each pay \$600.

Manufacturers of tobacco whose annual sales exceed ten million and do not exceed twenty million pounds shall each pay \$1,200.

Manufacturers of tobacco whose annual sales exceed twenty million pounds shall each pay \$2,496.

Manufacturers of cigars whose annual sales do not exceed one hundred thousand cigars shall each pay \$3.

Manufacturers of cigars whose annual sales exceed one hundred thousand and do not exceed two hundred thousand cigars shall each pay \$6.

Manufacturers of cigars whose annual sales exceed two hundred thousand and do not exceed four hundred thousand cigars shall each pay \$12.

Manufacturers of cigars whose annual sales exceed four hundred thousand and do not exceed one million cigars shall each pay \$30.

Manufacturers of cigars whose annual sales exceed one million and do not exceed five million cigars shall each pay \$150.

Manufacturers of cigars whose annual sales exceed five million and do not exceed twenty million cigars shall each pay \$600.

Manufacturers of cigars whose annual sales exceed twenty million and do not exceed forty million cigars shall each pay \$1,200.

Dealers whose annual sales less than 1,000 lbs. exempt from tax.

Dealers in tobacco whose annual receipts exceed \$200.

Dealers — defined.

No manufacturer shall be taxed as a dealer.

Manufacturers of tobacco.

Manufacturers of cigars.

WAR REVENUE LAW

Manufacturers of cigars whose annual sales exceed forty million cigars shall each pay \$2,496.

Manufacturers of cigarettes whose annual sales do not exceed one million cigarettes shall each pay \$12.

Manufacturers
of cigarettes.

Manufacturers of cigarettes whose annual sales exceed one million and do not exceed two million cigarettes shall each pay \$24.

Manufacturers of cigarettes whose annual sales exceed two million and do not exceed five million cigarettes shall each pay \$60.

Manufacturers of cigarettes whose annual sales exceed five million and do not exceed ten million cigarettes shall each pay \$120.

Manufacturers of cigarettes whose annual sales exceed ten million and do not exceed fifty million cigarettes shall each pay \$600.

Manufacturers of cigarettes whose annual sales exceed fifty million and do not exceed one hundred million cigarettes shall each pay \$1,200.

Manufacturers of cigarettes whose annual sales exceed one hundred million cigarettes shall each pay \$2,496.

Manufacturer
—defined.

In arriving at the amount of license tax to be paid hereunder, and in the levy and collection of such tax, each person, firm, or corporation engaged in the manufacture of cigars, cigarettes (including little cigars), or tobacco shall be considered and deemed a single manufacturer.

Penalty for
failure to pay
tax.

And every person who carries on any business or occupation for which special taxes are imposed by this Act, without having paid the special tax herein provided, shall, besides being liable to the payment of such special tax, be deemed guilty of a misdemeanor, and upon conviction thereof shall pay a fine of not more than \$500, or be imprisoned not more than six months, or both, at the discretion of the court:

Provided, That the special taxes imposed by this Act and payable during the special tax year ending June thirtieth, nineteen hundred and sixteen, shall be collected and paid proportionately for the period during which such taxes shall remain in force during said year.

(T. D. 2061.)

Emergency revenue law—Special tax—Tobacco dealers and manufacturers.

Regulations and information as to certain requirements of act of October 22, 1914, together with synopsis of decisions made under the act of June 13, 1898, which will be given weight in determining similar questions arising under the emergency revenue act of October 22, 1914.

TREASURY DEPARTMENT,
OFFICE OF COMMISSIONER OF INTERNAL REVENUE,

Washington, D. C., November 10, 1914.

In answer to numerous inquiries, the following information as to certain requirements of the act of October 22, 1914, is given:

The law provides that each person, firm, or corporation engaged in the manufacture of cigars, cigarettes (including little cigars), or tobacco shall be considered and deemed a single manufacturer.

Each manufacturer of cigars therefore is required to pay but one special tax at the appropriate rate, no matter how many factories are operated under

WAR REVENUE LAW

his exclusive ownership and control. Ownership by one corporation manufacturing cigars, cigarettes, or tobacco of a part or all of the stock of another corporation, also bonded as a manufacturer, is not exclusive ownership or control of the latter, which is a separate legal entity and must pay a separate special tax.

A corporation which is engaged in the manufacture of cigars and also of cigarettes or tobacco must pay a separate special tax as manufacturer of cigars and as manufacturer of cigarettes or as manufacturer of tobacco, or both, as the case may be.

For the purposes of calculating the rate of tax under this act, all tobacco cigarettes, commonly known as "little cigars," are rated as cigarettes.

Where more than one factory or branch is operated by the same manufacturer, the special tax shall be paid to the collector of the district where the principal factory or place of business is located, and the special tax stamp will be posted at such factory or place of business. The collector issuing the special-tax stamp will also issue as many certificates that the tax has been duly paid to him as may be necessary to cover each factory operated by the tax-payer, and one of such certificates must be posted in a conspicuous place at each of such factories. In making return for special tax the manufacturer will file a sworn statement of production, including all factories or branches, for the preceding fiscal year. The return should state separately the factory number, district, and State as to each factory operated, the output of each factory, and the aggregate output of all factories upon which the special tax is calculated.

The law provides that the amount of the annual tax is to be computed in all cases on the basis of the annual sales of the preceding fiscal year, and the basis of computation is the total sales during the year, whether business is conducted during the whole or only a part of the year.

Dealers or manufacturers who were not engaged in such business during the preceding fiscal year must procure special-tax stamps before commencing business. The special-tax stamp purchased at the commencement of business may be of such grade as, in the opinion of the dealer or manufacturer, may be required to cover his business for the fiscal year, but when the limit of sales allowed under such stamp is reached, the dealer or manufacturer must procure a stamp of a higher grade, so that his liability to special tax on the basis of sales as provided by law will at all times be covered.

Peddlers of tobacco, whose annual receipts exceed \$200, are liable to special tax at the rate of \$4.80 per annum. The special-tax stamp in such cases, like special-tax stamps for dining cars, will cover sales made in the United States and should be carried by the peddler on his person, or posted in his wagon, or other conveyance, if he has one.

Return for register, Form 277, should be made and certificate of registry should be issued *only* in the case of dealers in leaf tobacco, including retail dealers in leaf tobacco, whose sales do not exceed 1,000 pounds and who are exempt from special tax.

Dealers in tobacco and dealers in leaf tobacco, including retail dealers in leaf tobacco claiming exemption from special tax under the provisions of this act, will be required to establish same under oath.

Attached hereto is published for the guidance and information of all concerned a synopsis of decisions made under the act of June 13, 1898, which will be given considerable weight in determining similar questions arising under the present act.

W. H. OSBORN,

Commissioner of Internal Revenue.

Approved.

W. G. McADOO,

Secretary of the Treasury.

(1) A manufacturer of tobacco or cigars can not sell at retail at place of manufacture. (16 Op. Atty. Gen., 89; 24 Int. Rev. Rec., 227; Crisp v. Proud, 24 *ibid.*, 340; Ludloff v. United States, 108 U. S., 176; 29 Int. Rev. Rec., 125.)

(2) Special tax liability of a person buying leaf tobacco exclusively for export by himself. (T. D. 28.)

WAR REVENUE LAW

(3) Liability to special tax of tobacco dealers and manufacturers under the act of June 13, 1898. (T. D. 138.)

(4) As to the penalty for failure to make return on Form 11 of special taxes incurred. (T. D. 19748.)

(5) Manufacturers can not pack goods of another factory on goods made at their own factory. Manufacturers selling their own products at place of manufacture not required to pay special tax as dealers in tobacco. Manufacturers are not permitted to pack stamped packages of smoking tobacco or stamped caddies of plug tobacco between the chime and the head or bottom of such packages. (T. D. 19765.)

(6) Dealers in leaf tobacco who improperly qualify as manufacturers of cigars for the purpose of dealing in cigar cuttings, and who made no cigars last year, are not liable to special tax as manufacturers of cigars, but such persons will be required to close their business as cigar manufacturers and may qualify as manufacturers of tobacco. (T. D. 19801.)

(7) Dealers in leaf tobacco, and manufacturers of tobacco or cigars, who were not engaged in business last fiscal year, required on commencing business to pay minimum rate of special tax, and when sales during the year reach an amount requiring payment of higher rate, will make return and pay tax at the higher rate. (T. D. 19822.)

(8) Persons who have qualified as manufacturers of tobacco for the sole purpose of handling and dealing in stems, refuse scraps, cuttings, clippings, and sweeping of tobacco are required to register and pay the minimum rate of special tax imposed on manufacturers of tobacco. (T. D. 19844.)

(9) Manufacturers of tobacco, snuff, or cigars may, under special permit, * * * sell stemmed or unstemmed leaf tobacco to other qualified manufacturers of tobacco, snuff, or cigars without being required to register and pay special tax as dealers in (leaf) tobacco. Special permits are only granted when it is ascertained that the manufacturer has material on hand which he finds not suitable for his business. (T. D. 19876.)

(10) A farmer who sells and delivers leaf tobacco of his own raising is not required to make return or pay special tax as dealer in leaf tobacco. (T. D. 19962.)

(11) Auction sales of tobacco in warehouses, or at "tobacco breaks," subject to tax same as upon sales of "any products or merchandise at any exchange or board of trade, or other similar place." (T. D. 19972.)

(12) No provision of law by which a special-tax stamp issued to one person can be transferred to and made use of by any other person, except in the single instance of the death of the special-tax payer, expressly provided for by section 3241, Revised Statutes. (T. D. 20153.)

(13) Where farmer or producer brings product to market and sells it in his own name through an auctioneer, the sales will come within the scope of a sale made at an auction house, and stamp tax and memorandum of sale is not required. (T. D. 20236.)

(14) Under existing law the farmer or grower of tobacco has the right to sell tobacco of his own growth and raising to any person and in any quantity which may be desired, provided its condition has not been changed in any manner. This is a personal privilege and can not be delegated by him to another person. The farmer can not employ another person to travel from place to place to sell and deliver tobacco to consumers, nor has he the right to place the tobacco in the hands of another person to be sold for him to consumers, but he may place it in the hands of a qualified dealer in leaf tobacco to be sold on commission to other qualified dealers, or to manufacturers of tobacco or cigars, or to persons who buy leaf tobacco in packages for export. (T. D. 20482.)

(15) Warehousemen who sell leaf tobacco on commission are required to pay special tax as leaf tobacco dealers; and if they neither acquire possession of, nor right or title to, leaf tobacco, which they sell on commission as agents for others, they must also pay special tax as commercial brokers. (T. D. 20603.)

(16) A manufacturer purchasing large quantities of leaf tobacco, exceeding the demands of his factory, for the purpose of reselling his surplus to other manufacturers, must be regarded as engaged in and carrying on

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the business of a dealer in leaf tobacco, and will be required to make return and pay special tax as dealer in leaf tobacco at some place not connected with the factory. (T. D. 20605.)

(17) Dealers in leaf tobacco who have several warehouses at which they receive tobacco, and from which the same is delivered to the purchaser, required to pay special tax at each place. (T. D. 20638.)

The imposing an additional tax on tobacco on which the tax had already been paid is constitutional. *Patton v. Brady*, 184 U. S., 616.

ADHESIVE STAMPS

SEC. 5. That on and after the first day of December, nineteen hundred and fourteen, there shall be levied, collected, and paid, for and in respect of the several bonds, debentures, or certificates of stock and of indebtedness, and other documents, instruments, matters, and things mentioned and described in Schedule A of this Act, or for or in respect of the vellum, parchment, or paper upon which such instruments, matters, or things, or any of them, shall be written or printed by any person or persons, or party who shall make, sign, or issue the same, or for whose use or benefit the same shall be made, signed, or issued, the several taxes or sums of money set down in figures against the same, respectively, or otherwise specified or set forth in the said schedule.

Tax on bonds,
stock certifi-
cates, etc.

* By whom paid.

REGULATIONS.

Section 5 of the act of October 22, 1914, provides under the title of adhesive stamps, for the collection, on and after December 1, 1914, of certain taxes on documents, instruments, and things mentioned and described in Schedule A of said act, as follows:

STAMP DUTIES ON AND AFTER DECEMBER 1, 1914.

Schedule A.—Documentary.

1. Bonds, debentures, or certificates of indebtedness of any association, company, or corporation, on each \$100 of face value or fraction thereof	\$.05
2. On each original issue of certificates of stock, whether on organization or reorganization, on each \$100 of face value or fraction thereof .....	.05
On all sales, agreements to sell, memoranda of sales, deliveries or transfers of shares, or certificates of stock of any association or corporation, on each \$100 of face value or fraction thereof.....	.02
3. Upon each sale, agreement to sell, or agreement of sale of any products or merchandise at any exchange or board of trade, for future delivery, for each \$100 in value of said sale.....	.01
And for each \$100 or fractional part thereof in excess of \$100...	.01
4. Promissory notes (except bank notes issued for circulation), and for each renewal of same, for a sum not exceeding \$100.....	.02
And for each additional \$100, or fractional part thereof, in excess of \$100 .....	.02
5. Bills of lading, manifests, etc., issued by express companies, or public carriers, etc., where a charge exceeding 5 cents is made, a stamp to each of the value of.....	.01
6. Bond, indemnifying, etc. (except those required in legal proceedings), not otherwise provided for.....	.50
7. Certificates of profits, or certificates or memoranda showing interest in the property or accumulations of any association, company, or corporation, and all transfers thereof, on each \$100 of face value or fraction thereof.....	.02

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8. Certificates of damage, or otherwise, and all other certificates or documents issued by port warden or marine surveyor.....	.25
9. Certificates of any description required by law, not otherwise specified .....	.10
10. Contract, broker's note, or memorandum of sale of goods, or merchandise, stock, bonds, exchange, notes of hand, real estate, or property of any kind, issued by brokers, etc., for each note or memorandum of sale not otherwise provided for.....	.10
11. Conveyance—deed, instrument, or writing conveying lands, tenements, or other realty, etc., value over \$100 and not exceeding \$500 .....	.50
For each additional \$500 or fraction thereof.....	.50
12. Entry of goods, wares, and merchandise in customhouse, not exceeding \$100 in value.....	.25
Exceeding \$100 and not exceeding \$500.....	.50
Exceeding \$500 in value.....	1.00
13. Entry for withdrawal of goods or merchandise from customs bonded warehouse .....	.50
14. Insurance, marine, inland and fire or lightning (except purely co-operative or mutual), on each policy, or renewal, on amount of premium charged on each \$1 or fractional part.....	.00½
15. Insurance, casualty, fidelity, and guarantee, on each policy, on each \$1 or fractional part thereof of premium charged.....	.00½
16. Passage ticket, for each passenger sold in the United States for passage by any vessel to a foreign port or place, cost not exceeding \$30	1.00
More than \$30 and not exceeding \$60.....	3.00
More than \$60.....	5.00
Cost not exceeding \$10 exempt.	
17. Power of attorney or proxy for voting at an election for officers of any incorporated company or association, except religious, charitable, literary societies, or public cemeteries.....	.10
18. Power of attorney to sell or convey real estate or to rent or lease the same, to collect or receive rent, to sell or transfer stock, bonds, etc. ....	.25
(Papers used in the collection of pension, back pay, or bounty claims, or claims for property lost in military or naval service are exempt.)	
19. Protest: Upon the protest of every note, bill of exchange, acceptance, check, or draft, or any marine protest.....	.25
20. Telegraph and telephone messages: Every person, firm, or corporation operating any telephone line or lines is required to make, within 30 days after the expiration of each month, a sworn statement to the collector of the number of messages or conversations transmitted over their lines during preceding month for which a charge of 15 cents or more was imposed, and for each of such messages or conversations a tax shall be paid of..	0.01
21. Every seat sold in a palace or parlor car and every berth sold in a sleeping car, to be paid by the company selling the same.....	.01

Under authority conferred upon the Commissioner of Internal Revenue in section 22 of said act, the following adhesive stamps have been prepared:

Documentary stamps, Schedule A.—½ cent, 1 cent, 2 cents, 3 cents, 4 cents, 5 cents, 10 cents, 25 cents, 40 cents, 50 cents, 80 cents, \$1, \$2, \$3, \$5, \$10, \$30, \$50, \$100, \$500, \$1,000.

Procurement of Adhesive Stamps.

All of the above stamps may be purchased from collectors and deputy collectors of internal revenue.

In addition, provision has been made in the act for the delivery of stamps by collectors without prepayment to any Assistant Treasurer of the United States, depository of the United States, or postmaster, who may be required to give bond for the value of stamps deposited with him. It is not mandatory upon the persons named to make the required bond and secure the

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stamps. When stamps are so furnished without prepayment, the post-master or other officer is not entitled to any discount, but discount of 1 per cent will be allowed to those who purchase to the amount of \$100 of face value at one time, paying cash therefor at the time of purchase or receipt, either from the collector or the persons with whom stamps have been deposited without prepayment as noted in the foregoing.

Stamps to be affixed to articles manufactured in a foreign country and imported into the United States may be purchased and forwarded to the place of manufacture and there affixed to the articles before the same are packed for importation.

And there shall also be levied, collected, and paid, for and in respect to the preparations, matters, and things mentioned and described in Schedule B of this Act, manufactured, sold, or removed for sale, the several taxes or sums of money set down in words or figures against the same, respectively, or otherwise specified or set forth in Schedule B of this Act.

On perfumes, cosmetics, etc.

SEC. 6. That if any person or persons shall make, sign, or issue, or cause to be made, signed, or issued, any instrument, document, or paper of any kind or description whatsoever, without the same being duly stamped for denoting the tax hereby imposed thereon, or without having thereupon an adhesive stamp to denote said tax, such person or persons shall be deemed guilty of a misdemeanor, and upon conviction thereof shall pay a fine of not more than \$100, at the discretion of the court.

Penalty for failure to stamp.

SEC. 7. That if any person shall forge or counterfeit, or cause or procure to be forged or counterfeited, any stamp, die, plate, or other instrument, or any part of any stamp, die, plate, or other instrument which shall have been provided, or may hereafter be provided, made, or used in pursuance of this Act, or shall forge, counterfeit, or resemble, or cause or procure to be forged, counterfeited, or resembled, the impression, or any part of the impression, of any such stamp, die, plate, or other instrument, as aforesaid, upon any vellum, parchment, or paper, or shall stamp or mark, or cause or procure to be stamped or marked, any vellum, parchment, or paper with any such forged or counterfeited stamp, die, plate, or other instrument, or part of any stamp, die, plate, or other instrument, as aforesaid, with intent to defraud the United States of any of the taxes hereby imposed, or any part thereof; or if any person shall utter, or sell, or expose for sale, any vellum, parchment, paper, article, or thing having thereupon the impression of any such counterfeited stamp, die, plate, or other instrument, or any part of any stamp, die, plate, or other instrument, or any such forged, counterfeited, or resembled impression, or part of impression, as aforesaid, knowing the same to be forged, counterfeited, or resembled; or if any person shall knowingly use or permit the use of any stamp, die, plate, or other instrument, which shall have been so provided, made, or used as aforesaid, with intent to defraud the United States; or if any person shall fraudulently cut, tear, or remove, or cause or procure to be cut, torn, or removed, the impression of any stamp, die, plate, or other instrument which shall have been provided, made, or used in pursuance of this Act from any vellum, parchment, or paper, or any instrument or writing charged or

Penalty for forging or counterfeiting stamps and dies, etc.

Impressions of stamps or dies.

Sale of paper, etc., containing forged stamps or impression—use of, etc.

chargeable with any of the taxes imposed by law; or if any person shall fraudulently use, join, fix, or place, or cause to be used, joined, fixed, or placed, to, with, or upon any vellum, parchment, paper, or any instrument or writing charged or chargeable with any of the taxes hereby imposed, any adhesive stamp, or the impression of any stamp, die, plate, or other instrument, which shall have been provided, made, or used in pursuance of law, and which shall have been cut, torn, or removed from any other vellum, parchment, or paper, or any instrument or writing charged or chargeable with any of the taxes imposed by law; or if any person shall willfully remove or cause to be removed, alter or cause to be altered, the canceling or defacing marks of any adhesive stamp with intent to use the same, or to cause the use of the same, after it shall have been once used, or shall knowingly or willfully sell or buy such washed or restored stamp, or offer the same for sale, or give or expose the same to any person for use, or knowingly use the same, or prepare the same with intent for the further use thereof; or if any person shall knowingly and without lawful excuse (the proof whereof shall lie on the person accused) have in his possession any washed, restored, or altered stamp which has been removed from any vellum, parchment, paper, instrument, or writing, then, and in every such case, every person so offending, and every person knowingly and willfully aiding, abetting, or assisting in committing any such offenses as aforesaid shall be deemed guilty of a misdemeanor, and, upon conviction thereof, shall forfeit the said counterfeit stamps and the articles upon which they are placed, and shall be punished by fine not exceeding \$1,000, or by imprisonment and confinement at hard labor not exceeding five years, or both, at the discretion of the court.

**Removing im-
pressions etc.**

**Use of washed
or restored
stamps.**

**Possession of
washed or re-
stored stamps.**

Punishment.

**Cancellation of
stamps by user.**

**Penalty for
failure.**

SEC. 8. That in any and all cases where an adhesive stamp shall be used for denoting any tax imposed by this Act, except as herein-after provided, the person using or affixing the same shall write or stamp thereupon the initials of his name and the date upon which the same shall be attached or used, so that the same may not again be used. And if any person shall fraudulently make use of an adhesive stamp to denote any tax imposed by this Act without so effectually canceling and obliterating such stamp, except as before mentioned, he, she, or they shall be deemed guilty of a misdemeanor, and upon conviction thereof shall pay a fine of not exceeding \$500, or be imprisoned not more than six months, or both, at the discretion of the court:

Cancellation of Documentary Stamps.

In any and all cases where an adhesive stamp shall be used for denoting any tax imposed by Schedule A of the act of October 22, 1914, the person using or affixing the same shall write or stamp thereon, with ink, the initials of his name and the date (year, month, and day) in which the same shall be attached or used; or shall, by cutting and canceling said stamp with a machine or punch, which will affix the initials and date as aforesaid, so deface the stamp as to render it unfit for reuse. The cancellation by either method should not so deface the stamp as to prevent its denomination and genuineness from being readily determined.

In addition to the foregoing, stamps of the value of 10 cents or more

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shall have three parallel incisions made by some sharp instrument lengthwise through the stamp after the stamp has been attached to the document: *Provided*, This will not be required where stamps are canceled by perforation.

Documentary Stamps.

1. Documentary revenue stamps issued prior to October 22, 1914, under former revenue laws can not be used for the payment of taxes required by existing law, and the redemption or exchange of such old stamps is prohibited by statute.

2. Ordinary postage stamps can not be used for the payment of any internal-revenue taxes.

As adhesive stamps may be sold by any person and readily pass at their face value in the market, provision has not been made for their exchange or redemption by the Government. Where, however, such stamps are rendered useless by gumming or sticking together in transit or otherwise without the fault of the purchaser, they may be exchanged by a collector for other stamps of exactly the same quantity and denomination.

4. Documentary and proprietary stamps can not be used interchangeably. Documentary stamps only must be used upon papers, documents, and instruments subject to tax as provided in Schedule A.

5. Where a stamp of the proper denomination to pay the tax due on an article or document can not be procured, two or more stamps may be used. In such case as few stamps as possible should be attached, and each stamp used should be canceled in the manner provided by regulation.

W. H. OSBORN,
Commissioner of Internal Revenue.

Approved:

BYRON R. NEWTON,
Acting Secretary of the Treasury.

Provided, That instead of cancellation by initials and date, the stamps on the articles enumerated in Schedule B shall be so affixed on the box, bottle, or package that in opening the same, or using the contents thereof, the said stamp shall be effectually destroyed; and in default thereof the party making default shall be liable to the same penalty imposed for neglect to affix said stamp, as hereinbefore prescribed in this Act.

Affixing Stamps.

Section 8 provides that instead of cancellation by initials and date, the stamps on the articles enumerated in Schedule B shall be so affixed on the box, bottle, or package that in opening the same or using the contents thereof the said stamp shall be effectually destroyed, but section 22 authorizes the Commissioner of Internal Revenue to prescribe such method of cancelling stamps as he may deem expedient in lieu of the method provided in the act. In pursuance of this requirement, where articles are sold to the public in boxes, bottles, tins, or other similar packages without any other covering, the stamp shall be so affixed to the box, bottle, tin, or other package of such character that in opening the same the stamp will be destroyed. Where the boxes, bottles, tins or other containers are usually offered to the public in wrappers or cartons, the stamp shall be affixed in such manner as to seal the wrapper or carton. In case of double-end cartons, the stamps shall be affixed to the top end lapping over on the side.

There are some articles not usually offered to the public in cartons, containing patent stoppers, etc., which make it impossible to affix a stamp in the manner provided by law. Where it is clearly impracticable to affix the stamp so that it will be destroyed in using the contents, the stamp may be affixed upon one side or the bottom of the bottle.

Where articles subject to tax are usually displayed for sale in fancy or expensive outer cases or containers to which it is impossible, without marring

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the container, to affix the stamp in such manner as to break it on opening, the stamp may be affixed in such place as will not mar the appearance of the container.

Where articles are usually offered for sale in small containers mounted on cards, the stamp covering all articles affixed may be attached to the card.

Where several articles, all taxable or some taxable and some untaxable, are packed together for sale as entireties, the stamp covering the tax on the taxable contents may be placed on the container.

In all cases where the stamps are not so affixed as to be broken when the container is opened, the stamp shall be canceled with the initials of the manufacturer and the month and year.

Promissory note or bill of exchange, giving and acceptance of, prohibited unless stamped.

SEC. 9. That if any person or persons shall make, sign, or issue, or cause to be made, signed, or issued, or shall accept or pay, or cause to be accepted or paid, with design to evade the payment of any stamp tax, any promissory note liable to any of the taxes imposed by this Act, without the same being duly stamped, or having thereupon an adhesive stamp for denoting the tax hereby charged thereon, he, she, or they shall be deemed guilty of a misdemeanor, and upon conviction thereof shall be punished by a fine not exceeding \$200, at the discretion of the court.

Penalty.

Sale of stamps by postmaster, etc.

Furnished without prepayment of costs.

SEC. 10. That the collectors of the several districts are hereby authorized and required to furnish to any assistant treasurer of the United States or designated depositary thereof, or any postmaster located in their collection districts, respectively, a suitable quantity of adhesive stamps, without prepayment therefor, and may in advance require of any designated depositary, assistant treasurer of the United States, or postmaster a bond, with sufficient sureties, to an amount equal to the value of the adhesive stamps which may be placed in his hands and remain unaccounted for, conditioned for the faithful return, whenever so required, of all quantities or amounts undisposed of, and for the payment monthly of all quantities or amounts sold or not remaining on hand. And it shall be the duty of such collectors to supply their deputies with, or sell to other parties within their respective districts who may make application therefor, adhesive stamps, upon the same terms allowed by law or under the regulations of the Commissioner of Internal Revenue, who is hereby authorized to make such other regulations, not inconsistent herewith, for the security of the United States and the better accommodation of the public, in relation to the matters hereinbefore mentioned, as he may judge necessary and expedient. And the Secretary of the Treasury may from time to time make such regulations as he may find necessary to insure the safe-keeping or prevent the illegal use of all such adhesive stamps.

Regulations.

Register, sale and transfer of unstamped instruments, etc., forbidden.

SEC. 11. That any person or persons who shall register, issue, sell, or transfer, or who shall cause to be issued, registered, sold, or transferred, any instrument, document, or paper of any kind or description whatsoever mentioned in Schedule A of this Act, without the same being duly stamped, or having thereupon an adhesive stamp for denoting the tax chargeable thereon, and canceled in the manner required by law, with intent to evade the provisions of this Act, shall be deemed guilty of a misdemeanor, and upon conviction thereof shall be punished by a fine not exceeding \$50, or by im-

Penalty.

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prisonment not exceeding six months, or both, in the discretion of the court:

Provided, That hereafter, in all cases where the party has not affixed to any instrument the stamp required by law thereon at the time of issuing, selling, or transferring the said bonds, debentures, or certificates of stock or of indebtedness, and he or they, or any party having an interest therein, shall be subsequently desirous of affixing such stamp to said instrument, or, if said instrument be lost, to a copy thereof, he or they shall appear before the collector of internal revenue of the proper district, who shall, upon the payment of the price of the proper stamp required by law, and of a penalty of \$10, and, where the whole amount of the tax denoted by the stamp required shall exceed the sum of \$50, on payment also of interest, at the rate of six per centum, on said tax from the day on which such stamp ought to have been affixed, affix the proper stamp to such bond, debenture, certificate of stock or of indebtedness or copy, and note upon the margin thereof the date of his so doing, and the fact that such penalty has been paid; and the same shall thereupon be deemed and held to be as valid, to all intents and purposes, as if stamped when made or issued:

Subsequent validation of unstamped instruments.

Tax penalty.

And provided further, That where it shall appear to said collector, upon oath or otherwise, to his satisfaction, that any such instrument has not been duly stamped, at the time of making or issuing the same, by reason of accident, mistake, inadvertence, or urgent necessity, and without any willful design to defraud the United States of the stamp, or to evade or delay the payment thereof, then and in such case, if such instrument, or, if the original be lost, a copy thereof, duly certified by the officer having charge of any records in which such original is required to be recorded, or otherwise duly proven to the satisfaction of the collector, shall, within twelve calendar months after the making or issuing thereof, be brought to the said collector of internal revenue to be stamped, and the stamp tax chargeable thereon shall be paid, it shall be lawful for the said collector to remit the penalty aforesaid and to cause such instrument to be duly stamped. And when the original instrument, or a certified or duly proven copy thereof, as aforesaid, duly stamped so as to entitle the same to be recorded, shall be presented to the clerk, register, recorder, or other officer having charge of the original record, it shall be lawful for such officer, upon the payment of the fee legally chargeable for the recording thereof, to make a new record thereof, or to note upon the original record the fact that the error or omission in the stamping of said original instrument has been corrected pursuant to law; and the original instrument or such certified copy, or the record thereof, may be used in all courts and places in the same manner and with like effect as if the instrument had been originally stamped:

Instruments not stamped by mistake or accident.

Upon payment of tax penalty may be remitted.

New record after payment of tax.

And provided further, That in all cases where the party has not affixed the stamp required by law upon any such instrument issued, registered, sold, or transferred at a time when and at a place where no collection district was established, it shall be lawful for him or

Who may affix stamps where there is no collection district.

them, or any party having an interest therein, to affix the proper stamp thereto, or, if the original be lost, to a copy thereof. But no right acquired in good faith before the stamping of such instrument, or copy thereof, as herein provided, if such record be required by law, shall in any manner be affected by such stamping as aforesaid.

Accrued rights not affected.

A mortgage may be registered, although unstamped, provided the bond or note which is given to secure has been stamped. 22 A. G., Op. 533.

Unstamped instruments are not invalid for lack of stamp, unless the failure to attach the stamp was intentionally done with intent to evade payment of the tax. *Weinkert v. Ziegler*, 91 Md., 318; *Bryan v. First National Bank*, 205 Pa., St. 7; *Rowe v. Bowman*, 183 Mass., 488; *T. D. (1902) 474*.

An unstamped forged instrument is admissible in a criminal action for forgery. *State v. Shields (Ia.)* 83, N. W., 807; *Bottorff v. Lewis (Ia.)* 95 N. W., 262.

Recording of unstamped instruments forbidden.

SEC. 12. That hereafter no instrument, paper, or document required by law to be stamped, which has been signed or issued without being duly stamped, or with a deficient stamp, nor any copy thereof, shall be recorded until a legal stamp or stamps, denoting the amount of tax, shall have been affixed thereto, as prescribed by law;

Bonds, stock certificates issued in foreign countries subject to tax.

Provided, That any bond, debenture, certificate of stock, or certificate of indebtedness issued in any foreign country shall pay the same tax as is required by law on similar instruments when issued, sold, or transferred in the United States; and the party to whom the same is issued, or by whom it is sold or transferred, shall, before selling or transferring the same, affix thereon the stamp or stamps indicating the tax required.

Unlawful to record instrument unless stamps of proper amount are affixed and cancelled.

SEC. 13. That it shall not be lawful to record or register any instrument, paper, or document required by law to be stamped unless a stamp or stamps of the proper amount shall have been affixed and canceled in the manner prescribed by law.

Instrument not invalid for want of particular kind of stamp.

SEC. 14. That no instrument, paper, or document required by law to be stamped shall be deemed or held invalid and of no effect for the want of a particular kind or description of stamp designated for and denoting the tax charged on any such instrument, paper, or document, provided a legal documentary stamp or stamps denoting a tax of equal amount shall have been duly affixed and used thereon.

SEC. 15. That all bonds, debentures, or certificates of indebtedness issued by the officers of the United States Government, or by the officers of any State, county, town, municipal corporation, or other corporation exercising the taxing power, shall be, and hereby are, exempt from the stamp taxes required by this Act:

State, municipal corporations, etc., exercising governmental function, etc.

Provided, That it is the intent hereby to exempt from the stamp taxes imposed by this Act such State, county, town, or other municipal corporations in the exercise only of functions strictly belonging to them in their ordinary governmental, taxing, or municipal capacity:

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Provided further, That stock and bonds issued by cooperative building and loan associations, mutual ditch or irrigating companies, and building and loan associations or companies that make loans only to their shareholders, shall be exempt from the tax herein provided.

Stock and bonds of building and loan associations.

(T. D. 2044.)

Emergency revenue law—Building and loan associations.

The exemption of co-operative building and loan associations extends only to stocks and bonds issued by such associations or companies.

TREASURY DEPARTMENT,
OFFICE OF COMMISSIONER OF INTERNAL REVENUE,

Washington, D. C., November 9, 1914.

SIR: This office is in receipt of your letter of the 26th ultimo in reference to liability of building and loan associations or companies under the internal-revenue act of October 22, 1914.

In reply, you are informed that the exemption extended by the revenue act of October 22, 1914, to cooperative building and loan associations, etc., extends only to stocks and bonds issued by such associations or companies.

The law appears clear on this subject in that it specifies "stocks and bonds issued by," etc., and thereby excludes from such exemption all other taxable instruments which may be executed or delivered by the associations or companies contained in the provision.

Respectfully,
Mr. _____ *W. H. OSBORN,*
Commissioner of Internal Revenue.

SEC. 16. That all the provisions of this Act relating to dies, stamps, adhesive stamps, and stamp taxes shall extend to and include (except where manifestly inapplicable) all the articles or objects enumerated in Schedule B, subject to stamp taxes, and apply to the provisions in relation thereto.

SEC. 17. That on and after December first, nineteen hundred and fourteen, any person, firm, company, or corporation that shall make, prepare, and sell, or remove for consumption or sale, perfumery, cosmetics, preparations, compositions, articles, or things upon which a tax is imposed by this Act, as provided for in Schedule B, without affixing thereto an adhesive stamp or label denoting the tax before mentioned shall be deemed guilty of a misdemeanor, and upon conviction thereof shall pay a fine of not more than \$500, or be imprisoned not more than six months, or both, at the discretion of the court.

Penalty for failure to affix stamps to perfumery preparations, etc.

SEC. 18. That any manufacturer or maker of any of the articles for sale mentioned in Schedule B, after the same shall have been so made and the particulars hereinbefore required as to stamps have been complied with, or any other person who shall take off, remove, or detach, or cause, or permit, or suffer to be taken off, or removed or detached, any stamp, or who shall use any stamp, or any wrapper or cover to which any stamp is affixed, to cover any other article

Removal or fraudulent use of stamps.

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Penalty. or commodity than that originally contained in such wrapper or cover, with such stamp when first used, with the intent to evade the stamp duties, shall for every such article, respectively, in respect of which any such offense shall be committed, be deemed guilty of a misdemeanor, and upon conviction thereof shall pay a fine of not more than \$500, or be imprisoned not more than six months, or both, at the discretion of the court, and every such article or commodity as aforesaid shall also be forfeited.

Sale or removal or concealment of articles before payment of tax. Penalty. SEC. 19. That any maker or manufacturer of any of the articles or commodities mentioned in Schedule B, as aforesaid, or any other person who shall sell, send out, remove, or deliver any article or commodity, manufactured as aforesaid, before the tax thereon shall have been fully paid by affixing thereon the proper stamp, as in this Act provided, or who shall hide or conceal, or cause to be hidden or concealed, or who shall remove or convey away, or deposit, or cause to be removed or conveyed away from or deposited in any place, any such article or commodity, to evade the tax chargeable thereon, or any part thereof, shall be deemed guilty of a misdemeanor, and upon conviction thereof shall pay a fine of not more than \$500, or be imprisoned not more than six months, or both, at the discretion of the court, together with the forfeiture of any such article or commodity;

Articles for exportation exempted. *Provided,* That articles upon which stamp taxes are required by this Act may, when intended for exportation, be manufactured and sold or removed without having stamps affixed thereto, and without being charged with tax as aforesaid; and every manufacturer or maker of any article as aforesaid, intended for exportation, shall give such bonds and be subject to such rules and regulations to protect the revenue against fraud as may be from time to time prescribed by the Commissioner of Internal Revenue, with the approval of the Secretary of the Treasury.

Monthly statement of manufacturer of compliance with stamp tax. Penalty. SEC. 20. That every manufacturer or maker of any of the articles or commodities provided for in Schedule B, or his foreman, agent, or superintendent shall at the end of each and every month make, sign, and file with the collector of internal revenue for the district in which he resides a declaration in writing that no such article or commodity has, during such preceding month or time when the last declaration was made, been removed, or carried, or sent, or caused or suffered or known to have been removed, carried, or sent from the premises of such manufacturer or maker other than such as have been duly taken account of and charged with the stamp tax, on pain of such manufacturer or maker forfeiting for every refusal or neglect to make such declaration \$100; and if any such manufacturer or maker, or his foreman, agent, or superintendent, shall make any false or untrue declaration, such manufacturer or maker, or foreman, agent, or superintendent making the same shall be deemed guilty of a misdemeanor, and upon conviction shall pay a fine of not more than \$500, or be imprisoned not more than six months, or both, at the discretion of the court.

SEC. 21. That the stamp taxes prescribed in this Act on the

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articles provided for in Schedule B shall attach to all such articles and things sold or removed for sale thirty days after the approval of this Act. Every person, except as otherwise provided in this Act, who offers or exposes for sale any article or thing provided for in said Schedule B, whether the article so offered or exposed is of foreign manufacture and imported or of domestic manufacture, shall be deemed the manufacturer thereof, and shall be subject to all the taxes, liabilities, and penalties imposed by law for the sale of articles without the use of the proper stamp denoting the tax paid thereon; and all such articles of foreign manufacture shall, in addition to the import duty imposed on the same, be subject to the stamp tax prescribed in this Act:

Schedule B
Tax operative 30
days after ap-
proval of Act.

Provided further, That internal revenue stamps required by existing law on imported merchandise shall be affixed thereto and canceled at the expense of the owner or importer before the withdrawal of such merchandise for consumption, and the Secretary of the Treasury is authorized to make such rules and regulations as may be necessary for the affixing and canceling of such stamps, not inconsistent herewith.

SEC. 22. That the Commissioner of Internal Revenue shall cause to be prepared and distributed for the payment of the taxes prescribed in this Act suitable stamps denoting the tax on the document, article, or thing to which the same may be affixed, and he is authorized to prescribe such method for the cancellation of said stamps, as substitute for or in addition to the method provided in this Act, as he may deem expedient. The Commissioner of Internal Revenue, with the approval of the Secretary of the Treasury, is authorized to procure any of the stamps provided for in this Act by contract whenever such stamps can not be speedily prepared by the Bureau of Engraving and Printing; but this authority shall expire on the first day of November, nineteen hundred and fifteen, except as to imprinted stamps furnished under contract, authorized by the Commissioner of Internal Revenue. That the adhesive stamps used in the payment of the tax levied in Schedules A and B of this Act shall be furnished for sale by the several collectors of internal revenue, who shall sell and deliver them at their face value to all persons applying for the same, except officers or employees of the Internal Revenue Service:

Stamps to be
prepared.

Contracts for.

Stamps for
sale by collect-
ors.

Provided, That such collectors may sell and deliver such stamps in quantities of not less than \$100 of face value, with a discount of one per centum, except as otherwise provided in this Act.

One per cent-
um discount on
purchase of
stamps.

SCHEDULE A STAMP TAXES

Bonds, debentures, or certificates of indebtedness issued on and after the first day of December, nineteen hundred and fourteen, by any association, company, or corporation, on each \$100 of face value or fraction thereof, 5 cents, and on each original issue, whether on organization or reorganization, of certificates of stock by any such association, company, or corporation, on each \$100 of face value or

Bonds, debentures or certificates of indebtedness.

Certificates of stock original issue.

Shares or certificates of stock.

fraction thereof, 5 cents, and on all sales, or agreements to sell, or memoranda of sales or deliveries or transfers of shares or certificates of stock in any association, company, or corporation, whether made upon or shown by the books of the association, company, or corporation, or by any assignment in blank, or by any delivery, or by any paper or agreement or memorandum or other evidence of transfer or sale, whether entitling the holder in any manner to the benefit of such stock, or to secure the future payment of money or for the future transfer of any stock, on each \$100 of face value or fraction thereof, 2 cents :

Sales of Transfer of Stock.

(13) In reckoning the stamp tax on transfer or certificates of stock, the tax is reckoned on the face value. In reckoning this tax, the fact that only part of the face value of shares subscribed for and issued has been paid by the shareholders is not to be taken into consideration.

(14) Where stock is sold at the par value of \$100, and upon which it appears that only \$25 have been paid, the tax is to be reckoned upon the face value of \$100, and not upon the \$25.

(15) Where one certificate represents several shares, the tax of 2 cents on each \$100 or fraction thereof is to be reckoned on the face value of the certificate, and not on the face value of each separate share.

(16) On transfer of one certificate representing 500 shares, \$5 par value, the stamp tax required is 50 cents.

(17) When stock is transferred for which no certificate has been issued, and the evidence of transfer is shown only by books of the company, the stamps should be placed upon such books. Where the change of ownership is by the transfer of a certificate, and the certificate contains a blank form of assignment on the back, which is filled in by the insertion of the name of the person to whom the stock is transferred, the stamp should be placed upon the certificate.

(18) In case of an agreement to sell, or where the transfer is, by the delivery of the certificate, signed in blank, the name of the transferee or vendee to be filled in afterwards, there should be made and delivered by the seller to the buyer a bill or memorandum of sale, to which the stamp should be affixed.

(19) Where certificates of shares were sold and delivered before July 1, 1898, entry of transfer on corporate books after June 30 does not require stamp.

(20) New certificates of stock issued to holder in lieu of original certificate, and remaining in his ownership, do not require stamps.

(21) When certificate of stock is sold and stamp tax is paid on memorandum thereof, upon transfer of this certificate to purchaser's name no additional tax for such transfer is required. Where one certificate represents several shares of stock (however large the number of shares), on transfer of this certificate the stamp tax is to be reckoned on its face value and not on the face value of each separate share of stock which it represents.

(22) Transfers of stock from parties occupying fiduciary relationships to those for whom they held the stock are transfers subject to taxation.

(23) A owes a certificate of 100 shares of stock; he transfers 50 shares to B; there are two certificates of 50 shares each issued in lieu of the 100-share certificate, 50 shares going to A and 50 shares to B. The tax imposed is on the transfer to B; there is no tax on A's transfer to himself.

Agreement depositing stock as collateral exempted.

Provided, That it is not intended by this Act to impose a tax upon an agreement evidencing a deposit of stock certificates as collateral security for money loaned thereon, which stock certificates are not actually sold, nor upon such stock certificates so deposited :

Where written instruments or securities deposited in a bank are to

WAR REVENUE LAW

be held as collateral for a loan or indebtedness of the owner it is not taxable under this paragraph. 23 A. G., Op. 219. 23 A. G., Op. 54.

Stock hypothecated by delivery of certificates without a written agreement accompanying it is not taxable under this paragraph. 22 A. G., Op. 54.

Pledging of stock under a written agreement which contains a power of sale on default of condition is taxable. 23 A. G., 616. A tax on sales is constitutional. U. S. v. Thomas, 115 Fed. Rep., 207.

Bonds provided for in a mortgage, are not taxable until issued. 22 A. G., Op. 532.

Provided further, That in case of sale where the evidence of transfer is shown only by the books of the company the stamp shall be placed upon such books; and where the change of ownership is by transfer certificate the stamp shall be placed upon the certificate; and in cases of an agreement to sell or where the transfer is by delivery of the certificate assigned in blank there shall be made and delivered by the seller to the buyer a bill or memorandum of such sale, to which the stamp shall be affixed; and every bill or memorandum of sale or agreement to sell before mentioned shall show the date thereof, the name of the seller, the amount of the sale, and the matter or thing to which it refers. And any person or persons liable to pay the tax as herein provided, or anyone who acts in the matter as agent or broker for such person or persons, who shall make any such sale, or who shall in pursuance of any such sale deliver any such stock, or evidence or the sale of any such stock or bill or memorandum thereof, as herein required, without having the proper stamps affixed thereto, with intent to evade the foregoing provisions, shall be deemed guilty of a misdemeanor, and upon conviction thereof shall pay a fine of not exceeding \$1,000, or be imprisoned not more than six months, or both, at the discretion of the court.

Books to be stamped.

Transfer of ownership by delivery, method of stamping.

Penalty.

(1) When a bond is said to be issued. Whenever a corporation issues a bond, and there accrues to the corporation a benefit or consideration for issuing the same, the bond is subject to taxation. (Vol. 2, Treas. Dec. (1898), No. 20156.)

(2) Stamp tax; certificates of stock; sales and transfers of certificates of stock. (Vol. 2, Treas. Dec. (1898), No. 19607.)

(3) In reckoning the stamp tax on transfers of certificates of shares, the tax is reckoned on the face value. (Vol. 2, Treas. Dec. (1898), No. 19710.)

(4) Transfers of shares or certificates of stock; how stamps are to be attached; stamp tax to be reckoned on face value of certificate. (Vol. 2, Treas. Dec. (1898), No. 19888.)

(5) Transfers of stock from guardian to ward subject to taxation. (Vol. 2, Treas. Dec. (1898), No. 20070.)

(6) Preferred stock issued in lieu of common stock not taxable when there is no change of ownership. (Vol. 1, Treas. Dec. (1898), No. 20694.)

(7) Where brokers acting in behalf of their principals buy stock and receive stamped bills of sale in their own name, they may transfer such stock on the books of the corporation to the names of their principals without additional stamp tax. (Vol. 1, Treas. Dec. (1899), No. 20727.)

(8) Certificates of stock of a foreign corporation when sold or delivered within the United States are liable to the same tax as certificates of stock of any domestic corporation. (Vol. 1, Treas. Dec. (1899), No. 20793.)

(9) "Puts" and "calls." The Attorney General decided that the former are not subject to tax, but that the latter, being agreements to sell, are taxable. (Vol. 1, Treas. Dec. (1899), No. 21151.)

WAR REVENUE LAW

(10) When a certificate of stock is presented for transfer and the power of attorney on the back thereof is dated prior to July 1, 1898, although the name of the transferee is not filled in until after that date, both the power of attorney and the certificate are required to be stamped. (Vol. 1, Treas. Dec. (1899), No. 21277.)

(11) No tax on the closing of a stock transaction caused by margin being exhausted because of market going against speculator. (Vol. 2, Treas. Dec. (1899), No. 21707.)

(12) The circumstances under which the memoranda issued by brokers evidencing the sale or purchase of stock need or need not be stamped. (Vol. 2, Treas. Dec. (1899), No. 21711.)

Sales or agreements to sell products at exchanges or boards of trade.

Upon each sale, agreement of sale, or agreement to sell, any products or merchandise at any exchange, or board of trade, or other similar place, either for present or future delivery, for each \$100 in value of said sale or agreement or sale or agreement to sell, 1 cent, and for each additional \$100 or fractional part thereof in excess of \$100, 1 cent.

Memorandum of sale to be stamped.

Provided, That on every sale or agreement of sale or agreement to sell as aforesaid there shall be made and delivered by the seller to the buyer a bill, memorandum, agreement, or other evidence of such sale, agreement of sale, or agreement to sell, to which there shall be affixed a lawful stamp or stamps in value equal to the amount of the tax on such sale. And every such bill, memorandum, or other

After an agreement to sell stock on future delivery, no delivery is made but a settlement is had, such settlement not involving a re-sale does not require new memorandum and stamps. *McClain v. Fleshman*, 106 Fed. Rep., 880.

Unless a memorandum or instrument required by this paragraph is made a stamp tax can not be collected and the remedy of the government is on the penalty. *McClain v. Fleshman*, 106 Fed. Rep., 880.

A "call," being agreement to sell, is taxable. *Treat v. White*, 181 U. S., 265.

The tax imposed by this paragraph is constitutional. *Nichol v. Ames*, 173 U. S., 510.

Sales of live stock at stockyards are included.

Form of.

evidence of sale or agreement to sell shall show the date thereof, the name of the seller, the amount of the sale, and the matter or thing to which it refers; and any person or persons liable to pay the tax as herein provided, or anyone who acts in the matter as agent or broker for such person or persons, who shall make any such sale or agreement of sale, or agreement to sell, or who shall, in pursuance of any such sale, agreement of sale, or agreement to sell, deliver any such products or merchandise without a bill, memorandum, or other evidence thereof as herein required, or who shall deliver such bill, memorandum, or other evidence of sale, or agreement to sell, without having the proper stamps affixed thereto, with intent to evade the foregoing provisions, shall be deemed guilty of a misdemeanor, and upon conviction thereof shall pay a fine of not exceeding \$1,000, or be imprisoned not more than six months, or both, at the discretion of the court.

Penalty.

That no bill, memorandum, agreement, or other evidence of such sale, or agreement of sale, or agreement to sell, in case of products or merchandise actually delivered at the time of sale or while in vessel, boat, or car, and actually in course of transportation, shall be

WAR REVENUE LAW

subject to this tax, provided such bill, memorandum, agreement, or other evidence of such sale, or agreement or sale, or agreement to sell shall be accompanied by bills of lading or vouchers showing that the said products are actually in course of transportation as aforesaid.

SALE OF PRODUCTS OR MERCHANDISE ON EXCHANGE, ETC.

(24) The provision relative to sales, or agreements to sell, of products or merchandise at any exchange or board of trade, or other similar place, and requiring the seller to give a bill or memorandum which shall be stamped, declared constitutional.

(25) Sales of live stock at stock yards come within the law, the same being a similar place to an exchange or board of trade.

(26) The tax is not a direct tax, nor a tax upon the business itself which is so transacted, but is a duty upon the facilities made use of and actually employed in the transaction of the business, separate and apart from the business itself. (*Nicol v. Ames*, 173 U. S., 509; vol. 1, *Theas*, Dec. (1899), No. 20984.)

(27) Transactions of live-stock exchanges—Duty of exchanges, when sale is made, or an agreement of sale, or an agreement to sell entered into, to give to buyer a bill, memorandum, or other evidence of such sale, and to place thereon the required stamp. (Vol. 2, *Treas. Dec.* (1898), No. 19739.)

(28) Tax on sales "at any exchange, or board of trade, or other similar place;" live stock comes within the classification of "any products or merchandise;" similar place" defined in reference to the selling of live stock; sales of live stock at such places as those defined subject to taxation. (Vol. 2, *Treas. Dec.* (1898), No. 20031.)

(29) To constitute an exchange, board of trade, or other similar place, so as to subject the evidence of sale to tax, there must be more than one person, company, or partnership authorized to negotiate sales thereat. (Vol. 1, *Treas. Dec.* (1899), No. 21148.)

(30) Bucket shops defined; tax on agreements to sell shares of stock or merchandise at such places. (Vol. 1, *Treas. Dec.* (1899), No. 21279.)

(31) Sales of grain made at an exchange and sales of grain made by brokers in their own offices, held taxable. (Vol. 2, *Treas. Dec.* (1899), No. 21396.)

(32) Transactions of live-stock exchanges—Duty of exchanges, when sale is made, or an agreement of sale, or an agreement to sell entered into, to give to buyer a bill, memorandum, or other evidence of such sale, and to place thereon the required stamp. (T. D. 19739.)

Promissory notes, except bank notes issued for circulation, and for each renewal of the same, for a sum not exceeding \$100, 2 cents; and for each additional \$100 or fractional part thereof in excess of \$100, 2 cents.

PROMISSORY NOTES.

Promissory notes, except bank notes issued for circulation, and for each renewal of the same, for a sum not exceeding \$100, 2 cents; and for each additional \$100 or fractional part thereof in excess of \$100, 2 cents.

(33) A judgment note is a promissory note and is required to be stamped as such. (T. D. 19652.)

(34) Receipts accepted in lieu of promissory note, as evidence of money loaned, must be stamped as promissory notes. (T. D. 20985.)

(35) Promissory notes under seal taxable same as other promissory notes, and not as bonds. T. D. 21691 revoked. (T. D. 21815.)

(36) Checks used in lieu of promissory notes must be stamped at the rate of 2 cents per \$100. (Vol. 2, *Treas. Dec.* (1898), No. 20463.)

Following rulings are taken from Supplement to Internal Revenue Circular No. 503, dated August 16, 1898:

(37) Where a note or notes with detached interest-coupon notes are

WAR REVENUE LAW

given, each coupon note requires a stamp in addition to the stamp placed on the principal note.

(38) Interest coupons attached to bonds and surrendered as receipts for interest paid do not require a stamp.

(39) No stamp is required upon the transfer by indorsement of promissory notes.

(40) Where notes secured by a deed of trust are used as collateral, the deed of trust and the notes are required to be stamped not on the basis of their face value, but on the amount for which they are pledged (that is to say, the memorandum of their pledge must be so stamped). This pledge of notes and deed trust does not require to be stamped again because of renewals of the notes held as collateral if the pledge itself is not renewed. (Pledges not taxable under act of Oct. 22, 1914.)

(41) Promissory notes which have matured and have been allowed to run without suit are held not to be renewed by the payment of interest. This is looked upon as a "forbearance" and not a renewal, the holder not relinquishing his right of action for any stated period.

**Bills of lading
or receipt.**

Express and freight: It shall be the duty of every railroad or steamboat company, carrier, express company, or corporation or person whose occupation is to act as such, to issue to the shipper or consignor, or his agent, or person from whom any goods are accepted for transportation where a charge exceeding 5 cents is made a bill of lading, manifest, or other evidence of receipt and forwarding for each shipment received for carriage and transportation, whether in bulk or in boxes, bales, packages, bundles, or not so inclosed or included; and such shipper, consignor, agent, or person shall duly attach and cancel, as is in this Act provided, to each of said bills of lading, manifests, or other memorandum, a stamp of the value of 1 cent:

EXPRESS AND FREIGHT BILLS OF LADING, ETC.

United States *v.* Wells, Fargo & Co. Express (96 Fed., 835).

Crawford *v.* Hubbell (89 Fed., 961).

(42) The common carrier shall issue bills of lading, manifest, or other evidence of receipt and forwarding. "*Shipment*" defined! On a through bill of lading it is one shipment, though several modes of conveyance are employed. Every separate shipment requires evidence that it has been made, and to the evidence the stamp is affixed. (Vol. 2, Treas. Dec. (1898), No. 19829.)

(43) Opinion of the Attorney General, August 17, 1898, on the question whether the word "goods" includes money: Where an express company receives money for transportation, it is regarded as "goods" under Schedule A, and a bill of lading must be issued therefor and a stamp affixed. (Vol. 2, Treas. Dec. (1898), No. 19970.)

(44) Receipts, bills of lading, or manifests issued by express companies in cases of shipment of money and securities of the United States Government under contract for transportation of same are subject to stamp tax under act of 1898. (Vol. 2, Treas. Dec. (1898), No. 19996.)

(45) The Attorney General holds that the law which makes it the duty of the carrier to issue a bill of lading or a receipt to a person from whom any goods are accepted for transportation, and to stamp the same, does not apply to baggage received by railroad companies and carried upon the same train with the owner, whether such baggage be the quantity allowed ordinarily by the rules of the railroad company or is in excess of such amount. (Vol. 2, Treas. Dec. (1898), No. 20169.)

(46) Exemption from tax of express matter carried for railroad company free under contract with express company. (Vol. 2, Treas. Dec. (1898), No. 20240.)

(47) Memorandum receipts for freight, afterwards exchanged for bills of lading, must be stamped when issued. (Vol. 2, Treas. Dec. (1899), No. 21688.)

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(48) Concerning the business of local expressmen and common carriers. (Vol. 2, Treas. Dec. (1899), No. 21692.)

(49) No tax on receipts issued for special-delivery baggage. T. D. 21668 revoked. (T. D. 13.)

(50) When tax is paid on general bundle of newspapers, each package in the general bundle which is taken therefrom and delivered at intermediate points does not require a stamp. (T. D. 19846.)

(51) Dray tickets or shipping receipts not surrendered for a stamped bill of lading must be themselves stamped. (T. D. 19887.)

(52) Tax on bills of lading or receipts for goods accepted for transportation by express and freight companies—Definition of "express business" within the meaning of the law. (T. D. 19965.)

(53) Bills of lading or receipts from transportation companies may include more than one shipment therein, provided that a stamp or stamps amounting in value to 1 cent for each shipment shall be affixed thereto and canceled. (T. D. 20194.)

(T. D. 2059.)

Emergency revenue law—Bills of lading.

It is the duty of the carrier to see that the stamp is duly affixed and canceled when the bill of lading is issued and delivered to the shipper.

TREASURY DEPARTMENT,
OFFICE OF COMMISSIONER OF INTERNAL REVENUE,

Washington, D. C., November 18, 1914.

SIR: This office is in receipt of your letter of the 14th instant, calling attention to the provision of the internal-revenue act of October 22, 1914, relative to bills of lading.

You inquire whether the whole duty of the railroad company is performed when it issues such bill of lading, or whether it is the duty of the railroad company not only to issue the bill of lading but to refuse to accept the shipment until the shipper affixes the necessary internal-revenue stamp and cancels it as required by law.

In reply, you are informed that this matter has received consideration, and it is the opinion of this office that it is the duty of the railroad company to see that the stamp is duly affixed and canceled when the bill of lading is issued and delivered to the shipper.

In reply to your other inquiries in regard to messages sent over the lines on the railroad, you are informed that messages or dispatches of the officers or employees concerning the affairs and service of the company sent over the wires on their respective railroads are exempt. If they do not relate to the business of the company, the exemption does not apply.

Respectfully,

ROBT. WILLIAMS, JR.,
Acting Commissioner of Internal Revenue.

Mr. _____.

(T. D. 2065)

Emergency revenue law—Bills of lading.

The law requiring bills of lading to be stamped does not apply to local operators for the delivery of packages, baggage, and such like, within the limits of the same town or city.

TREASURY DEPARTMENT,
OFFICE OF COMMISSIONER OF INTERNAL REVENUE,

Washington, D. C., November 23, 1914.

SIR: In reply to your letter of the 13th instant, you are informed that mere local operators for the delivery of packages, baggage, and such like, within the limits of the same town or city, are not required to give bills of lading. Although such operators may give a receipt for articles to be delivered, such receipt is not required to be stamped. A mere carrier, as, for instance, a person with a horse and wagon, who does a local delivery business

WAR REVENUE LAW.

in a city or town, is not included within the above requirement. The carriers which were intended to be included within the terms of Schedule A, under the head of "Express and freight," are such as are engaged in the transportation of express matter and freight from one place to another in the ordinary course of commerce and trade.

Respectfully,

ROBT. WILLIAMS, JR.,

Acting Commissioner of Internal Revenue.

Mr. _____

The tax on foreign bills of lading is unconstitutional as a tax on exports. *Fairbanks v. United States*, 181 U. S., 284.

Goods shipped from the United States to Canada or Mexico by rail are not taxable under this paragraph. 24 A. G., Op. 44.

The word "goods" includes money. 22 A. G., Op. 178. This applies to money and goods transported for the government under a contract.

An excess baggage receipt issued by a railroad company does not require a stamp. 22 A. G., Op. 246.

Goods carried by an express company for a railroad company over the lines of the latter, free of charge, are not subject to this paragraph. 22 A. G., 252.

The tax on the manifest of a ship for clearance for a foreign port is void as a tax on exports. *New York & Cuba Mail S. S. Co. v. United States*, 125 Fed. Rep., 320.

No liability is imposed on a carrier for refusal to accept goods. *Wilkins v. United States*, 96 Fed. Rep., 835.

The carrier is not required to pay the tax itself. *American Express Co. v. Michigan*, 177 U. S., 404. *Reversing Attorney General v. American Express Co.*, 77 N. W., 317.

But this paragraph does not prevent a state commission from fixing rates in such a manner that the carrier must pay the tax itself. *Trammell v. Dinsmore*, 102 Fed. Rep. 794, reversing *Dinsmore v. Southern Express Co.*, 92 Fed. Rep., 714; also 183 U. S., 116.

Freight and Express Receipts.

Paragraph 5 of Schedule A requires every railroad or steamboat company, carrier, express company, or corporation or person whose occupation is to act as such, to issue to the shipper or consignor, or his agent, or person from whom any goods are accepted for transportation when a charge exceeding 5 cents is made a bill of lading, manifest, or other evidence of receipt and forwarding for each shipment received.

A literal compliance with this requirement is in some cases impracticable or impossible.

It is, therefore, provided that where freight is accepted at nonagency stations, it must be receipted for by conductors accepting it. He must see to it that an internal-revenue stamp of 1 cent denomination is attached to each of such receipts and canceled as required by these regulations before such shipments are accepted for transportation: *Provided, however*, That in the event shipments, so offered are of a perishable nature, or are likely to deteriorate by delay, or to obstruct sidings or other facilities by being refused for lack of a compliance with the provisions of the act, or if shippers or their representatives are not at such nonagency stations to receive or to stamp such receipts, conductors may accept and transport such nonagency shipments to destination in advance of the affixing of the stamp. In such cases, receipts issued by the conductors must not be surrendered to the shipper, but must be delivered with the freight to the destination agent, who, in such cases, must present the consignor's receipt to the consignee and demand that it be stamped and the stamp canceled by him as agent for the shipper before delivery of the shipment. If a nonagency shipment be destined to another nonagency station, and the tax is not paid by the shipper, the conductor's receipt therefor must be indorsed "Stamp tax not paid," and it must be delivered with the freight to the agent at the nearest agency station to the destination of the shipment for execution and delivery of the receipt by and to the consignee. If a nonagency shipment, upon which the tax is not paid

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by the shipper, be destined to a point on another railway, the agent at the junction point at which the shipment is delivered to the connecting line must indorse on the delivery slip or manifest for such shipment "Stamp tax not paid," which delivery slip shall follow to the delivery station, the agent at which shall collect the tax before delivery of the freight.

Shipments of milk or cream, consisting of one or more cans, shipped by one shipper to one consignee on the same date and train to which milk or cream tickets are attached, will be regarded as one shipment, and to one of the milk tickets a stamp must be affixed, unless other evidence of receipt is issued, in which case the other evidence shall be properly stamped.

Switching tickets covering local switching orders for which a charge is made, covered by no bill of lading, will be regarded and stamped as evidences of receipt.

Dray tickets, or shippers tickets, will be regarded and stamped as evidences of receipt, unless surrendered for a bill of lading.

Baggage checks for the transportation of bicycles, dogs, baby carriages, etc., will be regarded as evidences of receipt and should be properly stamped.

No stamp is required upon Federal and State Government shipments of Government or State property, for which, if a stamp were issued, the Federal Government or State government would be required to pay.

Passage Tickets.

A tax is imposed on tickets sold in the United States for passage by any vessel to a foreign port where the amount charged is in excess of \$10, and whether the vessel for which the ticket is sold sails from a port of the United States or not. It is the duty of the person selling the ticket to affix and cancel the stamp to the ticket or paper which evidences the sales, namely, the coupon or order, at the time same is sold.

Where a single ticket is issued for transportation of more than one passenger, the ticket, coupon, or prepaid order must be stamped at the proper rate for each passenger based upon the number of passengers and the total amount paid for the transportation.

Where proxies are sent out by corporations to be executed and returned to the corporation or to the person named in proxy, such proxies may be stamped after execution and delivery by the person receiving same as the agent of the person executing the proxy.

Provided, That a consignment of newspapers to any one point or to different points by the same train or conveyance when inclosed in one general bundle at the point of shipment shall be considered as one shipment, and, in lieu of a bill of lading therefor, the publisher of such newspaper shall file on or before the fifteenth day of each month with the collector of internal revenue for the district in which such newspaper is published a report under oath showing the number of such shipments during the preceding month, to which report such publisher shall affix and cancel stamps equal in value to 1 cent for each shipment so reported:

Provided further, That the report herein required shall not include shipments of newspapers delivered to points within the county in which the same are published. Any failure to issue such bill of lading, manifest, or other memorandum, as herein provided, shall subject such railroad or steamboat company, carrier, express company, or corporation or person to a penalty of \$50 for each offense.

Telegraph and telephone messages: It shall be the duty of every person, firm, or corporation owning or operating any telegraph or telephone line or lines to make within thirty days after the expiration of each month a sworn statement to the collector of internal revenue in each of their respective districts, stating the number of dispatches,

But one required on bundles of newspapers.

Telephone messages.

WAR REVENUE LAW

messages, or conversations originated at each of their respective exchanges, toll stations, or offices, and transmitted thence over their lines during the preceding month for which a charge of 15 cents or more was imposed, and for each of such messages or conversations the said person, firm, or corporation shall collect from the person paying for the message or conversation a tax of 1 cent in addition to the regular charges for the message or conversation, which tax the said person, firm, or corporation shall in turn pay to the said collector of internal revenue of their respective districts:

Provided, That only one payment of said tax shall be required, notwithstanding the lines of one or more persons, firms, or corporations shall be used for the transmission of each of said messages or conversations:

Provided further, That the messages or dispatches of the officers and employees of any telegraph or telephone company concerning the affairs and service of the company, and like messages or dispatches of the officials and employees of railroad companies sent over the wires on their respective railroads shall be exempt from this requirement:

And provided further, That messages of officers and employees of the Government on official business shall be exempt from the taxes herein imposed upon telegraphic and telephonic messages.

(T. D. 2058.)

Emergency revenue law—Telegraph and telephone messages.

Law and instructions relative to the tax imposed on telegraph and telephone messages by the act of October 22, 1914, effective December 1, 1914.

TREASURY DEPARTMENT,

OFFICE OF COMMISSIONER OF INTERNAL REVENUE,

Washington, D. C., November 13, 1914.

Instructions.

1. A company shall make one report and one return for the company as a whole and not for each of its exchanges and toll stations separately. Such report and return shall be made to the collector of internal revenue of the district in which the company's principal office is located.

2. Every company shall include in its report all taxable messages originated by it without regard to the ownership of toll lines used in transmitting those messages. Telephone companies receiving messages to be retransmitted over the lines of a telegraph company, or telegraph companies receiving messages to be retransmitted over the line of a telephone company, will be regarded as the point where such messages originate. In such cases the company retransmitting such messages will not be required to include the same in its monthly return. Where, however, a message sent over a telephone line is received directly from the sender, the company receiving and transmitting the same will, in such case, be regarded as the point of origin, and will include all such taxable messages in its monthly return. A reversed message shall be considered as originating at the point of collection.

3. Reports and returns may be made by a company for its fiscal month or billing period to be filed within 30 days after expiration of fiscal month, provided full return is made for the period during which the tax is to be collected.

4. Additions may be made any month for errors on the previous month's reports and returns. Reductions covering items reported in excess in previous months not allowable. In such cases amended returns may be filed before assessment is made, otherwise claim for abatement or refund, as the case may be, should be filed.

5. Messages originating at automatic telephone stations, for each of

Monthly statement.

One cent tax.

But one tax to be imposed.

Messages of officers and employes exempt.

WAR REVENUE LAW

which a charge of 15 cents or more was made, are subject to tax, and companies owning or operating such stations must include all such messages in their monthly returns. The method of collecting the tax from the senders of such messages is a matter wholly within the province of the companies receiving and transmitting the messages.

6. All overtime telephone messages, where the initial rate is less than 15 cents, but the total charge, on account of the overtime, brings the charge to 15 cents or more, are subject to tax.

7. Messages transmitted over private leased circuits and relating exclusively to the business for which the circuit was leased are held to be exempt from tax. Where, however, any such leased circuit is used for the transmission of messages other than above stated, return for all such messages for which a charge of 15 cents or more would ordinarily be made must be rendered monthly by the lessee.

8. Messages or dispatches of officers and employees of the company concerning the affairs and service of the company, and like messages or dispatches of officials and employees of railroad companies sent over the wires on their respective railroads, are exempt from tax. Franked messages, if of a private character, for which a charge of 15 cents or more would otherwise be charged, do not come within the exemption above referred to, and should be included in the return made.

9. Messages of officers and employees of the United States Government on official business and like messages of State officials are exempt from tax.

ROBT. WILLIAMS, JR.,

Acting Commissioner of Internal Revenue.

Approved.

W. G. McADOO,

Secretary of the Treasury.

Regulations.

1. A company shall make one report and one return for the company as a whole and not for each of its exchanges and toll stations separately; such report and return shall be made to the collector of internal revenue of the district in which the company's principal office is located.

2. Every company shall include in its report all taxable messages originated by it without regard to the ownership of toll lines used in transmitting those messages. Telephone companies receiving messages to be retransmitted over the lines of a telegraph company, or telegraph companies receiving messages to be retransmitted over the line of a telephone company, will be regarded as the point where such messages originate. In such cases the company retransmitting such messages will not be required to include the same in its monthly return. Where, however, a message sent over a telephone line is received directly from the sender, the company receiving and transmitting the same will, in such case, be regarded as the point of origin, and will include all such taxable messages in its monthly return. A reversed message shall be considered as originating at the point of collection.

3. Reports and returns may be made by a company for its fiscal month or billing period to be filed within 30 days after expiration of fiscal month, provided full return is made for the period during which the tax is to be collected.

4. Additions may be made any month for errors on the previous month's reports and returns. Reductions covering items reported in excess in previous months not allowable. In such cases amended returns may be filed before assessment is made, otherwise claim for abatement or refund, as the case may be, should be filed.

5. Messages originating at automatic telephone stations for each of which a charge of 15 cents or more was made are subject to tax, and companies owning and operating such stations must include all such messages in their monthly returns. The method of collecting the tax from the senders of such messages is a matter wholly within the province of the companies receiving and transmitting the messages.

6. All overtime telephone messages where the initial rate is less than 15 cents, but the total charge, on account of the overtime, brings the charge to 15 cents or more, are subject to tax.

WAR REVENUE LAW

7. Messages transmitted over private leased circuits and relating exclusively to the business for which the circuit was leased are held to be exempt from tax. Where, however, any such leased circuit is used for the transmission of messages other than above stated, return for all such messages for which a charge of 15 cents or more would ordinarily be made must be rendered monthly by the lessee.

8. Messages or dispatches of officers and employees of the company concerning the affairs and service of the company, and like messages or dispatches of officials and employees of railroad companies sent over the wires on their respective railroads, are exempt from tax. Franked messages, if of a private character, for which a charge of 15 cents or more would otherwise be charged, do not come within the exemption above referred to, and should be included in the return made.

9. Messages of officers and employees of the United States Government on official business, and like messages of State officials, are exempt from tax.

Messages or dispatches of officials and employees of railroad companies sent over wires *not* on their respective roads, for which a charge of 15 cents or more is made (including *pro rata* charges on messages sent in excess of free messages allowed under contracts with such railroads), are subject to tax.

A telegraph company is not required to send a message on which the sender has not affixed the stamp. *Kirk v. Western Union Tel. Co.*, 90 Fed. Rep., 809. *Western Union Tel. Co. v. Henley* (1901), 157 Ind. 50.

TELEGRAPH AND TELEPHONE MESSAGES.

(54) Exemption in favor of dispatches sent by State officers in discharge of their official duties. (T. D. 19704.)

(55) Telegraphic messages of railroad companies concerning the affairs and service of the companies, when exempt. (T. D. 19794.)

(56) Exemption from stamp tax of telegrams of foreign diplomatic officers residing in this country. (T. D. 20060.)

(57) Telegraph messages of associated steamship lines, or fast freight lines operating over railroads, not entitled to exemption from stamp tax under section 18, act of June 13, 1898. (T. D. 20066.)

(58) The fact that an individual holds a telegraph frank has no bearing upon the question of liability or nonliability to stamp tax of the message sent by such frank holder. (T. D. 20066.)

Bonds.

Bond: For indemnifying any person or persons, firm, or corporation who shall have become bound or engaged as surety for the payment of any sum of money, or for the due execution or performance of the duties of any office or position, and to account for money received by virtue thereof, and all other bonds of any description except such as may be required in legal proceedings, not otherwise provided for in this schedule, 50 cents.

INDEMNITY OR OTHER BONDS.

(59) Bonds of municipal officers required to be stamped. (Vol. 2, Treas. Dec. (1898), No. 19686.)

(60) Tax on renewal of bonds of fidelity companies taking effect on or after July 1, 1898. (Vol. 2, Treas. Dec. (1898), No. 19845.)

(61) Tax on bonds required before a person can enter on the duties of a State office not a tax on the functions of a State government. (Vol. 1, Treas. Dec. (1899), No. 20510.)

(62) Bonds of notaries public are subject to a tax. (Vol. 1, Treas. Dec. (1899), No. 20547.)

(63) Dramshop bonds. (*United States v. Ambrosini*, vol. 3, Treas. Dec. (1900), Int. Rev. No. 40.)

(64) Bonds required in legal proceedings. Bonds of administrators, executors, guardians, and receivers appointed by the courts not taxable. (Vol. 1, Treas. Dec. (1899), No. 20756.)

(65) Opinion of the Attorney General that bonds given by private in-

WAR REVENUE LAW

dividuals secured by mortgages are taxable as bonds of any description not otherwise provided for, and not as promissory notes. (Vol. 1, Treas. Dec. (1899), No. 20788.)

(66) Bonds given under section 3297, Revised Statutes, by officers of State institutions for alcohol to be used for scientific purposes not subject to stamp tax. (Vol. 1, Treas. Dec. (1899), No. 20876.)

(67) Stamps required on bonds of distillers, brewers, and other manufacturers, when given in duplicate or triplicate, only the original to be stamped. Modification of Treasury ruling No. 19707, of July 18, 1898. (Vol. 1, Treas. Dec. (1899), No. 21312.)

(68) Guaranties accompanying proposals taxable the same as bonds. (Vol. 2, Treas. Dec. (1899), No. 21609.)

(69) Bonds of industry, and fidelity and guaranty insurance. (Vol. 3, Treas. Dec. (1900), Int. Rev. No. 15.)

(70) Warehousing bonds taxable under Schedule A, act of June 13, 1898. (T. D. 19609.)

(71) Instructions in regard to stamping bonds of brewers, manufacturers of tobacco, manufacturers of cigars, distillers, etc. (T. D. 19707.)

(72) Bonds issued by guaranty companies in Canada guaranteeing the fidelity of employees, individuals, or corporations in the United States. (T. D. 19738.)

(73) When a bond is said to be issued—Whenever a corporation issues a bond and there accrues to the corporation a benefit or consideration for issuing the same the bond is subject to taxation. (T. D. 20156.)

(74) Bond or private person secured by mortgage considered in relation to opinion of the Attorney General and amendment to Schedule A, approved February 28, 1899. (T. D. 20796.)

(75) Where fidelity or guaranty companies become sureties on bonds, tax is due and payable whenever the premiums are paid.—Method of paying tax.—Tax on renewal of bonds. (T. D. 21666.)

(76) The conveyance used under the statutes of the State of Georgia in cases where the payment of a debt is secured by pledging of real estate is taxable under the paragraph in Schedule A relating to mortgage or pledge.—The "bond to reconvey" is subject to a tax of 50 cents. (T. D. 21667.)

(77) A bond filed by order of court to obtain a decree or order for the sale of real estate is a bond given in a legal proceeding and is exempt from tax.

(78) Bonds given by public officers, such as sheriffs, clerks, registers or recorders of deeds, treasurers of counties, cities, or towns, or other public officers of like character are required to be stamped.

(79) Mere agreements to build houses are not taxable, but if bonds are included for the faithful performance of work or contracts, they are held to be subject to tax as bonds.

(80) Bonds issued by guaranty companies in Canada guaranteeing the fidelity of employees, of individuals, or corporations in the United States, executed and delivered in Canada, are not taxable, but if they are not valid until countersigned or delivered by the agent in the United States, they should be stamped.

(81) Marriage bond requires a stamp of 50 cents.

(82) Bonds "required in legal proceedings" are exempt from stamp tax.

Bonds required by the City of Chicago or State of Illinois as a condition precedent to granting a liquor license are not taxable. *Ambrosini v. United States*, 187 U. S., 1; *United States v. Owens*, 100 Fed. Rep., 70.

A bond required by a notary as qualification for office is exempt. *Warwick v. Bettman*, 102 Fed. Rep., 127, affirmed 108 Fed. Rep., 46.

Certificate of profits, or any certificate or memorandum showing an interest in the property or accumulations of any association, company, or corporation, and on all transfers thereof, on each \$100 of face value or fraction thereof, 2 cents.

Certificate of profits, etc. of

WAR REVENUE LAW

Certificate of damages.

Certificate: Any certificate of damage, or otherwise, and all other certificates or documents issued by any port warden, marine surveyor, or other person acting as such, 25 cents.

Certificates not enumerated.

Certificate of any description required by law not otherwise specified in this Act, 10 cents.

CERTIFICATES.

(83) Liability for recording or registering documents required by law to be stamped, unless stamps are affixed and canceled. (T. D. 19681.)

(84) Certain certificates made by national banking associations not liable. (T. D. 19698.)

(85) Stamping certificates of damage to vessels, 25-cent stamp required on originals but none on copies. (T. D. 19706.)

(86) Letters of administration and other probate papers, certificates of sale for unpaid taxes, and certificates of redemption, no stamp required. (T. D. 19837.)

(87) Teachers' certificates issued by State or county officers do not require a stamp—Certificates required by law, issued by State officers at request of private persons, solely for private use, require a stamp. (T. D. 19883.)

(88) Certificates of inspection of steam vessels and all copies thereof are exempt from taxation. (T. D. 20387.)

(89) Certificates of authority issued to insurance agents by State officers are subject to taxation, and the rate imposed is 10 cents on each certificate. (T. D. 20551.)

(90) Certificates as to use of alcohol withdrawn from bond for scientific purposes under section 3297, Revised Statutes, held to be not subject to stamp tax under act of June 13, 1898. (T. D. 20980.)

(91) Certificates attached to depositions to be used in legal proceedings not taxable. (T. D. 9.)

Following rulings are taken from supplement to Internal Revenue Circular No. 503, dated August 16, 1898:

(92) Certificates required by law issued by any department or officer of the Government at the request of private persons, solely for private use, should be stamped. The stamp should be furnished by the person applying for the instrument and for whose use and benefit the same is issued, and should be affixed before the document is delivered.

(93) Certificates of officers of the United States given in the discharge of official functions necessary in carrying on the machinery of the Government are exempt.

(94) Certificates issued by an officer of the State, in the interest of the State, are not liable to tax.

(95) Any documents, the stamping of which would make it necessary that the State should furnish and affix the stamp, are held to be exempt from the stamp tax.

(96) Return of birth, certificate of death, and certificates of the registrar as to the facts declared concerning birth, marriage, and death are none of them held to be subject to the stamp tax imposed upon certificates, in view of the fact that these certificates are given in pursuance of State laws for public purposes.

(97) Certificates issued by the health officer of New York, under State statute, relative to the employment of children, are exempt, being issued in the discharge of a duty connected with the operations of the Government.

(98) A marriage certificate, to be returned to any officer of a State, county, city, or town, to constitute part of a public record, requires no stamp. A marriage certificate issued by the officiating clergyman or magistrate and given to the parties, if required by law, must be stamped at the rate of 10 cents.

(99) A teacher's certificate issued by a county superintendent of public instruction or other officer of State, county, or municipality comes within the exemption provided by section 17 of the act, and does not require a stamp.

WAR REVENUE LAW

These certificates, given under regulations adopted in connection with public schools, are held to be for governmental purposes rather than for private use.

(100) A mercantile license or liquor dealer's license, being a certificate required by the law of a State or ordinance of a city in the exercise of the functions governmental, taxing, or municipal of the State or corporation, comes within the exemption.

(101) Inspectors and weighers of grain who give certificates under State laws are not required to stamp such certificates. They are exempt under section 17.

(102) No stamp is required upon certificates of the sufficiency of sureties upon bonds.

(103) A stamp is required on a certificate of incorporation.

(104) The certificate of a clerk of court to the qualifications of a notary public, or justice of the peace, is held to be a certificate requiring a stamp.

(105) An architect's certificate requires no stamp, unless, by an indorsement, it becomes an order for the payment of money.

(106) A certificate of acknowledgment to a deed where the consideration of the deed is \$100 or less, or to a mortgage where the consideration is \$1,000 or less, does not require a stamp. (See also No. 119.)

(107) Certificates issued at tax sale or certificates of redemption from tax sale do not require stamps.

(108) Certificate of "proof of loss" for use of an insurance company, being a statement made as to the facts and circumstances attending a fire, is not a certificate requiring a stamp.

(109) Certificates required by law, which are made by court officers under the direction and authority of the court, and which are necessary to give proper effect to the court proceedings, are exempt.

(110) Court processes, such as summonses, writs of attachment, subpoenas, warrants, orders of court, etc., are not required to be stamped.

(111) Certificates of protest of every note, bill of exchange, etc., whether protested by a notary public or by any officer duly authorized by law, must be stamped.

Rulings from Circular No. 503, revised November 14, 1898:

(112) "Certificates of any description required by law not otherwise specified in this act, 10 cents." The first requirement necessary to subject any given certificate thus generally described to tax is that it shall be one which is required to be given by law, national, State, or municipal. All such are taxable those coming within the exemption of section 17—that is to say, those which are given strictly in the exercise of the functions—governmental, taxing, or municipal—of the State or corporation.

(113) Certificates given by an officer, not for a public or governmental purpose, but for private interests and use, are liable to the tax if they are given in obedience to any law which requires them to be given when called for.

(114) A certificate of search showing that the dockets or records of a court have been searched, and show either that lines exist or do not exist as to property, or that judgments are recorded or are not recorded, and also certificates of search to ascertain whether or not titles are good, whether taxes have been paid, and other certificates of this character are not such as are required in the general discharge of governmental functions on the part of the officers giving them, but are such as are needed for private use and private interests, and are, therefore, subject to the tax, as being required by law to be given when called for.

(115) If the act performed, or the certificate issued by the officer is in the discharge of an official function necessary in operating the general machinery of the Government, it is exempt.

(116) Certificates of acknowledgment of deeds and mortgages are not required to be stamped. The memorandum on the back of a deed or mortgage, made by the register or recorder, that the instrument has been placed upon record, is not subject to taxation. It is not a certificate such as is contemplated by the law. It is a brief note on the back of the deed or mortgage citing date of filing and date and place of record.

WAR REVENUE LAW

(117) Certificates of birth, marriage, and death, given in pursuance of the laws of the State requiring the collection and registration of vital statistics as a basis for the administration of public health laws, come within the exemption of section 17. Such certificates, however, when issued to private persons for private use, are subject to the 10-cent stamp tax.

**Brokers' con-
tract.** Contract: Broker's note, or memorandum of sale of any goods or merchandise, stocks, bonds, exchange, notes of hand, real estate, or property of any kind or description issued by brokers or persons acting as such, for each note or memorandum of sale, not otherwise provided for in this Act, 10 cents.

CONTRACTS.

(118) The original note or memorandum of sale is alone subject to the tax of 10 cents when made by a broker or one acting as such, and the tax is payable by said broker or one acting as such; the duplicate or the copy of the original memorandum of sale is not taxed.

(119) A mere memorandum accompanying an offer to purchase is subject to the tax only provided the offer is accepted, and should be stamped by the broker on the acceptance of the offer.

(120) A statement of account showing the receipts and disbursements in connection with a sale, and not being the contract of sale, does not require a stamp.

(121) A broker's memorandum of a sale of promissory notes ("notes of hand") requires the 10-cent stamp.

Conveyance.

Conveyance: Deed, instrument, or writing, whereby any lands, tenements, or other realty sold shall be granted, assigned, transferred, or otherwise conveyed to, or vested in, the purchaser or purchasers, or any other person or persons, by his, her, or their direction, when the consideration or value of the interest or property conveyed, exclusive of the value of any lien or encumbrance thereon, exceeds \$100 and does not exceed \$500, 50 cents; and for each additional \$500 or fractional part thereof in excess of \$500, 50 cents:

(T. D. 2042.)

Emergency revenue law—Stamp tax on deeds.

Deeds delivered on and after December 1, 1914, must be stamped. Registers and recorders are required to take notice that instruments are stamped before accepting for record.

TREASURY DEPARTMENT,
OFFICE OF COMMISSIONER OF INTERNAL REVENUE,

Washington, D. C., November 31, 1914.

SIR: This office is in receipt of your letter of the 27th instant, in which you request to be informed if it would be necessary, under the internal-revenue act of October 22, 1914, to attach stamps to a deed of real property dated, executed, and acknowledged prior to December 1, 1914, and also delivered prior to that date to a third party for account of the grantee named in the deed, the delivery, however, from such third party to the grantee named in the deed taking place subsequent to December 1, 1914.

In reply, you are informed that the deed should be stamped before delivery, which takes place after the law goes into effect.

You also request to be informed if a deed delivered to the grantee

WAR REVENUE LAW

named therein subsequent to December 1, 1914, could be recorded without the recording officer being required to see that stamps were attached.

In reply to this inquiry you are informed that section 13 of the act reads as follows:

That it shall not be lawful to record or register any instrument, paper, or document required by law to be stamped unless a stamp or stamps of the proper amount shall have been affixed and canceled in the manner prescribed by law.

As this section of the law will become effective December 1, 1914, registers and recorders will be required on and after that date to take notice that all instruments required to be stamped are stamped before accepting same for record.

Respectfully,

ROBT. WILLIAMS, JR.,

Acting Commissioner of Internal Revenue.

Mr. _____

Provided, That nothing contained in this paragraph shall be so construed as to impose a tax upon any instrument or writing given to secure a debt.

CONVEYANCES.

(122) Referee's deed. Decision of New York Supreme Court. (*Loring v. Chase*, Vol. 1, Treas. Dec. (1899), No. 20794.)

(123) A conveyance of realty by a master commissioner must have necessary stamps to be receivable for record. (*Farmers' Loan and Trust Co. v. Council Bluffs Gas and Electric Light Co.* (1898,) 90 Fed., 806. Vol. 1, Treas. Dec. (1899), No. 20952.)

(124) Taxation of conveyances of realty sold subject to mortgage. Decision of Judge Taft in United States Circuit Court for Southern District of Ohio considered. (Vol. 1, Treas. Dec. (1899), No. 21314.)

(125) Escrow deeds are not subject to taxation until final delivery. (Vol. 2, Treas. Dec. (1898), No. 20096.)

(126) A contract for deed used in selling real estate is not subject to stamp tax. (Vol. 2, Treas. Dec. (1898), No. 20065.)

(127) Releases of mortgages and deeds of trust operating as mortgages are not subject to taxation, no matter in what form they are executed. (Vol. 2, Treas. Dec. (1898), No. 20440.)

(128) Deeds of masters in chancery are required to be stamped. (Vol. 2, Treas. Dec. (1898), No. 20311.)

(129) Warranty deed with vendor's lien taxed as a conveyance of land. No mortgage tax imposed thereon. (Vol. 2, Treas. Dec. (1898), No. 20320.)

(130) When a partition deed is operative in defining boundary lines or in showing by location each tenant in common's interest, no tax accrues. (Vol. 1, Treas. Dec. (1899), No. 20792.)

(131) A deed or mortgage executed and delivered prior to July 1, 1898, is subject to stamp tax when offered for registration after that date in States where, by State law, registration is necessary to pass title or establish valid lien. (Vol. 1, Treas. Dec. (1899), No. 20838.)

(132) Conveyance of a mine located on unpatented land is subject to taxation. (Vol. 1, Treas. Dec. (1899), No. 20986.)

(133) Decision construing the clause in Schedule A relative to stamps on conveyances. United States Circuit Court, Western District of Missouri. (Vol. 3, Treas. Dec. (1900), Int. Rev. No. 51.)

(134) Deeds of conveyance executed by and between tenants in com-

WAR REVENUE LAW

mon not taxable. Deeds of conveyance executed by and between joint tenants taxable. (Vol. 1, Treas. Dec. (1899), No. 21283.)

(135) Conveyance of realty to trustees or other persons without a valuable consideration not taxable. (Vol. 3, Treas. Dec. (1900), Int. Rev. No. 52; Circular 555, Mar. 9, 1900.)

(136) A deed of conveyance conveying real estate that lies in countries that are not United States territory is not subject to taxation, though the grantor and grantee may both be citizens and residents of the United States. (Vol. 2, Treas. Dec. (1899), No. 21562.)

(137) Deeds that are simply confirmatory and do not vest title not already vested are exempt from tax; same as to deeds of partition. (Circular No. 503, 2d revision. Compilation of decision for year 1899, p. 293.)

(138) If a deed does not grant, assign transfer, or convey to the purchaser any lands, tenements, or other realty, but only the right to burial, to erect monuments, etc., it does not require a stamp. (T. D. 19838.)

(139) The words of purchase in the paragraph of the law relating to stamps on conveyances include all changes of title except those occurring by descent or operation of law. (T. D. 20195.)

Modified by circular 555 of March 9, 1900. Only those where a valuable consideration, capable of estimation in money value, passes.

(140) Quitclaim deed taxable according to value of the property interest conveyed. (T. D. 20232.)

(141) Contracts for sale of land taxable if they vest title; if provision is made for future delivery of deed, they are not taxable. (T. D. 20310.)

(142) Ground-rent deed incorporated in the following ruling taxable as a conveyance and not as a lease. (T. D. 21537.)

(T. D. 2060.)

Emergency revenue law—Stamp tax on deeds and mortgages.

Stamp required on bond accompanying a mortgage; stamp not required on certificate of officer taking acknowledgment of deeds and mortgages.

TREASURY DEPARTMENT,
OFFICE OF COMMISSIONER OF INTERNAL REVENUE,

Washington, D. C., November 20, 1914.

SIR: This office has received letters from parties in your district making inquiries in regard to stamp tax on deeds and mortgages under the internal-revenue act of October 22, 1914.

You are informed that a stamp is required upon the bond accompanying a mortgage. It comes under the provision for stamp tax of 50 cents on all bonds of any description, except such as may be required in legal proceedings. A stamp is not required upon the certificate of the officer taking acknowledgment of deeds and mortgages.

Respectfully,

ROBT. WILLIAMS, JR.,
Acting Commissioner of Internal Revenue.

Mr. _____

NOTE.—The act of June 13, 1898, taxed conveyances upon the whole value of the consideration, while the act of October 22, 1914, taxes such instruments on the value exclusive of the value of any lien or incumbrance thereon.

Entry of any goods, wares, or merchandise at any customhouse, either for consumption or warehousing, not exceeding \$100 in value, 25 cents; exceeding \$100 and not exceeding \$500 in value, 50 cents; exceeding \$500 in value, \$1.

Entry for the withdrawal of any goods or merchandise from customs bonded warehouse, 50 cents.

CUSTOMHOUSE ENTRIES.

(143) Stamps on customhouse entries, bonds, etc. (T. D. 19605.)

Entry of goods
at Custom
House.

Withdrawal.

WAR REVENUE LAW

Insurance: Each policy of insurance or other instrument, by whatever name the same shall be called, by which insurance shall be made or renewed upon property of any description (including rents or profits), whether against peril by sea or on inland waters, or by fire or lightning, or other peril, made by any person, association, or corporation, upon the amount of premium charged, one-half of 1 cent on each dollar or fractional part thereof:

Insurance pol-
icies.

(T. D. 2043.)

Emergency revenue law—Policies of fire insurance.

Stamp tax on policies of fire insurance under act of October 22, 1914.

TREASURY DEPARTMENT,
OFFICE OF COMMISSIONER OF INTERNAL REVENUE,
Washington, D. C., November 6, 1914.

SIR: This office is in receipt of your letter of the 6th instant in regard to stamp tax on policies of fire insurance under the act of October 22, 1914.

You desire a ruling on policies made, signed, and issued by brokers and agents prior to December 1, 1914, on renewals of business expiring after December 1, 1914. A policy does not require a stamp until it is issued. If the policy is issued in due course of business, delivered and accepted in such a way as to be legally binding upon the parties before December 1, 1914, it would not be subject to the tax imposed by the recent act.

Respectfully,

W. H. OSBORN,
Commissioner of Internal Revenue.

Mr. _____

(T. D. 2062.)

Emergency revenue law—Stamp taxes.

Stamp tax on bonds and policies of insurance.

TREASURY DEPARTMENT,
OFFICE OF COMMISSIONER OF INTERNAL REVENUE,
Washington, D. C., November 20, 1914.

SIR: This office is in receipt of your letter of the 19th inst., in regard to the stamp tax on bonds and policies of insurance under Schedule A, act of October 22, 1914, effective December 1. The ruling of this office is as follows:

Had Congress made no other provision for the taxation of bonds except in the language here quoted, every bond, in its broadest term, would have been subject to but one tax fixed specifically at 50 cents.

Following this, however, and under the head of "Insurance," the law says:

"Each policy of insurance, or bond, or obligation of the nature of indemnity for loss, damage, or liability issued, or executed, or renewed by any person, association, company, or corporation, transacting the business of fidelity, employer's liability, * * * or other branch of insurance, * * * and each bond undertaking or recognizance, conditioned for the performance of the duties of any office or position, or for the doing or not doing of anything therein specified, or other obligation of the nature of indemnity, * * * upon the amount of premium charged, one-half of 1 cent on each dollar or fractional part thereof."

There appears to be no ambiguity or difficulty of interpretation or reconciliation of the two provisions of this act.

First. Every bond of every description and kind, in its broadest sense

WAR REVENUE LAW

and meaning, without regard to its form, where sureties are added, for indemnifying any person or corporation, government or otherwise, is subject to the 50 cent tax if the sureties consist of any person, corporation, or other entity, except "persons, companies or corporations transacting the business of fidelity, etc., insurance."

Second. If the sole surety or sureties upon "any bond undertaking, recognizance" of any character, kind or description, "conditioned for the performance of the duties of any office or position, or for the doing or not doing of anything therein specified, or other obligation of the nature of indemnity," is executed or guaranteed by any liability, fidelity, or guaranty or surety company, the tax upon the amount of premium charged is one-half of 1 cent on each dollar or fractional part thereof, and no other tax of any character or kind is required to be paid upon such bond, undertaking, agreement, or clause made for the purpose of indemnifying any person, Government, or any other thing.

This office will not be governed by any interpretation, regulation, or ruling of construction on this subject made under the similar provisions of the war revenue act of 1898 inconsistent with the above.

Respectfully,

ROBT. WILLIAMS, JR.,

Acting Commissioner of Internal Revenue.

Mr. _____.

Co - operative
and mutual fire
insurance com-
panies exempted.

Provided, That purely cooperative or mutual fire insurance companies or associations carried on by the members thereof solely for the protection of their own property and not for profit shall be exempted from the tax herein provided:

And provided further, That policies of reinsurance shall be exempt from the tax herein imposed by this paragraph.

INSURANCE—MARINE, FIRE, LIGHTNING, ETC.

(144) Tax on insurance policies issued by foreign insurance companies having agencies in the United States. (Vol. 2, Treas. Dec. (1898), No. 20034.)

(145) Fire insurance policy, when assigned or transferred, taxed in proportion to the unearned premium. (Vol. 2, Treas. Dec. (1898), No. 20068.)

(146) Policies of insurance (marine) issued by foreign companies having no established agencies in the United States are nevertheless subject to the stamp tax when obtained by or through insurance brokers residing in this country. (Vol. 2, Treas. Dec. (1898), No. 20259.)

(147) Stamps must be affixed to premium notes as well as to policies. (T. D. 19620.)

(148) Ruling as to mutual insurance companies—In what cases exemption applies. (T. D. 19651.)

(149) Policies of mutual insurance companies, when taxable and when exempt—When the receipts of the company are invested and profit accrues the policies are subject to taxation. (T. D. 20020.)

Re-insurance policies need not be stamped. 22 A. G., Op. 318; 376.

The tax is on the policies and not applications therefor. 23 A. G., Op. 211.

Casualty, fidelity and guarantee insurance.

Each policy of insurance, or bond or obligation of the nature of indemnity for loss, damage, or liability issued, or executed, or renewed by any person, association, company, or corporation, transacting the business of fidelity, employer's liability, plate glass, steam boiler, burglary, elevator, automatic sprinkler, or other branch of insurance (except life, personal accident, and health insurance, and insurance described and taxed or exempted in the preceding paragraph and excepting also workmen's compensation insurance carried

WAR REVENUE LAW

on by the members thereof solely for their own protection and not for profit), and each bond undertaking or recognizance, conditioned for the performance of the duties of any office or position, or for the doing or not doing of anything therein specified, or other obligation of the nature of indemnity, and each contract or obligation guaranteeing the validity or legality of bonds or other obligations issued by any State, county, municipal, or other public body or organization, or guaranteeing titles to real estate or mercantile credits executed or guaranteed by any liability, fidelity, guarantee, or surety company upon the amount of premium charged, one-half of 1 cent on each dollar or fractional part thereof.

Bond undertaking or recognizance.

Contract of guarantee, validity of bonds, etc.

Provided, That policies of reinsurance shall be exempt from the tax herein imposed by this paragraph.

INSURANCE—CASUALTY, FIDELITY, AND GUARANTEE.

(150) When the policies should be stamped as policies of insurance and not as bonds. (T. D. 20781.)

(151) Bonds of indemnity, and fidelity and guaranty insurance. (Vol. 3, Treas. Dec. (1900), Int. Rev. No. 15.)

Passage ticket, for each passenger, sold in the United States for passage by any vessel to a foreign port or place, if costing not exceeding \$30, \$1; costing more than \$30 and not exceeding \$60, \$3; costing more than \$60, \$5:

Passage, ticket to foreign ports.

Provided, That such passage tickets, costing \$10 or less, shall be exempt from taxation.

(152) Revocation of ruling that tickets issued in Canada for passage on a vessel sailing from a United States port are not subject to stamp tax. (Vol. 2, Treas. Dec. (1898), No. 20004.)

(153) Members of foreign diplomatic corps are not required to pay tax on passage tickets by vessel from a port in the United States to a foreign port. (Vol. 2, Treas. Dec. (1898), No. 20196.)

(154) If one ticket only is issued, though it contains several names, only one stamp tax required. Circular 503, revised November 14, 1898.

No stamp on rebate checks given to passengers who pay their fare on the train is required. 22 A. G., Op. 248.

Power of attorney or proxy for voting at any election for officers of any incorporated company or association, except religious, charitable, or literary societies, or public cemeteries, 10 cents.

Power of Attorney, proxy to vote.

Power of attorney to sell and convey real estate, or to rent or lease the same, to receive or collect rent, to sell or transfer any stock, bonds, scrip, or for the collection of any dividends or interest thereon, or to perform any and all other acts not hereinbefore specified, 25 cents:

Power of Attorney to sell.

Where securities are pledged with power to sell in case of default such instrument is not taxable as a power of attorney. 22 A. G., Op. 218.

A certificate authenticating the official acts of a Notary Public engaged in taking depositions to be used in evidence before a judicial tribunal is not taxable. *Stirneman v. Smith*, 100 Fed. Rep., 435.

A warrant or clause attached to or printed in a promissory note authorizing an attorney to confess judgment for the maker is not taxable as a power of attorney under this paragraph. *Treat v. Tolman*, 113 Fed. Rep., 892.

WAR REVENUE LAW

Provided, That no stamps shall be required upon any papers necessary to be used for the collection of claims from the United States for pensions, back pay, bounty, or for property lost in the military or naval service.

POWER OF ATTORNEY OR PROXY.

(155) An instrument authorizing the secretary to transfer stock on the books of the company held not to be taxable as a power of attorney. (Vol. 2, Treas. Dec. (1899), No. 21467.)

(156) An instrument appointing an attorney in fact to transfer stock on the books of the company requires to be stamped as a power of attorney, but an instrument authorizing the secretary to make the transfer is held not to be a power of attorney. (Vol. 2, Treas. Dec. (1899), No. 21563.)

(157) Proxies—Contracts—Receipts—Sales of certificates of stock—Powers of attorney, etc. (T. D. 19700.)

(158) Where judgment notes, so called, contain a clause authorizing any attorney at law to confess judgment in favor of the holder of the note, such authorization is held to be a power of attorney, and taxable as such, in addition to the tax required on the judgment note as promissory note. (Cir. No. 503, revised November 14, 1898.)

(159) Powers of attorney to sell or transfer Government bonds are taxable. (Cir. No. 503, revised November 14, 1898.)

Protest.

Protest: Upon the protest of every note, bill of exchange, acceptance, check or draft, or any marine protest, whether protested by a notary public or by any other officer who may be authorized by the law of any State or States to make such protest, 25 cents.

PROTESTS.

No Rulings Found.

BERTHS AND SEATS IN SLEEPING OR PARLOR CARS.

Sleeping car seats and berths.

Every seat sold in a palace or parlor car and every berth sold in a sleeping car, 1 cent, to be paid by the company selling the same.

Tax on Sales of Seats or Berths in Palace, Parlor, or Sleeping Cars.

Until otherwise provided, every railroad company or other company owning or operating any palace or parlor car or sleeping car will, after January 1, 1915, and not later than the 20th day of each month, render to the collector of internal revenue of the district in which its principal office is located a sworn return of the number of seats or berths in any such car sold by it during the preceding month, and will pay to said collector the tax imposed by the revenue act of October 22, 1914, of 1 cent on each seat or berth so sold.

WAR REVENUE LAW

The return to be rendered in such cases will be in the following form:

(Form 674.)

UNITED STATES INTERNAL REVENUE.

Return of sales of seats and berths in palace, parlor, or sleeping cars taxable under act of October 22, 1914.

.....District of.....,
....., 191...

The undersigned, of the.....
(President or chief officer.) (Here give name of company.)

having its principal office at....., State of.....
....., hereby certifies that the said company owns or controls certain
palace, parlor, and sleeping cars in use on its or other railroad lines, and
that during the month of, 191..., the total number of seats or
berths in said cars sold by or on account of this said company was as
follows:

Total number of seats sold.....
Total number of berths sold.....

Total of seats and berths sold.....
Amount of tax due..... \$.....

.....
(Title.)

Subscribed and sworn to before me this.....day of....., 191..
[SEAL.]

SCHEDULE B

Perfumery and cosmetics and other similar articles: For and upon every packet, box, bottle, pot, phial, or other inclosure containing any essence, extract, toilet water, cosmetic, vaseline, petrolatum, hair oil, pomade, hair dressing, hair restorative, hair dye, tooth wash, dentifrice, tooth paste, aromatic cachous, or any similar substance or article, by whatsoever name the same heretofore have been, now are, or may hereafter be called, known, or distinguished, used, or applied as perfumes or as cosmetics, and sold or removed for consumption and sale in the United States, where such packet, box, bottle, pot, phial, or other inclosure, with its contents, shall not exceed at the retail price or value the sum of 5 cents, one-eighth of 1 cent.

Perfumes and cosmetics and similar articles and preparations.

Where such packet, box, bottle, pot, phial, or other inclosure, with its contents, shall exceed the retail price or value of 5 cents, and shall not exceed the retail price or value of 10 cents, two-eighths of 1 cent.

Costing not more than five cents.

Costing not more than ten cents.

Where such packet, box, bottle, pot, phial, or other inclosure, with its contents, shall exceed the retail price or value of 10 cents and shall not exceed the retail price or value of 15 cents, three-eighths of 1 cent.

Fifteen cents.

Where such packet, box, bottle, pot, phial, or other inclosure, with its contents, shall exceed the retail price or value of 15 cents and shall not exceed the retail price or value of 25 cents, five-eighths of 1 cent. And for each additional 25 cents of retail price or value or fractional part thereof in excess of 25 cents, five-eighths of 1 cent.

Twenty-five cents.

WAR REVENUE LAW

Chewing gum. Chewing gum or substitutes therefor: For and upon each box, carton, jar, or other package containing chewing gum of not more than \$1 of actual retail value, 4 cents; if exceeding \$1 of retail value, for each additional dollar or fractional part thereof, 4 cents; under such regulations as the Commissioner of Internal Revenue, with the approval of the Secretary of the Treasury, may prescribe.

Chewing Gum.

On and after December 1, 1914, stamps must be affixed by the maker or manufacturer to packages of chewing gum or substitutes therefor before the same are removed from the factory for consumption or sale.

Stamps of the denomination of 4 cents have been provided for the payment of this tax. When packages exceed \$1 of retail value the manufacturer shall affix additional stamp or stamps to cover the amount of tax due on such packages.

There shall be affixed to each and every box, carton, jar, or other package, containing chewing gum, before its removal from the factory, a label, on which shall be printed in plain, legible letters, the number of small tablets, one-cent packages, or other small packages of chewing gum contained therein, and the retail price of each such tablet or small package of gum, in form as follows:

100 1-cent packages, retail value.....	\$1.00
20 packages, 2 for 5 cents, retail price.....	.50
60 packages, 3 for 5 cents, retail price.....	1.00
12 packages, 5 cents each.....	.60

There shall also be affixed to each package a label, upon which shall be printed in plain and legible letters the manufacturer's name, with town or city address, and the number of district and the State in which the factory is located, for example: "John Doe, Manufacturer, Philadelphia, First District of Pennsylvania." These labels may be printed on the boxes or cartons if preferred.

Samples for salesmen, or for mailing, or for free distribution, shall be taken only from packages which have been duly stamped and shall be marked as provided elsewhere in these regulations.

The stamps on emptied packages will be destroyed.

When chewing gum and cachous are to be sold through automatic vending or selling machines, the same are to be kept in the regularly stamped boxes, packages, or containers until placed in the machines, when the stamps shall be destroyed. The chewing gum and cachous shall be securely locked in the machine and shall not be removed therefrom except through the regular aperture controlled by the mechanism.

Imported Articles.

All perfumeries, cosmetics, chewing gum, etc., imported from foreign countries are liable to the stamp tax as similar articles of domestic manufacture, in addition to the import duty on the same, and the stamps must be affixed by the owner or importer before the same are sold or offered for sale, and affixed in the same manner, upon every packet, box, bottle, phial, or other inclosure containing the same.

No exception is made in this respect for articles sold in original and unbroken packages in which the bottles or other inclosures were packed by the manufacturer before the importation. All such must be unpacked for the purpose of stamping the primary package. Importers may, however, supply manufacturers abroad with internal-revenue stamps to be there affixed to the respective articles before shipment.

Collectors to Make Examinations.

Collectors and revenue agents will make examinations of the retail drug stores, pharmacies, and other places in their districts to ascertain if the

WAR REVENUE LAW

medicinal articles, and other articles mentioned in Schedule B, contained in stock and offered for sale, are stamped according to law wherever liable under the foregoing instructions.

In cases where the officer is not able to determine liability to tax, or where there is reasonable doubt, samples should be sent to this office marked "Law Division" for decision. Samples sent for this purpose should include all wrappings, circulars, advertisements, etc., pertaining to the sample in question, and should be accompanied by a letter of transmission giving full information concerning the same.

W. H. OSBORN,
Commissioner of Internal Revenue.

Approved.
BYRON R. NEWTON,
Acting Secretary of the Treasury.

(T. D. 2052.)

Emergency revenue law—Stamp tax—Chewing gum.

The tax on chewing gum is based on the retail value, whether sold in small packages or in bulk, on and after December 1, 1914. The article must be retailed from stamped packages, whether sold over the counter or by means of a slot machine.

TREASURY DEPARTMENT,
OFFICE OF COMMISSIONER OF INTERNAL REVENUE,

Washington, D. C., November 5, 1914.

GENTLEMEN: Your letter dated the 2d instant, in which you make several inquiries relative to the stamp tax imposed on chewing gum as provided in the act of October 22, 1914, has been received.

You state that you manufacture your products in several forms, and generally sell in bulk, in all manner of quantities, and at prices which vary considerably, such prices being based largely on the quantity sold, and that your goods are retailed over the counter and by means of slot machines. Also, that one form of gum produced and put out by you can be sold by the dealer from two to four pieces for a penny. This particular form of gum you state is sold generally in barrel lots.

In reply, you are informed that the act of October 22, 1914, imposes on you as manufacturer the duty of stamping your product, on and after December 1, 1914, in whatever manner it may be put up, at the rate of 4 cents for each \$1 of its actual retail value. If the contents of a package should exceed \$1 and be less than \$2 in value, it should be stamped 8 cents, and similarly larger quantities in multiples of the initial tax. The law does not provide for stamping chewing gum valued at retail at less than \$1 at any other rate than 4 cents.

Chewing gum may be sold at retail in small packages either over the counter or by means of a slot machine without the same being stamped, provided it is sold from the original stamped packages.

The law requires the manufacturer to stamp his product on a basis of its actual retail value. You state you can not control this price. Nevertheless, it is believed that no one is so competent as the manufacturer to determine the retail price or value of his products, and he will be held strictly responsible for due compliance with the statute. This retail price or value is a price such as a single package or other small quantity would be sold at to consumers at the place of manufacture.

WAR REVENUE LAW

In reply to your inquiry as to the meaning of section 21 of the act, you are informed that the provision that "every person, except as otherwise provided in this act, who offers or exposes for sale any article or thing provided for in said Schedule B * * * shall be deemed the manufacturer thereof, and shall be subject to all the taxes, liabilities, and penalties, etc.," refers to wholesalers and retailers who may have taxable goods on hand December 1, when the several articles enumerated in Schedule B must be stamped as provided therein. On and after December 1, the manufacturer is required to stamp his products before delivery on a sale; and such goods, if in possession of any other person, firm, or corporation on said date, must be stamped by such person, firm, or corporation, or, failing so to do, they will incur the liabilities and penalties denounced by the act.

Respectfully,

W. H. OSBORN,

Commissioner of Internal Revenue.

Messrs. _____

Articles on
hand Dec. 1,
1914.

That all articles and preparations provided for in this schedule which are in the hands of manufacturers or of wholesale or retail dealers on and after December first, nineteen hundred and fourteen, shall be subject to the payment of the stamp taxes herein provided for, but it shall be deemed a compliance with this Act as to such articles on hand in the hands of wholesale or retail dealers as aforesaid who are not the manufacturers thereof to affix the proper adhesive tax stamp at the time the packet, box, bottle, pot, or phial, or other inclosure with its contents is sold at retail.

May be
stamped when
sold at retail.

Articles on Hand, December 1, 1914.

Under this provision it is held that articles liable to tax in the hands of a retail dealer who is not the manufacturer thereof, December 1, 1914, must be stamped by such retail dealer when he sells them at retail.

Articles liable to tax in the hands of wholesale dealers who are not the manufacturers thereof on and after December 1, 1914, may be sold by such wholesale dealer to other wholesale dealers or to retail dealers without stamping the same, the obligation to stamp being limited to sales at retail.

All articles in the hands of manufacturers on said date liable to tax must be stamped before removal from the place of manufacture.

Retail Price.

Dealers, in stamping articles on hand December 1, 1914, when sold at retail, must adhere to the normal retail price and stamp the article accordingly, and not according to some "cut price." Where a price is printed or stamped on the article or container, that will be considered as the normal retail price.

The manufacturer or importer shall pay the tax upon the normal retail price or value of the taxable articles under Schedule B manufactured or imported by him, and affix the corresponding adhesive stamps to the same before removal from the place of manufacture or importation. This duty is imposed on the manufacturer or importer by law, and he will be held strictly responsible for a due compliance with the statute.

This retail price or value is a price such as a single package or other small quantity would be normally sold at to consumers at the place of man-

WAR REVENUE LAW

ufacture or importation. If the manufacturer pays the tax upon the retail price in good faith according to this rule, he need apprehend no complaint if at different times and in different places the article is retailed for a greater or less sum than denoted by the stamps affixed thereto.

Five cents being the lowest retail price mentioned in Schedule B, taxable articles retailed for a less sum may be packed together under one wrapper, band, or other inclosure, when the retail price of said package shall not in the aggregate exceed 5 cents, and a stamp of the value of one-eighth of one cent shall be affixed to the outside band or wrapper, or other inclosure, in such a manner that the stamp shall be wholly destroyed in opening it. In such cases each subpackage shall have printed thereon the words: "Sold from a duly stamped package."

(T. D. 2066.)

Emergency revenue law—Talcum powders, etc.

Relative to tax on talcum powders, bay rum, witch-hazel, and vaseline, under the act of Congress approved October 22, 1914.

TREASURY DEPARTMENT,
OFFICE OF COMMISSIONER OF INTERNAL REVENUE,

Washington, D. C., November 23, 1914.

SIR: Replying to your letter of the 19th instant, you are informed that it is held that talcum powders of all kinds, although not specifically named in Schedule B of the act of Congress approved October 22, 1914, are clearly such similar substances or articles to those enumerated therein as to be subject to the tax. Talcum powder must, therefore, as a class, be stamped.

Witch-hazel, bay rum, white vaseline, perfumed vaseline, and so-called blue-label vaseline are subject to the tax.

Respectfully,

W. H. OSBORN,
Commissioner of Internal Revenue.

Mr. _____.

There shall be an allowance of drawback on articles mentioned in Schedule B of this Act on which any internal-revenue tax shall have been paid, equal in amount to the stamp tax paid thereon, and no more when exported, to be paid by the warrant of the Secretary of the Treasury on the Treasurer of the United States, out of any money arising from internal taxes not otherwise appropriated:

Drawbacks on goods exported on which internal revenue tax is paid.

Provided, That no allowance of drawback shall be made for any such articles exported prior to the date this Act becomes effective. The evidence that any such tax has been paid as aforesaid shall be furnished to the satisfaction of the Commissioner of Internal Revenue by the person claiming the allowance of drawback, and the amount shall be ascertained under such regulations as shall be prescribed from time to time by said commissioner with the approval of the Secretary of the Treasury.

No allowance prior to December 1, 1914.

REGULATIONS.

These include all perfumeries, eau de cologne, and all other scented waters; pastilles and all scented powders, papers, medallions, aromatic cachous, or other materials used to impart their odor to the breath, the air, or other substances; all cosmetics, lotions, and powders for beautifying, restoring, improving, or preserving the skin, hair, mouth, teeth, nails, or other parts of the body.

Articles under the head of perfumes and cosmetics are taxable under

WAR REVENUE LAW

the statute, regardless of the style or manner in which they are put up and sold. It is immaterial how they are labeled, recommended, or advertised, or whether they are labeled at all, so long as they are known to come within the provisions of the law.

Bulk Packages.

Articles subject to stamp tax under Schedule B are equally liable to stamp tax when sold in what are termed bulk packages as when sold in retail packages, and the value of the stamp or stamps to be affixed must correspond with and be proportionate to the price of a single retail package.

Dealers may retail directly to the consumer from such bulk packages as have been properly stamped by the manufacturer or importer, drawing from the same in quantities to suit their customers without any additional stamping, but the stamps attached to such bulk packages will only protect the original contents.

If bulk packages are broken up by the dealer drawing off the contents into smaller vessels to be put upon his shelves, or otherwise kept for future sales, the contents so drawn off thereby ceases to be identified with the stamped package in which they were originally put up by the manufacturer or sold by the importer, and such contents so put up become liable to seizure if stamps are not affixed to them.

The contents of bulk packages, liable to tax under Schedule B, which were in the hands of retailers on the 1st day of December, 1914, and therefore unstamped, must be stamped when sold at retail from said packages proportionately to the retail price of the whole package.

Unclarified Petrolatum and Other Incomplete Manufactures

Shipped in Bulk.

While the act specifically provides that the stamp taxes shall apply to petrolatum, it is held to be the intent of the statute to impose the tax mainly upon the clarified product. The unclarified is an unfinished product requiring to be treated with heat and otherwise manipulated before it will be accepted by manufacturing druggists as a basis for various ointments, or drawn off into small packages and sold as vaseline, and may be shipped in bulk without stamps.

If, however, the unclarified, unfinished petrolatum is sold for use by consumers, either at wholesale or retail, it is liable to the stamp tax at the same rate as the finished product.

Many articles which ultimately become taxable are not so when they are first removed from the manufacturing chemist's laboratory, but are incomplete manufactures, the process of manufacture not being completed until they are bottled, labeled, or otherwise placed in a salable condition.

This regulation particularly applies to articles manufactured for dealers, to be bottled, packed, and labeled by them, and sold under their own names, when it becomes the duty of the dealers who pack and sell the goods under their own names and not the manufacturers, to affix the tax stamps due.

Soaps.

Soaps are ordinarily either laundry or toilet articles. They may, however, and do become cosmetic articles, whenever the manufacturer or vendor holds them out and recommends them to the public for the softening and beautifying effects produced by their use upon the hair, mouth, skin, or complexion. In other words, whenever the manufacturer or vendor takes them out of the category of laundry or toilet articles and places them in the category of cosmetic articles, he must stamp them according to the provisions of Schedule B.

Samples.

Samples of perfumery and cosmetics, taxable under Schedule B, may be removed from the place of manufacture for free distribution, without stamps or payment of tax.

WAR REVENUE LAW

Every sample so removed, however, must have legibly printed thereon the following notice:

"This is a free sample removed from the factory for gratuitous distribution. Any person selling or exposing for sale this sample, unstamped, at any time will be liable to all the pains and penalties of the law denounced against persons selling, or exposing for sale, unstamped articles taxable under Schedule B."

But where, owing to the minute size of the sample, the above prescribed cautionary notice can not be legibly and neatly printed and affixed thereto, the following may be substituted:

"Free sample. Penalty for sale, \$500."

Where several small free samples are packed together in a box, the whole being given as an entirety, it will be sufficient if the free sample label is placed upon the box.

Manufacturer's Statements.

At the end of each and every month, the manufacturer or maker or packer for distribution of any of the articles or commodities provided for in Schedule B must make a declaration as provided in section 20 of the act as follows:

"That every manufacturer or maker of any of the articles or commodities provided for in Schedule B, or his foreman, agent, or superintendent shall at the end of each and every month make, sign, and file with the collector of internal revenue for the district in which he resides a declaration in writing that no such article or commodity has, during such preceding month or time when the last declaration was made, been removed or carried, or sent, or caused or suffered or known to have been removed, carried, or sent from the premises of such manufacturer or maker other than such as have been duly taken account of and charged with the stamp tax, on pain of such manufacturer or maker forfeiting for every refusal or neglect to make such declaration \$100; and if any such manufacturer or maker, or his foreman, agent or superintendent, shall make any false or untrue declaration, such manufacturer, or maker, or foreman, agent, or superintendent making the same shall be deemed guilty of a misdemeanor, and upon conviction shall pay a fine of not more than \$500, or be imprisoned not more than six months, or both, at the discretion of the court."

Articles Exported Without Stamping and Drawback on Stamped Articles Exported.

Articles liable to tax under Schedule B, when intended for exportation, may be manufactured and sold or removed without having the stamps affixed thereto and without being charged with tax as aforesaid, by giving bond and complying with regulations to be provided by the Commissioner of Internal Revenue and approved by the Secretary of the Treasury. See section 19, act of October 22, 1914. An allowance of drawback on articles mentioned in Schedule B, which have already been stamped and afterwards exported, is allowed by the last paragraph of Schedule B.

SEC. 23. That all administrative, special, or stamp provisions of law, including the law relating to the assessment of taxes, so far as applicable, are hereby extended to and made a part of this Act, and every person, firm, company, corporation, or association liable to any tax imposed by this Act, or for the collection thereof, shall keep such records and render, under oath, such statements and returns, and shall comply with such regulations as the Commissioner of Internal Revenue, with the approval of the Secretary of the Treasury, may from time to time prescribe, and every such person, firm, company, corporation,

Record to be kept as required by regulation.

WAR REVENUE LAW

Penalty.

or association who evades or attempts to evade any of the taxes imposed by this Act, or shall fail to truly account for and pay all taxes collected by them under this Act, or any regulations issued thereunder, shall be subject to a penalty of double the amount of the taxes evaded or attempted to be evaded or unlawfully withheld, to be assessed and collected as other penalties incurred under internal-revenue laws are assessed and collected; and for the expense connected with the assessment and collection of the taxes provided by this Act there is hereby appropriated \$200,000, or so much thereof as may be required, out of any money in the Treasury not otherwise appropriated; \$170,000 to be added to and made a part of the appropriations for "salaries and expenses of collections of internal-revenue, nineteen hundred and fifteen; and \$30,000 to the appropriation for paper for internal-revenue stamps, nineteen hundred and fifteen."

Appropriation.

The fact that a fermented or distilled liquor tax has already been paid does not exempt it from this section. *United States v. J. D. Iler Brewing Co.*, 121 Fed., 41.

Act expires by
limitation De-
cember 31, 1915.

SEC. 24. That the provisions of this Act shall take effect on the day next succeeding the date of its passage, except where otherwise expressly provided:

Provided, That on the day after the thirty-first day of December, nineteen hundred and fifteen, the taxes levied under this Act shall no longer be levied and collected, but all taxes arising or accruing before said date shall continue to be collectible under the terms of this Act:

Provided, however, That on and after the first day of January, nineteen hundred and sixteen, the provisions of section thirty-three hundred and thirty-nine of the Revised Statutes, as amended by an Act approved April twelfth, nineteen hundred and two, imposing a tax on fermented liquors shall not be affected by any limitation as to the levying or collecting of the additional tax imposed by this Act on such fermented liquors, but shall then be in full force and effect on and after the said first day of January, nineteen hundred and sixteen. All stamps provided for in this Act unused after the aforesaid date shall be redeemed from the holder thereof, under such rules as the Secretary of the Treasury may prescribe.

Treasury Decisions

(T. D. 2036.)

Consignment of newspapers under Schedule A, act of October 22, 1914.

Reports of shipments of newspapers to be made monthly to collectors in lieu of bills of lading

TREASURY DEPARTMENT,
OFFICE OF COMMISSIONER OF INTERNAL REVENUE,
Washington, D. C., October 28, 1914.

SIR: This office is in receipt of your letter of the 23d instant, relative to that portion of the internal-revenue act of October 22, 1914, relating to the consignment of newspapers.

In reply, you are informed that in lieu of a bill of lading, the publisher of the newspaper must file on or before the 15th day of each month with the collector of the district a report, under oath, showing the number of shipments during the preceding month, to which report a stamp shall be affixed equal in value to one cent for each shipment so reported. The portion of the act relating to this subject goes into effect December 1. The first report to be made, therefore, will be on or before January 15, 1915, for the number of bundles shipped during the month of December. * * *

Respectfully,

W. H. OSBORN,
Commissioner of Internal Revenue.

Mr. _____

(T. D. 2037.)

Supplemental instructions relative to paying taxes imposed upon wines by the act of October 22, 1914.

TREASURY DEPARTMENT,
OFFICE OF COMMISSIONER OF INTERNAL REVENUE,
Washington, D. C., October 30, 1914.

To collectors of internal revenue:

In office telegram of October 23, 1914, collectors were instructed to require dealers who sell wine to consumers to keep account of sales on and after that date and to delay collection of tax until further advised.

T. D. 2027 of October 24 prescribes method of procedure and form of report.

Collectors should collect no tax on wines sold by dealers on and after October 23 until they receive from this office the *special* wine stamps which they will require all dealers in wines who sell to consumers to purchase in quantities sufficient for their needs.

WAR REVENUE LAW

So many of these stamps as will be necessary to represent the tax on wines sold up to the date of making the report required in T. D. 2027 will be canceled by each dealer and disposed of in the manner provided in said Treasury decision.

The *special* wine stamps that will be forwarded to collectors about the 15th proximo must be used *exclusively* to indicate the payment of the wine tax, and under no circumstances shall documentary or proprietary stamps be used to indicate the payment of tax on sale of wines or cordials, and it must be borne in mind by every collector that *no discount* can be allowed on the *sale of wine stamps*.

Collectors may allow a discount of 1 per cent on the sale of adhesive stamps used in the payment of the tax levied in Schedules A and B of the act in quantities of not less than \$100 face value covered in *one sale*, except to officers and employees of the Internal Revenue Service.

ROBT. WILLIAMS, JR.,
Acting Commissioner of Internal Revenue.

(T. D. 2038.)

Emergency revenue law.

Taxes imposed under Schedule B effective on and after December 1, 1914

TREASURY DEPARTMENT,
OFFICE OF COMMISSIONER OF INTERNAL REVENUE,

Washington, D. C., November 3, 1914.

To collectors of internal revenue:

Referring to the discrepancy in the act of October 22, 1914, as to the date when Schedule B goes into effect, the act providing in section 21 that the said schedule shall go into effect 30 days after the passage of the act and in the schedule itself that it shall go into effect December 1, you are advised that as originally drafted the act provided in both places that Schedule B was to go into effect 30 days after passage. This was later amended by paragraph 6 of Schedule B to December 1, 1914, and it is therefore held by this office that the schedule in question is effective on and after December 1, 1914.

GEO. E. FLETCHER,
Acting Commissioner of Internal Revenue.

(T. D. 2049.)

Emergency revenue law—Income-tax certificates.

Income-tax certificates which are not required by specific statute, but by regulations only, are not subject to tax as "certificates required by law" under act of October 22, 1914.

TREASURY DEPARTMENT,
OFFICE OF COMMISSIONER OF INTERNAL REVENUE,

Washington, D. C., November 12, 1914.

SIR: In reply to your verbal inquiry as to whether certificates

TREASURY DIVISIONS

of ownership, certificates of exemption, and other certificates required by the income-tax regulations, but not by specific statute, are subject to tax as certificates required under the internal-revenue act of October 22, 1914, I beg to advise you that they are not.

While regulations made pursuant to and under authority of law as a rule have the force and effect of law, it is held by this office that it was not the intent of Congress to tax certificates which are required by regulations of the department for its own purposes and not by any express provision of law.

Respectfully,

W. H. OSBORN,

Commissioner of Internal Revenue.

Mr. _____

(T. D. 2050.)

Emergency revenue law.

Relative to classification of liqueurs, cordials, and similar compounds.

TREASURY DEPARTMENT,
OFFICE OF COMMISSIONER OF INTERNAL REVENUE,

Washington, D. C., November 13, 1914.

SIR: Replying to your letter of the 7th instant, you are informed that the words "liqueurs, cordials, and similar compounds," as used in the act of Congress approved October 22, 1914, are not held to include alcohol, whiskies, rums, brandies, and gins, except when so compounded as to be known to the trade as cordials and liqueurs: Compounds classed by this office as medicines are also excepted. The word "liqueur," as defined by Webster, is an alcoholic aromatic cordial, and obviously a cordial is practically the same. It would appear, therefore, that the words "liqueurs, cordials, or similar compounds," under whatever name sold or offered for sale, would include those beverages commonly known to the trade as liqueurs and cordials. Further, the term "similar compounds" would appear to include vermouths and like wine compounds, bitters used as beverages, cocktails, maraschino, cordialized liquors, fortified fruit juices, and all other compounds the formulas of which, methods of preparation, or use, make them sufficiently like liqueurs and cordials to place them in the class with liqueurs and cordials.

Respectfully,

G. E. FLETCHER,

Acting Commissioner of Internal Revenue.

Mr. _____

(T. D. 2053.)

Emergency revenue law—Wines, etc.

Relative to affixing and canceling stamps on containers of wines, cordials, liqueurs, and similar compounds.

TREASURY DEPARTMENT,
OFFICE OF COMMISSIONER OF INTERNAL REVENUE,

Washington, D. C., November 13, 1914.

SIR: Replying to your letter of the 9th instant, you are informed

WAR REVENUE LAW

that the act of Congress approved October 22, 1914, imposing taxes upon wines, liqueurs, and cordials, is silent as to where such stamps must be affixed to the bottles or other containers. It is held, therefore, that these stamps must be affixed conspicuously to the bottles or other actual containers of the wines and cordials and must be canceled by the person affixing same, and that the initials of the person, as well as the date when affixed, must be written or stamped indelibly upon the adhesive stamp. When the bottle or other container to which the stamp is affixed is empty, the person emptying same must completely efface and obliterate the adhesive stamp or stamps, as the case may be.

In reply to your second inquiry, this office is unable to state how bottles or other containers from which sales are made may be kept constantly filled and at the same time be stamped and the stamps be duly canceled in conformity with the law. Bottles from which wines and cordials are sold to consumers for immediate consumption must be stamped with properly canceled stamps, and when empty the stamps should be, as above stated, completely effaced and obliterated and new ones substituted therefor upon each refilling. It would seem, therefore, to be necessary to completely empty the bottles in order to comply with the law.

Respectfully,

ROBT. WILLIAMS, JR.,
Acting Commissioner of Internal Revenue.

Mr. _____

(T. D. 2054.)

Emergency revenue law—Certificates of deposits.

Certificates of deposit issued by banks not taxable under the act of October 22, 1914.

TREASURY DEPARTMENT,
OFFICE OF COMMISSIONER OF INTERNAL REVENUE,

Washington, D. C., November 14, 1914.

SIR: In reply to your letter of the 9th instant, you are informed that under the internal-revenue act of October 22, 1914, stamps are not required to be affixed to certificates of deposits issued by banks.

Respectfully,

ROBT. WILLIAMS, JR.,
Acting Commissioner of Internal Revenue.

Mr. _____

(T. D. 2055.)

Emergency revenue law—Discount on purchases of documentary stamps.

Postmasters and others authorized to be furnished stamps without prepay-

TREASURY DIVISIONS

ment not allowed discount unless stamps are paid for by them at the time.

TREASURY DEPARTMENT,
OFFICE OF COMMISSIONER OF INTERNAL REVENUE,

Washington, D. C., November 16, 1914.

To collectors of internal revenue:

You are informed that postmasters who buy from you and pay for the stamps issued under the internal-revenue act of October 22, 1914, are allowed a discount of 1 per cent on purchases amounting to \$100 or more. If they are furnished with the stamps under bond without prepayment therefor they are not allowed the 1 per cent discount.

ROBT. WILLIAMS, JR.,
Acting Commissioner of Internal Revenue.

(T. D. 2056.)

Emergency revenue law—Power of attorney to transfer stock.

An instrument appointing an attorney in fact to transfer stock on the books of the company requires it to be stamped as a power of attorney, but an instrument authorizing the secretary to make the transfer is held not to be a power of attorney.

TREASURY DEPARTMENT,
OFFICE OF COMMISSIONER OF INTERNAL REVENUE,

Washington, D. C., November 14, 1914.

SIR: This office is in receipt of your letter of the 9th instant, asking for a ruling under Schedule A of the act of October 22, 1914. You make the following inquiry:

1. Does the tax of 25 cents imposed in Schedule A on powers of attorney to sell or transfer stock apply to the ordinary formal power of attorney to transfer on the books? In other words, is the sale and the transfer of the stock itself taxed separately?

If this so-called power of attorney on the back of the certificate simply authorizes the secretary of the company to transfer the same on the books of the company, it is held not to be a power of attorney within the meaning of the internal-revenue law. In that case the secretary of the corporation can not be said to be the agent or attorney for the transfer of stock, as the effect of the instrument is only to give the secretary authority to do an act which he is required to do by the by-laws of the organization when properly authorized, just as a cashier of a bank is required to pay a check when the check is properly signed and presented for payment. In that case, therefore, this instrument would only be taxable as a transfer of stock. An instrument appointing an attorney in fact to transfer stock on the books of the company will require stamp as a power of attorney.

Respectfully,

ROBT. WILLIAMS, JR.,
Acting Commissioner of Internal Revenue.

Mr. _____.

WAR REVENUE LAW

(T. D. 2057.)

Annual inventories.

Annual inventories to be made by cigar and tobacco manufacturers and verified by collectors and their deputies.

TREASURY DEPARTMENT,
OFFICE OF COMMISSIONER OF INTERNAL REVENUE,

Washington, D. C., November 17, 1914.

To collectors of internal revenue:

Every manufacturer of tobacco or snuff and every manufacturer of cigars or cigarettes shall make a true inventory of the stock of tobacco materials, stamped and unstamped manufactured tobacco and snuff, or cigars and cigarettes, and attached and unattached internal-revenue stamps on hand in the factory on the 1st day of January of each year, and shall verify the same by his own oath, as provided in sections 3358 and 3390 of the Revised Statutes, respectively. These statutes also require that the collector (or his deputy) shall make personal examination of the stock sufficient to satisfy himself as to the correctness of the inventory, and shall verify the fact of such examination by oath to be indorsed on the inventory.

These inventories are important elements in settlement of manufacturers' accounts for the year or period. It is absolutely essential that the accuracy of an inventory shall not be questioned by a manufacturer when his accounts show deficiencies and he is, in consequence, called upon to show cause against assessment for omitted tax. *Each manufacturer shall see to it that a proper inventory of his factory is made, for the reason that such inventory having been sworn to by the manufacturer and verified under oath by a deputy collector, no claim of failure to include certain tobacco, made in response to a deficiency notice, will be entertained.* Therefore the following instructions in regard to making the required inventory must be observed:

(a) All tobacco material within the metes and bounds of the bonded factory premises, as described on Form 41½ posted in cigar factory and on Form 36 of tobacco factory shall be segregated into classes corresponding strictly with the headings provided therefor in Form 70a and Form 70b.

(b) Each class of tobacco shall be weighed separately.

(c) Tobacco dust, siftings, sweepings, and waste which has accumulated in manufacturing shall not be included under any class of tobacco except under the head of "Waste," which is provided for in inventory Form 70b. The quantity of each of these by-products may there be shown separately.

(d) Inventory must include all unstemmed leaf tobacco debited on manufacturers' books and returns which is stored off the bonded factory premises for which outside storage permission has been granted.

(e) To enable the deputy collector to verify the inventory, a list should be made of each unopened hogshead, case, or bale, or other package of tobacco, with sufficient description for identification by the deputy, of all broken packages or loose tobacco within

TREASURY DIVISIONS

the factory, and of all unstemmed tobacco stored off the bonded premises, shall be made on the back of the inventory form or preserved on separate sheets of the same size and attached thereto.

(f) An accurate record should also be kept of the quantity of each class of tobacco (as inventoried) used in production between the time inventory is taken and the time the deputy calls to verify the same.

Collectors will instruct their deputies so to arrange their routes as to make these verifications at the earliest practicable date after January 1 next. In verifying an inventory each deputy collector—

1. Will see that each class of tobacco has been properly inventoried and instructions above observed.

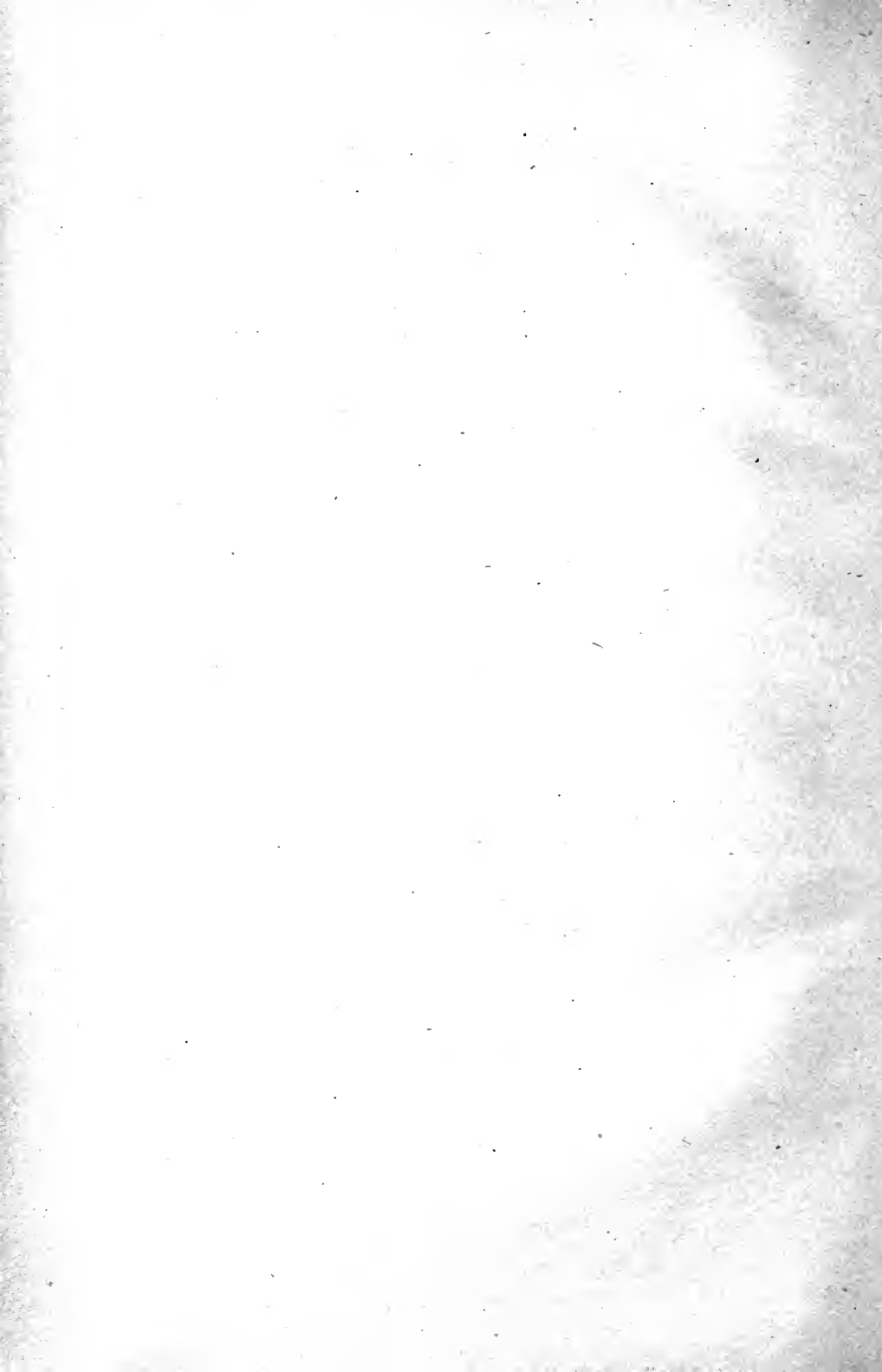
2. Will determine from the quantities of each different kind of tobacco purchased, sold, and used between the date inventory was taken and the time of his verification as to the correctness of the inventory, and will require any necessary amendments before the manufacturer makes oath to same before him.

“Deficiencies found by examining officers” should be immediately reported to the collector, and shall be treated in accordance with the instructions under that head on page 60 of Regulations No. 8, revised July 1, 1910.

Upon receipt of these inventories, properly verified, collectors will prepare their abstracts on loose leaves Record 11 and Form 146 of the accounts of cigar and tobacco manufacturers in their districts for the year or period ending December 31, 1914, observing in such preparation instructions in T. D. 1726 and T-Mim-980, as modified by T-Mim-1006, and Treasury Decision No. 1479 and T-Mim-993, respectively, and will forward said accounts to this office as fast as they are completed, not later than 90 days from the 1st day of January, 1915. An account showing a deficiency should not be held until the tax on same is collected, but forwarded at once, after having made sure it is correctly stated. Formal notice to show cause will then be forwarded for service on the manufacturer.

Collectors are hereby instructed to cause a copy of this circular, together with the necessary inventory blank, to be delivered to each manufacturer of tobacco, snuff, cigars, or cigarettes registered within their respective districts, not later than the 15th day of December next, for the taking of the required inventories on January 1, 1915.

ROBT. WILLIAMS, JR.,
Acting Commissioner of Internal Revenue.



Income Tax

CHAPTER II

RETURNS FOR THE YEAR, 1914.

Statement by Secretary McAdoo:

The following table shows the total number of income tax returns filed during the fiscal year, 1914, classified according to the amount of net income shown on the returns: These returns for the first year of the operation of the new income tax law cover income for the ten months from March 1 to December 31, 1913:

CLASSIFICATION.		NO RETURNS.	
\$ 2,500.00 to	\$ 3,333.00	79,426	
3,333.33 to	5,000.00	114,484	
5,000.00 to	10,000.00	101,718	
10,000.00 to	15,000.00	26,818	
15,000.00 to	20,000.00	11,977	
20,000.00 to	25,000.00	6,817	
25,000.00 to	30,000.00	4,164	
30,000.00 to	40,000.00	4,553	
40,000.00 to	50,000.00	2,427	
50,000.00 to	75,000.00	2,618	
75,000.00 to	100,000.00	998	
100,000.00 to	150,000.00	785	
150,000.00 to	200,000.00	311	
200,000.00 to	250,000.00	145	
250,000.00 to	300,000.00	94	
300,000.00 to	400,000.00	84	
400,000.00 to	500,000.00	44	
500,000.00 to	1,000,000.00	91	
1,000,000.00 to	and over	44	
Total.....		357,598	
Married		278,835	
Single			
Men.....		55,212	
Women.....		23,551	357,598
Married women rendering separate returns in- cluded above			6,682

INCOME TAX

DEPRECIATION SCHEDULE.

The following percentages have been adopted as a guide by the Chicago Real Estate Board for the computation of depreciation of buildings in the absence of a Treasury Department ruling on the subject. Each building must be considered in its individual detail, reasonable depreciation is deducted:

Fire-proof Steel Buildings—Reinforced Concrete Buildings.

Depreciation One (1%) Per Cent. on buildings five years old or less; Two (2%) Per Cent. on buildings more than five years old.

Mill Constructed Buildings and Fire-proof Apartment Buildings.

Depreciation Two (2%) Per Cent. on buildings five years old or less; Three (3%) Per Cent. on buildings more than five years old.

Brick and Lath Buildings, Including Ordinary Flat Buildings.

Depreciation Three (3%) Per Cent. to Four (4%) Per Cent.

Old Frame and Nearly Obsolete Buildings.

Depreciation Five (5%) Per Cent. and upward.

Note.—Where the value of the power plant and machinery, including elevators, can be separated from the total value of the building, compute depreciation at Ten (10%) Per Cent. on it; the remainder being figured at the percentages heretofore named.

The estimated value of buildings, power plants, etc., as of March 1, 1915, to be taken as a basis on which deductions are to be made.

TREASURY DECISIONS, 1914

(T. D. 1942.)

Income tax ruling as to income derived from bonds containing "tax-free covenant clause," and how same may be returned on Form 1040 when *exemption is not claimed* at the source.

TREASURY DEPARTMENT,
OFFICE OF COMMISSIONER OF INTERNAL REVENUE,
Washington, D. C., February 3, 1914.

To collectors of internal revenue:

This office is in receipt of numerous letters asking whether income *paid at the source*, although not *withheld* at the source, can be placed in column A, page 2, of Form 1040, and in reply to this inquiry you will advise as follows:

The stipulation in bonds whereby the tax which may be assessed against them or the income therefrom is guaranteed is a contract wholly between the corporation and the bondholder, and in so far as the income tax law applies the Government will not differentiate between coupons from bonds of this character and those from bonds carrying no such guarantee. The debtor corporation, or its duly authorized withholding agent, will be held responsible for the normal tax due on the coupons on which no tax has been withheld in cases wherein no exemption is claimed.

Income paid by "debtors" from March 1 to November 1, 1913, shall be included in the return of the individual (under column B, page 2, of Form 1040) as income upon which the normal tax of 1 per cent has not been withheld and paid at the source.

Income received by individuals between November 1 and December 31, 1913, upon which the normal tax has been withheld at the source shall be included in their annual return (under column A, page 2, of Form 1040) as income upon which the tax has been paid.

W. H. OSBORN,
Commissioner of Internal Revenue.

(T. D. 1943.)

Instructions to collectors relative to fiduciaries and returns to be made by them on Form 1041.

TREASURY DEPARTMENT,
OFFICE OF COMMISSIONER OF INTERNAL REVENUE,
Washington, D. C., February 4, 1914.

To collectors of internal revenue:

T. D. 1908 provides that all fiduciaries shall on or before March 1 of each year, when the annual interest of any beneficiary in the income of the estate or trust is in excess of \$3,000 (\$2,500 for the year 1913), make and render a return of the income of the person or persons (the beneficiaries) for whom they act to the collector of internal revenue of the district in which the fiduciary resides.

INCOME TAX

Where a decedent died after March 1 in the year 1913, and from March 1 up to the date of his death had a net income of \$2,500 or more, the fiduciary (i. e., the executor or administrator) should make a return for the decedent on Form 1040, and the income tax, both normal and additional, shown to be due thereon will be a debt against the estate of the decedent. The same principle will apply to subsequent years if the net income of the decedent from January 1 to the date of his death amounts to \$3,000 or more. No other return is required to be made by the fiduciary until the settlement of the estate has reached the stage when the beneficiaries thereof and their respective interests in the *income* derived from the estate are determinable, and then the fiduciary is required to file a return on or before March 1 of each year, as prescribed by the regulations.

The fiduciary will enter on page 2 of Form 1041, under the appropriate heads, all income accruing to the beneficiaries of the trust or estate from March 1 to December 31, 1913, inclusive; but the interest derived from the obligations of a State or any political subdivision thereof and the obligations of the United States or its possessions is not to be included.

The fiduciary will enter on page 3 of Form 1041 for the year 1913 five-sixths of the deductions allowable under paragraph B of the law, and on line 1 it will be proper for the fiduciary to enter all legitimate expenses incurred in administering the estate or trust. If the fiduciary holds and rents business or residential property and pays insurance, water rents, commissions for the collection of rents, or any other necessary expenses in managing the estate or trust, it will be proper to enter same on line 1 as an allowable deduction.

The amount to be shown on page 1, line 3, will represent the total amount of income accruing through the fiduciary to the beneficiaries of the estate or trust which is subject to the normal tax, and when the interest of any one beneficiary in this amount from November 1 to December 31, 1913, inclusive, was in excess of \$3,000, whether distributed or not, the fiduciary was required to withhold and pay the normal tax on the whole \$3,000 and excess thereof, unless the beneficiary filed with the fiduciary Form 1007, as prescribed by the regulations, claiming exemption under paragraph C, and in that event the fiduciary was only required to withhold and pay the normal tax on the amount in excess of the exemption claimed.

T. D. 1906 prescribes that when fiduciaries make their annual return they shall give the name and full address of each beneficiary and the share of income to which each may be entitled, which information shall be given on page 1 of Form 1041. In the column "Amount of income paid or accrued to beneficiaries" should be entered the respective interest of the beneficiary in the amount of income as shown on page 1, line 3.

When the interest of any beneficiary in the amount of income subject to the normal tax, as shown on Form 1041, page 1, line 3,

TREASURY DECISIONS

is in excess of \$3,000, and the same was paid to the beneficiary within the period from November 1 to December 31, 1913, both dates inclusive, the fiduciary was required to *withhold and pay the normal tax* as prescribed by the regulations, and the information required should be given on Form 1041, page 1, giving the name and full address of each beneficiary, the amount of income paid or payable to each beneficiary (this amount would be the beneficiary's interest in the amount of income subject to the normal tax as shown on line 3), the amount of exemption claimed under paragraph C (if any), the amount of income on which normal tax should be withheld, and the amount of tax withheld, all to be given in the respective columns in the order named.

A fiduciary acting for a minor or insane person who had a net income of \$2,500 or more for the year 1913 will make the return for his ward on Form 1040 and will not be required to file a return on Form 1041, unless he has more than one ward by reason of the same estate or trust; then in that event a return will be required on Form 1041, and a separate return on Form 1040 for each ward having a net income of \$2,500 or more for the year 1913.

The income accruing or paid to a beneficiary through a fiduciary may be composed in part of *dividends*, or income upon which the normal tax has been *withheld and paid or to be paid at the source*, or income derived from the obligations of a State or any political subdivision thereof or from the obligations of the United States or its possessions (income from obligations of a State or any political subdivision thereof and from the obligations of the United States or its possessions is not subject to the tax and should not be included). If a beneficiary has other income which, added to the income accruing to him through his fiduciary, gives him a net income of \$2,500 or more for the period from March 1 to December 31, 1913, inclusive, he should make a return of his gross income on Form 1040, as required by the regulations.

To illustrate: If a fiduciary's gross income was \$10,000, derived from the following sources:

1. Interest upon the obligations of the United States.....	\$1,000
2. Dividends on stock or net earnings of corporations.....	2,000
3. Interest from bonds containing "tax-free covenant clause," upon which the fiduciary did not claim any exemption at source and which he entered on Form 1041, on page 2, column A, as income on which normal tax was withheld.....	2,000
4. Income from rents, etc.....	5,000
	10,000

the fiduciary's return on Form 1041 would show as follows:

Page 2. Line 3, column B, amount of rents.....	\$5,000
Line 5, interest from bonds, "tax-free clause," column A.....	2,000
Line 10, dividends.....	2,000
	9,000
Aggregate total of gross income.....	9,000

INCOME TAX

(No entry of interest on United States bonds, \$1,000.)

Page 3. Line 1, necessary expenses actually paid in carrying on business, including compensation of fiduciary, water rents, insurance, etc.....	450
Line 3, taxes paid	400
Line 6, actual repairs made on building, or amount allowed for wear and tear	150
Line 7, dividends not subject to normal tax.....	2,000
Line 8, amount of income on which normal tax has been deducted and withheld at source, bonds with "tax-free clause".....	2,000
Total deductions.....	5,000
Page 1. Line 1, gross income.....	9,000
Line 2, total deductions.....	5,000
Line 3, amount of income due beneficiary, which is subject to normal tax	4,000

The beneficiary has filed with the *fiduciary as a withholding agent* a claim for exemption under paragraph C for \$2,500 (exemption of single person for 1913), and the return on Form 1041 would show on page 1, in addition to the foregoing entries, the following:

John Doe, 76 B. Street, New York City.

In third column, amount of income paid or accrued to beneficiary.....	\$4,000
In fourth column, amount of exemption claimed.....	2,500
In fifth column, amount of income on which fiduciary is liable to tax..	1,500
In sixth column, amount of normal tax withheld.....	15

In the foregoing illustration the beneficiary, in his return on Form 1040, would make no return of item 1, interest on United States bonds. Item 2, dividends, would be entered on page 2, line 11, and for the purpose of calculating the normal tax would be an allowable deduction on page 1, line 4. Item 3, interest on bonds, would be entered on page 2, line 7, column A, and for the purpose of calculating the normal tax would be an allowable deduction on page 1, line 5. Item 4, rents, would be entered on page 2, line 7; \$1,500 in column A, and \$2,500 in column B (exemption of \$2,500 claimed and no tax withheld on this amount). This would show—

Income received from fiduciary subject to be returned on Form 1040..	\$8,000
Deductions and exemption allowable in calculating normal tax.....	8,000

No normal tax due, it having been paid at the source by the fiduciary as shown by his return on Form 1041.

In making the foregoing entry on Form 1040, on line 11, there should be written just above the printed heading, "Amount received from fiduciary," and the amount should be entered in the appropriate column.

No illustration is given of income accruing to the beneficiary from *other sources*, an illustration of this not being deemed necessary, as such income is entered in the usual way.

W. H. OSBORN,
Commissioner of Internal Revenue.

TREASURY DECISIONS

(T. D. 1945.)

Regulation relative to exclusion of income derived from dividends or net earnings of corporations, joint-stock companies or associations, and insurance companies by persons subject to the normal tax only in computing their net income for the taxable year.

TREASURY DEPARTMENT,
OFFICE OF COMMISSIONER OF INTERNAL REVENUE,
Washington D. C., February 7, 1914.

To collectors of internal revenue:

Referring to that portion of the income-tax law which reads as follows:

Provided further, That persons liable for the normal income tax only, on their own account or in behalf of another, shall not be required to make return of the income derived from dividends on the capital stock or from the net earnings of corporations, joint-stock companies or associations, and insurance companies taxable upon their net income as hereinafter provided—you are informed that returns of individuals, when such individuals are subject to the normal tax only, need not include the income derived from the dividends or net earnings referred to above. When individuals are subject to the additional tax, such income derived from said dividends or net earnings must be shown on the return.

Persons having an annual net income of \$3,000 or more, including the income derived from dividends or net earnings of corporations, etc., but whose total net income is less than \$20,000 and whose net income, exclusive of the income derived from dividends or net earnings of such corporations, etc., is less than \$3,000 for the taxable year (\$2,500 for the year 1913), shall not be required to make a return of annual net income.

Returns which have been or may be received from persons subject to the normal tax only, in which such dividends are included and deducted, need not be changed to meet the provisions of this regulation.

All previous rulings of the department, including the general regulations No. 33, are amended accordingly.

W. H. OSBORN,
Commissioner of Internal Revenue.

(T. D. 1946.)

Special assessment districts created under the laws of the several States for public purposes, such as the improvement of streets and public highways, the provision for sewerage, gas, and light, and the reclamation, drainage, or irrigation of bodies of land, and levee and school districts are held to be political subdivisions of a State.

TREASURY DEPARTMENT,
OFFICE OF COMMISSIONER OF INTERNAL REVENUE,
Washington, D. C.; February 10, 1914.

To collectors of internal revenue:

Referring to paragraph B, section 2, of the income-tax law, which reads as follows:

INCOME TAX

That in computing net income there shall be excluded interest upon the obligations of a State or any political subdivision thereof—

you are informed that under date of January 30, 1914, the honorable the Attorney General held that special assessment districts created under the laws of the several States for public purposes, such as the improvement of streets and public highways, the provision for sewerage, gas, and light, and the reclamation, drainage, or irrigation of bodies of land within such special assessment districts when such districts are for public use, are political subdivisions of the State within the meaning of the above proviso.

It is held that the term "political subdivision" includes special assessment districts or divisions of a State created by the proper authority of the State acting within its constitutional powers and under its general laws, for the purpose of carrying out a portion of those functions of the State which by long usage and inherent necessities of government have always been regarded as public.

Levee and school districts when lawfully created under the authority of the State and which are authorized by the laws of the State to levy a tax to meet the obligations of such districts are also held to be political subdivisions of a State within the meaning of the income-tax law.

The income derived from interest upon the obligations of all such public districts shall therefore be excluded in computing net income for the income tax.

This decision supersedes T. D. 1910.

W. H. OSBORN,
Commissioner of Internal Revenue.

(T. D. 1947.)

Extending T. D. 1945 to cover returns made by fiduciaries in their fiduciary capacity.

TREASURY DEPARTMENT,
OFFICE OF COMMISSIONER OF INTERNAL REVENUE,
Washington, D. C., February 12, 1914.

To collectors of internal revenue:

You are advised that the provisions of T. D. 1945—in matter of exclusion of dividends or net earnings of corporations, joint-stock companies or associations, and insurance companies, by persons subject to the normal tax only, in computing their net income for the taxable year—are extended to cover such returns by fiduciaries.

To make clear any doubt on the subject, the provisions of T. D. 1945 are hereby specifically extended to include returns made by fiduciaries as such.

W. H. OSBORN,
Commissioner of Internal Revenue.

TREASURY DECISIONS

(T. D. 1948.)

Amendment of T. D. 1942.

TREASURY DEPARTMENT,
OFFICE OF COMMISSIONER OF INTERNAL REVENUE,
Washington, D. C., February 12, 1914.

To collectors of internal revenue:

T. D. 1942 is hereby amended as follows:

In the first paragraph, after the word "income," insert *tax on which is*, and after the word "paid" insert *or to be paid*. In the second paragraph, for words "on the coupons on which," substitute *in such cases when*, and for words "in cases wherein," substitute the word *and*. In the third paragraph, for the word "paid," substitute the word *withheld*.

So that the decision as amended will read:

"This office is in receipt of numerous letters asking whether income, tax on which is *paid or to be paid* at the source, although not *withheld* at the source, can be placed in column A, page 2, of Form 1040, and in reply to this inquiry you will advise as follows:

"The stipulation in bonds whereby the tax which may be assessed against them or the income therefrom is guaranteed, is a contract wholly between the corporation and the bondholder, and in so far as the income-tax law applies, the Government will not differentiate between coupons from bonds of this character and those from bonds carrying no such guaranty. The debtor corporation, or its duly authorized withholding agent, will be held responsible for the normal tax due in such cases when no tax has been withheld and no exemption claimed.

"Income paid by 'debtors' from March 1 to November 1, 1913, shall be included in the return of the individual (under column B, page 2, of Form 1040) as income upon which the normal tax of 1 per cent has not been withheld and paid at the source. Income received by individuals between November 1 and December 31, 1913, upon which the normal tax has been withheld at the source shall be included in their annual return (under column A, page 2, of Form 1040) as income upon which the tax has been withheld."

W. H. OSBORN,

Commissioner of Internal Revenue.

(T. D. 1950.)

Time for filing returns of income, and penalties in connection therewith.

Washington, D. C., February 19, 1914.

OFFICE OF COMMISSIONER OF INTERNAL REVENUE,
TREASURY DEPARTMENT,

To collectors of internal revenue:

You are advised, and will so announce from your respective offices, that the law and regulations require returns of income for the taxable period, March 1 to December 31, 1913, to be made and

INCOME TAX

filed on or before March 1, 1914. The law is mandatory and allows no discretion to be exercised by any officer. Section 3176, Revised Statutes of the United States, as amended and made part of the income-tax law, gives to collectors of internal revenue (they being satisfied as to the merits of the claim, and in the reasonable exercise of their judgment and discretion) authority to grant extension of time not to exceed 30 days from the time prescribed by law in which to file a return of net income, and then only in cases where such failure, neglect, or refusal is the result of "sickness or absence."

You are also advised, and will so announce, that there will be no change in income-tax regulations as they now exist prior to March 1, 1914, and that all persons and corporations required to make a return which have not as yet done so should make and file their returns at the earliest opportunity and on or before March 1.

Collectors will forward to this office immediately a report showing the number of returns filed in their respective offices as of February 20, 1914.

Penalties and additional tax, in connection with refusal or neglect to file return of income within the prescribed time.

As to corporations.—For neglect or refusal to make a return within the prescribed time, corporations are liable to a penalty not to exceed \$10,000; and in case of neglect or refusal to make, or for a false or fraudulent return made, 100 per cent is to be added to the tax; and in the case of neglect or refusal to make and verify a return within the prescribed time (except in case of sickness or absence) 50 per cent is to be added to the tax; and in case of an officer of a corporation or like institution charged with the duty and responsibility of making and verifying a return who makes a false or fraudulent return with the intent to defeat or evade any assessment or tax, he shall be guilty of a misdemeanor, and be subject to a fine not to exceed \$2,000, or to imprisonment not to exceed one year, or both, at the discretion of the court, together with costs.

As to individuals.—For neglect or refusal to make a return within the prescribed time, the penalty is not less than \$20 nor more than \$1,000; and in case of intentional neglect or refusal to make, or for a false or fraudulent return made, there shall be added 100 per cent to the tax; and in case of neglect or refusal to make a return within the prescribed time (except in case of sickness or absence) there shall be added 50 per cent to the tax.

W. H. OSBORN,

Commissioner of Internal Revenue.

TREASURY DECISIONS

(T. D. 1953.)

Extension of time for filing returns under income-tax law by citizens of the United States living abroad.

TREASURY DEPARTMENT,
OFFICE OF COMMISSIONER OF INTERNAL REVENUE,
Washington, D. C., March 2, 1914.

To collectors of internal revenue:

Referring to that portion of section 3176, as incorporated in the income-tax law, which provides that—

In case of neglect occasioned by sickness or absence as aforesaid, the collector may allow such further time for making and delivering such list or return as he may deem necessary, not exceeding thirty days—

you are informed as follows:

Various citizens of the United States living abroad were unable through such absence from this country to inform themselves as to the requirements of the law, and were also unable to obtain the necessary blank forms on which to make their returns of annual net income for the income tax. You are therefore authorized to mark the returns received from foreign countries after March 2, and up to and including March 31 as having the time extended to cover the period of filing such return.

The State Department has cabled the consular service and others residing in foreign countries that they shall forward a letter, in which their income shall be stated, and that such letter will be received in lieu of the return so far as the date of filing is concerned.

Such letters are now coming to this office, and they are being forwarded to the various collection districts to be held as tentative returns until the returns on Form 1040 shall be received. The regular returns on Form 1040 when received should be attached to the tentative returns and both should be forwarded to this office with the assessment lists on which the same shall be listed. The date of filing the returns should be considered that on which such tentative returns were filed.

W. H. OSBORN,
Commissioner of Internal Revenue.

(T. D. 1957)

Partnerships are not subject to income tax, but are required to file certificates of ownership of bonds, etc., in connection with coupon and registered interest payments to prevent withholding of their income at the source.

TREASURY DEPARTMENT,
OFFICE OF COMMISSIONER OF INTERNAL REVENUE,
Washington, D. C., March 12, 1914.

To collectors of internal revenue:

Referring to the following provision in paragraph D of the income-tax law—

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That any persons carrying on business in partnership shall be liable for income tax only in their individual capacity, and the share of the profits of a partnership to which any taxable partner would be entitled if the same were divided, whether divided or otherwise, shall be returned for taxation and the tax paid, under the provisions of this section, and any such firm, when requested by the Commissioner of Internal Revenue, or any district collector, shall forward to him a correct statement of such profits and the names of the individuals who would be entitled to the same, if distributed—

it is held that the income of partnerships per se is not subject to the income tax. The provisions of the law "relating to the deduction and payment of the tax at the source of income" do not apply to the income of partnerships as such. Taxable members of partnerships will be required to account, in their individual returns, for their respective shares or interest in the partnership profits, whether the same are divided and distributed or not.

Partnerships owning "bonds and mortgages, or deeds of trust, and other similar obligations of corporations, joint stock companies or associations, and insurance companies," shall file certificates of ownership, in Form 1001, evidencing the fact of partnership ownership when presenting for collection or payment coupons or interest orders for interest upon said obligations; and when such certificates are filed, the tax on such interest payments to partnerships shall not be withheld.

The last sentence in article 14, page 35, and article 47 of Income Tax Regulations No. 33, providing for claim by partnerships for deduction for legitimate expense incurred in conducting the business of a partnership, are hereby superseded and repealed.

W. H. OSBORN,

Commissioner of Internal Revenue.

(T. D. 1960.)

Corporations are allowed by law to deduct interest actually accrued and paid within the year on an amount not in excess of paid-up capital stock outstanding at the close of the year, plus one-half the interest-bearing indebtedness then also outstanding.

TREASURY DEPARTMENT,
OFFICE OF COMMISSIONER OF INTERNAL REVENUE,
Washington, D. C., March 18, 1914.

To collectors of internal revenue:

Your attention is called to that provision of the income-tax law designated as the third deduction, subdivision (b), paragraph G, reading as follows:

The amount of interest accrued and paid within the year on its indebtedness to an amount of such indebtedness not exceeding one-half of the sum of its interest-bearing indebtedness and its paid-up capital stock outstanding at the close of the year, and if no paid-up capital stock, the amount of interest paid within the year on an amount of its indebtedness not exceeding the amount of capital employed in the business at the close of the year.

It is held that in the case of a corporation having capital stock this deductible interest is interest actually accrued and paid within the year on an amount of indebtedness not exceeding the paid-up

TREASURY DECISIONS

capital stock outstanding at the close of the year, increased by the addition thereto of one-half the interest-bearing indebtedness outstanding at the close of the year.

The qualifying phrase, "outstanding at the close of the year," appearing in the foregoing quotation, is held to apply to both paid-up capital stock and indebtedness, and "one-half the sum of" qualifies only the indebtedness, which indebtedness, like the paid-up capital stock, is required by the law to be reported, in making return of annual net income, as outstanding at the close of the year.

If no indebtedness is outstanding at the close of the year, the maximum deduction allowable on account of interest paid will be the amount of interest actually accrued and paid on an amount of indebtedness not exceeding at any time within the year the entire paid-up capital stock outstanding at the close of the taxable year; that is, in such case, the paid-up capital stock outstanding at the close of the year measures the highest amount of indebtedness upon which deductible interest can be computed.

For the purpose of an allowable deduction, interest on the maximum amount of indebtedness, determined in the manner above indicated, can be computed upon such amount only for the time during which such amount of indebtedness is not in excess of the paid-up capital stock, increased by one-half the sum of the interest-bearing indebtedness outstanding at the close of the year.

In any event, the amount of interest, in order to constitute an allowable deduction, must not only be within the limit of the law as herein defined, but must have actually accrued and been paid within the year for which the return is made.

In cases where no capital stock exists, the limitation as to deduction is confined to interest actually paid on an amount of indebtedness not exceeding at any time during the year the capital employed in the business at the close of the year.

Any provision in the regulations heretofore issued inconsistent with the foregoing is hereby revoked.

W. H. OSBORN,
Commissioner of Internal Revenue.

(T. D. 1961.)

Fiduciaries.

Forms 1015 and 1019 may be adapted so that but one certificate will be required to be filed with coupons from the same issue of bonds, the property of different estates or trusts.

TREASURY DEPARTMENT,
OFFICE OF COMMISSIONER OF INTERNAL REVENUE,
Washington, D. C., March 19, 1914.

To collectors of internal revenue:

Under income-tax regulations No. 33, article 39 and 70, fiduciaries are required to file certificates on Form 1015 or Form 1019,

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according to the nature of the claim to be made by the fiduciary, for each issue of bonds and for each trust.

It is therefore provided that where fiduciaries have the custody and control of more than one estate or trust, and said estates or trusts have as assets bonds of corporations, etc., of the same issue, said fiduciaries may adapt certificates Form 1015 or Form 1019 by changing the words "estate or trust" in lines 2 and 3 of said forms to the plural, and inserting in the blank space provided in line 3 of said forms for the *description of the estate or trust* the words "As noted on the back hereof." In such cases the notation on the back of the certificate should show for each estate or trust (a) the name of the estate or trust, (b) the amount of the bond, (c) the amount of the interest. In all other respects the certificates should be filled out as indicated thereon.

W. H. OSBORN,
Commissioner of Internal Revenue.

(T. D. 1962.)

Information contained in income-tax returns to be treated as inviolably confidential.

TREASURY DEPARTMENT,
OFFICE OF COMMISSIONER OF INTERNAL REVENUE,
Washington, D. C., March 20, 1914.

To collectors of internal revenue, internal-revenue agents, and others concerned:

The attention of collectors of internal revenue, internal-revenue agents, and other officers concerned is invited to section 3167 of the United States Revenue Statutes, which prohibits the disclosure of information contained in income and other returns of internal-revenue taxpayers.

All internal-revenue officers will preserve as inviolably confidential all income-tax returns, as the slightest infraction of law upon this subject will be severely punished.

W. H. OSBORN,
Commissioner of Internal Revenue.

(T. D. 1963.)

Acceptance of certified checks in payment of internal-revenue taxes.

TREASURY DEPARTMENT,
OFFICE OF COMMISSIONER OF INTERNAL REVENUE,
Washington, D. C., March 18, 1914.

SIR: This office is in receipt of your letter of the 16th instant in reference to certified checks offered in payment of internal-revenue taxes and to the refusal of your depository to accept such checks where you indorse the same "without recourse."

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In reply you are informed that such qualified indorsement is unnecessary, and that any instructions on Forms 17, 21, and 647 contrary to this view are hereby rescinded.

In this connection attention is called to the act of March 2, 1911 (p. 108, Comp., 1911), respecting such checks not duly paid by the bank certifying to the same.

Respectfully,

W. H. OSBORN,

Commissioner of Internal Revenue.

COLLECTOR FIRST DISTRICT, *Brooklyn, N. Y.*

(T. D. 1965.)

Advance payment of tax withheld by withholding agents not to be made prior to 30 days preceding the date on which the annual return is required to be filed.

TREASURY DEPARTMENT,

OFFICE OF COMMISSIONER OF INTERNAL REVENUE,

Washington, D. C., March 23, 1914.

To collectors of internal revenue:

Attention is directed to note A appearing on the bottom of Forms 1012, 1012c, 1043, and 1044, providing that—

Withholding agents may, if they so desire, pay at the time this list is filed, to the collector of internal revenue with whom the list is filed, the amount of tax withheld during the *month* for which the list is made,

And to note A, Form 1042, providing that—

The amount of the tax withheld during the *year* for which the list is made, may be paid to the collector at the time the list is filed.

In order that persons whose income tax is deducted and withheld and is to be paid at the source, may have an opportunity to file with the source which is required to withhold and pay tax for them certificates claiming the benefit of deductions and exemptions provided for in paragraph B and allowed in paragraph C of the law, withholding agents will not pay to collectors of internal revenue the tax withheld by them under the law until after the time for filing claims for deductions and exemptions has expired. See Regulations No. 33, art. 33, (a) and (b).

W. H. OSBORN,

Commissioner of Internal Revenue.

(T. D. 1967.)

Organizations, etc., exempted by the first proviso of paragraph G of section 2 of the act of October 3, 1913, from payment of the income tax, are not subject to the provisions of the income-tax law as withholding agents.

TREASURY DEPARTMENT,

OFFICE OF COMMISSIONER OF INTERNAL REVENUE,

Washington, D. C., March 25, 1914.

To collectors of internal revenue:

This office is in receipt of several communications relative to the duty as withholding agents of religious corporations and other or-

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ganizations which are specifically enumerated in the first proviso of paragraph G of section 2 of the act of October 3, 1913.

The language of said proviso is as follows:

That nothing in this section shall apply to labor, agricultural, or horticultural organizations, or to mutual savings banks not having a capital stock represented by shares, or to fraternal beneficiary societies, orders, or associations operating under the lodge system or for the exclusive benefit of the members of a fraternity itself operating under the lodge system, and providing for the payment of life, sick, accident, and other benefits to the members of such societies, orders, or associations and dependents of such members; nor to domestic building and loan associations; nor to cemetery companies, organized and operated exclusively for the mutual benefit of their members; nor to any corporation or association organized and operated exclusively for religious, charitable, scientific, or educational purposes, no part of the net income of which inures to the benefit of any private stockholder or individual; nor to business leagues; nor to chambers of commerce or boards of trade, not organized for profit or no part of the net income of which inures to the benefit of the private stockholder or individual; nor to any civic league or organization not organized for profit but operated exclusively for the promotion of social welfare.

You are therefore advised that the words "this section" are held to refer to and mean the whole of section 2 of the act of October 3, 1913, which section comprises the income-tax law, and that the words "nothing in this section shall apply to" were intended to relieve such organizations, etc., as properly come within the classifications referred to in the proviso quoted, not only from the payment of an income tax but from every obligation or requirement imposed by any or all of the provisions of said section upon withholding agents.

ROBT. WILLIAMS, JR.,
Acting Commissioner of Internal Revenue.

(T. D. 1973.)

Revision of Form 1044, monthly list return of amount of normal income tax withheld by first bank or collecting agency.

TREASURY DEPARTMENT,
OFFICE OF COMMISSIONER OF INTERNAL REVENUE,

Washington, D. C., April 21, 1914.

To collectors of internal revenue:

Collectors are hereby advised that Form 1044, for monthly list return of amount of normal tax withheld by first bank or collecting agency, has been revised in the following particulars, so that the tax withheld from interest on bonds of different classes or of more than one organization can be reported thereon:

In the section of reading matter beginning, "To be made in duplicate," in the fourth line thereof, change "coupon" to "coupons," and strike out "and interest orders."

In the last line, next above the tabular list, strike out the blank lines and the words thereunder, "Describe the particular issue of bonds," and "State name and address of debtor organization."

Strike out the headings in the tabular list and substitute therefor,

TREASURY DECISIONS

in separate columns, "Party presenting coupons," and immediately thereunder, in separate columns, "Name" and "Address," "Name of debtor corporation," "Name of particular issue of bonds," "Amount of income subject to tax," and "Amount of tax withheld."

Immediately after and under the line of totals of the tabular list there shall be a double rule line. Strike out the words now appearing below the total line of the tabular list on Form 1044, viz, "Amount of tax remitted herewith (if any) to collector," and strike out the dotted line following these words, and also the dollar mark on the same line, and strike out the double rule line appearing immediately thereunder.

Strike out all of Note A appearing at the bottom of the form.

W. H. OSBORN,

Commissioner of Internal Revenue.

(T. D. 1974.)

Change of regulations as to certificates of ownership in connection with interest orders or checks for interest on registered bonds.

TREASURY DEPARTMENT,
OFFICE OF COMMISSIONER OF INTERNAL REVENUE,

Washington, D. C., April 21, 1914.

To collectors of internal revenue:

Articles 41 to 46 of the regulations are hereby amended so as to require, in the case of interest payments on bonds registered as to both principal and interest, that debtors in such cases shall deduct the normal tax of 1 per cent from accruing interest on all such bonds before sending out orders or checks for said interest to registered owners, unless there shall be filed with said debtors, at least five days before the due date of said interest, the prescribed certificates claiming exemption.

Where such certificates are so filed the said debtors shall stamp or write on the interest orders or checks, as the case may be, "*Exemption claimed by certificate filed with debtor.*"

Where prescribed certificates are not so filed, said debtor shall deduct and withhold the normal tax of 1 per cent from the amount of such payment, and shall stamp or write on the interest order or check, as the case may be, "*Income tax withheld by debtor.*"

Responsible banks, bankers, or collecting agents receiving for collection interest orders or checks bearing the aforesaid indorsements may present said interest orders or checks for collection without requiring that certificates of ownership be filed therewith.

Certificates of ownership are not required to accompany interest orders or checks in payment of interest on fully registered bonds, as information as to ownership of bonds will be furnished by debtor organizations on monthly list returns, Form 1012; but claim for exemption must be filed with debtors, or the tax must be withheld; and the form of certificate provided for use of owners of coupon

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bonds may be used by owners of registered bonds for the purpose of claiming this exemption.

Where, because of failure to file certificates claiming exemption, in compliance with above regulations, a part of the income from interest on registered bonds has been withheld for the payment of the normal income tax, debtors may, upon the filing of the proper certificates as provided in article 42, Income Tax Regulations, to the extent of exemption claimed, release and pay to the persons entitled thereto the amount of such income so withheld.

W. H. OSBORN,
Commissioner of Internal Revenue.

(T. D. 1976.)

Supplemental regulations prescribing revised forms of certificates of ownership, exemption, and substitute certificates in lieu of such certificates now in use.

TREASURY DEPARTMENT,
OFFICE OF COMMISSIONER OF INTERNAL REVENUE,
Washington, D. C., May 2, 1914.

The following certificates are prescribed in lieu of certificates now in use, and are to be used in complying with the income-tax regulations requiring the filing of certificates when presenting coupons or interest orders for collection:

Revised Form 1000,

Ownership Certificate—*Individual*—EXEMPTION NOT CLAIMED,
shall be in the following form and shall be printed on white paper:

Form
1000.
Revised.

TREASURY DEPARTMENT,
INTERNAL REVENUE—INCOME TAX.
Ed. 100,000—Mar. 27-14.
4-7-1908

Ownership Certificate—*Individual*—EXEMPTION NOT CLAIMED.
(To be furnished with coupon or interest orders showing ownership of bonds.)

.....
(Give name of debtor.)

.....
(Full description of bonds, giving name of issue and interest rate)

....., 191 Amount of coupon or registered interest, \$.....
(Date of maturity of interest.)

I do solemnly declare that I am a citizen or resident of the United States and am the owner of the above-described bonds from which were detached the accompanying coupons, or from which I am entitled to the above-described registered interest, and that all of the information as given in this certificate is true and correct. I do not now claim exemption from having the normal tax of 1 per cent withheld from said income by the debtor at the source.

Date,, 191 (Usual business signature of owner of bonds.)

.....
(Full post-office address of owner.)

*NOTE 1.—To be filled in only when duly authorized agent executes this certificate for owner, in which case the name and address of owner must be given, and collecting agent first receiving certificate must stamp across face "Satisfied as to identity and responsibility of agent" (giving name and address of collecting agent).

*NOTE 2.—If securities are owned jointly by several persons one may sign, and the names, addresses, and proportions of ownership of each, indorsed on the back hereof.

*NOTE 3.—When numbers of bonds are required to be given, same are to be entered on back hereof.

..... *By..... Agent
(Usual business signature of agent authorized to sign for owner.)

.....
(Full post-office address of agent.)

(SIGNATURES MUST BE CLEARLY AND LEGIBLY WRITTEN.)

INCOME TAX

Revised Form 1001,

Ownership Certificate—FIRMS AND ORGANIZATIONS, shall be in the following form, and shall be printed on yellow paper :

Form 1001 Revised.

TREASURY DEPARTMENT, INTERNAL REVENUE—INCOME TAX, E. I. 50,000—Mar. 27-34, 9-2730

Ownership Certificate—FIRMS OR ORGANIZATIONS. (Showing ownership of bonds, which is to be furnished by firms or organizations not subject to withholding of tax on interest at source.) (Give name of debtor.) (Full description of bonds, giving name of issue and interest rate.) 191 Amount of coupon or registered interest, \$..... I do solemnly declare that the firm or organization named below, and of which I am a member or an officer, is the owner of the above-described bonds from which were detached the accompanying coupons, or upon which there is due the above-described registered interest, and that under the provisions of the Income Tax Law and Regulations said interest is exempt from having the tax withheld at the source, and that all the information given herein is true and correct. Date, 1911 (Name of firm or organization.) By (Signature of person duly authorized to sign, and his official position.) Address: (Give full post-office address of firm or organization.)

NOTE.—When numbers of bonds are required to be given, same are to be entered on back hereof.

Revised Form 1002,

CERTIFICATE FOR USE OF FIRST BANK OR COLLECTING AGENCY, shall be in the following form, and shall be printed on green paper :

Form 1002 Revised.

TREASURY DEPARTMENT, INTERNAL REVENUE—INCOME TAX, E. I. 50,000—Mar. 27-34, 9-2730

Certificate of BANK OR COLLECTING AGENCY. (To be presented with coupons or interest orders when not accompanied by certificate of owners.) (Give name of debtor.) (Full description of bonds, giving name of issue and interest rate.) 191 Amount of coupon or registered interest, \$..... I (we) do solemnly declare that the bank or collecting agency named below has purchased or accepted for collection the accompanying coupons or interest orders from (Name of party from whom received.) (Full post-office address of said party.) and that no certificate of ownership accompanied said coupons or interest orders, and that I (we) have no knowledge as to who is the owner or owners of the bonds (except as noted on back hereof)* upon which the above-described interest is due, and the bank or collecting agency hereby acknowledges responsibility of withholding therefrom the normal income tax of 1 per cent, in accordance with the regulations of the Treasury Department. Date, 1911 (Bank or collecting agency.) By (Signature of officer authorized to sign and official position.)

*NOTE.—If the ownership of bonds is known to person signing this certificate, he must give the name and address of the owner on the back hereof. (SIGNATURES MUST BE CLEARLY AND LEGIBLY WRITTEN.)

Revised Form 1004,

Ownership Certificate—NONRESIDENT ALIENS, shall be in the following form, and shall be printed on yellow paper :

Form 1004 Revised.

TREASURY DEPARTMENT, INTERNAL REVENUE—INCOME TAX, E. I. 50,000—Mar. 27-34, 9-2730

Ownership Certificate—NONRESIDENT ALIENS. (To be furnished with coupons detached from bonds or other obligations owned by citizens or subjects, firms, corporations, or organizations of foreign countries and who are not residents of the United States.) (Give name of debtor.) (Full description of bonds, giving name of issue and interest rate.) 191 Amount of coupon or registered interest, \$..... I do solemnly declare that the owner of the bonds from which were detached the accompanying coupons, or upon which there matured the aforesaid registered interest, is a nonresident alien in respect to the United States, and is exempt from the income tax imposed on such income by the United States Government under the law enacted October 3, 1913; that no citizen of the United States wherever residing, or foreigner residing in the United States or in any of its possessions, has any interest in said bonds; and that all of the information as given in this certificate is true and correct. Date, 1911 (Signature of owner or, if organization, name.) (If organization, signature of official authorized to sign, and official position.) (Full post-office address of owner.)

NOTE.—When numbers of bonds are required to be given, same are to be entered on back hereof. (SIGNATURES MUST BE CLEARLY AND LEGIBLY WRITTEN.)

TREASURY DECISIONS

Revised Form 1007,

CERTIFICATE CLAIMING EXEMPTION,

allowed citizens and resident aliens under paragraph C, shall be in the following form, and shall be printed on yellow paper:

Form 1007, Revised.

EXEMPTION CERTIFICATE

(For claiming exemption at the source as provided in paragraph C of the Federal Income Tax Law of October 3, 1913.)

To (Give name of withholding agent.)

..... (Full post-office address.)

I hereby serve you with notice that I am single-married, with my (wife--husband) living with me, and that I now claim the benefit of the exemption of \$..... as allowed in paragraph C of the Federal Income Tax Law of October 3, 1913 (my total exemption under said paragraph being \$.....).

Date,, 191..... Signed:

Address: (Full post-office address.)

NOTE.—Claim for exemption on Form 1007 can be filed with the debtor or withholding agent at any time, not less than 30 days prior to March first next succeeding the year for which exemption is claimed.

(SIGNATURES MUST BE CLEARLY AND LEGIBLY WRITTEN.)

Revised Form 1015,

Ownership Certificate—FIDUCIARY, THE SOURCE,

shall be in the following form, and shall be printed on yellow paper:

Form 1015, Revised.

Ownership Certificate—FIDUCIARY, THE SOURCE.

(To be filed with debtor or withholding agents by fiduciaries claiming exemption from withholding at the source.)

..... (Give name of debtor.)

..... (Full description of bonds, giving name of issue and interest rate.)

....., 191..... Amount of coupon or registered interest, \$.....

I (we) do solemnly declare that the estate or trust named below is the owner of the above-described bonds from which were detached the accompanying coupons, or upon which there is due the above-described registered interest, and acting for the estate or trust in the capacity herein stated, I (we) hereby declare that I (we) do now claim exemption from having the normal tax of 1 per cent withheld from said income by the debtor at the source. I (we) hereby assume the duty and responsibility imposed upon withholding agents under the law, of withholding and paying the income tax due, for which I (we) may be liable.

..... (Name of fiduciary.) (Capacity in which acting.)

Date,, 191..... for (Name of estate or trust.)

..... (Full post-office address.)

NOTE.—When numbers of bonds are required to be given, same are to be entered on the back hereof.

(SIGNATURES MUST BE CLEARLY AND LEGIBLY WRITTEN.)

Revised Form 1019,

Certificate of Ownership—FIDUCIARY, NOT SOURCE,

shall be in the following form, and shall be printed on white paper:

Form 1019, Revised.

Ownership Certificate—FIDUCIARY, NOT SOURCE.

(To be filed with debtor or withholding agents by fiduciaries when not claiming any exemption, as an alternative to the filing of Form No. 1015 in which exemption is claimed.)

..... (Give name of debtor.)

..... (Full description of bonds, giving name of issue and interest rate.)

....., 191..... Amount of coupon or registered interest, \$.....

I (we) do solemnly declare that the estate or trust named below is the owner of the above-described bonds from which were detached the accompanying coupons, or upon which there is due the above-described registered interest, and acting for the estate or trust in the capacity herein stated, I (we) hereby declare that I (we) do not now claim exemption from having the normal tax of 1 per cent withheld from said income by the debtor at the source.

..... (Name of fiduciary.) (Capacity in which acting.)

Date,, 191..... for (Name of estate or trust.)

..... (Full post-office address.)

NOTE.—When numbers of bonds are required to be given, same are to be entered on the back hereof.

(SIGNATURES MUST BE CLEARLY AND LEGIBLY WRITTEN.)

TREASURY DEPARTMENT, INTERNAL REVENUE—INCOME TAX. Ed. 10, 1909—Rev. 7-14.

TREASURY DEPARTMENT, INTERNAL REVENUE—INCOME TAX. Ed. 10, 1909—Rev. 7-14.

TREASURY DEPARTMENT, INTERNAL REVENUE—INCOME TAX. Ed. 10, 1909—Rev. 7-14.

INCOME TAX

Form 1058,

Substitute Certificate—EXEMPTION CLAIMED,

shall be in the following form, and shall be printed on yellow paper:

Form
1058.

Substitute Certificate—EXEMPTION CLAIMED.

(To be attached to interest coupons when the collecting agent's certificate is substituted for the certificate of owner in which exemption was claimed.)

TREASURY DEPARTMENT,
 INTERNAL REVENUE—INCOME TAX.
 Est. 20,000—Apr. 24-14.
 2-1058

.....
 (Give name of debtor.)

 (Full description of bonds, giving name of issue and interest rate.)
 191 Amount of coupon or registered interest, \$
 (Date of maturity of interest.)
 Total exemption allowed under paragraph C, \$ Amount of exemption claimed, \$
 I (we) do solemnly declare that the owner of the above-described bonds from which were detached the accompanying interest coupons has filed with me (us) a certificate of ownership, Form No., duly executed and filled in according to Treasury Regulations, which certificate has been indorsed by me (us) as required by Treasury Regulations, and that under the provisions of the income tax law and regulations, said interest is exempt from the withholding and payment of the income tax at the source, or that exemption was claimed as stated herein; and I (we) do hereby promise and pledge myself (ourselves) to forward the said certificate to the Commissioner of Internal Revenue at Washington, D. C., not later than the 20th day of next month, in accordance with Treasury Regulations.
 Date, 191
 (Name of bank or collecting agency.)
 By
 (Signature of person authorized to sign, and his official position.)
 No.
 (Full post-office address of collecting agency.)

Form 1059,

Substitute Certificate—EXEMPTION NOT CLAIMED,

shall be in the following form, and shall be printed on white paper:

Form
1059.

Substitute Certificate—EXEMPTION NOT CLAIMED.

(To be attached to interest coupons when collecting agent's certificate is substituted for certificate of owner in which exemption was not claimed.)

TREASURY DEPARTMENT,
 INTERNAL REVENUE—INCOME TAX.
 Est. 20,000—Apr. 24-14.
 2-1059

.....
 (Give name of debtor.)

 (Full description of bonds, giving name of issue and interest rate.)
 191 Amount of coupon or registered interest, \$
 (Date of maturity of interest.)
 I (we) do solemnly declare that the owner of the above-described bonds from which were detached the accompanying coupons has filed with me (us) a certificate of ownership, Form No., duly executed and filled in according to Treasury Regulations, which certificate has been indorsed by me (us) as required by Treasury Regulations, and which certificate did not claim any exemption from having the normal tax of 1 per cent withheld by the debtor at the source; and I (we) do hereby promise and pledge myself (ourselves) to forward the said certificate to the Commissioner of Internal Revenue at Washington, D. C., not later than the 20th day of next month, in accordance with Treasury Regulations.
 Date, 191
 (Name of bank or collecting agency.)
 By
 (Signature of person authorized to sign, and his official position.)
 No.
 (Full post-office address of collecting agency.)

All certificates shall be, in size, 8 by 3½ inches, and shall be printed to read from left to right along the 8-inch dimension.

All certificates *claiming exemption* shall be printed on yellow paper; all certificates *not claiming exemption* shall be printed on white paper; and certificate Form 1002, for use by the first bank or collecting agency, shall be printed on green paper.

All paper upon which certificates shall be printed shall correspond in weight and texture to white writing paper 21 by 32, about 40 pounds to the ream of 500 sheets.

Certificates heretofore authorized, when properly executed, will be accepted up to October 1, 1914.

The revised certificates hereby provided will be printed by the Government and furnished without cost for the use of bond owners.

TREASURY DECISIONS

All existing regulations which may be in conflict with the prescriptions of this regulation are hereby superseded.

Individuals or organizations desiring to print their own certificates may do so, but certificates so printed must conform in size and be printed in similar type, upon the same color, shade, and weight of paper as used by the Government.*

W. H. OSBORN,
Commissioner of Internal Revenue.

(T. D. 1977.)

Ownership certificate to be executed by foreign banks, bankers, etc., claiming exemption of nonresident alien from income tax on interest on bonds owned by said nonresident alien, viz: Citizens or subjects, firms, corporations, or organizations of foreign countries who are not residents of the United States.

TREASURY DEPARTMENT,
 OFFICE OF COMMISSIONER OF INTERNAL REVENUE,
 Washington, D. C., May 2, 1914.

For the purpose of complying with income-tax regulations requiring the filing of certificates of ownership of bonds when presenting coupons or interest orders for collection of interest on bonds of domestic corporations of the United States owned by nonresident aliens as to the United States, a certificate in the form following is provided, which may be executed by responsible banks or bankers in foreign countries for and in behalf of nonresident alien owners of bonds of United States corporations:

Form 1060. Ownership Certificate—NONRESIDENT ALIEN—TO BE EXECUTED BY BANKS, BANKERS, ETC.
 (For use by foreign banks or bankers, to accompany coupons detached from bonds or other obligations owned by citizens or subjects, firms, corporations, or organizations of foreign countries and who are not residents of the United States.)

..... (Give name of debtor.)

..... (Full description of bonds, giving name of issue and interest rate.)

....., 191..... Amount of coupon or registered interest, \$.....

(Date of maturity of interest.)

I (we) do solemnly declare that the owners of the bonds from which were detached the accompanying coupons or upon which there matured the aforesaid registered interest are nonresident aliens as to the United States, and are exempt from the income tax imposed on such income by the United States Government under the law enacted October 3, 1913; that no citizen of the United States, wherever residing, or foreigner residing in the United States or in any of its possessions, has any interest in said bonds; and that all of the information so given in this certificate is true and correct. I (we) hereby agree that if at any time within three years from the date of this certificate it shall appear that the income or any part thereof represented or covered by this certificate was, or is, subject to the normal tax imposed by the United States, upon presentation of proof of that fact to me (us) by, from, or through the Commissioner of Internal Revenue, Washington, D. C. I (we) will pay and remit to the United States Government the amount of tax claimed to be due; and I (we) hereby further agree that whenever in the judgment of the Commissioner of Internal Revenue it shall be necessary in or to the administration of the income tax law, of the bonds aforesaid.

Date, 191..... (Name of bank or banker.)

By (Signature of official authorized to sign.)

..... (Official position.)

NOTE.—When numbers of bonds are required to be given, same are to be entered on back hereof.

(SIGNATURES MUST BE CLEARLY AND LEGIBLY WRITTEN.) (Full post-office address of bank or banker.)

TREASURY DEPARTMENT,
 INTERNAL REVENUE BUREAU,
 WASHINGTON, D. C.
 FORM 1060—May 2, 1914.

When foreign banks or bankers shall use the foregoing certificate, they may include in one certificate all the coupons from bonds of the same class and same issue, and may include in one certificate all the interest orders or checks for interest on registered bonds of the same class and same issue.

The above certificate shall be in size 8 by 3½ inches, and shall be printed to read from left to right along the 8-inch dimension.

*Sample certificates showing size of type and color of paper can be secured from collectors of internal revenue in their several districts or from the Commissioner of Internal Revenue at Washington, D. C.

INCOME TAX

The certificate shall be printed on yellow paper and such paper shall correspond in weight and texture to white writing paper 21 by 32, about 40 pounds to the ream of 500 sheets.

The revised certificate hereby authorized will be printed by the Government and furnished without cost.

Individuals or organizations desiring to furnish their own certificates may do so, but certificates so printed must conform in size to that prescribed above and be printed in similar type upon the same color, shade, and weight of paper as used by the Government.

Sample certificates showing size of type and color of paper can be secured from collectors of internal revenue in their several districts, or from the Commissioner of Internal Revenue, Washington, D. C.

W. H. OSBORN,
Commissioner of Internal Revenue.

(T. D. 1983.)

Decision of Court.

1. CONSTITUTIONALITY.

The income tax law is not unconstitutional.

2. INJUNCTION.

As the taxes, if collected illegally, may be recovered back, there is no occasion for interference of a court of equity by injunction.

3. DISMISSAL OF BILL.

The motion for injunction was overruled and the bill of complaint dismissed with costs.

TREASURY DEPARTMENT,
OFFICE OF COMMISSIONER OF INTERNAL REVENUE,

Washington, D. C., May 28, 1914.

The appended decision of the Supreme Court of the District of Columbia in the case of John F. Dodge and Horace E. Dodge, v. William H. Osborn, Commissioner of Internal Revenue, is published for the information of internal-revenue officers and others concerned.

W. H. OSBORN,
Commissioner of Internal Revenue.

SUPREME COURT OF THE DISTRICT OF COLUMBIA HOLDING EQUITY COURT.
No. 32515.

John F. Dodge and Horace E. Dodge, plaintiffs, v. William H. Osborn, Commissioner of Internal Revenue, defendant.

[Decided May 14, 1914.]

STAFFORD, *Judge*: * * * In my best opinion that act is not unconstitutional in either respect in which it is challenged by the plaintiffs. I think the contentions are satisfactorily met and answered in the brief filed in behalf of the Government, so that I will not take the trouble to write an opinion in the case or go into it fully at this time.

* * * * *
The plaintiffs are amply able to pay the tax, and I think the act provides a proper and reasonable method for the recovery of any taxes illegally exacted

TREASURY DECISIONS

under the act. The defendant is proceeding in accordance with the explicit directions of the statute, and there is a provision that if the taxes are collected illegally they may be recovered back; and inasmuch as no irreparable damage will be inflicted upon the plaintiffs by the payment of such taxes, even if illegal, and subsequent recovery of them is provided for by the statute, I think there is no occasion for the interference of a court of equity by injunction. I make this statement because the same question may arise in some future case with reference to the scope and effect of section 3224 of the Revised Statutes. So that this bill will be dismissed with costs.

NOTE.—Counsel for the plaintiffs noted an appeal to the Court of Appeals of the District of Columbia.

(T. D. 1983.)

Extension to October 31, 1914, of waiver of regulations providing for the filling in on certificates used in connection with the income tax of the numbers of bonds of corporations, etc.

TREASURY DEPARTMENT,
OFFICE OF COMMISSIONER OF INTERNAL REVENUE,

Washington, D. C., May 28, 1914.

Notice is hereby given that T. D. 1955, issued May 10, 1914, waiving until June 30, 1914, the requirement that the numbers of bonds or other like obligations of corporations, etc., from which interest coupons are detached or upon which registered interest is to be paid, shall be filled in on the certificates to be used in connection with the income tax is hereby extended to October 31, 1914.

W. H. OSBORN,
Commissioner of Internal Revenue.

(T. D. 1986.)

Execution of income tax substitute certificates 1058 and 1059 by banks or collection agents.

TREASURY DEPARTMENT,
OFFICE OF COMMISSIONER OF INTERNAL REVENUE,

Washington, D. C., May 29, 1914.

To collectors of internal revenue:

You are advised that as a convenience to banks and collecting agents who desire to substitute their certificates, Forms 1058 and 1059, for the owner's certificate accompanying the coupons deposited for collection, it is hereby provided that the name of the bank or collecting agent may be printed or stamped, and that a facsimile of the signature of the person authorized to sign the substitute certificate for the bank or collecting agent may also be printed or stamped on the certificate:

Provided, That in all cases the bank shall first file with the Commissioner of Internal Revenue a certificate of its authorization in substantially the form following:

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.....
(City.) (Date.)

The COMMISSIONER OF INTERNAL REVENUE,
Washington, D. C.

The undersigned hereby authorizes the use of the facsimile signature shown below upon all substitute income tax certificates issued in its name until this authorization is revoked by written notice to you.

.....
(Name of bank or collecting agent.)

By.....
(Signature of person authorized to sign.)

.....
(Facsimile signature of person authorized to sign.) (Official position.)

W. H. OSBORN,
Commissioner of Internal Revenue.

—————
(T. D. 1987.)

Fiduciaries.

Forms 1015 and 1019, revised, may be adapted so that but one certificate will be required to be filed with coupons from the same issue of bonds the property of different estates or trusts.

TREASURY DEPARTMENT,
OFFICE OF COMMISSIONER OF INTERNAL REVENUE,
Washington, D. C., May 29, 1914.

To collectors of internal revenue:

Under Income Tax Regulations No. 33, articles 39 and 70, fiduciaries are required to file certificates on Forms 1015 or 1019 (now 1015 and 1019 revised), according to the nature of the claim to be made by the fiduciary, for each issue of bonds and for each trust.

It is therefore provided that where fiduciaries have the custody and control of more than one estate or trust, and said estates or trusts have as assets bonds of corporations, etc., of the same issue, said fiduciaries may adapt certificates, Forms 1015 or 1019, revised, by changing the words "estate or trust" in lines 1, 2, and 3 of said forms to the plural, and writing on blank line provided for (the name of the estate or trust) the words, "As noted on the back hereof."

In such cases the notation on the back of the certificate should show for each estate or trust—

- (a) The name of the estate or trust.
- (b) The amount of the bonds.
- (c) The amount of the interest.

In all other respects the certificates should be filled out as indicated thereon.

W. H. OSBORN,
Commissioner of Internal Revenue.

TREASURY DECISIONS

(T. D. 1988.)

Certificate of ownership of bonds—nonresident alien—(Form 1060) provided to be executed by foreign banks or bankers may be used by domestic banks or bankers.

TREASURY DEPARTMENT,
OFFICE OF COMMISSIONER OF INTERNAL REVENUE,
Washington, D. C., June 2, 1914.

To collectors of internal revenue:

The provisions of T. D. 1977 permitting responsible banks or bankers of foreign countries to execute certificates of ownership (Form 1060) for nonresident alien owners of bonds of domestic corporations are hereby extended to and for the use of responsible banks or bankers in the United States for and in behalf of nonresident alien owners of bonds of United States corporations.

W. H. OSBORN,
Commissioner of Internal Revenue.

(T. D. 1989.)

Designation of losses which are deductible from gross income within a taxable year.

TREASURY DEPARTMENT,
OFFICE OF COMMISSIONER OF INTERNAL REVENUE,
Washington, D. C., June 2, 1914.

To collectors of internal revenue:

Several letters have been received in which inquiry has been made as to whether losses resulting from the sale of real estate by individuals are properly deductible from gross income in the returns of annual net income of individuals for the income tax.

Under paragraph B of the income tax law it is provided that among the deductions to be allowed shall be "losses actually sustained during the year incurred in trade or arising from fires, storms, or shipwreck, and not compensated for by insurance or otherwise."

Losses arising from fires, storms, or shipwreck and not compensated for by insurance or otherwise are easily ascertained and there would not appear to be any chance of an erroneous construction as to these. Losses actually sustained during the year incurred in trade are limited by the language of the act itself.

"In trade" is synonymous with *business*.

"Business" has been defined as —

That which occupies and engages the time, attention, and labor of any one for the purpose of livelihood, profit, or improvement; that which is his personal concern or interest employment, regular occupation, but it is not necessary that it should be his sole occupation or employment.

The doing of a single act incidentally or of necessity not pertaining to the particular business of the person doing the same will not be considered engaging in or carrying on the business.

It is therefore held that no losses are deductible in a return of

INCOME TAX

income save and only those losses permitted and provided for by the statute, viz., those actually sustained during the year—

Which are "incurred in trade,"

Or which arise from "fires, storms, or shipwreck and not compensated for by insurance or otherwise."

W. H. OSBORN,
Commissioner of Internal Revenue.

Approved:

CHARLES S. HAMLIN, -
Acting Secretary of the Treasury.

(T. D. 1990.)

Use of certified checks and other forms of commercial exchange in payment of internal-revenue taxes.

TREASURY DEPARTMENT,
OFFICE OF COMMISSIONER OF INTERNAL REVENUE,

Washington, D. C., June 1, 1914.

SIR: Your letter of the 28th ultimo has been received, in which you quote a letter of the 27th idem, addressed to you by the president of the First National Bank of Abingdon, calling attention to the fact that you are receiving from taxpayers in payment of income tax certified checks from various points in your district. The bank requests you to require the income tax to be paid in New York, Washington, Baltimore, or Philadelphia funds which can be used in New York at par, for the reason that they are required to remit every day in New York funds.

You call attention to the instructions on Form 647, "Notice of assessment of special excise and income tax," which you state instruct taxpayers that they may remit by certified check and that most of them are doing so. You ask what steps shall be taken by you in case the bank declines to accept certified checks for deposit.

In reply to your request as to what action should be taken in case the bank declines to accept certified checks, your careful attention is invited to the regulations published as Department Circular No. 11, dated March 27, 1913, copy inclosed. You will note that you are required to accept in payment of all internal-revenue taxes certified checks drawn in your favor on national and State banks and trust companies located in the city of Abingdon, and in addition such "out of town" certified checks as you can cash without cost to the Government. In the event that the depository will not accept for deposit "out of town" certified checks, you are not required by law or regulations to accept such checks in payment of internal-revenue taxes.

The law does not specifically authorize the acceptance of any form of exchange in payment of internal-revenue taxes other than currency and such certified checks as are specifically described in Department Circular No. 11, reference to which is made above.

TREASURY DECISIONS

If, however, the collector elects to accept drafts or other mediums of exchange not specifically authorized by law, he does so at his own risk, but it may be said that, if the depository bank will accept such forms of exchange indorsed by the collector without recourse and issue therefor regular certificates of deposit, the monetary responsibility would appear to be shifted from the collector to the depository, inasmuch as the collector would be entitled to credit in his accounts by reason of the issuance of such certificates of deposit (see sec. 3211, Rev. Stat., and notation found on page 108 of Compilation of Internal Revenue Laws, 1911).

Respectfully,

W. H. OSBORN,
Commissioner of Internal Revenue.

COLLECTOR OF INTERNAL REVENUE,
Sixth District, Abingdon, Va.

(T. D. 1992.)

Bonds of foreign corporations payable, as to interest, wholly within the United States, or within or without the United States, at the option of the owner of the bonds, to be treated for income-tax purposes as domestic bonds when accompanied by certificates of ownership properly executed.

TREASURY DEPARTMENT,
OFFICE OF COMMISSIONER OF INTERNAL REVENUE,

Washington, D. C., June 4, 1914.

To collectors of internal revenue:

Where foreign corporations have an issue of bonds, the interest upon which is payable wholly within the United States, or within or without the United States, at the option of the owner of the bonds, in all cases where said foreign corporations have fiscal agents within the United States and the said bonds are owned by citizens of the United States or aliens resident within the United States, the collection of interest on said bonds shall be considered to be and treated as a domestic transaction upon the filing with said coupons certificates of ownership properly executed:

Provided, That whenever coupons from foreign bonds not accompanied by certificates of ownership are presented for collection they shall be treated as foreign items, and the first bank or collecting agency receiving or accepting the same for collection or otherwise shall deduct, withhold, and pay the tax as provided by income-tax regulations for the collection of foreign income.

Where a foreign corporation has an issue of *registered* bonds, the interest on which is payable through a fiscal agent in the United States, certificates of exemption may be filed with said fiscal agent in manner and form as prescribed by T. D. 1974 and payment by said fiscal agent shall be made in accordance with the provisions of T. D. 1974.

W. H. OSBORN,
Commissioner of Internal Revenue.

INCOME TAX

(T. D. 1993.)

Income Tax.

Interest paid on indebtedness wholly secured by collateral the subject of sale in the ordinary business of a corporation may be deducted as a part of its expense of doing business.

TREASURY DEPARTMENT,
OFFICE OF COMMISSIONER OF INTERNAL REVENUE,

Washington, D. C., June 5, 1914.

To collectors of internal revenue:

This office is in receipt of numerous letters asking a ruling of this office as to the application of the following proviso quoted from subdivision (b) of subsection G of section 2, act of Congress approved October 3, 1913, to-wit:

Provided, That in the case of indebtedness wholly secured by collateral the subject of sale in the ordinary business of such corporation, joint-stock company or association, the total interest secured and paid by such company, corporation, or association, within the year on any such indebtedness may be deducted as a part of its expense of doing business.

Many of these inquiries come from corporations engaged in buying and selling real estate, which real estate is pledged for the payment of indebtedness, and the question submitted is whether or not such real estate is "collateral" within the meaning of the proviso quoted and whether or not corporations paying interest on indebtedness wholly secured by such collateral may deduct from gross income as "an expense of doing business" the amount of interest paid on such indebtedness.

Relative to this you are informed that "collateral," as used in this proviso, comprehends and includes real estate or any form of physical or tangible property bound for the performance of certain covenants, the payment of certain obligations, and if such real estate or other physical or tangible property is the "subject of sale in the ordinary business of the corporation" owning the same, that is, if such corporation is, as a matter of its ordinary business, engaged in buying and selling, or dealing in such property, the interest actually paid within the year on indebtedness wholly secured by such collateral (a mortgage on such property) may be allowably deducted from gross income under item 4 (a) of the return form as an expense of doing business, without regard to the limit of deductible interest as set out in subdivision "Third," paragraph (b), subsection G of the Federal income tax law hereinbefore cited.

This construction of the proviso quoted is not intended to and does not authorize the deduction as "an expense of doing business" of any interest paid or indebtedness secured by property, real or personal, which is not the "subject of sale in the ordinary business of the corporation," but which is held by it for the purpose of, or as an instrument in carrying on, its ordinary business—such as the rights of way and other property of public utility companies, permanent office buildings and property of like character held or occupied for their own particular use or purpose in the furtherance of the objects of the corporation, but which property is not the sub-

ject of sale in their ordinary business, and which is simply occupied or used as an instrument or means of, or essential to, the carrying on of the ordinary business for the transaction of which they are organized. The fact that such property may be subject to sale under extraordinary or peculiar conditions does not qualify, but rather disqualifies, it as "collateral" such as is contemplated by this provision of the act cited.

The only corporations, joint-stock companies, or associations which will be allowed under this proviso as herein interpreted to deduct as "an expense of doing business" interest paid on indebtedness wholly secured by mortgage on real estate, or other physical and tangible property, are those corporations, joint-stock companies, or associations which are organized and operated for the exclusive purpose of buying, selling, and dealing in the particular kind of property upon which the mortgage is given, and the particular property pledged for the debt upon which the interest is paid must be the "subject of sale in the ordinary business of the corporation."

Any corporation whose indebtedness is secured by a trust, mortgage, or by any form of indenture which covers and includes in the lien any property which is not the subject of sale in the ordinary business of such corporation, will be and is excluded from the benefit of this proviso, as hereinbefore construed, and its interest deduction will be limited to the amount authorized in subdivision "third" above referred to—that is, the interest actually paid within the year at the contract rate on an amount of bonded or other indebtedness at no time within the year in excess of a sum ascertained by adding to the paid-up capital stock outstanding at the close of the year one-half of the total amount of the interest-bearing indebtedness also then outstanding.

Corporations which under this ruling are entitled to deduct as "an expense of doing business" the total amount of interest paid within the year on "indebtedness wholly secured by collateral the subject of sale in the ordinary business of such corporations," are required to state separately in their returns the amount of indebtedness upon which such interest is paid, segregating it from the indebtedness not so secured and upon which the interest paid is taken credit for or deducted under item 6 (a) of the return form. The interest-bearing indebtedness stated under item 2 of the return form as one of the bases for determining the amount of interest which may be allowably deducted under item 6 (a) must not include any "indebtedness wholly secured by collateral the subject of sale in the ordinary business of the corporation." Failure to segregate the two forms of indebtedness will render the interest deduction under item 6 (a) subject to suspension and disallowance.

W. H. OSBORN,

Commissioner of Internal Revenue.

INCOME TAX

(T. D. 1996.)

Cooperative dairies and like organizations do not fall within the classes of organizations enumerated in subsection G, section 2, act of October 3, 1913, as exempt, and are required to make returns of annual net income.

TREASURY DEPARTMENT,
OFFICE OF COMMISSIONER OF INTERNAL REVENUE,

Washington, D. C., June 15, 1914.

To collectors of internal revenue:

Attention is called to article 92 of Regulations No. 33, approved January 5, 1914, in which it is provided that cooperative dairies not issuing stock and allowing patrons dividends based on the percentage of butter fat in milk furnished are not liable to the requirements of section 2, act of October 3, 1913.

This article is amended to the effect that cooperative dairy associations, whether issuing capital stock or not, are required to make returns of annual net income pursuant to the requirements of this act.

The only corporations, joint-stock companies or associations, or insurance companies, exempt from the requirements of this act are those which fall within one or another of the classes specifically enumerated in the first proviso of subsection G of the act cited as exempt.

Cooperative dairies, no matter how organized, do not appear to fall within any of these exempted classes, and will, therefore, be required to make returns.

In the preparation of their returns, cooperative dairies may include in their deductions from gross income the amount actually paid to members and patrons for milk, but any amount retained at the end of the year over and above expenditures will be returned as net income, upon which the tax will be computed and assessed.

In so far as article 92, hereinbefore referred to, is in conflict with this ruling, it is hereby revoked, and collectors will require all organizations of this character to make returns of annual net income and in other respects comply with the requirements of the Federal income tax law as it applies to corporations, joint-stock companies or associations, and insurance companies.

In so far as applicable, this ruling also applies to mutual or cooperative telephone companies, farmers' insurance companies, and like organizations.

W. H. OSBORN,
Commissioner of Internal Revenue.

(T. D. 1997.)

Monthly list returns not to be made under oath.

TREASURY DEPARTMENT,
OFFICE OF COMMISSIONER OF INTERNAL REVENUE,

Washington, D. C., June 16, 1914.

To collectors of internal revenue:

The requirement that monthly list returns be made under oath

TREASURY DECISIONS

(as provided by articles 35, 50, 53, and 59; Income Tax Regulations No. 33, when filed by withholding agents on or before the 20th of the month following that in which withholding occurred) is hereby waived.

In all cases the annual list return required of withholding agents (of which the monthly list returns will form a part as required by regulations) will be made, sworn to, and filed as now required by existing regulations, and the jurat for the annual list return will cover the entire return as thus made up.

W. H. OSBORN,
Commissioner of Internal Revenue.

(T. D. 1998.)

Exemption certificate provided for use of firms, organizations, and fiduciaries claiming exemption from withholding of tax at source on income other than interest on bonds.

TREASURY DEPARTMENT,
 OFFICE OF COMMISSIONER OF INTERNAL REVENUE,
Washington, D. C., June 16, 1914.

To collectors of internal revenue:

The following certificate is hereby provided for use of firms, organizations, and fiduciaries for the purpose of establishing their identity and nonliability to withholding at the source of income (other than interest on bonds) payable to them. Said certificates shall be of the size and be printed on yellow paper of the weight and texture all as provided by T. D. 1976, the requirements of which are hereby made applicable to the certificate hereby provided.

Exemption Certificate—FIRMS, ORGANIZATIONS, OR FIDUCIARIES.

(For use of firms, organizations, or fiduciaries entitled to receive income other than from interest on bonds, to establish their identity and nonliability to withholding at the source.)

.....
 (Give name of debtor.)

.....
 (Character of income, other than interest on bonds, as, rent, dividends from foreign corporations, etc.)

I do solemnly declare that the firm, organization, or person named below is entitled to receive the above-described income, and that under the provisions of the income tax law and regulations said income is exempt from having the tax withheld at the source, and that all the information given herein is true and correct.

Date,, 191

.....
 (Name of firm, organization, or fiduciary.)

By,
 (Signature of person duly authorized to sign for firm or organization and his official position, or name of trust.)

Address:,
 (Give full post-office address of firm or organization or fiduciary.)

Form 1063.
 TREASURY DEPARTMENT,
 INTERNAL REVENUE TAX,
 Ed. 30300—June 1914.

The exemption certificate provided for the use of individuals is Form 1007, which will be used by individuals in all cases except for interest on bonds, for which forms 1000 and 1000B are provided.

W. H. OSBORN,
Commissioner of Internal Revenue.

INCOME TAX

(T. D. 2001.)

Corporations desiring to make returns of annual net income on the basis of a fiscal year must give notice in writing to the collector not less than 30 days prior to March 1, designating in such notice the last day of some month as the close of the fiscal year. Failure to give such notice at least 30 days prior to March 1, or to make return for the preceding calendar year on or before March 1, renders corporations liable to additional tax and penalty.

TREASURY DEPARTMENT,
OFFICE OF COMMISSIONER OF INTERNAL REVENUE,
Washington, D. C., June 22, 1914

To collectors of internal revenue:

Your attention is called to the following provision quoted from paragraph O, subsection G of section 2, act of October 3, 1913:

The tax herein imposed shall be computed upon its entire net income accrued within each preceding calendar year ending December thirty-first; * * * *Provided further*, That any corporation, etc., subject to this tax may designate the last day of any month in the year as the day of closing of its fiscal year and shall be entitled to have the tax payable by it computed upon the basis of the net income ascertained as herein provided for the year ending on the day so designated * * * and it shall give notice of the day it has thus designated as the closing of the fiscal year to the collector of the district in which its principal business office is located at any time not less than thirty days prior to the date upon which its annual return shall be filed.

Except as provided in the act, all corporations are required to make their returns of annual net income on the basis of the calendar year and to file such returns on or before the 1st day of March next following. March 1 is, therefore, the primary due date for the returns of all corporations. This due date can be postponed only in accordance with some legal or authorized action. Unless such action is taken within the prescribed time, or the returns filed on or before March 1, all corporations in existence at the preceding December 31 and failing to take such action, or so file their returns for the period ended December 31, will be held to be delinquent, and will be subject to 50 per cent additional tax and the penalty of the law.

The filing of returns at any date other than on or before March 1 and on a basis other than the calendar year can be authorized only in cases wherein corporations, not less than 30 days prior to March 1, give notice in writing to the collector of the district in which are located their principal places of business, designating in such notice the last day of some month as the close of their fiscal year. In this case the corporations will make their returns for the year so established, and will file their returns on or before the last day of the 60-day period next following the date designated as the close of the fiscal year.

For the purpose of the income tax law, a fiscal year, when designated, must be so designated that the return made on this basis will not comprehend a period greater than 12 consecutive months. If the required notice is delayed until it can not be given at least 30 days prior to March 1, or if the date designated as the close of the fiscal year comprehends a period greater than

TREASURY DECISIONS

12 months from the close of the period for which the last prior return was made, the returns must be made as of the calendar year and must be filed on or before March 1 until such time as a fiscal year for this purpose can be legally established.

If a corporation which shall have filed, on or before March 1, its return for the preceding period ended December 31, desires to establish, as a basis for making future returns, a fiscal year ended at some date prior to the next December 31, it may do so by filing, at least 30 days prior to the date when its returns, on a fiscal year basis, will be due, a notice with the collector designating the last day of some month as the close of its fiscal year. It will then, on or before the last day of the 60-day period next following the date so designated, file a return covering the period from January 1 to the date so designated in the same year, and thereafter its returns will be made for each 12-month period next following such date.

The above rulings will apply to corporations which began business within the year, as well as to those which were in existence and transacted business throughout the year.

Any ruling or Treasury decision heretofore issued and in conflict with this decision is hereby recalled and revoked.

W. H. OSBORN,
Commissioner of Internal Revenue.

(T. D. 2005.)

Instructions and rules for determining what amount is to be allowed as a deduction for loss in a return of income.—Depreciation allowed by law does not include shrinkage in value of stocks, bonds, etc.

TREASURY DEPARTMENT,
OFFICE OF COMMISSIONER OF INTERNAL REVENUE,
Washington, D. C., July 8, 1914.

To collectors of internal revenue and revenue agents:

For the purpose of checking up returns and ascertaining the amount of taxable income of individuals and corporations you are given the following instructions and rules for use in determining the amount of deductible loss allowable to individuals and corporations under the fourth deduction (par. B, p. 5), Regulations No. 33, and second deduction, for domestic corporations (par. G, p. 14), and second deduction, for foreign corporations (par. G, p. 15), Regulations No. 33.

The loss considered here has in it no element of "depreciation," or "allowance for wear and tear," or "compensation from insurance or otherwise." It is to be such loss as is absolute and complete and which has been actually sustained.

Depreciation as an allowable deduction in ascertaining annual net income for the income tax is separately provided for and is not to be confused with loss. The depreciation provided to be taken as a deduction in a return of income is the value assigned to the deterioration of physical improvements or assets, such as are sus-

ceptible of having their value lessened through wear and tear, use or obsolescence.

The depreciation referred to in the income-tax law does not relate to evidence of a right or interest in property, and hence any shrinkage in the value of bonds, stocks, and like securities due to fluctuations in their market value is not deductible in a return of income as depreciation or loss.

Losses may be sustained by individuals or corporations on personal or real property. Only those losses are deductible which are sustained during the tax year "in trade"—that is, the business which engages the time, attention, and labor of anyone for the purpose of livelihood, profit, or improvement. Loss to be deductible must be an absolute loss, not a *speculative* or *fluctuating* valuation of continuing investment, but must be an actual loss, actually sustained and ascertained during the tax year for which the deduction is sought to be made; it must be incurred in trade and be determined and ascertained upon an actual, a completed, a closed transaction.

Losses sustained by individuals or corporations from the sale of or dealings in personal or real property growing out of ownership or use of or interest in such property will not be deductible at all unless they are an incident of, connected with, and grow out of the *business* of the individual or corporation sustaining the loss, and are ascertained, determined, and fixed as absolute in the above sense within the taxable year in which the deduction is sought to be made. When loss under this heading is ascertained to be deductible, the entire amount of the loss will be deductible except where the property in connection with which the loss occurred was acquired prior to March 1, 1913, in the case of individuals, and prior to January 1, 1909, in the case of corporations, and then and in such event the loss ascertained will be prorated over the whole time the property was held, and that part of the whole loss apportioned to the taxable period will be taken into account in annual returns of income. In prorating, fractional parts of years will not be considered.

Loss is the difference between selling price and cost where the selling price is less than cost.

Cost of property purchased prior to the incidence of the special excise tax (Jan. 1, 1909), or the incidence of the income tax (Mar. 1, 1913), will be the actual price paid for the property, including the expense incident to the procurement of the property in the first instance and its sale thereafter, together with carrying charges of interest, insurance and taxes actually paid prior to the incidence of tax (special assessments, if any, "actually paid" as "local benefits" in connection with real estate); provided that where, up to the incidence of the tax, the expense of carrying property has exceeded the income from it, the difference between the expense of carrying and the income from the property shall be added to the purchase price and the sum thus ascertained shall be the cost of the property; and provided further, that in the case of property purchased prior to the incidence of the tax and sale

TREASURY DECISIONS

thereof subsequent to the incidence of the tax there shall be excluded from consideration in ascertaining cost any items of income, expense, interest, and taxes previously taken into account in preparing a return of annual net income.

The cost of property acquired subsequent to the incidence of the tax will be the actual price paid for it, together with the expense incident to the procurement of the property in the first instance and its sale thereafter and the cost of improvement or development, if any.

All existing rulings and regulations in conflict herewith are hereby annulled and superseded.

W. H. OSBORN,
Commissioner of Internal Revenue.

(T. D. 2006.)

Definition of "foreign corporation" and "fiscal agent" as used in T. D. 1992, and further explanation of method of handling collection of income from bonds of such foreign corporations and foreign countries having fiscal agents in the United States.

TREASURY DEPARTMENT,
OFFICE OF COMMISSIONER OF INTERNAL REVENUE,
Washington, D. C., July 16, 1914.

To collectors of internal revenue:

Doubt having arisen as to the comprehensiveness of the term "foreign corporation," and the duties under the income-tax law of "fiscal agents," as provided in T. D. 1992, you are advised that "foreign corporations" as used in said decision was intended to include municipal and private corporations holding charters under laws of countries foreign to the United States, and "fiscal agents" refers to financial agents in the ordinary sense, upon whom the law casts the same duties with reference to withholding and paying the tax as are imposed upon withholding and paying agents of domestic corporations by appointment.

Where a foreign government has a fiscal agent in the United States for the purpose of paying the interest on its obligations, such fiscal agent will be charged with the duty of withholding and paying the tax on such interest payments, except to the extent of exemption claimed.

Where such foreign countries or corporations have an issue of bonds payable wholly within the United States or within or without the United States, at the option of the owner of the bonds, and where the coupons from such bonds are presented for payment to the fiscal agent in the United States of such foreign countries or corporations, or for collection to a bank or collecting agency whether licensed or not, with ownership certificate attached, then and in all such cases said coupons shall be treated as domestic items and the aforesaid fiscal agents will be charged with the duties and responsibilities of withholding and paying agents, and will make return on Form 1012, as provided by income tax regulations.

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Where, however, such coupons are not presented with such ownership certificates attached, they shall be received only by a licensed bank or collecting agency, and when so received shall be considered to be and be treated as foreign items, in accordance with the regulations for the collection of foreign income.

This ruling is made in explanation and amendment of T. D. 1992 and other applicable regulations.

W. H. OSBORN,
Commissioner of Internal Revenue.

(T. D. 2011.)

Taxability of commissions on renewal premiums on insurance.

TREASURY DEPARTMENT,
OFFICE OF COMMISSIONER OF INTERNAL REVENUE,
Washington, D. C., July 28, 1914.

To collectors of internal revenue:

Commissions on renewal premiums for insurance are income when received and income for the period in which received. Therefore, commissions on renewal premiums received between March 1 and December 31, 1913, are taxable income for that period and should be included in returns of income for 1913.

Where commissions on renewal premiums received by individuals between March 1 and December 31, 1913 (including commissions on renewal premiums on business written prior to March 1, 1913, and payable and paid subsequent to that date) were not included in returns of income of such individuals for 1913, they should file amended returns and include in such amended returns the amount of said commissions on renewal premiums.

Where returns of annual net income were not made by individuals in receipt of commissions on renewal premiums because of insufficient income to require a return of income, and such showing of insufficient income was caused by the exclusion from the return of said commissions on renewal premiums, such individuals should make and file returns of income and include therein the commissions received by them on renewal premiums within the period from March 1 to December 31, 1913.

W. H. OSBORN,
Commissioner of Internal Revenue.

(T. D. 2012.)

Extending exemption certificate No. 1063, as prescribed in T. D. 1998, to non-resident alien individuals.

TREASURY DEPARTMENT,
OFFICE OF COMMISSIONER OF INTERNAL REVENUE,
Washington, D. C., July 30, 1914.

To collectors of internal revenue:

Exemption certificate 1063, as provided in T. D. 1998, is hereby extended to and made applicable to the use of persons who are

TREASURY DECISIONS

non-resident aliens in claiming exemption from income tax on dividends payable in the United States from stock of foreign corporations.

W. H. OSBORN,
Commissioner of Internal Revenue.

(T. D. 2013.)

Nonresident aliens—Amendment of article 8 of Regulations 33, providing for the collection of tax on income of nonresident aliens derived from trades or professions in the United States.

TREASURY DEPARTMENT,
OFFICE OF COMMISSIONER OF INTERNAL REVENUE,

Washington, D. C., August 12, 1914.

To collectors of internal revenue:

Article 8, Income Tax Regulations 33, is hereby amended by adding thereto the following:

The person, firm, company, copartnership, corporation, joint-stock company or association, and insurance company in the United States—citizen or resident alien—in whatever capacity acting, having the control, receipt, disposal, or payment of fixed or determinable annual or periodical gains, profits, and income, of whatever kind, to a nonresident alien, under any contract or otherwise, and which payment shall represent income of a nonresident alien from the exercise of any trade or profession within the United States, shall make return for such nonresident alien on Form 1040 and shall pay any and all tax—normal and additional tax—chargeable upon the said income of such nonresident alien.

So that article 8 as amended shall read:

ART. 8. The income of nonresident aliens subject to the normal tax of 1 per cent shall consist of the total gains, profits, and income derived from all property owned and from every business, trade, or profession carried on within the United States (to be designated as gross income), less deductions (1 to 8, inclusive) specifically enumerated in paragraph B of the act (see art. 6), in so far as said deductions relate to said gains, profits, etc.

The specific exemption in paragraph C of the act can not be allowed as a deduction in computing the normal tax of nonresident aliens.

Nonresident aliens are subject to additional or surtax the same as prescribed in the case of citizens of the United States or persons residing in the United States.

The responsible heads, agents, or representatives of said nonresident aliens who are in charge of the property owned or business carried on shall make full and complete return of said income and shall pay the tax as provided herein.

The person, firm, company, copartnership, corporation, joint-stock company or association, and insurance company in the United States—citizen or resident alien—in whatever capacity acting, having the control, receipt, disposal, or payment of fixed or determinable annual or periodical gains, profits, and income, of whatever kind, to a nonresident alien, under any contract or otherwise, and which payment shall represent income of a nonresident alien from the exercise of any trade or profession within the United States, shall make return for such nonresident alien on Form 1040 and shall pay any and all tax—normal and additional tax—chargeable upon the said income of such nonresident alien.

W. H. OSBORN,
Commissioner of Internal Revenue.

District of _____

UNITED STATES INTERNAL REVENUE.

RETURN OF ANNUAL NET INCOME.

(Paragraph D, Section 2, Act of Congress approved October 3, 1913, and Article 12, Regulations No. 33.)

PARTNERSHIPS.

RETURN OF NET INCOME of _____

(Name of partnership.)

whose principal place of business is located at _____

(Street and number.)

city or town of _____, in the State of _____

for the { calendar } year ended _____, 191 _____
 { fiscal }

1. GROSS INCOME (see Note A, page 4) \$

2. DEDUCTIONS:

(a) Total amount of all ordinary and necessary expenses paid within the year for the maintenance and operation of the business and properties of the partnership, exclusive of interest payments (see Note B, page 4) \$

(b) Total amount of losses sustained during the year not compensated by insurance or otherwise (see Note 1, page 2) .. \$

(c) Total amount of depreciation for the year (see Note 2, page 2) \$

(d) Total amount of interest paid on indebtedness \$

(e) Total amount of interest received upon obligations of a State or political subdivision thereof, and upon the obligations of the United States or its possessions \$

(f) Total taxes paid during the year \$

TOTAL DEDUCTIONS \$

3. Net income on which the individual members are subject to tax on their distributive interest, whether distributed or not \$

NOTE.—The above blank spaces for figures should show the amount of each respective item. If there is nothing to return under any item, the word "none" must be written in such blank space.

State of County of to wit:

..... Member of the firm of

....., a partnership, whose return of annual net income is set forth herein, being duly sworn, deposes and says that the foregoing report and the several items therein set forth are, to his best knowledge and belief and from such information as he has been able to obtain, true and correct in each and every particular; that the amount of gross income therein set forth is the full amount of gross income, without any deduction whatsoever, received from all sources by the said partnership during the year stated; that the expenses claimed as deductions were actually incurred and paid during the year; that the amount claimed for losses and depreciation are believed to be proper and allowable deductions under the law, and that the net income therein set forth is the full amount of the distributive interest on which the individual members are subject to income tax.

For Partnership.

Sworn and subscribed to before me this day of, 191

NOTARIAL SEAL.

(Official capacity.)

NOTE A.—Gross income shall consist of the total of the gross revenues derived from the operation and management of its business and properties, together with all amounts of income from other sources, including dividends received on stock of organizations, and interest received upon obligations of a State or political subdivision thereof, and upon the obligations of the United States or its possessions.

NOTE B.—Amounts expended in making permanent improvements or betterments, etc., or in any way transferred from earnings to capital account, are not proper deductions in ascertaining annual net income.

NOTE C.—This return of net income is desired for immediate use and should be given prompt attention and, when properly filled in and executed, should be forwarded, not later than 30 days from the date of receipt of notice, direct to the Commissioner of Internal Revenue, Washington, D. C.

NOTE D.—The word "year" as herein used means the calendar or fiscal year, as the case may be, and this return is to show the net earnings for the year as of the date on which the books were closed or the net earnings were ascertained.

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(T. D. 2015.)

Compromises—Minimum amounts which will be accepted.

TREASURY DEPARTMENT,
OFFICE OF COMMISSIONER OF INTERNAL REVENUE,
Washington, D. C., August 13, 1914.

To collectors of internal revenue:

The fact has been developed that a great number of individuals and corporations failed to make returns of annual net income for the income tax, either through ignorance of the requirements of the law or through a misunderstanding of its requirements, and it has been determined by the Treasury Department to accept offers in compromise of the specific penalty for failure to file returns within the period prescribed by law in a minimum sum, as follows: \$5 from individuals, \$10 from corporations which are organized for profit.

In the cases of all corporations not organized for profit, the specific penalty will not be asserted this year, provided the required return has been or shall be filed before December 31, 1914. The United States district attorney should be requested not to institute proceedings in such cases.

The foregoing applies only to those cases where there was no intent to evade the law or escape taxation.

In all cases, however, wherein a return is not made until the liability to make a return is discovered by investigation of collectors of internal revenue or revenue agents, the above schedule will not necessarily apply, but each individual case will be decided upon its own merits and the amount of the offer in compromise which may be favorably considered will be determined accordingly.

ROBERT WILLIAMS, JR.,
Acting Commissioner of Internal Revenue.

(T. D. 2016.)

Inspection of income-tax returns—Executive order—Regulations.

TREASURY DEPARTMENT,
OFFICE OF COMMISSIONER OF INTERNAL REVENUE,
Washington, D. C., August 18, 1914.

To internal-revenue officers and others concerned:

The following Executive order, together with regulations signed by the Secretary and approved by the President, relative to the publicity feature of section 2 of the act of October 3, 1913, imposing an income tax, is hereby published for your information.

W. H. OSBORN,
Commissioner of Internal Revenue.

EXECUTIVE ORDER.

Pursuant to the provisions of Section 2 of the Tariff Act of October 3, 1913, said section providing for an income tax, and which contains in paragraph G, sub-paragraph (d) the following provision,

TREASURY DECISIONS

When the assessment shall be made, as provided in this section, the returns, together with any corrections thereof which may have been made by the Commissioner, shall be filed in the office of the Commissioner of Internal Revenue and shall constitute public records and be open to inspection as such: *Provided*, That any and all such returns shall be open to inspection only upon the order of the President, under rules and regulations to be prescribed by the Secretary of the Treasury and approved by the President: *Provided further*, That the proper officers of any State imposing a general income tax may, upon the request of the governor thereof, have access to said returns or to any abstract thereof, showing the name and income of each such corporation, joint stock company, association or insurance company, at such times and in such manner as the Secretary of the Treasury may prescribe, it is hereby ordered, that all such returns shall be subject to inspection in accordance and upon compliance with rules and regulations prescribed by the Secretary of the Treasury and approved by the President, bearing even date herewith.

WOODROW WILSON

THE WHITE HOUSE, July 28, 1914.

[No. 1999.]

REGULATIONS GOVERNING THE INSPECTION OF RETURNS OF CORPORATIONS, JOINT-STOCK COMPANIES, ASSOCIATIONS, OR INSURANCE COMPANIES, MADE IN COMPLIANCE WITH THE REQUIREMENTS OF SECTION 2 OF THE ACT OF OCTOBER 3, 1913. RETURNS OF INDIVIDUALS ARE NOT OPEN TO THE INSPECTION OF ANYONE EXCEPT THE PROPER OFFICERS AND EMPLOYEES OF THE TREASURY DEPARTMENT.

TREASURY DEPARTMENT,
Washington, D. C., July 28, 1914.

Inspection of returns.

By section 2 of the act of October 3, 1913, Congress imposed a tax upon the entire net income arising or accruing from all sources to every citizen of the United States, whether residing at home or abroad, and to every person residing in the United States, though not a citizen thereof, and upon the entire net income from all property owned and of every business, trade, or profession carried on in the United States by persons residing elsewhere, and upon every corporation, joint-stock company or association, and every insurance company, with certain exceptions, engaged in business in the United States, and prescribed the method of handling the returns of annual net income filed in compliance with said law, as follows:

(d) When the assessment shall be made, as provided in this section, the returns, together with any corrections thereof which may have been made by the Commissioner, shall be filed in the office of the Commissioner of Internal Revenue and shall constitute public records and be open to inspection as such: *Provided*, That any and all such returns shall be open to inspection only upon the order of the President, under rules and regulations to be prescribed by the Secretary of the Treasury and approved by the President: *Provided further*, That the proper officers of any State imposing a general income tax may, upon the request of the governor thereof, have access to said returns or to an abstract thereof, showing the name and income of each such corporation, joint-stock company or association or insurance company, at such times and in such manner as the Secretary of the Treasury may prescribe.

For the purpose of making effective the legislative intent thus expressed, the President has ordered that such returns shall be open to inspection under the following rules and regulations. The word "corporation," when used alone herein, shall be construed to refer to corporations, joint-stock companies or associations, and insurance companies.

1. The return of every individual, and of every corporation, joint-stock company or association, and every insurance company, whether foreign or domestic, shall be open to the inspection of the proper officers and employees of the Treasury Department. Returns of individuals shall not be subject to

INCOME TAX

inspection by anyone except the proper officers and employees of the Treasury Department.

2. Where access to any return of any corporation is desired by an officer or employee of any other department of the Government, an application for permission to inspect such return, setting out the reasons therefor, shall be made in writing, signed by the head of the executive department or other Government establishment in which such officer or employee is employed, and transmitted to the Secretary of the Treasury. If the return of a corporation is desired to be used in any legal proceedings other than those to which the United States is a party, or to be used in any manner by which any information contained in the return could be made public, the application for permission to inspect such return or to furnish a certified copy thereof shall be referred to the Attorney General, and if recommended by him transmitted to the Secretary of the Treasury.

3. All returns, whether of persons or of corporations, joint-stock companies or associations, or insurance companies, may be furnished, upon approval of the Secretary of the Treasury, for use, either in the original or by certified copies thereof, in any legal proceedings before any United States grand jury or in the trial of any cause to which both the United States and the person or corporation or association rendering the return are parties either as plaintiff or defendant, and in the prosecution or defense or trial of which action, or proceeding before a grand jury, such return would constitute material evidence, but in any case arising in the collection of the income tax, the Commissioner of Internal Revenue may furnish for use to the proper officer either the original or certified copies of returns without the approval of the Secretary of the Treasury. In all cases where the use of the original return is necessary, it shall be placed in evidence by the Commissioner of Internal Revenue or by some officer of the Bureau of Internal Revenue designated by him for that purpose, and after such original return has been placed in evidence it shall be returned to the files in the office of the Commissioner of Internal Revenue at Washington, D. C.

4. The Secretary of the Treasury, at his discretion, upon application to him made, setting forth what constitutes a proper showing of cause, may permit inspection of the return of any corporation, by any bona fide stockholder in such corporation. The person desiring to inspect such return shall make application, in writing, to the Secretary of the Treasury, setting forth the reasons why he should be permitted to make such inspection, and shall attach to his application a certificate, signed by the President, or other principal officer of such corporation, countersigned by the Secretary, under the corporate seal of the company, that he is a bona fide stockholder in said company. (Where this certificate can not be secured, other evidence will be considered by the Secretary of the Treasury to determine the fact whether or not the applicant is a bona fide stockholder and, therefore, entitled to inspect the return made by such company.) Upon receipt of such application the corporation whose return it is desired to inspect shall be notified of the facts and shall be given opportunity to state whether any legitimate reason exists for refusing permission to inspect its returns of annual net income by the stockholder applying for permission to make such inspection. The privilege of inspecting the return of any corporation is personal to the stockholders, and the permission granted by the Secretary to a stockholder to make such inspection can not be delegated to any other person.

5. The returns of the following corporations shall be open to the inspection of any person upon written application to the Secretary of the Treasury, which application shall set forth briefly and succinctly all facts necessary to enable the Secretary to act upon the request:

(a) The returns of all companies whose stock is listed upon any duly organized and recognized stock exchange within the United States, for the purpose of having its shares dealt in by the public generally.

(b) All corporations whose stock is advertised in the press or offered to the public by the corporation itself for sale. In case of doubt as to whether any company falls within the classification above, the person desiring to see such return should make application, supported by advertisements, prospec-

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tus, or such other evidence as he may deem proper to establish the fact that the stock of such corporation is offered for general public sale.

Returns can be inspected only in the office of the Commissioner of Internal Revenue, in Washington, D. C. In no case shall any collector, or any other internal revenue officer outside of the Treasury Department in Washington, permit to be inspected any return or furnish any information whatsoever relative to any return or any information secured by him in his official capacity relating to such return, except in answer to a proper subpoena, in a case to which the United States is a party.

6. Returns of individuals shall not be open to the inspection of any person other than the proper officers and employees of the Treasury Department or person rendering the same, and are under no conditions to be made public, except where such publicity shall result through the use of such returns in any legal proceedings in which the United States is a party.

7. Upon request of the governor of a State imposing a general income tax, the proper officer of such State, to be designated by name and official position by the governor of such State in his application to the Secretary of the Treasury, may have access to the returns or to abstracts thereof showing the name and income of each corporation, joint stock company or association, or insurance company, at such times and in such manner as the Secretary of the Treasury may prescribe. Such application shall be made in writing, addressed to the Secretary of the Treasury and shall show (first) that the State whose governor makes the request, imposes a general income tax; (second) the name and address of each corporation, etc., to which access is desired; (third) why permission to inspect the returns of the corporations, etc., named in the request is desired, and (fourth) what officer or officers are designated to make the desired inspection, giving their names and official designations. Such request must be signed by the governor of the State and sealed with the seal thereof, and shall be transmitted to the Secretary of the Treasury for his consideration and action thereon.

No provision is made in the law for furnishing a copy of any return to any person or corporation, and no copy of any return will be furnished to any other than the person or corporation making the return, or their duly constituted attorney, except as hereinbefore authorized.

The provisions herein contained shall be effective on and after the 1st day of September, 1914.

W. G. McADOO,
Secretary of the Treasury.

Approved:

WOODROW WILSON,
The White House, July 28, 1914.

(T. D. 2017.)

Nontaxability of interest from bonds and dividends on stock of domestic corporations owned by nonresident aliens.

TREASURY DEPARTMENT,
OFFICE OF COMMISSIONER OF INTERNAL REVENUE,
Washington, D. C., August 25, 1914.

To collectors of internal revenue:

Interest on bonds of domestic corporations and dividends on stock of domestic corporations owned by nonresident aliens, and whether such bonds and stock be physically located within or without the United States, are not subject to the income tax.

W. H. OSBORN,
Commissioner of Internal Revenue.

INCOME TAX.

(T. D. 2022.)

Waiver until further notice of regulation requiring the filling in on certificates of numbers of bonds.

TREASURY DEPARTMENT,
OFFICE OF COMMISSIONER OF INTERNAL REVENUE,
Washington, D. C., October 3, 1914.

Notice is hereby given that regulation requiring the filling in on certificates of numbers of bonds or other like obligations of corporations, etc., from which interest coupons are detached or upon which registered interest is to be paid—which was extended to October 31, 1914, by T. D. 1985, issued May 28, 1914—is hereby waived until further notice.

ROBT. WILLIAMS, JR.
Acting Commissioner of Internal Revenue.

(T. D. 2023.)

Amending article 58, Income Tax Regulations 33, requiring indorsement or stamp on foreign coupons, checks, bills of exchange, etc.

TREASURY DEPARTMENT,
OFFICE OF COMMISSIONER OF INTERNAL REVENUE,
Washington, D. C., October 12, 1914.

To collectors of internal revenue:

Article 58, Income Tax Regulations 33, is hereby amended to read as follows:

ARTICLE 58. The licensed person, firm, or corporation first receiving such foreign items for collection, or otherwise, shall withhold therefrom the normal tax of 1 per cent, and will be held responsible therefor. If the foreign item is in the form of a check or bill of exchange, the words "Income tax withheld by _____" (giving name, address, and date) shall be indorsed or stamped thereon by such licensee; but if the item is represented by a coupon or coupons from bonds, the licensee shall attach thereto a statement identifying the same, and the indorsement or stamp showing the tax withheld shall be placed on the statement instead of the coupon or coupons.

Said indorsement or stamp shall be sufficient evidence of tax withheld to relieve subsequent holders or purchasers from the obligations of withholding.

ROBT. WILLIAMS, JR.
Acting Commissioner of Internal Revenue.

(T. D. 2028.)

Income tax—Five per cent penalty and interest on delayed payments.

The 5 per cent penalty and interest on delayed payment of assessed income taxes in the case of persons absent in foreign countries held to be due unless payment is forwarded within ten days after notice and demand, Form 17, should have been received in the ordinary course of the mails.—T. D. 1659 modified.

TREASURY DEPARTMENT,
OFFICE OF COMMISSIONER OF INTERNAL REVENUE,
Washington, D. C., October 24, 1914.

To collectors of internal revenue:

In the last sentence of paragraph E of section 2 of the act of October 3, 1913, it is provided:

TREASURY DECISIONS

* * * And to any sum or sums due and unpaid after the thirtieth day of June in any year, and for ten days after notice and demand thereof by the collector there shall be added the sum of 5 per centum on the amount of tax unpaid, and interest at the rate of 1 per centum per month upon said tax from the time the same becomes due, except from the estates of insane, deceased, or insolvent persons.

By reason of absence in foreign countries or on account of traveling abroad, it is impossible for many individuals to receive notice and demand on Form 17 and make payment of the taxes assessed thereon so the same can be received by the collector within the 10-day period following June 30 or within the 10-day period following the service of the notice. You are requested, therefore, to enter on Form 17, as the date on which such assessed tax becomes due and payable as near as possible, a date 10 days subsequent to the time that said notice should be received in the ordinary course of the mails by the taxpayer, and where it appears that the full amount of tax assessed was placed in the mails within the 10-day period after the receipt of Form 17, or in case notice so sent is not delivered in due time by reason of delay in the mail and satisfactory evidence of that fact is furnished the penalty and interest in such cases will not be collected. In the latter cases the envelope inclosing the notice and bearing the postmark of the receiving office should be forwarded to the collector and by him transmitted to this office with Form 325 as evidence of delay in the delivery of notice so sent.

This ruling applies solely to the collection of income tax from individuals and includes Government officers. T. D. 1659 is modified accordingly.

W. H. OSBORN,
Commissioner of Internal Revenue.

(T. D. 2029.)

Corporations desiring to make returns of annual net income on the basis of a fiscal year must, not less than 30 days prior to the first day of March, give notice in writing to the collector, designating in such notice the last day of some month as the close of the fiscal year, in which case the fiscal year return will cover a 12-months period. The return for that portion of the calendar year preceding the beginning of the fiscal year will be filed on or before March next following.

TREASURY DEPARTMENT,
OFFICE OF COMMISSIONER OF INTERNAL REVENUE,
Washington, D. C., October 24, 1914.

To collectors of internal revenue:

Reference is made to T. D. 2001, relative to the designation by corporations of a fiscal year other than a calendar year as a basis for making returns of annual net income.

You are informed that every corporation amenable to the income-tax law in existence at the close of a calendar year is required to file a return covering all or any part of the preceding

INCOME TAX

calendar year during which it may have been in existence on or before March 1, provided such corporation has not established or does not establish a fiscal year.

In order to establish a fiscal year it is necessary for the corporation to give notice to you in writing designating the last day of some month as the close of its fiscal year. This notice must be filed not less than 30 days prior to March 1 of the year in which the fiscal-year period of 12 months *closes*. A return for that portion of the calendar year preceding the commencement of the fiscal period of 12 months is required to be filed on or before March 1 of the year next following the calendar year of which it is a part, and the return for the first full fiscal year is required to be filed on or before the last day of the 60-day period following the close of the fiscal year.

Example: A corporation desiring to establish its fiscal year as ending on June 30, 1915, must file notice not less than thirty (30) days prior to March 1, 1915, on or before January 29, 1915. A return for the period January 1 to June 30, 1914, must then be filed on or before March 1, 1915, and a return for the first fiscal year period (July 1, 1914, to June 30, 1915) must be filed on or before August 29, 1915.

That portion of the year preceding the beginning of an established fiscal year is held to be a fractional part of the calendar year, and as the return of a calendar year is not required to be filed until on or before the first day of March next following, there is no provision of law whereby the return covering a fraction of a calendar year is required to be filed earlier than "on or before" the next March 1st, though it is preferred that the return for this fraction shall be filed as early as possible after the close of the period.

The above instructions are supplemental to T. D. 2001, and rulings or decisions heretofore issued in conflict with the foregoing are hereby revoked.

W. H. OSBORNE,
Commissioner of Internal Revenue.

(T. D. 2030.)

Exemption certificate provided for use of banks and bankers, either foreign or domestic, claiming exemption from income tax on dividends from stock of foreign corporations owned by nonresident aliens.

TREASURY DEPARTMENT,
OFFICE OF COMMISSIONER OF INTERNAL REVENUE,

Washington, D. C., October 13, 1914.

To collectors of internal revenue:

The following certificate is hereby provided, which may be executed by responsible banks or bankers, either foreign or domestic, for and on behalf of nonresident owners of stock of cor-

TREASURY DECISIONS

porations of foreign countries, for the purpose of claiming exemption from the income tax on dividends from such stock:

Form

Form —.

EXEMPTION CERTIFICATE—BANKS OR BANKERS, EITHER FOREIGN OR DOMESTIC.

(For the use of responsible banks or bankers, either foreign or domestic, for and on behalf of nonresident owners of stock of corporations of foreign countries.)

(Give name of foreign corporation.)

(Full description of stock, stating whether common or preferred, or both.)

Amount of dividends, \$——

I (we) do solemnly declare that the owners of the stock of foreign corporations upon which the aforesaid dividends were declared are nonresident aliens as to the United States and are exempt from the income tax imposed on such income by the United States Government under the law enacted October 3, 1913; that no citizen of the United States, wherever residing, or foreigner residing in the United States, or in any of its possessions, has any interest in said stock; and that all of the information as given in this certificate is true and correct. I (we) hereby agree that if at any time it shall appear that the income or any part thereof represented or covered by this certificate was, or is, subject to the normal tax imposed by the United States, upon presentation of proof of that fact to me (us) by, from, or through the Commissioner of Internal Revenue, Washington, D. C., I (we) will pay and remit to the United States Government the amount of tax claimed to be due; and I (we) hereby further agree that whenever in the judgment of the Commissioner of Internal Revenue it shall be necessary in or to the administration of the income-tax law, I (we) will, upon request of said Commissioner of Internal Revenue, disclose and furnish to him the names and addresses of the owners and the amount of the stock aforesaid.

Date....., 191 (Name of bank or banker.)

By (Signature of official authorized to sign.)

(Official position.)

(Full post-office address of bank or banker.)

(SIGNATURES MUST BE CLEARLY AND LEGIBLY WRITTEN.)

TREASURY DEPARTMENT. INTERNAL REVENUE—INCOME TAX.

INCOME TAX

The above certificate shall be in size 8 by 3½ inches, and shall be printed to read from left to right along the 8-inch dimension.

The certificate shall be printed on yellow paper, and such paper shall correspond in weight and texture to white writing paper, 21 by 32, about 40 pounds to the ream of 500 sheets.

The certificate hereby authorized will be printed by the Government and furnished without cost.

Banks or bankers desiring to furnish their own certificates may do so, but the certificate so printed must conform in size to that prescribed above and be printed in similar type upon the same color, shade, and weight of paper as used by the Government.

Sample certificates showing size of type and color of paper can be secured from collectors of internal revenue in their several districts or from the Commissioner of Internal Revenue, Washington, D. C.

Approved: W. H. OSBORN,
Commissioner of Internal Revenue.
W. G. McADOO,
Secretary of the Treasury.

(T. D. 2048.)

Income tax.

Taxable status of dividends paid on the capital stock from the current net earnings or established surplus created from the net earnings of corporations, joint-stock companies or associations, and insurance companies taxable upon their net income.

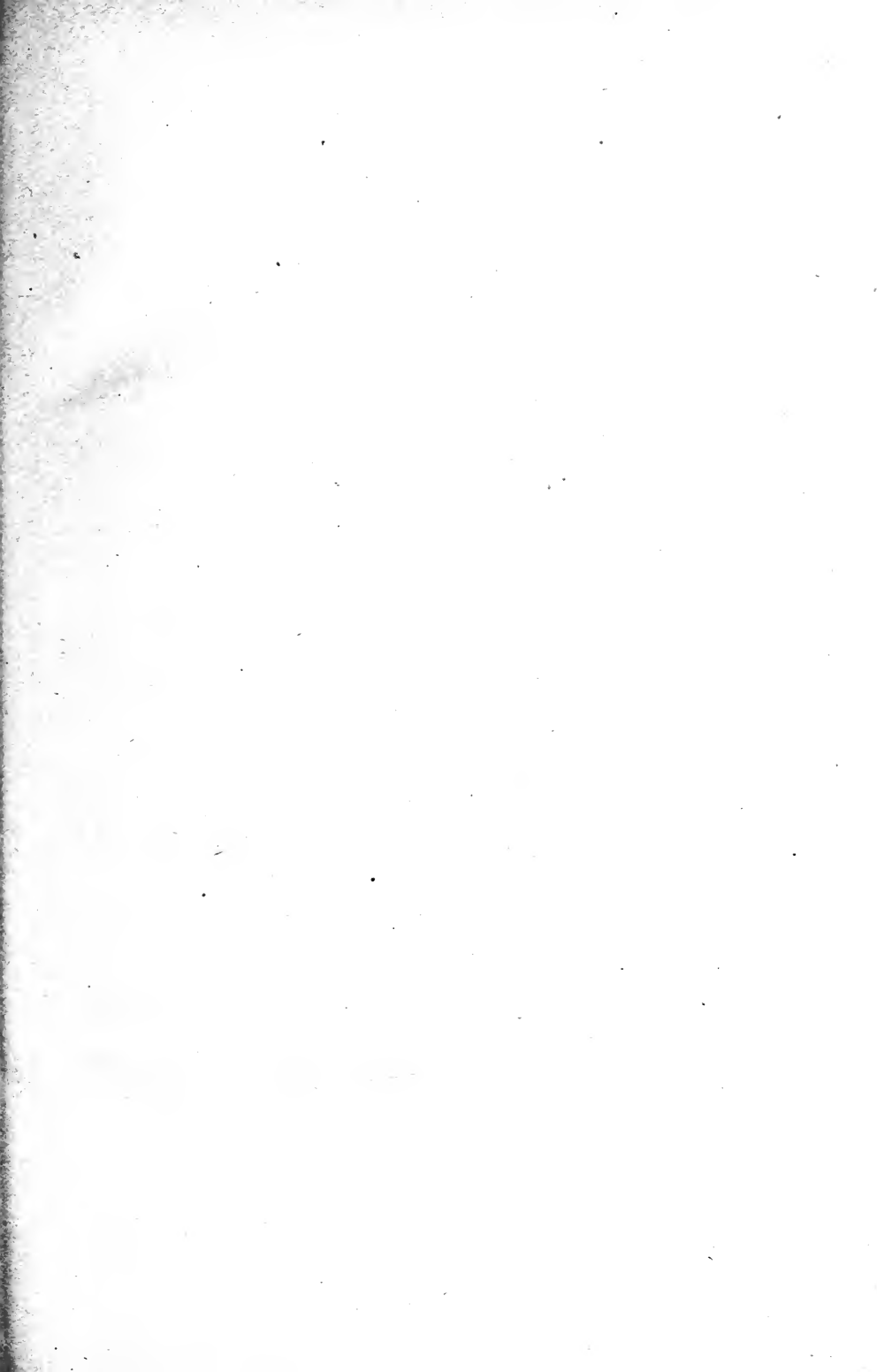
TREASURY DEPARTMENT,
OFFICE OF COMMISSIONER OF INTERNAL REVENUE,
Washington, D. C., November 12, 1914.

To collectors of internal revenue:

Dividends from the net earnings or established surplus created from the net earnings of any corporation, joint-stock company or association, and insurance company are vested in the stockholder on the date on which such dividends are declared, whether distributed or not, regardless of the time when the surplus or undivided profits from which such dividends are declared were earned and entered on the books of the corporation as such. Dividends so declared should be accounted for in full in the returns of income of individuals for the year in which they became due and payable, whenever the amount of income is sufficient to require the inclusion of dividends, as provided in paragraph D of the income-tax law and T. D. 1945, and should be included in the gross income of corporations, etc., regardless of the amount of income.

All decisions and regulations which are in conflict herewith are hereby revoked.

Approved: W. H. OSBORN,
Commissioner of Internal Revenue.
W. G. McADOO,
Secretary of the Treasury.





United States Income Tax Questions and Answers

Question No. 1.

- Q. From whom can I get the prescribed form upon which to make return?
- A. At the office of the Collector of Internal Revenue for your District.

Question No. 2.

- Q. Must I call on the Collector of Internal Revenue to furnish me with blanks on which to make my income return or will it be safe for me to wait until he or his deputies send me the blanks?
- A. You should call on the Collector and obtain blanks. If you wait until the Collector calls on you you will probably incur the penalties provided in the Act.

Question No. 3.

- Q. What period must my first return cover?
- A. From March 1st, 1913, to December 31st, 1913.

Question No. 4.

- Q. Who must make a return?
- A. Every person of lawful age having an annual net income of \$3,000 or over (for the year 1913 those having a net income of \$2,500 or over from March 1st, 1913, to December 31st, 1913) must make a return to the Collector of Internal Revenue for the District in which such person resides or has his principal place of business. If the normal one per cent tax has been deducted at the source on all the income of an individual such individual need not make a return unless his income exceeds \$20,000, in which case he would be liable for the additional tax.

(T. D. 1934.)

Individuals whose net income from March 1 to December 31, 1913, both dates inclusive, is \$2,500 or more must make returns of annual net income for 1913.

Section 2, Act of October 3, 1913, provides that on or before the first day of March, 1914, and the first day of March in each year thereafter, a true and accurate return, under oath or affirmation, shall be made to the Collector of Internal Revenue by each person of lawful age, who may be subject to the tax imposed by this section, who has a net income of \$3,000 or over for the taxable year.

It is further provided that for the year ending December 31, 1913, the tax shall be computed on the net income accruing from March 1 to December 31, 1913, both dates inclusive, after deducting five-sixths only of the specific exemption and deductions allowable for an entire taxable year.

Since the return of annual net income for the year 1913, as applied to individuals, is for but five-sixths of the calendar year, and as the law provides that return shall be made on the basis of five-sixths of the year, it is held that individuals whose net income is \$2,500 or more for the ten months constituting the taxable period of 1913, shall make returns of annual net income, in accordance with the general provisions of the law covering the 1913 taxable period.

Question No. 5.

- Q. If my annual net income from all sources is less than \$3,000 must I make return?
- A. Unless your net income for the ten months' period, March 1st to December 31st, 1913, is \$2,500 or over (exclusive of dividends and amounts on which the tax has been withheld at the source) no return is required.

Question No. 6.

- Q. Who can make a return for a minor having a taxable income?
- A. The father of the minor should make return, including such income with his own, otherwise the legal guardian or trustee should make return for the minor.

Question No. 7.

- Q. What income must be included in an individual's return?

- A. "Gains, profits and income derived from salaries, wages or compensation for personal service of whatever kind and in whatever form paid, or from professions, vocations, businesses, trade, commerce or sales, or dealings in property, whether real or personal, growing out of the ownership or use of or interest in real or personal property; also from interest, rent, dividends, securities, or the transaction of any lawful business carried on for gain or profit, or gains or profit and income derived from any source whatever, including the income from, but not the value of, property acquired by gift, bequest, devise or descent."

The statute exempts the proceeds of life insurance policies, salaries of certain public officers, and all interest upon obligations of the United States Government or the government of any state, city, county, town or village or political subdivision thereof. Exempted items need not be included in the return.

(See Form 1040, page 71.)

Question No. 8.

- Q. If my net income exclusive of dividends on stock of corporations does not exceed \$2,500, March 1 to December 31, 1913, must I make a return for the purpose of the normal tax?
- A. Persons having an annual income of \$3,000 or more, including income derived from dividends or net earnings of corporations, etc., but whose total net income is less than \$20,000, and whose net income exclusive of the income derived from dividends or net earnings of such corporation, etc., is less than \$3,000 for the taxable year (\$2,500 for the year 1913) shall not be required to make a return of annual net income.

Question No. 9.

- Q. If my gross annual income is \$3,700, and after the payment of taxes and interest on mortgages aggregating \$800 my net income is \$2,900, must I make a return?
- A. No, because five-sixths of your net income for 1913 is less than \$2,500.

Question No. 10.

- Q. If the income of a civil war veteran exceeds his exemption is his pension from the United States Government subject to tax?

- A. All compensation paid by the United States Government, as salaries, pensions, etc., subject to the exemptions and deductions specifically set forth in the statute, are taxable.

Question No. 11.

- Q. I purchased 100 shares of stock in December, 1912, at \$120 per share, and sold the same in September, 1913, at \$140 per share. Must I include the profit as income?
- A. The profit constitutes income as it was realized during the taxable period by the sale of the stock.

Question No. 12.

- Q. I purchased a house in 1908 for \$10,000 and sold it in December, 1913, for \$13,000. Must I include in my return for the ten months' period of 1913 the total profit made?
- A. Where the profit is made upon the sale of property purchased prior to March 1st, 1913, such profit should be apportioned according to the number of years the property was held, unless it can be established what profit, if any, accrued subsequent to March 1st, 1913. Where property is purchased after March 1st, 1913, and sold subsequently, the profit made would be considered income for the year in which the property is sold, unless an annual estimated increase shall have been included in the return for each year, as required by the Treasury Department Regulations.

Question No. 13.

- Q. My salary is \$1,500; my income from bonds about \$1,500. I also earn \$700 to \$800 annually by tutoring, but I have never kept any accurate account of the amount thus earned, as it is an uncertain sum. Must I report that as part of my income, and if so, on what part of my income shall I be taxed?
- A. You are subject to the normal tax of one per cent on your net income in excess of \$3,000. The fact that you have never before kept an account will not excuse you from your obligation to make a return to the Collector of Internal Revenue.

Question No. 14.

- Q. Am I required to find out what is my share of the undivided portion of a corporation's profits and pay the tax thereon, or

do I have to pay only on my salary and dividends actually received?

- A. You are not required to pay a tax on the undivided portion of the corporation's profits unless the Secretary of the Treasury shall certify that the accumulated earnings of the corporation are unreasonable for the needs of the business, or unless such accumulation is for the fraudulent purpose of evading the payment of the tax, you need only make a return of your salary and dividends.

Question No. 15.

- Q. If I have stock in a company is it necessary for me to notify the company that my income is not above \$3,000, and must I claim exemption each time a dividend is declared?
- A. The act specifically exempts dividends of a corporation from operation of the normal tax. Where the corporation is subject to the normal tax of one per cent upon its net earnings no notice to the corporation is necessary.

Question No. 16.

- Q. I own my residence. Must I include in my gross income the fair rental value of the residence?
- A. No.

Question No. 17.

- Q. My property is mostly vacant lands, bringing no income. The land will sell at an advance of what it cost me years ago. Must I make a return of the increased value of my land?
- A. Unless the increased value of personal property or land is credited on your books and carried as an asset it is not taxable as income until the property or land is sold, and where the increase in value extends over a number of years only a portion of such profit is income for the year 1913.

Question No. 18.

- Q. Does an individual have to pay the tax on annual bonuses given to him as a reward for meritorious service by his employer?
- A. The bonuses, being gifts, are not taxable.

Question No. 19.

- Q. Can I lawfully be taxed on interest earned in the last two or three years, or interest accrued prior to March 1st, 1913?
- A. According to the ruling of the Treasury Department you are taxable on all amounts received or accruing to you subsequent to March 1st, 1913.

Accrued means due and payable.

Accruing means having arrived at an accrued state during the year and not the process of accruing, and an individual who receives the interest payment, whether upon coupon, registered interest or demand notes, and the interest falls upon March 1, 1913, or any date thereafter within the year, the income received from such securities shall be returned as income for the taxable year of 1913, because the amount received by the individual became due and payable within the taxable period.

On the payment of interest on coupons from bonds, notes or mortgages of individuals no tax is to be withheld unless the payment exceeds \$3,000, and if the specific exemption is claimed as allowed under paragraph "C" of the Act, only on the amount in excess of the exemption thus claimed.

Question No. 20.

- Q. When must I pay the tax on the amount of my return which I am required to make on or before March 1st?
- A. The tax will be calculated on income from March 1st to December 31st for the year 1913. In computing the tax for this period the income for the ten months stated will be taken and the deductions shall be five-sixths only of the subsequent deductions and exemptions allowed in Paragraphs B and C of the statute.

The amount of the tax assessed will be made after March 1st and taxable persons will be notified of the amount of the tax for which they are responsible on or before the first day of June. The tax assessed must be paid on or before the 30th day of June. If taxes due and payable on or before June 30th are not paid at that time the Collector will serve a ten-day notice and demand for the same, and if not paid before the expiration of ten days there will be added to the tax 5 per cent of the amount of the taxes unpaid and interest at the rate of 1 per cent per month until paid.

Question No. 21.

- Q. My income exceeds \$30,000 per year, being derived in part from salary, interest and rents, but principally from dividends on bank, railroad and industrial stocks; must I make a return

of the dividends received, and am I liable for the additional tax of 1 per cent on the amount in excess of \$20,000?

- A. You are required to make a return of dividends received and you are subject to the additional tax of 1 per cent on the amount in excess of \$20,000 without any exemption whatever. The exemptions in Paragraph C apply only to the computation of the normal tax.

(See Form 1040, page 71.)

Question No. 22.

- Q. How can an extension of time be obtained to file the return subsequent to March 1st?
- A. In cases of sickness or absence the time for filing the return may be extended thirty days upon application to the Collector of Internal Revenue for the district in which you live, providing such application is made in writing within the period for which the extension is desired.

Question No. 23.

- Q. What deductions are allowed an individual?
- A. (1) Necessary expenses actually paid in carrying on any business, not including personal living, or family or partnership expenses.
- (2) Interest on indebtedness paid within the taxable year.
- (3) All taxes, not including assessments for local benefits, unless such assessments for local benefits are assessed against everyone within the political subdivision of the state, county, city or village.
- (4) Losses actually sustained in trade or from fires, storms or shipwreck not compensated for by insurance or otherwise.
- (5) Debts due to taxpayer actually ascertained to be worthless and charged off during the year.
- (6) A reasonable allowance for depreciation.
- (7) Dividends upon the stock of any corporation or association taxable upon its net income. (Not deductible in determining additional tax.)
- (8) Amount of income upon which a tax has been deducted or paid at source.
- (9) \$3,000 of income for a single person, and in case of husband and wife, when living together, \$4,000 from the aggregate income of both husband and wife.

Question No. 24.

Q. When and how must married persons living together make return?

A. Every single person, and every married person not living with husband or wife in the sense below defined, who has a net income exceeding \$3,000 per annum, is liable to pay the normal income tax under this law, but in making return for such tax may claim an exemption of \$3,000 from their total net income.

Husband and wife living together are entitled to an exemption of \$4,000 only from the aggregate net income of both, which may be deducted in making the return of such aggregate income for taxation. However, when the husband and wife are separated, and living permanently apart from each other, each shall be entitled to the exemption of \$3,000.

If the husband and wife not living apart have separate estates, the income from both may be made on one return, but the amount of income of each, and the full name and address of both, must be shown in such return.

The husband, as the head and legal representative of the household and general custodian of its income, should make and render the return of the aggregate income of himself and wife, and for the purpose of levying the income tax it is assumed that he can ascertain the total amount of said income.

If a wife has a separate estate managed by herself as her own separate property, and receives an income of more than \$3,000, she may make return of her own income, and if the husband has other net income, making the aggregate of both incomes more than \$4,000, the wife's return should be attached to the return of her husband, or his income should be included in her return, in order that a deduction of \$4,000 may be made from the aggregate of both incomes. The tax in such case, however, will be imposed only upon so much of the aggregate income of both as shall exceed \$4,000.

If either husband or wife separately has an income equal to or in excess of \$3,000, a return of annual net income is required under the law, and such return must include the income of both, and in such case the return must be made even though the combined income of both be less than \$4,000.

If the aggregate net income of both exceeds \$4,000, an annual return of their combined incomes must be made in the manner stated, although neither one separately has an income of \$3,000 per annum. They are jointly and separately liable for such return and for the payment of the tax.

The single or married status of the person claiming the specific exemption shall be determined as of the time of claiming such exemption, if such claim be made within the year for which

return is made, otherwise the status at the close of the year.

These regulations hereby supersede the regulations relative to Paragraph "C" of the Income Tax Law, as prescribed on page 4 of Regulations, part 2, issued under date of October 31, 1913.

Question No. 25.

- Q. Who may claim exemption of \$4,000 the husband or the wife?
- A. If husband and wife, when living together, file separate returns the \$4,000 exemption may be deducted by either one or may be apportioned between them.

Question No. 26.

- Q. When must widowers or widows make return?
- A. When the annual net income amounts to \$3,000 or over (\$2,500 or over for the period from March 1st, 1913, to December 31st, 1913) the exemption allowed in this instance from the annual net income is \$3,000. (For the ten months' period of 1913, \$2,500.)

Question No. 27.

- Q. Mr. C. is chief clerk in a large office and has an income of \$300 per month, or \$3,600 annually. Out of this he supports his widowed mother. Is he allowed an exemption of \$3,000 or \$4,000?
- A. C. being unmarried, is entitled to an exemption of only \$3,000.

Question No. 28.

- Q. If an unmarried person's income or salary is \$5,000 per year, but it costs him \$2,000 to live, will this not make his net income \$3,000, and therefore, not taxable?
- A. An unmarried person's exemption is \$3,000. Living expenses are not deductible.

Question No. 29.

- Q. Can a doctor deduct his automobile expenses, including chauffeur and upkeep of an automobile, from his gross income? Can a banker or real estate man who uses his auto-

mobile largely in going to and from his business and in looking after his loans and real estate business, deduct his automobile expenses?

- A. The actual upkeep in the conduct of his business or profession is deductible.

Question No. 30.

- Q. Regarding the Income Tax, what should be included in the "Expense Account" of a physician and surgeon to arrive at his net income? Aside from general running expenses, interest on outstanding obligations, bad accounts to be charged off, can he include cost of instruments, medical books and journals he buys and subscribes for, the study of which enables him to perfect himself in his practice?

- A. Yes.

Question No. 31.

- Q. I own my residence, which is mortgaged for \$5,000. Can I deduct interest on the mortgage, repairs, fire insurance premiums and taxes?

- A. You may deduct interest and taxes paid, but you cannot deduct cost of repairs or fire insurance premiums.

Question No. 32.

- Q. A has property valued at \$40,000. The property at the end of the year is worth only \$39,000. Will the \$1,000 depreciation be allowed as a deduction from A.'s gross income?

- A. A reasonable depreciation is deductible. The percentage depends entirely upon the nature of the property and the use to which it is put. In the case of flat buildings three per cent is a reasonable depreciation, while in the case of a factory building wherein heavy machinery is being operated ten per cent might be a reasonable annual depreciation. The depreciation is in direct ratio to the life of the building.

Question No. 33.

- Q. I own a building worth \$3,000. Repairs for the past year have cost \$500. Can I deduct this item as expense?

- A. Under rulings of the Treasury Department the deduction for expense in any one year must not exceed the average annual cost of repairs for five years previous thereto.

Q. If an individual owns stock in a corporation and has borrowed the money with which to buy the stock, has he the right to deduct the interest on that borrowed money in making a return?

A. Yes.

Question No. 34.

Q. My salary is \$1,500 a year and I have \$1,000 worth of stock, dividend payable at New York; \$1,000 bond, interest payable at New York, and \$1,000 bond, interest payable at Chicago—the total from all three not being quite \$150 a year. Will you please advise me as to a practical method to pursue to avoid paying income tax on my investments, as I am well within the \$3,000 exemption?

A. You should fill in and sign Certificate 1000, claiming therein your exemption under Paragraph C of the Statute, and attach the same to your coupons when presenting them for payment.

Question No. 35.

Q. Are amounts paid on life insurance premiums deductible under the item of expense?

A. Where the insurance is carried as a protection to business or for the benefit of business the premiums paid on the life insurance are deductible under the item of expense. The test would be whether or not such insurance is payable to a corporation or firm of which the insured is a member or whether or not it can be clearly shown that such insurance is carried for the purpose of protecting one's business or as a business venture.

Question No. 36.

Q. I purchased 100 shares of stock in April, 1913, at \$100 per share, and on December 31st, 1913, the market value of the stock is found to have increased to \$150 per share. Must I include the increase in value as income?

A. No, because no income has accrued or been realized thereon until sold.

Question No. 37.

Q. If the profits in sale of real estate are liable to the income tax, how do you get at the profit on a $\frac{1}{4}$ section of land purchased about thirty-five years ago for \$1,600 and sold

March 1st, 1913, for \$16,000; \$6,000 received in cash and a mortgage taken back for \$10,000?

- A. You should include in your return $1/35$ of the net income derived from the sale of your land. From the \$16,000 received you may deduct the cost price, taxes, interest and other expenses during the 35 years that you have held the land, and pro-rating the profit from the number of years you have held the property, $1/35$ of the net profit is taxable as income for the year 1913.

Question No. 38.

- Q. I am a bachelor traveling salesman and have no permanent residence. My salary is \$2,400 per year and commissions about \$1,000 per year. Must I furnish a certificate claiming exemption and is my employer entitled to deduct a tax of one per cent on the \$400 in excess of the exemption allowed me?
- A. Your employer can not require you to furnish a certificate claiming exemption as your fixed annual income does not exceed \$2,400 a year. The tax on income which is not definite and fixed is not deductible at the source. You should make your own return and include therein your income from all sources.

(T. D. 1890).

Income derived from the following professions and vocations come under this head: Farmers, merchants, agents compensated on the commission basis, lawyers, doctors, authors, inventors, and other professional persons whose income is irregular and indefinite.

Such persons shall make personal return of all their income, provided their total income from all sources exceeds \$3,000. For example; when a lawyer receives a retainer of \$5,000 as a special fee, a deduction therefrom shall not be made by the payer, but when a lawyer receives a retainer of \$5,000 per annum, and the exemption claimed is \$3,000, \$2,000 of such income would be taxed and the tax retained at the source, or if his exemption claimed should be \$4,000, \$1,000 of such income would be taxed and the tax thereon withheld at the source.

Question No. 39.

- Q. What is the penalty for refusing or neglecting to file a return on or before March 1st, 1913.
- A. The penalty for refusal or failure to file a return is not less than \$20 nor more than \$1,000. In addition to fine, the tax

which may be subsequently assessed by the Collector must also be paid.

Question No. 40.

- Q. What is the penalty for false or fraudulent return?
- A. A person making a false or fraudulent return shall be guilty of a misdemeanor and shall be fined not exceeding \$2,000 or imprisonment not exceeding one year or both at the discretion of the court with the costs of the prosecution.

Question No. 41.

- Q. When a person is traveling for a year or two and is not at home to make return of his income, will he be fined if he collects all his bond coupons at the end of, say, three years?
- A. If the coupons are not presented for payment no return need be made until they are paid

Question No. 42.

- Q. I am the owner of railroad and other corporation bonds which contain a clause agreeing to pay any tax assessed upon them. Do I have to make any report or return to the Collector of Internal Revenue relating to the income from such bonds?
- A. When presenting the coupons for payment you should sign certificate form No. 1000 and disclaim exemption therein. You must include the proceeds in your return as taxes deducted at the source, although the corporation pays the coupons in full, and you may in such return deduct any amount on which the tax has been paid at the source in ascertaining your net income although the tax on the particular amount was paid by the corporation.

Question No. 43.

- Q. Are Chicago improvement bonds exempt from the income tax?
- A. Bonds issued under the authority of State laws for the purposes of street improvement, reclamation or drainage of a district are exempt from deduction or payment of the Federal Income Tax. This ruling reverses the Treasury Decision No. 1910 dated September 4th, 1913, to the effect that the interest on such bonds is taxable.

Municipal Bonds.

Such bonds as are an obligation of the municipality are payable both principal and interest out of the general funds of the municipality or out of the funds derived from the general assessment of all property in such municipality.

The interest on bonds which are issued for special improvement and where the principal and interest are both payable out of a special fund derived from assessment against the abutting and benefited property, is, in the opinion of this office, exempt from the tax imposed by the Act cited.

Question No. 44.

- Q. I conduct a mercantile business. By what method shall I ascertain my gross annual income?
- A. To the amount of your inventory of January 1st, 1913 add the amount of your sales during the year 1913 and deduct from the total, amount of stock purchased, the result is your gross income for the year.

To arrive at your taxable income you may make the deductions allowed in Paragraph B of the Act and to such exemption or part thereof as you may be entitled to as provided in Paragraph C.

Question No. 45.

- Q. Must a foreigner pay an income tax on dividends received from stock of a corporation doing business in the United States?
- A. Payment of the normal tax of one per cent by a corporation on its net earnings exempts its dividends from further taxation unless the aggregate of such dividends paid during the year to the foreigner shall exceed \$20,000, in which case the foreigner is subject to the additional tax.

Question No. 46.

- Q. Must I include as income a stock dividend of a corporation at the par value of the stock or the market value?
- A. Stock dividends are exempt and are deductible. They should be included at their par value when such stock is finally disposed of, the difference in the sale price and the par value should either be computed as income or loss.

Question No. 47.

- Q. I am in the real estate business and care for a large number of improved properties in Chicago belonging to resident and foreign owners. Suppose the net rental accruing from a certain building is \$800 per month.
- A. Where the annual rental paid by a tenant is in excess of \$3,000 the tenant is required to deduct the one per cent normal tax on the entire amount unless the owner or his agent serves the tenant with notice to the effect that the rent is exempt, as provided in Paragraphs B, C and D of the Act.

Question No. 48.

- Q. If I collect rents and interest on mortgages amounting annually to \$12,000 which I remit to a non-resident foreigner
- (1) Must I obtain a license?
 - (2) Must I pay the normal tax on \$12,000?
- A. No license is required for the collection of domestic items within the United States.

A non-resident foreigner is entitled to the same deductions as citizens of the United States. A foreigner is not entitled to an exemption of \$3,000 if single and \$4,000 if married.

For the purpose of claiming such exemption when collecting coupons of corporate obligations, the foreigner should execute Certificate Form No. 1004; or if you are the foreigner's sole agent in this country you may sign the certificate for him claiming such exemption.

Question No. 49.

- Q. Does the law require that the tax shall be withheld from monthly rental payable to a trust company acting as agent for the landlord? Must the tenant withhold the normal tax of one per cent from the amount of the payments?
- A. When the amount payable during the year is fixed and certain, the normal tax of one per cent should be withheld when the aggregate amount paid exceeds \$3,000, unless the landlord or his agent shall claim exemption under Paragraph C of the Income Tax Statute which he may do at any time prior to January 29th of the succeeding year by filing the prescribed Certificate Form No. 1007 with the person withholding the tax. If the deduction is claimed on account of expense or other items allowed under Para-

graph B of the Statute, the landlord or his agent must claim deduction by filing with the tenant Certificate Form No. 1008.

Question No. 50.

- Q. I collect rentals from various properties in Chicago, the aggregate of which exceeds \$3,000 per year. Must I deduct one per cent on the excess before remitting to the owner?
- A. No. The one per cent deduction is required to be made only at the source; the source being defined by the Treasury Department as the place where the income originates.

Question No. 51.

- Q. What return must guardians, trustees and fiduciaries make?
- A. Guardians, trustees, and others acting in any fiduciary capacity must make an annual return if the annual interest of any beneficiary exceeds \$3,000 in which case a list return must also be made containing the name and address of each beneficiary and the amount to which each is entitled.

(T. D. 1929.)

Collecting Agent's certificate to be substituted for certificate of owners when said owners are fiduciaries, not claiming exemption at the source.

Subject to the provisions of the Regulations in Treasury Decision 1903, (page 6) dated November 28, 1913, collecting agents may substitute Form 1019a, properly filled in and numbered, for the certificate of the owner on Form 1019 (page 80).

When collecting agents substitute their own certificate in lieu of owner's certificate on Form 1019, said substitute certificate shall be Form 1019a.

Question No. 52.

- Q. Will the executor of an estate have to pay a tax on the income of said estate over \$13,000? The income is divided among several beneficiaries none of whom receives over \$1,000.
- A. Where no one of the beneficiaries receives in excess of \$3,000 the tax is not deductible at the source by the executor, notwithstanding the fact that the aggregate amount paid to all the beneficiaries exceeds \$3,000. Executor may obtain exemption from deduction of the tax at the source by filing certificate 1015 (see page 68).

Question No. 53.

- Q.** As Trustee under a former Will I am paying each year to a beneficiary \$10,000. Is this subject to tax?
- A.** Money or value of property acquired by gift, bequest, devise or descent is exempt from taxation under the Federal Income Tax Law.

Question No. 54.

- Q.** I received during the year a legacy of \$5,000 under the Will of my aunt and an annuity of \$2,000 from my father's estate. Must I include this amount in my return?
- A.** Gifts are not taxable under the statute and you will not have to include the \$7,000 therein, but the income from the said \$7,000 must be included in your return. Unless the sum of the annuity from your father's estate and your income from other sources exceeds \$3,000 you need make no return.

Question No. 55.

- Q.** The Income Tax Law was enacted October 3rd, 1913 and took effect as of March 1st, 1913. Why is this law not ex post facto?
- A.** As the Sixteenth Amendment was ratified by the required majority of the legislatures of the several States on March 1st, 1913, the power to tax under this Amendment according to statutory construction dates from the ratifying of the Amendment. The limitations of the taxing power of the Government are limitless. A retroactive law is not necessarily ex post facto. An ex post facto law relates to penalties for crime. An ex post facto law is one which makes criminal an act committed prior to the enactment of the law or which increases the punishment subsequent to the commission of the crime, or one which requires less or different testimony for conviction of an offense than that required at the time of its commission.

Question No. 56.

- Q.** When must a corporation file a return?
- A.** Every corporation, except certain trade, civic and charitable associations must file a return of income, irrespective of the amount.

(T. D. 1933).

Mutual Telephone Companies and Mutual Insurance Companies.

You are informed that under the provisions of the act above cited, every corporation, joint stock company, any and every insurance company, no matter how created or organized, is subject to the income tax and will be required to make returns of annual net income, except such as are specifically enumerated in the act as exempt from its provisions. In the list of those so enumerated as exempt do not appear mutual telephone companies or similar organizations.

Since under this act no exemption is provided, either express or implied, for mutual telephone and like companies, and liability is not dependent upon whether or not the corporation is organized for profit, it is held that all corporations not specifically enumerated as exempt will be required to make returns of the net income returned.

This ruling will comprehend all telephone companies, local insurance companies, and like corporations whether or not they are organized primarily for the mutual benefit of their members.

Question No. 57.

Q. What period must a corporation's return cover?

A. A corporation's return ordinarily covers the period from March 1st, 1913, to December 31st, 1913, unless the corporation shall thirty days before March 1st, 1914 give notice to the Collector of Internal Revenue that its return shall be made for a fiscal year and designate the termination of such fiscal year. Ordinarily corporate returns must be made on or before March 1st, 1913, but when a fiscal year has been designated the corporation must make its return within sixty days after the day designated as the close of the fiscal year and pay the tax assessed thereon within one hundred and eighty days after the close of such designated fiscal year.

Question No. 58.

Q. I am the bookkeeper for a firm that donates quite a sum to its employes as Christmas presents. The proprietor also has an arrangement with several of the employes to pay them a certain percentage of the profits. Can the proprietor enter these amounts thus paid as expenses of the business and thereby pay only the income tax on the net amount actually realized in his business. The proprietor is the sole owner.

- A. The gifts which the proprietor makes to the employes at Christmas or other times are not deductible as they are not an expense of the business. The amount which the proprietor has agreed and does actually pay to the employes is equivalent to wages. The fact that it is computed on a certain percentage of the profits does not alter the fact that it is an actual expense of the business and is, therefore, deductible as such.

Commissions paid to salesman in stock may be deducted as expense if so charged on books at the actual value of such stock.

Donations made for purposes connected with the operation of the property when limited to charitable institutions, hospitals or educational institutions conducted for the benefit of its employes or their dependents shall be a proper deduction for ordinary and necessary expenses.

Question No. 59.

- Q. If a corporation shows only a profit of \$1,000 in all its transactions will it be obliged to pay the one per cent normal tax on such net earnings?
- A. Yes.

Question No. 60.

- Q. What is the rate on net income of corporations? Must a corporation pay the additional tax if it makes over \$20,000?
- A. No. The additional tax does not apply to corporations.

Question No. 61.

- Q. Has a corporation an exemption of \$3,000 or \$4,000 the same as an individual?
- A. A corporation is allowed no exemption whatever under the Income Tax Statute.

Question No. 62.

- Q. I have an income of about \$2,500 and own four bonds of \$1,500 each. When I present the coupons to the bank for payment, must I make a statement? Where do such Certificates go? Are such Certificates sent to the Revenue Officials or to the corporation who is obligated to pay the coupons?

- A. When presenting your coupons for payment you must either claim or disclaim exemption by filling in and signing form 1000. The bank then fills out form 1000A and attaches it to your coupons and sends it to the corporation or its paying agent, which, in turn, sends Certificate 1000A to the Collector of Internal Revenue with its returns. The bank retains your original Certificate 1000 and sends it together with its return to the Collector of Internal Revenue for the district in which the bank has its principal place of business.

Question No. 63.

- Q. An outlying bank makes mortgages and sells them to customers, the bank collecting the interest. Some of these loans are made in the form of real estate bonds. Is it necessary for the bank or the mortgagor, who is an individual, to withhold the normal tax of one per cent where the annual interest on separate mortgages is less than \$3,000? The aggregate amount collected by the bank is approximately \$18,000.
- A. No tax is deductible in the above case. The provision for deduction of the tax at the source on amounts less than \$3,000 applies only to corporations. In this case the mortgagor being an individual, the mortgagee is entitled to payment without deduction. The bank is not authorized to withhold the tax on the aggregate amount of such interest payments as the bank is not "the place where the income originates."

Question No. 64.

- Q. How must a corporation proceed in the selection of a fiscal year for making this return? When must notice be given to the Collector of Internal Revenue of the termination of such fiscal year?

(T. D. 1897.)

- A. The Federal income tax law (sec. 2, act of Oct. 3, 1913) authorizes corporations, joint stock companies, etc., under certain conditions to make their returns on the basis of an established "fiscal year," or consecutive 12-months' period, which may be other than the calendar year.

Pursuant to this provision, the following instructions are issued for the guidance of collectors and other interested parties:

Any corporation, joint stock company or association, or any insurance company, subject to the tax imposed by this act, may, at its option, have the tax payable by it computed upon the basis of the net income received (accrued) from all sources during its fiscal year, provided that it shall designate the last day of the month selected as the month in which its fiscal year shall close as the day of the closing of its fiscal year, and shall, not less than thirty days prior to the date upon which its annual return is to be filed, give notice, in writing, to the collector of internal revenue of the day it has thus designated as the closing of such fiscal year.

In pursuance of this provision, a corporation or like organization subject to this tax may, for example, designate the 30th day of September as the day for the closing of its fiscal year, whereupon its return of annual net income shall be filed with the Collector of internal revenue of the district in which its principal place of business is located not later than 60 days after the close of its said proposed fiscal year: that is to say on or before the 29th day of November next succeeding.

The date of the closing of the fiscal year having been designated, notice thereof must be given to the collector not less than thirty days prior to the last day of such sixty-day period. In the case just instanced, the notice must be given not later than October 31.

If such designation (Sept. 30, 1913,) had been made and notice given, as hereinbefore indicated, as to the closing of the fiscal year 1913, the corporation would be authorized to make its return and have the tax payable by it computed upon the basis of the net income received (accrued) by it during the period from January 1 to September 30, both dates inclusive.

In the absence of such designation and notice of the closing of the fiscal year corporations and like organizations subject to this tax will be required to make their returns and have the tax computed upon the basis of the net income for the calendar year.

Collectors of internal revenue receiving notices of the selection and designation of the "fiscal years," as above indicated, will make a record of the same, recording (a) the name of the corporation, or like organization, (b) the date when the notice was given, (c) the day designated for the closing of the fiscal year, and (d) the date when the return under such designation must be filed, which must be, as above stated, not later than the last day of the 60-day period next following the day designated as the close of the fiscal year.

If it shall appear that for the current year the notice was given within the prescribed time—that is, within 30 days of

the last day of the 60-day period—the 1913 return may be made as of the fiscal year so established: otherwise it will be made on the basis of the calendar year until such time as the designation shall be duly made and notice thereof properly given.

The designation and notice can not be retroactive: that is to say, if a corporation now designates April 30, 1914, as the date of the closing of its fiscal year and gives notice of such designation, it would not be authorized to make a return for the 4 months ended April 30, 1913, and then for the fiscal year ended April 30, 1914, nor would it be authorized to make one return covering the entire 16 months ended April 30, 1914. In the case of such corporation the return for the current year must be made for the calendar year ended December 31, 1913, and then, assuming that designation and notice had been properly made and given, it may make a return for the 4 months ended April 30, 1914, and thereafter the return will be made on the basis of the fiscal year so established.

In all cases where a fiscal year is not established as above prescribed returns must be made on the basis of the calendar year, in which case such returns must be filed on or before the 1st day of March next succeeding such calendar year.

Such returns, for the period covered, must be true and accurate, definite and complete, and, in as far as consistent with the provisions of the law, must conform to the showing made by the books of the company, and must be verified under oath of affirmation of its president or other principal officers, and its treasurer or assistant treasurer: that is to say, by two different persons acting in the official capacity indicated.

If it shall appear in any case that returns have been made to the collector on the basis of a fiscal year not designated as above indicated, the corporations making such returns will be advised that such returns can not be accepted, but must be made to cover the business of the calendar year...

Returns made under this act pursuant to these instructions must be made on the new forms prescribed by this department.

Question No. 65.

- Q. Is a bank or collection agency which holds for collection notes reporting annual interest on farm mortgages in amount less than \$3,000 required to deduct one per cent of the tax from the face of the coupons if the owner does not claim exemption thereon?
- A. Deductions of the tax at the source on bonds, mortgages and trust deeds only applies to the obligations of corpora-

tion, joint-stock companies or associations, unless the amount of such payment is in excess of \$3,000.

Question No. 66.

- Q. If a corporation leases a building for \$10,000 per annum and re-lets a portion of said premises to another corporation at \$6,000 per annum, is the second corporation bound to deduct one per cent from its rental?
- A. No. The provision requiring deduction of the tax at the source applies only to individuals and not to corporations.

Question No. 67.

- Q. The bank with which I am connected owns some bonds of corporations which provide that no part of the principal or interest shall be deducted for any tax or taxes imposed thereon by the United States, State, County or Municipality. If these corporations pay the tax, must we return the interest and claim deduction thereon under the head of amount on which tax has been deducted at the source?
- A. By disclaiming exemption in your Certificate 1000 when presenting the coupons for payment, you can return the amount of such coupons under the head of income on which the tax has been deducted at the source, although the corporation pays the tax and interest in full.

Question No. 68.

- Q. Are dividends received from the X corporation by the Y corporation holding stock therein, taxable as part of the net earnings of the Y corporation to whom such dividends are paid?
- A. The Y corporation receiving dividends from the X corporation must pay the normal tax of one per cent thereon as part of its net earnings. In case of holding companies this will amount to double taxation. Dividends are exempt from the normal tax only when received by an individual.

Question No. 69.

- Q. We are incorporated with three stockholders, all officers of the company. One is paid a salary of \$3,000 a year, and two \$5,000 and \$10,000, respectively, on preferred stock. If our business should show a paper profit of \$10,000, which is, in book accounts, merchandise, and, say, \$1,000 in bank, would this company have to pay a tax on the \$10,000, we declaring no dividends?

- A. The salaries of the officers when taken in lieu of dividends, are exempt. After your corporation pays the normal tax of one per cent on its net earnings the amounts paid as dividends are exempt from further tax unless the amount of such dividends received by a person exceeds \$20,000, then it is subject to the additional tax as provided in Subdivision 2 of Paragraph A of the Statute.

Question No. 70.

- Q. Are corporations allowed exemption of that portion of their income derived from bonds of the United States, counties, cities or any political subdivision thereof?
- A. Bonds of the United States or any political subdivision thereof are wholly exempt.

Question No. 71.

- Q. Are partnerships allowed to deduct the expense of doing business?
- A. A partnership may claim exemption from deduction of the tax at the source and for that purpose should attach to coupons of corporate obligations when presenting them for payment, certificate form No. 1003.

(T. D. 1905.)

Inasmuch as individual members of a partnership are liable for income tax upon their respective interest in the net earnings of said partnership and are required to include said net earnings in their personal returns, the partnership may file with the debtor corporation, or with a withholding agent, a notice, signed in the name of the partnership, by a member thereof, claiming a deduction of a specific amount on account of legitimate expenses (not including the personal or living expenses of the partners) incurred in conducting the business of said partnership, and, upon receipt of said notice, said withholding agent shall not withhold, and shall not be held liable for, the normal tax on the amount of income equal to the amount of deduction claimed in said notice, but in no event shall the total of the amounts claimed, as provided herein, be in excess of the total amount of the actual legitimate annual expenses incurred by said partnership in the conduct of its business. Application for such deduction shall be made on Form 1011.

Partnerships are not subject as partnerships to the income tax and are required to make statement of their income and earnings as partnerships only when requested to do so by the Commissioner of Internal Revenue or the collector of internal

revenue for the district in which said partnership has its principal place of business, and when such a statement is required, as aforesaid, the said statement shall give a complete and correct report of the gross income of the said partnership and also a complete account of the actual legitimate annual expenses of conducting the business of said partnership (not including living and personal expense of the partners) and the net profits and the name and address of each of the members of said partnership and their respective interest in the net profits thus reported.

The net annual income of a partnership, when apportioned and paid to the members thereof, shall be returned by each individual partner receiving same, in his annual return of net income, and the tax shall be paid thereon by said individual partner, as required by law.

When the annual income of a partnership is not distributed and paid to the members thereof, the respective interest of each member in said profits shall be ascertained, and the individuals entitled thereto shall include the said amount in their annual return as part of their gross income, the same as if said profits had been distributed and paid to them.

Undivided annual net income of partnerships thus returned by the individual members thereof, upon which the tax shall have been paid, shall not, when said profits are actually distributed and paid to the partners, be again included in their annual return as a part of their gross income.

Foreign partnerships or firms, all the members of which are both citizens or subjects and residents of a foreign country, which are the owners of bonds and mortgages or deeds of trust or other similar obligations, including equipment trust agreements, receivers' certificates, and stocks, of corporations, joint-stock companies or associations and insurance companies, organized or doing business in the United States, may file with the debtor or withholding agent, with their coupons or orders for registered interest, or orders for other income derived from property or investments in the United States, certificate and notice of ownership, setting forth the facts as to non-residence and alienship, and the debtor or withholding agent shall not withhold any part of their said income.

Where a foreign partnership or firm is composed of both non-resident foreigners and citizens of the United States, or foreigners resident in the United States or its possessions, the certificate of ownership shall show this fact, and the name and legal address of each member of said partnership, who is a citizen of the United States or who is a foreigner residing in the United States or its possessions shall be given on the said certificate, and no part of said income shall be withheld by the paying agent.

Question No. 72.

- Q. Ten years ago I bought a lot for \$500 cash. I paid 2½ per cent commission to obtain the money and have ever since paid 6 per cent interest on the loan, also taxes. Three months ago I sold the lot for \$1,000. In computing my profit may I deduct 6 per cent interest compounded for the ten years?
- A. Yes.

Question No. 73.

- Q. If I had paid cash for a lot ten years ago, would I be permitted to deduct 6 per cent compounded interest for that period in computing my profit?
- A. Six per cent may be deducted as you are entitled to a reasonable earning on the money invested during the period. The net profit from the sale should be apportioned over the number of years and 1/10 of the amount report as income for the year 1913.

Question No. 74.

- Q. Will the penalties on the income tax law be enforced against persons who make erroneous return by reason of the fact that they do not properly understand the law?
- A. If a person makes a true statement of what he believes the Government desires, without any intention of evading the law no penalty will be incurred.

Question No. 75.

- Q. I sold a piece of property under contract (not recorded) seven years ago and deeded the same to the buyer July 1, 1913, when he paid the balance due me in cash. My total profit was \$400. Must I include this amount in my return for the year 1913?
- A. My personal opinion is that this amount is not taxable as income as it was due and payable under the terms of the contract prior to the enactment of the Federal Income Tax Law, but according to the ruling of the Treasury Department all profits accruing to a person during the taxable

period are taxable, and the Internal Revenue Officials have defined "accruing" to mean not the process of accruing, but "having arrived at an accrued state"—being due and payable within the taxable year, therefore until this question is passed on by a court of competent jurisdiction, you will have to include 1/7 of the \$400 profit as income for the year 1913.

Question No. 76.

- Q. Some years ago I bought a certain number of shares of Chicago & Eastern Illinois preferred at 120. About June 1st, of this year dividend payments were discontinued and the road went into the hands of a receiver. My stock is deposited with a committee who are trying to save whatever possible out of the wreck, but is not salable at present. I am sure to make quite a loss on this stock. Under the most favorable circumstances it certainly could not pay out more than par and the chances are that not that much will be finally realized. In figuring my income tax should I make a deduction from my income for the last ten months of 1913 on account of the loss on this stock, and if so, how should I arrive at the proper amount? Would it be better to wait until the matter is finally closed up and I either sell my shares or receive other shares in place of them and then figure the actual loss and take it out of the year's income in which the final transaction occurs?
- A. If this stock was worthless or depreciated on March 1, 1913, you are not entitled to deduct the purchase price as a loss. The only amount you can deduct as a loss is the difference between the value of the stock on March 1, 1913, and the value on December 31, 1913. Of course if you receive other stock at a future time, the value of the stock will be income for the year in which you receive the same.

Question No. 77.

- Q. If a person buys lots at a tax sale, is the interest or income from said certificate subject to the U. S. Income Tax?
- A. Tax certificates are exempt from taxation in the State of Illinois. As the property is sold because of the failure to pay an obligation due to a state, therefore the certificate and interest accruing thereunder is exempt from taxation by the Federal Government.

Question No. 78.

Q. I have six tenants in one building whose monthly rents are \$175, \$200, \$300, \$350, \$400 and \$450 each. Are they required under the law to deduct and withhold hereafter from me each month 1 per cent of these amounts which their leases require them to pay me in full, monthly, in advance, first of each month? If they fail to account to the government for this 1 per cent, does it not release me, and why should I be required to schedule these rents when the tax is paid by them?

A. Unless the aggregate amount of money paid to you by a tenant is in excess of \$3,000 he has no right to withhold the 1 per cent tax at the source. But if the amount paid is in excess of \$3,000 you may give any one of them notice of your individual exemption and they will then withhold the tax only on the amount in excess of such exemption. Although the tax may be withheld at the source you must include the amount in the report of your net income and deduct the amount on which the tax has been paid at the source. Take for example: Suppose Charles Smith, a married man, whose wife lives with him, expends the following sums during the year:

Living expenses (not deductible)	\$10,000
Interest on personal notes and obligations.....	3,000
Interest on mortgages owing by Mr. Smith.....	2,000
Taxes on property owned by Mr. Smith.....	1,000
Suppose one building, worth \$5,000, burns down, covered by \$3,000 insurance, the loss, which is deductible, amounts to	2,000
Depreciation on properties owned by Mr. Smith.....	6,000
Repairs and maintenance expenses.....	10,000
Totals	<u>\$34,000</u>

Mr. Charles Smith would ascertain his net income and make his return as follows:

Gross Income.

Salary as president and treasurer of the Smith Manufacturing Company	\$25,000
Rents from buildings owned by Charles Smith.....	20,000
Dividends from Smith Manufacturing Company...	12,000
Interest on Cook county bonds.....	<u>5,000</u>
Total gross income	<u>\$62,000</u>

Deductions from Gross Income.

Interest on personal notes and obligations..	\$ 3,000	
Interest on mortgages owing by Mr. Smith..	2,000	
Taxes on property owned by Mr. Smith....	1,000	
Loss by fire	2,000	
Depreciation on properties owned by Mr. Smith	6,000	
Repairs and maintenance expense.....	10,000	
Dividends of Smith Manufacturing Company, on which tax of 1 per cent was paid on net earnings of corporation....	12,000	
Salary of Charles Smith as president and treasurer of Smith Manufacturing Company, on which tax was deducted at source	10,000	
Interest on Cook county bond.....	5,000	
Total	\$51,000	
Personal exemption of Mr. Smith.....	4,000	
Total	\$55,000	\$55,000
Total net income of Mr. Smith, on which he would pay tax		\$ 7,000

Therefore, the normal tax of 1 per cent, \$70, is the amount Mr. Smith will have to pay to the collector of internal revenue.

Question No. 79.

- Q.** Is money made by horse racing or gambling taxable as income?
- A.** In the State of Illinois money made or won by horse racing or gambling is illegal. Where the State Law prohibits certain acts, money earned by such illegal practices is not subject to the Federal Income Tax Law, but in States where horse racing and gambling is a legitimate practice money derived from such source is taxable as Income under the provisions of the Federal Income Tax Statute.

Question No. 80.

- Q.** I have given corporation bonds aggregating \$100,000, to a Church. The Trustees of the Church have placed the bonds in Trust with the understanding that the interest on them

shall be paid to me during my life time and upon my death the bonds are to become the property of the Church. As property of a religious institution is exempt under the Income Tax Law, do I have to pay tax on the earnings of such property paid to me during my life time?

- A. Gifts are not taxable under the Income Tax Law, but the earnings, or income from a gift is taxable, as the interest accruing from the bonds constitutes part of your income it is taxable.

Question No. 81.

Q. Are limited partnerships subject to Income Tax?

- A. Limited partnerships are considered under the same head as corporations and must make the same return and are subject to the same provisions of the law as applied to corporations.

DEDUCTION OF THE TAX AT THE SOURCE
BY
BANKING INSTITUTIONS, TRUST COMPANIES AND
CORPORATIONS.

Paragraph E (E-19) of the Income Tax Law imposes an obligation upon Corporations, Banks, Trust Companies and Associations to deduct the Normal Tax of 1 per cent and imposes a liability for the payment of such tax to the Government. It is the duty of every Corporation or its paying agent to withhold 1 per cent of the amount of the interest paid by it on bonds, trust deeds, receiver's certificates, equipment certificates or similar obligations of corporations, unless the person or corporation presenting the coupon or note for payment files with the corporation or its paying agent the form of certificate prescribed by the Treasury Department.

An individual owner presenting a coupon to a corporation or bank either for payment or collection should file with it properly executed certificate Form 1000 (page 65) claiming or disclaiming exemption therein.

A non-resident alien or his authorized agent when presenting coupons should attach certificate Form 1004 (page 66).

A corporation when presenting coupons should execute and attach certificate Form 1001 (page 65).

A partnership should execute and attach certificate Form 1011 (page 67). A member of partnership certificate Form 1003 (page 65).

Executors, Trustees, Conservators, Guardians and others acting in a fiduciary capacity for the purpose of claiming exemption should execute certificate Form 1015. For the purpose of disclaiming exemption from deduction of the tax at the source, the fiduciary should execute certificate Form 1019.

Upon receipt of a certificate duly executed the corporation is relieved of the duty of withholding the tax.

Where a bank takes a coupon for collection it should see that a certificate of proper form is attached. In case a bank received coupons for collection unaccompanied by the required certificate, the bank should execute and attach certificate Form 1002 (page 66).

The foregoing certificates may be signed by the owner or a duly authorized agent.

SUBSTITUTION CERTIFICATES.

The Treasury Department has prescribed a form of substitution certificates bearing the same form number as the orig-

inal ownership certificates with the letter "a" appended, which are to be executed and attached to coupons by a bank when the coupons are transmitted to the debtor corporation or its paying agent. All substitution certificates should contain the same number as the original ownership certificate. The original certificate should be endorsed with the name of the bank or collecting agent and the date of the substitution certificate together with the following:

"The duplicate of the within certificate bearing the same number was attached to the coupons within mentioned and delivered to the debtor or its agent by whom said coupons are payable."

The original certificates of ownership must be forwarded to the Commissioner of Internal Revenue at Washington not later than the 20th of each month succeeding the date on which said coupons are received for collection. The bank making the substitution certificates must keep a record by months, showing the serial number, the date and name of the owner or his agent, showing from whom the coupons were received with the address of such persons or corporation, and the name of the corporation whose obligation it is together with the name and serial number of the bond issue, the principal amount of the coupons, and amount of interest collected. Any bank, banker in the United States, or its collecting agent in a foreign country, may execute substitution certificates. The corporation or paying agent shall deliver all certificates to the Collector of Internal Revenue. A corporation or its paying agent must file a list of the individuals or firm from whom the tax has been withheld, but no list is required of certificates where exemption has been claimed and the amount of the interest or coupon paid, but a debtor corporation must include in its list certificates in which the exemption or deductions claimed is less than the amount of the interest paid by corporations. The corporation or its paying agent must make separate lists for each bond issued. All certificates must be sent by registered mail to the Commissioner of Internal Revenue, accompanied with a list (Form 1012) which the corporation is required to file.

FOREIGN ITEMS.

The Regulations require that the tax on foreign items must be withheld by the first bank or trust company in the United States to which such foreign items are given for collection or payment. Every person, bank or trust company accepting coupons, checks, and bills of exchange for collection must obtain license for that purpose from the Commissioner of Internal Revenue. There is no fee for this license but a bond may be required.

SYLLABUS

OF

INCOME TAX LAW

Marginal Refer-
ence to Statute.
Pages 43-63.

1. AMOUNT.

NORMAL TAX—1 Per Cent.

Net income of individuals exceeding \$3,000.

(\$2,500 for 10 months March 1 to December 31 of the year 1913.)

Net income of all taxable corporations, domestic or foreign, accruing during the calendar year January 1 to December 31, 1913.

(Unless a "fiscal" year has been designated.)

A-4

D-3

Treasury
Decision
1934

G-1

Treasury
Decision
1897

S-1-2-3

Treasury
Decision
1937

NOTE.—Paragraph "S" of the Income Tax Law modifies and repeals the Corporation Excise Law of 1909.

2. AGAINST WHAT LEVIED.

ENTIRE TAXABLE NET INCOME OF

Citizens of the United States residing at home or abroad.

Aliens residing in the United States.

Domestic corporations.

A-2

A-3

G-1

NET INCOME DERIVED FROM BUSINESS TRANS- ACTED OR CAPITAL INVESTED IN THE UNITED STATES BY

Aliens residing outside of the United States.

Foreign corporations.

A-5

G-2

Exceptions: A non-resident alien need pay no tax on income from bonds, mortgages and similar obligations of corporations.

Treasury
Decision
1887

ADDITIONAL TAX

(Gross Incomes of Individuals Only.)

1% on the amount by which income exceeds \$20,000.

2% on the amount by which income exceeds \$50,000,
but does not exceed \$75,000.

A-6

A-7

A-8

- A-9 3% on the amount by which income exceeds \$75,000, but does not exceed \$100,000.
- A-10 4% on the amount by which income exceeds \$100,000, but does not exceed \$250,000.
- A-11 5% on the amount by which income exceeds \$250,000, but does not exceed \$500,000.
- A-12 6% on the amount by which income exceeds \$500,000.

DEDUCTIONS FOR THE NORMAL TAX.

- B-8 1. Necessary expenses actually paid in carrying on business:

Exception:	family living or personal	expenses are not deductible.
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B-9 2. All interest paid on indebtedness.

B-10 3. Taxes: State, County, School and Municipal.

B-10 NOTE.—National, State, County, School and Municipal Special assessments for local benefits such as street paving, sewer drainage, etc., are not deductible.

B-11 4. Losses actually sustained during the year.

(a) Incurred in trade or business.

(b) From fire, storm or shipwreck, and not compensated by insurance or otherwise.

B-12 5. Debts due and found worthless and charged off.

B-13 6. Reasonable allowance for wear and tear of property.

B-14 NOTE.—No deductions for new buildings, permanent improvements, etc., which tend to increase the value of property.

NOTE.—The foregoing deductions 1, 2, 3, 4, 5 and 6 only are allowed in calculating net income for the additional tax.

B-15 7. Dividends received from a corporation, joint-stock company or association which are taxable on their net income at the source.

B-16 8. Amount of income on which tax is paid or withheld at source:

Treasury Decision

(a) Interest on obligations of the United States, a State, County, or a political subdivision of a State, including interest paid on public improvements, reclamation, drainage or special assessment bonds issued for local improvements.

(b) Salaries of

1. Present President of the United States.

2. Judges of the Federal Courts.

3. Officers and employees of a State or a political subdivision of a State, except when such salary is paid by the United States Government.

9. Exemptions from the tax:
 - (a) \$3,000 per annum for a single person.
(\$2,500 for the year 1913.)
 - (b) \$4,000 per annum for a married couple living together.
(\$3,333.33 for the year 1913 for a married couple living together.)

C-1
Treasury
Decision
C-2
Treasury
Decision

NOTE.—Exemptions 7, 8 and 9 are not allowed in calculating the net income for the additional tax.

Form 1040

THE RETURN

ANNUAL RETURN MUST BE FILED BY

1. Persons having an annual net income exceeding \$3,000.
2. Trustees, executors, administrators and conservators having the receipt, custody or payment of annual net income of another person exceeding \$3,000.

D-8

E-8

NOTE.—Excluding from the computation of such net income dividends received from corporations and amounts on which the normal tax has been withheld at the source.

(\$2,500 for ten months of the year 1913, March 1 to December 31.)

Treasury
Decision
1945
Treasury
Decision
1934

3. Corporations total annual net income.
(No specific exemption allowed.)
4. Persons or corporations withholding the tax at the source.
 - (a) A separate return for each payee.
 - (b) Certificate Form No. 1042, page 94.
 - (c) A return by one of two or more joint trustees is sufficient.

G-7

D-6

D-5

RETURN MUST CONTAIN:

1. The gross amount of income from all separate sources, and from the total, deducting the aggregate deductions of authorized expenses and allowances. Return to be under oath or affirmation.
 - (a) Personal return Forms Nos. 1040, 1041, pages 71-76.
 - (b) Corporations' returns, Forms Nos. 1030, 1031, 1032, 1033, 1034, 1035, pages 80-90.

B-1

G-1

WHEN RETURN MUST BE FILED

1. Individuals:
 - (a) On or before March 1.
2. Corporations:
 - (a) On or before March 1, or
 - (b) Within 60 days after the close of the designated fiscal year.

D-3

G-35

WHERE RETURN MUST BE FILED :

- G-35** 1. Individuals:
 - (a) Where the person or corporation resides or has his or its principal place of business.
- G-35** 2. Foreign corporations and non-residents:
 - (a) Where the principal place of business in the United States is located.
- D-5** 3. Trustees, etc. :
 - (a) Where such trustees reside, or
 - (b) Where will or instrument under which he acts is recorded.

WHEN THE TAX MUST BE PAID :

- E-1** 1. Individual:
 - (a) Between June 1 and June 30.
- G-60** 2. Corporation:
 - (a) Between June 1 and June 30, or
 - (b) Where corporation uses "fiscal year," tax must be paid within 180 days after the close of such "fiscal year."
- G-61.**

DEDUCTION AND PAYMENT OF TAX AT THE SOURCE.

DEDUCTION AT THE SOURCE REQUIRES :

- E-8** 1. Persons to withhold the normal tax of one per cent on all funds payable to another person when the aggregate amount exceeds \$3,000, and is fixed and certain.
- E-22** 2. Corporations to withhold the normal tax of one per cent on all interest paid by them or their agent on bonds, mortgages, trust deeds or similar obligations of corporations regardless of amount.
- E-12** 3. The person required to deduct the tax is personally liable for the same.
- A-14** 4. The additional tax is not deducted at the source at any time.
- D-10** 5. No tax is deducted on dividends of corporations which pay the income tax on their net earnings.

WHEN THE TAX IS TO BE DEDUCTED AT THE SOURCE :

- E-19** 1. Whenever the aggregate amount paid is fixed and certain.

NOTE.—Not including dividends on stock of corporations.

**Treasury
Decision**

- 2. The tax of one per cent is deducted "at the place where the income originates."

- (a) Interest on bonds, mortgages or deeds of trust of corporations, domestic or foreign.
- (b) Interest on foreign bonds.
- (c) Dividends of corporations or insurance companies doing business in foreign countries.

HOW EXEMPTIONS MAY BE CLAIMED AGAINST DEDUCTION OF THE TAX AT THE SOURCE:

1. The \$3,000 personal exemption.
To obtain exemption, the payee must file with the person withholding the tax Certificate Form No. 1007, page 67, at any time 30 days before the annual return of the withholding agent is required to be made.
2. Deductions for expense:
 - (a) The payee must file with the withholding agent a true return of his income from all sources and the deduction claimed therein Certificate Form No. 1008, page 70.
3. If the payee is a minor, or insane, or absent from the United States, or unable by illness to make such return, the father, conservator or other authorized person may make the return for such person under oath. An extension of 30 days for filing the return may be obtained upon application to the collector, made within the period for such extension is desired.

E-18

NOTE.—Deduction and payment of the tax at the source applies only to amounts payable to individuals, not to corporations.

E-30

GROSS INCOME.

GROSS INCOME INCLUDES:

<ol style="list-style-type: none"> 1. Salaries Wages Gains and profits Compensation for personal service 	derived or accrued from	Professions Vocations Businesses Trade Commerce Sales or Dealings in or Growing out of Ownership or use of	Property, Real and Personal.	B-1 B-2 B-3	
— also —					
<ol style="list-style-type: none"> 2. Income received from or accruing from 	Interest Rent Dividends Securities Transactions of any lawful business carried on for gain or profit Gains, profits or income accruing from any source whatever.				B-4

Net income for the purpose of the income tax is the amount of the gross income less the deductions 1, 2, 3, 4, 5 and 6.

NOTE.—See deductions for the normal tax.

GROSS INCOME EXCLUDES:

- B-5** 1. Money or value of property acquired by
- | | |
|-------------------|---------------------------------------|
| Gift | \| But the income from these is taxable. |
| Bequest | |
| Devise
Descent | |
- B-6** 2. Proceeds of Life Insurance Policies:
- (a) Paid on death of the insured;
 - (b) Credited to the insured on surrender of contract, as
 1. Endowments.
 2. Annuity contracts.

CORPORATIONS' INCOME TAX.

AMOUNT OF TAX:

- G-1** The normal tax of one per cent only.

ON WHAT THE TAX IS ASSESSED:

- G-1** 1. Domestic corporations:
(a) Entire net income.
- C-2** 2. Foreign corporations:
(a) Net income accruing from business transacted and capital invested in the United States.

WHAT IS NET INCOME:

Gross Income less

- G-8** 1. Expenses of maintenance and operation, including rentals.
- G-9** 2. All losses not compensated by insurance or otherwise.
- G-9** 3. Reasonable wear and tear.
- G-15** 4. Amount of interest paid on its indebtedness.
- G-19** 5. Sums paid for taxes.

WHAT RETURN MUST CONTAIN:

(See Forms 1030 to 1035, inclusive, pages 80-90.)

1. Total amount of capital stock outstanding.
2. Total amount of bonded or other indebtedness.
3. Gross income.

4. Deductions as above specified.
5. Net income after making these deductions.

BY WHOM REPORT MUST BE SIGNED :

(See Instructions.)

1. By president, vice-president or other principal officer, and
2. By treasurer or assistant treasurer.
3. Return to be under oath or affirmation.

PENALTIES.

FOR NEGLECT OR REFUSAL TO MAKE
RETURN ON TIME:

1. Individual:
 - (a) Fine—not less than \$20.00 or over \$1,000.00. F-1
 - (b) There shall be added to the tax 5% of the amount thereof, and 1% per month from time it became due. E-4
2. Corporations:
 - (a) Fine—not exceeding \$10,000.00 G-66
 - (b) There shall be added to the tax 5% of the amount thereof, and 1% per month from time it became due. E-4

FOR MAKING A FALSE OR FRAUDULENT
RETURN:

1. Individual or officer of a corporation:
 - (a) Fine—not exceeding \$2,000.00, imprisonment for one year, or both. F-2
R. S. 3176
2. Corporation:
 - (a) Fine—not exceeding \$10,000.00. G-66

FOR FILING "AT SOURCE" A FALSE STATEMENT
RESPECTING THE \$3,000 ALLOWANCE (OR
\$4,000 FOR MARRIED COUPLE): E-14
R. S. 3176

- (a) Fine of \$300.00.

ALL PERSONS UNDERTAKING AS A MATTER OF
BUSINESS, THE COLLECTION OF FOREIGN
PAYMENTS OF INTEREST OR DIVIDENDS
MUST TAKE OUT A LICENSE UNDER PENALTY
OF FINE NOT EXCEEDING \$5,000.00, OR ONE
YEAR'S IMPRISONMENT, OR BOTH. E-28

THE DISTRICT COURTS OF THE UNITED STATES
ARE GIVEN JURISDICTION (IN CASES WHERE K-1

PERSONS ARE SUMMONED BY A COLLECTOR
TO APPEAR AND TESTIFY REGARDING THEIR
RETURNS) TO COMPEL SUCH ATTENDANCE,
PRODUCTION OF BOOKS AND TESTIMONY.

U. S. INCOME TAX STATUTE

BEING SECTION 11 OF THE ACT OF OCTOBER 3, 1913, ENTITLED "AN ACT TO REDUCE TARIFF DUTIES AND TO PROVIDE REVENUE FOR THE GOVERNMENT AND FOR OTHER PURPOSES."

A. Subdivision 1. That there shall be levied, assessed, collected and paid annually upon the entire net income arising or accruing from all sources in the preceding calendar year **Paragraph A A-1**

to every citizen of the United States, whether residing at home or abroad, **A-2**

and to every person residing in the United States, though not a citizen thereof, **A-3**

a tax of 1 per centum per annum upon such income, except as hereinafter provided; **A-4**

and a like tax shall be assessed, levied, collected, and paid annually upon the entire net income from all property owned and of every business, trade, or profession carried on in the United States by persons residing elsewhere. **A-5**

Subdivision 2. In addition to the income tax provided under this section (herein referred to as the normal income tax) there shall be levied, assessed, and collected upon the net income of every individual an additional income tax (herein referred to as the additional tax) of **A-6**

1 per centum per annum upon the amount by which the total net income exceeds \$20,000 and does not exceed \$50,000, and **A-7**

2 per centum per annum upon the amount by which the total net income exceeds \$50,000 and does not exceed \$75,000, **A-8**

3 per centum per annum upon the amount by which the total net income exceeds \$75,000 and does not exceed \$100,000. **A-9**

4 per centum per annum upon the amount by which the total net income exceeds \$100,000 and does not exceed \$250,000. **A-10**

5 per centum per annum upon the amount by which the total net income exceeds \$250,000 and does not exceed \$500,000, and **A-11**

6 per centum per annum upon the amount by which the total net income exceeds \$500,000. **A-12**

All the provisions of this section relating to individuals who are to be chargeable with the normal income tax, so far as they are applicable and are not inconsistent with this subdivision, of paragraph A, shall apply to the levy, assessment, and collection of the additional tax imposed under this section. **A-13**

Every person subject to this additional tax shall, for the purpose of its assessment and collection, make a personal return of his **A-14**

total net income from all sources, corporate or otherwise, for the preceding calendar year, under rules and regulations to be prescribed by the Commissioner of Internal Revenue and approved by the Secretary of the Treasury.

- A-15** For the purpose of this additional tax the taxable income of any individual shall embrace the share to which he would be entitled of the gains and profits, if divided or distributed, whether divided or distributed or not, of all corporations, joint-stock companies, or associations however created or organized, formed or fraudulently availed of for the purpose of preventing the imposition of such tax through the medium of permitting such gains and profits to accumulate instead of being divided or distributed;
- A-16** and the fact that any such corporation, joint-stock company, or association, is a mere holding company, or that the gains and profits are permitted to accumulate beyond the reasonable needs of the business shall be prima facie evidence of a fraudulent purpose to escape such tax;
- A-17** but the fact that the gains and profits are in any case permitted to accumulate and become surplus shall not be construed as evidence of a purpose to escape the said tax in such case unless the Secretary of the Treasury shall certify that in his opinion such accumulation is unreasonable for the purposes of the business.
- A-18** When requested by the Commissioner of Internal Revenue, or any district collector of internal revenue, such corporation, joint-stock company, or association shall forward to him a correct statement of such profits and the names of the individuals who would be entitled to the same if distributed.

- Paragraph B** B. That, subject only to such exemptions and deductions as are
- B-1** hereinafter allowed, the net income of a taxable person shall include gains, profits, and income derived from
- B-2** salaries, wages, or compensation for personal service of whatever kind and in whatever form paid,
- B-3** or from professions, vocations, business, trade, commerce, or sales, or dealings in property, whether real or personal, growing out of the ownership or use of or interest in real or personal property.
- B-4** also from interest, rent, dividends, securities, or the transaction of any lawful business carried on for gain or profit,
- B-5** or gains or profits and income derived from any source whatever, including the income from but not the value of property acquired by gift, bequest, devise, or descent:
- B-6** Provided, That the proceeds of life insurance policies paid upon the death of the person insured or payments made by or credited to the insured, on life insurance, endowment, or annuity contracts, upon the return thereof to the insured at the maturity of the term mentioned in the contract, or upon surrender of contract, shall not be included as income.

That in computing net income for the purpose of the normal tax there shall be allowed as deductions: **B-7**

First, the necessary expenses actually paid in carrying on any business, not including personal, living, or family expenses; **B-8**

second, all interest paid within the year by a taxable person on indebtedness; **B-9**

third, all national, State, county, school, and municipal taxes paid within the year, not including those assessed against local benefits; **B-10**

fourth, losses actually sustained during the year, incurred in trade or arising from fires, storms, or shipwreck, and not compensated for by insurance or otherwise; **B-11**

fifth, debts due to the taxpayer actually ascertained to be worthless and charged off within the year; **B-12**

sixth, a reasonable allowance for the exhaustion, wear and tear of property arising out of its use or employment in the business, not to exceed, in the case of mines, 5 per centum of the gross value at the mine of the output for the year for which the computation is made, but no deduction shall be made for any amount of expense of restoring property or making good the exhaustion thereof for which an allowance is or has been made: **B-13**

Provided, That no deduction shall be allowed for any amount paid out for new buildings, permanent improvement, or betterments, made to increase the value of any property or estate; **B-14**

seventh, the amount received as dividends upon the stock or from the net earnings of any corporation, joint-stock company, association, or insurance company, which is taxable upon its net income as hereinafter provided; **B-15**

eighth, the amount of income, the tax upon which has been paid or withheld for payment at the source of the income, under the provisions of this section. **B-16**

Provided, That whenever the tax upon the income of a person is required to be withheld and paid at the source as hereinafter required, if such annual income does not exceed the sum of \$3,000 or is not fixed or certain, or is indefinite, or irregular as to amount or time of accrual, the same shall not be deducted in the personal return of such person. **B-17**

The net income from property owned and business carried on in the United States by persons residing elsewhere shall be computed upon the basis prescribed in this paragraph and that part of paragraph G of this section relating to the computation of the net income of corporations, joint-stock and insurance companies, organized, created or existing under the laws of foreign countries, in so far as applicable. **B-18**

- B-19** That in computing net income under this section there shall be excluded
- B-20** the interest upon the obligations of a State or any political subdivision thereof, and upon the obligations of the United States or its possessions;
- B-21** also the compensation of the present President of the United States during the term for which he has been elected,
- B-22** and of the judges of the supreme and inferior courts of the United States now in office,
- B-23** and the compensation of all officers and employees of a State or any political subdivision thereof except when such compen-

- Paragraph C** C. That there shall be deducted from the amount of the net
- C-1** income of each of said persons, ascertained as provided herein, the sum of \$3,000,
- C-2** plus \$1,000 additional if the person making the return be a married man with a wife living with him,
- C-3** or plus the sum of \$1,000 additional if the person making the return be a married woman with a husband living with her;
- C-4** but in no event shall this additional exemption of \$1,000 be deducted by both a husband and a wife:
- C-5** Provided, That only one deduction of \$4,000 shall be made from the aggregate income of both husband and wife when living together.

- Paragraph D** D. The said tax shall be computed upon the remainder of said
- D-1** net income of each person subject thereto, accruing during each preceding calendar year ending December thirty-first:
- D-2** Provided, However, That for the year ending December thirty-first, nineteen hundred and thirteen, said tax shall be computed on the net income accruing from March first to December thirty-first, nineteen hundred and thirteen, both dates inclusive, after deducting five-sixths only of the specific exemptions and deductions herein provided for.
- D-3** On or before the first day of March, nineteen hundred and fourteen, and the first day of March in each year thereafter, a true and accurate return, under oath or affirmation, shall be made by each person of lawful age, except as hereinafter provided, subject to the tax imposed by this section, and having a net income of \$3,000 or over for the taxable year, to the collector of internal revenue for the district in which such person resides or has his principal place of business, or, in the case of a person residing in a foreign country, in the place where his principal business is carried on within the United States, in such form as the Commissioner of Internal Revenue, with the approval of the Secretary of the Treasury, shall prescribe, setting forth specifically the gross amount of income from all separate sources and from the total thereof, deducting the aggregate items or expenses and allowance herein authorized;

guardians, trustees, executors, administrators, agents, receivers, conservators, and all persons, corporations, or associations acting in any fiduciary capacity, shall make and render a return of the net income of the person for whom they act, subject to this tax, coming into their custody or control and management, and be subject to all the provisions of this section which apply to individuals: **D-4**

Provided, That a return made by one of two or more joint guardians, trustees, executors, administrators, agents, receivers, and conservators, or other persons acting in a fiduciary capacity, filed in the district where such person resides, or in the district where the will or other instrument under which he acts is recorded, under such regulations as the Secretary of the Treasury may prescribe, shall be a sufficient compliance with the requirements of this paragraph: **D-5**

and also all persons, firms, companies, copartnerships, corporations, joint-stock companies or associations, and insurance companies, except as hereinafter provided, in whatever capacity acting, having the control, receipt, disposal, or payment of fixed or determinable annual or periodical gains, profits, and income of another person subject to tax, shall in behalf of such person deduct and withhold from the payment an amount equivalent to the normal income tax upon the same and make and render a return, as aforesaid, but separate and distinct, of the portion of the income of each person from which the normal tax has been thus withheld, and containing also the name and address of such person, or stating that the name and address or the address, as the case may be, are unknown: **D-6**

Provided, That the provision requiring the normal tax of individuals to be withheld at the source of the income, shall not be construed to require any of such tax to be withheld prior to the first day of November, nineteen hundred and thirteen: **D-7**

Provided, Further, That in either case above mentioned no return of income not exceeding \$3,000 shall be required: **D-8**

Provided, Further, That any persons carrying on business in partnership shall be liable for income tax only in their individual capacity, and the share of the profits of a partnership to which any taxable partner would be entitled if the same were divided whether divided or otherwise, shall be returned for taxation and the tax paid, under the Provisions of this section, and any such firm, when requested by the Commissioner of Internal Revenue, or any district collector, shall forward to him a correct statement of such profits and the names of the **individuals** who would be entitled to the same, if distributed: **D-9**

Provided, Further, That persons liable for the normal income tax only, on their own account or in behalf of another, shall not be required to make return of the income derived from dividends on the capital stock or from the net earnings of corporations, joint-stock companies or associations, and insurance companies taxable upon their net income **as hereinafter provided.** **D-10**

Any person for whom return has been made and the tax paid, or to be paid as aforesaid, shall not be required to make a return unless such person has other net income, but only one deduction of \$3,000 shall be made in the case of any such person. **D-11**

D-12 The collector or deputy collector shall require every list to be verified by the oath or affirmation of the party rendering it. If the collector or deputy collector have reason to believe that the amount of any income returned is understated, he shall give due notice to the person making the return to show cause why the amount of the return should not be increased, and upon proof of the amount understated may increase the same accordingly. If dissatisfied with the decision of the collector, such person may submit the case, with all the papers, to the Commissioner of Internal Revenue for his decision, and may furnish sworn testimony of witnesses to prove any relevant facts.

- Paragraph E** E. That all assessments shall be made by the Commissioner of Internal Revenue and all persons shall be notified of the amount for which they are respectively liable on or before the first day of June of each successive year, and said assessments shall be paid on or before the thirtieth day of June,
- E-1**
- E-2** except in cases of refusal or neglect to make such return and in cases of false or fraudulent returns, in which cases the Commissioner of Internal Revenue shall, upon the discovery thereof, at any time within three years after said return is due, make a return upon information obtained as provided for in
- E-3** this section or by existing law, and the assessment made by the Commissioner of Internal Revenue thereon shall be paid by such person or persons immediately upon notification of the amount of such assessment;
- E-4** and to any sum or sums due and unpaid after the thirtieth day of June in any year, and for ten days after notice and demand thereof by the collector, there shall be added the sum of 5 per centum on the amount of tax unpaid, and interest at the rate of 1 per centum per month upon said tax from the time the same became due,
- E-5** except from the estates of insane, deceased, or insolvent persons.
- E-6** All persons, firms copartnerships, companies, corporations, joint-stock companies or associations, and insurance companies, in whatever capacity acting, including:
- E-7** lessees or mortgagors of real or personal property, trustees acting in any trust capacity, executors, administrators, agents, receivers, conservators, employers, and all officers and employees of the United States
- E-8** having the control, receipt, custody, disposal, or payment of interest, rent, salaries, wages, premiums, annuities, compensations, remuneration, emoluments, or other fixed or determinable annual gains, profits, and income of another person, exceeding \$3,000 for any taxable year,
- E-9** other than dividends on capital stock, or from the net earnings of corporations and joint-stock companies or associations subject to like tax,

who are required to make and render a return in behalf of another, as provided herein, to the collector of his, her, or its district, **E-10**

are hereby authorized and required to deduct and withhold from such annual gains, profits, and income such sum as will be sufficient to pay the normal tax imposed thereon by this section, and shall pay to the officer of the United States Government authorized to receive the same; **E-11**

and they are each hereby made personally liable for such tax. **E-12**

In all cases where the income tax of a person is withheld and deducted and paid or to be paid at the source, as aforesaid, such person shall not receive the benefit of the deduction and exemption allowed in paragraph C of this section except by an application for refund of the tax unless he shall, not less than thirty days prior to the day on which the return of his income is due, file with the person who is required to withhold and pay tax for him, a signed notice in writing claiming the benefit of such exemption and thereupon no tax shall be withheld upon the amount of such exemption: **E-13**

Provided, That if any person for the purpose of obtaining any allowance or reduction by virtue of a claim for such exemption, either for himself or for any other person, knowingly makes any false statement or false or fraudulent representation, he shall be liable to a penalty of \$300; **E-14**

nor shall any person under the foregoing conditions be allowed the benefit of any deduction provided for in subsection B (Page 45) of this section unless he shall, not less than thirty days prior to the day on which the return of his income is due, **E-15**

either file with the person who is required to withhold and pay tax for him a true and correct return of his annual gains, profits, and income from all other sources, and also the deductions asked for, and the showing thus made shall then become a part of the return to be made in his behalf by the person required to withhold and pay the tax, **E-16**

or likewise make application for deductions to the collector of the district in which return is made or to be made for him: **E-17**

Provided, Further, That if such person is a minor or an insane person, or is absent from the United States, or is unable owing to serious illness to make the return and application above provided for, the return and application may be made for him or her by the person required to withhold and pay the tax, he making oath under the penalties of this Act that he has sufficient knowledge of the affairs and property of his beneficiary to enable him to make a full and complete return for him or her, and that the return and application made by him are full and complete: **E-18**

Provided, Further, That the amount of the normal tax hereinbefore imposed shall be deducted and withheld from fixed and determinable annual gains, profits, and income derived from interest upon bonds and mortgages, or deeds or trust or other similar obligations of corporations, joint-stock companies or associations and insurance companies, whether payable annually or at shorter or longer periods, although such **E-19**

interest does not amount to \$3,000, subject to the provisions of this section requiring the tax to be withheld at the source and deducted from annual income and paid to the Government;

- E-20** and likewise the amount of such tax shall be deducted and withheld from coupons, checks, or bills of exchange for or in payment of interest upon bonds of foreign countries and upon foreign mortgages or like obligations (not payable in the United States),
- E-21** and also from coupons, checks, or bills of exchange for or in payment of any dividends upon the stock or interest upon the obligations of foreign corporations, associations, and insurance companies engaged in business in foreign countries;
- E-22** and the tax in each case shall be withheld and deducted for and in behalf of any person subject to the tax hereinbefore imposed, although such interest, dividends, or other compensation does not exceed \$3,000,
- E-23** by any banker or person who shall sell or otherwise realize coupons, checks, or bills of exchange drawn or made in payment of any such interest or dividends (not payable in the United States),
- E-24** and any person who shall obtain payment (not in the United States), in behalf of another of such dividends and interest by means of coupons, checks, or bills of exchange,
- E-25** and also any dealer in such coupons who shall purchase the same for any such dividends or interest (not payable in the United States), otherwise than from a banker or another dealer in such coupons; but in each case the benefit of the exemption and the deduction allowable under this section may be had by complying with the foregoing provisions of this paragraph.
- E-26** All persons, firms, or corporations undertaking as a matter of business or for profit the collection of foreign payments of such interest or dividends by means of coupons, checks, or bills of exchange shall obtain a license from the Commissioner of Internal Revenue, and shall be subject to such regulations enabling the Government to ascertain and verify the due withholding and payment of the income tax required to be withheld and paid as the Commissioner of Internal Revenue, with the approval of the Secretary of the Treasury, shall prescribe;
- E-27** and any person who shall knowingly undertake to collect such payments as aforesaid without having obtained a license therefor, or without complying with such regulations, shall be deemed guilty of a misdemeanor and for each offense be fined in a sum not exceeding \$5,000, or imprisoned for a term not exceeding one year, or both, in the discretion of the court.
- E-28** Nothing in this section shall be construed to release a taxable person from liability for income tax, nor shall any contract entered into after this Act takes effect be valid in regard to any Federal income tax imposed upon a person liable to such payment.
- E-29** The tax herein imposed upon annual gains, profits, and income not falling under the foregoing and not returned and paid by virtue of the foregoing shall be assessed by personal return under rules and regulations to be prescribed by the Commissioner of Internal Revenue and approved by the Secretary of the Treasury.
- E-30** The provisions of this section relating to the deduction and pay-

ment of the tax at the source of income shall only apply to the normal tax hereinbefore imposed upon individuals.

F. That if any person, corporation, joint-stock company, association, or insurance company liable to make the return or pay the tax aforesaid shall refuse or neglect to make a return at the time or times hereinbefore specified in each year, such person shall be liable to a penalty of not less than \$20 nor more than \$1,000. **Paragraph F F-1**

Any person or any officer of any corporation required by law to make, render, sign, or verify any return who makes any false or fraudulent return or statement with intent to defeat or evade the assessment required by this section to be made shall be guilty of a misdemeanor, and shall be fined not exceeding \$2,000 or be imprisoned not exceeding one year, or both, at the discretion of the court, with the costs of prosecution. **F-2**

G. (a) That the normal tax hereinbefore imposed upon individuals likewise shall be levied, assessed, and paid annually upon the entire net income arising or accruing from all sources during the preceding calendar year to every corporation, joint-stock company or association, and every insurance company, organized in the United States, no matter how created or organized, not including partnerships; **Paragraph G G-1**

but if organized, authorized, or existing under the laws of any foreign country, then upon the amount of net income accruing from business transacted and capital invested within the United States during such year: **G-2**

Provided, However, That nothing in this section shall apply to labor, agricultural, or horticultural organizations, or to mutual savings banks not having a capital stock represented by shares, or to fraternal beneficiary societies, orders, or associations operating under the lodge system or for the exclusive benefit of the members of a fraternity itself operating under the lodge system, and providing for the payment of life, sick, accident, and other benefits to the members of such societies, orders, or associations and dependents of such members, nor to domestic building and loan associations, nor to cemetery companies, organized and operated exclusively for the mutual benefit of their members, nor to any corporation or association organized and operated exclusively for religious, charitable, scientific or educational purposes, no part of the net income of which inures to the benefit of any private-stockholder or individual, nor to business leagues, nor to chambers of commerce or boards of trade, not organized for profit, or no part of the net income of which inures to the benefit of the private stockholder or individual; nor to any civic league or organization not organized for profit, but operated exclusively for the promotion of social welfare: **G-3**

Provided, Further, That there shall not be taxed under this section any income derived from any public utility or from the exercise of any essential governmental function accruing to any State, Territory, or the District of Columbia, or any political subdivision of a State, Territory, or the District of Columbia, nor any income accruing to the government of the Philippine Islands or Porto Rico, or of any political subdivision of the Philippine Islands or Porto Rico: **G-4**

- G-5** Provided, That whenever any State, Territory, or the District of Columbia, or any political subdivision of a State or Territory, has, prior to the passage of this Act, entered in good faith into a contract with any person or corporation, the object and purpose of which is to acquire, construct, operate or maintain a public utility, no tax shall be levied under the provisions of this Act upon the income derived from the operation of such public utility, so far as the payment thereof will impose a loss or burden upon such State, Territory, or the District of Columbia, or a political subdivision of a State or Territory;
- G-6** but this provision is not intended to confer upon such person or corporation any financial gain or exemption or to relieve such person or corporation from the payment of a tax as provided for in this section upon the part or portion of the said income to which such person or corporation shall be entitled under such contract.
- G-7** (b) Such net income shall be ascertained by deducting from the gross amount of the income of such corporation, joint-stock company or association, or insurance company, received within the year from all sources.
- G-8** (first) all the ordinary and necessary expenses paid within the year in the maintenance and operation of its business and properties, including rentals or other payments required to be made as a condition to the continued use or possession of property;
- G-9** (second) all losses actually sustained within the year and not compensated by insurance or otherwise, including a reasonable allowance for depreciation by use, wear and tear of property, if any;
- G-10** and in the case of mines a reasonable allowance for depletion of ores and all other natural deposits, not to exceed 5 per centum of the gross value at the mine of the output for the year for which the computation is made;
- G-11** and in case of insurance companies the net addition, if any, required by law to be made within the year to reserve funds and the sums other than dividends paid within the year on policy and annuity contracts:
- G-12** Provided, That mutual fire insurance companies, requiring their members to make premium deposits to provide for losses and expenses shall not return as income any portion of the premium deposits returned to their policyholders, but shall return as taxable income all income received by them from all other sources plus such portions of the premium deposits as are retained by the companies for purposes other than the payment of losses and expenses and reinsurance reserves:
- G-13** Provided, Further, That mutual marine insurance companies shall include in their return of gross income gross premiums collected and received by them less amounts paid for reinsurance, but shall be entitled to include in deductions from gross income amounts repaid to policyholders on account of premiums previously paid by them and interest paid upon such amounts between the ascertainment thereof and the payment thereof,
- G-14** And life insurance companies shall not include as income in any year such portion of any actual premium received from any individual policyholder as shall have been paid back or credited to such individual policyholder, or treated as an abatement of premium of such individual policyholder, within such year;

(third) the amount of interest accrued and paid within the year on its indebtedness to an amount of such indebtedness not exceeding one-half of the sum of its interest bearing indebtedness and its paid-up capital stock outstanding at the close of the year, or if no capital stock, the amount of interest paid within the year on an amount of its indebtedness not exceeding the amount of capital employed in the business at the close of the year: **G-15**

Provided, That in case of indebtedness wholly secured by collateral the subject of sale in ordinary business of such corporation, joint-stock company, or association, the total interest secured and paid by such company, corporation, or association within the year on any such indebtedness may be deducted as a part of its expense of doing business: **G-16**

Provided, Further, That in the case of bonds or other indebtedness, which have been issued with a guaranty that the interest payable thereon shall be free from taxation, no deduction for the payment of the tax herein imposed shall be allowed, **G-17**

and in the case of a bank, banking association, loan or trust company, interest paid within the year on deposits or on moneys received for investment and secured by interest-bearing certificates of indebtedness issued by such a bank, banking association, loan or trust company; **G-18**

(fourth) all sums paid by it within the year for taxes imposed under the authority of the United States or of any State or Territory thereof, or imposed by the Government of any foreign country: **G-19**

Provided, That in the case of a corporation, joint-stock company, or association, or insurance company, organized, authorized, or existing under the laws of any foreign country, such net income shall be ascertained by deducting from the gross amount of its income accrued within the year from business transacted and capital invested within the United States, **G-20**

(first) all the ordinary and necessary expenses actually paid within the year out of earnings in the maintenance and operation of its business and property within the United States, including rentals or other payments required to be made as a condition to the continued use or possession of property; **G-21**

(second) all losses actually sustained within the year in business conducted by it within the United States and not compensated by insurance or otherwise, including a reasonable allowance for depreciation by use, wear and tear of property, if any, and in the case of mines a reasonable allowance for depletion of ores and all other natural deposits, not to exceed 5 per centum of the gross value at the mine of the output for the year for which the computation is made; **G-22**

and in case of insurance companies the net addition, if any, required by law to be made within the year to reserve funds and the sums other than dividends paid within the year on policy and annuity contracts: **G-23**

Provided, Further, That mutual fire insurance companies requiring their members to make premium deposits to provide for losses and expenses shall not return as income any portion of the premium deposits returned to their policyholders, but shall return as taxable income all income received by them from all other sources plus such portions of the premium deposits as are retained by the companies for purposes other than the payment of losses and expenses and reinsurance reserves: **G-24**

- G-25** Provided, Further, That mutual marine insurance companies shall include in their return of gross income gross premiums collected and received by them less amounts paid for reinsurance, but shall be entitled to include in deductions from gross income amounts repaid to policyholders on account of premiums previously paid by them, and interest paid upon such amounts between the ascertainment thereof and the payment thereof
- G-26** and life insurance companies shall not include as income in any year such portion of any actual premium received from any individual policyholder as shall have been paid back or credited to such individual policyholder, or treated as an abatement of premium of such individual policyholder, within such year;
- G-27** (third) the amount of interest accrued and paid within the year on its indebtedness to an amount of such indebtedness not exceeding the proportion of one-half of the sum of its interest bearing indebtedness and its paid-up capital stock outstanding at the close of the year, or if no capital stock, the capital employed in the business at the close of the year which the gross amount of its income for the year from business transacted and capital invested within the United States bears to the gross amount of its income derived from all sources within and without the United States:
- G-28** Provided, That in the case of bonds or other indebtedness which have been issued with a guaranty that the interest payable thereon shall be free from taxation, no deduction for the payment of the tax herein imposed shall be allowed;
- G-29** (fourth) all sums paid by it within the year for taxes imposed under the authority of the United States or of any State or Territory thereof or the District of Columbia.
- G-30** In the case of assessment insurance companies, whether domestic or foreign, the actual deposit of sums with State or Territorial officers, pursuant to law, as additions to guarantee or reserve funds shall be treated as being payments required by law to reserve funds.
- G-31** (c) The tax herein imposed shall be computed upon its entire net income accrued within each preceding calendar year ending December thirty-first:
- G-32** Provided, However, That for the year ending December thirty-first, nineteen hundred and thirteen, said tax shall be imposed upon its entire net income accrued within that portion of said year from March first to December thirty-first, both dates inclusive, to be ascertained by taking five-sixths of its entire net income for said calendar year:
- G-33** Provided, Further, That any corporation, joint-stock company or association, or insurance company subject to this tax may designate the last day of any month in the year as the day of the closing of its fiscal year and shall be entitled to have the tax payable by it computed upon the basis of the net income ascertained as herein provided for the year ending on the day so designated in the year preceding the date of assessment instead of upon the basis of the net income for the calendar year preceding the date of assessment;
- G-34** and it shall give notice of the day it has thus designated as the closing of its fiscal year to the collector of the district in which its principal business office is located at any time not less than thirty days prior to the date upon which its annual return shall be filed.
- G-35** All corporations, joint-stock companies or associations, and insurance companies subject to the tax herein imposed, computing taxes

upon the income of the calendar year, shall, on or before the first day of March, nineteen hundred and fourteen, and the first day of March in each year thereafter, and all corporations, joint-stock companies or associations, and insurance companies, computing taxes upon the income of a fiscal year which it may designate in the manner hereinbefore provided, shall render a like return within sixty days after the close of its said fiscal year, and within sixty days after the close of its fiscal year in each year thereafter, or in the case of a corporation, joint-stock company or association, or insurance company, organized or existing under the laws of a foreign country, in the place where its principal business is located within the United States, in such form as the Commissioner of Internal Revenue, with the approval of the Secretary of the Treasury, shall prescribe, shall render a true and accurate return under oath or affirmation of its president, vice president, or other principal officer, and its treasurer or assistant treasurer, to the collector of internal revenue for the district in which it has its principal place of business, setting forth

(first) the total amount of its paid-up capital stock outstanding, or if no capital stock, its capital employed in business, at the close of the year; **G-36**

(second) the total amount of its bonded and other indebtedness at the close of the year; **G-37**

(third) the gross amount of its income, received during such year from all sources, **G-38**

and if organized under the laws of a foreign country the gross amount of its income received within the year from business transacted and capital invested within the United States; **G-39**

(fourth) the total amount of all its ordinary and necessary expenses paid out of earnings in the maintenance and operation of the business and properties of such corporation, joint-stock company or association, or insurance company within the year, stating separately all rentals or other payments required to be made as a condition to the continued use or possession of property, **G-40**

and if organized under the laws of a foreign country the amount so paid in the maintenance and operation of its business within the United States; **G-41**

(fifth) the total amount of all losses actually sustained during the year and not compensated by insurance or otherwise, stating separately any amounts allowed for depreciation of property, and in case of insurance companies the net addition, if any required by law to be made within the year to reserve funds and the sums other than dividends paid within the year on policy and annuity contracts: **G-42**

- G-43** and in case of insurance companies the net addition, if any, required by law to be made within the year to reserve funds and the sums other than dividends paid within the year on policy and annuity contracts:
- G-44** Provided, Further, That mutual fire insurance companies requiring their members to make premium deposits to provide for losses and expenses shall not return as income any portion of the premium deposits returned to their policyholders, but shall return as taxable income all income received by them from all other sources plus such portions of the premium deposits as are retained by the companies for purposes other than the payment of losses and expenses and reinsurance reserves:
- G-45** Provided, Further, That mutual marine insurance companies shall include in their return of gross income gross premiums collected and received by them less amounts paid for reinsurance, but shall be entitled to include in deductions from gross income amounts repaid to policyholders on account of premiums previously paid by them, and interest paid upon such amounts between the ascertainment thereof and the payment thereof
- G-46** and life insurance companies shall not include as income in any year such portion of any actual premium received from any individual policyholder as shall have been paid back or credited to such individual policyholder, or treated as an abatement of premium of such individual policyholder, within such year;
- G-47** and in case of a corporation, joint-stock company or association, or insurance company, organized under the laws of a foreign country, all losses actually sustained by it during the year in business conducted by it within the United States, not compensated by insurance or otherwise, stating separately any amounts allowed for depreciation of property,
- G-48** and in case of insurance companies the net addition, if any, required by law to be made within the year to reserve funds and the sums other than dividends paid within the year on policy and annuity contracts:
- G-49** Provided, Further, That mutual fire insurance companies requiring their members to make premium deposits to provide for losses and expenses shall not return as income any portion of the premium deposits returned to their policyholders, but shall return as taxable income all income received by them from all other sources plus such portions of the premium deposits as are retained by the companies for purposes other than the payment of losses and expenses and reinsurance reserves:
- G-50** Provided, Further, That mutual marine insurance companies shall include in their return of gross income gross premiums, collected and received by them less amounts paid for reinsurance, but shall be entitled to include in deductions from gross income amounts repaid to policyholders on account of premiums previously paid by them and interest paid upon such amounts between the ascertainment thereof and the payment thereof
- G-51** and life insurance companies shall not include as income in any year such portion of any actual premium received from any individual policyholder as shall have been paid back or credited to such individual policyholder, or treated as an abatement of premium of such individual policyholder, within such year;
- G-52** (sixth) the amount of interest, accrued and paid within the year on its bonded or other indebtedness not exceeding one-half of the sum of its interest bearing indebtedness and its paid-up capital stock, outstanding at the close of the year,
- G-53** or if no capital stock, the amount of interest paid within the year on an amount of indebtedness not exceeding the amount of capital employed in the business at the close of the year,

and in the case of a bank, banking association, or trust company, stating separately all interest paid by it within the year on deposits; **G-54**

or in case of a corporation, joint-stock company or association, or insurance company, organized under the laws of a foreign country, interest so paid on its bonded or other indebtedness to an amount of such bonded or other indebtedness not exceeding the proportion of its paid-up capital stock outstanding at the close of the year, **G-55**

or if no capital stock, the amount of capital employed in the business at the close of the year, which the gross amount of its income for the year from business transacted and capital invested within the United States bears to the gross amount of its income derived from all sources within and without the United States; **G-56**

(seventh) the amount paid by it within the year for taxes imposed under the authority of the United States and separately the amount so paid by it for taxes imposed by the Government of any foreign country; **G-57**

(eighth) the net income of such corporation, joint-stock company or association, or insurance company, after making the deductions in this subsection authorized. **G-58**

All such returns shall as received be transmitted forthwith by the collector to the Commissioner of Internal Revenue. **G-59**

All assessments shall be made and the several corporations, joint-stock companies or associations, and insurance companies shall be notified of the amount for which they are respectively liable on or before the first day of June of each successive year, and said assessment shall be paid on or before the thirtieth day of June: **G-60**

Provided, That every corporation, joint-stock company or association, and insurance company, computing taxes upon the income of the fiscal year which it may designate in the manner hereinbefore provided, shall pay the taxes due under its assessment within one hundred and twenty days after the date upon which it is required to file its list or return of income for assessment; **G-61**

except in cases of refusal or neglect to make such return, and in cases of false or fraudulent returns, in which cases the Commissioner of Internal Revenue shall, upon the discovery thereof, at any time within three years after said return is due, make a return upon information obtained as provided for in this section or by existing law, and the assessment made by the Commissioner of Internal Revenue thereon shall be paid by such corporation, joint-stock company or association, or insurance company immediately upon notification of the amount of such assessment; **G-62**

and to any sum or sums due and unpaid after the thirtieth day of June in any year, or after one hundred and twenty days from the date on which the return of income is required to be made by the taxpayer, and after ten days' notice and demand thereof by the collector, there shall be added the sum of 5 per centum on the amount of tax unpaid and interest at the rate of 1 per centum per month upon said tax from the time the same becomes due. **G-63**

G-64 (d) When the assessment shall be made, as provided in this section, the returns, together with any corrections thereof which may have been made by the commissioner, shall be filed in the office of the Commissioner of Internal Revenue and shall constitute public records and be open to inspection as such:

G-65 Provided, That any and all such returns shall be open to inspection only upon the order of the President, under rules and regulations to be prescribed by the Secretary of the Treasury and approved by the President:

G-66 Provided, Further, That the proper officers of any State imposing a general income tax may, upon the request of the governor thereof, have access to said returns or to an abstract thereof, showing the name and income of each such corporation, joint-stock company, association or insurance company, at such times and in such manner as the Secretary of the Treasury may prescribe.

G-67 If any of the corporations, joint-stock companies or associations, or insurance companies aforesaid, shall refuse or neglect to make a return at the time or times hereinbefore specified in each year, or shall render a false or fraudulent return, such corporation, joint-stock company or association, or insurance company shall be liable to a penalty of not exceeding \$10,000.

Paragraph H H. That the word "State" or "United States" when used in this
H-1 section shall be construed to include any Territory, Alaska, the District of Columbia, Porto Rico, and the Philippine Islands, when such construction is necessary to carry out its provisions.

Paragraph I 1. That sections thirty-one hundred and sixty-seven, thirty-one
I-1 hundred and seventy-two, thirty-one hundred and seventy-three, and thirty-one hundred and seventy-six of the Revised Statutes of the United States as amended are hereby amended so as to read as follows:

R. S. Sec. "Sec. 3167. It shall be unlawful for any collector, deputy collector, agent, clerk, or other officer or employee of the United States
3167 to divulge or to make known in any manner whatever not provided by law to any person the operations, style of work, or apparatus of any manufacturer or producer visited by him in the discharge of his official duties, or the amount of source of income, profits, losses, expenditures, or any particular thereof, set forth or disclosed in any income return by any person or corporation, or to permit any income return or copy thereof or any book containing any abstract or particulars thereof to be seen or examined by any person except as provided by law;

and it shall be unlawful for any person to print or publish in any manner whatever not provided by law any income return or any part thereof or the amount or source of income, profits, losses, or expenditures appearing in any income return;

and any offense against the foregoing provision shall be a misdemeanor and be punished by a fine not exceeding \$1,000 or by imprisonment not exceeding one year, or both, at the discretion of the court;

and if the offender be an officer or employee of the United States he shall be dismissed from office and be incapable thereafter of holding any office under the Government.

(Sec. 3172. Every collector shall, from time to time, cause his deputies to proceed through every part of his district and inquire after and concerning all persons therein who are liable to pay any internal-revenue tax, and all persons owning or having the care and management of any objects liable to pay any tax, and to make a list of such persons and enumerate said objects.

**R. S. Sec.
3172**

(Sec. 3173. It shall be the duty of any person, partnership, firm, association, or corporation, made liable to any duty, special tax, or other tax imposed by law, when not otherwise provided for, in case of a special tax, on or before the thirty-first day of July in each year, in case of income tax on or before the first day of March in each year, and in other cases before the day on which the taxes accrue, to make a list or return, verified by oath or affirmation, to the collector or a deputy collector of the district where located, of the articles or objects, including the amount of annual income charged with a duty or tax, the quantity of goods, wares, and merchandise made or sold and charged with a tax, the several rates and aggregate amount, according to the forms and regulations to be prescribed by the Commissioner of Internal Revenue, with the approval of the Secretary of the Treasury, for which such person, partnership, firm, association, or corporation is liable:

**R. S. Sec.
3173**

Provided, That if any person liable to pay any duty or tax, or owning, possessing, or having the care or management of property, goods, wares and merchandise, articles or objects liable to pay any duty, tax, or license, shall fail to make and exhibit a list or return required by law, but shall consent to disclose the particulars of any and all the property, goods, wares, and merchandise, articles, and objects liable to pay any duty or tax, or any business or occupation liable to pay any tax as aforesaid, then, and in that case, it shall be the duty of the collector or deputy collector to make such list or return, which, being distinctly read, consented to, and signed and verified by oath or affirmation by the person so owning, possessing, or having the care and management as aforesaid, may be received as the list of such person:

Provided, Further, That in case no annual list or return has been rendered by such person to the collector or deputy collector as required by law, and the person shall be absent from his or her residence or place of business at the time the collector or a deputy collector shall call for the annual list or return, it shall be the duty of such collector or deputy collector to leave at such place of residence or business, with some one of suitable age and discretion, if such be present, otherwise to deposit in the nearest post office, a note or memorandum addressed to such person, requiring him or her to render to such collector or deputy collector the list or return required by law within ten days from the date of such note or memorandum, verified by oath or affirmation.

And if any person, on being notified or required as aforesaid, shall refuse or neglect to render such list or return within the time required as aforesaid, or whenever any person who is required to deliver a monthly or other return of objects subject to tax fails to do so at the time required, or delivers any return which, in the opinion of the collector, is false or fraudulent, or contains any undervaluation or understatement, it shall be lawful for the collector

to summon such person, or any other person having possession, custody, or care of books of account containing entries relating to the business of such person, or any other person he may deem proper, to appear before him and produce such books, at a time and place named in the summons, and to give testimony or answer interrogatories, under oath, respecting any objects liable to tax or the returns thereof.

The collector may summon any person residing or found within the State in which his district lies; and when the person intended to be summoned does not reside and cannot be found within such State, he may enter any collection district where such person may be found and there make the examination herein authorized. And to this end he may there exercise all the authority which he might lawfully exercise in the district for which he was commissioned.

**R. S. Sec.
3176**

“Sec. 3176. When any person, corporation, company, or association refuses or neglects to render any return or list required by law, or renders a false or fraudulent return or list, the collector or any deputy collector shall make, according to the best information which he can obtain, including that derived from the evidence elicited by the examination of the collector, and on his own view and information, such list or return, according to the form prescribed, of the income, property, and objects liable to tax owned or possessed or under the care or management of such person or corporation, company or association, and the Commissioner of Internal Revenue shall assess all taxes not paid by stamps, including the amount, if any, due for special tax, income or other tax,

and in case of any return of a false or fraudulent list or valuation intentionally he shall add 100 per centum to such tax; and in case of a refusal or neglect, except in cases of sickness or absence, to make a list or return, or to verify the same as aforesaid, he shall add 50 per centum to such tax

In case of neglect occasioned by sickness or absence as aforesaid, the collector may allow such further time for making and delivering such list or return as he may deem necessary, not exceeding thirty days.

The amount so added to the tax shall be collected at the same time and in the same manner as the tax unless the neglect or falsity is discovered after the tax has been paid, in which case the amount so added shall be collected in the same manner as the tax;

and the list or return so made and subscribed by such collector or deputy collector shall be held prima facie good and sufficient for all legal purposes.”

**Paragraph J
J-1**

J. That it shall be the duty of every collector of internal revenue, to whom any payment of any taxes other than the tax represented by an adhesive stamp or other engraved stamp is made under the provisions of this section, to give to the person making such payment a full written or printed receipt, expressing the amount paid and the particular account for which such payment was made;

and whenever such payment is made such collector shall, if required, give a separate receipt for each tax paid by any debtor, on account of payments made to or to be made by him to separate credits in such form that such debtor can conveniently produce the same separately to his several creditors in satisfaction of their respective demands to the amounts specified in such receipts; **J-2**

and such receipts shall be sufficient evidence in favor of such debtor to justify him in withholding the amount therein expressed from his next payment to his creditor; **J-3**

but such creditor may, upon giving to his debtor a full written receipt, acknowledging the payment to him of whatever sum may be actually paid, and accepting the amount of tax paid as aforesaid, (specifying the same) as a further satisfaction of the debt to that amount, require the surrender to him of such collector's receipt. **J-4**

K. That jurisdiction is hereby conferred upon the district courts of the United States for the district within which any person summoned under this section to appear to testify or to produce books shall reside, to compel such attendance, production of books, and testimony by appropriate process. **Paragraph K
K-1**

L. That all administrative, special, and general provisions of law, including the laws in relation to the assessment, remission, collection, and refund of internal-revenue taxes not heretofore specifically repealed and not inconsistent with the provisions of this section, are hereby extended and made applicable to all the provisions of this section and to the tax herein imposed. **Paragraph L
L-1**

M. That the provisions of this section shall extend to Porto Rico and the Philippine Islands: **Paragraph M
M-1**

Provided, That the administration of the law and the collection of the taxes imposed in Porto Rico and the Philippine Islands shall be by the appropriate internal-revenue officers of those governments, and all revenues collected in Porto Rico and the Philippine Islands thereunder shall accrue intact to the general governments, thereof, respectively: **M-2**

And Provided, Further, That the jurisdiction in this section, conferred upon the district courts of the United States shall, so far as the Philippine Islands are concerned, be vested in the courts of the first instance of said islands: **M-3**

And Provided, Further, That nothing in this section shall be held to exclude from the computation of the net income the compensation paid any official by the governments of the District of Columbia, Porto Rico and the Philippine Islands or the political subdivisions thereof. **M-4**

N. That for the purpose of carrying into effect the provisions of Section 11 of this Act, and to pay the expenses of assessing and collecting the income tax therein imposed, and to pay such sums as the Commissioner of Internal Revenue, with the approval of the Secretary of the Treasury, may deem necessary, for information, detection, and bringing to trial and punishment persons guilty of violating the provisions of this section, or conniving at the same, in cases **Paragraph N
N-1**

where such expenses are not otherwise provided for by law, there is hereby appropriated out of any money in the Treasury not otherwise appropriated for the fiscal year ending June thirtieth, nineteen hundred and fourteen, the sum of \$800,000 and the Commissioner of Internal Revenue, with the approval of the Secretary of the Treasury, is authorized to appoint and pay from this appropriation all necessary officers, agents, inspectors, deputy collectors, clerks, messengers and janitors, and to rent such quarters, purchase such supplies, equipment, mechanical devices, and other articles as may be necessary for employment or use in the District of Columbia or any collection district in the United States, or any of the Territories thereof:

N-2 Provided, That no agent paid from this appropriation shall receive compensation at a rate higher than that now received by traveling agents on accounts in the Internal Revenue Service, and no inspector shall receive a compensation higher than \$5 a day and \$3 additional in lieu of subsistence, and no deputy collector, clerk, messenger, or other employee shall be paid at a rate of compensation higher than the rate now being paid for the same or similar work in the Internal Revenue Service.

N-3 In the office of the Commissioner of Internal Revenue at Washington, District of Columbia there shall be appointed by the Commissioner of Internal Revenue, with the approval of the Secretary of the Treasury one additional deputy commissioner, at a salary of \$4,000 per annum;

N-4 two heads of divisions, whose compensation shall not exceed \$2,500 per annum;

N-5 and such other clerks, messengers, and employees, and to rent such quarters and to purchase such supplies as may be necessary:

N-6 Provided, That for a period of two years from and after the passage of this Act the force of agents, deputy collectors, inspectors, and other employees not including the clerical force below the grade of chief of division employed in the Bureau of Internal Revenue in the city of Washington, District of Columbia, authorized by this section of this Act, shall be appointed by the Commissioner of Internal Revenue, with the approval of the Secretary of the Treasury, under such rules and regulations as may be fixed by the Secretary of the Treasury to insure faithful and competent service, and with such compensation as the Commissioner of Internal Revenue may fix, with the approval of the Secretary of the Treasury, within the limitations herein prescribed:

N-7 Provided, Further, That the force authorized to carry out the provisions of Section 11 of this Act, when not employed as herein provided, shall be employed on general internal-revenue work.

SECTION IV.

(Matter omitted relates to tariff only.)

* * * * *

Paragraph S S. * * * Provided, Further, That all excise taxes upon corporations imposed by section thirty-eight, that have accrued or have been imposed for the year ending December thirty-first, nineteen hundred and twelve, shall be returned, assessed, and collected in the

same manner, and under the same provisions, liens, and penalties as if section thirty-eight continued in full force and effect :

And Provided, Further, That a special excise tax with respect to the carrying on or doing of business, equivalent to 1 per centum upon their entire net income shall be levied, assessed, and collected upon corporations, joint-stock companies, or associations, and insurance companies, of the character described in section thirty-eight of the Act of August fifth, nineteen hundred and nine, for the period from January first to February twenty-ninth, nineteen hundred and thirteen, both dates inclusive, which said tax shall be computed upon one-sixth of the entire net income of said corporations, joint-stock companies or associations, and insurance companies, for said year, said net income to be ascertained in accordance with the provisions of subsection G of section two of this Act: **S-2**

Provided, Further, That the provisions of said section thirty-eight of the Act of August fifth, nineteen hundred and nine, relative to the collection of the tax therein imposed, shall remain in force for the collection of the excise tax herein provided, but for the year nineteen hundred and thirteen it shall not be necessary to make more than one return and assessment for all the taxes imposed herein upon said corporations, joint-stock companies or associations, and insurance companies, either by way of income or excise, which return or assessment shall be made at the times and in the manner provided in this Act; **S-3**

but the repeal of existing laws or modifications thereof embraced in this Act shall not affect any act done, or any right accruing or accrued, or any suit or proceeding had or commenced in any civil case before the said repeal or modification; **S-4**

but all rights and liabilities under said laws shall continue and may be enforced in the same manner as if said repeal or modifications had not been made. **S-5**

Any offenses committed and all penalties or forfeitures or liabilities incurred prior to the passage of this Act under any statute embraced in or changed, modified, or repealed by this Act may be prosecuted or punished in the same manner and with the same effect as if this Act had not been passed. **S-6**

No Acts of limitation now in force, whether applicable to civil causes and proceedings or to the prosecution of offenses or for the recovery of penalties or forfeitures embraced in or modified, changed, or repealed by this Act, shall be affected thereby so far as they affect any suits, proceedings, or prosecutions, whether civil or criminal, for causes arising or acts done or committed prior to the passage of this Act, which may be commenced and prosecuted within the same time and with the same effect as if this Act had not been passed. **S-7**

T. If any clause, sentence, paragraph, or part of this Act shall for any reason be adjudged by any court of competent jurisdiction to be invalid, such judgment shall not affect, impair or invalidate the remainder of said Act, but shall be confined to its operation to the clause, sentence, paragraph, or part thereof directly involved in the controversy in which such judgment shall have been rendered. **Paragraph T T-1**

U. That unless otherwise herein specially provided, this Act shall take effect on the day following its passage. **Paragraph U U-1**

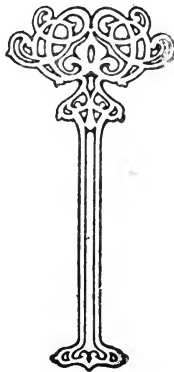
Approved, 9:10 p. m., October 3, 1913.

**United States
Treasury Department
Forms**

FOR CLAIMING

Exemptions and Deductions

**Annual and Monthly Return
on Income of Persons
and Corporations**



Form 1000.

TREASURY DEPARTMENT. INTERNAL REVENUE—INCOME TAX. Ed. 90,000—F. C., Oct. 25-31. 2-1006

FORM OF CERTIFICATE TO BE PRESENTED WITH COUPONS OR INTEREST ORDERS STATING WHETHER OR NOT EXEMPTION IS CLAIMED UNDER PARAGRAPH C, SECTION 2, OF THE FEDERAL INCOME TAX LAW.

I do solemnly declare that I, _____ a citizen or resident of the United States, and residing at _____ (Give full address.) am the owner of \$ _____ bonds of the denomination of \$ _____ each, Nos. _____ of the _____ (Give name of debtor.) known as _____ bonds, from which were detached the accompanying interest coupons, due _____, 191____, amounting to \$ _____, or upon which there matured _____, 191____, \$ _____ of registered interest. I { do } now claim with respect to the income represented by said interest, the benefit of a deduction of \$ _____ allowed under paragraph C, Section II, of the Federal Income Tax Law, the total exemption to which I am entitled thereunder being \$ _____ Date, _____, 191____ Name, _____

Form 1000 a

TREASURY DEPARTMENT. INTERNAL REVENUE—INCOME TAX. Ed. 90,000—F. C., Nov. 25-31. 2-1006

FORM OF CERTIFICATE TO BE ATTACHED TO INTEREST COUPONS IN CASES WHERE THE COLLECTING AGENT'S CERTIFICATE IS SUBSTITUTED FOR THE CERTIFICATE OF THE OWNERS.

The Owner's Certificate, of which the following Certificate is the counterpart, and bears the same number as this Certificate, will be sent by the collecting agent direct to the Commissioner of Internal Revenue, at Washington, as prescribed by regulations.

No. _____ I (we) _____ do solemnly declare that the owner of \$ _____ bonds of the _____ (Name of collecting agent.) _____ (Description of issue.) _____ (Name of debtor organization.) from which were detached the accompanying interest coupons due _____, 191____, amounting to \$ _____, has filed with me (us) a duly executed certificate filled up in accordance with Treasury Regulations of October 25, 1913, Form No. _____, which certificate has been indorsed by me (us) as follows: "Owner's Certificate No. _____ (Name of collecting agency.) _____, 191____," and in which the said owner { does } claim, with respect to the income represented by said interest, the benefit of a deduction of \$ _____ allowed under Paragraph C, Section II, of the Federal Income Tax Law, the total exemption to which said owner now claims to be entitled thereunder being \$ _____, and I (we) do hereby promise and pledge { myself } to forward the above-described certificate executed by the owners as stated and dated _____, 191____ to the Commissioner of Internal Revenue, at Washington, D. C., not later than the 20th day of next month, in accordance with Treasury Regulations. Signature of Collecting Agent: _____ Date _____, 191____ Address: _____

Form 1001.

TREASURY DEPARTMENT. INTERNAL REVENUE—INCOME TAX. Ed. 90,000—F. C., Oct. 25-31. 2-1006

CERTIFICATE TO BE FURNISHED BY ORGANIZATIONS NOT SUBJECT TO TAX ON INTEREST AT SOURCE.

I, _____ (Give name.) the _____ (Give official position.) of the _____ (Name of organization.) a _____ (Character of organization.) of _____ (State), located at _____ (Post-office address), do solemnly declare that said _____ (Give name of organization.) is the owner of \$ _____ bonds of the denomination of \$ _____ each, Nos. _____ of the _____ (Give name of debtor.) known as _____ (Describe particular issue of bonds.) coupons, due _____, 191____, amounting to \$ _____, or upon which there matured _____, 191____, \$ _____ of registered interest, and that under the provisions of the income-tax law of October 3, 1913, said interest is exempt from the payment of taxes collectible at the source, which exemption is hereby claimed. Date _____, 191____ Name _____ (Official position.) Address _____ (Post office.) Of _____ (Name of organization.)

Form 1001a.

TREASURY DEPARTMENT. INTERNAL REVENUE—INCOME TAX. Ed. 90,000—F. C., Dec. 3-13. 2-1006

FORM OF CERTIFICATE TO BE ATTACHED TO INTEREST COUPONS IN CASES WHERE THE COLLECTING AGENT'S CERTIFICATE IS SUBSTITUTED FOR THE CERTIFICATE OF THE OWNERS.

(When owner is a domestic organization not subject to taxes on income at source.)

(The owner's certificate, of which the following certificate is the counterpart, and bears the same number as this certificate, will be sent by the collecting agent direct to the Commissioner of Internal Revenue, at Washington, as prescribed by regulations.)

No. _____ I (we) _____ do solemnly declare that the owner of \$ _____ bonds of the _____ (Name of collecting agent.) _____ (Name of debtor organization.) from which were detached the accompanying interest coupons due _____, 191____, amounting to \$ _____, has filed with me (us) a duly executed certificate filled up in accordance with Treasury Regulations of October 25, 1913, Form No. 1001, which certificate has been indorsed by me (us) as follows: "Owner's certificate No. _____ (Name of collecting agency.) _____, 191____," and that under the provisions of the income-tax law of October 3, 1913, said interest is exempt from the payment of taxes collectible at the source, which exemption is hereby claimed, and I (we) do hereby promise and pledge { myself } to forward the above-described certificate executed by the owners as stated and dated _____, 191____, to the Commissioner of Internal Revenue, at Washington, D. C., not later than the 20th day of next month, in accordance with Treasury Regulations. Signature of collecting agent, _____ Date, _____, 191____ Address, _____

Form 1002.

FORM OF CERTIFICATE TO BE PRESENTED WITH COUPONS OR INTEREST ORDERS WHEN NOT ACCOMPANIED BY CERTIFICATE OF OWNERS.

TREASURY DEPARTMENT, INTERNAL REVENUE-INCOME TAX. Ed. 80100-1. C. Oct. 23-12.

I, (Name), the (Official position), of the (Bank or collecting agency), do solemnly declare that said (Collecting agency) has (or have) purchased or accepted for collection the accompanying coupons or interest orders amounting to \$, and which represent interest matured on \$ of bonds of the (Name of debtor), and that (Collecting agency) received said coupons or orders for registered interest from (Name of party from whom received), of (Address of said party), and that no certificate of ownership accompanied said coupons or interest orders, and (Collecting agency) hereby acknowledges responsibility of withholding therefrom the normal income tax of 1 per cent, in accordance with the regulations of the Treasury Department. Name (Collecting agency). By (Signature of officer duly authorized to sign, and his official position). Date, 191. Address (Give full address).

Form 1003.

FORM OF CERTIFICATE TO BE FILLED OUT AND SIGNED BY MEMBERS OF PARTNERSHIPS.

TREASURY DEPARTMENT, INTERNAL REVENUE-INCOME TAX. Ed. 80100-1. C. Oct. 23-12.

I, (Name), a member of the firm or partnership of (Address), do solemnly declare that the said partnership is the owner of \$ of bonds of the denomination of \$ each, Nos. of the (Name of debtor) known as (Describe the particular issue of bonds) bonds, from which were detached the accompanying interest coupons, due 191, amounting to \$, or upon which there matured 191, \$ of registered interest, and that the name and address of said firm or partnership, and the names of the individual members thereof, and their places of residence, are as follows: Address: Name of partner: Name of partner signing (Name of partner signing), 191. Address (Of firm of),

Form 1004.

FORM OF CERTIFICATE TO BE PRESENTED WITH COUPONS OR INTEREST ORDERS DETACHED FROM BONDS OR OTHER OBLIGATIONS OWNED BY THOSE WHO ARE BOTH CITIZENS, OR SUBJECTS, AND RESIDENTS OF FOREIGN COUNTRIES.

TREASURY DEPARTMENT, INTERNAL REVENUE-INCOME TAX. Ed. 80100-1. C. Oct. 23-12.

I do solemnly declare that I am not a citizen or resident of the United States of America, but a subject (or citizen) of, and that I am the owner of \$ bonds of the denominations of \$ each, Nos. of the (Give name of debtor corporation) known as (Describe the particular issue of bonds) bonds, from which were detached the accompanying coupons, due 191, amounting to \$, or upon which there matured 191, \$ of registered interest, and that being a nonresident foreigner, I am exempt from the income tax imposed on such interest by the United States Government under the law enacted October 3, 1913, and that no citizen of the United States, wherever residing, or foreigner residing in the United States, or any of its possessions, has any interest in said bonds, coupons, or interest. Signature of owner of bonds (Give full name). Date, 191. Address (Give full post-office address).

Form 1003 a

FORM OF CERTIFICATE TO BE ATTACHED TO INTEREST COUPONS IN CASES WHERE THE COLLECTING AGENT'S CERTIFICATE IS SUBSTITUTED FOR THE CERTIFICATE OF THE OWNERS. (When said owners are firms or partnerships in the United States.)

TREASURY DEPARTMENT, INTERNAL REVENUE-INCOME TAX. Ed. 80100-1. C. Dec. 1-13.

(The owner's certificate, of which the following certificate is the counterpart, and bears the same number as this certificate, will be sent by the collecting agent direct to the Commissioner of Internal Revenue, at Washington, as prescribed by regulations.) No. I (we) (Name of collecting agent) do solemnly declare that the owner of \$ bonds of the (Name of debtor organization) from which were detached the accompanying interest coupons due (Maturity) 191, amounting to \$, has filed with me (we) a duly executed certificate filled up in accordance with Treasury Regulations of October 25, 1913, Form No. 1003, which certificate has been indorsed by me (we) as follows: "Owner's certificate No. (Name of collecting agency) (Date) 191," and that the name and address of the firm or partnership, and the names of the individual members thereof, and their places of residence were recorded on said original certificate, and I (we) do hereby promise and pledge myself (ourselves) to forward the above-described certificate executed by the owners as stated and dated 191, to the Commissioner of Internal Revenue, at Washington, D. C., not later than the 20th day of next month, in accordance with Treasury Regulations. Signature of collecting agent, 191. Address,

Form 1004a.

FORM OF CERTIFICATE TO BE ATTACHED TO INTEREST COUPONS IN CASES WHERE THE COLLECTING AGENT'S CERTIFICATE IS SUBSTITUTED FOR THE CERTIFICATE OF THE OWNERS.

(When owners are both citizens or subjects and residents of foreign countries.)

(The owner's certificate, of which the following certificate is the counterpart, and bears the same number as this certificate, will be sent by the collecting agent direct to the Commissioner of Internal Revenue, at Washington, as prescribed by regulations.)

No. I (we) do solemnly declare that the owner of \$ bonds of the from which were detached the accompanying interest coupons due 1911, amounting to \$ has filed with me (us) a duly executed certificate filled up in accordance with Treasury Regulations of October 25, 1913, Form No. 1004, which certificate has been indorsed by me (us) as follows: "Owner's certificate No. 1911," and that the owner in said certificate declares that, being a nonresident foreigner, said interest is exempt from the income tax imposed on such interest by the United States Government under the law enacted October 3, 1913, and that no citizen of the United States, wherever residing, or foreigner residing in the United States, or any of its possessions, has any interest in said bonds, coupons, or interest; and I (we) do hereby promise and pledge to forward the above-described certificate executed by the owners as stated and dated 1911 to the Commissioner of Internal Revenue, at Washington, D. C., not later than the 30th day of next month, in accordance with Treasury Regulations. Signature of collecting agent, Date, 1911 Address,

Form 1006.

FORM OF CERTIFICATE TO BE FILED BY PERSONS, FIRMS, OR ORGANIZATIONS REQUIRED TO WITHHOLD AND PAY SAID TAX OTHER THAN THE DEBTOR AT THE SOURCE.

To, Collector of Internal Revenue, I, of the of of from to which said person is subject, has been withheld at the source of said income by (Signed) Address Date, 1911

Form 1007.

FORM FOR CLAIMING EXEMPTION AT THE SOURCE AS PROVIDED IN PARAGRAPH C, SECTION 2, OF THE FEDERAL INCOME-TAX LAW OF OCTOBER 3, 1913.

To, I hereby serve you with notice that I am single-married and living with my wife-husband, and now claim the benefit of the exemption of \$ as allowed in paragraphs C and D of section 2 of the Federal income-tax law of October 3, 1913 (my total exemption under said paragraphs being \$). Signed: Address: Date: 1911

Form 1011.

FORM OF CERTIFICATE TO BE FILED WITH WITHHOLDING AGENTS BY PARTNERSHIPS CLAIMING DEDUCTIONS.

I, a member of the firm or partnership of of at \$ bonds of the known as bonds, from which were detached the accompanying interest coupons due 1911, \$ of registered interest, or is the owner of upon which there accrued 1911 \$ of income. We hereby claim a deduction of \$ allowed on account of the actual expenses incurred in conducting said business, under regulations made in pursuance of section 2, act of October 3, 1913, and do solemnly declare that neither the partnership nor its individual members has claimed deductions in excess of its total actual legitimate annual expenses of conducting the business of said partnership, and that no portion of the living or personal expenses of the partners is included in the deductions claimed. Name of signing partner: For Address: Date, 1911

Form 1011a

TREASURY DEPARTMENT,
INTERNAL REVENUE-INCOME TAX,
2-7224 Ed. 50,000-P. C., Dec. 2-13.**FORM OF CERTIFICATE TO BE ATTACHED TO INTEREST COUPONS IN CASES WHERE THE COLLECTING AGENT'S CERTIFICATE IS SUBSTITUTED FOR THE CERTIFICATE OF THE OWNERS.**(When owners are firms or copartnerships in the United States claiming deduction for tax on account of operating expenses incurred.)
(The owner's certificate, of which the following certificate is the counterpart, and bears the same number as this certificate, will be sent by the collecting agent direct to the Commissioner of Internal Revenue, at Washington, as prescribed by regulations.)

No.

I (we) do solemnly declare that the owner of \$..... bonds of the from which were detached the accompanying interest coupons due 191, amounting to \$....., has filed with me (us) a duly executed certificate filled up in accordance with Treasury Regulations of November 28, 1913, Form No. 1011, which certificate has been indorsed by me (us) as follows: "Owner's certificate No., 191," and the partnership did in said certificate claim a deduction of \$..... allowed on account of the actual expenses incurred in conducting said business, under regulations made in pursuance of section 2, act of October 3, 1913, and did solemnly declare that neither the partnership nor its individual members has claimed deductions in excess of its total actual legitimate annual expenses of conducting the business of said partnership, and that no portion of the living or personal expenses of the partners is included in the deductions claimed; and I (we) do hereby promise and pledge myself (ourselves) to forward the above-described certificate executed by the owners as stated and dated 191, to the Commissioner of Internal Revenue, at Washington, D. C., not later than the 20th day of next month, in accordance with Treasury Regulations.

Signature of collecting agent,

Date, 191 Address,

Form 1011a

TREASURY DEPARTMENT,
INTERNAL REVENUE-INCOME TAX,
2-7231 Ed. 50,000-P. C., Dec. 2-13.**FORM OF CERTIFICATE TO BE ATTACHED TO INTEREST COUPONS IN CASES WHERE THE COLLECTING AGENT'S CERTIFICATE IS SUBSTITUTED FOR THE CERTIFICATE OF THE OWNERS.**(When owners are firms or copartnerships of foreign countries and claim immunity from income tax.)
(The owner's certificate, of which the following certificate is the counterpart, and bears the same number as this certificate, will be sent by the collecting agent direct to the Commissioner of Internal Revenue, at Washington, as prescribed by regulations.)

No.
I (we) do solemnly declare that the owner of \$..... bonds of the from which were detached the accompanying interest coupons due 191, amounting to \$....., has filed with me (us) a duly executed certificate filled up in accordance with Treasury Regulations of November 28, 1913, Form No. 1014, which certificate has been indorsed by me (us) as follows: "Owner's certificate No., 191," and that said certificates declare that said owners are a copartnership and that all the members of the firm or partnership, except partners whose names are recorded thereon, are nonresident foreigners and as such are exempt from the income tax imposed on such income by the United States Government under the law enacted October 3, 1913, and that no citizen of the United States, wherever residing, or foreigner residing in the United States or any of its possessions, except those named above, has any interest in said bonds, coupons, or interest; and I (we) do hereby promise and pledge myself (ourselves) to forward the above-described certificate executed by the owners as stated and dated 191, to the Commissioner of Internal Revenue, at Washington, D. C., not later than the 20th day of next month, in accordance with Treasury Regulations.

Signature of collecting agent:

Date, 191 Address:

Form 1015

TREASURY DEPARTMENT,
INTERNAL REVENUE-INCOME TAX,
2-7231 Ed. 50,000-P. C., Dec. 2-13.**FORM OF CERTIFICATE TO BE FILED WITH DEBTOR OR WITHHOLDING AGENTS BY FIDUCIARIES.**

(The following form of certificate should be filed with the debtor, or its paying agent, at the time of the payment to the fiduciary, or his representative, of all coupons, interest orders, rents, and all other kinds of income whatsoever upon which the tax or income is required to be withheld at the source.)

I (we) do solemnly declare that I (we), am (are) the duly authorized for the beneficiaries of the estate or trust of bonds of the denominations of \$..... each, Nos. of the of the bonds, from which were detached the accompanying coupons, due 191, amounting to \$....., or upon which there has matured 191, \$..... of registered interest, or which estate or trust is entitled to other income from property or investments upon which there accrued 191, \$..... of income. Acting for and in the capacity as stated herein, I (we) hereby assume the duty and responsibility, imposed upon withholding agents under the law, of withholding and paying the income tax due, for which I (we) may be liable, and acting in said fiduciary capacity as stated herein, I (we) do hereby claim exemption from having the normal tax withheld from said income.

(Name) (Capacity in which acting)

Date, 191 Address,

Form 1015a

TREASURY DEPARTMENT,
INTERNAL REVENUE-INCOME TAX,
2-7237 Ed. 50,000-P. C., Dec. 2-13.**FORM OF CERTIFICATE TO BE ATTACHED TO INTEREST COUPONS IN CASES WHERE THE COLLECTING AGENT'S CERTIFICATE IS SUBSTITUTED FOR THE CERTIFICATE OF THE OWNERS.**(When owners are fiduciaries.)
(The owner's certificate, of which the following certificate is the counterpart, and bears the same number as this certificate, will be sent by the collecting agent direct to the Commissioner of Internal Revenue, at Washington, as prescribed by regulations.)

No.
I (we) do solemnly declare that the owner of \$..... bonds of the from which were detached the accompanying interest coupons due 191, amounting to \$....., has filed with me (us) a duly executed certificate filled up in accordance with Treasury Regulations of November 28, 1913, Form No. 1015, which certificate has been indorsed by me (us) as follows: "Owner's certificate No., 191," that said certificate is executed by a fiduciary, and that the fiduciary, acting for and in the capacity as stated therein, has assumed the duty and responsibility imposed upon withholding agents under the law, of withholding and paying the income tax due, for which he (it) may be liable, and that acting in said fiduciary capacity as stated therein, he (it) did claim exemption from having the normal tax withheld from said income; and I (we) do hereby promise and pledge myself (ourselves) to forward the above-described certificate executed by the owners as stated and dated 191, to the Commissioner of Internal Revenue, at Washington, D. C., not later than the 20th day of next month, in accordance with Treasury Regulations.

Signature of collecting agent,

Date, 191 Address,

CERTIFICATE TO BE FURNISHED BY FOREIGN ORGANIZATIONS NOT SUBJECT TO TAX ON INTEREST OR OTHER INCOME AT SOURCE.

I, _____, the _____ of the _____,
 (Give name.) (Give official position.) (Name of organization.)
 a _____ of _____, located at _____, do
 (Character of organization.) (Country.) (Post-office address.)
 solemnly declare that said _____ is a foreign organization, not engaged in business
 (Give name of organization.)
 in the United States, and is the owner of \$ _____ bonds of the denomination of \$ _____ each, Nos. _____
 of the _____, known as
 (Give name of debtor.)
 _____ bonds, from which were detached the accompanying coupons,
 (Describe particular issue of bonds.)
 due _____ 191., amounting to \$ _____, or upon which there matured _____ 191.,
 \$ _____ of registered interest, or is the owner of _____ upon which there
 (Property or investments.)
 accrued _____ 191., \$ _____ of income, and that under the provisions of the income-tax law of
 October 3, 1913, said organization being a foreign organization, said interest or income is exempt from the payment of taxes
 collectible at the source, which exemption is hereby claimed.
 Date _____ 191.. Name _____ (Official position.)
 Address _____ Of _____ (Post office.) (Name of organization.)

FORM OF CERTIFICATE TO BE ATTACHED TO INTEREST COUPONS IN CASES WHERE THE COLLECTING AGENT'S CERTIFICATE IS SUBSTITUTED FOR THE CERTIFICATE OF THE OWNERS.

(Owners being foreign organization, not subject to the income tax at the source.)

(The owner's certificate, of which the following certificate is the counterpart, and bears the same number as this certificate, will be sent by the collecting agent direct to the Commissioner of Internal Revenue, at Washington, as prescribed by regulations.)

No. _____
 I (we) _____ do solemnly declare that the owner of \$ _____ bonds of
 (Name of collecting agent.)
 the _____, from which were detached the accompanying interest coupons
 (Name of debtor organization.)
 due _____ 191., amounting to \$ _____, has filed with me (us) a duly executed certificate
 (Maturity.)
 filled up in accordance with Treasury Regulations of November 28, 1913, Form No. 1016, which certificate has been indorsed by
 me (us) as follows: "Owner's certificate No. _____, _____ 191,"
 (Name of collecting agency.) (Date.)
 and that under the provisions of the income-tax law of October 3, 1913, the said organization in said certificate declares that
 it is a foreign organization, and that the said interest or income is exempt from the payment of taxes collectible at the source,
 which exemption it claims, and I (we) do hereby promise and pledge { myself } to forward the above-described certificate
 (ourselves)
 executed by the owners as stated and dated _____ 191., to the Commissioner of Internal Revenue, at
 Washington, D. C., not later than the 20th day of next month, in accordance with Treasury Regulations.

Signature of collecting agent, _____

Date _____ 191. Address _____

CERTIFICATE TO BE FURNISHED BY FOREIGN ORGANIZATIONS ENGAGED IN BUSINESS IN THE UNITED STATES.

I, _____, the _____ of the _____,
 (Give name.) (Give official position.) (Name of organization.)
 a _____ of _____, located at _____, do
 (Character of organization.) (Country.) (Post-office address.)
 solemnly declare that said _____ is a foreign organization, engaged in business in
 (Give name of organization.)
 the United States, and is the owner of \$ _____ bonds of the denomination of \$ _____ each, Nos. _____
 of the _____, known as
 (Give name of debtor.)
 _____ bonds, from which were detached the accompanying coupons,
 (Describe particular issue of bonds.)
 due _____ 191., amounting to \$ _____, or upon which there matured _____ 191.,
 \$ _____ of registered interest, or is the owner of _____ upon which there
 (Property or investments.)
 was accrued _____ 191., \$ _____ of income.
 Under the provisions of the income-tax law of October 3, 1913, the said organization is subject to the normal tax of 1 per centum per annum upon the amount
 of net income accruing from business transacted and capital invested within the United States, for which tax it will make its return in due course, but it hereby claims
 exemption from having the said normal tax of 1 per centum of said income withheld at the source.
 Date _____ 191.. Name _____ (Official position.)
 Address _____ Of _____ (Post office.) (Name of organization.)

FORM OF CERTIFICATE TO BE ATTACHED TO INTEREST COUPONS IN CASES WHERE THE COLLECTING AGENT'S CERTIFICATE IS SUBSTITUTED FOR THE CERTIFICATE OF THE OWNERS.

(Owners being foreign organizations engaged in business in the United States and subject to tax.)

(The owner's certificate, of which the following certificate is the counterpart and bears the same number as this certificate, will be sent by the collecting agent direct to the Commissioner of Internal Revenue, at Washington, as prescribed by regulations.)

No. _____
 I (we) _____ do solemnly declare that the owner of \$ _____ bonds of
 (Name of collecting agent.)
 the _____, from which were detached the accompanying interest coupons
 (Name of debtor organization.)
 due _____ 191., amounting to \$ _____, has filed with me (us) a duly executed certificate
 (Maturity.)
 filled up in accordance with Treasury Regulations of December 5, 1913, Form No. 1018, which certificate has been indorsed by
 me (us) as follows: "Owner's certificate No. _____, _____ 191,"
 (Name of collecting agency.) (Date.)
 and that under the regulations made in pursuance of section 2, act of October 3, 1913, said organization is subject to the normal
 tax of 1 per centum per annum upon the amount of net income accruing from business transacted and capital invested within the
 United States, and did therein claim exemption from having the said tax withheld at the source from said income, and I (we)
 do hereby promise and pledge { myself } to forward the above-described certificate, executed by the owners as stated, and dated
 (ourselves)
 _____ 191., to the Commissioner of Internal Revenue at Washington, D. C., not later than the 20th
 day of next month, in accordance with Treasury Regulations.
 Signature of collecting agent, _____

Date _____ 191. Address _____

Form of Certificate to be Filed with Debtor or Withholding Agents by Fiduciaries when Not Claiming Any Exemption, as an Alternative to the Filing of Form No. 1015 in Which Exemption is Claimed.

(The following form of certificate may be filed with the debtor, or its paying agents, at the time of the payment to the fiduciary, or his representative, of all coupons, interest orders, rents, and all other kinds of income whatsoever upon which the tax on income is required to be withheld at the source as an alternative to the filing of Form No. 1015.)

I (we) do solemnly declare that I (we), _____ (Name of fiduciary.)
 am (are) the duly authorized _____ (Indicate in what capacity acting.)
 for the beneficiaries of the estate or trust of _____
 bonds of the denominations of \$ _____ each, Nos. _____
 of the _____ (Give name of debtor.) _____, known as _____
 bonds, from which were detached _____
 the accompanying coupons, due _____, 191____, amounting to \$ _____, or upon which there has
 matured _____, 191____, \$ _____ of registered interest, or which estate or trust is entitled to other
 income from property or investments upon which there accrued _____, 191____, \$ _____ of income.
 Acting for and in the capacity herein stated, I hereby declare that I (we) do not now claim any exemption from having
 the normal tax of 1 per cent withheld from said income by the debtor at the source.

Date, _____, 191____ (Name.) _____ Address, _____ (Capacity in which acting.)

UNITED STATES INTERNAL REVENUE

FORM OF RETURN FOR MAKING APPLICATION FOR DEDUCTIONS,

AS PROVIDED BY PARAGRAPHS B AND E, SECTION 2 OF
 THE FEDERAL INCOME-TAX LAW OF OCTOBER 3, 1913

To _____ (Name of withholding agent)
 _____ (Street and number)
 _____ (Town or city) _____ (State)

I hereby solemnly declare that the following is a true and correct return of my gains, profits, and income from all other sources for the calendar year ended December 31, 191____ (for the year 1913 the period to be covered is only for ten months, from March 1 to December 31), and a true and correct return of deductions asked for under paragraph B of section 2 of the act of October 3, 1913, and I hereby claim deductions as shown below.

Amount of gains, profits, interest, rents, royalties, profits from copartnerships, and income from all other sources whatsoever	\$				
DEDUCTIONS					
1. The amount of necessary expenses actually paid in carrying on business, except business expenses of partnerships, and not including personal, living, or family expenses	\$				
2. All interest paid within the year on personal indebtedness of taxpayer					
3. All national, State, county, school, and municipal taxes paid within the year (not including those assessed against local benefits)					
4. Losses actually sustained during the year incurred in trade or arising from fires, storms, or shipwreck and not compensated for by insurance or otherwise					
5. Debts due which have been actually ascertained to be worthless and charged off within the year					
6. Amount representing a reasonable allowance for the exhaustion, wear, and tear of property arising out of its use or employment in the business, not to exceed in the case of mines 5 per cent of the gross value of the output for the year for which the computation is made, but not including the expense of restoring property or making good the exhaustion thereof, for which an allowance is or has been made					
7. The amount received as dividends upon the stock or from the net earnings of any corporation, joint-stock company, association, or insurance company which is taxable upon its net income					
8. The amount of income, the tax upon which has been paid or withheld for payment at the source of income					
Total deductions	\$				

Date: _____, 191____ (Signed) _____
 Address _____

NOTE.—Money or other things of value, disposed of by gift, donation, or endowment, shall not be deducted or be made the basis for a deduction from the income of persons or corporations in their tax returns under the income-tax law.

List No. _____

INCOME TAX.

File No. _____

District of _____

THE PENALTY FOR FAILURE TO HAVE THIS RETURN IN THE HANDS OF THE COLLECTOR OF INTERNAL REVENUE ON OR BEFORE MARCH 1 IS \$20 TO \$4,000.
(SEE INSTRUCTIONS ON PAGE 4.)

Assessment List _____

Date received _____

Page _____ Line _____

UNITED STATES INTERNAL REVENUE

RETURN OF ANNUAL NET INCOME OF INDIVIDUALS.

(As provided by Act of Congress, approved October 3, 1913.)

RETURN OF NET INCOME RECEIVED OR ACCRUED DURING THE YEAR ENDED DECEMBER 31, 191....

(FOR THE YEAR 1913, FROM MARCH 1, TO DECEMBER 31.)

Filed by (or for) _____ of _____
(Full name of individual.) (Suffix and No.)

in the City, Town, or Post Office of _____ State of _____
(Fill in pages 2 and 3 before making entries below.)

1. GROSS INCOME (see page 2, line 12)	\$				
2. GENERAL DEDUCTIONS (see page 3, line 7)	\$				
3. NET INCOME	\$				
Deductions and exemptions allowed in computing income subject to the normal tax of 1 per cent.					
4. Dividends and net earnings received or accrued, of corporations, etc., subject to like tax. (See page 2, line 11).....	\$				
5. Amount of income on which the normal tax has been deducted and withheld at the source. (See page 2, line 9, column A) ..					
6. Specific exemption of \$3,000 or \$4,000, as the case may be. (See Instructions 3 and 19)					
Total deductions and exemptions. (Items 4, 5, and 6)	\$				
7. TAXABLE INCOME on which the normal tax of 1 per cent is to be calculated. (See Instruction 3) ..	\$				

8. When the net income shown above on line 3 exceeds \$20,000, the additional tax thereon must be calculated as per schedule below:

	INCOME.				TAX.			
1 per cent on amount over \$20,000 and not exceeding \$50,000.....	\$				\$			
2 " " 50,000 " " 75,000.....								
3 " " 75,000 " " 100,000.....								
4 " " 100,000 " " 250,000.....								
5 " " 250,000 " " 500,000.....								
6 " " 500,000								
Total additional or super tax	\$				\$			
Total normal tax (1 per cent of amount entered on line 7)	\$				\$			
Total tax liability	\$				\$			

GROSS INCOME.

This statement must show in the proper spaces the entire amount of gains, profits, and income received by or accrued to the individual from all sources during the year specified on page 1.

DESCRIPTION OF INCOME.	A.				B.				
	Amount of income on which tax has been deducted and withheld at the source.				Amount of income on which tax has not been deducted and withheld at the source.				
1. Total amount derived from salaries, wages, or compensation for personal service of whatever kind and in whatever form paid.	\$				\$				
2. Total amount derived from professions, vocations, businesses, trade, commerce, or sales or dealings in property, whether real or personal, growing out of the ownership or use of or interest in real or personal property, including bonds, stocks, etc.									
3. Total amount derived from rents and from interest on notes, mortgages, and securities (other than reported on lines 5 and 6)									
4. Total amount of gains and profits derived from partnership business, whether the same be divided and distributed or not									
5. Total amount of fixed and determinable annual gains, profits, and income derived from interest upon bonds and mortgages or deeds of trust, or other similar obligations of corporations, joint-stock companies or associations, and insurance companies, whether payable annually or at shorter or longer periods									
6. Total amount of income derived from coupons, checks, or bills of exchange for or in payment of interest upon bonds issued in foreign countries and upon foreign mortgages or like obligations (not payable in the United States), and also from coupons, checks, or bills of exchange for or in payment of any dividends upon the stock or interest upon the obligations of foreign corporations, associations, and insurance companies engaged in business in foreign countries									
7. Total amount of income received from fiduciaries									
8. Total amount of income derived from any source whatever, not specified or entered elsewhere on this page									
9. TOTALS	\$				\$				
NOTE—Enter total of Column A on line 5 of first page.									
10. AGGREGATE TOTALS OF COLUMNS A AND B	\$				\$				
11. Total amount of income derived from dividends on the stock or from the net earnings of corporations, joint-stock companies, associations, or insurance companies subject to like tax (To be entered on line 4 of first page.)					\$				
12. TOTAL "Gross Income" (to be entered on line 1 of first page)	\$				\$				

GENERAL DEDUCTIONS.

1. The amount of necessary expenses actually paid in carrying on business, but not including business expenses of partnerships, and not including personal, living, or family expenses.....	\$.....			
2. All interest paid within the year on personal indebtedness of taxpayer.....	.....		
3. All national, State, county, school, and municipal taxes paid within the year (not including those assessed against local benefits).....	.....		
4. Losses actually sustained during the year incurred in trade or arising from fires, storms, or shipwreck, and not compensated for by insurance or otherwise.....	.....		
5. Debts due which have been actually ascertained to be worthless and which have been charged off within the year.....	.....		
6. Amount representing a reasonable allowance for the exhaustion, wear, and tear of property arising out of its use or employment in the business, not to exceed, in the case of mines, 5 per cent of the gross value at the mine of the output for the year for which the computation is made, but no deduction shall be made for any amount of expense of restoring property or making good the exhaustion thereof, for which an allowance is or has been made.....	.....		
7. Total "GENERAL DEDUCTIONS" (to be entered on line 2 of first page).....	.....		

AFFIDAVIT TO BE EXECUTED BY INDIVIDUAL MAKING HIS OWN RETURN.

I solemnly swear (or affirm) that the foregoing return, to the best of my knowledge and belief, contains a true and complete statement of all gains, profits, and income received by or accrued to me during the year for which the return is made, and that I am entitled to all the deductions and exemptions entered or claimed therein, under the Federal Income-tax Law of October 3, 1913.

Sworn to and subscribed before me this.....

day of, 191

.....
(Signature of individual.)



.....
.....
(Official capacity.)

AFFIDAVIT TO BE EXECUTED BY DULY AUTHORIZED AGENT MAKING RETURN FOR INDIVIDUAL.

I solemnly swear (or affirm) that I have sufficient knowledge of the affairs and property of..... to enable me to make a full and complete return thereof, and that the foregoing return, to the best of my knowledge and belief, contains a true and complete statement of all gains, profits, and income received by or accrued to said individual during the year for which the return is made, and that the said individual is entitled, under the Federal Income-tax Law of October 3, 1913, to all the deductions and exemptions entered or claimed therein.

Sworn to and subscribed before me this.....

day of, 191

.....
(Signature of agent.)



.....
.....
(Official capacity.)

ADDRESS
IN FULL {

.....
.....

INSTRUCTIONS FOR 1040

Annual Return by Individuals (1040)

1. This return shall be made by every citizen of the United States, whether residing at home or abroad, and by every person residing in the United States, though not a citizen thereof, having a *net income* of \$3,000 or over for the taxable year, and *also* by every *nonresident alien* deriving income from property owned and business, trade, or profession carried on *in the United States* by him.

2. When an individual by reason of minority, sickness or other disability, or absence from the United States, is unable to make his own return, it may be made for him by his *duly authorized* representative.

3. The *normal tax* of 1 per cent shall be assessed on the total net income less the specific exemption of \$3,000 or \$4,000 as the case may be. (For the year 1913, the specific exemption allowable is \$2,500 or \$3,333.33, as the case may be.) If, however, the normal tax has been deducted and withheld on any part of the income at the source, or if any part of the income is received as dividends upon the stock or from the net earnings of any corporation, etc., which is taxable upon its net income, such income shall be deducted from the individual's total *net income* for the purpose of calculating the amount of income on which the individual is liable for the normal tax of 1 per cent by virtue of this return. (See page 1, line 7.)

4. The *additional or super tax* shall be calculated as stated on page 1.

5. This return shall be filed with the Collector of Internal Revenue for the district in which the individual resides if he has no other place of business, otherwise in the district in which he has his *principal place of business*; or in case the person resides in a foreign country, then with the collector for the district in which his principal business is carried on in the United States.

6. This return must be filed on or before the first day of March succeeding the close of the calendar year for which return is made.

7. The *penalty for failure to file the return within the time specified by law* is \$20 to \$1,000. In case of refusal or neglect to render the return within the required time (except in cases of sickness or absence), 50 per cent shall be added to amount of tax assessed. In case of *false or fraudulent return*, 100 per cent shall be added to such tax, and any person required by law to make, render, sign, or verify any return who makes any false or fraudulent return or statement with intent to defeat or evade the assessment required by this section to be made shall be guilty of a misdemeanor, and shall be fined not exceeding \$2,000 or be imprisoned not exceeding one year, or both, at the discretion of the court, with the costs of prosecution.

8. When the return is not filed within the required time by reason of sickness or absence of the individual, an extension of time, not exceeding 30 days from March 1, within which to file such return, *may be granted* by the collector, *provided* an application therefor is made by the individual within the period for which such extension is desired.

9. This return properly filled out must be made under oath or affirmation. Affidavits may be made before any officer *authorized by law* to administer oaths. If before a justice of the peace or magistrate, not using a seal, a *certificate of the clerk of the court as to the authority* of such officer to administer oaths should be *attached to the return*.

10. Expense for medical attendance, store accounts, family supplies, wages of domestic servants, cost of board, room, or house rent for family or personal use, *are not expenses that can be deducted from gross income*. In case an individual owns his own residence he can not deduct the estimated value of his rent, neither shall he be required to include such estimated rental of his home as income.

11. The farmer, in computing the net income from his farm for his annual return, shall include all moneys received for produce and animals sold, and for the wool and hides of animals slaughtered, provided such wool and hides are sold, and he shall deduct therefrom the sums actually paid as purchase money for the animals sold or slaughtered during the year.

Instructions for 1040 continued

When animals were raised by the owner and are sold or slaughtered he shall not deduct their value as expenses or loss. He may deduct the amount of money actually paid as expense for producing any farm products, live stock, etc. In deducting expenses for repairs on farm property the amount deducted must not exceed the amount actually expended for such repairs during the year for which the return is made. (See page 3, item 6.) The cost of replacing tools or machinery is a deductible expense to the extent that the cost of the new articles does not exceed the value of the old.

12. In calculating losses, only such losses as shall have been actually sustained and the amount of which has been definitely ascertained during the year covered by the return can be deducted.

13. Persons receiving fees or emoluments for professional or other services, as in the case of physicians or lawyers, should include all actual receipts for services rendered in the year for which return is made, together with all unpaid accounts, charges for services, or contingent income due for that year, if good and collectible.

14. Debts which were contracted during the year for which return is made, but found in said year to be worthless, may be deducted from gross income for said year, but such debts can not be regarded as worthless until after legal proceedings to recover the same have proved fruitless, or it clearly appears that the debtor is insolvent. If debts contracted prior to the year for which return is made were included as income in return for year in which said debts were contracted, and such debts shall subsequently prove to be worthless, they may be deducted under the head of losses in the return for the year in which such debts were charged off as worthless.

15. Amounts due or accrued to the individual members of a partnership from the net earnings of the partnership, whether apportioned and distributed or not, shall be included in the annual return of the individual.

16. United States pensions shall be included as income.

17. Estimated advance in value of real estate is not required to be reported as income, unless the increased value is taken up on the books of the individual as an increase of assets.

18. Costs of suits and other legal proceedings arising from ordinary business may be treated as an expense of such business, and may be deducted from gross income for the year in which such costs were paid.

19. An unmarried individual or a married individual not living with wife or husband shall be allowed an exemption of \$3,000. When husband and wife live together they shall be allowed jointly a total exemption of only \$4,000 on their aggregate income. They may make a joint return, both subscribing thereto, or if they have separate incomes, they may make separate returns; but in no case shall they jointly claim more than \$4,000 exemption on their aggregate income.

20. In computing net income there shall be excluded the compensation of all officers and employees of a State or any political subdivision thereof, except when such compensation is paid by the United States Government.

GROSS INCOME.

This statement must show in the proper spaces the entire amount of gains, profits, and income coming into the custody or control and management of the fiduciary, for the benefit of the beneficiaries of the trust or estate, during the year specified on page 1.

DESCRIPTION OF INCOME.	A.				B.			
	Amount of income on which tax has been deducted and withheld at the source.				Amount of income on which tax has not been deducted and withheld at the source.			
1. Total amount derived from salaries, wages, or compensation for personal service of whatever kind and in whatever form paid.	\$				\$			
2. Total amount derived from professions, vocations, businesses, trade, commerce, or sales or dealings in property, whether real or personal, growing out of the ownership or use of or interest in real or personal property, including bonds, stocks, etc.								
3. Total amount derived from rents and from interest on notes, mortgages, and securities (other than reported on lines 5 and 6)								
4. Total amount of gains and profits derived from partnership business, whether the same be divided and distributed or not								
5. Total amount of fixed and determinable annual gains, profits, and income derived from interest upon bonds and mortgages or deeds of trust, or other similar obligations of corporations, joint-stock companies or associations, and insurance companies, whether payable annually or at shorter or longer periods								
6. Total amount of income derived from coupons, checks, or bills of exchange for or in payment of interest upon bonds issued in foreign countries and upon foreign mortgages or like obligations (not payable in the United States), and also from coupons, checks, or bills of exchange for or in payment of any dividends upon the stock or interest upon the obligations of foreign corporations, associations, and insurance companies engaged in business in foreign countries.								
7. Total amount of income derived from any source whatever, not specified or entered elsewhere on this page								
8. TOTALS	\$				\$			
NOTE.—Enter total of Column A on line 8 of third page.								
9. AGGREGATE TOTALS OF COLUMNS A AND B					\$			
10. Total amount of income derived from dividends on the stock or from the net earnings of corporations, joint-stock companies, associations, or insurance companies subject to like tax (To be entered on line 7 of third page.)					\$			
11. AGGREGATE TOTAL of "Gross Income" (to be entered on line 1 of first page)					\$			

DEDUCTIONS.

1. The amount of necessary expenses actually paid in carrying on business, but not including business expenses of partnerships, and not including personal, living, or family expenses.....	\$			
2. All interest paid within the year on personal indebtedness of taxpayer.....				
3. All United States, State, county, school, and municipal taxes paid within the year (not including those assessed against local benefits).....				
4. Losses actually sustained during the year incurred in trade or arising from fires, storms, or shipwreck, and not compensated for by insurance or otherwise.....				
5. Debts due which have been actually ascertained to be worthless and which have been charged off within the year.....				
6. Amount representing a reasonable allowance for the exhaustion, wear, and tear of property arising out of its use or employment in the business, not to exceed, in the case of mines, 5 per cent of the gross value at the mine of the output for the year for which the computation is made, but no deduction shall be made for any amount of expense of restoring property or making good the exhaustion thereof, for which an allowance is or has been made.....				
7. Total amount of income derived from dividends on the stock or from the net earnings of corporations, joint-stock companies, associations, or insurance companies subject to like tax (same as entry on line 10, page 2).....				
8. Amount of income on which the normal tax of 1 per cent has been deducted and withheld at the source (see page 2, line 8, column A).....				
9. TOTAL DEDUCTIONS (to be entered on line 2 of first page).....	\$			

AFFIDAVIT TO BE EXECUTED WHERE FIDUCIARY IS AN INDIVIDUAL.

I solemnly swear (or affirm) that I am the _____ for the beneficiaries of the estate or trust of _____

(State whether trustee, executor, etc.)

_____ that the foregoing return, to the best of my knowledge and belief, contains a true and complete statement of all gains, profits, and income coming into my custody or control and management during the year for which the return is made; that said beneficiaries are entitled, under the Federal Income-tax Law of October 3, 1913, to all the deductions entered or claimed therein; that all certificates claiming personal exemption, presented by the beneficiaries, are herewith inclosed; and there is contained therein a true and complete list of the names and addresses of all beneficiaries to whom any part of the amount stated on line 3 of the first page thereof has been paid or is payable.

Sworn to and subscribed before me this _____

(Signature of fiduciary.)

day of _____, 191_____

ADDRESS
IN FULL.



AFFIDAVIT TO BE EXECUTED WHERE FIDUCIARY IS AN ORGANIZATION.

I solemnly swear (or affirm) that I am the _____ of the _____

(State official position.)

(State name of fiduciary organization.)

of _____, which organization is the duly authorized or appointed _____

(Address in full.)

(State whether trustee, executor, etc.)

_____ that I am duly authorized to act for said fiduciary; that the foregoing return, to the best of my knowledge and belief, contains a true and complete statement of all gains, profits, and income coming into the custody or control and management of said organization in its fiduciary capacity as stated during the year for which the return is made; that said beneficiaries are entitled under the Federal Income-tax Law of October 3, 1913, to all the deductions entered or claimed therein; that all certificates claiming personal exemption, presented by the beneficiaries, are herewith inclosed; and there is contained therein a true and complete list of the names and addresses of all beneficiaries to whom any part of the amount stated on line 3 of the first page thereof has been paid or is payable.

Sworn to and subscribed before me this _____

(Signature of officer representing fiduciary.)

day of _____, 191_____

ADDRESS
IN FULL.



INSTRUCTIONS FOR 1041

Annual Return By Fiduciaries (1041)

1. Fiduciaries shall, when the annual interest of any beneficiary in income accruing and payable through said fiduciary is in excess of \$3,000, make and render a return on this form of such income of the person or persons for whom they act, to the Collector of Internal Revenue of the district in which the fiduciary resides. The return shall be made as provided herein, whether the income is distributed or not. See Treasury Decision 1906.

2. The list return required from fiduciaries by regulations provided in Treasury Decision 1906, issued November 28, 1913, shall be made on page 1 of this return, giving thereon the name of each beneficiary of the trust or estate, the amount of income paid or accrued to each beneficiary, the amount of exemption claimed by each beneficiary, if any, the amount of income on which fiduciary is liable for tax, and the amount of income withheld for tax.

3. Where several individuals act jointly in a fiduciary capacity, when this return is required it may be made and executed by one of two or more. When the fiduciary is an organization it shall be signed and executed by the President, Secretary, or Treasurer of said organization.

4. This return shall be filed with the Collector of Internal Revenue for the district in which the fiduciary resides if he has no other place of business, otherwise in the district in which he has his principal place of business.

5. This return must be filed on or before the first day of March succeeding the close of the calendar year for which return is made.

6. The penalty for failure to file the return within the time specified by law is \$20 to \$1,000. In case of refusal or neglect to render the return within the required time (except in case of sickness or absence) 50 per cent shall be added to amount of tax assessed. In case of false or fraudulent return 100 per cent shall be added to such tax and a fine not exceeding \$2,000 or imprisonment not exceeding one year or both may be imposed.

7. When the return is not filed within the required time by reason of sickness or absence of the fiduciary, an extension of time not exceeding 30 days from March 1, within which to file such return may be granted by the Collector, provided an application therefor is made by the fiduciary within the period for which such extension is desired.

8. This return properly filled out must be made under oath or affirmation. Affidavits may be made before any officer authorized by law to administer oaths. If before a justice of the peace or magistrate, not using a seal, a certificate of the clerk of the court as to the authority of such officer to administer oaths should be attached to the return.

The following instructions, so far as applicable, are to be considered by the fiduciary in determining the amount of income coming into his custody or control and management which should be reported in this return on page 2, and the deductions which should be reported on page 3.

9. Expense for medical attendance, store accounts, family supplies, wages of domestic servants, cost of board, room, or house rent for family or personal use, are not expenses that can be deducted from gross income. In case an individual owns his own residence he can not deduct the estimated value of his rent, neither shall he be required to include such estimated rental of his home as income.

10. The farmer, in computing the net income from his farm for his annual return, shall include all moneys received for produce and animals sold, and for the wool and hides of animals slaughtered, provided such wool and hides are sold, and he shall deduct therefrom the sums actually paid as purchase money for the animals sold or slaughtered during the year.

When animals are raised by the owner and are sold or slaughtered, he shall not deduct their value as expenses or loss. He may deduct the amount of money actually paid as expense for producing any farm products, live stock, etc. In deducting expenses for repairs on farm property the amount

Instructions 1041 cont'd.

deducted must not exceed the amount actually expended for such repairs during the year for which the return is made. (See page 3, item 6.) The cost of replacing tools or machinery is a deductible expense to the extent that the cost of the new articles does not exceed the value of the old.

11. In calculating losses, only such losses as shall have been actually sustained and the amount of which has been definitely ascertained during the year covered by the return can be deducted.

12. Persons receiving fees or emoluments for professional or other services, as in the case of physicians or lawyers, should include all actual receipts for services rendered in the year for which the return is made, together with all unpaid accounts, charges for services, or contingent income due for that year, if good and collectible.

13. Debts which were contracted during the year for which return is made, but found in said year to be worthless, may be deducted from gross income for said year, but such debts can not be regarded as worthless until after legal proceedings to cover the same have proved fruitless, or it clearly appears that the debtor is insolvent. If debts due to the taxpayer and contracted prior to the year for which return is made were included as income in return for year in which said debts were contracted, and such debts shall subsequently prove to be worthless, they may be deducted under the head of losses in the return for the year in which such debts were charged off as worthless.

14. Amounts due or accrued to the individual members of a partnership from the net earnings of the partnership, whether apportioned and distributed or not, shall be included in the annual return of the individual.

15. United States pensions shall be included as income.

16. Estimated advance in value of real estate is not required to be reported as income, unless the increased value is taken up on the books of the individual as an increase of assets.

17. Costs of suits and other legal proceedings arising from ordinary business may be treated as an expense of such business, and may be deducted from gross income for the year in which such costs were paid.

18. An unmarried individual or a married individual not living with wife or husband shall be allowed an exemption of \$3,000. When husband and wife live together they shall be allowed jointly a total exemption of only \$4,000 on their aggregate income.

19. In computing net income there should be excluded the compensation of all officers and employees of a State or any political subdivision thereof, except when such compensation is paid by the United States Government.

List No. _____ Class _____
 District of _____
 Date received _____, 191

THE PENALTY
 FOR FAILURE TO MAKE THIS RETURN IN THE HANDS OF THE
 COLLECTOR OF INTERNAL REVENUE ON OR BEFORE MARCH 1
 OR WITHIN 60 DAYS AFTER THE CLOSE OF THE FISCAL
 YEAR IS A SUM NOT EXCEEDING \$10,000.
 (SEE INSTRUCTIONS ON OTHER SIDE.)

Assessment List _____, 191
 Page _____ Line _____

UNITED STATES INTERNAL REVENUE.

RETURN OF ANNUAL NET INCOME.

(Section 2, Act of Congress approved October 3, 1913.)

INSURANCE COMPANIES.

RETURN OF NET INCOME Received during the calendar (fiscal) year ended _____, 191

by _____
 the principal place of business of which is located at _____ (Street and No.)

City or Town of _____, in the State of _____
 (The "year" as hereinafter used means the calendar year or fiscal year as the case may be.)

1. Total amount of paid-up capital stock outstanding, or, if no capital stock the capital employed in business, at close of the year above stated. (See Note 8 on reverse of this form) _____ \$ _____
2. Total amount of bonded and other indebtedness outstanding at close of year. (See Note 9) _____ \$ _____
3. GROSS INCOME (see Note A, and instructions, paragraphs 10, 18, 21, 22, 23, 25, and 26) _____ \$ _____

DEDUCTIONS.

4. (a) Total amount of all the ordinary and necessary expenses of maintenance and operation of the business and properties of the corporation EXCLUSIVE OF INTEREST PAYMENTS. (See Note B) _____ \$ _____
- (b) All rentals or other payments required to be made as a condition to the continued use or possession of the property. (See Note 12 on reverse of this form) _____ \$ _____
5. (a) Total amount of losses sustained during the year not compensated by insurance or otherwise _____ \$ _____
- (b) Total amount of depreciation for the year. (See Note 13) _____ \$ _____
- (c) Total amount (other than dividends) paid within the year on policy and annuity contracts _____ \$ _____
- (d) Total amount of net addition required by law to be made within the year to reserve fund. (See Note 28) _____ \$ _____
- (e) Amounts of premiums repaid to policy holders and interest paid thereon (applicable only to Mutual Marine Insurance companies) _____ \$ _____
6. (a) Total amount of interest accrued and paid within the year on an amount of bonded or other indebtedness not exceeding one-half of the sum of its interest-bearing indebtedness and its paid-up capital stock outstanding at the close of the year _____ \$ _____
- (b) Total amount of interest received upon obligations of a State or political subdivision thereof and upon the obligations of the United States or its possessions _____ \$ _____
7. (a) Total taxes paid during the year imposed under authority of the United States or any State or Territory thereof. (See Note 20) _____ \$ _____
- (b) Foreign taxes paid _____ \$ _____

TOTAL DEDUCTIONS _____ \$ _____

8. Net income on which tax at 1 per centum is calculated _____ \$ _____

STATE OF _____, County of _____, TO WIT:
 _____, President, and _____, Treasurer of

the _____ a corporation, whose return of annual net income is set forth above, being severally duly sworn, each for himself, deposes and says that the foregoing report and the several items therein set forth are, to his best knowledge and belief and from such information as he has been able to obtain, true and correct in each and every particular; that the amount of gross income therein set forth is the full amount of gross income, including interest upon obligations of a State or any political subdivision thereof, and upon the obligations of the United States or its possessions, without any deduction whatsoever, received from all sources by the said corporation during the year stated, and that the net income therein set forth is the full amount upon which the tax at 1 per centum is to be calculated and assessed under the terms of the Federal Income Tax Law of October 3, 1913.

SWORN AND SUBSCRIBED to before me this _____

day of _____, 191

 President.

SEAL OF
 OFFICER
 TAKING
 AFFIDAVIT.

 Treasurer.

(Official capacity)

Note A.—Gross income of insurance companies shall consist of the total of the gross revenues derived from the operation and management of their businesses and properties, together with all amounts of income from other sources, including dividends on stock of other organizations, whether subject to this tax or not, premiums, interest, rentals, and all items of income resulting from appraisal or adjustment, and shown by entries upon the books during the year for which the return is made.

Mutual marine insurance companies may exclude from the gross premiums collected the "amounts paid for reinsurance." Including the remainder in gross income.

Mutual fire insurance companies may omit from gross income "any portion of the premium deposits returned to their policyholders." Life insurance companies may also omit from their gross income "each portion of any actual premium received from any individual policyholder as shall have been paid back or credited to such policyholder, or treated as an abatement of premium of such individual policyholder within the year." The amount thus omitted shall include only such dividends or premiums returned or applied as represent a portion of the actual premium received from any individual policyholder.

Note B.—The deductions authorized shall include all expense items under the various heads acknowledged as liabilities by the corporation making the return and entered upon its books during the year. Amounts of income expended in paying dividends on stock, preferred or common, or in making permanent improvements or betterments, etc., or in any way transferred to capital account are not proper deductions in ascertaining annual net income. Interest paid on mortgages, indebtedness on real estate accepted or used by a corporation may be deducted under Item 4 if the interest is paid as rental or franchise charge, payment of which is required to be made as a condition to the continued use and possession of the property. The amount so paid and included in Item 4 should be stated separately under Item 4 (b). (See Note 12 on reverse of this form.)

INSTRUCTIONS FOR 1030

Annual Return by Insurance Companies (1030)

SPECIAL NOTICE.—This form, properly filled out and executed, must be in the hands of the Collector of Internal Revenue for the district in which is located the principal business office of the corporation making the return, on or before March 1, in case the return is based on the calendar year, or within 60 days after the expiration of the fiscal year in case the return is made on that basis.

For failure to comply with this provision of the law, the amount of the assessment is increased 50 per cent and liability to a specific penalty not exceeding \$10,000 is incurred.

1. Return of annual net income of corporations should be made on forms prescribed by the Treasury Department and should be filed with the Collector of Internal Revenue of the district in which such corporations have their principal places of business.

2. Before transmitting such returns to the collectors they must be verified by two officers of the corporation; that is, by two individuals, each holding a different official title, namely: the President, Vice President, or other principal officer *and* its Treasurer or Assistant Treasurer, or Chief Financial Officer.

3. The affidavit of verification must be made before a Notary Public or some other officer qualified to administer oaths, and the seal of the attesting officer, if such officer is required by law to have a seal, must be impressed on the return in the space reserved for that purpose.

4. Under the provisions of the law, the return must be true and accurate in every respect and must disclose all the income arising, accruing, or received from all sources during the year for which the return is made.

5. If the return is based upon the business transacted during the *calendar year*, it should be filed with the collector *on or before the first day of March* next succeeding such calendar year. If it is made on the basis of business transacted during a fiscal year, or consecutive twelve months period other than the calendar year, duly designated in accordance with the law and the regulations, the return must be filed with the collector *on or before the last day of the 60-day period next following the date designated as the close of the fiscal year*.

6. In case of sickness or absence of an officer required to verify the return, the collector of the district is authorized to extend the time for filing such return not exceeding thirty days from the date when such return is otherwise due. Application for such extension must be made prior to the date when the return is due.

7. The principal place of business as used in the act and in these regulations is held to mean the place or office in which the books of account and other data to be used in preparing the return of annual net income are ordinarily kept.

8. Item No. 1 of the schedule on the reverse side of this form should not include unissued or treasury stock, but only such stock as has actually been issued and for which payment has been received, or in case no stock is issued, there should be reported under this item the amount of capital actually employed in the business and property of the corporation.

In cases wherein the capital stock is issued payable in installments or upon assessment, only so much of the capital as has been actually paid in upon such installments or assessments should be reported under this item.

9. Item No. 2 should include all interest-bearing indebtedness for the payment of which the corporation or its property is bound. In case of banking corporations and like financial institutions, deposits should not be reported as indebtedness under this head.

10. Item No. 3 of the return form (gross income) should include all income derived from the operations and management of the business and properties, together with all actual increases in value by appraisement, adjustment, or otherwise in the value of the assets which have been taken up

Instructions for 1030 cont'd.

on the books as income or credited to profit and loss during the year. In the case of a corporation organized, authorized, or existing under the laws of any foreign country, the gross income to be returned is the gross amount of its income for the year, resulting from business transacted and capital invested within the United States.

11. Item No. 4 (a) should include the total amount of all ordinary and necessary expenses paid out of earnings in the operation of the business and properties of the corporation, etc., exclusive of interest and other payments to be listed under their respective heads on the return forms.

12. Item No. 4(b) should include all rentals or other payments required to be made as a condition to the continued use or possession of the property; that is to say, in cases where interest on a mortgage on property occupied or used by the corporation is paid as a condition to its possession and use, thus becoming in the nature of a rental charge, such interest charge may be included in the deduction under this item. Mortgage indebtedness, assumed or unassumed, on property to which the corporation has taken or is taking title, or in which it has an equity, or in the acquirement of which the mortgage was considered a part of the purchase price, is held to be a debt of the corporation, and interest paid on such indebtedness will be deductible only under Item 6 of the return, and, together with other interest charges, must not exceed the limit fixed by the law for such interest deductions.

13. The amount claimed under Item No. 5(b) for depreciation should be such an amount as measures the loss which the corporation actually sustains during the year in the value of buildings, machinery, and such other property as is subject to depreciation on account of wear and tear, exhaustion, or obsolescence. The amount taken credit for on this account in order to be allowable should be so entered on the books as to constitute and show as a liability against the assets of the corporation. The amount claimed under this item should not cover losses in the value of stocks and bonds. The change in the value of stocks and bonds is properly taken up in the inventories or annual adjustment in the value of such securities and the income or losses indicated by this adjustment may be accounted for accordingly.

14. Where depreciation of physical property is made good by renewals, replacements, repairs, etc., and the expense of such renewals, replacements, repairs, etc., is charged to the general expense account, no deduction for depreciation can be made in the return of annual net income. Where a depreciation reserve is set up, all renewals and replacements must be charged to such reserve and the addition to this reserve each year must be a fair measure of the loss which the corporation sustains by reason of the depreciation of its property.

15. The amount of interest deductible is the amount of interest accrued and paid within the year on its bonded or other indebtedness not exceeding one-half of the sum of its interest-bearing indebtedness and its paid-up capital stock outstanding at the close of the year, or if no capital stock, the amount of interest paid within the year on an amount of indebtedness not exceeding the amount of capital employed in the business at the close of the year; or in case of a corporation, joint stock company, or association, or insurance company organized under the laws of a foreign country, interest so paid on its bonded or other indebtedness to an amount of such bonded or other indebtedness not exceeding the proportion of its paid-up capital stock outstanding at the close of the year, or if no capital stock, the amount of capital employed in the business at the close of the year, which the gross amount of its income for the year from business transacted and capital invested within the United States bears to the gross amount of its income derived from all sources within and without the United States.

All interest deductions must be claimed under Item 6 on the return form.

16. Dividends declared or paid are not deductible from gross income.

17. Dividends received upon the stock of other corporations must be included in gross income and, under the provisions of the law, are not

Instructions for 1030 cont'd.

deductible therefrom in the ascertainment of the net income on which the tax is computed.

18. Interest received upon the obligations of a State or any political subdivision thereof and upon the obligations of the United States or its possessions should be included in gross income, as well as all other interest due and accrued during the period for which return is made.

19. Accrued interest is considered to be interest due and payable, except in the cases of banking or other similar institutions which close their accounts on the basis of the interest earned. In all cases the accrued interest shall be reported on the basis on which the books are closed.

20. Taxes for which credit may be taken in the return are such taxes, actually paid within the year, as are imposed by authority of the United States or of any State or Territory thereof, or by the government of any foreign country, not including taxes paid by a corporation, pursuant to guaranty, on its bonds or the income therefrom and not including those taxes assessed against local benefits. A reserve for taxes as such is not deductible, but only taxes actually paid.

21. Reinsurance (except as provided by Note 23) and return premiums should not be included in either gross income or deductions; as "*net written premiums,*" agreeing with report to States, should be shown.

22. Mutual fire insurance companies which require their members to make premium deposits to provide for losses and expenses need not return as income any portion of the premium deposits returned to their policyholders.

23. Mutual marine insurance companies shall include in their return of gross income the gross premiums collected and received by them, *less reinsurance.* (See Note 21).

24. Mutual marine insurance companies are entitled to deduct from gross income amounts repaid to policyholders on account of premiums previously paid by them and interest paid upon such amounts between the ascertainment thereof and the payment thereof.

25. Life insurance companies need not include as income in any year such portion of any actual premium received from any individual policyholder as shall have been paid back or credited to such individual policyholder, or treated as an abatement of premium of such individual policyholder within such year.

26. Mutual fire insurance companies must return as income such portions of premium deposits as are retained by the companies for purposes other than the payment of losses and expenses and reinsurance reserves.

27. The deduction allowed under the act of August 5, 1909, of amounts received as dividends upon stock of other corporations subject to the tax therein imposed is not allowed under the act of October 3, 1913.

28. In the case of assessment insurance companies, whether domestic or foreign, the actual deposits of sums with the State or Territorial officers pursuant to law, as additions to guarantee or reserve funds shall be treated as being payments required by law to reserve funds.

List No. _____ Class _____
District of _____
Date received _____, 191

THE PENALTY for failure to have this Return in the hands of the Collector of Internal Revenue on or before March 1, or within 60 days after the close of the fiscal year, is a sum not exceeding \$10,000.
(See instructions on other side.)

Assessment List _____, 191
Page _____ Line _____

UNITED STATES INTERNAL REVENUE.

RETURN OF ANNUAL NET INCOME.

(Section 2, Act of Congress approved October 3, 1913.)

PUBLIC SERVICE CORPORATIONS.

RETURN OF NET INCOME received during the {calendar} year ended _____, 191
fiscal

by _____
(Name of corporation, joint stock company, or association.)

the principal place of business of which is located at _____
(Street and No.)

City or Town of _____, in the State of _____

(The "year" as hereinafter used means the calendar year or fiscal year as the case may be.)

1. Total amount of paid-up capital stock outstanding at close of the year, or if no capital stock, the capital employed in the business at the close of the year. \$ _____

2. Total amount of bonded and other indebtedness outstanding at close of year. \$ _____

3. GROSS INCOME (see Note A, and instructions, paragraphs 10, 17, 18, and 19) \$ _____

DEDUCTIONS.

4. (a) Total amount of all the ordinary and necessary expenses paid within the year in the maintenance and operation of the business and properties of the corporation, EXCLUSIVE OF INTEREST PAYMENTS. (See Note B). \$ _____

(b) All rentals or other payments required to be made as a condition to the continued use or possession of the property. (See paragraph 13 on reverse of this form) \$ _____

5. (a) Total amount of losses sustained during the year not compensated by insurance or otherwise. \$ _____

(b) Total amount of depreciation for the year. (See paragraphs 13 and 14). \$ _____

6. (a) Total amount of interest accrued and paid within the year on an amount of bonded or other indebtedness not exceeding one-half of the sum of its interest-bearing indebtedness and its paid-up capital stock outstanding at the close of the year, or if no capital stock, the amount of interest paid within the year on an amount of its indebtedness not exceeding the amount of capital employed in the business at the close of the year. \$ _____

(b) Total amount of interest received upon obligations of a State or political subdivision thereof, and upon the obligations of the United States or its possessions. \$ _____

7. (a) Total taxes paid during the year, imposed under authority of the United States or any State or Territory thereof. \$ _____

(b) Foreign taxes paid. \$ _____

TOTAL DEDUCTIONS \$ _____

8. Net income on which tax at 1 per centum is calculated. \$ _____

STATE OF _____, County of _____, TO WIT:

_____, President, and _____, Treasurer, of

the _____ a corporation, whose return of annual net income is set forth above, being severally duly sworn, each for himself, deposes and says that the foregoing report and the several items therein set forth are, to his best knowledge and belief and from such information as he has been able to obtain, true and correct in each and every particular; that the amount of gross income therein set forth is the full amount of gross income, without any deduction whatsoever, received from all sources by the said corporation during the year stated, and that the net income therein set forth is the full amount upon which the tax at 1 per centum is to be calculated and assessed.

SWORN AND SUBSCRIBED to before me this _____

day of _____, 191 _____, President.



(Official capacity.)

Treasurer.

NOTE A.—Gross income shall consist of the total revenues derived from the operation and management of its business and properties, together with all amounts of income from other sources, including dividends received on stock of other corporations, whether subject to this tax or not, and interest received upon obligations of a State or political subdivision thereof, and upon the obligations of the United States or its possessions, as shown by entries upon its books during the year for which return is made.

NOTE B.—The deductions authorized shall include all expense items under the various heads acknowledged as liabilities by the corporation making the return and entered upon its books during the year. Amounts of income expended in paying dividends on stock, preferred or common, or in making permanent improvements or betterments, etc., or in any way transferred to capital account, should not be deducted in ascertaining annual net income. Interest paid on mortgage indebtedness on real estate occupied or used by a corporation may be deducted under Item 4, if the interest is paid as rental or franchise charge, payment of which is required to be made as a condition to the continued use and possession of the property. The amount so paid and included in Item 4 should be stated separately under Item 4 (b). (See paragraph 12 on reverse of this form.)

List No. _____ Class _____
District of _____
Date received _____, 191

THE PENALTY for failure to have this Return
in the hands of the Collector of Internal
Revenue on or before March 1, or within 60
days after the close of the fiscal year, is a
sum not exceeding \$10,000.
(See instructions on other side.)

Assessment List _____, 191
Page _____ Line _____

UNITED STATES INTERNAL REVENUE.

RETURN OF ANNUAL NET INCOME.
(Section 2, Act of Congress approved October 3, 1913.)

MANUFACTURING CORPORATIONS.

RETURN OF NET INCOME received during the ^{calendar} year ended _____, 191

by _____
the principal place of business of which is located at _____
City or Town of _____, in the State of _____
(The "year" as hereinafter used means the calendar year or fiscal year as the case may be.)

- 1. Total amount of paid-up capital stock outstanding at close of the year, or if no capital stock, the capital employed in the business at the close of the year. \$ _____
- 2. Total amount of bonded and other indebtedness outstanding at close of year. \$ _____
- 3. GROSS INCOME (see Note A, and instructions, paragraphs 10, 17, 18, 19, 22, and 23) \$ _____

DEDUCTIONS.

- 4. (a) Total amount of all the ordinary and necessary expenses paid within the year in the maintenance and operation of the business and properties of the corporation EXCLUSIVE OF INTEREST PAYMENTS (see Note B and paragraph 23) \$ _____
 - (b) All rentals or other payments required to be made as a condition to the continued use or possession of the property (see paragraph 12 on reverse of this form) \$ _____
 - 5. (a) Total amount of losses sustained during the year not compensated by insurance or otherwise \$ _____
 - (b) Total amount of depreciation for the year (see paragraphs 13 and 14) \$ _____
 - 6. (a) Total amount of interest accrued and paid within the year on an amount of bonded or other indebtedness not exceeding one-half of the sum of its interest-bearing indebtedness and its paid-up capital stock outstanding at the close of the year; or if no capital stock, the amount of interest paid within the year on an amount of its indebtedness not exceeding the amount of capital employed in the business at the close of the year \$ _____
 - (b) Total amount of interest received upon the obligations of a State or political subdivision thereof, and upon the obligations of the United States or its possessions \$ _____
 - 7. (a) Total taxes paid during the year, imposed under authority of the United States or any State or Territory thereof \$ _____
 - (b) Foreign taxes paid \$ _____
- TOTAL DEDUCTIONS \$ _____
8. Net income on which tax at 1 per centum is calculated \$ _____

NOTE.—The above blank spaces for figures should show the amount of each respective item. If there is nothing to return as to any item, the word "none" must be written in such blank spaces.

STATE OF _____, County of _____, TO WIT:
_____, President, and _____, Treasurer, of

the _____, a corporation, whose return of annual net income is set forth above, being severally duly sworn, each for himself, depose and say that the foregoing report and the several items therein set forth are, to his best knowledge and belief and from such information as he has been able to obtain, true and correct in each and every particular; that the amount of gross income therein set forth is the full amount of gross income, without any deduction whatsoever, received from all sources by the said corporation during the year stated, and that the net income therein set forth is the full amount upon which the tax at 1 per centum is to be calculated and assessed.

SWORN AND SUBSCRIBED to before me this _____

day of _____, 191 _____ President.

SEAL OF OFFICER TAKING AFFIDAVIT. _____ Treasurer.

(Official capacity.)

NOTE A.—Gross income in the case of a manufacturing corporation shall include the total receipts from all manufactured goods sold during the year, increased or decreased accordingly as there is gain or loss ascertained through an accounting or inventory of the finished and unfinished product, raw material, etc., on hand at the close of the year. To the income thus ascertained there should be added the income received from any and all other sources, including dividends received on stock of other organizations, whether subject to this tax or not, and interest received on the obligations of a State or political subdivision thereof, and interest received on the obligations of the United States or its possessions, the aggregate to be the gross income returned.

NOTE B.—The deductions authorized shall include all expense items under the various heads acknowledged as liabilities by the corporation making the return and entered in its books during the year. "Total amount of all ordinary and necessary expenses," etc., shall include expenditures for material, labor, salaries, wages, fuel, and other expenses incident to the cost of the finished product. Amounts of income expended in paying dividends on stock, preferred or common, or in making permanent improvements and settlements, etc., or in any way transferred to property account, should not be deducted in ascertaining the net income upon which the tax is computed. Interest paid as rental or in lieu of rental is deductible under Item 4 (b). (See paragraph 12 on the reverse of this form.)

List No. _____ Class _____ THE PENALTY for failure to have this Return in the hands of the Collector of Internal Revenue on or before March 1, or within 60 days after the close of the fiscal year, is a sum not exceeding \$10,000. (See instructions on other side.)

District of _____ Assessment List _____ 191

Date received _____ 191 Page _____ Line _____

UNITED STATES INTERNAL REVENUE.

RETURN OF ANNUAL NET INCOME.

(Section 2, Act of Congress approved October 3, 1913.)

MERCANTILE CORPORATIONS.

(Corporations whose principal business is buying and selling.)

RETURN OF NET INCOME received during the {calendar} year ended _____, 191

by _____ (Name of corporation, joint stock company, or association.)

the principal place of business of which is located at _____ (Street and No.)

City or Town of _____ in the State of _____

(The "year" as hereinafter used means the calendar year or fiscal year as the case may be.)

1. Total amount of paid-up capital stock outstanding at close of the year, or if no capital stock, the capital employed in the business at the close of the year. \$ _____

2. Total amount of bonded and other indebtedness outstanding at close of year. \$ _____

3. GROSS INCOME (see Note A, and instructions, paragraphs 10, 17, 18, 19, and 21) \$ _____

DEDUCTIONS.

4. (a) Total amount of all the ordinary and necessary expenses paid within the year in the maintenance and operation of the business and properties of the corporation EXCLUSIVE OF INTEREST PAYMENTS (see Note B) \$ _____

(b) All rentals or other payments required to be made as a condition to the continued use or possession of the property (see paragraph 12 on reverse of this form) \$ _____

5. (a) Total amount of losses sustained during the year not compensated by insurance or otherwise. \$ _____

(b) Total amount of depreciation for the year. \$ _____

6. (a) Total amount of interest accrued and paid within the year on an amount of bonded and other indebtedness not exceeding one-half of the sum of its interest-bearing indebtedness and its paid-up capital stock outstanding at the close of the year; or if no capital stock, the amount of interest paid within the year on an amount of its indebtedness not exceeding the amount of capital employed in the business at the close of the year. \$ _____

(b) Total amount of interest received upon obligations of a State or political subdivision thereof and upon the obligations of the United States or its possessions. \$ _____

7. (a) Total taxes paid during the year, imposed under authority of the United States or any State or Territory thereof \$ _____

(b) Foreign taxes paid \$ _____

TOTAL DEDUCTIONS \$ _____

8. Net income on which tax at 1 per centum is calculated. \$ _____

Note.—The above blank spaces for figures should show the amount of each respective item. If there is nothing to return as to any item, the word "none" must be written in such blank space.

STATE OF _____ County of _____, TO WIT:

_____, President, and _____, Treasurer, of

the _____, a corporation, whose return of annual net income is set forth above, being severally duly sworn, each for himself, deposes and says that the foregoing report and the several items therein set forth are, to his best knowledge and belief, and from such information as he has been able to obtain, true and correct in each and every particular; that the amount of gross income therein set forth is the full amount of gross income, without any deduction whatsoever, received from all sources by the said corporation during the year stated, and that the net income therein set forth is the full amount upon which the tax at 1 per centum is to be calculated and assessed.

SWORN AND SUBSCRIBED to before me this _____

day of _____, 191

_____, President.

SEAL OF OFFICER TAKING AFFIDAVIT.

(Official capacity.)

_____, Treasurer.

NOTE A.—The gross amount of income received during the year from all sources shall, in the case of a mercantile corporation, consist of the total amount ascertained through inventory, or its equivalent, which shows the difference between the price received for goods sold and the cost of goods purchased during the year, with an addition of a charge to the account of the sum of the inventory at beginning of the year and a credit to the account of the sum of the inventory at the end of the year. To this amount should be added all items of income received during the year from other sources, including dividends received on stock of other corporations, joint-stock companies, and associations, whether subject to this tax or not, and interest received upon obligations of a State or political subdivision thereof, and upon the obligations of the United States or its possessions. In determining this amount no account shall be taken of allowances for depreciation or losses, which items shall be taken account of under the proper heading above as a deduction.

NOTE B.—The deductions authorized shall include all expense items under the various heads acknowledged as liabilities by the corporation making the return and entered on its books during the year. Amounts of income expended in paying dividends on stock, preferred or common, or in making permanent improvements or betterments, etc., or in any way transferred to capital account, should not be deducted in ascertaining annual net income. Interest paid on mortgage indebtedness on real estate occupied or used by a corporation may be deducted in Item 4, if the interest is paid as a rental or franchise charge, payment of which is required to be made as a condition to the continued use and possession of the property. The amount so paid, and included in Item 4 should, however, be separately stated under Item 4 (b). (See paragraph 12 on reverse of this form.)

List No. Class E
District of _____
Date received _____ 191

THE PENALTY for failure to have this Return in the hands of the Collector of Internal Revenue on or before March 1, or within 60 days after the close of the fiscal year, is a sum not exceeding \$10,000.
(See instructions on other side.)

Assessment List _____, 191
Page _____ Line _____

UNITED STATES INTERNAL REVENUE.

RETURN OF ANNUAL NET INCOME.

(Section 2, Act of Congress approved October 3, 1913.)

MISCELLANEOUS CORPORATIONS.

RETURN OF NET INCOME received during the ^{calendar} year ended _____, 191
fiscal

by _____
(Name of corporation, joint stock company, or association.)

the principal place of business of which is located at _____
(Street and No.)

City or Town of _____, in the State of _____

(The "year" as hereinafter used means the calendar year or fiscal year as the case may be.)

1. Total amount of paid-up capital stock outstanding at close of the year, or if no capital stock, the capital employed in the business at the close of the year. \$ _____

2. Total amount of bonded and other indebtedness outstanding at close of year \$ _____

3. GROSS INCOME (see Note A, and instructions, paragraphs 10, 17, 18, and 19) \$ _____

DEDUCTIONS.

4. (a) Total amount of all the ordinary and necessary expenses paid within the year in the maintenance and operation of the business and properties of the corporation, EXCLUSIVE OF INTEREST PAYMENTS. (See Note B.) \$ _____

(b) All rentals or other payments required to be made as a condition to the continued use or possession of the property. (See paragraph 13 on reverse of this form) \$ _____

5. (a) Total amount of losses sustained during the year not compensated by insurance or otherwise \$ _____

(b) Total amount of depreciation for the year. (See paragraphs 13 and 14.) \$ _____

6. (a) Total amount of interest accrued and paid within the year on an amount of bonded or other indebtedness not exceeding one-half of the sum of its interest-bearing indebtedness and its paid-up capital stock outstanding at the close of the year, or if no capital stock, the amount of interest paid within the year on an amount of its indebtedness not exceeding the amount of capital employed in the business at the close of the year \$ _____

(b) Total amount of interest received upon obligations of a State or political subdivision thereof, and upon the obligations of the United States or its possessions \$ _____

7. (a) Total taxes paid during the year imposed under authority of the United States or any State or Territory thereof \$ _____

(b) Foreign taxes paid \$ _____

TOTAL DEDUCTIONS \$ _____

8. Net income on which tax at 1 per centum is calculated \$ _____

NOTE.—The above blank spaces for figures should show the amount of each respective item. If there is nothing to return as to any item, the word "none" must be written in such blank spaces.

STATE OF _____, County of _____, TO WIT:

_____, President, and _____, Treasurer, of

the _____, a corporation, whose return of annual net income is set forth above, being severally duly sworn, each for himself, deposes and says that the foregoing report and the several items therein set forth are, to his best knowledge and belief and from such information as he has been able to obtain, true and correct in each and every particular; that the amount of gross income therein set forth is the full amount of gross income, without any deduction whatsoever, received from all sources by the said corporation during the year stated, and that the net income therein set forth is the full amount upon which the tax at 1 per centum is to be calculated and assessed.

SWORN AND SUBSCRIBED to before me this _____

day of _____, 191 _____ President.



Treasurer.

(Official capacity.)

NOTE A.—Gross income shall consist of the total of the gross revenue derived from the operation and management of its business and properties, together with all amounts of income from other sources, including dividends received on stock of other organizations, whether subject to this tax or not, and interest received upon obligations of a State or political subdivision thereof, and upon the obligations of the United States or its possessions, as shown by entries upon its books during the year for which the return is made.

NOTE B.—The deductions authorized shall include all expense items under the various heads acknowledged as liabilities by the corporation making the return and entered on its books during the year. Amounts of income expended in paying dividends on stock, preferred or common, or in making permanent improvements or betterments, etc., or in any way transferred to capital account, are not proper deductions in ascertaining annual net income. Interest paid on mortgage indebtedness on real estate occupied or used by a corporation may be deducted in Item 4, if the interest is paid, as a rental or franchise charge, payment of which is required to be made as a condition to the continued use and possession of the property. The amount so paid and included in Item 4 should be stated separately under Item 4 (b). (See paragraph 13 on reverse of this form.)

INSTRUCTIONS FOR 1031 TO 1035 (INCLUSIVE)

ANNUAL RETURN

Banks and Other Financial Institutions (1031)

Public Service Corporations (1032)

Manufacturing Corporations (1033)

Mercantile Corporations (1034)

Miscellaneous Corporations (1035)

SPECIAL NOTICE.—This form, properly filled out and executed, must be in the hands of the Collector of Internal Revenue for the district in which is located the principal business office of the corporation making the return, on or before March 1, in case the return is based on the calendar year, or within 60 days after the expiration of the fiscal year in case the return is made on that basis.

For failure to comply with this provision of the law, the amount of the assessment is increased 50 per cent and liability to a specific penalty not exceeding \$10,000 is incurred.

1. This return of annual net income should be filed with the Collector of Internal Revenue of the district in which the corporation has its principal place of business.

2. The principal place of business as used in the act and in these regulations is held to mean the place in which the books of account and other data to be used in preparing the return of annual net income are ordinarily kept.

3. Returns must be verified by two officers of the corporation; that is, by two individuals, namely, the president, vice-president, or other principal officer, and treasurer or assistant treasurer, or chief financial officer.

4. The affidavit of verification must be made before a notary public or some other officer qualified to administer oaths, and the seal of the attesting officer, if such officer is required by law to have a seal, must be impressed on the return in the space reserved for that purpose.

5. The return must be true and accurate in every respect and must disclose all the income arising, accruing, or received from all sources during the year for which the return is made.

6. If the return is based upon the *calendar year* it should be filed with the collector *on or before the first day of March* next succeeding such calendar year. If it is made on the basis of business transacted during a fiscal year, duly designated in accordance with the law and the regulations, the return must be filed with the collector *on or before the last day of the 60-day period next following the date designated as the close of the fiscal year.*

7. In case of sickness or absence of an officer required to verify the return, the collector of the district is authorized to extend the time for filing such return not exceeding 30 days from the date when such return is otherwise due. Application for such extension should be made prior to the date when the return is due, or within the thirty-day period for which such extension is desired and can be granted.

8. Item No. 1 of the schedule on the obverse of this form should not include unissued or treasury stock, but only such stock as has actually been issued and for which payment has been received; or, in case no stock is issued, there should be reported under this item the amount of capital actually employed in the business and property of the corporation. In cases wherein the capital stock is issued payable in installments or upon assessment, only so much of the capital as has been actually paid in upon such installments or assessments should be reported under this item.

9. Item No. 2 should include all interest-bearing indebtedness for the payment of which the corporation or its property is bound. In case of banking corporations and like financial institutions, deposits should not be reported as indebtedness under this head.

Instructions for 1031-1035 cont'd.

10. Item No. 3 of the return form (gross income) should include all income derived from the operations and management of the business and properties, together with all actual increases in value by appraisalment, adjustment, or otherwise in the value of the assets which have been taken up on the books as income or credited to profit and loss during the year. In the case of a corporation organized, authorized, or existing under the laws of any foreign country, the gross income to be returned is the gross amount of its income for the year resulting from business transacted and capital invested within the United States.

11. Item No. 4 (a) should include the total amount of all ordinary and necessary expenses paid out of earnings in the maintenance and operation of the business and properties of the corporation, etc., exclusive of interest and other payments to be listed under their respective heads on the return forms.

12. Item No. 4 (b) should include all rentals or other payments required to be made as a condition to the continued use or possession of the property. In cases where interest on a mortgage on property occupied or used by the corporation is paid as a condition to its possession and use, thus becoming in the nature of a rental charge, such interest charge may be included in the deduction under this item. Mortgage indebtedness, assumed or unassumed, on property to which the corporation has taken or is taking title, or in which it has an equity, or in the acquirement of which the mortgage was considered a part of the purchase price, is held to be a debt of the corporation and interest paid on such indebtedness will be deductible only under Item 6 of the return.

13. The amount claimed under Item No. 5 (b) for depreciation should be such an amount as measures the loss which the corporation actually sustains during the year in the value of buildings, machinery, and such other property as is subject to depreciation on account of wear and tear, exhaustion, or obsolescence. The amount taken credit for on this account in order to be allowable should be so entered on the books as to constitute a liability against the assets of the corporation. The amount claimed under this item should not cover losses in the value of stocks and bonds. Decrease in the book value of securities owned, so far as such decrease represents a decline in the actual value of such securities, should be deducted under Item 5 (a) of the return.

14. Where depreciation of physical property is made good by renewals, replacements, repairs, etc., and the expense of such renewals, replacements, repairs, etc., is charged to the general expense account, no deduction for depreciation can be made in the return of annual net income. When a depreciation reserve is set up, all renewals and replacements must be charged to such reserve and the addition to this reserve each year must be a fair measure of the loss which the corporation sustains by reason of the depreciation of its property.

15. The amount of interest deductible is the amount of interest accrued and paid within the year on bonded or other indebtedness not exceeding one-half of the sum of inter-bearing indebtedness and the paid-up capital stock outstanding at the close of the year, or if no capital stock, the amount of interest paid within the year on an amount of indebtedness not exceeding the amount of capital employed in the business at the close of the year; or in case of a corporation, joint stock company or association, or insurance company organized under the laws of a foreign country, interest so paid on its bonded or other indebtedness to an amount of such bonded or other indebtedness not exceeding the proportion of its paid-up capital stock outstanding at the close of the year, or if no capital stock, the amount of capital employed in the business at the close of the year, which the gross amount of its income for the year from business transacted and capital invested within the United States bears to the gross amount of its income derived from all sources within and without the United States. All interest deductions must be claimed under Item 6 on the return form.

16. Dividends declared or paid are not deductible from gross income.

Instructions for 1031-1035 cont'd.

17. *Dividends received upon the stock of other corporations* must be included in gross income and *are not deductible* therefrom in the ascertainment of the net income on which the tax is computed.

18. Interest received upon the obligations of a State or any political subdivision thereof, and upon the obligations of the United States or its possessions, should be included in gross income, as well as all other interest due and accrued during the period for which return is made.

19. Accrued interest is considered to be interest due and payable, except in the cases of banking or other similar institutions which close their accounts on the basis of the interest earned. In all cases the accrued interest shall be reported on the basis on which the books are closed.

20. Taxes deductible in the return are such taxes, actually paid within the year, as are imposed by authority of the United States or of any State or Territory thereof, or by the government of any foreign country, not including taxes paid by a corporation, pursuant to guaranty, on its bonds or the income therefrom and not including those taxes assessed against local benefits. A reserve for taxes, as such, is not deductible.

21. The gross income of mercantile corporations should be ascertained in the following manner: From the sum of the total sales during the year plus the sum of the inventory at the end of the year, deduct the sum of the inventory at the beginning of the year plus the cost of the goods and materials purchased during the year; to this difference add the income received from any other source and the result will be the gross income to be reported under Item No. 3 of the return.

22. Gross income in the case of a manufacturing corporation shall include the total receipts from the sale of all manufactured goods sold during the year plus any increase in the inventoried value ascertained through an accounting of the finished and unfinished product, raw material, etc., on hand at the close of the year.

23. To the income thus ascertained there should be added the income arising, accruing, or received from any and all other sources, the aggregate thus ascertained to be the gross income to be returned under Item No. 3 of the return form. Since the gross income thus ascertained represents the total receipts as well as the inventoried value of finished and unfinished products, raw material, etc., the corporation will include in its deduction under Item No. 4 all expenditures for material, labor, fuel, and other items going to make up the cost of the goods sold or inventoried at the end of the year.

PREFACE.

The accompanying regulations embrace the various administrative features of the law (sec. 2, act of Oct. 3, 1913) imposing a tax on incomes. They contain instructions relative to the preparation of returns, etc., and are designed to assist both the taxpayer and the officers charged with its enforcement in complying with the requirements of this law.

Liberal construction of the law has been given that those charged with withholding the tax at the source may not do so unnecessarily. Withholding agents may forward evidences of non-liability to payment, when such evidences are received by them; to collector for the district in lieu of the tax. This will relieve them of the necessity of withholding such tax.

The regulations are arranged according to general subjects, as follows:

Part 1. Individual income returns and collections.

Part 2. Collections at the source.

A. Bonds, mortgages, deeds of trust, etc.

B. Bonds, mortgages, deeds of trust, etc., by first bank or collection agency where certificates of owners are not filed.

C. Bonds, mortgages, dividends, etc., of foreign corporations.

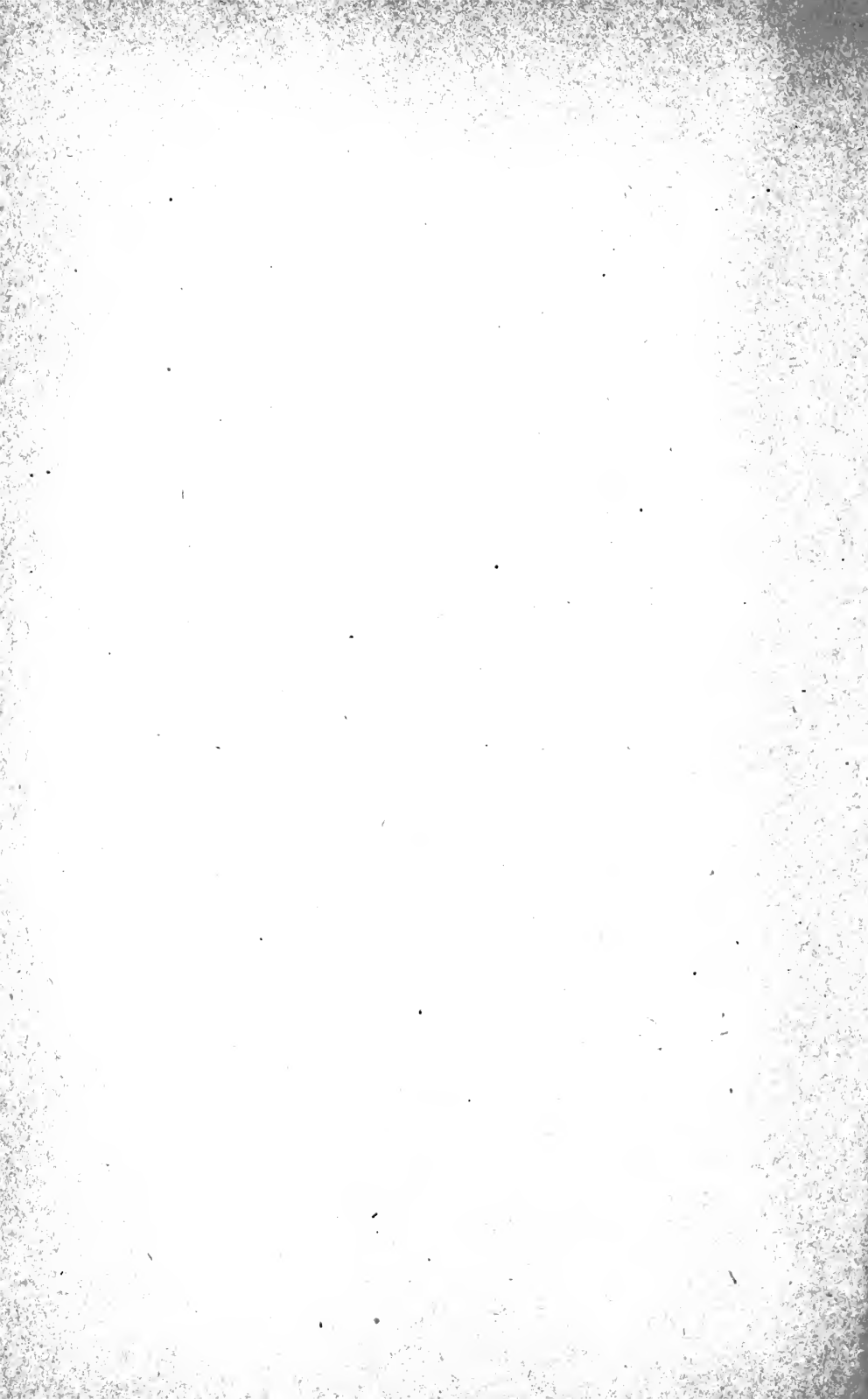
D. Salaries, wages, rent, etc.

E. Fiduciaries.

Part 3. Relative to corporations, joint-stock companies or associations, and insurance companies.

Part 4. Assessment and collection.

All forms of certificates herein provided shall be 8 inches wide and $3\frac{1}{2}$ inches from top to bottom, and printed on paper of substantial weight and texture.



REGULATIONS.

Regulations concerning the tax imposed by Section 2, Act of October 3, 1913, on net income of individuals, Corporations, Joint-stock Companies, Associations, and Insurance Companies.

TREASURY DEPARTMENT,
OFFICE OF COMMISSIONER OF INTERNAL REVENUE,
Washington, D. C., January 5, 1914.

PART 1.

INDIVIDUAL INCOME RETURNS AND COLLECTIONS.

ARTICLE 1. Section 2 of the above-named act imposes a Persons taxable. tax of 1 per centum (designated as the normal tax) on net incomes arising or accruing from ALL SOURCES during the preceding calendar year to—

(a) Every citizen of the United States, whether residing at home or abroad; and

(b) Every person residing in the United States, though not a citizen thereof; and

(c) From all property owned and from every business, trade, or profession carried on in the United States, by a person residing elsewhere.

ART. 2. Said section also imposes an additional tax on Additional or super tax. all net incomes of individuals exceeding \$20,000, as follows:

1 per cent on incomes exceeding \$20,000 and not exceeding \$50,000.

2 per cent on incomes exceeding \$50,000 and not exceeding \$75,000.

3 per cent on incomes exceeding \$75,000 and not exceeding \$100,000.

4 per cent on incomes exceeding \$100,000 and not exceeding \$250,000.

5 per cent on incomes exceeding \$250,000 and not exceeding \$500,000.

6 per cent on incomes exceeding \$500,000.

ART. 3. The NET INCOME shall consist of the total gains, Net defined. profits, and income derived from all sources (designated as income

gross income) less deductions numbered first to sixth, inclusive, specifically enumerated in paragraph B of the act. (See article 6.)

Normal tax:
upon what com-
puted.

In computing the taxable income for the purposes of the *normal tax* there shall be deducted from the net income as above ascertained:

(a) The amount included in the gross income received as dividends upon the stock or from the net earnings of any corporation, joint-stock company, association, or insurance company which is taxable upon its net income;

(b) The amount of income the tax upon which has been paid or withheld for payment at the source; and

(c) The specific exemption of \$3,000 or \$4,000, as the case may be, except in the case of nonresident aliens.

Gross income.
What it includes.

ART. 4. GROSS INCOME includes all gains, profits, and income derived from—

(a) Salaries, wages, or compensation for personal service of whatever kind and in whatever form paid.

(b) Professions, vocations, business (including income from copartnerships), trade, commerce, or sales or dealings in property, growing out of the ownership or use of or interest in, real or personal property.

(c) Interest, rent, dividends, securities, or transaction of any lawful business carried on for gain or profit. (See art. 67 as to interest on deposits and certificates of deposit.)

(d) Gains or profits and income derived from any source whatever, including the *income* from, but not the value of, property acquired by gift, bequest, devise or descent.

The foregoing is held to include all income, gains, and profits arising or accruing from all sources whatever in the calendar year for which the return is made, except as hereinafter specifically stated.

Income exempt
from taxation.

ART. 5. The following items should not be included as gross income:

(a) *Value* of property acquired by gift, bequest, devise, or descent during the year.

(b) Proceeds of life insurance policies paid upon the death of the person insured to beneficiaries, or payments made by or credited to the insured, on life insurance, endowment, or annuity contracts, upon the return thereof to the insured at the maturity of the term mentioned in the contract, but this shall not be construed to mean that interest

payments to beneficiaries from insurance companies shall not be included as income.

(c) Income derived from interest upon the obligations of a State or any political subdivision thereof and upon the obligations of the United States or its possessions.

(d) The compensation of the President of the United States in office at the time of the passage of the act of October 3, 1913, during the term for which he was elected, and the judges of the Supreme and inferior courts of the United States in office at the time of the passage of the act of October 3, 1913;

(e) The compensation of all officers and employees of a State or any political subdivision thereof, including public-school teachers, etc. When such State officers or employees are compensated by the United States, they must include such income as taxable.

ART. 6. *Deductions and exemptions allowed in computing taxable income for the purpose of the normal tax.*

Under *paragraph B* the following items are to be deducted from the GROSS INCOME:

Deductions allowed under paragraph B.

1. The amount of necessary expenses actually paid for carrying on business, but not including business expenses of partnerships and not including personal, living, or family expenses.

2. All interest paid within the year on personal indebtedness of the taxpayer incurred in the conduct of business.

3. All National, State, county, school, and municipal taxes paid within the year (not including those assessed against local benefits).

4. Losses actually sustained during the year incurred in trade or arising from fires, storms, or shipwreck and not compensated for by insurance or otherwise.

5. Debts due to the taxpayer which have been actually ascertained to be worthless and charged off within the year.

6. Amount representing a reasonable allowance for the exhaustion, wear, and tear of property arising out of its use or employment in the business, not to exceed, in the case of mines, 5 per cent of the gross value at the mine of the output for the year for which the computation, is made, *but not including the expense of restoring property or making good the exhaustion thereof, for which an allowance is or has been made*, nor for any amount paid for new buildings, permanent improvements, or betterments, made to increase the value of any property or estate.

"Gross value at the mine" defined.

The term "gross value at the mine" as used in paragraphs B and G of section 2 of the act of October 3, 1913, prescribing a limit to the amount which may be deducted in the return of individuals and corporations as depreciation in the case of mines, is held to mean the bona fide market value of ore, coal, crude oil, and gas at the mine or well, where such value is established by actual sales at the mine or well; and in case the market value of the product of the mine or well is established at some other place than at the mine or well, or on the basis of the bullion or metallic value of the ore, then the gross value at the mine is held to be the value of the ore, coal, oil, or gas sold, or of the metal produced, less transportation, reduction, and smelting charges.

7. The amount included in gross income received as dividends upon the stock, or upon the net earnings, of any corporation, joint-stock company, association, or insurance company which is taxable upon its net income.

8. The amount of income, the normal tax upon which has been paid or withheld for payment at the source of income.

Gifts or donations made during the year not to be deducted.

None of the above items of deduction shall include money or other items of value disposed of by gift, donation, or endowment.

Exemptions allowed under paragraph C.

Under *paragraph C* the personal exemption of \$3,000 or \$4,000, as the case may be, is to be deducted from the net income except in the cases of nonresident aliens. (See arts. 7, 9, and 10.)

Tax computed on the calendar year except for 1913.

ART. 7. The act provides that the said normal tax shall be computed on the remainder of said net income accruing during each preceding calendar year, and that for the year ended December 31, 1913, said tax shall be computed on the net income accruing from March 1 to December 31, both dates inclusive, after deducting five-sixths only of the specific exemptions and deductions authorized. A specific exemption, therefore, of \$2,500 or \$3,333.33, as the case may be, will be allowed for the year 1913.

Income of non-resident aliens subject to the normal tax.

ART. 8. The income of nonresident aliens subject to the normal tax of 1 per cent shall consist of the total gains, profits, and income derived from all property owned, and from every business, trade, or profession carried on and capital invested within the United States (to be designated as gross income), less deductions (1 to 8, inclusive) specifically enumerated in paragraph B of the act (see art. 6), in so far as said deductions relate to said gains, profits, etc.

Exemption under paragraph C not allowed in computing taxable incomes of nonresident aliens.

The specific exemption in paragraph C of the act can not be allowed as a deduction in computing the normal tax of nonresident aliens.

Nonresident aliens; subject to additional or surtax.

Nonresident aliens are subject to additional or surtax the same as prescribed in the case of citizens of the United States or persons residing in the United States.

The responsible heads, agents, or representatives of said nonresident aliens who are in charge of the property owned or business carried on or capital invested shall make full and complete returns of said income and shall pay the tax as provided herein.

ART. 9. Under paragraph C, every single person and every married person not living with husband or wife in the sense below defined, who has a net income exceeding \$3,000 per annum, is liable to pay the normal tax under this law, but in making return for such tax such person may claim an exemption of \$3,000 from his or her total net income.

Specific exemption allowed to single person or married persons living apart.

ART. 10. Husband and wife living together are entitled to an exemption of \$4,000 only from the aggregate net income of both, which may be deducted in making the return of such income for taxation. However, when the husband and wife are separated and living permanently apart from each other each shall be entitled to an exemption of \$3,000.

Specific exemption allowed with respect to aggregate income of husband and wife.

If the husband and wife not living apart have separate estates, the income from both may be made on one return, but the amount of income of each, and the full name and address of both, must be shown in such return.

If husband and wife have separate estates one return may be made showing income of each.

The husband, as the head and legal representative of the household and general custodian of its income, should make and render the return of the aggregate income of himself and wife, and for the purpose of levying the income tax it is assumed that he can ascertain the total amount of said income.

If a wife has a separate estate managed by herself as her own separate property and receives an income of \$3,000 or over, she may make return of her own income, and if the husband has other net income, making the aggregate of both incomes more than \$4,000, the wife's return should be attached to the return of her husband, or his income should be included in her return, in order that a deduction of \$4,000 may be made from the aggregate of both incomes. The tax in such case, however, will be imposed only upon so much of the aggregate income of both as shall exceed \$4,000.

Wife's return of separate estate to be attached to husband's return or husband's income may be included in wife's return.

If either husband or wife separately has an income equal to or in excess of \$3,000, a return of annual net income is required under the law, and such return must include the income of both, and in such case the return must be made

Return required if either husband or wife has an income of \$3,000 or over.

even though the combined income of both be less than \$4,000.

Return required if aggregate income of husband and wife is in excess of \$4,000, although neither may have an income of \$3,000 or over.

If the aggregate net income of both exceeds \$4,000, an annual return of their combined incomes must be made in the manner stated, although neither one separately may have an income of \$3,000 per annum. They are jointly and separately liable for such return and for the payment of the tax.

When status is to be determined.

The single or married status of the person claiming the specific exemption shall be determined as of the time of claiming such exemption if such claim be made within the year for which return is made, otherwise the status at the close of the year.

Interest in partnership profit; how reported.

ART. 11. His or her prorata share of the net profits derived from a partnership business, whether or not divided and paid out shall be included in the personal return of each partner.

Partnerships as such, not liable to tax, but statement may be required.

ART. 12. Partnerships, as such, are not subject to the income tax, and are only required to make return when requested to do so by the Commissioner of Internal Revenue or the collector of internal revenue for the district in which said partnership has its principal place of business; and when a return is required it shall give a complete and correct statement of the gross income of the said partnership and also a complete statement of the actual expenses of conducting the business of said partnership, and the net profits and the name and address of each member of said partnership, and their respective interest in the net profit thus reported.

Partnership profits to be included in returns made by individual partners.

ART. 13. The net annual profits of a partnership when divided and paid to the members thereof shall be included by each individual partner receiving same in his annual return of net income, and the tax shall be paid thereon as required by law. When the annual profits of a partnership are not distributed and paid to the members thereof the respective interest of each member in said profits shall be ascertained, and the individuals entitled thereto shall include the said amount in their annual return as a part of their gross income, the same as if said profits had been distributed and paid to them.

Individual partnership profits.

ART. 14. Undivided annual net profits of partnerships thus returned by the individual members thereof, and tax paid thereon, shall not, when said profits are actually distributed and paid to such members, be again included in their annual return as a part of their gross income.

Partnerships owning interest coupons or registered interest orders may claim deduction for legitimate expenses incurred in business by filing the proper certificate with the withholding agent. (See article 47.)

Partnerships as such, may file certificate claiming deduction.

RETURNS.

ART. 15. Each person of lawful age whose net income is \$3,000 or over shall, on or before the 1st day of March, 1914, and on or before the 1st day of March each year thereafter, file an accurate return of income under oath or affirmation, except as herein provided. (See article 8.)

When returns of annual net income of \$3,000 or over are to be made.

If the person making the return of income has his place of business in the collection district in which he resides, the return shall be filed with the collector of that district. If his principal place of business is elsewhere, the return shall be filed in the district in which that business is located.

Where filed.

In the case of an individual residing in a foreign country return shall be made to the collector of internal revenue for the district where his principal business is carried on within the United States.

ART. 16. The required return will be made on Form 1040 in accordance with the instructions printed thereon, and will specifically set forth—

Form of return.

1. All income received from each specific source and the total thereof.

2. All the separate items of deduction claimed under paragraph B of this law.

3. The amount of specific exemption claimed under paragraph C.

4. All amounts of income upon which tax has been withheld at source by withholding agent or agents.

ART. 17. When by reason of minority, insanity, absence, sickness, or other disability, the individual is unable to make his own return, the same shall be made by his guardian or duly authorized agent.

When return will be made by guardian or duly authorized agent.

In the case of the death of a person whose net income for the part of the year during which he lived was \$3,000 or over, return of net income shall be made by the executor or administrator of the estate of the deceased, and in computing the taxable income of such estate there shall be allowed the specific exemption provided by law.

Executor or administrator to make return in case of death.

ART. 18. When the required return has not been made by a person acting as guardian, agent of a nonresident alien, or by one acting in any other capacity in which the law

Notice of failure to file return to be served on guardian or agent.

makes it a duty for him to represent the individual, notice of failure to make such return will be served upon such guardian or agent.

Evidence may be filed showing nonliability to make return.

The person upon whom such notice is served may, however, when the facts warrant, file evidence with the collector showing that the individual for whom he acts did not receive an income subject to tax during the year, or that the said guardian or agent had filed the return with some other collector.

Returns not required of persons for whom full returns have been made by others.

ART. 19. Any individual whose net income is less than \$20,000, for whom full return has been made by others as withholding agents, shall not be required to make a return.

Returns to be prepared by collector in certain cases.

ART. 20. If any person liable to pay an income tax for himself or others shall fail to make and deliver the return required by law, but shall consent to disclose the particulars of any business or occupation liable to pay such tax, it shall be the duty of the collector or deputy collector to make such list or return, which being distinctly read and consented to, signed, and verified by oath or affirmation by the person liable to make such return, the same may be received as the list or return of such person.

Refusal or neglect to make return.

ART. 21. In case any person liable to make return shall neglect or refuse to make or render a list or return, or shall render a wilfully false or fraudulent return, it shall be the duty of the collector, after due notice has been given, to make such list, according to the best information he can obtain by the examination of such person, or any other evidence.*

Penalty for failure to make return or for making false return.

When duly certified by the collector, the said list thus prepared shall be the return of said person and the tax so ascertained to be due, together with the 50 per cent or 100 per cent penalty incurred, shall be assessed and collected.

Returns to be verified by oath or affirmation.

ART. 22. The annual return must be verified by oath or affirmation of the person making the same. Collectors are directed by law to require every return to be so verified by the person rendering it. The affidavit may be made before the collector for the district or before any officer authorized by law to administer oaths.

*For method of procedure in such cases, see sects. 3173 and 3176, Rev. Stat., and also Form 1045, the form of notice to be given in such cases.

ART. 23. When the return is not filed within the required time by reason of sickness or absence of the individual, an extension of time, not exceeding 30 days from March 1, within which to file such return may be granted by the collector, provided a written application therefor is made by the individual within the period for which such extension is desired.

Extension of time to file return may be granted.

ART. 24. The annual returns will be forwarded by collectors by registered mail to the Commissioner of Internal Revenue with the list for the month in which the returns are filed. Collectors must provide that said returns and all forms relating thereto are securely sealed in envelopes or packages before forwarding the same.

Returns to be forwarded to Commissioner of Internal Revenue by registered mail.

ART. 25. All assessments shall be made by the Commissioner of Internal Revenue, and all persons shall be notified of the amount for which they are respectively liable on or before the 1st day of June of each successive year, and said assessments shall be paid on or before the 30th day of June, except in cases of refusal or neglect to make such return and in cases of false or fraudulent returns, in which cases the Commissioner of Internal Revenue shall, upon the discovery thereof, at any time within three years after said return is due, make a return upon information obtained, as provided by the law, and the assessment made by the Commissioner of Internal Revenue thereon shall be paid by such person or persons immediately upon notification of the amount of such assessment.

Assessments; notification of; when to be paid

To any sum or sums due and unpaid after the 30th day of June in any year, and for 10 days after notice and demand thereof by the collector, there shall be added the sum of 5 per cent on the amount of tax unpaid, and interest at the rate of 1 per cent per month upon said tax from the time the same became due, except from the estates of insane, deceased, or insolvent persons.

Penalty for failure to pay tax.

ART. 26. If any person, corporation, joint-stock company, association, or insurance company liable to make returns or pay tax shall refuse or neglect to make returns at the time or times specified in each year, such person shall be liable to a penalty of not less than \$20 nor more than \$1,000.

Penalties for failure to make returns.

Any person or any officer of any corporation required by law to make, render, sign, or verify any return who makes any false or fraudulent return or statement with intent to

Penalties for making false or fraudulent returns.

defeat or evade the assesment required by law to be made shall be guilty of a misdemeanor, and shall be fined not exceeding \$2,000 or be imprisoned not exceeding one year, or both, at the discretion of the court, with the costs of prosecution.

ART. 27. Nothing in the law or these regulations shall be construed to release a taxable person from liability for income tax, nor shall any contract entered into after the act of October 3, 1913, took effect be valid in regard to any Federal income tax imposed upon a person liable to such payment.

ART. 28. For regulations relative to the claiming of exemptions and deductions on income, the tax on which is to be deducted and withheld at the source, see article 33.

PART 2.

COLLECTIONS AT THE SOURCE.

ART. 29. The deductions and payment of the tax at the source of income applies only to the normal tax imposed upon individuals and shall not be construed to require any of such tax to be withheld prior to the 1st day of November, 1913.

Collections at source applies only to the normal tax imposed upon individuals. Collection at source not operative until Nov. 1, 1913.

ART. 30. Paragraph E of section 2 of the act provides that—

Persons, firms, etc., required to withhold tax at the source.

All persons, firms, copartnerships, companies, corporations, joint-stock companies or associations, and insurance companies, in whatever capacity acting, including lessees or mortgagors, of real or personal property, trustees acting in any trust capacity, executors, administrators, agents, receivers, conservators, employers, and all officers and employees of the United States having the control, receipt, custody, disposal, or payment of interest, rent, salaries, wages, premiums, annuities, compensation, remuneration, emoluments, or other fixed or determinable annual gains, profits, and income of another person, exceeding \$3,000 for any taxable year, other than dividends on capital stock, or from the net earnings of corporations and joint-stock companies or associations subject to like tax, who are required to make and render a return in behalf of another, as provided herein, to the collector of his, her, or its district, are hereby authorized and required to deduct and withhold from such annual gains, profits, and income such sum as will be sufficient to pay the normal tax imposed thereon by this section, and shall pay to the officer of the United States Government authorized to receive the same; and they are each hereby made personally liable for such tax.

ART. 31. All persons, firms, etc., mentioned in the above-quoted paragraph are referred to in these regulations as "debtors" or "withholding agents," and the word "source" is to apply to the place where the income originated and is payable.

Withholding agents.

ART. 32. The INCOME from which the normal tax of 1 per cent is to be WITHHELD by withholding agents includes all items of income exceeding in the aggregate \$3,000 and payable to any one person during the year, except:

Income as to which tax is to be withheld.

(a) Dividends on capital stock or from the net earnings of corporations and joint-stock companies or associations and insurance companies subject to like tax.

(b) Income of an individual which is not fixed or certain and not payable at stated periods, or is indefinite or irregular as to amount or time of accrual, shall not be withheld at the source, but *shall be listed in the annual return of the individual*, and the tax shall be paid thereon by him.

Incomes derived from the following professions and vocations come under this head: Agents compensated on the commission basis, lawyers, doctors, authors, inventors, and other professional persons whose income is irregular and indefinite.

Special fees and annual retainers.

Such persons shall make personal return of all their income, provided their total net income from all sources is \$3,000 or over. For example: When a lawyer receives a retainer of \$5,000 as a special fee, a deduction therefrom shall not be made by the payer; but when a lawyer receives a retainer of \$5,000 per annum, and the exemption claimed is \$3,000, \$2,000 of such income would be taxed and the tax retained at the source; or if his exemption claimed should be \$4,000, \$1,000 of such income would be taxed and the tax thereon withheld at the source.

(c) Items listed in article 5, which are wholly exempt from tax.

Exemptions under paragraph C. Certificate to be filed with withholding agent.

ART. 33. (a) In all cases where the income tax of a person is withheld and deducted and paid or to be paid at the source, such person shall *not* receive the benefit of the deduction and exemption allowed in paragraph C (see arts. 9 and 10) except by an application to the collector for refund of the tax *unless* he shall, *not less than 30 days prior to the day on which the return of his income is due*, file with the person who is required to withhold and pay tax for him, a certificate claiming the benefit of such exemption, and thereupon no tax shall be withheld upon the amount of such exemption. If any person for the purpose of obtaining any allowance or reduction by virtue of a claim for such exemption, either for himself or for any other person, knowingly makes any false statement or false or fraudulent representation, he shall be liable to a penalty of \$300.

Penalty for making false representations to obtain exemption.

Deductions under paragraph B. Form 1008 to be filed with withholding agent or collector.

(b) Nor shall any person under the foregoing conditions be allowed the benefit of any deduction provided for in subsection B (see art. 6, 1 to 6) unless he shall, not less than 30 days prior to the day on which the return of his income is due, either file with the person who is required

to withhold and pay tax for him a true and correct return (on Form 1008) of his annual gains, profits, and income from all other sources, and also the deductions asked for, and the showing thus made shall then become a part of the return to be made in his behalf by the person required to withhold and pay the tax and the debtor or withholding agent will only withhold the tax on the payments made in excess of the deductions claimed on said form. Or such person may likewise make application for deductions to the collector of the district in which return is made or to be made for him.

If such person is a minor or an insane person, or is absent from the United States, or is unable owing to serious illness to make the return and application above provided for, the return and application may be made for him or her by the person required to withhold and pay the tax, he making oath on certificate (Form 1009) under the penalties of this act that he has sufficient knowledge of the affairs and property of his beneficiary to enable him to make a full and complete return for him or her, and that the return and application made by him are full and complete.

Certificate filed on behalf of minors or insane persons.

(c) When, however, claims for exemption and deductions as above described are not filed within the prescribed time, the tax collected in excess can be remitted only on presentation of a claim for refund under the provisions of section 3220, Revised Statutes, said claims to be made either by the withholding agent against whom the assessment was made, or by the person on account of whom such taxes were withheld.

Claims for refund.

Claims for abatement of taxes erroneously assessed, or which are excessive in amount, may, prior to collection thereof, be filed under the provisions of said section 3220, Revised Statutes, either by the withholding agent against whom the assessment was made, or by the persons on account of whom such taxes were withheld.

Claims for abatement.

In the monthly list returns as now prescribed a space is provided to show the amount of taxes which the withholding agent may remit to the collector when such returns are filed. The withholding agents will not, however, forward to the collector amounts withheld by him until notices of assessment are received from the collector.

Taxes withheld not to be forwarded to collector until notices of assessment have been received.

Claims for *exemption* and *deductions* may be filed with the withholding agent and claims for *deductions* may be

filed with the collector, *not later than 30 days prior to March 1.*

Withholding agents to be furnished statement of deductions claimed through collector of dis-

In cases where claims for deductions are filed with the collector within the time prescribed, the collector will immediately furnish the withholding agent (whose name and address must be shown on Form 1008) with a statement of the amount of deductions claimed, and said withholding agent shall not withhold and pay the normal tax to the extent of the deductions claimed as per said list.

Withholding agents should not file their annual returns until after the expiration of the time allowed persons to file claims for exemptions and deductions and if claims for deductions are filed with the collector in the required time, yet not in sufficient time to have the adjustment made by the withholding agent, the collector will make the adjustment on the withholding agent's return and in reporting such withholding agent for assessment will make allowance for the amount of such deductions claimed. Notice of such adjustment, however, must be furnished the withholding agent.

Tax withheld by one collector of district to be paid to collector of district.

ART. 34. The normal tax of 1 per cent shall be deducted and withheld *at the source*, and payment made to the collector of internal revenue as provided in the law, by the debtor, or his, her, or its duly appointed agent authorized to make such deduction and payment.

Tax withheld by one agent not to be again withheld by another agent.

No other person, firm, or organization, in whatever capacity acting, having the receipt, custody, or disposal of any income, as herein provided, shall be required to again deduct and withhold the normal tax of 1 per cent thereon, provided that any such person, firm, or organization other than the debtor who has withheld said tax, shall file with the collector of internal revenue for his, her, or its district, a certificate (Form 1006) showing from whom and in what amount the tax has been so withheld.

Returns to be made to collector of internal revenue.

ART. 35. Withholding agents who are required to make monthly returns will, on or before the 20th day of each month, file with the collector for their respective districts such *returns* for the preceding month, accompanied by all certificates relating thereto, and there shall also accompany said returns all certificates claiming exemptions and deductions which are not required to be listed thereon; and on or before the 1st day of March in each year said withholding agents shall likewise file their *annual returns* for the preceding calendar year. Annual returns (Forms 1041 and

1042) must be accompanied by all certificates claiming exemptions and deductions relating thereto.

ART. 36. For regulations as to assessment and collection of taxes from withholding agents, see article 25 and "Assessments and collections," Part 4.

A.

Income derived from interest upon bonds and mortgages or deeds of trust or other similar obligations of corporations, etc.

ART. 37. Under the law a tax of 1 per cent, designated as the normal tax, shall be deducted at "the source," beginning November 1, 1913, from all income accruing and payable to any person subject to such tax which may be derived from interest upon bonds and mortgages, or deeds of trust, or other similar obligations, including equipment trust agreements and receivers' certificates of corporations, joint-stock companies or associations, and insurance companies, although such interest does not amount to \$3,000.

Tax on income derived from interest on bonds, etc., to be deducted.

Income derived from the interest upon the obligations of a State, county, city, or any other political subdivision thereof, and upon the obligations of the United States or its possessions, is not subject to the income tax, and certificates of ownership in connection with coupons or registered interest orders for such interest will not be required.

Interest on State and Government obligations exempt. Term "debtor"

ART. 38. The term "debtor," as hereinafter used, shall apply to all corporations, joint-stock companies or associations, and insurance companies; and such "debtor" may appoint a withholding and paying agents to act for it in matters pertaining to the collection of this tax, upon filing with the collector of internal revenue for the district a proper notice of the appointment of such agent or agents. Where such withholding agent is so authorized by the debtor corporation, he may file with the collector of his district the required returns and accompanying certificates (arts. 50 and 51), in which case the assessment of the tax withheld by him will be made in that district. Unless such authority is given, such reports, etc., will be furnished by the debtor corporation to the collector of its district (i. e., the district in which its principal financial or business office is located), where, in such case, assessment will be made.

to apply to all corporations, etc., and to duly appointed withholding and paying agents.

Tax to be deducted and withheld by debtor corporation.

Banks and individuals taking interest coupons for collection.

Certificates of ownership to accompany interest coupons for collection.

ART. 39. For the purpose of collecting the tax on all coupons and registered interest originating or payable in the United States; the source shall be the debtor (or its withholding and paying agent in the United States), who shall deduct the tax when same is to be withheld, and no other bank, trust company, banking firm, or individual taking coupons or interest orders for collection, or otherwise, shall withhold the tax thereon, where such coupons or orders for registered interest are accompanied by certificates of ownership signed by the owners of the bonds upon which the interest matured. These certificates shall be made on the prescribed forms and shall be made out by each owner of bonds for the coupons or interest orders for each separate issue of bonds or obligations of each debtor. (See arts. 43 and 46.)

Substitute certificates, when permitted.

ART. 40. Responsible banks, bankers, and collecting agents receiving coupons for collection with the aforesaid certificates of ownership attached, may present the coupons with the attached certificates to the debtor or withholding agent for collection, or such certificates may be detached and forwarded direct to the Commissioner of Internal Revenue, provided such bank, banker, or collecting agent shall substitute for such certificates its own certificate, and shall keep a complete record of each transaction, showing—

Record to be kept by collecting agent.

1. Serial number of item received.
2. Date received.
3. Name and address of person from whom received.
4. Name of debtor corporation.
5. Class of bonds from which coupons were cut.
6. Face amount of coupons.
7. Exemptions from tax claimed by owner under paragraph C.

Privilege of substituting certificates extended to foreign countries.

For the purpose of identification, such substitute certificates should be numbered consecutively, and corresponding numbers given the original certificates of ownership.

The permission here granted will extend to responsible banks, bankers, and collecting agents in foreign countries, through whom collection of such interest coupons is made.

The various substitute certificates hereby authorized will correspond with the form numbers of the ownership certificates detached by the collecting agent, except that the substitute certificates' form numbers will be followed by the letter "a."

ART. 41. A debtor whose bonds may be registered, both as to principal or interest, shall deduct the normal tax of 1 per cent from the accruing interest on all bonds before sending out checks for said interest to registered owners or before paying such interest upon interest orders signed by the registered holders of said bonds unless there shall be filed with said debtor or its fiscal agent (not later than 30 days prior to March 1), through whom said interest is customarily paid, the proper certificates claiming exemption from liability for said tax as herein provided, executed—

Normal tax to be deducted before payment of interest.

By a citizen or resident of the United States, the bona fide owner of the registered obligations, who may claim exemption under paragraph C, section 2, of the income tax law, or

Claims for exemption from tax, by whom same may be filed.

By corporations, joint-stock companies, associations, or insurance companies organized in the United States, or organizations, associations, fraternities, etc., which are either taxable or exempt from taxation, as provided in paragraph G, subdivision (a), of the act, or

By a bona fide resident and citizen of a foreign country, claiming exemption as such.

ART. 42. If the owners of the bonds are individuals who are citizens or residents of the United States, the aforesaid certificates shall accompany the coupons, or, with respect to the interest on registered bonds, shall be filed with payer of said interest, and such certificates shall describe the bonds and show the amount of coupons attached or the amount of interest due such owners on registered bonds and the name and address of the owners, and if registered in names other than the owners such names with addresses shall also be given. Such certificates shall also show whether the claimants do or do not then claim exemption from taxation at the source, under paragraph C, articles 9 and 10 (\$3,000, and under certain conditions \$4,000), as to the income represented by such coupons or interest. The certificates will be prepared on Form 1000 and must show the amount, if any, of exemption claimed, the total amount of exemption to which the claimant is entitled and must be signed by the

Certificates of ownership to specify bonds and amount of interest due.

Claim for exemption under paragraph C.

claimants, who shall use their ordinary business signatures. The certificates shall also show the postoffice and street address of the claimants, the internal-revenue district, and the date when signed.

Certificates may be signed by duly authorized agents, etc.

Certificates to be verified by withholding agents.

ART. 43. Duly authorized agents may sign such certificates for the persons for whom they act, and withholding agents, banks, or others, with whom such certificates are filed, if satisfied as to the identity and responsibility of the persons so signing, shall stamp or write on the face of each such certificate "Satisfied as to identity and responsibility of agent," giving name and address of person thus certifying. Certificates so verified may be accepted by all other persons, firms, or organizations to whom presented, without question as to authority of such agent. If the person, firm, or organization first receiving such certificate is not satisfied as to the agent's identity and responsibility, then, in that event, the agent shall furnish evidence of his authority to so act, which will be retained by the person, firm, or organization receiving it, and the certificate of ownership shall be indorsed as above provided.

Tax to be deducted before payment of interest.

ART. 44. Whenever interest coupons, accompanied by a certificate of an individual who is a citizen or resident of the United States, are presented to a debtor or its withholding agent for payment, or whenever interest is payable to such individual on a bond registered as to both principal and interest, the debtor or its withholding agents shall deduct and withhold the amount of the normal tax, except to the extent that exemption is claimed in the certificate of ownership (Form 1000).

Where the interest to be paid is registered, the same form of certificate shall be used where exemptions are claimed, and it shall be filed with the debtor at least five days before the due date of such interest.

Tax on interest payable to certain corporations, etc., not to be deducted.

ART. 45. If the owners of the bonds are corporations, joint-stock companies, associations, or insurance companies organized in the United States, no matter how created or organized, or organizations, associations, fraternities, etc., which are either taxable or exempt from taxation as provided in paragraph G, subdivision (a) of the act, the debtor is not required to withhold or deduct the tax upon income derived from interest on such bonds, provided coupons or orders for interest from such bonds shall be accompanied by a certificate of the owners thereof certifying to such ownership, which certificates shall be filed with the debtor when such coupons or interest orders are presented for payment.

Such certificate will be made on Form 1001, and must be signed in the name of the organization (stating its place of

business) by the president, secretary, or some other principal officer of the said corporation or organization duly authorized to sign same, and must be properly dated.

Certificates of corporations claiming exemption.

ART. 46. Coupons, or orders for registered interest, payable in the United States, representing the interest on bonds owned by nonresident aliens, must be accompanied by the prescribed certificate (Form 1004), but this certificate may be signed either by the owner or, in behalf of the owner, by a reputable bank or bankers or other responsible collecting agency, certifying to the ownership of the bonds and giving the name and address of the bona fide nonresident and alien owners, and when such certificate is thus attached the normal tax of 1 per cent on such coupons or interest orders need not be withheld at the source by the debtor or collecting agency. Unless such proof of foreign ownership is furnished, the normal tax of 1 per cent should be deducted.

Certificates of nonresident aliens.

Foreign organizations engaged in business within the United States are subject to the normal tax of 1 per cent per annum upon the amount of net income accruing from business transacted and capital invested within the United States; but said organizations shall be exempt from having any part of their income withheld by a debtor or withholding agent, and claim for such exemption will be made on Form 1018.

ART. 47. Inasmuch as individual members of a partnership are liable for income tax upon their respective interest in the net earnings of such partnership, the partnership may file with the withholding agent a notice signed in the name of the partnership, by a member thereof, claiming a deduction of a specific amount on account of the legitimate expense incurred in conducting the business of said partnership; and upon receipt of said notice said withholding agent shall not withhold, and shall not be held liable for, the normal tax on the amount of income equal to the amount of deduction claimed in said notice; but in no event shall the total of the amounts claimed, as provided herein, be in excess of the total amount of the actual legitimate annual expenses incurred by said partnership in the conduct of its business. Application for such deduction shall be made on Form 1011.

Certificates filed by partnership, showing interest of individual in partnership profits, etc.

Foreign partnerships, certificate of ownership may be filed by.

ART. 48. Foreign partnerships or firms, all the members of which are both citizens, or subjects, and residents of a foreign country, which are the owners of bonds and mortgages or deeds of trust or other similar obligations, including equipment trust agreements, receivers' certificates, and stocks of corporations, joint-stock companies or associations and insurance companies, organized or doing business in the United States, may file with the debtor or withholding agent, with their coupons or orders for registered interest, or orders for other income derived from property or investments in the United States, a certificate and notice of ownership (Form 1016) setting forth the above facts; and the debtor or withholding agent shall not withhold any part of said income.

Foreign partnership, composed of nonresident foreigners and citizens of United States.

ART. 49. Where a foreign partnership or firm is composed of both nonresident foreigners and citizens of the United States, or foreigners residing in the United States or its possessions, the certificate of ownership shall show this fact, and the name and legal address of each member of said partnership who is a citizen of the United States, or who is a foreigner residing in the United States or its possessions, shall be given on the back of said certificate, and no part of said income shall be withheld. The said certificate and notice of ownership in either case above provided shall be on Form 1014.

Monthly list return.

ART. 50. Withholding agents are required to file in duplicate a monthly list return (Form 1012) giving a list of all coupon or interest payments made on which the normal tax of 1 per cent was deducted and withheld from interest payments made upon bonds or other similar obligations, and shall show the name and address in full of the owners of the bonds, amount of the income, amount of exemption claimed, amount of income on which withholding agent is liable for tax, and the amount of tax withheld.

Forms 1012a, 1012b, and 1012c are to be used where Form 1012 does not afford sufficient space in which to enter all items.

Summary of monthly lists may be used.

Form 1012d, when necessary to be used, shall be made in duplicate and shall be a summary of the monthly list return, Form 1012, as made in detail by the withholding agent, and the said summary and lists thereto attached

when properly filled in and the summary signed and sworn to shall constitute the complete monthly list return of the withholding agent making same as fully as if each list attached to the summary was signed and sworn to separately.

An annual list return (Form 1013) in duplicate is also required to be made by debtors or withholding agents of the normal tax of 1 per cent withheld from interest payments made upon bonds or other similar obligations, and it shall be filed on or before March 1 of each calendar year.

ART. 51. The monthly list return in the form as required herein shall constitute a part of the annual list return to be made by debtors or withholding agents, and the debtor or withholding agent will not be required, in making an annual list return of the tax withheld from income derived from interest upon bonds and mortgages or deeds of trust, or other similar obligations of corporations, joint-stock companies, or associations and insurance companies, to again make an itemized list of the amount of tax withheld from each person, but will give in the annual list return the totals of the monthly list return for each month of the year for which annual list return is made.

Monthly list
to constitute a
part of the annual
list return.

All substitute certificates of collecting agents, authorized by regulations, that are received by debtors or withholding agents will be considered the same as certificates of owners, and in entering same in making monthly list returns debtors or withholding agents will enter the name and address of the collecting agent and the number of the substitute certificate issued in lieu of the original certificate containing the name and address of the owner of the bonds. Until the further ruling on this subject by this department no list return is required to be made of certificates of ownership accompanying coupons or registered interest orders filed with a debtor or withholding agent *when the owners of the bonds are not subject to having the normal tax withheld at the source*, but all such certificates of ownership shall be forwarded by the debtor or withholding agent to the collector of internal revenue for the district, on or before the 20th day of the month succeeding that in which said certificates of ownership were received.

Certificates to
be forwarded to
collector.

B.

Income derived from interest upon bonds, mortgages, etc., paid by first bank or collecting agency when certificates of owners are not filed.

Interest coupons or orders, not accompanied by certificate.

ART. 52. Where the coupons or interest orders are not accompanied by certificates as heretofore prescribed, the first bank, trust company, banking firm, or individual, or collecting agency receiving the coupons or interest orders for collection, or otherwise, shall deduct and withhold the tax and shall attach to such coupons or interest orders its own certificate (Form 1002), giving the name and address of the owner of, or the person presenting such coupons or interest orders if the owner is not known, with a description of the coupons or interest orders; also setting forth the fact that they are withholding the tax upon them; whereupon the debtor shall not again withhold the tax on said coupons or interest orders, but in lieu thereof shall deliver to the Collector of Internal Revenue the certificate of such bank, trust company, etc., which is withholding such tax money.

Identity of persons presenting interest coupons to be established.

Any corporation, collecting agency, or person first receiving from the owner any interest coupons or orders for the collection of registered interest should require the persons tendering such coupons or orders for registered interest to satisfactorily establish their identity.

Monthly and annual list returns.

ART. 53. Withholding agents receiving coupons or interest orders not accompanied by certificates of owners are required to file monthly and annual list returns in duplicate.

The required monthly list return (Form 1044) shall give a list of all coupon or interest payments made on which the normal tax of 1 per cent was deducted and withheld and shall show the name and address in full of the owner of, or the person presenting such coupons or interest orders, if the owner is not known, amount of the income subject to tax and the amount of tax withheld.

An annual list return (Form 1044a) is also required to be made by such withholding agents, showing the amount of tax withheld during the preceding year on income of this character. This return must be filed on or before the 1st day of March of each calendar year.

The monthly list returns in the form as required herein shall constitute a part of the annual list return to be made, and the withholding agent will not be required, in making

an annual list return of the tax thus withheld, to again make an itemized list of the amount of tax withheld from each person, but will give in the annual list return the totals of the monthly list returns for the year for which annual list return is made.

C.

Income derived from coupons, checks or bills of exchange on foreign bonds, mortgages, dividends, etc.

ART. 54. All persons, firms, or corporations undertaking for accommodation or profit (this includes handling either by way of purchase or collection) the collection of coupons, checks, bills of exchange, etc., for or in payment of interest upon bonds issued in foreign countries, and upon foreign mortgages or like obligations, and for any dividends upon stock or interest upon obligations of foreign corporations, associations, or insurance companies engaged in business in foreign countries, are required by law to obtain a license from the Commissioner of Internal Revenue.

Collection of coupons, checks, bills of exchange, etc.

License to be obtained from Commissioner of Internal Revenue.

ART. 55. Applications for such license (Form 1017) will be made to the collector for the district in which such business is to be carried on. Upon the acceptance of such application the collector will issue to the applicant without cost a license (Form 1010) which will continue in force until revoked or canceled. Blank forms of such license, bearing the fac simile signature of the Commissioner of Internal Revenue, will be furnished collectors on requisition, who will in all cases countersign the same before issuing it to applicant. Failure to obtain a license or to comply with regulations is punishable by a fine not exceeding \$5,000 or imprisonment not exceeding one year, or both, in the discretion of the court.

Application for license to be made to collector of district.

Penalty for failure to obtain license.

ART. 56. Where the collector is not sufficiently informed as to the entire responsibility of the applicant, or where in any case he deems it advisable, the Commissioner of Internal Revenue may upon the recommendation of the collector require of the applicant a bond, in duplicate, with satisfactory sureties, in a penal sum at least equal to the estimated amount of tax to be withheld by such applicant during any one year. A form of bond to be given in such cases will be furnished collectors on application for the same. Where licenses are issued without bond, the collector will each year inquire into and satisfy himself of the financial responsibility of the licensee.

Bond may be required in certain cases.

License to be obtained for branch offices.

ART. 57. When any person, firm or corporation shall have branch offices and desire to collect foreign interest or dividend income through said branch offices, the application for license or licenses shall be made by the person, firm, or corporation through its principal office for its branch office or offices. Application for licenses in such cases shall be made to the collector of internal revenue for the district in which the home office is located. The names and addresses of the branch offices shall be furnished to the collector in the application of the said principal, and if the requirements of the foregoing regulations have been complied with to the satisfaction of the collector, he shall certify this fact to the collector of internal revenue for the district in which the branch office is located, and the collector to whom this certification is made shall issue to such branch office a license, as in the case provided in article 55.

Application for license to be certified to collector of district in which branch offices are located.

Normal tax on interest collected to be withheld by agent.

ART. 58. The licensed person, firm, or corporation first receiving any such foreign items for collection or otherwise, shall withhold therefrom the normal tax of 1 per cent, and will be held responsible therefor. Such licensee shall indorse or stamp on each such coupon, check, or bill of exchange, when practicable, the words "Income tax withheld by" (giving his or their name, address, and date), which shall be sufficient evidence to relieve subsequent holders or purchasers from the duty of also withholding the income tax.

Statement as to tax withheld to be indorsed or appended to coupons, checks, etc.

Licensee to furnish collector of district with list of taxes deducted, etc.

If the size or nature of such coupons, checks, etc., makes it impracticable to make said indorsement thereon, a statement identifying the item on which tax is withheld and bearing said indorsement may be attached thereto with the same effect as if the indorsement was made directly thereon.

ART. 59. Such licensee shall obtain the names and addresses of the persons from whom such items are received and shall prepare a list of same in duplicate (on Form 1043) and file it with the collector of internal revenue for his district not later than the 20th day of the month next succeeding the month in which such items were paid. The list shall be dated, and shall contain the names and addresses of the taxable persons, the character and amount of income, amount of exemption claimed, amount of income on which withholding agent is liable for tax, and the amount of tax withheld. In addition to the monthly lists the licensee will, on or before the 1st day of March in each year, file with the col-

lector in duplicate a return (Form 1043a), showing the amount of income paid and the amount of tax withheld by him during the preceding year and such other information as the form prescribes.

The monthly list return in the form as required herein shall constitute a part of the annual list return to be made by the licensee as withholding agent, and he will not be required, in making an annual list return of the tax withheld from income described in article 54, to again make an itemized list of the amount of tax withheld from each person, but will give in the annual list return the totals of the monthly list return for each month of the year for which annual list return is made.

ART. 60. In the event such coupons, checks, or bills of exchange above mentioned are presented for collection by an individual claiming the benefit of the exemptions allowable under paragraph C (arts. 9 and 10), such individual shall be permitted to avail himself of the exemption claimed, upon signing on the form heretofore prescribed for coupons payable in the United States, and no tax shall be deducted for the amount of the exemption so claimed; or if such items are presented by corporations, joint-stock companies, or associations and insurance companies, organized in the United States, the form of certificate heretofore prescribed for such organizations shall be used, and in such instances no tax shall be deducted.

Claims for exemption under paragraph C may be filed.

Organizations exempt from having tax withheld at the source.

ART. 61. In both instances the licensee first receiving such items shall retain such certificates for delivery with the lists aforesaid, and with respect to said coupons, checks, or bills of exchange, said licensee shall attach thereto (identifying the items) or indorse or stamp thereon the words "Income tax exemption claimed through" (giving name and address of licensee), which shall be sufficient evidence to relieve subsequent holders or purchasers from the duty of also withholding the tax thereon.

Certificates of exemption to be forwarded, with monthly list returns to collector.

The provisions for collection of the tax on foreign obligations herein set forth includes the interest upon all foreign bonds, even though the coupons may, at the option of the holder, be payable in the United States as well as in some foreign country.

Licensee to keep records.

ART. 62. All persons licensed shall keep their records in such manner as to show from whom every such item has been received, and such records shall be open at all times to the inspection of internal-revenue officers.

D.

Income derived from wages, rent, interest, or other fixed and determinable gains, profits, and income.

Wages, salaries, rents, etc.

ART. 63. The above title includes all income derived from salaries, wages, rents, royalties, interest, taxable annuities, emoluments, or other fixed and determinable annual gains, profits, and income of another person. ("Income derived from interest upon bonds and mortgages, or deeds of trust, or other similar obligations of corporations, etc.," and "Income derived from coupons, checks, or bills of exchange on foreign bonds, mortgages, dividends, etc.," which have been covered by regulations under such titles, are not to be included here.)

Withholding agents to deduct and pay tax.

ART. 64. Copartnerships, companies, corporations, joint-stock companies or associations, insurance companies, in whatever capacity acting, including lessees, mortgagors of real or personal property, trustees acting in any trust capacity, executors, administrators, agents, receivers, conservators, employers and all officers and employees of the United States, hereinafter referred to as "debtors" or withholding agents, having the control, receipt, custody, disposal, or payment of income as described in article 63, shall deduct and withhold from such annual gains, profit, and income, when the same shall have reached an aggregate amount in excess of \$3,000, such sum as will be sufficient to pay the normal tax of 1 per cent imposed by law, and shall pay the taxes so withheld to the collector of internal revenue for the district in which the said withholding agent resides or has his, her, or its principal place of business.

Tax to be withheld on periodical payments when they aggregate \$3,000.

ART. 65. A withholding agent who pays monthly, or periodically during the year, interest, rents, salaries, wages, etc., shall not withhold the said tax until such time as the interest, rents, salaries, wages, etc., shall have reach an aggregate amount in excess of \$3,000. When such amount has been reached, such agent shall withhold the tax on the whole \$3,000, and any excess thereof, unless the person to whom the income is due files a notice claiming exemption under paragraph C (as provided in art. 33(a)), in which case the withholding agent shall withhold only the tax on the income in excess of said exemption of \$3,000 or \$4,000 (as the case may be), and the tax so withheld shall be paid as required by law.

Exemption under paragraph C may be claimed.

ART. 66. In case the person to whom the income is due is entitled to any deductions under paragraph B, he may avail himself of such deductions by filing with the withholding agent Form 1008, as provided in article 33(b), in which case the withholding agent will only withhold the tax on such income in excess of the deductions claimed on said form.

Deductions under paragraph B may be claimed.

ART. 67. Banks, bankers, trust companies, and other banking institutions receiving deposits of money, are not required to withhold at the source the normal income tax of 1 per cent on interest paid, or accrued, or accruing to depositors, whether on open accounts or on certificates of deposit; but all such interest, whether paid or accrued and unpaid, must be included in the annual income return of the person entitled to receive such interest, whether on open account or on the certificate of deposit.

Tax not to be withheld by banks on interest paid on deposits.

ART. 68. When a note shall have been given in payment of interest, rents, or other income accruing after March 1, 1913, the maker of the note, as the "debtor" and as the "source" where the income originates, is required, in paying such note, to withhold the normal tax of 1 per cent on the entire amount of the note, if in excess of \$3,000, unless claim for exemption or deductions under article 33(a) or 33(b) is filed, in which case the said tax shall be withheld only on the amount of said note in excess of the exemption or deductions so claimed.

Tax to be withheld on payment of interest notes, or notes given for rent.

If any person who has purchased or discounted any such notes omitted, in acquiring them from previous holder, to make a deduction or allowance for said tax, he can look for relief only to the person from whom the notes were obtained, as the "debtor," the maker of said notes, is required to deduct, withhold, and pay to the collector of internal revenue the amount of the normal tax of 1 per cent which may be due thereon.

Purchasers of interest notes as to which tax has not been withheld.

ART. 69. Withholding agents shall make an annual list return (Form 1042), in duplicate, to the collector of internal revenue for the district in which the withholding agent resides or has his principal place of business on or before the 1st day of March in each year, showing the names and addresses of persons who have received incomes in excess of \$3,000, on which the normal tax of 1 per cent has been deducted and withheld during the preceding year. This return must be accompanied by all forms presented claiming exemptions and deductions.

Annual list return by withholding agents.

E.

Fiduciaries.

Guardians, etc.,
as fiduciary
agents, to deduct
tax.

Notice of de-
duction to be
filed with other
withholding
agents.

ART. 70. Guardians, trustees, executors, administrators, agents, receivers, conservators, and all persons, corporations, or associations acting in any fiduciary capacity hereinafter referred to as fiduciary agents, who hold in trust an estate of another person or persons, shall be designated the "source" for the purpose of collecting the income tax, and by filing notice with other debtors or withholding agents said fiduciary shall be exempt from having any income, due to them as such, withheld for any income tax by any other debtor or withholding agent. Other debtors or withholding agents upon receipt of such notice shall not withhold any part of such income from said fiduciary and will not in such case be held liable for normal tax of 1 per cent due thereon. The form of notice to be filed with the debtor or withholding agent by fiduciary will be on Form 1015. Where such exemption is not claimed, notice thereof on Form 1019 should be filed with the withholding agent.

Annual return
to be made to
the collector of
the district.

ART. 71. Fiduciaries shall, on or before March 1 of each year, make and render a return of the income coming into their custody or control and management from each trust or estate when the annual interest of any beneficiary in said trust or estate is in excess of \$3,000. This return (Form 1041) must be filed with the collector for the district in which the fiduciary resides or has his principal place of business, and shall contain an itemized statement of the gross income and deductions claimed.

Notice of failure to file return as required shall be served upon the fiduciary. (See art. 18.)

The entries on the first page of Form 1041 in column headed "Amount of income paid or accrued to beneficiaries" should not include their respective shares of income derived from dividends on the stock or from the net earnings of corporations, joint-stock companies, etc., subject to like tax or the income on which the normal tax of 1 per cent has been deducted and withheld at the source by the debtor or the prior withholding agent, as these two items of income are treated as deductions in determining the amount of income subject to tax for which the fiduciary as withholding agent has to account.

When the share of any beneficiary, therefore, in the amount stated on line 3 of the first page of said return is in excess of \$3,000, return must be made.

ART. 72. As each such fiduciary acts solely in behalf of the beneficiaries of the trust, the annual return required in such cases has reference only to the income accruing and payable through said fiduciary, and not to the income of the beneficiary derived from other sources. If, however, such fiduciary is legally authorized to act for such beneficiary as agent or attorney in fact, he may in such case also make for the beneficiary the personal annual return (Form 1040) required by law.

Return to include only income accruing from trust, unless otherwise authorized by beneficiary.

ART. 73. The annual return of the fiduciary shall contain a list of the name and full address of each beneficiary and the share of said income to which each may be entitled. There must also be entered opposite the name of each beneficiary the amount of exemption, if any, claimed by him, the amount of income on which the fiduciary is liable for tax, and the amount of tax withheld, and the said return shall be signed and sworn to by the fiduciary, if an individual, making same, and his full address must be stated. If the fiduciary is an organization, the return shall be signed and sworn to by the president, secretary, or treasurer of said organization.

Annual return to include list of beneficiaries, showing tax withheld from each.

ART. 74. Fiduciaries having control of any portion of an annual income accruing during the year, but not distributed or paid to the beneficiaries during the year, shall, in rendering their annual return (Form 1041), give the name and address of each of said beneficiaries having a distributive interest in said income, and shall furnish all information called for in such returns. The fiduciary shall in all such cases withhold and pay to the collector, as provided by law, the normal tax of 1 per cent upon the distributive interest of each of said beneficiaries when in excess of \$3,000, the same as if said income was actually distributed and paid. Exemption under paragraph C, however, may be claimed by the beneficiary or his legal representative by filing his claim for exemption with the fiduciary agent.

Return to be made of undistributed income accruing during the year.

Claim for exemption of undistributed income. Paragraph C.

ART. 75. When the normal tax on undivided annual net income has been so withheld, such tax shall not be again withheld when such portion of the income is actually distributed and paid to said beneficiary.

Tax withheld on undivided income not to be again withheld when income is distributed.

PART 3.

RELATING TO THE INCOME TAX IMPOSED BY SECTIONS 2 AND 4 OF THE ACT OF OCTOBER 3, 1913, ON CORPORATIONS, JOINT-STOCK COMPANIES OR ASSOCIATIONS, AND INSURANCE COMPANIES.

Organizations subject to tax.

ART. 76. Under the provisions of sections 2 and 4 of the act of October 3, 1913, every corporation, joint-stock company or association, and every insurance company organized in the United States, no matter how created or organized, except those specifically exempted, shall be subject to pay annually an income tax of 1 per centum per annum upon the entire net income arising or accruing from all sources during the preceding calendar or fiscal year, as the case may be. Certain exceptions as to taxability will be noted specifically hereinafter.

One per cent on entire net income.

Foreign corporations subject to the tax.

ART. 77. A similar tax shall be levied, assessed against, and paid annually by corporations, joint-stock companies or associations, and insurance companies organized, authorized, or existing under the laws of any foreign country upon the amount of net income accruing from business transacted and capital invested within the United States during such year.

Corporations defined.

ART. 78. "Corporation" or "corporations," as used in these regulations, shall be construed to include all corporations, joint-stock companies or associations, and all insurance companies coming within the terms of the law, and such organizations will hereinafter be referred to as "corporations."

Associations, real estate trusts, etc., subject to tax.

ART. 79. It is immaterial how such corporations are created or organized. The terms "joint-stock companies" or "associations" shall include associates, real estate trusts, or by whatever name known, which carry on or do business in an organized capacity, whether organized under and pursuant to State laws, trust agreements, declarations of trusts, or otherwise, the net income of which, if any, is distributed, or distributable, among the members or share owners on the basis of the capital stock which each holds, or, where there is no capital stock, on the basis of the proportionate share of capital which each has invested in the business or property of the organization, all of which joint-stock companies or associations shall, in their organized capacity, be subject to the tax imposed by this act.

Corporations required to make returns.

ART. 80. Every corporation not specifically enumerated as exempt shall make the return of annual net income re-

quired by law whether or not it may have any income liable to tax, or whether or not it shall be subordinate to or controlled by another corporation. Mutual telephone companies, mutual insurance companies, and like organizations, although local in character, and whose income consists largely from assessments, dues, and fees paid by members, do not come within the class of corporations specifically enumerated as exempt. Their status under the law is not dependent upon whether they are or are not organized for profit. Not coming within the statutory exemption, all organizations of this character will be required to make returns of annual net income, and pay any income tax thereby shown to be due. For this purpose the surplus of receipts of the year over expenses will constitute the net income upon which the tax will be assessed.

Mutual telephone and mutual insurance not exempt.

A railroad or other corporation which has leased its properties in consideration of a rental equivalent to a certain rate of dividends on its outstanding capital stock and the interest on the bonded indebtedness, and such rental is paid by the lessee directly to the stock and bond holders, should, nevertheless, make a return of annual net income showing the rental so paid as having been received by the corporation.

ART. 81. A railroad company operating leased or purchased lines shall include all receipts derived therefrom, and, if bonded indebtedness of such lines has been assumed, such operating company may deduct the interest paid thereon to an amount not exceeding one-half of the sum of its interest-bearing indebtedness and its paid-up capital stock outstanding at the close of the year.

Interest deduction by corporations operating leased or purchased lines.

ART. 82. Corporations operating leased lines should not include the capital stock of the lessor corporations in their own statement of capital stock outstanding at the close of the year. The indebtedness of such lessor corporations should not be included in the statement of the indebtedness of the lessee unless the lessee has assumed the same. Each leased or subsidiary company will make its own separate return; accounting for therein all income which it may have received by way of dividends, rentals, interest, or from any other source.

Lessee corporations not to include capital stock or indebtedness of lessor corporations.

ART. 83. A foreign corporation having several branch offices in the United States should designate one of such branches as its principal office and should also designate the proper officers to make the required return.

Foreign corporations having branch offices in United States to designate principal office.

**C o r p o r a t i o n s
o r g a n i z e d d u r i n g
y e a r t o m a k e r e -
t u r n s .**

ART. 84. A corporation organized during the year should render a sworn return on the prescribed form, covering that portion of the year (calendar or fiscal) during which it was engaged in business or had an income accruing to it.

**C o r p o r a t i o n s
g o i n g i n t o l i q u i -
d a t i o n .**

ART. 85. Corporations going into liquidation during any tax period may, at the time of such liquidation, prepare a "final return" covering the income received or accrued to them during the fractional part of the year during which they were engaged in business, and immediately file the same with the collector of the district in which the corporations have their principal places of business.

**L i m i t e d p a r t -
n e r s h i p s .**

ART. 86. Limited partnerships are held to be corporations within the meaning of this act and these regulations, and in their organized capacity are subject to the income tax as corporations.

**C o r p o r a t i o n s
e x e m p t f r o m
t a x .**

ART. 87. The act specifically enumerates and exempts from its provisions and requirements labor, agricultural, or horticultural organizations, mutual savings banks not having a capital stock represented by shares, fraternal beneficiary societies, orders, or associations operating under the lodge system, or for the exclusive benefit of the members of a fraternity itself operating under the lodge system, and providing for the payment of life, sick, accident, and other benefits to the members of such societies, orders, or associations, and dependents of such members, domestic building and loan associations, cemetery companies organized and operated exclusively for the mutual benefit of their members, any and all corporations or associations organized and operated exclusively for religious, charitable, scientific, or educational purposes, no part of whose net income inures to the benefit of any private stockholder or individual, business leagues, chambers of commerce, or boards of trade not organized for profit, no part of the net income of which inures to the benefit of the private stockholder or individual, and civic leagues or similar organizations not organized for profit, but operated exclusively for the promotion of social welfare.

**D o m e s t i c
b u i l d i n g a n d
l o a n a s s o c i a t i o n s
d e f i n e d . M u t u a l -
i t y e s s e n t i a l .**

Domestic building and loan associations are among those enumerated as exempt from the requirements of the law. A domestic building and loan association is held to be one organized under and pursuant to the laws of the United States, or of a State or Territory thereof, or under the laws applicable to Alaska or the District of Columbia. Mutuality

in operation and in the distribution of profits and benefits is essential to exemption. Therefore, in order to come within the exempted class such associations must not only be "Domestic," as defined, but they must be organized and operated exclusively for the mutual benefit of the members; that is, all the profits and benefits provided for in the articles of association and by-laws must be ratably distributed among all members regardless of the kind of stock held, according to the amount of money they have on deposit. An association issuing different classes of stock upon which different rates of interest or dividends are guaranteed or paid, does not come within the exempted class.

ART. 88. All corporations and all beneficiary societies enumerated above shall by affidavit, or otherwise, at the request of the collector or Commissioner of Internal Revenue, establish their right to the exemption provided, in which case it will not be sufficient to merely declare that they are exempt, but they must show the character and purpose of the organization, the manner of distributing the net income, if any, or that none of the net income inures to the benefit of any private stockholder or individual. In the absence of such a showing, such organizations may, at any time, be required to make returns of annual net income or disclose their books of account to a revenue officer for examination in order that the status of the company may be determined.

Corporations must establish their right to exemption.

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ART. 89. A society or association "operating under the lodge system" is considered to be one organized under a charter, with properly appointed or elected officers, with an adopted ritual or ceremonial, holding meetings at stated intervals, and supported by fees, dues, or assessments.

Society or association subject to exemption defined.

ART. 90. Cemetery companies organized and operated exclusively for the mutual benefit of their members are exempt. The provisions of the law clearly indicate that companies which operate cemeteries for profit are liable to the tax. The status of cemetery associations under the law will, therefore, depend upon the character and purpose of the organization and what disposition is made of the income.

Cemetery companies organized for mutual benefit of their members, exempt.

ART. 91. Any corporation, concerning whose status under the law there is any doubt, or which does not clearly come within one or another of the classes of those specifically enumerated as exempt, should file a return (in blank if de-

Corporations whose status as to exemption is in doubt must make return.

sired) and attach thereto a statement setting out fully the nature and purpose of the organization, the source of its income, and what disposition is made of it, and particularly of any surplus.

Cooperative dairies not issuing stock and allowing patrons dividends, exempt.

ART. 92. Cooperative dairies not issuing stock and allowing patrons dividends based on butter fat in milk furnished are not liable. In such case the "dividends" are the purchase price of the raw material furnished.

When income from public utilities is not taxable.

ART. 93. The income derived from any public utility or from the exercise of any essential governmental function, which income accrues to any State, Territory, the District of Columbia, or any political subdivision of a State, Territory, or the District of Columbia, and any income accruing to the government of the Philippine Islands, or to Porto Rico, shall not be subject to the tax imposed by this act. In cases wherein any State, Territory, or the District of Columbia, or any political subdivision of a State, or Territory, shall have, prior to the passage of this act, contracted in good faith with any person or corporation to acquire, construct, operate, or maintain a public utility, no income tax pursuant to this act shall be levied upon the income derived from the operation of such public utility, so far as the assessment and payment of such tax will impose a loss or burden upon such State, Territory, District of Columbia, or political subdivision. But the person or corporation is not relieved from the payment of the tax upon that portion of the income accruing to him, or it, under such contract.

Persons or corporations not exempt.

ART. 94. Ordinary copartnerships are not, as such, subject to the tax imposed by this act, but the individual members of any such partnership are liable for income tax only in their individual capacity on their respective shares of the earnings of such partnership, whether such earnings be distributed or not.

Partnerships not taxable as corporations.

What constitutes paid-up capital stock.

ART. 95. Full amount of stock, as represented by the par value of the shares issued, is to be regarded as the paid-up capital stock, except when such stock is assessable on account of deferred payments, or payable in installments, in which case the amount actually paid on such shares will constitute the actual paid-up capital stock of the corporation.

Gross income, how determined.

ART. 96. The following definitions and rules are given for determining the gross income of various classes of corporations:

Gross income of banks and other financial institutions consists of the total revenue derived from the operation of the business, including income, gains, or profits from all other sources, as shown by the entries on the books of account, within the calendar or fiscal year for which the return is made.

Gross income of banks and other financial institutions.

ART. 97. Gross income of insurance companies consists of the total revenue derived from the operation of the business, including income, gains, or profits from all other sources, as shown by the entries on the books of account within the calendar or fiscal year for which the return is made, except as modified by the express exemptions of the articles which apply to mutual fire, mutual marine, and life insurance companies.

Gross income of insurance companies.

ART. 98. Mutual fire insurance companies, which require their members to make premium deposits to provide for losses and expenses, shall not return as gross income any portion of the premium deposits returned to their policyholders, but shall return as taxable income all income received by them from all other sources plus such portions of the premium deposits as are retained by the companies for purposes other than the payment of losses and expenses and reinsurance reserves.

Gross income of mutual fire insurance companies.

ART. 99. Mutual marine insurance companies may include in their deductions from gross income amounts repaid to policyholders on account of premiums previously paid by them and interest paid upon such amounts between the ascertainment thereof and the payment thereof, such amounts and interest having been included in gross income.

Mutual marine insurance companies.

ART. 100. Life insurance companies are authorized to omit from gross income such portion of any actual premium received from any individual policyholder as shall have been paid back or credited to the policyholder or treated as an abatement of his premium. In so far as "deferred dividends" payable at a stated period represent "a portion of any actual premium received," such deferred dividends may be included in the amounts to be omitted from gross income for the year in which they were actually paid back, credited to the policyholder or applied as an abatement of premium. In the case of dividends credited or apportioned annually to the policyholder, only the aggregate amount so actually credited or apportioned during the premium-paying period, and not any accretions thereto, can be excluded from gross

Deferred dividends deductible, when.

income. In the case of whole-life or five-year distribution policies, deferred dividends may be excluded from gross income to the extent that they are paid back, or credited to the insured, or used as an abatement of his annual premiums.

Gross income of insurance companies, to include what.

ART. 101. Gross income of insurance companies, as defined above, will include net premium income as reported to the State insurance departments, except the foregoing items specifically exempted in the act, and, in the case of life insurance companies, surrender values applied in any manner, consideration for supplementary contracts involving and not involving life contingencies, and all other income, gains, or profit as shown by the books of account.

Consideration for supplementary contracts.

ART. 102. Applied surrender values and consideration for supplementary contracts not involving life contingencies included in income will, of course, be deducted as payments under policy contracts, but for convenience in verifying the returns, these items should appear in the return in both gross income and deductions.

Supplementary statement to accompany returns.

ART. 103. All insurance companies should include and attach to their returns a supplementary statement showing, for life companies, the aggregate of items "of such portion of any actual premium received from any individual policyholder as shall have been paid back or credited to such individual policyholder, or treated as an abatement of premium of such individual policyholder within such year;" in the case of mutual fire insurance companies a statement showing "any portion of the premium deposits returned to their policyholders;" and in the case of mutual marine companies "amounts repaid to policyholders on account of premiums previously paid by them, and interest paid upon such amounts between the ascertainment thereof and the payment thereof," which are, or may be, omitted from gross income. (For authorized deductions, on account of losses, etc., see Arts. 113 and 147.)

Gross income of manufacturing companies.

ART. 104. Gross income of manufacturing companies shall consist of the total sales of manufactured goods during the year covered by the return, increased or decreased by the gain or loss as shown by the inventories of finished and unfinished products, raw material, etc., at the beginning and end of the year. To this amount should be added the income, gains, or profits from all other sources as shown by the books of account.

ART. 105. Gross income of mercantile companies shall include the total merchandise sales during the year, increased or decreased by the gain or loss as shown by the inventories of merchandise at the beginning and end of the year for which the return is made; to this amount should be added the income, gains, or profits derived from all other sources as shown by the books of account.

Gross income of mercantile corporations.

ART. 106. Gross income of miscellaneous corporations consists of the total revenue derived from the operation and management of the business and property of the corporation making the return, together with all amounts of income, including the income, gains, or profits from all other sources as shown by the books of account.

Gross income of miscellaneous companies.

ART. 107. It will be noted from these definitions that the gross income embraces not only the operating revenues, but also income, gains, or profits from all other sources, such as rentals, royalties, interest, and dividends from stock owned in other corporations, and appreciation in values of assets, if taken upon on the books of account as gain; also profits made from the sale of assets, investments, etc.

Definition of gross income.

ART. 108. For the purpose of determining the income resulting from the sale of capital assets and the amount to be accounted for as income under this act, there shall be included any and all profit resulting from such sale and which may be apportioned to the period during which the corporation tax law (sec. 38, act of Aug. 5, 1909) was in force and effect, which was not returned as income during that period.

Income derived from sale of capital assets.

ART. 109. In ascertaining net income derived from the sale of capital assets, if such assets were acquired subsequent to January 1, 1909, the difference between the selling price and the buying price shall constitute an item to be added to or subtracted from gross income according to whether the selling price was greater or less than the buying price. If the capital assets were acquired prior to January 1, 1909, the amount of profit or loss representing the difference between the selling and buying price is to be prorated to determine the proportion of the gain or loss arising subsequent to January 1, 1909, and the proportionate part belonging to the years subsequent to January 1, 1909, shall be added to or deducted from the gross income for the year in which the sale was made.

Ascertaining net income from the sale of capital assets.

Profit or loss arising from the sale of such assets.

ART. 110. For the purpose of determining the profit or loss arising from the sale of such assets, there shall be added to the price actually realized from the sale any amount which has heretofore been set aside and deducted from gross income by way of depreciation since January 1, 1909, which has not been paid out in making good such depreciation on the property sold.

Changes in book value of assets.

ART. 111. In the case of changes in book values of capital assets resulting from a reappraisal of property, the consequent gains or losses shall be computed for the return in the manner prescribed above in the case of the sale of capital assets.

Result of annual adjustment of values to be shown in return.

In cases wherein there is an annual adjustment of book values of securities, real estate and like assets, and the increases and decreases in values, thus indicated, are taken up on the books and reflected in the profit and loss account, such readjusted values will be taken into account in making the return of annual net income and no prorating will be required. If such adjustment had been made annually prior to March 1, 1913, the book value of the assets at that date will be taken as the basis for determining gain or loss resulting from subsequent sale, maturity, or adjustment. The adjustment referred to will comprehend assets which have increased in value as well as those which have decreased.

Where corporations are engaged in more than one class of business.

ART. 112. Where a corporation is engaged in carrying on more than one class of business, gross income derived from the different classes of business shall be ascertained according to the definitions above, and which are applicable thereto.

Net income, how ascertained.

ART. 113. The net income shall be ascertained by deducting from the gross amount of the income of such corporation received within the year from all sources:

Ordinary and necessary expenses.

First. All the ordinary and necessary expenses paid within the year in the maintenance and operation of its business and properties, including rentals or other payments required to be made as a condition to the continued use or possession of property.

Loss sustained within the year.

Second. All losses actually sustained within the year and not compensated by insurance or otherwise, including a reasonable allowance for depreciation by use, wear and tear of property, if any, and in the case of mines, a reasonable allowance for depletion of ores and all natural deposits, not to exceed 5 per centum of the gross value at the mine of the output for the year for which the computation

Depreciation.

is made; and in the case of insurance companies, the net addition, if any, required by law to be made within the year to reserve funds, and the sums other than dividends paid within the year on policy and annuity contracts, except as provided in the cases of mutual fire, mutual marine, and life insurance companies.

Third. The amount of interest accrued and paid within the year on its indebtedness to an amount of such indebtedness not exceeding one-half of the sum of its interest-bearing indebtedness and its paid-up capital stock outstanding at the close of the year, or if no capital stock, on the amount of its indebtedness not exceeding the amount of capital employed in the business at the close of the year: *Provided*, That in case of indebtedness wholly secured by collateral the subject of sale in ordinary business of such corporation, joint-stock company, or association, the total interest secured and paid by such company, corporation, or association within the year on any such indebtedness may be deducted as a part of its expense of doing business: *Provided further*, That in the case of bonds or other indebtedness, which have been issued with a guaranty that the interest payable thereon shall be free from taxation, no deduction for the payment of the tax herein imposed shall be allowed; and in the case of a bank, banking association, loan, or trust company, interest paid within the year on deposits or on moneys received for investment and secured by interest-bearing certificates of indebtedness issued by such bank, banking association, loan, or trust company.

Interest accrued and paid within the year.

Interest on indebtedness secured by collateral.

Tax paid on guaranteed bonds not deductible.

Fourth. All sums paid within the year for taxes imposed under the authority of the United States, or any State or Territory thereof, or imposed by the government of any foreign country.

Taxes paid within the year.

ART. 114. Expenses of operation and maintenance shall include all expenditures for material, labor, fuel, and other items entering into the cost of the goods sold or inventoried at the end of the year, and all other expenses incurred in the operation of the business except such as are required by the act to be segregated in the return.

General expenses.

ART. 115. The cost of erecting permanent buildings on ground leased by a company is a proper deduction as a rental charge, provided such buildings are left on the ground at the expiration of the lease as a part of the rental payment. In such case the cost will be prorated according to the number of years constituting the term of the lease and the annual deduction will be made accordingly.

Cost of buildings on leased grounds.

Expense, foreign steamship companies.

ART. 116. General expenses, such as coal, ship stores, etc., of foreign steamship companies, shall be prorated as provided in the act for interest deductions in the case of foreign corporations.

Commissions to salesmen paid in stock.

ART. 117. Commissions allowed salesmen, paid in stock, may be deducted as expense if so charged on books at the actual value of such stock.

Additions and betterments.

ART. 118. Amounts expended in additions and betterments which constitute an increase in capital investment are not a proper deduction.

Compensation based on stockholding not deductible.

ART. 119. Amounts paid as compensation or additional compensation to officers or employees, which amounts are based upon the stockholdings of such officers or employees, are held to be dividends, and although paid in lieu of salaries or wages, are not allowable deductions from gross income, for the reason that dividends are not deductible.

Gifts, pensions, or gratuities not deductible.

ART. 120. Amounts paid for pensions to retired employees, or to their families, or others dependent upon them, or on account of injuries received by employees, are proper deductions as "ordinary and necessary expenses"; gifts or gratuities to employees in the service of a corporation are not properly deductible in ascertaining net income.

Donations which are deductible.

ART. 121. Donations made for purposes connected with the operation of the property when limited to charitable institutions, hospitals, or educational institutions, conducted for the benefit of its employees, or their dependents, shall be a proper deduction for ordinary and necessary expenses.

Reserves for insurance.

ART. 122. Funds set aside by a corporation for insuring its own property are not a proper deduction, but any loss actually sustained and charged to such fund may be deducted.

Materials and supplies.

ART. 123. In ascertaining expenses proper to be included in the deductions to be made under the item of "Expenses," corporations carrying materials and supplies on hand for use should include in such expenses the charges for materials and supplies only to the amount that the same are actually disbursed and used in operation and maintenance during the year for which the return is made.

ART. 124. The deduction for losses must be losses actually sustained during the year and not compensated by insurance or otherwise. It must be based upon the difference between the cost value and salvage value of property or assets, including in the latter value such amount, if any, as has, in the current or previous years, been set aside and deducted from gross income by way of depreciation, as elsewhere defined, and has not been paid out in making good such depreciation.

Losses sustained during the year.

ART. 125. Bad debts, if so charged off the company's books, during the year, are proper deductions. But such debts, if subsequently collected, must be treated as income.

Bad debts charged off.

ART. 126. Reserves to take care of anticipated or probable losses are not a proper deduction from gross income.

Reserves not deductible.

ART. 127. Loss due to voluntary removal of buildings, etc., incident to improvements is either a proper charge to the cost of new additions or to depreciation already provided, as the facts may indicate, but in no case is it a proper deduction in determining net income, except as it may be reflected in the reasonable amount allowable as a deduction for depreciation of the new building. Any loss claimed because of the voluntary removal of a building is presumed to have been covered by previous depreciation charges; otherwise the amount of such loss will constitute a part of the cost of the new building.

Loss due to removal of buildings.

ART. 128. All losses claimed arising from sale of capital assets should be arrived at in the manner prescribed in article 109, defining gains arising from sale of capital assets.

Losses from sale of capital assets.

ART. 129. The deduction for depreciation should be the estimated amount of the loss, accrued during the year to which the return relates, in the value of the property in respect of which such deduction is claimed, that arises from exhaustion, wear and tear, or obsolescence out of the uses to which the property is put, and which loss has not been made good by payments for ordinary maintenance and repairs deducted under the heading of expenses of maintenance and operation. This estimate should be formed upon the assumed life of the property, its cost, and its use. Expenses paid in any one year in making good exhaustion, wear and tear, or obsolescence in respect of which any deduction for depreciation is claimed must not be included in the deduction for expense of maintenance and operation of

Depreciation defined.

Depreciation, how determined.

the property, but must be made out of accumulated allowances, deducted for depreciation in current and previous years.

Depreciation deductible, how treated.

ART. 130. The depreciation allowance, to be deductible, must be, as nearly as possible, the measure of the loss due to wear and tear, exhaustion, and obsolescence, and should be so entered on the books as to constitute a liability against the assets of the company, and must be reflected in the annual balance sheet of the company. The annual allowance deductible on this account should be such an amount as that the aggregate of the annual allowances deducted during the life of the property, with respect to which it is claimed, will not, when the property is worn out, exhausted, or obsolete, exceed its original cost.

Incidental repairs.

ART. 131. Incidental repairs which neither add to the value of the property nor appreciably prolong its life, but keep it in an operating condition, may be deducted as expenses.

Depreciation reserve.

ART. 132. Depreciation set up on the books and deducted from gross income cannot be used for any purpose other than making good the loss sustained by reason of the wear and tear, exhaustion, or obsolescence of the property with respect to which it was claimed. If it develops that an amount has been reserved or deducted in excess of the loss by depreciation, the excess shall be restored to income and so accounted for.

Diversion of depreciation reserve.

ART. 133. If any portion of the depreciation set up is diverted to any purpose other than making good the loss sustained by reason of depreciation, the income account for the year in which such diversion takes place must be correspondingly increased.

Shrinkage in book values.

ART. 134. Depreciation in book values of capital assets shall be treated in the return in the manner prescribed in the case of loss from the sale of capital assets (art. 109), but amounts arbitrarily charged off will not be allowed as deductions except so far as they represent an actual shrinkage in values which may be determined to have taken place during the year for which the return is made.

ART. 135. Where a corporation holds bonds which were purchased at a rate above par and said corporation shall proportionately reduce the value of those bonds on its books each year so that the book value shall be the redemption value of the bonds when such bonds become due and payable, the return of annual net income of the corporation holding

such bonds may show the depreciation on account of amortization of such bonds. The requirement is, however, that the amount carried to the amortization account each year shall be equitably proportioned with respect to the difference between the purchase price and the maturing value and the number of years to elapse until the bonds become due and payable. With respect to bond issues where such bonds are disposed of for a price less than par and are redeemable at par, it is also held that because of the fact that such bonds must be redeemed at their face value, the loss sustained by reason of their sale for less than their face value may be prorated by the issuing corporation in accordance with the life of the bond.

Amortization
of bonds.

Loss to be pro-
rated.

ART. 136. "Good will" represents the value attached to a business over and above the value of the physical property, and is such an entirely intangible asset that no claim for depreciation in connection therewith can be allowed.

Good will.

ART. 137. An allowance for depreciation of patents will be made on the following basis:

Depreciation
on patents.

The deduction claimed for exhaustion of the capital assets as represented by patents to be made in the return of annual net income of a corporation for any given year shall be one-seventeenth of the actual cost of such patents reduced to a cash basis. Where the patent has been secured from the Government by a corporation itself, its cost would be represented by the various Government fees, cost of drawings, experimental models, attorneys' fees, etc. Where the patent has been purchased by the corporation for a cash consideration, the amount would represent the cost. Where the corporation has purchased a patent and made payment therefor in stocks or other securities, the actual cash value of such stocks or other securities at the time of the purchase will represent the cost of the patent to the corporation.

How deter-
mined.

ART. 138. With respect to the depreciation of patents, one-seventeenth of the cost is allowable as a proper deduction each year until the cost of the patent has been returned to the corporation. Where the value of a patent has disappeared through obsolescence or any other cause and the fact has been established that the patent is valueless, the unreturned cash investment remaining in the patent may be claimed as a total loss and be deducted from gross income in

Deduction in
case of obsoles-
cence of patents.

the return of annual net income for the year during which the facts as to obsolescence or loss shall be established; such unreturned cash value to be fixed in accordance with the proportion that the number of years which the patent still has to run bears to the full patent period of 17 years.

Depreciation
of timber land.

ART. 139. Corporations owning tracts of timber lands and removing therefrom and selling, or otherwise disposing of the timber will be permitted to deduct from their gross income on account of depreciation or depletion an amount representing the original cost of such timber, plus any carrying charges that may have been capitalized or not deducted from income. The purpose of the depreciation or depletion deduction is to secure to the corporation, when the timber has been exhausted, an aggregate amount which, plus the salvage value of the land, will equal the capital actually invested in such timber and land.

Deductions to
cease, when.

ART. 140. When an amount sufficient to return this capital has been secured through annual depreciation deductions no further deduction on this account shall be allowed. For the purpose of increasing the deduction on this account no arbitrary increase in values shall be made, unless such increase in value shall be returned as income for the year in which the increase in value was taken up on the books.

Depreciation
of natural deposits.

ART. 141. The depreciation of coal, iron, oil, gas and all other natural deposits must be based upon the actual cost of the properties containing such deposits. In no case shall the annual deduction on this account exceed 5 per cent of the gross value at the mine (well, etc.) of the output for the year for which the computation is made.

Definition of
"gross value" at
the mine.

ART. 142. The term "gross value at the mine," as used in paragraphs B and G of section 2 of the act of October 3, 1913, prescribing a limit to the amount which may be deducted in the return of individuals and corporations as depreciation in the case of mines, is held to mean the market value of ore, coal, crude oil, and gas at the mine or well, where such value is established by actual sales at the mine or well; and in case the market value of the product of the mine or well is established at some place other than at the mine or well, or on the basis of the bullion or metallic value of the ore, then the gross value at the mine is held to be the value of the ore, coal, oil, or gas sold, or of the metal produced, less transportation, reduction, and smelting charges.

If the rate of 5 per cent per annum shall return to the corporation its capital investment prior to the exhaustion of the deposits, the rate on which the annual deduction for depletion of deposits is based must be lowered in accordance with the estimated number of years it will take to exhaust the estimated reserves.

Rate of deduction to be reduced, when.

In case the reserves shall be in excess of the estimates, no further deduction on account of depletion shall be made where the capital investment has been returned to the corporation.

Deduction to cease, when.

ART. 143. In addition to the deduction to measure the loss due to depletion, the corporation will be allowed the usual depreciation of its machinery, equipment, etc., such depreciation to be determined on the basis of the cost and estimated life of the property with respect to which the depreciation is claimed.

Depreciation of plant, etc.

ART. 144. Corporations leasing oil or gas territory shall base their depletion deduction upon the cost of the lease, and not upon the estimated value, in place, of the oil or gas.

Corporations leasing oil or gas.

ART. 145. Corporations operating mines (including oil or gas wells) upon a royalty basis only can not claim depreciation because of the exhaustion of the deposits.

Corporations operating mines.

ART. 146. Unearned increment will not be considered in fixing the value on which depreciation shall be based.

Unearned increment.

ART. 147. (a) Under item 5 (a) of the return form, the insurance company may take credit for all losses actually sustained during the year and not compensated by insurance or otherwise, including losses resulting from the sale or maturity of securities or other assets, as well as decreases by adjustment of book values of securities, in so far as such decreases represent actual declines in values which have taken place during the year for which the return is made; also losses from agency balances, or other accounts, charged off as worthless; losses by defalcation; premium notes voided by lapse, when such notes shall have been included in gross income. This item will not, however, include payments on policy contracts.

Deduction of losses, depreciation, payments on policy contracts by insurance companies.

(b) In this item may be deducted actual losses sustained within the year by reason of the depreciation of property, which shall have been so entered on the books of the company as to constitute a liability against its assets. An arbitrary depreciation deduction claimed in the return, but not evidenced by book entry, can not be allowed.

Losses by shrinkage in value of property.

Policy contracts paid.

(c) In this item credit will be taken for all death, disability, or other policy claims, including fire, accident, and liability losses, matured endowments, annuities, payments on installment policies, surrender values, and all claims actually paid under the terms of policy contracts. Salvage need not be included in gross income if deducted in ascertaining the net amount paid for losses under policy contracts. Reserves covering liabilities for losses incurred, reported, resisted, adjusted or unadjusted but not paid, can not be deducted from gross income under this or any other item of the return.

Losses incurred and unpaid not deductible.

Additions to reserves required by law, how determined.

(d) The reserve funds of insurance companies to be considered in computing the deductible net addition to reserve funds are held to include only the reinsurance reserve and the reserve for supplementary contracts required by law in the case of life insurance companies, the unearned premium reserves required by law in the case of fire, marine, accident liability, and other insurance companies, and only such other reserves as are specifically required by the statutes of a State within which the company making the return is doing business. The reserves used in computing the net addition must not include the reserve on any policies the premiums on which have not been accounted for in gross income. For the purpose of this deduction, the net addition is the excess of the reserve at the end of the year over that at the beginning of the year and may be based upon the highest authorized reserve required by any State in which the company making the return does business.

Assessment company reserves.

In the case of assessment insurance companies, the actual deposits of sums with the State or Territorial officers pursuant to law, as additions to guaranty or reserve funds, shall be treated as payments required by law to reserve funds.

Mutual marine insurance companies will deduct under item 5 (e) amounts repaid to policyholders on account of premiums previously paid by them and interest paid upon such amounts between the ascertainment thereof and the payment thereof.

What constitutes allowable interest deduction.

ART. 148. The amount of interest accrued and paid within the year by a corporation on an amount of bonded or other indebtedness not in excess of *one-half* of the *sum* of the interest-bearing indebtedness *and* the paid-up capital

stock outstanding at the close of the year, or, if no capital stock, on the amount of interest-bearing indebtedness not exceeding the amount of capital employed in the business at the close of the year, constitutes an allowable deduction; that is, the maximum principal, upon which interest for the purpose of this deduction, can be computed must not exceed, in the one case, one-half of the sum of the interest-bearing indebtedness and the capital stock outstanding at the close of the year, or, in the other case, must not exceed the amount of capital employed in the business at the close of the year. The interest to be deductible must have been computed on the proper principal at the contract rate and must have been actually paid within the year.

Interest paid pursuant to contract on an indebtedness secured by mortgage or real estate occupied and used by a corporation, in which real estate the corporation has no equity or to which it is not taking title is an allowable deduction from gross income as a rental charge, payment of which is required to be made as a condition to the continued use and possession of the property. If, however, the corporation has an equity in or is purchasing for its own use the real estate upon which such mortgage is a prior lien, the indebtedness will be held to be indebtedness of the corporation within the meaning of the law and the interest paid on such mortgage will be deductible only to the extent that it, with interest on other obligations of the corporation, is within the limit fixed by the act.

Interest paid as rental deductible.

Interest on mortgage on real estate in which corporation has equity not deductible.

ART. 149. In the case of banks and banking associations, loan or trust companies, interest paid within the year on deposits, or on moneys received for investment and secured by interest-bearing certificates of indebtedness issued by such bank, banking association, loan or trust company, may be allowably deducted from the gross income of such corporations.

Banks and banking associations.

ART. 150. Interest paid on indebtedness, wholly secured by collateral the subject of sale in ordinary business of such corporations; is also deductible to the full amount of such interest paid. This contemplates that the entire interest received on the collateral securing such indebtedness shall be included in the gross income returned.

Interest paid on indebtedness.

ART. 151. Interest on bonded or other indebtedness bearing different rates of interest may be deducted from gross income during the year, provided the aggregate

Different rates of interest.

amount of such indebtedness on which the interest is paid does not exceed the limit prescribed by law, and in case the indebtedness is in excess of the amount on which interest may be legally deducted the indebtedness bearing the highest rate may be first considered in computing the interest deduction and the balance, if any, will be computed upon the indebtedness bearing the next lower rate actually paid, and so on until interest on the maximum principal allowed has been computed.

Taxes deductible.

ART. 152. All sums paid within the year for taxes imposed under the authority of the United States or of any State or Territory thereof, or imposed by the government of any foreign country, are deductible from gross income.

Taxes not deductible.

ART. 153. Taxes paid for local benefits are not deductible. Taxes paid by a corporation pursuant to a contract guaranteeing that the interest payable on its bonds or other indebtedness shall be free from taxation are not deductible.

Tax on capital stock of banks.

ART. 154. Banks paying taxes assessed against their stockholders because of their ownership of the shares of stock issued by such banks can not deduct the amount of taxes so paid in making their return for the income tax imposed by this act unless specially authorized to do so by the laws of the State in which they do business. The shares of stock are the property of the stockholders, and such holders are primarily liable for the tax.

Import duties.

ART. 155. Import duties or taxes are not deductible under the item of taxes paid during the year, but should be included in arriving at the cost of goods under item No. 4 (expenses).

Reserves for taxes.

ART. 156. Reserves for taxes can not be allowed, as the law specifically provides that only such sums as are paid within the year for taxes shall be deducted.

Foreign corporations subject to tax.

ART. 157. Foreign corporations shall be subject to the normal tax of 1 per cent computed upon the net income received by or accruing to such corporations from business transacted and capital invested in this country. For the purpose of the tax the net income of such foreign organizations shall be ascertained by deducting from the gross income arising, received, or accruing from business done and capital invested in this country the deductions enumerated in the act, which deductions shall be limited to expenditures or charges actually incurred in the maintenance and operation of the business transacted and capital invested in the United States or, as to certain charges,

Deductions confined to expenses of business done in the United States.

such proportion of the aggregate charges as the gross income from business done and capital invested in the United States bears to the aggregate income within and without the United States. In other words, the deductions from the gross income of a foreign corporation doing business in this country should, as nearly as possible, represent the actual expenses and authorized charges incident to the business done and capital invested in this country and must not comprehend, either directly or indirectly, any expenditures or charges incurred in the transaction of business or the investment of capital without the United States.

ART. 158. It is immaterial whether the deductions except for taxes and losses are evidenced by actual disbursements in cash, or whether evidenced in such other way as to be properly acknowledged by the corporate officers and so entered on the books of the corporation as to constitute a liability against the assets of the corporation making the return. Deductions for taxes, however, should be the aggregate of the amounts actually paid, as shown on the cash book of the corporation. Deductions for losses should be confined to losses actually sustained and charged off during the year and not compensated by insurance or otherwise. Except as the same may be modified by the provisions of the act, limiting certain deductions and authorizing others, the net income as returned for the purpose of the tax should be the same as that shown by the books or the annual balance sheet.

How deductions shall be evidenced.

ART. 159. The tax imposed upon the income of corporations, whether domestic or foreign, shall be computed upon the net income, ascertained in the manner hereinbefore indicated, except that for the year ending December 31, 1913, the income tax will be imposed upon the net income accrued from March 1 to December 31, both dates inclusive, and such amount of net income is ascertained by taking five-sixths of the entire net income for said calendar year.

Tax on net income of corporations for the year 1913.

ART. 160. The special excise tax on corporations provided for in the act of August 5, 1909, is reaffirmed and made operative and effective as to the period from January 1 to February 28, 1913, both dates inclusive, which said tax shall be computed upon one-sixth of the entire net income of said corporations for said year, and the net income shall be ascertained in accordance with the provisions of the income-tax law.

Special excise tax on corporations.

Return and assessment.

For the year 1913 it shall be necessary to make but one return and assessment for all taxes imposed in the income-tax law upon corporations, either by way of income or excise, which return and assessment shall be made at the times and in the manner provided in section 2 of the act of October 3, 1913.

No specific exemption allowable as a deduction.

Under the present law, no specific exemption is allowable, as was the case under the corporation-tax law; hence the assessment will be based upon the entire net income of the corporation arising or accruing to it from all sources during the entire year for which the return is made.

Inventories.

ART. 161. In order that certain classes of corporations may arrive at their correct income, it is necessary that an inventory, or its equivalent, of materials, supplies, and merchandise on hand for use or sale at the close of each calendar year shall be made in order to determine the gross income or to determine the expense of operation.

Physical inventory.

A physical inventory is at all times preferred, but where a physical inventory is impossible, and an equivalent inventory is equally accurate, the latter will be acceptable.

An equivalent inventory is an inventory of materials, supplies, and merchandise on hand taken from the books of the corporation.

Corporations, classes of.

ART. 162. For the purpose of this tax, corporations are divided into five classes, as follows:

Class A.

Class A. *Financial and commercial*, including banks, banking associations, trust companies, guaranty and surety companies, title insurance companies, building associations (if for profit), and insurance companies not specifically exempt.

Class B.

Class B. *Public service*, such as railroad, steamboat, ferryboat, and stage-line companies; street-railway companies; pipe-line, gas-light, and electric-light companies; express companies, telegraph and telephone companies.

Class C.

Class C. *Industrial and manufacturing*, such as mining, oil and gas producing companies, lumber and coke companies; rolling mills; foundry and machine shops; saw-mills; flour, woolen, cotton, and other mills; manufacturers of cars, automobiles, elevators, agricultural implements, etc.; manufacturers or refiners of sugar, molasses,

sirups, or other products; ice and refrigerating companies; slaughterhouse, tannery, packing, or canning companies; printing and publishing companies, etc.

Class D. *Mercantile*, including all dealers (not otherwise classed as producers or manufacturers) in coal, lumber, grain, produce, and all goods, wares, and merchandise.

Class D.

Class E. *Miscellaneous*, such as architects, contractors, hotel, theater, or other companies or associations not otherwise classified.

Class E.

ART. 163. Under the authority conferred by this act, forms of return have been prescribed, in which the various items specified in the law are to be stated. Blank forms of this return will be forwarded to collectors and should be furnished to every corporation, not expressly exempted, on or before January 1 of each year, in the case of corporations making their returns for the calendar year, or on or before the first day of the next fiscal year in the case of corporations making returns for their fiscal year. Failure on the part of any corporation, joint-stock company, association, or insurance company liable to this tax to receive a prescribed blank form will not excuse it from making the return required by law, or relieve it from any penalties for failure to make the return in the prescribed time. Corporations not supplied with the proper forms for making the return should make application therefor to the collector of internal revenue in whose district is located its principal place of business in ample time to have its return prepared, verified, and filed with the collector on or before the last due date as hereinafter defined. Failure in this respect subjects it not only to 50 per cent additional tax, but to the specific penalty imposed for delinquency. Each corporation should carefully prepare its return so as to fully and clearly set forth the data therein called for. Imperfect or incorrect returns will not be accepted as meeting the requirements of the law.

Form of return.

ART. 164. To any sum or sums due and unpaid after the date for payment stated in the notice and demand issued by the collector there shall be added the sum of 5 per cent of the amount so unpaid, and interest at the rate of 1 per cent per month. To the amount assessable on the basis of the net income there shall be added 50 per cent in case of refusal or neglect of a corporation to make a return or 100 per cent

Penalties imposed by act.

in case of a false or fraudulent return. For refusal or neglect to make a return within the prescribed time, or for a false or fraudulent return, the corporation so offending shall be liable to a specific penalty not exceeding \$10,000. Any person divulging unlawfully any information whatever disclosed by a return shall be punished by a fine not exceeding \$1,000, or by imprisonment not exceeding one year, or both.

**Fraudulent re-
turns.**

Any person or any officer of any corporation required by law to make, render, sign, or verify any return, who makes any false or fraudulent return or statement with intent to defeat or evade the assessment required by section 2, act of October 3, 1913, shall be guilty of a misdemeanor and shall be fined not exceeding \$2,000 or be imprisoned not exceeding one year, or both, at the discretion of the court, with the costs of prosecution.

**Fiscal year;
how established.**

ART. 165. The Federal income-tax law authorizes corporations, joint-stock companies, etc., under certain conditions to make their returns on the basis of an established "fiscal year" or consecutive 12-months period, which may be other than the calendar year.

Pursuant to this provision the following instructions are issued for the guidance of collectors and other interested parties:

**May designate
day for closing
of fiscal year and
must give at
least 30 days'
notice to collec-
tor of the day
so designated.**

Any corporation, joint-stock company, or association, or any insurance company subject to the tax imposed by this act may, at its option, have the tax payable by it computed upon the basis of the net income arising or accruing from all sources during its fiscal year, provided that it shall designate the last day of the month selected at the month in which its fiscal year shall close at the day of the closing of its fiscal year, and shall, not less than 30 days prior to the date upon which its annual return is to be filed give notice, in writing, to the collector of internal revenue of the district in which its principal place of business is located, of the day it has thus designated as the closing of such fiscal year.

**Illustration of
fiscal year.**

ART. 166. In pursuance of this provision, a corporation or like organization subject to this tax may, for example, designate the 30th day of September as the day for the closing of its fiscal year, whereupon its return of annual net income shall be filed with the collector of internal revenue of the district in which its principal place of business is located not later than 60 days after the close of its said proposed

fiscal year; that is to say, on or before the 29th day of November next succeeding.

The date of the closing of the fiscal year having been designated, notice thereof must be given to the collector not less than 30 days prior to the last day of such 60-day period. In the case just instanced the notice must be given not later than October 29.

If such designation (September 30, 1913) had been made and notice given, as hereinbefore indicated, as to the closing of the fiscal year 1913, the corporation would be authorized to make its return and have the tax payable by it computed upon the basis of the net income arising or accruing to it during the period from January 1 to September 30, 1913, both dates inclusive.

ART. 167. Collectors of internal revenue receiving notices of the selection and designation of the "fiscal years," as above indicated, will make record of the same, recording, (a) the name of the corporation or like organization, (b) the date when notice was given, (c) the day designated for the closing of the fiscal year, and (d) the date when the return under such designation must be filed, which must be, as above stated, not later than the last day of the 60-day period next following the day designated as the close of the fiscal year.

Collectors must make a record of the designation of the "fiscal year."

ART. 168. If it shall appear that for the year 1913 the notice was given within the prescribed time—that is, within 30 days of the last day of the 60-day period—the 1913 return may be made as of the fiscal year so established; otherwise it will be made on the basis of the calendar year until such time as the designation shall be duly made and notice thereof properly given.

Unless notice was given within prescribed time, calendar year will govern.

ART. 169. The designation and notice can not be retroactive; that is to say, if a corporation now designates April 30, 1914, as the date of the closing of its fiscal year and gives notice of such designation, it would not be authorized to make a return for the four months ended April 30, 1913, and then for the fiscal year ended April 30, 1914, nor would it be authorized to make one return covering the entire 16 months ended April 30, 1914. In the case of such corporation the return for the year must be made for the calendar year ended December 31, 1913, and then, assuming that designation and notice had been properly made and given, it may make a return for the four months ended April 30, 1914, and thereafter the return will be made on the basis of the fiscal year so established.

Designation and notice can not be retroactive.

Where fiscal year is not properly established, returns must be made for calendar year.

ART. 170. In all cases where a fiscal year is not established as above prescribed returns must be made on the basis of the calendar year, in which case such returns must be filed on or before the 1st day of March next succeeding such calendar year. Such returns in either case provided must be verified under oath or affirmation of its president or other principal officer, and its treasurer or assistant treasurer; that is to say, by two different persons acting in the official capacity indicated.

Returns made on basis of fiscal year not so designated can not be accepted.

ART. 171. If it shall appear in any case that returns have been made to the collector on the basis of a fiscal year not designated as above indicated, the corporations making such returns will be advised that such returns can not be accepted, but must be made to cover the business of the calendar year.

Returns for 1913 must be made on new forms.

ART. 172. Returns made under this act and pursuant to these instructions must be made on the new forms prescribed by this department.

The forms heretofore in use, under the special excise tax law, can not be used for making returns for either the fiscal or calendar year 1913.

Extension not to exceed 30 days.

ART. 173. An extension of time within which a return may be filed can in no case exceed 30 days from the date on which the return is due and can be granted only upon written application to the collector, and in case of sickness or absence of an officer whose signature to the return is required, such application to be made prior to the expiration of the period for which the extension is desired.

Returns properly mailed in time to reach collector not subject to penalty under certain conditions.

ART. 174. If a return is made and placed in the United States mails, properly addressed, and postage paid, in ample time, in due course of mails, to reach the office of the collector or deputy collector on or before the last due date, no penalty will be held to attach should the return not be actually received by such officer until subsequent to that date.

Last due date defined.

ART. 175. "Last due date," as hereinbefore used, is construed to mean the last day upon which a return is required to be filed in accordance with the provisions of the law, or the last day of the period not exceeding 30 days covered by an extension of time granted by the collector.

When due date falls on Sunday or legal holiday.

ART. 176. When the due date as above defined falls on Sunday or on a legal holiday, the last due date will be held

to be the day next following such Sunday or legal holiday and the return should be made to the collector not later than such following day, or, if placed in the mails, it should be posted in ample time to reach the collector's office, under ordinary handling of the mails, on or before the date on which the return is thus made due in the office of the collector.

ART. 177. All assessments against corporations, etc., making returns for the calendar year are required to be made and the several corporations, joint-stock companies, etc., notified of the amount for which they are liable on or before the 1st of June of each successive year, and said assessments shall be paid on or before the 30th day of June of such year. In the case of corporations making returns for the fiscal year, the assessments shall be made and notice given on or before the expiration of 90 days from the date when the returns were required to be filed, and the taxes assessed against such corporations, etc., shall be paid within 120 days after the date upon which the returns were required to be filed. In case of refusal or neglect by a corporation, etc., to make a return, and in case of false or fraudulent return, the commissioner, upon the discovery thereof within three years after such returns are due, shall make a return upon information obtained in the manner provided in the act, and the assessment made on the basis of such return shall be paid immediately upon notice and demand given by the collector.

Assessment and payment of taxes.

For calendar year.

Notice of assessment.

Upon failure to pay the tax when due and for 10 days after notice and demand, a penalty of 5 per cent of the amount of the tax unpaid and interest at the rate of 1 per cent per month until paid shall be added to the amount of such tax.

Failure to pay tax when due.

ART. 178. When the assessments shall have been made, the returns shall be filed in the office of the commissioner and shall constitute public records, subject to inspection upon the order of the President, under rules and regulations prescribed by the Secretary of the Treasury and approved by the President. Copies of returns on file in the Commissioner's office are not permitted to be sent to any person, except to the corporation itself or to its duly authorized attorney.

Returns are public records, subject to inspection upon order of the President.

ART. 179. Upon request of the governor of a State which imposes a general income tax, the proper officers of such State may have access to the returns filed by corporations

Information to States which impose income taxes.

doing business in such States, or to an abstract thereof showing the name and income of such corporations, etc., at such times and in such manner as the Secretary may prescribe. In no case are the original returns to be removed from the office of the commissioner, except upon order and by direction of the Secretary of the Treasury or the President.

Certified copies
of returns.

ART. 180. At the request of the Attorney General, or by direction of the Secretary of the Treasury, certified copies of returns may be made and delivered to the United States district attorneys for their use as evidence in the prosecution or defense of suits in which the collection or legality of the tax assessed on the basis of such returns is involved, or in any suit to which the United States Government and the corporation, etc., making the return are parties and in which suit such certified copies would constitute material evidence.

Penalty for
giving information
in regard
to returns.

ART. 181. The disclosure by any collector, deputy collector, agent, clerk, or other officer or employee of the United States to any person of any information whatever contained in or set forth by any return of annual net income made pursuant to this act is, by the act, made a misdemeanor, and is punishable by a fine not exceeding \$1,000, or by imprisonment not exceeding one year, or both, at the discretion of the court, and if the offender is an officer or employee of the United States he shall be dismissed and be incapable thereafter of holding any office under the United States Government.

Bookkeeping.

ART. 182. No particular system of bookkeeping or accounting will be required by the department. However, the business transacted by corporations must be so recorded that each and every item set forth in the return of annual net income may be readily verified by an examination of the books of account.

Books of account
best guide
to income.

ART. 183. The books of a corporation are assumed to reflect the facts as to its earnings, income, etc. Hence they will be taken as the best guide in determining the net income upon which the tax imposed by this act is calculated. Except as the same may be modified by the provisions of the law, wherein certain deductions are limited, the net income disclosed by the books and verified by the annual balance sheet, or the annual report to stockholders, should be the same as that returned for taxation.

Omitted taxes
may be assessed.

ART. 184. In cases wherein corporations have neglected or refused to make returns, and in cases wherein returns

made are found, upon investigation or otherwise, to be false or fraudulent, the commissioner may, upon discovery thereof, at any time within three years after said return is due, make return upon the information obtained in the manner provided in the act, and the tax so discovered to be due, together with the additional tax prescribed, shall be assessed, and the amount thereof shall be paid immediately upon notice and demand.

ART. 185. Corporations coming within the terms of this law are subject to the normal tax only; that is, a tax computed at a level rate of 1 per cent of their entire net income regardless of the amount of such net income.

Corporations
subject to normal
tax.

ART. 186. For the purpose of verifying any return, made pursuant to this act, the Commissioner of Internal Revenue may, by any duly authorized revenue agent or deputy collector, cause the books of such corporation to be examined, and if such examination discloses that the corporation is liable to tax in addition to that previously assessed, or assessable, the same shall be assessed and shall be payable immediately upon notice and demand. For the purpose of such examination, the books of corporations shall be open to the examining officer, or shall be produced for this purpose upon summons issued by any properly authorized officer.

Examination
of books.

Taxes due to be reported on assessment lists.

ART. 187. All income taxes found to be due will be reported by collectors on their assessment lists, Form 23-A in the case of corporations, and on Form 23-B in the case of individuals and withholding agents.

Names to be listed in alphabetical order.

ART. 188. The names of corporations subject to tax will be listed on Form 23-A, according to their designated class, and in alphabetical order as to each class. Names of individuals subject to tax will be listed on Form 23-B, alphabetically, without reference to class or rate of tax. Following such names there will be listed, alphabetically, the names of all withholding or licensed collecting agents, and the *aggregate* amount of tax withheld by each, as shown by the annual returns rendered by them. An assessment against each person, firm or company, from whose income the tax has been so withheld, will be unnecessary in such cases.

Names of withholding agents, how to be listed.

Assessment against withholding agents to be deferred until annual reports are received.

ART. 189. To avoid, as far as possible, the assessment of taxes as to which claims for exemption or deduction may be filed under article 33, collectors will delay reporting for assessment taxes remaining in the hands of withholding agents, until the annual reports of such agents, which must be filed not later than March 1 in each year, are received.

Returns, when to be made.

ART. 190. Returns of withholding agents (including those of licensed collecting agents) as to interest payments shall be made monthly and returns containing summaries of said monthly returns shall be made annually. (See Part 2, A, B, and C.) Returns of individuals (see Part 1), corporations (see Part 3), and withholding agents, withholding tax on wages, salaries, rents, etc. (see Part 2, D), and fiduciaries acting as withholding agents (see Part 2, E) shall be made annually. All monthly returns are required to be made on or before the 20th day of each month for the preceding month. All annual returns are required to be made on or before the 1st day of March in each year, except in the

case of corporations which have given due notice of the termination of their fiscal year, in which cases the prescribed return is to be filed within 60 days after the termination of such fiscal year.

ART. 191. Corporations which are subject to the special excise tax on income received during the months of January and February, 1913, may, under the provisions of section 4, paragraph S, of the act of October 3, 1913, include such income, as also the income taxable under said act, in one return for the year 1913. In each such case one assessment only will be made.

Corporations may include in returns for year 1913 income subject to special excise tax.

ART. 192. All returns of income, whether of individuals or corporations, should be forwarded with the assessment list rendered. Where in any case the collector has reason to believe that any return rendered is false or fraudulent, he will prepare and retain in his office a copy of such return, and will note on the original and under the head of "Remarks" of his assessment list the words "Investigation pending." He will in all such cases make his investigation in the manner prescribed in section 3173, Revised Statutes, and paragraph D of said act of October 3, 1913; and he will report the results of his investigation to the Commissioner of Internal Revenue, referring to the list, folio, and line on which the assessment was reported.

Returns of income to be forwarded with assessment lists.

False or fraudulent returns.

ART. 193. Monthly and annual returns of withholding agents (including those of licensed agents) as to interest payments and the annual returns of withholding agents withholding tax on wages, salaries, etc., will be made in duplicate, one copy of which will be retained by the collector in his office and one copy transmitted to the Commissioner of Internal Revenue. Annual returns of withholding agents (including those of licensed agents) as to interest payments, and returns of withholding agents as to wages, salaries, etc., and of fiduciaries will be forwarded by the collector with his list, Form 23-B, on which the tax withheld is reported for assessment.

Certain returns of withholding agents to be in duplicate.

ART. 194. All certificates of exemption or deductions, filed by or on behalf of persons subject to tax, will be forwarded by the collector as soon as received; and all such certificates, reports, and returns, before being transmitted to the commissioner, will have stamped thereon the name and number of the district; will be arranged (unfolded) in alphabetical order and, in the case of corporations, according to the designated class to which they belong. Care should be taken to have all such papers, when so arranged, carefully

Certificates and returns to be forwarded as soon as received.

secured by cord or other fastening, so as to insure their receipt in like order. This is especially necessary in view of the large number of like papers which will be forwarded from the various districts.

Reports and returns to be at once examined by collectors.

ART. 195. In order that assessment lists may be promptly prepared and forwarded, collectors will see that all reports and returns to be listed are examined as received, and that no delay occurs in this branch of the work. Special diligence in this matter is necessary, as sufficient time must be given for the reexamination of such returns in the commissioner's office before assessment is made. The forwarding of assessment lists, however, should in no case be delayed, beyond the time allowed, on account of unexamined returns, as such returns can be examined and reported on a subsequent list. As the law limits the time in which these assessments are to be made and notice of assessment given, collectors will assign to this work all available force in their respective offices.

Assessment lists to be prepared and forwarded without delay.

Notice to be sent to delinquents.

ART. 196. Where the required returns are not filed within the prescribed time, either by individuals or corporations, notice on Form 1045, should in each case be sent to the delinquent. (For authorized extension of time, see articles 23 and 173.)

Notice of assessment.

ART. 197. When assessment has been made, collectors will, on receipt of their returned lists, at once issue preliminary notices of assessment (Form 647), and where in any case the tax assessed is not paid on or before the 30th day of June, or in case of corporations designating their own fiscal year, within 120 days following the date on which the return should have been filed, notice and demand (Form 17) should be at once issued, and unless the tax in such case is paid within 10 days after the service of such notice, general demand for tax, penalty, and interest (Form 21) should at once be issued. Immediate notice and demand (Form 17) will, however, be served in case of failure to file the required return within the statutory period.

Demand for tax, penalty, and interest.

Notice of assessment to be sent immediately on return of list.

ART. 198. Pending assessment on returns forwarded to the commissioner, collectors will have prepared the necessary notices of assessment, with properly addressed envelopes, to be used immediately on return of their assessment lists.

ART. 199. Statements of payment, abatement, and outstanding balances of such assessed taxes will be rendered monthly by collectors on *special* Form 325. Such statements will be prepared in the same manner as required in the case of assessments on the *regular* Form 23, except that in Statement III the outstanding balances on the various lists will be reported in aggregate only. Items constituting such balances, however, will be carded by collectors, but only as to such as were assessed during the month for which the return is rendered, thus avoiding detailed statements each month of outstanding balances previously reported. A separate card (Form 1020) will be used for each such item; and all cards so prepared each month should be arranged alphabetically, and so forwarded by the collector with his report on special Form 325.

Payments, abatements, and outstanding balances.

Outstanding balances to be carded by collectors.

W. H. OSBORN,
Commissioner of Internal Revenue.

Approved:

W. G. McADOO,
Secretary of the Treasury.



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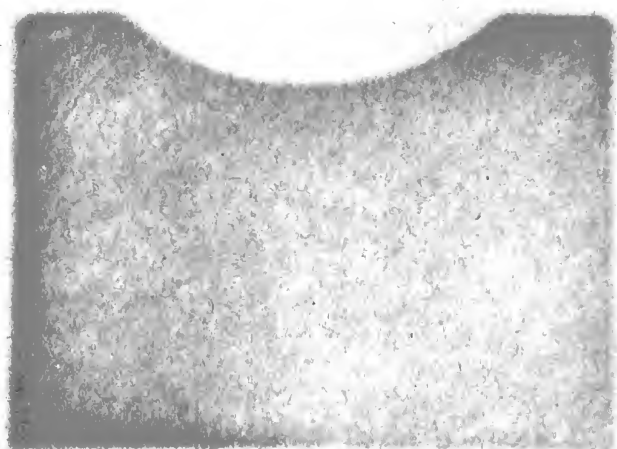
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