

DELIVER OR SEND
THIS RETURN
TO COLLECTOR OF
INTERNAL REVENUE
ON OR BEFORE
MARCH 15, 1919

Form 1040—UNITED STATES INTERNAL REVENUE SERVICE

INDIVIDUAL INCOME TAX RETURN
FOR NET INCOMES OF MORE THAN \$5,000
FOR CALENDAR YEAR 1918

(DO NOT WRITE IN THIS SPACE)

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

DETACH AND KEEP
WORK SHEET
AND
INSTRUCTION SHEET

If the return is made for a part of the calendar year 1918, the date on which the period covered by the return ends must be plainly stated at the head of the return.

PRINT NAME AND ADDRESS PLAINLY BELOW

(Name)

(Street and number or rural route)

(Post office and State)

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

- Did you make a return for 1917? _____
- If so, what address did you give on that return? _____
- To what Collector's office was it sent? (Give district or city and State.) _____
- Give number, if any, assigned to you for 1917, if it does not appear in address at head of return _____
- Were you in 1918 married and living with wife (or husband)? _____
- If not, were you head of a family as defined in instructions under "Personal Exemption"? _____
- If you claim any additional exemption on account of dependent persons other than your children, what was their relationship to you? _____
- How many dependent persons under 18 (or mentally or physically defective) received their chief support from you in 1918? _____
- Did your wife (or husband) or minor child make a separate return? _____ (If so, give name and address entered at head of that return.) _____
- Write "R" if this return shows income received or "A" if it shows income accrued _____

11. Enter below all nontaxable income received by (or accrued to) you during the year:

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

- State amount of stock dividends received by (or accrued to) you directly during the year, declared from earnings of domestic or resident corporations accumulated since February 28, 1913, and prior to January 1, 1918:
(a) Accumulated in 1917, \$ _____ (b) Accumulated in 1916, \$ _____ (c) Accumulated since February 28, 1913, and prior to January 1, 1916, \$ _____
- Enter in table below interest on Liberty Bonds and other obligations of the United States issued since September 1, 1917, received by (or accrued to) you during the year, and maximum amount of such obligations (par value) held at any one time from which such interest was derived (see instructions, page 2, under K(b)):

1. CLASS OF OBLIGATION.	INDIVIDUAL HOLDINGS.		SHARE OF HOLDINGS OF PARTNERSHIPS, PERSONAL SERVICE CORPORATIONS, AND ESTATES AND TRUSTS.		6. TOTAL OF COLUMNS 3 AND 5.	7. MAXIMUM EXEMPTION.
	2. AMOUNT OF INTEREST.	3. MAXIMUM AMOUNT OF OBLIGATIONS.	4. AMOUNT OF INTEREST.	5. MAXIMUM AMOUNT OF OBLIGATIONS.		
(a) First Liberty Loan converted into Second Loan and Second Liberty Loan unconverted (interest received since January 1, 1918)	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$45,000 (See Note.) In addition an exemption of \$5,000 may be claimed as to any one of these classes or may be divided among them. 30,000 30,000 0
(b) First and Second Liberty Loans converted into Third Loan and Third Liberty Loan	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	
(c) First Liberty Loan converted into Fourth Loan	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	
(d) Fourth Liberty Loan	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	
(e) Other obligations issued since September 1, 1917	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	
(f) TOTALS	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	

NOTE.—This exemption (maximum \$45,000) is limited to one and one-half times the amount of bonds of the Fourth Liberty Loan originally subscribed for and still held. State here amount of bonds of the Fourth Liberty Loan originally subscribed for and still held. \$ _____

14. Enter in the table below income from partnerships, personal service corporations, and estates and trusts:

1. NAME OF PARTNERSHIP, PERSONAL SERVICE CORPORATION, ESTATE, OR TRUST. (If ESTATE OR TRUST, GIVE ALSO NAME OF FIDUCIARY.)	2. PERIOD (ENTER 1918 OR DATE ON WHICH FISCAL YEAR ENDED).	3. CASH DIVIDENDS.	4. STOCK DIVIDENDS.	5. INTEREST ON TAX-FREE BONDS (FROM ESTATES AND TRUSTS ONLY).	6. INTEREST ON LIBERTY BONDS, ETC., ISSUED SINCE SEPT. 1, 1917.	7. OTHER INCOME.	8. TOTAL.
_____	_____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
(a) Totals taxable at 1918 rates (see instructions, page 2, under C)		\$ _____	\$ _____	\$ _____	See instructions, page 2, under K(b).	Enter as C, page 2. Enter as 30, below.	X X X X Enter as 17, below.
(b) Totals taxable at 1917 rates (see instructions, page 2, under C)		\$ _____	\$ _____	X X X X	\$ _____	\$ _____	\$ _____
(c) Amount of stock dividends (column 4) taxable at 1916 rates (enter as 20), \$ _____							
(d) Amount of stock dividends taxable at 1913-15 rates (enter as 23), \$ _____							

Total Net Income Subject to Surtax.		Total Net Income Subject to Normal Tax.		Calculation of Tax.	
15. Item L, page 2	\$ _____	AT 1918 RATES.		33. Normal tax of 6% on amount of Item 23	\$ _____
16. Item 12 (a)	\$ _____	25. Net income shown on page 2, Item J	\$ _____	34. Normal tax of 12% on amount of Item 29	\$ _____
17. Item 14 (b), column 8	\$ _____	26. Less personal exemption	\$ _____	35. Normal tax of 4% on amount of Item 32	\$ _____
18. TOTAL (Items 15, 16, and 17)	\$ _____	27. BALANCE	\$ _____	36. Surtax at 1918 rates (see surtax table on page 1 of instructions)	\$ _____
19. Item 12 (b)	\$ _____	28. Amount subject to tax at 6% (not over \$4,000)	\$ _____	37. Surtax at prior-year rates (see surtax table on page 1 of instructions)	\$ _____
20. Item 14 (c)	\$ _____	29. BALANCE SUBJECT TO TAX AT 12%	\$ _____	38. TOTAL TAX	\$ _____
21. TOTAL (Items 18, 19, and 20)	\$ _____	AT 1917 RATES.		39. Tax paid at source (2% of amount of Item F, page 2)	\$ _____
22. Item 12 (c)	\$ _____	30. Amount of Item 14 (b), column 7	\$ _____	40. Income, war profits, and excess-profits taxes paid in 1918 to foreign countries and possessions of the U. S.	\$ _____
23. Item 14 (d)	\$ _____	31. Balance of personal exemption not used above (Item 26 minus Item 25)	\$ _____	41. BALANCE OF TAX DUE (Item 38 minus Items 39 and 40)	\$ _____
24. TOTAL NET INCOME (Items 21, 22, and 23)	\$ _____	32. BALANCE SUBJECT TO TAX AT 4%	\$ _____	42. Amount of tax paid on submission of return	\$ _____

I swear (or affirm) that this return, including the accompanying schedules and statements (if any), has been examined by me and, to the best of my knowledge and belief, is a true and complete return in good faith, pursuant to the income tax law and regulations, of all taxable gains, profits, and income received by or accrued to me (or the person for whom this return is made) during the year 1918, and that all deductions entered or claimed herein are allowable by law.

(If return is made by agent, the reason therefor must be stated on this line)

Sworn to and subscribed before me this _____ day of _____, 1919.
(Signature of officer administering oath) _____ (Title) _____ (Signature of individual or agent) _____ (Address of individual or agent) _____

DETACH RETURN HERE AND SEND IT TO COLLECTOR OF INTERNAL REVENUE

INSTRUCTIONS FOR FILING INDIVIDUAL INCOME TAX RETURN FOR NET INCOMES OF MORE THAN \$5,000

I. HOW TO DECIDE WHETHER TO MAKE A RETURN.

1. Calculate your net income by filling in page 2 of the work sheet according to page 2 of the instructions.
2. Add the net income of your wife (or husband) and dependent minor children, if any, except as provided in paragraph 5.
3. The total family income, calculated in accordance with paragraphs 1 and 2, must be reported, either in your return or in a separate return by wife (or husband), if it equaled or exceeded—
 - (a) \$2,000 if you were married and lived with your wife (or husband).
 - (b) \$1,000 if you were not married or did not live with your wife (or husband).
4. In any case, you must make a return if your net income equalled or exceeded the amount of your personal exemption, not including any additional exemption allowed you as head of family or on account of dependents.
5. Income of a minor or incompetent, if derived from a separate estate under control of a guardian, trustee, or other fiduciary, must be reported by his guardian or other legal representative.
6. If your wife (or husband) had any separate income, she (or he) should make a separate return.

II. ACCRUED OR RECEIVED INCOME.

1. If you keep books showing income accrued and expenses incurred during the year, make your return from your books, but do not fail to include all your income even if it is not entered in your books.
2. If you do not keep books showing income accrued and expenses incurred, report income received and expenses paid.
3. If you report income accrued, you must include all income that accrued in 1917 but was not received until 1918, unless it was reported in last year's return.
4. If you report income received, you must include all income constructively received, as bank interest credited to your account.

III. RECEIPTS EXEMPT FROM TAX.

The following classes of receipts are exempt from income tax, and need not be reported on page 2 of the return. However, nontaxable income of the classes described in paragraphs 1, 3, 4, 5, and 6 should be reported in table 11, page 1 of the return.

1. Pay not exceeding \$3,500, for active services in the military and naval forces of the United States.
2. Gifts (not made as a consideration for service rendered) and money and property acquired under a will or by inheritance (but the income derived from money or property received by gift, will, or inheritance is taxable and must be reported).
3. Interest on bonds and other obligations of the United States issued before September 1, 1917, and on such bonds and other obligations issued since that date, provided your holdings do not exceed the exemptions allowed by law. See table 13, page 1 of return, and instructions, page 2, under K (b).
4. Interest on bonds and other obligations of United States possessions (Philippines, Porto Rico, etc.).
5. Interest on bonds and other obligations of States, territories, political subdivisions thereof (such as cities, counties, and townships), and the District of Columbia.
6. Interest on Federal Farm Loan bonds.
7. Proceeds of life insurance policies paid on the death of the insured.
8. Amounts received by the insured under life insurance, endowment, and annuity contracts, provided such payments do not exceed the premiums paid in. The amount by which the total payments that have been received exceed the total premiums paid in is income and must be reported in Schedule G.
9. Amounts received from accident and health insurance and under workman's compensation acts plus the amount of any damages received by suit or agreement on account of injuries or sickness.

IV. FARMER'S INCOME SCHEDULE.

If you are a farmer or a farm owner renting your farm out on shares, get from the collector and fill out a "Schedule of Farm Income and Expenses." Transfer the net farm income to line 21 of Schedule A of the return. Report income from salaries, rents, interest, sales of property, etc., in Schedules B to G of the return. Send your Schedule of Farm Income and Expenses with the return to the collector.

V. PERIOD TO BE COVERED BY RETURN.

1. You must report your net income for the calendar year 1918, except under the conditions stated in paragraph 2.
2. If you are engaged in business and keep books of account which are regularly closed each year at the end of some month other than December to determine your annual profit or loss, you may, after obtaining the Commissioner's permission, make a return covering the period from January 1, 1918, to the date on which you closed your books, and thereafter for each period of 12 months.

3. If you make a return for a part of the calendar year 1918, your personal exemption shall be as many twelfths of the amount that would be allowed for a full year as there are months in the period covered by the return.

4. The dates on which the period covered by the return begins and ends, if other than the calendar year 1918, must be plainly stated at the head of the return; answers to questions 5, 6, and 7 must be given for that period; and the affidavit must be changed accordingly.

VI. PERSONAL AND FAMILY EXEMPTION.

1. If you were married and lived with your wife (or husband) or were head of a family in 1918, you may subtract from your net income, before calculating your tax, a family exemption of \$2,000 plus \$200 for each person under 18 (or mentally or physically defective) who received his chief support from you. If husband and wife make separate returns, this exemption may be claimed by either (but not by both) or may be divided between them.
2. If you were not married or did not live with wife (or husband) and were not head of a family in 1918, you are entitled to a personal exemption of \$1,000 plus \$200 for each dependent person under 18 (or mentally or physically defective) who received his chief support from you.
3. If you were entitled to any of the foregoing exemptions during a part of the year only, you may claim as many twelfths of the exemptions stated as there were months in such part of the year. Any part of a month may be counted as a month.
4. The personal or family exemption must be reported on line 26, page 1 of the return, and must be supported by answers to questions 5, 6, 7, and 8.
5. A "head of family" is a person who is the chief support of one or more persons living in his household, who are closely related to him (or her) by blood, marriage, or adoption.

VII. AFFIDAVIT.

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

VIII. WHEN AND WHERE THE RETURN SHOULD BE SENT.

Send your return to the collector of internal revenue for the district in which you live or have your principal place of business so that it will reach him on or before March 15, 1919. If the address of the collector is not printed on the return and you do not know it, ask at the post office or bank.

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

1. The tax should be paid, if possible, by sending or bringing with the return a check or money order drawn to the order of "Collector of Internal Revenue at [insert name of city and State]."
2. Do not send cash through the mail, or pay it in person except at the office of the collector or a regularly established internal revenue stamp office.
3. At least one-fourth of the tax is due at the same time that this return is due.
4. An additional amount sufficient to bring the total payments up to one-half of the tax must be paid on or before June 15, 1919.
5. An additional amount sufficient to bring the total payments up to three-fourths of the tax must be paid on or before September 15, 1919.
6. The entire remainder of the tax must be paid on or before December 15, 1919.
7. If any payment is not made when due, the entire unpaid balance of the tax will become due 10 days after demand therefor by the collector.
8. If you pay in cash, do not fail to get a receipt at the time of payment. If you pay by check or money order, your canceled check or your money order receipt will serve as a receipt.

X. PENALTIES.

For Making False or Fraudulent Return.

Not exceeding \$10,000 or not exceeding one year's imprisonment, or both, in the discretion of the court, and, in addition, 50 per cent of the tax evaded.

For Failing to Make Return on Time.

Not more than \$1,000, and, in addition, 25 per cent of the amount of tax due.

For Failing to Pay Tax When Due.

Five per cent of the amount due but unpaid, plus 12 per cent interest per annum for the time during which it remains unpaid.

TABLES AND INSTRUCTIONS FOR CALCULATION OF SURTAX.

Amount of net income.	Rate.	Total surtax on each amount.	Amount of net income.	Rate.	Total surtax on each amount.
A	B	C	A	B	C
\$5,000	1%	50	60,000	28%	\$16,800
6,000	1%	60	62,000	29%	18,180
8,000	2%	160	64,000	30%	19,200
10,000	3%	300	66,000	31%	20,460
12,000	4%	480	68,000	32%	21,840
14,000	5%	700	70,000	33%	23,300
16,000	6%	960	72,000	34%	24,840
18,000	7%	1,260	74,000	35%	26,460
20,000	8%	1,600	76,000	36%	28,160
22,000	9%	1,980	78,000	37%	29,940
24,000	10%	2,400	80,000	38%	31,800
26,000	11%	2,860	82,000	39%	33,720
28,000	12%	3,360	84,000	40%	35,700
30,000	13%	3,900	86,000	41%	37,740
32,000	14%	4,480	88,000	42%	39,840
34,000	15%	5,100	90,000	43%	41,970
36,000	16%	5,760	92,000	44%	44,120
38,000	17%	6,460	94,000	45%	46,290
40,000	18%	7,200	96,000	46%	48,480
42,000	19%	7,980	98,000	47%	50,690
44,000	20%	8,800	100,000	48%	52,920
46,000	21%	9,660	150,000	52%	78,000
48,000	22%	10,560	200,000	56%	112,000
50,000	23%	11,500	300,000	60%	180,000
52,000	24%	12,480	500,000	68%	340,000
54,000	25%	13,500	1,000,000	74%	740,000
56,000	26%	14,560	2,000,000+	82%	1,640,000
58,000	27%	15,660			

Amount of net income.	Rate.	Amount of surtax at each rate.
A	B	C
\$5,000	1%	50
7,500	2%	150
10,000	3%	300
12,500	4%	500
15,000	5%	750
20,000	6%	1,200
40,000	8%	3,200
60,000	12%	7,200
80,000	17%	13,600
100,000	22%	22,000
150,000	27%	40,500
200,000	32%	64,000
250,000	37%	92,500
300,000	42%	126,000
500,000	48%	240,000
750,000	50%	375,000
1,000,000	55%	550,000
1,500,000	61%	915,000
2,000,000	62%	1,240,000
2,000,000+	63%	1,260,000

Amount of net income.	Rate.	Amount of surtax at each rate.
A	B	C
\$5,000	1%	50
10,000	2%	200
20,000	3%	600
30,000	4%	1,200
40,000	5%	2,000
50,000	6%	3,000
60,000	7%	4,200
70,000	8%	5,600
80,000	9%	7,200
1,000,000	10%	100,000
1,500,000	11%	165,000
2,000,000	12%	240,000
2,000,000+	13%	260,000

Amount of net income.	Rate.	Amount of surtax at each rate.
A	B	C
\$20,000	1%	200
50,000	2%	1,000
75,000	3%	2,250
100,000	4%	4,000
250,000	5%	12,500
500,000	6%	30,000
1,000,000	7%	70,000
2,000,000+	8%	160,000

CALCULATION OF SURTAX AT 1918 RATES.
 To compute the amount of surtax on any amount of net income in excess of \$5,000:
 First: Find in column A the largest sum which is less than the amount of the total net income subject to surtax at 1918 rates (Item 1, page 2, or Item 15, page 1, of the return).
 Second: Find in column C the corresponding amount of total surtax.
 Third: To the amount of surtax found as above add an amount computed as follows: Subtract from the net income the sum found in column A and multiply the remainder by the rate shown on the next line below in column B.
 The sum of these two amounts is the total surtax due.

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

Item 5, column 3, should be entered as Item 36, page 1 of the return.

CALCULATION OF SURTAX AT PRIOR-YEAR RATES.
 To calculate surtax at 1917 rates:
 First: Enter on the first line of column 1, below, the amount of Item 15, page 1 of the return.
 Second: Enter in column 2 either (a) the next larger amount shown in column A of the 1917 surtax table, or (b) the amount of Item 18, page 1 of the return, if less than such amount.
 Third: Enter in column 3 the difference between the amounts entered in columns 1 and 2.
 Fourth: Enter in column 4 the rate of tax shown in column B of the surtax table on the same line as the amount referred to in (a) of the second step.
 Fifth: Enter in column 5 the product of figures in columns 3 and 4.
 If the amount of Item 18 is greater than the amount in column A of the 1917 surtax table referred to in (a) of the second step, proceed as follows:
 Sixth: Enter on the second line of column 1 the largest amount in column A of the surtax table which is smaller than Item 18.
 Seventh: Enter in column 2 the amount of Item 18.
 Eighth: Enter in column 3 the difference between the amounts entered in columns 1 and 2.
 Ninth: Enter in column 4 the rate shown in column B of the surtax table on the line below that on which is shown the amount entered on the second line of column 1.
 Tenth: Enter in column 5 the product of the figures in columns 3 and 4.
 Eleventh: Enter on line 3, column 5, the sum of the amounts shown in column C of the surtax table opposite the percentages (if any) shown in column B between the percentages that were entered on lines 1 and 2 of column 4.

1.	2.	3.	4. (Per cent.)	5.
1. \$	\$	\$		\$
2.				
3.				
4.				
5.				
Total				\$

The total of column 5 should be entered as Item 37, page 1 of the return.
 NOTE.—If you received stock dividends taxable at 1916 or at 1913-15 rates, calculate the tax in the same manner described for 1917 rates, using the appropriate surtax tables and the amounts of Items 18 and 21 for 1916 and 21 and 24 for 1913-15.

INSTRUCTIONS FOR FILLING IN TAXABLE INCOME

If the form has not space enough for all entries, make additional entries on a separate sheet of paper and attach it securely to the return.

A. INCOME FROM BUSINESS OR PROFESSION.

Report here income from—

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

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

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

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

If you are a farmer (or a farm owner renting your farm to another person on shares), enter on line 21 your net income from farming, as shown by your "Schedule of Farm Income and Expenses."

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

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

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

If you have a complete profit and loss statement, showing all the information called for under "Cost of goods sold" and "Other business deductions," attach it to the return and enter the amount of net income on line 21, Schedule A.

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

Inventories.—If inventories were taken at cost, write "C" on line 8, immediately before the amount column; if at cost or market, whichever is lower, write "C or M."

Other business deductions.—Do not include cost of business equipment or furniture, expenditures for permanent improvements to property, or living and family expenses. Do not deduct interest on your own investment in your business, or salary or wages for your own services or the services of your family, unless these items are included as income in Schedule B or G.

Rent.—Report here rent for business property (not including rent for dwelling you occupy).

Interest.—Report here interest on business indebtedness, including indebtedness incurred to purchase or carry business property.

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

Repairs, wear and tear, obsolescence, and property losses.—Report here (a) ordinary repairs required to keep property in usable condition, (b) depreciation during the year

on business property only to the extent not offset by repairs, replacements, or losses claimed as deductions in this or previous returns, (c) reasonable allowance for obsolescence (if any) of business property for which no deduction has been claimed elsewhere in this return or in any previous return, and (d) losses of business property by fire, storm, or other casualty, or theft, not compensated for by insurance or otherwise and not made good by repairs or replacements claimed as deductions. Explain these deductions in table at foot of page 2 of return.

Any losses of property not used in your business, such as your dwelling or household furniture, should be reported in Schedule I.

The amount claimed for wear and tear or depreciation should not exceed the original cost of the property (or its value March 1, 1913, if acquired before that date) divided by its total estimated life in years. When the amount of depreciation allowed equals the cost of the property (or its value March 1, 1913), no further claim should be made.

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

Do not claim depreciation or losses of articles that have been taken into your inventory at a figure reflecting the reduction in value.

Depreciation of patents, copyrights, etc., and depletion of mines, etc.—If you wish to claim a deduction on account of depreciation in the value of patents, copyrights, franchises, and other legal privileges, or on account of depletion of mines and oil and gas wells, see the income and profits tax regulations.

Bad debts.—Report only debts which you have ascertained to be worthless and have charged off during the year.

A bad debt offsetting income accrued since March 1, 1913, will not be allowed as a deduction unless the amount was reflected in the income reported for the year in which the debt was created.

State under "Explanation of deductions," at the foot of the page, how the debts were ascertained to be worthless, or if the deduction is based on a reserve, state specifically the basis on which such reserve has been computed. Insolvency of the debtor, inability to collect by legal proceedings, or inability of debtor to pay, ascertained by a mercantile agency, would be a sufficient indication of worthlessness.

If at any future time a debt charged off as worthless and allowed as a deduction is collected, the amount collected must be returned as income.

Unpaid debts are not deductible if made good by recovery of property sold or retention of property pledged.

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

Other expenses.—Do not include your personal exemption here. This is to be reported as Item 28.

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

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

If salary, wages, or other compensation was at the rate of \$1,000 or more per annum, report it on a separate line, together with the occupation or position and employer's name and address. All other income from salaries, wages, commissions, etc., at a rate less than \$1,000 per annum should be reported on a single line.

Do not report here pay, not exceeding \$3,500, for active service in the Army or Navy (see Instruction III, paragraph 1, on the other side of this sheet). Report such pay in table 11, page 1 of the return.

Explain deductions in the space at the foot of page 2 of the return.

C. INCOME FROM PARTNERSHIPS, PERSONAL SERVICE CORPORATIONS, AND ESTATES AND TRUSTS.

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

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

Apportionment of partnership income between years.—If you derived income from a partnership whose fiscal year differed from the calendar year, assign to 1917 as many twelfths of your share of the partnership's income (except stock dividends and Liberty Bond interest received through the partnership) as the number of months of the partnership's fiscal year that fell in the calendar year 1917. Assign to 1918 the remainder of your share of the partnership's income, except stock dividends and Liberty Bond interest, which should be apportioned as provided in instructions under K(a) and K(b) below.

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

Use this schedule for all sales of real estate, and for sales of other property that you did not deal in as a business.

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

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

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

Cost.—Enter the original cost of the property or, if it was acquired before March 1, 1913, its fair market value on that date. Expenses incidental to the purchase may be included in the cost if never claimed in income-tax returns as deductions from income. Enter in column 7 the amount of wear and tear, obsolescence, or depletion sustained since March 1, 1913 (or since date of acquisition if subsequent to March 1, 1913). (This is a deduction from cost, though treated for convenience as an addition to the sale price.)

Losses.—If the total of columns 5 and 6 is in excess of the total of columns 4 and 7, report the difference as a loss by using red ink or a minus sign.

E. INCOME FROM RENTS AND ROYALTIES.

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

Amount of rent.—If you accepted crops or other property in lieu of cash rent, report the income as though the rent had been paid in cash.

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

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

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

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

bonds. If exemption was claimed, the interest received must be reported in G. (The amount of tax paid by the debtor corporation is treated as a credit against the tax due. See Item 39, page 1 of the return.)

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

Report in this schedule interest on bank deposits, notes, mortgages, etc., and all other income not reported in Schedules A to F, except (a) dividends from corporations organized or doing business in the United States, which should be reported as Item K(a); (b) taxable interest on obligations of the United States, which should be reported as Item K(b); (c) receipts exempt from tax, as stated in Instruction III on the other side of this sheet; (d) partnership profits and stock dividends taxable at prior year rates (see items 12 and 14, page 1 of return).

State separately income from each source.

If you received any interest on bonds of foreign countries or corporations, or any dividends on stock of foreign corporations, submit with the return a schedule showing (a) name of country; (b) kind of obligations (whether national, state, or municipal obligations, or bonds or stocks of corporations); (c) amount of principal; and (d) amount of interest or dividends.

Deductions.—Explain deductions in the space at the foot of page 2 of the return.

I. GENERAL DEDUCTIONS.

Interest.—Report here interest paid on personal indebtedness as distinguished from business indebtedness (which should be reported under A, E, or G above). Do not include interest on indebtedness incurred for the purchase of bonds and other obligations, the interest on which is exempt from tax; except interest on indebtedness incurred to purchase or carry obligations of the United States. See Instruction III, page 1, for a list of obligations the interest on which is exempt.

Taxes.—Report here taxes on your dwelling and household property, not including those assessed against local benefits of a kind tending to increase the value of the property. Do not include Federal income taxes, or estate or inheritance taxes.

Losses.—Report here losses of property not connected with your trade, business, or profession, sustained during the year from fire, storm, shipwreck, or other casualty, or from theft, which were not compensated for by insurance or otherwise. Explain such losses in table at foot of page 2 of return.

Contributions.—Report here only contributions made within the year to corporations organized and operated exclusively for religious, charitable, scientific, or educational purposes, or for the prevention of cruelty to children or animals, and contributions to the special fund for vocational rehabilitation. The total amount of contributions to be entered here must not exceed 15 per cent of the net income computed without the benefit of this deduction. Therefore, if Item 4, Schedule I, exceeds the sum of your total net income (Item 24) and Item 4, then Item 4 must be reduced to 15 per cent of such sum and your total net income must be recalculated accordingly.

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

Other deductions.—Bad debts arising out of personal loans may be reported here. (See instructions for Schedule A, above.)

K (a). DIVIDENDS.

Stock dividends which were paid out of profits or surplus accumulated by the distributing corporation prior to the year for which this return is made but not prior to March 1, 1913, should not be included in Item K(a), but should be reported as Item 12, a, b, and c, Item 14b, col. 4, and Items 14c and 14d on page 1 of the return.

Profits of personal service corporations should be included in G (except such part thereof as consisted of dividends of ordinary corporations and interest on obligations of the United States issued since September 1, 1917).

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

1. In order to ascertain the amount to be entered under K(b), refer first to Table 13 on page 1 of the return.

2. If any amount entered in column 6 of that table exceeds the maximum exemption for the same class of obligations (stated in column 7), then you must attach to the return a separate sheet showing in separate columns the following information for that class of obligations:

(a) Name of each partnership, personal service corporation, estate, and trust, and also any holdings of the interest on which you reported as income for 1917, and on which you claimed exemption in your 1917 return.

(b) Amount of obligations held by you individually during each such period.

(c) Name of the holdings of each partnership, personal service corporation, estate, or trust during each such period.

(d) Totals of amounts in columns b and c.

(e) Amount by which each amount entered in column d exceeds the maximum exemption for that class of obligations.

(f) Interest derived from each amount of principal stated in column e.

3. If any part of the interest reported in column f was received through such partnership should be reported in column g, either (1) the amount entered in column f or (2) the amount of your share of the partnership's holdings (shown in column c), whichever is the smaller.

4. Enter as Item K(b), on page 2 of the return, the total of column g for all classes of obligations, less as many twelfths of the total amount g (if the number of months of the partnership's fiscal year that fell in 1917 was less than 12) as Item 14b (column 6) on page 1 of the return.