



INDIVIDUAL RETURN OF TAXABLE INCOME

SCHEDULE A.—INCOME FROM BUSINESS OR PROFESSION.

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

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

Table with 5 columns: 1. BY WHOM RECEIVED (Give name); 2. OCCUPATION; 3. AMOUNT RECEIVED; 4. EXPENSES (EXPLAIN BELOW); 5. NET INCOME FROM SALARIES, ETC.

SCHEDULE C.—INCOME FROM PARTNERSHIPS, PERSONAL SERVICE CORPORATIONS, AND FIDUCIARIES (From Item 15 (a) column 6, page 1)

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

Table with 7 columns: 1. KIND OF PROPERTY; 2. NAME AND ADDRESS OF PURCHASER OR BROKER; 3. SALE PRICE OR LIQUIDATING DIVIDENDS; 4. DATE ACQUIRED; 5. COST, OR IF ACQUIRED PRIOR TO MARCH 1, 1913, THE FAIR MARKET VALUE ON THAT DATE; 6. COST OF SUBSEQUENT IMPROVEMENTS, IF ANY; 7. DEPRECIATION.

SCHEDULE E.—INCOME FROM RENTS AND ROYALTIES.

Table with 7 columns: 1. KIND OF PROPERTY; 2. NAME AND ADDRESS OF TENANT, LESSEE, ETC.; 3. AMOUNT RECEIVED; 4. REPAIRS, WEAR AND TEAR, OBSOLESCENCE, DEPRECIATION AND PROPERTY LOSSES; 5. INTEREST; 6. TAXES; 7. OTHER EXPENSES (EXPLAIN BELOW).

SCHEDULE F.—INTEREST ON CORPORATION BONDS CONTAINING TAX-FREE COVENANT, ON WHICH A TAX OF 2% WAS PAID AT SOURCE.

Received (a) directly \$; (b) through partnerships, personal service corporations, and fiduciaries (Item 15 (a), column 3) \$; TOTAL \$

SCHEDULE G.—OTHER INCOME (not including dividends, or interest on obligations of the United States).

Table with 2 columns: 1. Description of income; 2. AMOUNT RECEIVED.

SCHEDULE H.—DIVIDENDS.

Received (a) directly \$; (b) through partnerships, personal service corporations, and fiduciaries (Item 15 (a), column 4) \$; TOTAL \$

SCHEDULE I.—TAXABLE INTEREST ON LIBERTY BONDS, OTHER OBLIGATIONS OF THE UNITED STATES, AND WAR FINANCE CORPORATION BONDS (from Item 16 (L), page 1)

SCHEDULE J.—TOTAL NET INCOME FROM ABOVE SOURCES (Total net income less total deficits shown in above Schedules)

SCHEDULE K.—DEDUCTIONS (except those included above and contributions).

Table with 5 columns: 1. Interest paid; 2. Taxes paid; 3. Losses by fire, storm, etc. (explain in table below); 4. Bad debts (explain in space at foot of page); 5. Amounts paid to beneficiaries, etc.

SCHEDULE L.—NET INCOME (without deducting contributions) (J minus K)

SCHEDULE M.—CONTRIBUTIONS (List below names and amounts paid to each corporation)

SCHEDULE N.—NET INCOME UPON WHICH TAX IS TO BE COMPUTED (L minus M) (Enter as Item 17, page 1)

ENTER IN THIS TABLE DETAILS CONCERNING REPAIRS, WEAR AND TEAR, PROPERTY LOSSES, ETC., CLAIMED AS DEDUCTIONS IN SCHEDULES A, E, AND K ABOVE.

Table with 10 columns: 1. REFER TO "A," "E," OR "K"; 2. KIND OF PROPERTY (IF BUILDINGS, STATE ALSO MATERIAL OF WHICH CONSTRUCTED); 3. DATE ACQUIRED; 4. AGE WHEN ACQUIRED; 5. COST, OR IF ACQUIRED PRIOR TO MARCH 1, 1913, THE FAIR MARKET VALUE ON THAT DATE; 6. REPAIRS, ORDINARY AND INCIDENTAL; 7. WEAR AND TEAR, OBSOLESCENCE, AND DEPLETION CHARGED OFF (Rate); 8. Amount previous years; 9. Amount this year; 10. LOSSES NOT COMPENSATED FOR BY INSURANCE OR OTHERWISE, CAUSE AND HOW AMOUNT WAS ARRIVED AT.

EXPLANATION OF DEDUCTIONS claimed in Schedule A, Items 7 and 19; Schedule B, column 5; Schedule E, column 7; Schedule K, Item 4; and Schedule M. (Attach separate sheet if necessary.)

# GENERAL INSTRUCTIONS

## INDIVIDUAL RETURN

### PERSONS REQUIRED TO MAKE A RETURN OF INCOME.

1. A return of net income must be filed by every citizen of the United States who is residing at home or abroad, and every person residing in the United States though not a citizen thereof, whose net income for the taxable period 1920 amounted to:
  - (a) \$1,000 if single or married and not living with wife (or husband).
  - (b) \$2,000 if married and living with wife (or husband).
2. Under these conditions a return must be filed even though the amount of net income is not sufficient to incur tax liability. (Note especially paragraphs 17 to 22 under "Credits for Personal Exemption and Dependents.")
3. If the combined income of husband, wife, and dependent minor children equaled or exceeded \$2,000, all such income must be reported either on a joint return or on separate returns of husband and wife. If single and the income, including that of dependent minors, if any, equaled or exceeded \$1,000, one return must be filed. A minor, however, having a net income of \$1,000 or \$2,000, according to the marital status, must file a return.
4. In the case of husband and wife whose combined net income exceeds \$5,000, separate returns must be filed on Form 1040, showing the respective amounts of income.
5. The 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. Income of (a) estates of decedents before final settlement, (b) trusts, whether created by will or deed, for unascertained persons or persons with contingent interests; or income held, or which under the terms of the will or trust may be held, for future distribution, is taxed to the fiduciary as a single person, except that from the income of a decedent's estate there may first be deducted an amount properly paid or credited to a beneficiary.
7. If the net income of a decedent from the beginning of the taxable period to the date of his death was \$1,000, if unmarried, or \$2,000, if married and living with wife (or husband), the executor or administrator shall file a return on Form 1040 or 1040A for such decedent.

### PERIOD TO BE COVERED BY RETURN.

8. Your return must be filed for the calendar year ending December 31, 1920, or for the fiscal year ending on the last day of any month other than December. The dates on which the period covered by the return begins and ends, if other than a calendar year, must be plainly stated at the head of the return, and answers to questions 8, 9, and 10 on page 1 of the return, must be given accordingly.
9. You were required to file your return for 1918 on the basis of your annual accounting period. Having established an accounting period for 1918, this period must be adhered to for subsequent years, unless permission was received from the Commissioner to make a change.

### ACCRUED OR RECEIVED INCOME.

10. 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 though it is not entered on your books.
11. If you do not keep books showing income accrued and expenses incurred, report income received and expenses paid.
12. If you report income accrued, you must include all income that accrued in the taxable year, even though not actually received.
13. If you report income received, you must include all income constructively received, such as bank interest or salary credited to your account.
14. If you have computed your income from installment sales in conformity with Articles 42 to 47, inclusive, of Regulations 45, you must attach to your return a schedule showing separately for the years 1918, 1919, and 1920 the following information: (a) Gross sales; (b) cost of goods sold; (c) gross profits; (d) percentage of profits to gross sales; (e) amount collected; (f) gross profit on amount collected.

### ITEMS EXEMPT FROM TAX.

15. The following items are exempt from Federal Income Tax; the nontaxable items, however, described in classes (c), (d), (e), (f), and (h) below must be reported. (See Items 14 and 16, page 1, of the return.)
  - (a) Pay not exceeding \$2,500, for active services in the military or naval forces of the United States received during the taxable period prior to the termination of the present war as fixed by proclamation of the President.
  - (b) 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).
  - (c) Interest on bonds and other obligations of the United States issued before September 1, 1917, and on such bonds and other obligations issued since that date, to the extent provided by the acts authorizing the issue thereof and by subsequent acts. (See page 1 of return, Item 16, and page 2 of instructions, Schedule I.)
  - (d) Interest on bonds and other obligations of United States' possessions (Philippines, Porto Rico, etc.).
  - (e) Interest on bonds and other obligations of States, Territories, political subdivisions thereof (such as cities, counties, and townships), and the District of Columbia.
  - (f) Interest on Federal Farm Loan bonds.
  - (g) Dividends on stock of Federal Reserve Banks. Dividends paid by member banks, however, are treated as dividends of ordinary corporations.
  - (h) Interest on bonds issued by the War Finance Corporation, only if and to the extent provided by the acts authorizing the issue thereof.
  - (i) Proceeds of life insurance policies paid upon the death of the insured to individual beneficiaries or the estate of the insured.
  - (j) 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.
  - (k) Amounts received from accident and health insurance and under workmen's compensation acts plus the amount of any damages received by suit or agreement on account of injuries or sickness.
  - (l) Compensation paid by a State or political subdivision thereof to its officers or employees.
  - (m) Compensation paid by the United States to Federal judges, appointed prior to February 24, 1919, and to the President of the United States.

## FARMER'S INCOME SCHEDULE.

16. If you are a farmer or a farm owner renting your farm out on shares and keep no books of account, or keep books on a cash basis, obtain from the Collector, and attach to this return, Form 1040F, Schedule of Farm Income and Expenses. Enter the net farm income as Item 22 in Schedule A, page 2, of the return. If your farm books of account are kept on an accrual basis, the filing of Form 1040F is optional. Report income from salaries, rents, interest, sales of property, etc., on Schedules B to G of this return.

### CREDITS FOR PERSONAL EXEMPTION AND DEPENDENTS.

17. If you were married and living with your wife (or husband) or were head of a family on the last day of your taxable period, you may subtract from your net income, before calculating your normal tax, an exemption of \$2,000, plus \$200 for each person under 18 (or if 18 or over, incapable of self support because mentally or physically defective, who was receiving his chief support from you on that date. If husband and wife make separate returns, this exemption may be claimed by either (but not by both) or may be divided between them.
18. If you were not married or did not live with wife (or husband) and were not head of a family on the last day of your taxable period, you are entitled to a personal exemption of \$1,000, plus \$200 for each dependent person under 18 (or if 18 or over, incapable of self support because mentally or physically defective) who was receiving his chief support from you on that date.
19. An exemption of \$1,000 may be claimed in cases where Form 1040 is filed for estates in process of administration, or with respect to income held for future distribution.
20. If by reason of a change in your accounting period you make a return for a part of a year, your personal exemption shall be as many twelfths of the amount that would be allowed for a full year as there are months in the period covered by the return.
21. The personal exemption must be reported as Item 20, and supported by answers to questions 8, 9, and 10 on page 1 of the return.
22. A "head of family" is a person who actually supports one or more persons living in his (or her) household, who are closely related to him (or her) by blood, marriage, or adoption. (As to credit for taxes claimed in Item 30, page 1 of the return, see Articles 381 to 386, inclusive, Regulations 45.)

### AFFIDAVIT.

23. 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. A minor, however, making his own return must execute the affidavit.
24. The oath will be administered without charge by any collector, deputy collector, or internal revenue agent, or (if you are in the military or naval service of the United States) by any military or naval officer who is authorized to administer oaths for purposes of military or naval justice and administration. If an internal revenue officer is not available, the return should be sworn to before a notary public, justice of the peace, or other person authorized to administer oaths.

### WHEN AND WHERE THE RETURN MUST BE FILED.

25. If the return is for the calendar year 1920, file it with the Collector of Internal Revenue for the district in which you live or have your principal place of business, on or before March 15, 1921. If for a period other than the calendar year, the return should be filed on or before the 15th day of the third month following the close of such period.
26. In case the taxpayer had no legal residence or place of business in the United States, the return should be forwarded to the Collector of Internal Revenue, Baltimore, Md.
27. 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.

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

28. 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)."
29. Do not send cash through the mail, nor pay it in person, except at the office of the Collector.
30. The tax may be paid in four equal installments, as follows: The first installment shall be paid at the time fixed by law for filing the return, and the second installment shall be paid on the 15th day of the third month, the third installment on the 15th day of the sixth month, and the fourth installment on the 15th day of the ninth month, after the time fixed by law for filing the return.
31. The total tax may be paid at the time of filing the return, or if not so paid, one installment must be paid and the balance may be paid in installments, or in full, on or prior to any subsequent installment date referred to above. Failure to pay any installment on the date fixed by law makes the taxpayer liable for the payment of the balance of tax due upon notice and demand by the Collector.

### PENALTIES.

- For Making False or Fraudulent Return.
  32. 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.
  33. Not more than \$1,000, and, in addition, 25 per cent of the amount of total tax.
- For Failing to Pay Tax When Due, or Understatement of Tax Through Negligence.
  34. Five per cent of the tax due but unpaid, plus interest at the rate of 1 per cent per month during the period in which it remains unpaid.

## TABLES OF SURTAX AND INSTRUCTIONS FOR CALCULATION

SURTAX RATES.					
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			\$50,000	28%	\$14,000
6,000	1%	60	60,000	29%	17,400
8,000	2%	160	70,000	30%	21,000
10,000	3%	300	80,000	31%	24,800
12,000	4%	480	90,000	32%	28,800
14,000	5%	700	100,000	33%	33,000
16,000	6%	960	110,000	34%	37,400
18,000	7%	1,260	120,000	35%	42,000
20,000	8%	1,600	130,000	36%	46,800
22,000	9%	1,980	140,000	37%	51,800
24,000	10%	2,400	150,000	38%	57,000
26,000	11%	2,860	160,000	39%	62,400
28,000	12%	3,360	170,000	40%	68,000
30,000	13%	3,900	180,000	41%	73,800
32,000	14%	4,480	190,000	42%	79,800
34,000	15%	5,100	200,000	43%	86,000
36,000	16%	5,760	210,000	44%	92,400
38,000	17%	6,460	220,000	45%	99,000
40,000	18%	7,200	230,000	46%	105,800
42,000	19%	8,000	240,000	47%	112,800
44,000	20%	8,840	250,000	48%	120,000
46,000	21%	9,720	260,000	49%	127,400
48,000	22%	10,640	270,000	50%	135,000
50,000	23%	11,600	280,000	51%	142,800
52,000	24%	12,600	290,000	52%	150,800
54,000	25%	13,640	300,000	53%	159,000
56,000	26%	14,720	310,000	54%	167,400
58,000	27%	15,840	320,000	55%	176,000
			330,000	56%	184,800
			340,000	57%	193,800
			350,000	58%	203,000
			360,000	59%	212,400
			370,000	60%	222,000
			380,000	61%	231,800
			390,000	62%	241,800
			400,000	63%	252,000
			410,000	64%	262,400
			420,000	65%	273,000
			430,000	66%	283,800
			440,000	67%	294,800
			450,000	68%	306,000
			460,000	69%	317,400
			470,000	70%	329,000
			480,000	71%	340,800
			490,000	72%	352,800
			500,000	73%	365,000
			510,000	74%	377,400
			520,000	75%	390,000
			530,000	76%	402,800
			540,000	77%	415,800
			550,000	78%	429,000
			560,000	79%	442,400
			570,000	80%	456,000
			580,000	81%	470,000
			590,000	82%	484,200
			600,000	83%	498,600
			610,000	84%	513,200
			620,000	85%	528,000
			630,000	86%	543,000
			640,000	87%	558,200
			650,000	88%	573,600
			660,000	89%	589,200
			670,000	90%	605,000
			680,000	91%	621,000
			690,000	92%	637,200
			700,000	93%	653,600
			710,000	94%	670,200
			720,000	95%	687,000
			730,000	96%	704,000
			740,000	97%	721,200
			750,000	98%	738,600
			760,000	99%	756,200
			770,000	100%	774,000

**INSTRUCTIONS.**  
 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 (Schedule N, page 2, or Item 17, page 1 of the return).  
 Second: Find in column C the corresponding amount of total surtax.  
 Third: To the amount of surtax found as above add an amount computed as follows: Subtract from the net income the sum found in column A and multiply the remainder by the rate shown on the next line below in column B.  
 The sum of these two amounts is the total surtax due.  
 In the case of a bona fide sale of mines, oil or gas wells, or any interest therein, the surtax on the profit shall not exceed 20 per cent of the selling price as provided in Articles 13 and 219-221 of Regulations 45.

### CALCULATION OF SURTAX.

1. ITEM.	2. Example: Net income \$10,000.	3. Computation of surtax on Item 17, 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) (Enter as Item 27, page 1 of the return)	280.00	\$

**SCHEDULE A.—INCOME FROM BUSINESS OR PROFESSION**

Report in this schedule on the return income from—

(a) Sale of merchandise or of products of manufacturing, construction, mining and agriculture.

(b) Business service, such as transportation, storage, laundering, hotel and restaurant service, livery and garage service, etc., if you owned the business. If you are only an employee of a business, 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.

If you are a farmer (or a farm owner renting your farm to another person on shares), see page 1 of instructions, paragraph 16.

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

**Kind of business.**—State kind of goods dealt in or kind of services rendered, and whether manufacturer, jobber, wholesaler, retailer, importer, broker, etc.**Total sales and income from business.**—Report the total amount derived from sales or from services, less any discounts or allowances from the sale price or service charge. (For installment sales see page 1 of instructions, paragraph 14.)**Inventories.**—Write "C" or "C or M" on lines 8 and 10 immediately before the amount column to indicate that inventories are valued at either cost, or cost or market, whichever is lower.If you are engaged in a trade or business in which the production, purchase, or sale of merchandise of any kind is an income-producing factor, secure from the Collector of Internal Revenue and file as a part of this return a *Certificate of Inventory, Form 1126*.**Other business deductions.**—Do not include cost of business equipment or furniture, expenditures for replacements, or for permanent improvements to property, or living and family expenses.**Salaries.**—Enter as Item 12 all salaries and wages not reported as "Labor" under "Cost of goods sold." Salary or wages for your own services or the services of your dependent minor children, if deducted, must be reported as income in Schedule B.**Rent.**—Enter as Item 13 rent on business property in which you have no equity. Do not include rent for dwelling you occupy for residential purposes.**Interest.**—Enter as Item 14 interest on business indebtedness to others. Do not include interest to yourself on capital invested in or advanced to the business.**Taxes.**—Enter as Item 15 only taxes on business property or for carrying on business. Do not include taxes assessed against local benefits of a kind tending to increase the value of the property assessed, as for paving, sewers, etc., nor Federal income taxes.**Repairs, wear and tear, obsolescence, depletion, and property losses.**—Enter as Item 16, (a) ordinary repairs required to keep property in usable condition, (b) reasonable allowance for exhaustion, wear and tear of property used in the trade or business, including a reasonable allowance for obsolescence, and (c) loss of business property by fire, storm, or other casualty, or theft, not compensated for by insurance or otherwise and not made good by repairs claimed as deductions. Explain these deductions in table at foot of page 2 of return.

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

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

**Depreciation of patents, copyrights, etc., and depletion of mines, etc.**—If you claim a deduction on account of depreciation in the value of patents, copyrights, franchises, and other legal privileges, or on account of depletion of mines or oil and gas wells, see Regulations 45.**Amortization of war facilities.**—If amortization of war facilities is claimed, the taxpayer is required to submit with this return the information and schedules called for in Articles 181 to 188 of Regulations 45.**Bad debts.**—Enter as Item 18 only debts arising from sales or professional services which you have ascertained to be worthless and have charged off during the year.

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

Additions to a reserve for bad debts, as such, do not constitute allowable deductions. A debt previously charged off as bad, if subsequently collected, must be returned as income for the year in which collected.

**Deficit.**—If Item 22 shows a deficit, indicate by using red ink or a minus sign.**SCHEDULE B.—INCOME FROM SALARIES, WAGES, COMMISSIONS, BONUSES, DIRECTOR'S FEES, AND PENSIONS**

Report all salaries or other compensation credited by or received from outside sources, and any salaries included as a deduction in Schedule A for (a) yourself, (b) your wife (or husband) if a joint return is filed, and (c) each dependent minor child having a net income of less than \$1,000 per annum. Use a separate line for each entry, giving the information requested.

Report pay in excess of \$3,500 for active service in the military or naval forces of the United States, received during the taxable period prior to the termination of the present war as fixed by proclamation of the President. Report all retired pay from these sources.

Any amount claimed as a deduction for necessary expenses against income should be fully explained in space at foot of page 2 of the return or in an attached statement.

**SCHEDULE C.—INCOME FROM PARTNERSHIPS, PERSONAL SERVICE CORPORATIONS, AND FIDUCIARIES**

Report your share (whether received or not) in the profits of a partnership or personal service corporation, or in the income of an estate or trust in Item 15, page 1 of the return, segregating such income in the columns provided. Enter the totals of columns 3, 4, 5, and 6, in the schedules indicated.

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

If the taxable period on the basis of which you file your return fails to coincide with the annual accounting period of the partnership, personal service corporation, or fiduciary, then you should include in your return your distributive share of the total net income for such accounting period, ending within your taxable period.

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

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

**Kind of property.**—Describe the property as definitely as you can in a word or two, as "farm," "house," "lot," "stocks," "bonds."**Sale price or liquidating dividends.**—State the actual consideration or price, or in case of an exchange, the fair market value of the property received.

Liquidating dividends are returnable in the first year in which the aggregate of all such payments exceeds the cost of the stock, or if acquired prior to March 1, 1913, the fair market value on that date, when, and in such event, the entire amount received must be reported. All amounts subsequently received constitute taxable income in their entirety for the year in which received.

**Cost.**—Enter the original cost of the property, or, if it was acquired prior to March 1, 1913, the fair market value on that date. Attach statement explaining how value at March 1, 1913, was determined. Expenses incidental to the purchase may be included in the cost if never claimed in income tax returns as deductions from income.**Depreciation.**—Enter in column 7 the amount of wear and tear and obsolescence or depletion sustained since March 1, 1913 (or since date of acquisition, if subsequent to March 1, 1913).**Deficit.**—If the total of columns 5 and 6 is in excess of the total of columns 3 and 7, indicate the deficit by using red ink or a minus sign.**SCHEDULE E.—INCOME FROM RENTS AND ROYALTIES****Kind of property.**—Describe briefly, as in Schedule D.**Rent.**—If you receive property or crops in lieu of cash rent, report the income as though the rent had been paid in cash. Crops received as rent on a crop share basis should be reported as income for the year in which disposed of (unless your return shows income accrued).**Repairs, wear and tear, obsolescence, depletion, and property losses.**—See instructions for Schedule A above. Explain in table at foot of page 2 of the return.**Other expenses.**—Report fire insurance, fuel, light, labor, and other necessary expenses of this character. Classify expenditures at foot of page 2 of the return.**SCHEDULE F.—INTEREST ON CORPORATION BONDS CONTAINING TAX-FREE COVENANT, ON WHICH TAX OF 2% WAS PAID AT SOURCE**

Report all interest received directly or through partnerships, personal service corporations, or fiduciaries on corporation bonds containing a clause by which the debtor corporation agrees to pay the interest without any deduction for taxes, provided a white certificate, Form 1000, not claiming exemption, was filed by the owner of the

bonds. If exemption was claimed (by filing a yellow certificate, Form 1001), the interest received must be reported in Schedule G. The amount of tax paid by the debtor corporation is treated as a credit against the tax due, but such amount paid at the source should be reported as income in Schedule G, line 4. (See Item 29, page 1 of the return.)

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

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

**SCHEDULE H.—DIVIDENDS**

Report all dividends received during the taxable period from earnings of corporations taxable by the United States on their net incomes, including dividends on

stock of personal service corporations declared out of profits earned prior to January 1, 1918.

**SCHEDULE I.—TAXABLE INTEREST ON LIBERTY BONDS, OTHER OBLIGATIONS OF THE UNITED STATES, AND WAR FINANCE CORPORATION BONDS****Taxable obligations.**—The interest on all obligations of the United States issued since September 1, 1917 (except Victory Liberty Loan 3½% Notes), and War Finance Corporation bonds is subject to surtax only to the extent that the holdings exceed the exemptions provided by the act authorizing the issue and subsequent acts. The interest on these obligations should be reported on page 1 of the return, Item 16, line (a).**Computation of interest.**—To determine the interest on any class of obligations received during the taxable period, where the books are kept on a cash receipts and disbursement basis, add to the amount of all coupons and registered bond interest falling due within the taxable period the amount of accrued interest received on sales of obligations between interest payment dates, and deduct from this sum the accrued interest paid on purchases of obligations between interest payment dates. This method will be followed where books are kept on a cash basis, whether or not the coupons falling due within the taxable period are actually cashed.

If the books are kept on the accrual basis, report the actual amount of interest accrued on the obligations owned during the taxable period.

**Exemptions.**—The exemption on line (d) (maximum \$20,000) is limited to three times the amount of Victory Liberty Loan 3½% and 4½% Notes originally subscribed for and still owned at the date of filing the return. The exemption on line (f) (maximum \$45,000)

is limited to one and one-half times the amount of Fourth Liberty Loan 4½% Bonds originally subscribed for and still owned at the time of filing the return.

**How to fill in table under Item 16, page 1.**—Enter on line (a) in the proper columns the amounts of interest computed on the various obligations owned during the taxable period, including any interest received through partnerships, personal service corporations, and fiduciaries reported in Item 15 (a), column 5. On line (b) enter the average principals which will produce these amounts of interest in one year, as the exemptions are deducted from these amounts.

The average principal of any class of obligation is determined by dividing the amount of interest entered in any column by the rate of interest which the particular class of obligation bears.

It will be necessary to enter the rate of interest received at the top of the column provided for "Other Obligations."

If it is desired, the exemptions may be applied directly against the actual holdings for the period owned. In which case the entries in the table under Item 16 may be omitted, and in lieu thereof a schedule must be submitted which will show the following information with respect to each class of obligation owned: (a) Dates and amounts of purchases; (b) dates and amounts of sales; and (c) interest received or accrued.

**SCHEDULE K.—DEDUCTIONS****Interest.**—Enter as Item 1 interest paid on personal indebtedness as distinguished from business indebtedness (which should be reported under Schedules A or E). Do not include interest on indebtedness incurred for the purchase of bonds and other obligations, the interest on which is exempt from tax, except interest on indebtedness incurred to purchase or carry obligations of the United States issued after September 24, 1917.**Taxes.**—Enter as Item 2 personal taxes paid and all taxes on property not used in business or profession, not including those assessed against local benefits of a kind tending to increase the value of the property. Do not include Federal income taxes, estate or inheritance taxes, nor income and profits taxes, claimed as a credit in Item 30, page 1 of the return. Bank stock taxes claimed as a deduction must be included as additional dividends.**Losses.**—Enter at Item 3 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. (Losses claimed should be explained in table at foot of page 2 of the return.)

Do not deduct losses incurred in transactions which were neither connected with your trade or business, nor entered into for profit.

**Bad debts.**—Enter as Item 4 all bad debts, other than those claimed as a deduction in Item 18, Schedule A. State fully in space at foot of page 2 of the return (a) of what the debts consisted, (b) when they were created, (c) when they became due, and (d) how they were actually determined to be worthless.**Amounts paid to beneficiaries.**—If this return is filed for an estate in the process of administration, there may be deducted the amount of any income properly paid or credited to any legatee, heir, or other beneficiary.**SCHEDULE M.—CONTRIBUTIONS**

Report 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 contributions deducted must not exceed 15 per cent of the amount of the net income computed without the benefit of this deduction, as shown in Schedule L.

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.

Fiduciaries filing this return for estates in process of administration, are allowed in lieu of this deduction that provided in section 219 (b) of the Revenue Act of 1918.