1945 INSTRUCTIONS FOR FORM 1040, U. S. INDIVIDUAL INCOME TAX RETURN 1945

GENERAL INSTRUCTIONS

These instructions will help you to understand and fill out Form 1040, the U. S. Individual Income Tax Return, for 1945. They give the information most commonly needed by taxpayers. You may obtain additional information from the collector of internal revenue for your district or from any of his branch offices.

Purpose of Return

Under the pay-as-you-go system of income tax collection, most individuals pay all or a substantial part of their income tax during the year in which they receive their income. The tax is withheld from their wages or paid in quarterly installments as estimated tax, or both. However, these payments do not exactly equal the actual tax liability. It is necessary for each taxpayer to file a return at the end of the year showing his actual tax liability, so that any additional amount due may be collected or any overpayment may be refunded.

Form of Return

There are three methods of making your return:

1. *Withholding Receipt.*—You may use your Withholding Receipt (Form W-2), as your return, if your total income was less than $5,000, consisting wholly of wages shown on Withholding Receipts or of such wages and not more than $100 of other wages, dividends, and interest.

2. *Short-form Return.*—You may make a *Short-form Return* on Form 1040 if your income was less than $5,000, by using the tax table on the form and tearing off pages 3 and 4. If your income was wholly from salaries, wages, dividends, and interest, you need fill out only page 1. If you had other income, you must also use page 2.

3. *Long-form Return.*—You must make a *Long-form Return* on Form 1040 if your income was $5,000 or more or if you claim deductions amounting to more than 10 percent of your income. In either of these cases you must use page 3 instead of the tax table on page 4.

If you use a Withholding Receipt as your return, or make a Short-form Return on Form 1040, your tax is figured from a tax table provided by law which automatically allows about 10 percent of your total income for charitable contributions, interest, taxes, casualty losses, medical expenses, and miscellaneous expenses. Therefore, if you use either of those methods of making a return, you should not deduct any such expenses on your return. If you make a Long-form Return on Form 1040 and your income is $5,000 or more, you may either take a standard deduction of $500 for such expenses or claim them in detail, whichever is to your advantage.

Other Forms.—Forms 1040B and 1040NB are for use by nonresident aliens and Form 1041 by fiduciaries of estates or trusts.

Who Must File

A return must be filed by every citizen or resident of the United States (including a minor) who had $500 or more gross income in 1945.

In deciding whether you must file a return, you should exclude from your income any items which are wholly exempt from tax. The principal wholly exempt items are listed on this page under the heading "Exclusions From Gross Income." For instance, the first $1,500 of active-service pay received each year by a member of the armed forces is exempt from tax. Consequently, most members of the armed forces are not required to file returns.

Joint Return.—A husband and wife may make a joint return even though one has no income. In a joint return the aggregate income, deductions, and credits are treated as though husband and wife were one person. Exemptions are allowed for both. A joint return must be signed by both husband and wife.

Income under $500.—A single person with less than $500 income should file a return to get a refund of tax withheld. A married person with less than $500 income should always file a joint return with husband or wife to get the lesser tax or larger refund for the couple.

When to File

You must file your return on or before March 15, 1946, unless you have established a fiscal year which is different from the calendar year. If you have such a fiscal year, you must file by the fifteenth day of the third month after the close of your year.

Members of the Armed Forces.—If you are in the armed forces and, on the filing date, are on sea duty or outside the continental United States, you may postpone filing your return until the fifteenth day of the sixth month after you come back to the United States, but not beyond the fifteenth day of the third month after the end of the war as proclaimed by the President.

Civilians Outside the United States.—If you are a civilian and are outside the Americas for more than 90 days, you may postpone filing your return until 90 days after you come back to the Americas but not beyond the fifteenth day of the third month after the end of the war as proclaimed by the President. If you are outside the United States but *within* the Americas, you may defer filing your return for 3 months after the regular filing date but will have to pay interest on your unpaid tax at the rate of 6 percent per year.

Where to File Your Return and Pay Your Tax

You should take or mail your return to the collector of internal revenue for the district in which you live or have your place of business. If you have no legal residence or place of business in the United States, file with the Collector of Internal Revenue, Baltimore 2, Maryland.

If your return on Form 1040 shows a *balance of tax due*, you should pay it in full with your return. Checks or money orders should be made payable to "Collector of Internal Revenue."

Penalties

Severe penalties are provided by law for failure to file a required return, for filing late, and for filing a false or fraudulent return.

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Income Tax Rates and Exemptions

The income tax includes a "normal tax" and a "surtax." Both are figured as percentages of your income, but with different rates and exemptions.

The normal tax is at a flat rate of 3 percent. The surtax is at graduated rates ranging from 20 to 91 percent.

For normal tax, you are allowed a flat exemption of $500 if your return includes the income of only one person. In a joint return of husband and wife the combined normal-tax exemption is $1,000 if each had income of $500 or more; but if the income of either was less than $500, the combined normal-tax exemption is $500 plus the actual amount of the smaller of the two incomes.

For surtax, you are allowed (subject to the restrictions stated under the heading "Your Exemptions" on page 2 of these instructions) an exemption of $500 for yourself, $500 for your wife, and $500 for each dependent relative.

Exclusions From Gross Income

Income from any source whatsoever is subject to income tax unless excluded by some specific provision of law. The exclusions are described in sections 22 (b) and 116 of the Internal Revenue Code. The principal exclusions are:

1. *Armed Forces, Etc.*—Members and veterans of the armed forces and their families should exclude from their income:
   - (*a*) The first $1,500 of annual pay for active service.
   - (*b*) Mustering-out pay.
   - (*c*) Contributions by the Government to monthly family allowances.
   - (*d*) Pensions and disability compensation to war veterans and their families.
   - (*e*) Disability retirement pay (but other retirement pay is taxable).
   - (*f*) Interest on adjusted-service bonds.

2. *Social Security Benefits.*—Exclude benefit payments received from the Federal Government or from a State under the Federal social security program.

3. *Sickness and Injury Benefits.*—Exclude amounts received as compensation for bodily injury or sickness, whether in the form of health and accident insurance, workmen's compensation, or damages. However, reimbursements on account of medical and dental expenses which were claimed as a deduction in a prior year should be reported as income up to the amount of such deduction.

4. *Tax-exempt Interest.*—Exclude interest on obligations of a State or political subdivision; interest on obligations of the United States issued prior to March 1, 1941, if made wholly exempt from taxation by the Act authorizing their issuance; and interest on not exceeding $5,000 of United States savings bonds (at cost) and Treasury bonds (at face value) which were issued before March 1, 1941.

5. *Gifts.*—All bona fide gifts should be excluded, but so-called "gifts" received as compensation for personal services rendered are taxable.

6. *Bequests, Inheritances, Etc.*—Property acquired by bequest, devise, or inheritance should be excluded, but any income earned by the property is taxable.

7. *Life Insurance.*—Proceeds payable on account of death of the insured should be excluded, but if the proceeds are held by the insurer under an agreement to pay interest, the interest is taxable. Payments on a life or endowment policy (other than annuity payments) during the lifetime of the insured should be excluded until they equal the amount paid for the policy; the remaining payments are taxable.

8. *Recoveries of Bad Debts, Etc.*—Recoveries of bad debts, of prior-year taxes, or of payments on account of tax delinquencies, should be excluded if deductions for these items did not reduce the income tax liability of the taxpayer for any prior year.

Cash or Accrual Basis of Reporting Income

Your return must be on the "cash basis"—which means on the basis of cash receipts and payments—unless you keep accounts on the "accrual basis." However, cash receipts include the full amount of your wages or salary even though a part was deducted for taxes, war bonds, union dues, etc. They also include uncashed salary or dividend checks, bank interest credited to your account, matured bond coupons, and similar items which you can immediately turn into cash. If you keep accounts on the accrual basis, your return must be made accordingly.

Farmers

Farming is regarded as a business and the instructions applicable to returns of farmers may be found on page 3 under "Schedule C.—Business or Profession."

Information at Source

Every person who made payments of salary, wages, interest, rents, commissions, or other fixed or determinable income of $500 or more during the calendar year 1945 to an individual, partnership, or fiduciary, must make a return on Forms 1096 and 1099. If a portion of such salary or wage payments was reported on a Withholding Receipt (Form W-2), only the remainder must be reported on Form 1099.

HOW TO FILL OUT FORM 1040

In preparing Form 1040, you are required to fill out only those lines and pages which apply to your particular circumstances. Thus, if your income is all from wages or salary, you should disregard items 3 and 4 on page 1 and the whole of page 2. Likewise, if you use the tax table on page 4, you should disregard all of page 3.

Specific instructions for filling out particular lines and schedules on the form are given in the following pages. The specific instructions have been so arranged that they may be placed alongside the corresponding items on the form, for easy reference.

INSTRUCTIONS FOR PAGE 1 OF FORM 1040

Place alongside page 1 of Form 1040 for easy reference

Your Exemptions

1. List the names called for in item 1, in order to get credit for your exemptions.

If you were married at the end of the year and you and your wife make a joint return, you may list your wife's name. In case you make a separate return, you may list your wife's name only if she had no income and did not receive her chief support from another person closely related to her. If your wife died during the year, you may list her name if she had no income and did not receive her chief support from another person closely related to her. If you were divorced at the end of the year, do not include your former wife.

List the names of other close relatives with 1945 incomes of less than $500 who received more than one-half of their support from you.

"Close relative" means: Your son, daughter, or a descendant of either; your stepson, stepdaughter, son-in-law, daughter-in-law; your father, mother, or ancestor of either; your stepfather, stepmother, father-in-law, or mother-in-law; your brother, sister, stepbrother, stepsister, half brother, half sister, brother-in-law, or sister-in-law; your uncle, aunt, nephew, or niece. Do not include an uncle, aunt, nephew, or niece if related to you only by marriage.

The above relationships apply to a legally adopted child the same as though he or she were a child by blood. Do not claim a citizen of a foreign country as a dependent unless he or she was a resident of the United States, Canada, or Mexico. Do not claim an exemption for any relative who files a joint return with another person.

Your Income

2. **Wages and Salaries.**—If this return includes wages of both husband and wife, list wages and employers of each. Do not include earnings of anyone else.

Members of the armed forces should exclude mustering-out payments and the first $1,500 of active-service pay.

If, in connection with your employment, you claim deductions for traveling or reimbursed expenses, itemize actual expenses on a separate sheet of paper, subtract them from your total compensation and allowances, and enter the balance in item 2. Attach the itemized list securely to your return.

You must also include all "tips," and any "gift" which is really compensation for services.

If you receive payment in any form other than money, such as merchandise, room, or board, you must include the fair market value in item 2. However, if it is necessary for you to live on your employer's premises in order to fulfill your duties, do not include the value of the board and room furnished you. A minister of the gospel should not include the rental value of a dwelling furnished him as a part of his compensation.

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3. **Dividends and Interest.**—Enter the *total* of any dividends or interest unless wholly exempt from tax. See General Instructions under "Exclusions From Gross Income." Allowance for any partial exemption or amortizable bond premium is made in the tax table and in the standard deduction of $500. If you do not use the tax table or the standard deduction, these items may be deducted in the tax computation on page 3 (line 5). The increase in value of a War Bond (Series E or F) or United States savings bond (Series A, B, C, or D) need not be reported until the bond is cashed. However, you may at any time adopt the practice of reporting each year the annual increase in value; but if you do so, you must report in the first year the entire increase to date and must continue to report the annual increase each year thereafter.

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4. **Other Income.**—If you had any income from annuities, rents, royalties, a business or profession, farming, transactions in securities or other property, partnerships, estates and trusts, or other sources, explain on page 2 and enter the total in item 4, page 1.

Tax Due or Refund

6. **Your Tax.**—This is your total tax liability before taking credit for tax withheld from your wages and payments on your 1945 Declaration of Estimated Tax.

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7. **Payments.**—(A) Enter the amount of income tax withheld from your wages by your employer as shown on your Withholding Receipt (Form W–2). Keep all your Withholding Receipts. Your employer will furnish the collector with copies.

(B) If you filed a 1945 Declaration of Estimated Tax (Form 1040–ES), enter the total amount of estimated tax paid, including any prior year's credit which you applied against your estimated tax. You can determine the amount paid or credited from the retained copy of your declaration, your canceled checks, or other personal records.

If husband and wife filed a joint declaration but are now filing separate returns, they may divide the payments of estimated tax between them in any proportion they desire.

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8. **Balance of Tax Due.**—Any tax owed in excess of payments must be shown in item 8. *This amount must be paid in full at the time your return is filed.* If payments exceed tax, leave item 8 blank.

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9. **Refund or Credit.**—If you have overpaid your tax and ask for a refund in item 9, any refund found due will be made as promptly as possible without any further action on your part. Refunds will bear interest at 6 percent from March 15, 1946.

Do not ask that any overpayment on this return be credited on your 1946 estimated tax unless you expect to file a Declaration of Estimated Tax (Form 1040–ES) showing an estimated tax against which the overpayment can be applied.

Signature

You must sign your return. If husband and wife are filing a joint return, both must sign. If you cannot sign because you are ill or out of the United States, an authorized agent may sign for you, but the agent must attach a power of attorney on Form 935 to show that he is empowered to sign for you.

INSTRUCTIONS FOR TAX TABLE ON PAGE 4 OF FORM 1040

Purpose of Table.—The table is a short-cut method of finding your income tax. It is provided by law and saves you the trouble of itemizing deductions and computing your tax on page 3 of the return. The table allows for: (a) Your normal-tax exemption of $500; (b) your surtax exemptions—$500 for each person listed in item 1, page 1; and (c) charitable contributions, interest, taxes, etc., approximating 10 percent of your income.

Arrangement of Table.—The table contains income columns and exemption columns. The income columns are headed by the words "At least—But less than." The exemption columns are headed by the numbers 1, 2, 3, 4, etc.

How to Find Your Tax.—Read down the income columns until you find the line that fits the income you reported in item 5 on page 1. Then read across that line until you come to the exemption column which is headed by a number corresponding to the number of persons you listed in item 1 on page 1. The figure you find there is your tax. EXAMPLE.—If your income was $2,245 and you were entitled to three exemptions, you would find your tax opposite the income line "At least $2,225 but less than $2,250." You would read over to the column headed by the figure "3" and thus find your tax was $148.

If Both Husband and Wife Have Income.—If you are filing a joint return containing the separate incomes of both husband and wife (see entries under item 5, page 1), subtract from the tax you find in the table an amount equal to 3 percent of the smaller of the two incomes, *but do not subtract more than $15.* EXAMPLE.—If your return includes $3,000 income of the husband and $300 income of the wife, or a total of $3,300, you will find your tax opposite the income line "At least $3,300 but less than $3,350." If you have no dependents, you will read over to the column headed by the figure "2," and find a tax figure of $473. But since the table allows only one normal-tax exemption and your return includes the incomes of both husband and wife, you are allowed to subtract an amount equal to 3 percent of the smaller income. Three percent of $300 is $9, reducing the joint tax in this example to $464.

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INSTRUCTIONS FOR PAGE 2 OF FORM 1040

Place alongside page 2 of Form 1040 for easy reference

Since these instructions relate to special types of income, they may be disregarded by persons whose income is all from salaries, wages, dividends, and interest

Schedule A.—Annuities and Pensions

If you received a pension or annuity which you bought or to which you contributed, you are entitled to recover your cost tax-free. However, an amount equal to 3 percent of your total cost must be reported as income each year until you have recovered your total cost tax-free. Thereafter, the entire amount received each year must be reported as income.

If you have *not* recovered your total cost tax-free in prior years, fill in all the lines of Schedule A to determine how much of the amount you received in 1945 is taxable.

On line 1, enter the total amount you paid for the annuity or the total amount of your contributions to the pension or retirement fund. If you received the annuity by gift, or as the survivor of a deceased annuitant, enter the cost to the donor or deceased annuitant. However, an employer's contribution to an employee's pension is not a gift and should not be included in line 1.

On line 2, enter the total of the amounts received in all prior years, less 3 percent of line 1 for each year during which the annuity has been received since 1933.

If the payments received in 1945 were for less than 12 months, compute 1/12 of 3 percent of the amount on line 1 and multiply by the number of months for which payments were received; then enter on line 6 either the amount so computed or the amount on line 5, whichever is greater.

If you have recovered your cost tax-free in prior years, or if the entire cost of your pension or annuity is borne by a former employer, you may omit lines 1 to 5, inclusive, and enter directly on line 6 the total amount received in 1945.

Schedule B.—Rents and Royalties

Fill in all applicable columns of Schedule B whether the transactions resulted in a profit or a loss. If rent was received in property or crops instead of money, except under a crop-sharing arrangement, enter the fair market value of the property or crops received. In the case of crops received as rent under a crop-sharing arrangement by a taxpayer who reports his income on the cash basis, the value of the crop rent should be reported in the year in which the commodities received as rent are disposed of. Include in "Other expenses" taxes and interest chargeable against rental or royalty income. List as repairs, expenditures for the upkeep of rental or royalty property, but do not include expenditures which materially prolong the life of the property and therefore should be added to its cost and recovered by annual depreciation allowances. Do not include taxes levied for paving, sewers, or other local improvements which tend to increase the value of the property. Deductions for depreciation, repairs, and other expenses should be entered as totals in Schedule B and explained in detail in Schedules F and G. If more space is needed, use separate sheet and attach securely to your return.

Schedule C.—Business or Profession

Profit or loss from a business or profession must be explained in Schedule C, except that farmers who keep no books or who keep books on the cash basis must obtain Form 1040F and fill it in instead of Schedule C. Farmers who keep books on the accrual basis may also substitute Form 1040F for Schedule C if they so desire. If you include in your income loans received from the Commodity Credit Corporation, attach a statement explaining the details.

If you sell merchandise on the installment plan and your return is made on that basis, attach a schedule showing separately for the years 1942, 1943, 1944, and 1945 the following: (*a*) Gross sales; (*b*) cost of goods sold; (*c*) gross profit; (*d*) percentage of gross profit to gross sales; (*e*) amount collected; (*f*) gross profit on amount collected.

If you make your return on the accrual basis, you may deduct either (*a*) the amount of accounts receivable arising from sales or services, which became wholly worthless within the taxable year or (*b*) a reasonable addition to a duly established reserve for bad debts. On either the cash or the accrual basis you may deduct the amount of any business loans which became wholly worthless during the taxable year. A debt which became partially worthless may be deducted to the extent charged off during the year.

List as repairs, expenditures for the upkeep of business property, but do not include expenditures which materially prolong the life of the property and therefore should be added to its cost and recovered by annual depreciation allowances.

Do not include taxes levied for paving, sewers, or other local improvements which tend to increase the value of the property.

Do not include in your costs or other business deductions any salary or other compensation for yourself. Do not deduct any wage or salary determined to be in contravention of the Wage and Salary Stabilization Act of October 2, 1942, or of the rules, regulations, or orders issued under the Act.

Do not include losses from worthless bonds and similar obligations or nonbusiness bad debts, which should be entered in separate Schedule D.

For computation of net operating loss deduction, including net operating loss carry-back and carry-over, see section 122 of the Internal Revenue Code.

Schedule D.—Gains and Losses from Sales or Exchanges of Capital Assets, Etc.

If you sold or exchanged any capital assets or other property during the year, fill in the separate sheet entitled Schedule D (Form 1040). Profit from the sale of property held for personal use, including your personal residence is taxable, but loss from such sale is not recognized. The totals from the separate sheet should be entered on lines 1 and 2 of Schedule D, Page 2, of your return. Be sure to attach the separate sheet to your return.

Schedule E.—Income from Partnerships, Estates and Trusts, and Other Sources

Partnerships.—Include in your return your share of the net profit (whether received by you or not) or loss of a partnership, pool, syndicate or the like, whose taxable year ends within the year covered by your return. However, you should enter in Schedule E only your share of the "ordinary" net income or loss, excluding the following items:

1. Capital gains and losses, which should be entered in separate Schedule D.
2. Partially tax-exempt interest on obligations of the United States or its instrumentalities, which should be included in item 3, page 1.
3. Contributions, income taxes paid to a foreign government, and income taxes paid at source on tax-free covenant bond interest—all of which should be omitted if you use the tax table on page 4 or take the standard deduction, but should be entered in the proper spaces on page 3 if you itemize your deductions.

Estates and Trusts.—Include in your return your share of the distributable income (whether received by you or not) of an estate or trust whose taxable year ends within the year covered by your return. However, you should enter in Schedule E only your share of the income of the estate or trust after the exclusion of the following items:

1. Partially tax-exempt interest on obligations of the United States or its instrumentalities, which should be included in item 3, page 1.
2. Income taxes paid to a foreign government and income taxes paid at source on tax-free covenant bond interest—which taxes should be omitted if you use the tax table on page 4 or take the standard deduction, but should be entered in the proper spaces on page 3 if you itemize your deductions.

Other Sources.—List and explain other income, such as amounts received from alimony or separate maintenance, rewards or prizes, recoveries of bad debts for which a deduction was taken in a prior year, and health and accident insurance benefits received as reimbursement for medical expenses for which a deduction was taken in a prior year.

Schedule F.—Explanation of Deduction for Depreciation Claimed in Schedules B and C

Depreciation.—In determining net rents (Schedule B) or business profits or losses (Schedule C), you may deduct each year as depreciation a reasonable allowance for exhaustion, wear and tear, and obsolescence of property used in a trade or business or held for the production of income. The depreciation must be based on the useful life of the property and on its cost if purchased after February 28, 1913. For further information regarding depreciation, see Bulletin "F" of the Bureau of Internal Revenue and section 114 of the Internal Revenue Code.

Depletion.—For information about depletion allowances in connection with oil and gas wells, mines, timber, and other natural resources, see sections 23 (m) and 114 of the Internal Revenue Code.

INSTRUCTIONS FOR PAGE 3 OF FORM 1040

Place alongside page 3 of Form 1040 for easy reference

DEDUCTIONS.—The following instructions describe the classes of expenditures and losses which you may itemize and claim as deductions if you neither use the tax table on page 4 nor take the standard deduction of $500 on line 2 of the Tax Computation on page 3 of Form 1040. If your expenditures and losses of these classes amounted to more than 10 percent of your total income, or more than $500 if your total income was over $5,000, it will ordinarily be to your advantage to itemize them on page 3 of Form 1040. If you do so, you must compute your tax as indicated at the bottom of that page.

Contributions

The deduction for contributions cannot exceed 15 percent of the income you reported in item 5, page 1. Deduct only contributions of money or property (not services) to organizations operated exclusively for religious, charitable, scientific, literary, or educational purposes or for the prevention of cruelty to children or animals; veterans' organizations; or governmental organizations for use exclusively for public purposes.

Do not deduct gifts to relatives or other individuals, or to organizations any part of whose earnings is for the use or benefit of private individuals, or to organizations which devote a substantial part of their activities to carrying on propaganda or otherwise attempting to influence legislation.

Interest

Itemize interest paid on personal debts, such as bank loans or home mortgages. Do not deduct in this schedule interest paid on business debts; such interest should be reported in Schedule B or C. Do not deduct interest on loans obtained to buy tax-exempt securities or a single-premium life insurance or endowment contract. Do not deduct interest paid on behalf of another person unless you were legally liable to make the payment. In figuring the interest paid on a mortgage or installment contract, be careful to distinguish between interest and other charges such as financing fees, taxes, or insurance.

Taxes

Only certain taxes may be deducted. You may deduct State income taxes, personal property taxes, and real estate taxes except those levied for paving, sewers, or other improvements which tend to increase the value of your property. You may deduct State or local retail sales taxes (including gasoline taxes) if under the laws of your State or locality they are imposed directly upon the consumer or if they are imposed directly upon the retailer and the amount of the tax is separately stated by the retailer to the consumer.

Do not deduct Federal income tax, or any estate, inheritance, legacy, succession, or gift taxes, or taxes on your shares in a corporation which are paid for you by the corporation. Do not deduct in this schedule taxes on business or rental property, but report such taxes in Schedule B or C. Do not deduct in this schedule Federal import duties or Federal excise or stamp taxes; but any such taxes attributable to your business activities may be deducted in Schedule B or C. Federal social security taxes are not deductible by employees.

Losses From Fire, Storm, Shipwreck, or Other Casualty, or Theft

You may deduct the net amount of actual property losses resulting from war, accident, fire, storm, shipwreck, or other casualty, or from theft. Do not deduct here any losses claimed elsewhere in your return. Compute loss by determining value of the property just before the loss (ordinarily, cost less depreciation sustained) and subtracting both (*a*) salvage value, and (*b*) any insurance or other reimbursement received. Attach a statement fully explaining the nature of the loss, describing the property, and showing date acquired, cost, subsequent improvements, depreciation, insurance, and salvage value.

Medical and Dental Expenses

You may deduct the net amount of any medical, hospital, or dental expenses paid by you during the year for yourself, your wife (or husband), or a dependent, over and above 5 percent of the total income you reported in item 5, page 1. However, this deduction is limited to $1,250 if you claimed only one exemption in item 1, page 1, or $2,500 if you claimed more than one. Expenses for eyeglasses, artificial limbs, hearing aids, etc., may be included. Also include any amounts paid for health, accident, or hospitalization insurance.

List names of those to whom payments were made and state amounts and dates of payment. Find your "Net expenses" by subtracting the total of all insurance and other amounts received as reimbursement for the expenses itemized. From the net expenses subtract 5 percent of the total income you reported in item 5, page 1, since only the excess is deductible.

Miscellaneous

Itemize all allowable deductions not claimed elsewhere on your return, including: (*a*) Expenses incurred in the production or collection of taxable income or in the management of property held for the production of taxable income; (*b*) expenses incurred in connection with your employment, such as union dues; (*c*) alimony and separate maintenance payments which are taxable to the wife; (*d*) gambling losses not exceeding gambling gains reported for the same year; (*e*) amortizable bond premium for the taxable year (see section 125 of the Internal Revenue Code); (*f*) your share of the interest and real estate taxes paid by a cooperative apartment corporation in which you are a tenant-stockholder; and (*g*) the $500 special deduction for the blind.

TAX COMPUTATION INSTRUCTIONS FOR TAXPAYERS NOT USING THE TAX TABLE ON PAGE 4 OF FORM 1040

Normal-Tax Exemption on Line 4, Page 3

If husband and wife combine their incomes in a joint return, the normal-tax exemption (line 4, page 3) is $500 plus the amount of the smaller of the two incomes shown under item 5, page 1, but not more than $1,000 for both.

Adjustment on Line 5, Page 3, for Partially Tax-Exempt Interest

If you take the standard deduction, enter on line 5 the excess of line 3 over line 4, since the standard deduction makes allowance for any portion of your net income which is exempt from normal tax. However, if you itemize your deductions, you may subtract partially tax-exempt interest, less amortizable bond premium for the taxable year, from the excess of line 3 over line 4, and enter only the balance on line 5. If you subtract any such amounts, attach an explanatory statement.

Items that may be subtracted in line 5 are (*a*) interest on the excess over $5,000 of United States savings bonds (at cost) and Treasury bonds (at face value) issued prior to March 1, 1941; (*b*) interest on obligations of instrumentalities of the United States issued prior to March 1, 1941 (other than Federal land banks, Federal intermediate credit banks, and joint-stock land banks); and (*c*) dividends on share accounts in Federal savings and loan associations if the shares were issued prior to March 28, 1942.

Surtax Table

From the following table figure your surtax on the surtax net income on line 9, page 3, of the return:

If the surtax net income is:	The surtax is:
Not over $2,000	20% of the surtax net income.
Over $2,000 but not over $4,000	$400, plus 22% of excess over $2,000.
Over $4,000 but not over $6,000	$840, plus 26% of excess over $4,000.
Over $6,000 but not over $8,000	$1,360, plus 30% of excess over $6,000.
Over $8,000 but not over $10,000	$1,960, plus 34% of excess over $8,000.
Over $10,000 but not over $12,000	$2,640, plus 38% of excess over $10,000.
Over $12,000 but not over $14,000	$3,400, plus 43% of excess over $12,000.
Over $14,000 but not over $16,000	$4,260, plus 47% of excess over $14,000.
Over $16,000 but not over $18,000	$5,200, plus 50% of excess over $16,000.
Over $18,000 but not over $20,000	$6,200, plus 53% of excess over $18,000.
Over $20,000 but not over $22,000	$7,260, plus 56% of excess over $20,000.
Over $22,000 but not over $26,000	$8,380, plus 59% of excess over $22,000.
Over $26,000 but not over $32,000	$10,740, plus 62% of excess over $26,000.
Over $32,000 but not over $38,000	$14,460, plus 65% of excess over $32,000.
Over $38,000 but not over $44,000	$18,360, plus 69% of excess over $38,000.
Over $44,000 but not over $50,000	$22,500, plus 72% of excess over $44,000.
Over $50,000 but not over $60,000	$26,820, plus 75% of excess over $50,000.
Over $60,000 but not over $70,000	$34,320, plus 78% of excess over $60,000.
Over $70,000 but not over $80,000	$42,120, plus 81% of excess over $70,000.
Over $80,000 but not over $90,000	$50,220, plus 84% of excess over $80,000.
Over $90,000 but not over $100,000	$58,620, plus 87% of excess over $90,000.
Over $100,000 but not over $150,000	$67,320, plus 89% of excess over $100,000.
Over $150,000 but not over $200,000	$111,820, plus 90% of excess over $150,000.
Over $200,000	$156,820, plus 91% of excess over $200,000.

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