

How To Prepare Your U. S. Income Tax Return

ON FORM 1040 FOR 1951

THIS PAMPHLET of official instructions will help you prepare your return. It summarizes the most important requirements of the law and regulations. It calls your attention to exemptions and deductions to which you are entitled and which reduce your tax. If you need more information, inquire at the nearest office of a collector of internal revenue. If you desire a more detailed publication, you can obtain a booklet entitled, "Your Federal Income Tax," for 25 cents from the Superintendent of Documents, Government Printing Office, Washington 25, D. C.

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HOW TO FILE YOUR RETURN

Who Must File

Everyone—adult or child—who had \$600 or more gross income in 1951 must file. For requirements respecting self-employment tax, see page 8.

Why You Must File a Return

Most of your tax is withheld from your wages every payday or paid on Declarations of Estimated Tax every quarter. However, the law requires you to file an annual return to determine whether you owe more or you should get a refund.

When To File

Between January 1 and March 15, 1952. Try to avoid the last-minute rush. Those few individuals who keep books on a fiscal year basis must file by the fifteenth day of the third month after the close of their years.

Where To File

At the office of the Collector of Internal Revenue in your district. If you don't know the location, ask at your post office. Don't mail your return to Washington.

How To Pay

Any balance of tax shown to be due in item 7, page 1, of your return on Form 1040 must be paid in full with your return. You may pay cash, or by check or money order. Checks or money orders should be made payable to "Collector of Internal Revenue."

How To Sign

You have not filed a legal return unless you sign it. If you and your wife are filing a joint return, both of you must sign. You do

not need to have your return notarized, since your signature has the same legal effect as swearing an oath to the truthfulness of your return.

Where To Get Forms

As far as practical, the Collector mails forms directly to taxpayers. If you need additional forms you can get them from any collector's office, and also at most banks and post offices. Many employers also keep forms for the convenience of employees.

Where To Get Help

After reading these instructions you should be able to prepare your own return, unless you had complicated problems. If you do need help, you can get it at any collector's office. For example, you may need advice in connection with filing a return for a decedent.

Your Rights of Appeal

If you believe there is an error in any bill, statement, or refund in connection with your tax, you are entitled to present your reasons to the Collector and have the matter reconsidered. Also, if any audit or investigation causes proposed changes in your tax, to which you do not agree, you are entitled to have the matter reconsidered by the Collector or the Internal Revenue Agent in Charge in your district, whoever made the disputed decision. If agreement is not reached with the Collector, you can appeal to the Internal Revenue Agent in Charge. Any decisions by the Internal Revenue Agent in Charge can be appealed to the Technical Staff in your district. Further appeal can be made to the Federal courts.

HOW TO CHOOSE YOUR RETURN FOR SIMPLICITY AND LOWEST TAX

The Three Types of Returns

In an effort to fit the tax returns to the differing needs of the more than 50,000,000 persons who must file them, three types of returns have been provided—Form 1040A, Short-Form 1040, and Long-Form 1040.

The law expects you to pay your correct tax—no more—no less. It will pay you to think for a moment which of these three types of returns is the best and easiest form in your case. To do this you need to consider the size of your income, the sources of your income, your eligibility to deduct travel and

reimbursed expenses from wages (see page 5), and the size of your nonbusiness deductions, such as contributions, medical expenses, etc. (listed in detail on pages 13 to 15). The tax table used in computing the tax on Form 1040A and Short-Form 1040 automatically allows you approximately 10 percent of your income to cover your non-business deductions.

Income Less Than \$5,000

1. *Form 1040A.*—This is the first turn of the three. If you file

do not need to figure your own tax. From your answers to the questions, the Collector will figure your tax for you, and send you a bill or a refund. If your total income was less than \$5,000 and consisted entirely of wages reported on Withholding Statements (Forms W-2), or of such wages and not more than \$100 total of other wages, dividends, and interest, you may use Employee's Optional Income Tax Return (Form 1040A). If you had any income from other sources, such as annuities, rents, royalties, a business or profession, farming, transactions in securities or other property, partnerships, estates, and trusts, you may not use Form 1040A but must file your return on Form 1040. You cannot deduct travel or reimbursed expenses from your wages if you file Form 1040A.

2. *Short-Form 1040.*—Form 1040 may be used either as a short form or as a long form. The short form is simpler than the long form. It differs from Form 1040A in that (a) you must find your own tax; (b) you may include income from sources not eligible for Form 1040A; and (c) you may deduct travel and reimbursed expenses from your wages. Therefore, if your income was less than \$5,000 and you do not desire to itemize non-business deductions (contributions, interest, etc.), find your tax from the table on the back of the form, tear off the first sheet and file it as a short form.

3. *Long-Form 1040.*—If your nonbusiness deductions are more than 10 percent of your income, you will ordinarily save money by itemizing your deductions on Long-Form 1040. You will then figure your tax according to the computation on page 3, and file the entire form, which is called a long-form return. If your nonbusiness deductions are so close to 10 percent that you are in doubt which is the better form, try both the short form and the long form to make sure.

Income of \$5,000 or More

If your income was \$5,000 or more, you must use Long-Form 1040. However, in that case, you can either take a standard deduction or itemize and claim your actual deductions. You should compare your actual deductions with the amount the standard deduction allows you. If actual deductions exceed the standard deduction, you will save tax by electing to itemize them. If you are single, or if you are married and file a joint return, the standard deduction is 10 percent of your income but not more than \$1,000. If husband

and wife file separate returns and each had income of \$5,000 or more, the standard deduction is a flat \$500 for each.

Married Persons—Joint or Separate Return

Are you Married?—If you were a married person on Dec. 31, 1951, you are considered married for the entire year 1951. If you were divorced or legally separated on or before December 31, you are considered single for the entire year. If your wife or husband died during the year, you are considered married for the entire year, and may file a joint return.

Separate or Joint Returns.—If husband and wife have separate income (for example, if both work), they may file separate returns or a joint return. A separate return accounts only for the exemptions, income, and deductions of one person. If married persons living in community property States file separate returns, each must report half of any community income. A joint return accounts for the exemptions, income, and deductions of both husband and wife. A husband and wife may file a joint return even though one of them had no income. A joint return may not be filed if either husband or wife was a nonresident alien at any time during the taxable year.

How To Make a Separate Return.—To file separate returns, husband and wife must each have income under the laws of their State and they must fill out separate forms. The "split income" provisions of the Federal tax law do not apply to separate returns. When filing separate returns, the husband and wife should each claim the deductions for those allowable expenses paid with his or her own funds. (In community property States, deductions resulting from payments made out of funds belonging jointly to husband and wife may be divided half and half.) If one itemizes and claims actual deductions, instead of using the tax table or the "standard deduction", then both must itemize and claim actual deductions on Long-Form 1040 returns.

How To Make a Joint Return.—You can make a joint return by including all exemptions, income, and deductions of both husband and wife. In the heading of the return, list both names (for example: "John H. and Mary D. Doe"). Both must sign the return.

Advantages of a Joint Return.—The present law usually makes it advantageous for married couples to file joint returns. The law provides a "split-income" method of figuring the

tax on a joint return which often results in a lower tax than would result from separate returns. If you make a joint return on Form 1040A, the Collector will figure your tax both on the separate and the joint basis, and give you the benefit of the lower figure. If you file Form 1040—either the short or long form—a joint return usually will result in as low as or a lower tax than separate returns. There are

some cases, when husband and wife both have income, where separate returns result in a lower total tax than joint returns.

Joint Tax or Refund.—When husband and wife sign a joint return, each assumes full legal responsibility for the entire tax, and if one fails to pay, the other must pay it. If they are entitled to a refund, the check will be made out to them jointly.

HOW TO CLAIM YOUR EXEMPTIONS

Exemptions for You and Wife

For You.—You, as the taxpayer, are always entitled to at least one exemption for yourself. If, at the end of your taxable year, you were blind or were 65 or older, you get two exemptions for yourself. If you were both blind and 65 or over, you get three exemptions.

For Your Wife.—You get exemptions for your wife (or husband) if you and she are filing a joint return. If you file a separate return, you may claim her exemptions only if she had no income and was not claimed as a dependent on another taxpayer's return for 1951. Otherwise, your wife's exemptions are like your own—one if she was neither blind nor 65; two if she was either blind or 65; three if she was both blind and 65.

In Case of Death.—If wife or husband died during 1951, the exemption for age or blindness is determined as of the date of death.

Proof of Blindness.—If totally blind, attach a statement of such fact to the return. If partially blind, attach a statement from a qualified physician or a registered optometrist that (1) central visual acuity did not exceed 20/200 in the better eye with correcting lenses, or (2) that the widest diameter of the visual field subtends an angle no greater than 20°.

Exemptions for Your Children

You get only one exemption for each child (the additional exemption for age or blindness applies only to you and your wife but not to dependents). The law puts very exact limitations on who is a dependent. Each child must meet *all four* of the following tests:

1. Did not have \$600 or more gross income, and
2. Received more than one-half of his or her support from you (or from husband or wife if this is a joint return), and
3. Is not claimed as an exemption on the return of her husband (or his wife), and
4. Was either a citizen of the United States or a resident of the United States, Canada, or Mexico.

Exemptions for Your Relatives

You get one exemption for each dependent close relative. The law puts very exact limitations on who may be claimed as a dependent close relative. Each must meet *all five* of the following tests:

1. Did not have \$600 or more gross income, and
2. Received more than one-half of his or her support from you (or from husband or wife if this is a joint return), and
3. Is not claimed as an exemption on the return of her husband (or his wife), and
4. Was either a citizen of the United States or a resident of the United States, Canada, or Mexico, and
5. Is related to you (or to husband or wife if this is a joint return) in one of the following ways:

Mother	Stepbrother	Son-in-law
Father	Stepsister	Daughter-in-law
Grandmother	Stepmother	<i>Uncle—</i>
Grandfather	Stepfather	<i>Aunt—</i>
Brother	Mother-in-law	<i>Nephew—</i>
Sister	Father-in-law	<i>Niece—</i>
Grandson	Brother-in-law	<i>(but only if related by blood)</i>
Granddaughter	Sister-in-law	

HOW TO REPORT YOUR INCOME

What Income Is Taxed

The law says all kinds of income are subject to tax with specific exceptions. This means that all income which is not specifi-

cally exempt must be included in your return, even though it may be offset by expenses and other deductions. On the other hand, exempt income should be omitted from your return altogether.

Examples of Income Which Must Be Reported	Examples of Income Which Should Not Be Reported
<p>Wages, salaries, bonuses, commissions Tips and gratuities for services rendered Dividends and other earnings from investments Interest from bonds, loans Industrial, civil service and other pensions, annuities, endowments Rents, and royalties from property, patents, copy-rights Profits from business or profession Profit from sale of real estate, securities, autos Your share of partnership profits Your share of estate or trust income Contest prizes Gambling winnings</p>	<p>Armed forces pay due to active service in a combat zone or while hospitalized from such service after June 24, 1950—enlisted men's entire service pay for each month; officers' service pay up to \$200 for each month. Your service withholding statement (Form W-2) does not include this nontaxable service pay but shows only the pay you need report All Government payments and benefits made to veterans and their families, except nondisability retirement pay and interest on terminal leave bonds Dividends on veterans' Government insurance Federal and State social security benefits Railroad Retirement Act benefits Gifts, inheritances, bequests Workmen's compensation, insurance, damages, etc., for bodily injury or sickness Interest on State and municipal bonds; certain Federal bonds issued before March 1, 1941 Life insurance proceeds upon death</p>

Wages, Salaries, Etc.

Even though tax has been withheld by your employer, the law requires you to report all your wages, salaries, fees, commissions, bonuses, and all other payments for your personal services.

Report Total Wages Before Pay-Roll Deductions.—When your employer deducts taxes, insurance, union dues, savings bond subscriptions, social security, pension fund contributions, community chest, or other items from your pay, these amounts are still part of your wages. The law requires you to report your total wages in the amount that would have been paid if your employer had not made any deductions.

Tips and Gratuities.—The law requires you to include in your wages all tips, gratuities, bonuses, and similar payments whether you get them from a customer or from your employer. Legally, these are not "gifts", even though people sometimes mistakenly call them by that name.

Payment in Merchandise, etc.—If your employer pays part or all of your wages in merchandise, services, stock, or other things of value, you must determine the fair market value of such items and include it in your wages.

Meals and Living Quarters.—If solely for the convenience of your employer, you are required to live or eat on his premises and the living quarters and meals are not furnished as compensation, they are not to be reported in your return. For example, a maidservant who is required to live in her employer's home is not taxable on the value of the meals

and lodging furnished her. A special provision of law also exempts a clergyman from paying tax on the value of a parsonage furnished for his use by his church.

Travel Expenses of Employees.—The law provides special deductions for the expenses of travel, meals, and lodging while away from home in connection with your employer's business. Traveling "away from home" means going away from the city or town where you normally work and remaining away at least overnight. If you choose to live away from the city where you regularly work, or do not transfer your home when your employer transfers your work to a different city, the law does not allow any "travel deduction" resulting from your choice of residence.

"Travel expenses" means the cost of transportation fares, meals, and lodging while away from home on your employer's business. It also includes porters' tips, hire of public stenographers, baggage charges, and similar expenses necessary to travel. Entertainment expenses cannot be included in "travel expenses." You cannot deduct laundry and other personal expenses. Any amount paid to you to cover "travel expenses" must be included in your wages. You can deduct your full "travel expenses" from your wages before writing the balance of your wages in item 2, page 1, Form 1040. You must attach a statement to your return explaining in detail the expenses you deducted.

Reimbursed Expenses Other Than Travel.—If your employer pays you an "expense account" or otherwise reimburses you for money spent for him (other than "travel expenses"), you should add these payments to

your wages, and then subtract your actual expenses but not more than the reimbursements. Enter the balance in item 2, page 1, Form 1040, and attach a detailed statement in explanation. Any allowable expense in excess of the reimbursed amount must be treated as "Other Expenses" discussed below.

Other Expenses of Employees.—On page 1 of Form 1040, the law allows only "travel" and "reimbursed" expenses to be deducted from wages, as explained in the two preceding paragraphs. If you file Form 1040A or a Short-Form 1040, or if you take the standard deduction on a Long-Form 1040, you receive an allowance for deductions which takes the place of all other employment expenses and nonbusiness deductions. On the other hand, if you itemize your deductions on a Long-Form 1040, you can deduct the cost of tools, materials, dues to unions and professional societies, entertaining customers, and other expenses which are ordinary and necessary in connection with your employment. These items may be itemized and deducted on page 3 under the heading "Miscellaneous."

Going To and From Work.—The law regards the cost of going to and from work as your personal expense, and never allows you to deduct such costs, no matter how far you live from work, or how expensive the transportation may be.

Dividends

If you own stock in a corporation or association, the payments you receive on your stock out of earnings and profits are called dividends and must be reported in your tax return. Usually dividends are paid in cash, but if paid in merchandise or other property, they are taxable at their fair market value.

If, however, a distribution is not paid from earnings and profits, it is not taxable as a dividend. Such distributions are treated as reductions of the cost or other basis of your stock. These distributions are not taxable until they exceed your cost or other basis. After you have received full repayment of your cost or other basis, you must include any additional receipts as gains from the sale or exchange of property for which special tax treatment is provided.

In some cases a corporation distributes both a dividend and a repayment of capital at the same time. When these mixed distributions are made, the check or notice will usually show the dividend and the capital repayment separately. In any case, you must report the dividend portion as income.

A distribution in the form of shares of stock in the same corporation is not taxable if it does not change your proportionate interest in the corporation; as, for example, where each holder of common stock receives one additional share of the same class of common stock for each share he owns. A stock distribution is taxable if it changes the stockholder's proportionate interest in the corporation. If so, the fair market value of the new stock must be reported as dividend income.

Dividends on shares of stock issued before March 28, 1942, by Federal land banks, national farm loan associations, and Federal Reserve banks are not taxable. If the shares were issued on or after that date, the dividends are taxable.

If you own shares in a Federal savings and loan association, see next section.

You should itemize in Schedule A dividends received unless you are engaged in the trade or business of buying and selling stock to customers. In such case, you should report dividends received from such stock in separate Schedule C.

Interest

You must include in your return any interest you receive or is credited to your account and which can be withdrawn by you. All interest from bonds, debentures, notes, savings accounts, or loans is taxable, except for certain governmental issues as described below.

State and Municipal Bonds and Securities.—The interest on these obligations is completely exempt from tax.

U. S. Government Bonds and Securities.—The interest on obligations issued on or after March 1, 1941, is fully taxable.

If you own United States Savings or War bonds (Series A to F, inclusive), the gradual increase in value of each bond (as shown in the table on its back) is considered "interest," but you need not report it in your tax return until you cash the bond. Matured Series E bonds continue to earn interest until cashed. However, you may at any time elect to report 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.

If you own U. S. Savings bonds or Treasury bonds issued prior to March 1, 1941, you can exclude from your tax return the interest on any \$5,000 principal value of such bonds (valuing Savings bonds at cost and Treasury bonds at face value).

On certain United States securities the interest is subject to surtax rates but is exempt from normal tax rates. The entire interest from such securities should be included on page 2 of the return. If you file Form 1040A or Short-Form 1040, the standard deduction of approximately 10 percent includes this normal tax exemption. If you file a Long-Form 1040 and itemize deductions, you may make an adjustment for these securities in line 6, 7, or 8 (c), page 3. This adjustment is allowed only on the following securities:

(A) U. S. Savings bonds and Treasury bonds in excess of \$5,000 issued before March 1, 1941;

(B) Obligations of instrumentalities of the U. S. (except Federal land banks, intermediate credit banks, and joint stock land banks) issued before March 1, 1941;

(C) Dividends on shares of Federal savings and loan associations if the shares were issued before March 28, 1942.

You should itemize in Schedule B interest received, unless you are engaged in the business of buying and selling securities. In such case, you should report interest received in separate Schedule C.

Business or Profession

The law taxes a business or profession on its profits—not its total receipts. Therefore, separate Schedule C is provided to help you subtract your costs from your receipts.

Generally, the costs you can deduct are the ordinary and necessary expenses of doing business—cost of merchandise, salaries, interest, taxes, rent, repairs, and incidental supplies. In the case of capital investments and improvements in depreciable property, such as buildings, machines, fixtures, and similar items having a useful life of more than one year, the law provides an annual depreciation allowance as the method of recovering the original capital cost tax-free. This means that you can spread the cost over as many years as it is expected to be useful. For further information on depreciation, see page 12. These rules apply to a profession the same as to a business. For instance, a lawyer can deduct the cost of his law books and a doctor can deduct the cost of his instruments only through the depreciation allowance.

In the case of capital investments and improvements in nondepreciable property, such as land, the law does not provide for any annual depreciation allowance.

If some of your expenses are part business and part personal, you can deduct the busi-

ness portion but not the personal portion. For instance, a doctor who uses his car half for business can deduct only half the operating expenses of the car.

If your business income depends on manufacturing, buying, or selling of merchandise, the law requires you to show the size of your inventory at the beginning and end of the year. You may value your inventory (1) at cost, or (2) you may value each item by determining both cost and market value and selecting the lower figure. Once you choose one of these methods of valuing inventory, you must continue that method unless you get permission to change from the Commissioner of Internal Revenue. For information on other less commonly used methods of handling inventory, see your Collector of Internal Revenue.

If you use the installment method of reporting income from sales, you should attach to your return a schedule showing separately for the years 1948, 1949, 1950, and 1951 the following: (a) Gross sales; (b) cost of goods sold; (c) gross profits; (d) percentage of profits to gross sales; (e) amounts collected; and (f) gross profit on amount collected.

If in your business, you suffer a loss from the loan of cash or property, you can deduct the "bad debt" in the year in which it became worthless, but not in any other year. If a business debt becomes partially worthless, you can deduct the portion actually charged off on your books. Uncollected bills for services, like doctors' bills, cannot be deducted unless the anticipated income was reported in your current or previous tax return.

Do not deduct taxes levied for paving, sewers, or other local improvements that increase the value of your property.

Do not deduct any salary or other compensation for yourself.

Farming

For the assistance of farmers, a separate schedule, Form 1040F, is provided and must be used by all farmers who report on a cash basis. This form is optional with farmers who keep books on an accrual basis.

Farmers should report as business income all Government payments, such as milk subsidy and conservation payments and amounts received under the Soil Conservation and Domestic Allotment Act, as amended, the Price Adjustment Act of 1938, section 303 of the Agricultural Adjustment Act, as amended, and the Sugar Act of 1937. Farmers who include in their income loans from the Com-

modity Credit Corporation should attach a statement explaining the details.

Farmers who market produce through a cooperative should add to the sales price of the produce, or to ordinary income, any patronage dividends received in the taxable year as a result of such transactions. Farmers who buy, through a cooperative, implements, gasoline, seed, fertilizer, or other items for use in their business should either reduce their deductions for such items by the amount of patronage dividends received or add patronage dividends to income. Patronage dividends received as rebates for purchases of items not used in your business should be omitted from your tax return. Patronage dividends are considered paid to you when remitted in cash, merchandise, stock certificates, or when credited to your account.

For further information relating to farm income and expense, see instructions on page 4 of Form 1040F.

Partnerships

A partnership or similar business firm (not a corporation) does not pay income tax in the firm's name. Therefore, each partner must report in his personal tax return his share of his partnership's income and pay tax on it.

Include in Schedule C Summary, page 2 of Form 1040, your share of the net profit (whether actually received by you or not) or the net loss of a partnership, joint venture, or the like, whose taxable year ends within the year covered by your return. In computing the amount of the net income or loss of the partnership or other organization do not include:

(a) Interest on obligations of the United States or its instrumentalities which is exempt from normal tax (see Interest). Your share of this interest should be reported in Schedule B, page 2, of your return.

(b) Deductions and credits for contributions, income taxes paid to a foreign government, and income taxes paid at the source on tax-free covenant bond interest. If you itemize your deductions on Long-Form 1040, your share of these items should be entered on page 3.

(c) Capital gains or losses. Your share of these should be reported by you in separate Schedule D.

Your share of partnership gains and losses from transactions described in subsections (j) and (k) of section 117 of the Internal Revenue Code should be aggregated with your gains and losses from like transactions

to determine whether you are entitled to the benefits of such subsections.

If the partnership is engaged in a trade or business, the individual partner may be subject to the self-employment tax on his share of the partnership's self-employment income. In such a case the partner's share of partnership self-employment net earnings (or loss) should be entered on line 26, Separate Schedule C.

Net Operating Loss Deduction

If, in 1951, your business or profession lost money instead of making a profit or you had a casualty loss, you can apply these losses against your other 1951 income. If these losses exceed your other income, the excess or "net operating loss" may be carried backward to offset your income for 1950, and any remaining excess may be carried over to the years 1952-1956, inclusive. If a carry-back entitles you to a refund of 1950 taxes, ask the Collector for Form 1045 to claim quick adjustment. For further information, see section 122 of the Internal Revenue Code.

If you claim a net operating loss deduction on line 5 of Schedule C Summary, page 2, of Form 1040, you should file a concise statement setting forth the amount of the net operating loss deduction claimed and all material and pertinent facts relative thereto, including a detailed statement showing the computation of the net operating loss deduction.

Self-employment tax

For taxable years beginning after December 31, 1950, many self-employed individuals are brought within the Social Security system for the first time and will have to pay taxes on their self-employment income in addition to the regular income tax.

Every self-employed individual will have to file an annual return of his self-employment income on Form 1040 if he has at least \$400 of net earnings from self-employment in a taxable year, even though he may not have sufficient income to otherwise require the filing of an income tax return.

If your income is derived solely from salary or wages, or from dividends and interest on investments, capital gains, annuities, or pensions, you will have no self-employment income and, therefore, will have no self-employment tax to pay.

Generally, if you carry on a business as a sole proprietor, or if you render service as an independent contractor, or as a member of a partnership or similar organization, you

will have self-employment income. The law, however, specifically excludes service performed as a public official, as a railroad employee or employee representative, by a minister or member of a religious order, and service performed by an individual in the exercise of his profession as a physician, lawyer, dentist, osteopath, veterinarian, chiropractor, naturopath, optometrist, Christian Science practitioner, architect, certified public accountant, accountant registered or licensed as an accountant under State or municipal law, full-time practicing public accountant, funeral director, or professional engineer; or the performance of such service by a partnership.

Two basic factors are involved in determining your self-employment income which is subject to the self-employment tax of 2½ percent—the amount of your net earnings from self-employment of \$400 or more, and the total of such net earnings and your wages subject to withholding under the Federal Insurance Contributions Act (old-age and survivors insurance tax). If your net earnings from self-employment and wages received total more than \$3,600 during the taxable year, the self-employment income is limited to an amount obtained by subtracting the wages from \$3,600. Not all income derived from self-employment is includible in determining your net earnings from self-employment. You should exclude: (1) rentals you received from real property unless you are a real estate dealer; (2) income derived from the trade or business of farming; (3) interest received from securities and dividends on stock, unless you are a dealer in securities; (4) gain or loss (A) from the sale or exchange of a capital asset, (B) to which section 117 (j) is applicable, or (C) from the sale, exchange, involuntary conversion, or other disposition of property which is not stock in trade or held for sale to customers. Furthermore, the net operating loss deduction is not allowable in computing your net earnings from self-employment.

The computation of your self-employment tax is made on separate Schedule C which, with attached Schedule C-a, should be filed with your income tax return on Form 1040. The self-employment tax is a part of your income tax and any balance of tax shown to be due in item 7, page 1 of your return on Form 1040 must be paid in full with your return.

Any declaration of estimated tax required to be filed need not include estimated tax on self-employment income.

For further information relating to the self-employment tax, see instructions on back of separate Schedule C.

Sale and Exchange of Property

If you sell your house, car, furniture, securities, real estate, or any other kind of property, the law requires you to report any profit in your tax return. Because of the many special rules for taxing the profit and deducting the loss from such transactions, a special form, Schedule D, is provided for your convenience. The results computed from this form must be shown on page 2 of Form 1040 and the separate schedule attached.

What Are Capital Gains?—In general, capital gains are profits from selling or exchanging any kind of property except certain kinds when they are used or held in your trade or business. For more specific information regarding capital gains and losses and gains and losses from the sale or exchange of other property, see instructions on the back of Schedule D.

Long-Term and Short-Term Gains.—The law provides special rules for taxing gains on certain property owned for more than 6 months. These gains are called long-term. Only one-half of a long-term gain is taxed and the rate of tax on this half cannot exceed 50 percent. (Combining these rules, the tax on the long-term gains never exceeds 25 percent.) Gains on certain property held for not more than 6 months are called short-term and are taxed at regular rates.

Long-Term and Short-Term Losses.—The law provides that losses from the sale or exchange of certain property held for more than 6 months shall also be given special tax treatment. These losses are called long-term losses and are taken into account only to the extent of 50 percent, as in the case of long-term gains. "Short-term" losses—those sustained on certain properties held for 6 months or less—are taken into account 100 percent. These losses must first be used to reduce both long-term and short-term gains. Any remaining excess of such losses may be used to reduce ordinary income up to \$1,000. Finally, any excess remaining may be carried over for use in the 5 subsequent years.

Sale of Homes, Etc.—GENERAL RULE—The law requires you to report any gains from the sale or exchange of your residence or other nonbusiness property, but does not allow you to claim any loss from the sale of a home or other asset which was not held for the pur-

pose of producing income. However, your gain from the sale of such property is the difference between the sales price and your original cost plus the cost of permanent improvements without reduction of such costs for depreciation.

SPECIAL RULE FOR SALE OF RESIDENCE AT A GAIN.—If you sold or exchanged your residence during 1951 at a gain and within one year after (or before) the sale you purchased and occupied another residence, none of the gain is taxable if the cost of the new residence equals or exceeds the sale price of the old residence. See, however, the last paragraph of this instruction for information to be furnished. If instead of purchasing another residence you begin construction of a new residence either before the sale of your old residence or within one year after the sale and occupy it not later than 18 months after the sale, none of the gain upon the sale is taxable if your cost of construction actually taking place and land actually acquired within the period beginning one year before the sale and ending 18 months after the sale equals or exceeds the sale price of the old residence.

If the sales price of your old residence exceeds the cost of your new residence, the gain on the sale is taxable to the extent of such excess. For example, if you sell for \$15,000 a residence which cost you \$10,000 and purchase a new residence for \$14,000, \$1,000 of the \$5,000 gain on the sale of your old residence is taxable.

To determine the gain on the sale of your new residence, reduce its cost by the gain from the sale of your old residence which was not taxable. For example, if you sell your new residence which cost \$14,000 for \$16,000 and the nontaxable gain on your old residence was \$4,000, your gain on the sale of the new residence is \$6,000, since the cost of \$14,000 is reduced by \$4,000.

Specific rules apply where (a) a part of your old or new residence is used for rental or business purposes, (b) you sell within one year more than one property used as your principal residence, (c) the ownership by husband and wife of the old and new residence is not identical, (d) you own more than one residence at the same time, or (e) the acquisition of the new residence occurred because of a casualty such as fire, or of condemnation proceedings which affected your old home.

If you sold or exchanged your residence during 1951, report the details of the sale in

separate Schedule D. If you do not intend to replace, or the period for replacement has passed, report the gain in the regular manner. If you have acquired and occupied your new residence, enter in column 8 of Schedule D only the amount of taxable gain, if any, and attach statement showing the purchase price, date of purchase, and date of occupancy.

If you are undecided or have decided to replace, you should enter "None" in column 8 of Schedule D. When you do replace within the required period, you should advise the collector, giving full details. When you decide not to replace, or the period has passed, you should file an amended return.

Nonbusiness Bad Debts.—If you fail to collect a personal loan, you can list the bad debt as a "short-term capital loss" provided the loan was made with a true expectation of collecting. So-called loans to close relatives, which are really in the nature of gifts, must not be listed as deductible losses.

Annuities and Pensions

If you paid part or all the cost of an annuity, pension, endowment, or similar contract, you are entitled to recover your cost tax-free, but must report a certain amount of your annual receipts as income. For your convenience in figuring the capital and income portions of your annuity or pension, Schedule E has been provided on page 2 of Form 1040. If you are receiving payments on more than one pension or annuity, you should fill out a similar schedule for each one.

The 3-Percent Rule.—In general, each payment to you is partly repayment of your cost and partly interest on your money. You must report as income each year an amount at least equal to 3 percent of all the money you paid toward your pension or annuity.

The difference between the total payments you received during the year and 3 percent of your cost is the amount of your capital recovery which you exclude from income until your full cost has been recovered tax-free. However, if the 3-percent figure is larger than the actual amounts you received during the year, then report the actual amount received.

After You Recover Cost.—As soon as you have recovered your cost tax-free (usually within the first few years), then everything you receive must be reported as income. From then on, you can report your full pension or annuity receipts in line 6 of Schedule E without filling out the other lines of the schedule.

Employer's Contributions.—Many employers contribute part or all of the cost of pensions for their employees. Usually, these contributions are not taxed as current wages, and such contributions are not considered part of the cost to employees. Therefore, in figuring the exempt or taxable portion of your pension, count only costs which you paid personally or through deductions from your pay.

Part-Year Annuities.—If your payments started after January 1951, instead of reporting 3 percent, take $\frac{1}{12}$ of this 3% of cost and multiply it by the number of months for which you received payments in 1951.

Joint and Survivorship Annuities.—If, after the death of one annuitant, another person continues to receive the annuity payments, the new recipient must continue to report income in the same manner as the deceased annuitant. If, however, the death occurred after Dec. 31, 1950, the value of the annuity on the date of death, if includible in the estate, will be considered the cost to the survivor.

Rents and Royalties

If you are not engaged in the trade or business of selling real estate to customers and receive rent from property owned or controlled by you, or if you receive royalties from inventions, copyrights, mineral leases, and similar rights, you must report in Schedule F on page 2 of Form 1040 the total amount received. If crops or other property, instead of cash, were received as rent, their fair market value should be reported. Crops received as rent under a crop-sharing arrangement should be reported as income in the year of disposal.

You are entitled to various deductions which are indicated in the schedule. In the case of buildings you can deduct depreciation, as explained on page 12. You can also deduct depreciation on a patent or copyright. In the case of mineral, oil, gas, or timber properties, you can deduct a special allowance called "depletion." For details of depletion allowance, see sections 23 (m) and 114 of the Internal Revenue Code.

You can also deduct all ordinary and necessary expenses on the property such as taxes, interest, repairs, insurance, agent's commissions, maintenance, and similar items. However, you cannot deduct any capital investments or improvements. For example, if you are a landlord, you can deduct the cost of minor repairs but not the cost of major improvements such as a new roof or remodeling.

Expenses, depreciation, and depletion should be listed in total in the columns provided in Schedule F and should be explained in Schedules H and I.

If You Rent Part of Your House, etc.—If you rent out only part of your property, you deduct only a similar portion of the expenses. For example, if you rent out one-half of your home, and live in the other half yourself, you can deduct only one-half of the depreciation and other expenses.

Room rent and other space rentals should be reported as business income in separate Schedule C if services are rendered to the occupant.

If you are engaged in the trade or business of selling real estate to customers, you should also report rentals received in separate Schedule C.

Estates and Trusts

If you receive or are entitled to receive income from an estate or trust, you must report in your personal tax return any of its income which you have received or are entitled to receive. The administrator, executor, or trustee should advise you what to report.

Include in Schedule G of your return your share of the distributable income (whether actually received by you or not) of an estate or trust whose taxable year ends within the year covered by your return. In computing the amount of the net income of the estate or trust for this purpose, do not include:

(a) Interest on obligations of the United States or its instrumentalities which is exempt from normal tax (see Interest). Your share of this interest should be reported in Schedule B, page 2, of your return.

(b) Income taxes paid to a foreign government and income taxes paid at the source on tax-free covenant bond interest. If you itemize your deductions on Long-Form 1040, your share of these items should be entered on page 3.

Other Income

If you cannot find any specific place on your tax return to list some type of income, you should put it in Schedule G, page 2. For example, this is the proper place to report amounts received as alimony or separate maintenance under a court decree; rewards or prizes; recoveries of bad debts, taxes, losses, etc., which reduced your tax in a prior year, and health and accident insurance benefit payments received by you as reimbursements for medical expenses which reduced your tax in a prior year.

How To Figure Depreciation

As already indicated, in figuring your profit from rents, royalties, businesses and professions, the law does not allow you to deduct the full cost of your capital investments or improvements in the year made. In the case of capital investments and improvements in depreciable property, such as buildings, machines, fixtures, and similar items having a useful life of more than one year, the law provides an annual depreciation allowance as the method of recovering the original capital cost tax-free. This means that you can spread the cost over as many years as it is expected to be useful. These rules apply to a profession the same as to a business. For instance, a lawyer can deduct the cost of his law books and a doctor can deduct the cost of his instruments only through the depreciation allowance.

What Is "Useful Life"?—The useful life of a building, machine, or similar property depends on how soon it will become obsolete, on the quality of materials and construction, climate, hard usage, and other factors. Past engineering experience provide reasonable estimates for figuring depreciation. Comprehensive tables of "average useful lives" of various kinds of buildings, machines, and equipment in many industries and businesses have been published in an official booklet called Bulletin F which you can buy for 25 cents from the Superintendent of Documents, Government Printing Office, Washington, D. C. The bases of the depreciation allowance are explained in section 114 of the Internal Revenue Code.

Figuring the Deduction.—Once you make a reasonable estimate of the useful life of your property, you may divide its cost less salvage value, if any, by the number of years of such useful life, and that is the amount you can deduct during each of these years. For example, suppose you own a house which has an estimated useful life of 40 years. If you rent the house to someone else, you can deduct from your rental income $2\frac{1}{2}$ percent of its cost (excluding the land cost) each year for 40 years.

Cash or Accrual Accounting

Your return must be on the "cash basis" unless you keep accounts on the "accrual basis." "Cash basis" means that all items of taxable income actually or constructively received during the year (whether in cash or property or services) and only those amounts

actually paid during the year for deductible expenses are shown. Income is "constructively" received when the amount is credited to your account, or set aside for you, and may be drawn upon by you at any time. Thus, constructive receipts 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. The "accrual basis" means that you report income when earned, even though not received, and deductible expenses when incurred, even though not paid within the taxable period.

Information Reports

Every person who made payments of salary, wages, interest, rents, commissions, or other fixed or determinable income of \$600 or more during the calendar year 1951 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 Statement (Form W-2) only the remainder must be reported on Form 1099.

Declarations of Estimated Tax

Because the withholding tax on wages is not sufficient to keep many taxpayers—particularly business owners, professional persons, investors, and landlords—paid up on their income tax, the law requires them to file Declarations of Estimated Tax and to make quarterly payments in advance of the annual income tax return. Such persons, therefore, must not only file their 1951 income tax returns, but also declarations for 1952 on Form 1040-ES by March 15. Specifically, the declaration is required of anyone who expects to receive (a) 1952 wages exceeding \$4,500 plus \$600 multiplied by the number of his exemptions (for example, \$5,100 for a single person with no dependents or \$6,300 for a married couple with one dependent); or (b) 1952 income of more than \$100 from all sources other than wages subject to withholding, provided his total income is expected to be \$600 or more.

Farmers who are required to file declarations may postpone filing until next January 15; furthermore, if they file their final return and pay the tax due by January 31, they may omit the declaration.

The Collector will mail Form 1040-ES to persons who filed taxable declarations last year. Others needing this form may obtain it upon request.

HOW TO CLAIM NONBUSINESS DEDUCTIONS

Contributions

If you itemize deductions on a Long-Form 1040, you can deduct gifts to religious, charitable, educational, scientific, or literary organizations, and organizations for the prevention of cruelty to children and animals, except when the organization is operated for personal profit, or to conduct propaganda or otherwise attempt to influence legislation. You can deduct gifts to fraternal organizations if they are to be used for charitable, religious, etc., purposes. You can also deduct gifts to veterans' organizations, or to a governmental agency which will use the gift for public purposes. A contribution may be made in money or property (not services), but if in property, then the amount of the contribution is measured by the fair market value of the property at the time of the contribution.

However, deductions for contributions may not exceed 15 percent of your adjusted gross income (item 4, page 1).

The law does not allow deductions for gifts to individuals, or to other types of organizations, however worthy.

While you can deduct gifts to the kind of organizations listed above, you cannot deduct dues or other payments to them for which you receive personal benefits. For example, you can deduct gifts to a YMCA but not dues.

Some examples of the treatment of contributions are:

You CAN Deduct Gifts To:

- Churches, including assessments
- Red Cross, Salvation Army
- American Legion, VFW
- Nonprofit schools and hospitals
- Community chests
- Boy Scouts, Girl Scouts
- Tuberculosis societies (Christmas seals)

You CANNOT Deduct Gifts To:

- Relatives, friends, other individuals
- Propaganda organizations
- Political organizations or candidates
- Social clubs
- Labor unions
- Chambers of commerce

Interest

If you itemize deductions on a Long-Form 1040, you can deduct interest you paid on your personal debts, such as bank loans or home mortgages. Interest paid on business

debts should be reported in separate Schedule C or Schedule F, page 2, of Form 1040. Do not deduct interest paid on money borrowed to buy tax-exempt securities, single-premium life insurance or endowment contracts, or interest paid on behalf of another person unless you were legally liable to pay it. In figuring the interest paid on a mortgage or an installment contract, be careful to distinguish between the amount specifically charged as interest and other items such as carrying charges, taxes, or insurance. Following are examples of the treatment of interest paid:

You CAN Deduct Interest On:

- Your personal note to a bank or an individual
- A mortgage on your house
- A life insurance loan, if you pay the interest in cash
- Delinquent taxes
- Installment contract if interest is specifically charged

You CANNOT Deduct Interest On:

- Indebtedness of another person, when you are not legally liable for payment of the interest
- A gambling debt or other nonenforceable obligation
- A life insurance loan, if interest is added to the loan and you report on the cash basis

Taxes

If you itemize deductions on a Long-Form 1040, you can deduct most non-Federal taxes paid by you. You can deduct State income taxes, personal property taxes, and real estate taxes (except those assessed for pavements or other local improvements which tend to increase the value of your property). You can deduct State or local retail sales taxes if under the laws of your State they are imposed directly upon the consumer, or if they are imposed on the retailer (or wholesaler in case of gasoline taxes) and the amount of the tax is separately stated by the retailer to the consumer.

Do not deduct on page 3 any nonbusiness Federal taxes, or any taxes paid in connection with a business or profession which are deductible in separate Schedule C or Schedule F, page 2, of Form 1040. Following are examples of the treatment of some common taxes:

You CAN Deduct:

- Personal property taxes
- Real estate taxes
- State income taxes
- State or local retail sales taxes
- Auto license fees
- State capitation or poll taxes
- State gasoline taxes

You CANNOT Deduct:

Any Federal excise taxes on your personal expenditures, such as taxes on theater admissions, furs, jewelry, cosmetics, railroad tickets, telephone, etc.
Federal social security taxes
Hunting licenses, dog licenses
Auto inspection fees
Water taxes
Taxes paid by you for another person

Casualty Losses and Thefts

If you itemize deductions on a Long-Form 1040, you can deduct your net loss from the destruction of your property in a fire, storm, automobile accident, shipwreck, or other losses caused by natural forces. Damage to your car by collision or accident can be deducted if due merely to faulty driving but cannot be deducted if due to a willful act or negligence for which you are responsible. You can also deduct losses due to theft, but not losses due to mislaying or losing articles.

You should determine the amount of any casualty loss by comparing the fair market value of the property just before and just after the casualty. This loss, or the original cost of the property less depreciation, whichever is lower, should then be reduced by any insurance or other reimbursement to arrive at your deductible loss. Attach a statement explaining your computation.

If your 1951 casualty losses exceed your 1951 income, the excess may be carried back as a "net operating loss" to offset your income for 1950, and any remaining excess may be carried over to the years 1952-1956, inclusive.

Following are examples of the treatment of losses arising from some causes:

You CAN Deduct Losses On:

Property such as your home, clothing, furniture, or automobile destroyed or damaged by fire
Loss or damage of property by flood, lightning, storm, explosion, or freezing
Property, including cash, which is stolen from you
Damage to your auto by accident, if not due to your willful negligence

You CANNOT Deduct Losses On:

Personal injury to yourself or another person
Accidental loss by you of cash or other personal property
Property lost in storage or in transit
Damage by insects, rust, or gradual erosion
Animals or plants damaged or destroyed by disease

Medical and Dental Expenses

If you itemize deductions on a Long-Form 1040 you can deduct, within the limits described below, the net amount you paid for medical or dental expenses for yourself, your

wife, or any dependent who received over one-half of his support from you. If you pay medical expenses for one of your children who gets over half of his support from you, you can deduct the payments even though the child earned \$600 or more and therefore you cannot claim an exemption for him in item 1, page 1, of your return.

You can deduct payments to doctors, dentists, nurses, hospitals, etc., provided the payments are for the prevention, cure, correction, or alleviation of a bodily condition. If you pay someone to perform both nursing and domestic duties, you can deduct only that part of the cost which is for nursing.

You can deduct the cost of eyeglasses, artificial teeth, crutches, braces, hearing aids, X-rays, ambulance service, medicine, and similar items.

You can deduct the cost of necessary travel in connection with medical treatment, but you cannot deduct any other travel even if it benefits your health.

Limitations.—The law allows you to deduct only those medical and dental expenses which exceed 5 percent of your adjusted gross income (item 4, page 1). (If either you or your wife were 65 or over, you may claim the entire amount of your medical expenses for you and your wife, plus that portion of your medical expenses for dependents which exceeds 5 percent of your adjusted gross income.) Your deduction must be reduced by any insurance, compensation, or other reimbursement you receive for these expenses. Furthermore, the law limits the deduction to a maximum of (a) \$1,250 if you claim only one exemption (item 1, page 1); (b) if you are a single person or a married person filing a separate return and claim more than one exemption, \$2,500; (c) if you are a married couple filing a joint return, \$2,500 if two exemptions are claimed, \$3,750 if three exemptions are claimed, and \$5,000 if four or more exemptions are claimed. (Do not count exemptions for age or blindness.)

You CAN Deduct Cost Of:

Payments to doctors, dentists, nurses, and hospitals
Drugs, medical or surgical appliances, braces, etc.
Travel necessary to get medical care
Eyeglasses and artificial teeth
X-ray examinations or treatment
Premiums on health and accident insurance, and hospital or medical insurance

You CANNOT Deduct Cost Of:

Funeral expenses
Cemetery plot
Illegal operations or drugs
Travel ordered or suggested by your doctor for rest or change
Premiums on life insurance

Miscellaneous

If you itemize deductions on a Long-Form 1040, you can deduct several other types of expenses under the heading "miscellaneous."

If you work for wages or a salary, you can deduct the ordinary and necessary expenses which you incur for your employer's benefit. For example, if your job requires you to furnish small tools, you can deduct their cost. Do not deduct on page 3 expenses for travel, meals, and lodging away from home, or reimbursed expenses, which should be deducted in item 2, page 1, Form 1040. You cannot deduct any expenses which are for your own convenience or benefit.

If you have investments (such as income-producing securities or real estate) which are not part of your business or profession, you can deduct the cost of protecting or managing your investments. For example, you can deduct the rental cost of a safety-deposit box in which you keep securities, but not the cost of a box used merely for jewelry, insurance policies, and other valuables.

If you are divorced or legally separated and are making periodic payments of alimony or separate maintenance under a court decree, you can deduct these amounts. However, you

cannot deduct lump-sum settlements, or any voluntary payments not under a court order.

You may not deduct gambling losses in excess of gambling winnings.

If you have bought bonds for more than their face value, you can deduct an amortized portion of the premium. See section 125 of the Internal Revenue Code for details.

If you are a tenant-stockholder in a cooperative apartment corporation, you can deduct your share of its payments for interest and real-estate taxes.

Examples of the treatment of expenses in connection with your job are:

You CAN Deduct Cost of:

- Safety equipment
- Dues to union or professional societies
- Entertaining customers
- Tools and supplies
- Fees to employment agencies

You CANNOT Deduct Cost of:

- Travel to and from work
- Entertaining friends
- Bribes and illegal payments
- Nursemaid, even if she enables parent to work
- Educational expenses

HOW TO FIGURE YOUR TAX

Using the Tax Table

To save arithmetic for the average taxpayer, the law provides a table which shows the correct tax for any income up to \$5,000. If you file Form 1040A, the collector uses this table to determine your tax for you. If you file a Short-Form 1040, you will find the table on the back of the form (page 4), and determine your tax yourself. The table is based on the same rates used in a Long-Form 1040 computation. The table makes allowance for your exemptions, for any split-income benefits due married couples filing joint returns, and also for an allowance of about 10 percent of your income for nonbusiness deductions on account of contributions, interest, taxes, medical expenses, etc. If your actual deductions are larger than 10 percent of your income, you have the right to file a Long-Form 1040 and claim them.

To find your tax in the table, read down the shaded columns until you find the line that covers your income. For example, if your income was \$3,275, you should use the line

which is for incomes of at least \$3,250 but less than \$3,300. When you find the proper income line, read across to the column which is headed by a number which equals the number of your exemptions. Remember, you listed your exemptions in item 1, page 1, of Form 1040. Using the same example, suppose you had 4 exemptions. Reading across the \$3,250-\$3,300 income line to column No. 4, you find the tax is \$112.

Making a Long-Form Computation

To make a long-form computation of tax on page 3 of Form 1040—

1. Start with your adjusted gross income.
2. Subtract your itemized nonbusiness deductions or the standard deduction.
3. Subtract your exemptions (\$600 each).
4. If the remainder is \$2,000 or less, compute your tax on line 6; otherwise, use the tax rate schedule on last page of instructions to compute your tax on line 7 or 8.

1951 Tax Rate Schedule

Use this schedule to compute your tax to be entered on either line 7 or line 8 (b), page 3, of the return:

If the amount on Line 5 or 8 (a) is:	Enter on Line 7 or 8 (b):
Not over \$2,000	20.4% of the amount on line 5 or 8 (a).
Over \$2,000 but not over \$4,000	\$408, plus 22.4% of excess over \$2,000.
Over \$4,000 but not over \$6,000	\$856, plus 27% of excess over \$4,000.
Over \$6,000 but not over \$8,000	\$1,396, plus 30% of excess over \$6,000.
Over \$8,000 but not over \$10,000	\$1,996, plus 35% of excess over \$8,000.
Over \$10,000 but not over \$12,000	\$2,696, plus 39% of excess over \$10,000.
Over \$12,000 but not over \$14,000	\$3,476, plus 43% of excess over \$12,000.
Over \$14,000 but not over \$16,000	\$4,336, plus 48% of excess over \$14,000.
Over \$16,000 but not over \$18,000	\$5,296, plus 51% of excess over \$16,000.
Over \$18,000 but not over \$20,000	\$6,316, plus 54% of excess over \$18,000.
Over \$20,000 but not over \$22,000	\$7,396, plus 57% of excess over \$20,000.
Over \$22,000 but not over \$26,000	\$8,536, plus 60% of excess over \$22,000.
Over \$26,000 but not over \$32,000	\$10,936, plus 63% of excess over \$26,000.
Over \$32,000 but not over \$38,000	\$14,716, plus 66% of excess over \$32,000.
Over \$38,000 but not over \$44,000	\$18,676, plus 69% of excess over \$38,000.
Over \$44,000 but not over \$50,000	\$22,816, plus 73% of excess over \$44,000.
Over \$50,000 but not over \$60,000	\$27,196, plus 75% of excess over \$50,000.
Over \$60,000 but not over \$70,000	\$34,696, plus 78% of excess over \$60,000.
Over \$70,000 but not over \$80,000	\$42,496, plus 82% of excess over \$70,000.
Over \$80,000 but not over \$90,000	\$50,696, plus 84% of excess over \$80,000.
Over \$90,000 but not over \$100,000	\$59,096, plus 87% of excess over \$90,000.
Over \$100,000 but not over \$150,000	\$67,796, plus 89% of excess over \$100,000.
Over \$150,000 but not over \$200,000	\$112,296, plus 90% of excess over \$150,000.
Over \$200,000	\$157,296, plus 91% of excess over \$200,000.

Adjustment for Partially Tax-Exempt Interest.—If you itemize your deductions, the tax to be entered on line 6, 7, or 8 (c), page 3, should be reduced by 3% of any partially tax-exempt interest included in line 3, or 3% of line 5, whichever amount is the lesser. If you so reduce your tax, attach a statement.

Items to be considered in the adjustment on either line 6, 7, or 8 (c) 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.

Your Tax Due or Refund

Credit for Withholding Tax.—To assure credit for any tax withheld from your wages, itemize the taxes withheld as item 2, page 1, and report the total amount as item 6 (A), and be sure to attach all Original Withholding Statements (Form W-2) received from your employers for the year. If you have lost any Withholding Statements, ask your employer for a copy. If you cannot furnish Withholding Statements for all taxes withheld from you, attach an explanation.

Credit for F. I. C. A. tax.—If more than \$54 of F. I. C. A. employee tax was withheld during 1951 because you worked for more than one employer, the excess may be claimed as a credit against income tax. Enter any excess of F. I. C. A. tax withheld over \$54 in the "Income Tax Withheld" column of item 2, page 1, and write "F. I. C. A. tax" in the "Where Employed" column. Compute the credit separately for husband and wife, if this is a joint return.

Credit for Estimated Tax Payments.—If you paid any estimated tax on a Declaration of Estimated Tax (Form 1040-ES) for 1951, report the total of such payments as item 6 (B) on page 1. If on your 1950 return you had an overpayment which you chose to apply on your 1951 tax, include this in item 6 (B).

Balance of Tax or Refund.—After figuring your tax either from the tax table or from the long-form computation, enter the amount as item 5 (A), page 1. Enter as item 5 (B) the amount of your self-employment tax shown on line 31, separate Schedule C. Show as item 7 any balance you owe, or as item 8 the amount of any overpayment due you after taking credit for the amounts entered as item 6. If you have overpaid, you can choose, by showing below item 8, the amount you wish to receive as a refund, or the amount of overpayment you wish credited to your 1952 estimated tax.