

HELPFUL INFORMATION ON
HOW TO PREPARE YOUR

U. S. Income Tax Return

ON FORM 1040 FOR 1953

*A Message From
The Commissioner of Internal Revenue*



Each of us who had as much as \$600 income in 1953 is required by law to file a return not later than March 15, 1954. It will be to your advantage—especially if you are entitled to a refund—to file your return as early as possible.

The instructions give you a simplified summary of the laws on income, exemptions, and deductions, and other helpful information. If you need more detailed information or help in filling out your return, please call at the nearest office of your District Director of Internal Revenue, the address of which may be obtained at your post office. (Principal offices of District Directors are listed on the next page.)

Please double-check every item on your return. This will go a long way toward eliminating mistakes and will help reduce the cost of operating your Internal Revenue Service.

T. Coleman Andrews
Commissioner

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WHERE TO FILE YOUR RETURN

Mail your return to the "District Director of Internal Revenue" for the district in which you live

ALABAMA—Birmingham 3, Ala.
ALASKA—Tacoma 2, Wash.
ARIZONA—Phoenix, Ariz.
ARKANSAS—Little Rock, Ark.
CALIFORNIA:
 Counties of Imperial, Kern, Los Angeles, Orange, Riverside, San Bernardino, San Diego, San Luis Obispo, Santa Barbara, and Ventura—Los Angeles 12, Calif.
 All other counties—San Francisco 2, Calif.
CANAL ZONE—Jacksonville, Fla.
COLORADO—Denver 2, Colo.
CONNECTICUT—Hartford, Conn.
DELAWARE—Wilmington 99, Del.
DISTRICT OF COLUMBIA—Baltimore 2, Md.
FLORIDA—Jacksonville, Fla.
GEORGIA—Atlanta 3, Ga.
HAWAII—Honolulu 13, T. H.
IDAHO—Boise, Idaho
ILLINOIS:
 Counties of Boone, Bureau, Carroll, Cook, De Kalb, Du Page, Grundy, Henry, Jo Daviess, Kane, Kankakee, Kendall, Lake, La Salle, Lee, McHenry, Marshall, Mercer, Ogle, Putnam, Rock Island, Stark, Stephenson, Whiteside, Will, and Winnebago—Chicago, Ill.
 All other counties—Springfield, Ill.
INDIANA—Indianapolis 6, Ind.
IOWA—Des Moines 8, Iowa
KANSAS—Wichita 1, Kans.
KENTUCKY—Louisville 1, Ky.
LOUISIANA—New Orleans 16, La.
MAINE—Augusta, Maine
MARYLAND—Baltimore 2, Md.
MASSACHUSETTS—Boston 15, Mass.
MICHIGAN—Detroit 31, Mich.
MINNESOTA—St. Paul 1, Minn.
MISSISSIPPI—Jackson 5, Miss.
MISSOURI:
 Counties of Adair, Audrain, Bollinger, Boone, Butler, Callaway, Cape Girardeau, Carter, Clark, Crawford, Dent, Dunklin, Franklin, Gasconade, Howard, Iron, Jefferson, Knox, Lewis, Lincoln, Linn, Macon, Madison, Maries, Marion, Mississippi, Monroe, Montgomery, New Madrid, Oregon, Osage, Pemiscot, Perry, Phelps, Pike, Pulaski, Ralls, Randolph, Reynolds, Ripley, St. Charles, St. Francois, Ste.

Genevieve, St. Louis, Schuyler, Scotland, Scott, Shannon, Shelby, Stoddard, Warren, Washington, and Wayne—St. Louis 1, Mo.
 All other counties—Kansas City 6, Mo.
MONTANA—Helena, Mont.
NEBRASKA—Omaha 2, Nebr.
NEVADA—Reno, Nev.
NEW HAMPSHIRE—Portsmouth, N. H.
NEW JERSEY:
 Counties of Bergen, Essex, Hudson, Hunterdon, Middlesex, Morris, Passaic, Somerset, Sussex, Union and Warren—Newark 2, N. J.
 All other counties—7th and Cooper Sts., Camden 1, N. J.
NEW MEXICO—Albuquerque, N. Mex.
NEW YORK:
 Brooklyn: Counties of Kings, Nassau, Queens, and Suffolk—Brooklyn 1, N. Y.
 Lower Manhattan: All that part of Manhattan Island south of 34th Street (this includes both sides of 34th Street) and Richmond County—Customhouse Bldg., New York 4, N. Y.
 Upper Manhattan: That part of Manhattan Island north of 34th Street (this includes Welfare Island, Randall's Island, and Ward's Island) and counties of Bronx, Rockland, and Westchester—484 Lexington Ave., New York 17, N. Y.
 Eastern New York State: Counties of Albany, Clinton, Columbia, Dutchess, Essex, Fulton, Greene, Hamilton, Montgomery, Orange, Putnam, Rensselaer, Saratoga, Schenectady, Schoharie, Sullivan, Ulster, Warren, and Washington—Albany 1, N. Y.
 Central New York State: Counties of Broome, Cayuga, Chenango, Cortland, Delaware, Franklin, Herkimer, Jefferson, Lewis, Madison, Oneida, Onondaga, Oswego, Otsego, St. Lawrence, Schuyler, Seneca, Tioga, Tompkins, and Wayne—Syracuse 2, N. Y.
 Western New York State: Counties of Allegany, Cattaraugus, Chautauque, Chemung, Erie, Genesee, Livingston, Monroe, Niagara, Ontario, Orleans, Steuben, Wyoming, and Yates—Buffalo 2, N. Y.

NORTH CAROLINA—Greensboro, N. C.
NORTH DAKOTA—Fargo, N. Dak.
OHIO:
NORTHEASTERN: Counties of Ashland, Ashtabula, Belmont, Carroll, Columbiana, Cuyahoga, Geauga, Harrison, Holmes, Jefferson, Lake, Lorain, Mahoning, Medina, Monroe, Portage, Richland, Stark, Summit, Trumbull, Tuscarawas, and Wayne—Cleveland 15, Ohio
SOUTHEASTERN: Counties of Adams, Athens, Coshocton, Delaware, Fairfield, Franklin, Gallia, Guernsey, Hocking, Jackson, Knox, Lawrence, Licking, Madison, Marion, Meigs, Morgan, Morrow, Muskingum, Noble, Perry, Pickaway, Pike, Ross, Scioto, Union, Vinton, and Washington—Columbus 16, Ohio
NORTHWESTERN: Counties of Allen, Auglaize, Champaign, Crawford, Darke, Defiance, Erie, Fulton, Hancock, Hardin, Henry, Huron, Logan, Lucas, Mercer, Ottawa, Paulding, Putnam, Sandusky, Seneca, Shelby, Van Wert, Williams, Wood, and Wyandot—Toledo 1, Ohio
SOUTHWESTERN: Counties of Brown, Butler, Clark, Clermont, Clinton, Fayette, Greene, Hamilton, Highland, Miami, Montgomery, Preble, and Warren—Cincinnati 2, Ohio
OKLAHOMA—Oklahoma City, Okla.
OREGON—Portland 9, Oreg.
PENNSYLVANIA:
SOUTHEASTERN: Counties of Adams, Bedford, Berks, Blair, Bucks, Chester, Cumberland, Dauphin, Delaware, Franklin, Fulton, Huntingdon, Juniata, Lancaster, Lebanon, Lehigh, Mifflin, Montgomery, Perry, Philadelphia, Schuylkill, Snyder, and York—Philadelphia 7, Pa.
NORTHEASTERN: Counties of Bradford, Carbon, Centre, Clinton, Columbia, Lackawanna, Luzerne, Lycoming, Monroe, Montour, Northampton, Northumberland, Pike, Potter, Sullivan, Susquehanna, Tioga, Union, Wayne, and Wyoming—Scranton 14, Pa.
WESTERN: Counties of Allegheny, Armstrong, Beaver, Butler, Cambria, Cameron, Clarion, Clearfield, Craw-

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ford, Elk, Erie, Fayette, Forest, Greene, Indiana, Jefferson, Lawrence, McKean, Mercer, Somerset, Venango, Warren, Washington, and Westmoreland—New Post Office Bldg., Pittsburgh 19, Pa.
PUERTO RICO—Customhouse Bldg., New York 4, N. Y.
RHODE ISLAND—Providence 2, R. I.
SOUTH CAROLINA—Columbia, S. C.
SOUTH DAKOTA—Aberdeen, S. Dak.
TENNESSEE—Nashville 3, Tenn.
TEXAS:
SOUTHERN: Counties of Aransas, Atascosa, Austin, Bandera, Bastrop, Bee, Bell, Bexar, Blanco, Bosque, Brazos, Brazos, Brewster, Brooks, Burleson, Burnet, Caldwell, Calhoun, Cameron, Chambers, Colorado, Comal, Coryell, Culberson, De Witt, Dimmit, Duval, Edwards, El Paso, Falls, Fayette, Fort Bend, Freestone, Frio, Galveston, Gillespie, Goliad, Gonzales, Grimes, Guadalupe, Hamilton, Hardin, Harris, Hays, Hidalgo, Hill, Hudspeeth, Jackson, Jasper, Jeff Davis, Jefferson, Jim Hogg, Jim Wells, Karnes, Kendall, Kenedy, Kerr, Kimble, Kinney, Kleberg, Lampasas, La Salle, Lavaca, Lee, Leon, Liberty, Limestone, Live Oak, Llano, McCulloch, McLennan, McMullen, Madison, Mason, Matagorda, Maverick, Medina, Milam, Montgomery, Newton, Nueces, Orange, Pecos, Polk, Presidio, Real, Reeves, Refugio, Robertson, San Jacinto, San Patricio, San Saba, Somervell, Starr, Tarrant, Travis, Trinity, Tyler, Uvalde, Val Verde, Victoria, Walker, Waller, Washington, Webb, Wharton, Willacy, Williamson, Wilson, Zapata, and Zavala—Austin, Tex.
NORTHERN: All other counties—Dallas 1, Tex.
UTAH—Salt Lake City, Utah
VERMONT—Burlington, Vt.
VIRGINIA—Richmond 19, Va.
VIRGIN ISLANDS—Customhouse Bldg., New York 4, N. Y.
WASHINGTON—Tacoma 2, Wash.
WEST VIRGINIA—Parkersburg, W. Va.
WISCONSIN—Milwaukee 1, Wis.
WYOMING—Cheyenne, Wyo.

HOW TO FILE YOUR RETURN

Who Must File

Every citizen or resident of the United States—whether an adult or minor—who had \$600 or more gross income in 1953 must file. For requirements respecting self-employment tax, see page 7.

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, 1954. 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.

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 "District Director 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 to the truthfulness of your return.

Where To Get Forms

As far as practical, the District Director mails forms directly to taxpayers. If you need additional forms you can get them from any District Director'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 District Director's office. A more detailed publication entitled, "Your Federal Income Tax," may be obtained for 25 cents from the Superintendent of Documents, Government Printing Office, Washington 25, D. C.

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 District Director 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 District Director. If agreement is not reached, the District Director will advise you of further appeal rights.

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 10 and 11). 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 nonbusiness deductions.

Income Less Than \$5,000

1. *Form 1040A*.—This is the simplest return of the three. If you file this form, you do not need to figure your own tax. From your answers to the questions, the District Director will figure your tax for you, and send you a bill or a refund. You may use the Employee's Optional Income Tax Return (Form 1040A) if your total income was less than \$5,000 and consisted entirely of wages reported on Withholding Statements (Form W-2), or of such wages and not more than \$100 total of other wages, dividends, and interest, all of which must be entered on the tax return. You may not use Form 1040A but must file your return on Form 1040 if (1) you had any income from other sources, such as annu-

ities, rents, royalties, a business or profession, farming, transactions in securities or other property, partnerships, estates, and trusts, or (2) you claim the status of head of a household, or (3) you wish to deduct travel or reimbursed expenses from your wages.

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 reporting on 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 nonbusiness 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 1040.

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 deductions, 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, 1953, you are considered married for the entire year 1953. 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 for the exemptions, income, and deductions of only one person. If married persons living in community property States file separate returns, each must report half of any community income. A joint return must include all 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 District Director 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 a tax as low as or lower than the tax on 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.

Unmarried Persons—Head of Household

The law provides a special tax rate for any individual who qualifies as a "Head of a Household."

If you are not married (or are legally separated) at the end of your taxable year, you qualify as a "Head of a Household" provided you furnish over half the cost of maintaining a home which during the entire taxable year, except for temporary absences, was occupied as a principal residence both by yourself and by: (a) Any person for whom you are entitled to an exemption, or (b) Your unmarried child, grandchild, or stepchild, even though such child is not a dependent.

If you are married to a nonresident alien at any time during your taxable year but otherwise meet the foregoing tests, you are considered a "Head of a Household" since you are not permitted to file a joint return.

If your wife or husband (not a nonresident alien) dies during the taxable year, you do not qualify as a "Head of a Household" since in such case you are generally entitled to file a joint return.

If you claim the status of "Head of a Household," you are required to fill in Schedule J on page 2 of your return.

The cost of maintaining a household includes expenditures for such items as:

1. Maintenance of the dwelling and premises. For example, rent (or if the taxpayer owns his home, real estate taxes and interest on a mortgage on the home), insurance on the dwelling and premises, repairs, upkeep, and domestic help.

2. Utilities. For example, gas, telephone, electricity, water, and fuel.

3. Food consumed in the home.

The cost of maintaining a household shall be computed without regard to the value of personal services rendered by a member of the household, including the taxpayer.

The above expenditures are to be used only for determining whether you are entitled to the use of the head of household tax rate. Do not claim them as deductions on your return unless they are otherwise allowable.

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 1953. 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 1953, 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 dependent child or stepchild (the additional exemption for age or blindness applies only to you and your wife but not to dependents). The term "child" includes a legally adopted child and a child whose adoption was denied by a court because of mental incapacity of a surviving natural parent. The law puts very exact limitations on who is a dependent. Each child must meet *all four* of the following tests for the taxable year.

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 for the taxable year:

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>The following if</i>
Grandfather	Stepfather	<i>related by blood:</i>
Brother	Mother-in-law	Uncle—
Sister	Father-in-law	Aunt—
Grandson	Brother-in-law	Nephew—
Granddaughter	Sister-in-law	Niece—

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 specifically 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

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, copyrights
 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

Examples of Income Which Should Not Be Reported

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 non-taxable 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

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 pay-

ments 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.—Taxpayers who receive meals and lodging as part of their salaries must include in income the fair market value of the meals and lodging. 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.

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 transportation between your residence and your principal place of employment as personal expense and does not allow you to deduct such cost, 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 usu-

ally 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.

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 which is credited to your account and 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.

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. For further information on depreciation, see page 9.

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 business 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 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.

See also the instructions on separate Schedule C.

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 Commodity 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 29, separate Schedule C.

Net Operating Loss Deduction

If, in 1953, 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 1953 income. If these losses exceed your other income, the excess or "net operating loss" may be carried backward to offset your income for 1952, and any remaining excess may be carried over to the years 1954–1958, inclusive. If a carry-back entitles you to a refund of 1952 taxes, ask the District Director 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

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 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 page 4 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.

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 purpose 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 by depreciation.

SPECIAL RULE FOR SALE OF RESIDENCE AT A GAIN.—If you sold or exchanged your residence during 1953 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, instructions below 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 sale 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 non-taxable 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, 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 District Director, giving full details. When you decide not to replace, or the period has passed, you should file an amended return. Since any additional tax due will bear interest from the due date of the original return until paid, you should take final action as promptly as possible.

The running of the 1-year period or the 18-month period will be suspended during the time, if any, in which you serve on active duty in the Armed Forces after the date of sale of the old residence and before January 1, 1954, pursuant to a call or order for an indefinite period or for more than 90 days. This suspension applies only where your service begins before the end of the 1-year period or the 18-month period, and cannot extend the period beyond a date which falls 4 years after the date of sale.

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 1953, 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 1953.

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 this page. 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.

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 in-

come 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 30 cents from the Superintendent of Documents, Government Printing Office, Washington 25, 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, such income includes 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, commissions, interest, rents, alimony, or other fixed or determinable income of \$600 or more during the calendar year 1953 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 1953 income tax returns, but also declarations for 1954 on Form 1040-ES by March 15. Specifically, the declaration is required of anyone who expects to receive (a) 1954 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 \$5,700 for a married man, with no dependents, whose wife has no income); or (b) 1954 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 District Director will mail Form 1040-ES to persons who filed taxable declarations for 1953. 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 gifts 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 20 percent of your adjusted gross income (item 4, page 1). Moreover, the recipient of the contribution must have been organized or created in the United States or its possessions, or under our law.

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	Nonprofit organizations primarily engaged in conducting research or education for the alleviation and cure of diseases such as tuberculosis, cancer, multiple sclerosis, muscular dystrophy, cerebral palsy, poliomyelitis, and diseases of the heart, etc.
Salvation Army	
Red Cross, community chests	
Nonprofit schools and hospitals	
Veterans' organizations	
Boy Scouts, Girl Scouts, and other similar organizations	

You CANNOT Deduct Gifts to:

Relatives, friends, other individuals	Social clubs
Propaganda organizations	Labor unions
Political organizations or candidates	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	Delinquent taxes
A mortgage on your house	Installment contract if interest is specifically charged or can be determined
A life insurance loan, if you pay the interest in cash	

You CANNOT Deduct Interest On:

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

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	Auto license fees
Real estate taxes	State capitation or poll taxes
State income taxes	State gasoline taxes
State or local retail sales 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.	Hunting licenses, dog licenses
Federal social security taxes	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 1953 casualty losses exceed your 1953 income, the excess may be carried back as a "net operating loss" to offset your income for 1952, and any remaining excess may be carried over to the years 1954-1958, inclusive.

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

You CAN Deduct Losses On:

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

You CANNOT Deduct Losses On:

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

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, for example, 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 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.

General Rule.—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). You must subtract from your medical expenses 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. (In figuring the limitation, do not count exemptions for age or blindness.)

Special Rule.—If either you or your wife were 65 or over, you may claim (subject to the maximum limitation stated above) 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.

You CAN Deduct Cost Of:

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

You CANNOT Deduct Cost Of:

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

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, specific maintenance payments for support of children, 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	Entertaining customers
Dues to union or professional societies	Tools and supplies
	Fees to employment agencies

You CANNOT Deduct Cost Of:

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

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 District Director uses this table to determine your tax for you. If you file a Short-Form 1040, use the table on the back of the form (page 4) to 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, for benefits due a head of household, 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.

Making a Long-Form Computation

To figure your tax on either line 7 or line 8 (b), page 3, of Long-Form 1040, use the tax rate schedule below.

1953 Tax Rate Schedule

I. FOR ALL TAXPAYERS EXCEPT UNMARRIED (OR LEGALLY SEPARATED) PERSONS QUALIFYING AS HEAD OF HOUSEHOLD

If the amount in line 5 or 8 (a) is: Enter in line 7 or 8 (b):

Not over \$2,000	22.2% of the amount on line 5 or 8 (a)
Over \$2,000 but not over \$4,000 . . .	\$444, plus 24.6% of excess over \$2,000
Over \$4,000 but not over \$6,000 . . .	\$936, plus 29% of excess over \$4,000
Over \$6,000 but not over \$8,000 . . .	\$1,516, plus 34% of excess over \$6,000
Over \$8,000 but not over \$10,000 . . .	\$2,196, plus 38% of excess over \$8,000
Over \$10,000 but not over \$12,000 . . .	\$2,956, plus 42% of excess over \$10,000
Over \$12,000 but not over \$14,000 . . .	\$3,796, plus 48% of excess over \$12,000
Over \$14,000 but not over \$16,000 . . .	\$4,756, plus 53% of excess over \$14,000
Over \$16,000 but not over \$18,000 . . .	\$5,816, plus 56% of excess over \$16,000
Over \$18,000 but not over \$20,000 . . .	\$6,936, plus 59% of excess over \$18,000
Over \$20,000 but not over \$22,000 . . .	\$8,116, plus 62% of excess over \$20,000
Over \$22,000 but not over \$26,000 . . .	\$9,356, plus 66% of excess over \$22,000
Over \$26,000 but not over \$32,000 . . .	\$11,996, plus 67% of excess over \$26,000
Over \$32,000 but not over \$38,000 . . .	\$16,016, plus 68% of excess over \$32,000
Over \$38,000 but not over \$44,000 . . .	\$20,096, plus 72% of excess over \$38,000
Over \$44,000 but not over \$50,000 . . .	\$24,416, plus 75% of excess over \$44,000
Over \$50,000 but not over \$60,000 . . .	\$28,916, plus 77% of excess over \$50,000
Over \$60,000 but not over \$70,000 . . .	\$36,616, plus 80% of excess over \$60,000
Over \$70,000 but not over \$80,000 . . .	\$44,616, plus 83% of excess over \$70,000
Over \$80,000 but not over \$90,000 . . .	\$52,916, plus 85% of excess over \$80,000
Over \$90,000 but not over \$100,000 . . .	\$61,416, plus 88% of excess over \$90,000
Over \$100,000 but not over \$150,000 . . .	\$70,216, plus 90% of excess over \$100,000
Over \$150,000 but not over \$200,000 . . .	\$115,216, plus 91% of excess over \$150,000
Over \$200,000	\$160,716, plus 92% of excess over \$200,000

II. ONLY FOR UNMARRIED (OR LEGALLY SEPARATED) TAXPAYERS WHO QUALIFY AS HEAD OF HOUSEHOLD

If the amount in line 5 is: Enter in line 7:

Not over \$2,000	22.2% of the amount on line 5
Over \$2,000 but not over \$4,000 . . .	\$444, plus 23.4% of excess over \$2,000
Over \$4,000 but not over \$6,000 . . .	\$912, plus 27% of excess over \$4,000
Over \$6,000 but not over \$8,000 . . .	\$1,452, plus 29% of excess over \$6,000
Over \$8,000 but not over \$10,000 . . .	\$2,032, plus 34% of excess over \$8,000
Over \$10,000 but not over \$12,000 . . .	\$2,712, plus 35% of excess over \$10,000
Over \$12,000 but not over \$14,000 . . .	\$3,412, plus 41% of excess over \$12,000
Over \$14,000 but not over \$16,000 . . .	\$4,232, plus 44% of excess over \$14,000
Over \$16,000 but not over \$18,000 . . .	\$5,112, plus 47% of excess over \$16,000
Over \$18,000 but not over \$20,000 . . .	\$6,052, plus 48% of excess over \$18,000
Over \$20,000 but not over \$22,000 . . .	\$7,012, plus 52% of excess over \$20,000
Over \$22,000 but not over \$24,000 . . .	\$8,052, plus 54% of excess over \$22,000
Over \$24,000 but not over \$28,000 . . .	\$9,132, plus 57% of excess over \$24,000
Over \$28,000 but not over \$32,000 . . .	\$11,412, plus 60% of excess over \$28,000
Over \$32,000 but not over \$38,000 . . .	\$13,812, plus 63% of excess over \$32,000
Over \$38,000 but not over \$44,000 . . .	\$17,592, plus 66% of excess over \$38,000
Over \$44,000 but not over \$50,000 . . .	\$21,552, plus 71% of excess over \$44,000
Over \$50,000 but not over \$60,000 . . .	\$25,812, plus 72% of excess over \$50,000
Over \$60,000 but not over \$70,000 . . .	\$33,012, plus 73% of excess over \$60,000
Over \$70,000 but not over \$80,000 . . .	\$40,312, plus 77% of excess over \$70,000
Over \$80,000 but not over \$90,000 . . .	\$48,012, plus 79% of excess over \$80,000
Over \$90,000 but not over \$100,000 . . .	\$55,912, plus 81% of excess over \$90,000
Over \$100,000 but not over \$150,000 . . .	\$64,012, plus 85% of excess over \$100,000
Over \$150,000 but not over \$200,000 . . .	\$106,512, plus 88% of excess over \$150,000
Over \$200,000 but not over \$300,000 . . .	\$150,512, plus 91% of excess over \$200,000
Over \$300,000	\$241,512, plus 92% of excess over \$300,000

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, of Long-Form 1040 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. Securities entering into such adjustment are listed on page 6 of these instructions. If you so reduce your tax, attach a statement.

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, for any reason, 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 1953 because you worked for more than one employer, the excess should 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 1953, report the total of such payments as item 6 (B) on page 1. If on your 1952 return you had an overpayment which you chose to apply on your 1953 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 35, 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 1954 estimated tax.