RETURN FORM MARKED "DUPLICATE" MUST BE FILED WITH THIS ORIGINAL RETURN CORPORATION INCOME AND EXCESS-PROFITS TAX RETURN Page 1 of Return Form 1120 TREASURY DEPARTMENT INTERNAL REVENUE SERVICE For Calendar Year 1935 (Auditor's Stamp) File .\_., 1935, and ended \_. or Fiscal Year begun ...... Serial Number PRINT PLAINLY CORPORATION'S NAME AND BUSINESS ADDRESS (Name) (Cashier's Stamp) (Street and number) (Post office and State) It is Essential, Except Where Otherwise Provided in the Instructions, That This Form be Completely Filled In Irrespective of Any Statements, Schedules, or Reports Submitted Herewith Cert. of Ind. Cash Check M. O. Date of Incorporation \_\_\_\_\_ First Payment Under the Laws of what State or Country Located at The Corporation's Books are in Care of . Kind of Business (in detail) \_\_\_\_\_(Also check industrial division on page 3) \_\_\_ Is This a Consolidated Return of Railroad Corporations? \_\_\_\_\_ If so, of How Many Corporations? : if Nonresident, State Amount of Income Excluded (Instruction 33) From Gross Income, \$\_\_\_\_\_ If a Foreign Corporation, State Whether Resident or Nonresident Is the Corporation a Personal Holding Company Within the Meaning of Section 351 of the Revenue Act of 1934?

(Answer "ves" or "no")

(If so, an additional return on Form 1120 H must be filed.) Item and Instruction No. **GROSS INCOME** Less Returns and ....; Allowances, \$\_\_\_ 1. Gross Sales (where inventories are ATTACH REMITTANCE HERE an income-determining factor), \$-(a) Inventory at beginning of year\_\_\_\_\_ (b) Material or merchandise bought for manufacture or sale (c) Miscellaneous costs (From Schedule A, Column 1):
(1) Salaries and
(2) Other (1) Salaries and wages, \$\_\_\_\_ (d) Total of lines (a), (b), and (c)..... (e) Less inventory at end of year\_\_\_\_\_ 3. Gross Profit from Sales (Item 1 minus Item 2)... 4. Gross Receipts (where inventories are not an income-determining factor).... 5. Less cost of operations (From Schedule A, Column 2): (a) Salaries and ....; costs, \$ wages, \$\_\_ 6. Gross Profit where inventories are not an income-determining factor (Item 4 minus Item 5)\_\_\_\_ 7. Interest on Loans, Notes, Mortgages, Bonds, Bank Deposits, etc... 8. Rents. 9. Royalties..... 10. Capital Gain or Loss (From Schedule B) 11. Interest on Liberty Bonds, etc. (From Schedule L, Lines 2 (a) (6) and (7)) \_\_\_ (a) Domestic Corporations subject to taxation under Title I of Revenue Act of 1934. (b) Domestic Corporations not subject to taxation under Title I of Revenue Act of 1934. (c) Foreign Corporations... 13. Other Income (State nature of income) (Use separate schedule, if necessary) Total Income in Items 3, and 6 to 13, inclusive. 14 **DEDUCTIONS** 15. Compensation of Officers (From Schedule C) ... 16. Rent on Business Property.... 17. Repairs (From Schedule D): (a) Salaries and Wages, \$\_\_\_\_; (b) Other Costs, \$ 18. Interest. 19. Taxes (From Schedule E)..... 20. Losses by Fire, Storm, etc. (From Schedule F) ... 21. Bad Debts (From Schedule G); also bonds determined to be worthless during taxable year (Explain on separate sheet) 22. Dividends (Item 12 (a) above) --23. Depreciation (resulting from exhaustion, wear and tear, or obsolescence) (From Schedule I). 24. Depletion of Mines, Oil and Gas Wells, Timber, etc. (Submit schedule, see Instruction 24) 25. Other Deductions Authorized by Law (Explain below, or on separate sheet): (a) Salaries and wages. (Not included in Items 2, 5, 15, or 17 above) (b) Stock determined to be worthless during the taxable year. TOTAL DEDUCTIONS IN ITEMS 15 TO 25. 26. NET INCOME (Item 14 minus Item 26) 27. COMPUTATION OF TAX EXCESS-PROFITS TAX\* INCOME TAX 35. Net Income for Excess-profits Tax Computation (Item 27, 28. Net Income (Item 27, above) 29. Less Interest on Liberty Bonds, etc. (Item 11)\_\_\_ 36. Less: 12½% of \$\_\_\_\_\_\_, adjusted declared value of capital stock as shown in your apital-stock tax return for year ended June 30, 1935\_\_\_\_\_\_ 30. Balance subject to Income Tax (Item 28 minus Item 29)

Items	BEGINNING OF TAXABLE YEAR						End of Taxable Year									
1.200	Amount			Total			Amount			Total						
ASSETS																
1. Cash:  (a) Demand deposits, including checks	8								\$							
(b) Time deposits, including certificates of													:			
${\bf deposit}\_\_\_\_$	Į.															
(c) All other cash					\$	<b></b> -							\$ <b></b>			
2. Notes receivable																
3. Accounts receivable		i							\$							
(a) Less reserve for bad debts	-\ <u></u>								<u></u> -							
4. Inventories:  (a) Raw materials	. \$								\$							
(b) Work in process	1															
(c) Finished goods										ļ						
(d) Supplies				.	-						-					
												<b></b>				
											<u> </u>					
5. Investments (nontaxable):  (a) Obligations of a State, Territory, or political subdivi-																
(a) Obligations of a State, Territory, or political subdivision thereof, or the District of Columbia, or United States possessions	- ≫				_	i			\$		-					
(b) Obligations issued under Federal Farm Loan Act, or under such Act as amended																
(c) Liberty 31/4% Bonds and other obligations of United States issued on or before September 1, 1917.			<b> </b>		-											1
(a) Treasury Notes, Treasury Bills, and Treasury Certificates of Indebtedness.	·				-						-					
(e) Liberty 4% and 4¼% Bonds, United States Savings Bonds, and Treasury Bonds.																
(f) Obligations of instrumentalities of the United States (other than obligations to be reported in line (b) above)							-									
6. Other investments:  (a) Stocks of domestic corporations									\$							
(b) Bonds of domestic corporations	1	1		<u> </u>												
(c) Stocks and bonds of foreign corporations	1	j	ļ	1								ļ				
(d) All other investments or loans																
7. Deferred charges:									e e							ĺ
(a) Prepaid insurance					-				\$							
(b) Prepaid taxes																
(c) All other														<b>~==</b>		
(a) Buildings	\$								\$		ļ. <b></b>					
(b) Machinery and equipment	-			-	-					<b></b> -					٠.	İ
(c) Furniture and fixtures	-	-														
(d) Delivery equipment	-				-									'		
(e) Other depreciable assets					-											
(f) Total of Lines (a) to (e)	1	1	Į.	<b></b> -	-				\$		-					
(g) Less reserves for depreciation	ì	i	{					- <b></b>					<b></b>			
(h) Depletable assets	ı		i						\$		- <b> </b>					
(i) Less reserves for depletion				-	-											
(j) Land	l															
9. Patents	-						-									
11. Other assets (describe fully):	-															
	- \$			-	-				\$		-					
	-	-		-	-		]				-					
	-		<u> </u>	<u>- </u>	- <del></del>		-			<u> </u>	·	<u> </u>				
12. Total Assets				<del></del>	<u> </u>		-	-					\$			
LIABILITIES													œ.			
13. Notes payable (less than 1 year)					<b>\$</b>		-						Φ			
<ul><li>14. Accounts payable</li><li>15. Bonds and notes (not secured by mortgage)</li></ul>							-	-	-							
16. Mortgages (including bonds and notes so secured)	ļ															
17. Accrued expenses:	-						-		-							
(a) Interest	- \$	-		-	-				\$		-					
(b) Taxes		-			-											
(c) All other	-			<u>. </u>	-			-	-							
18. Other liabilities (describe fully):	\$			_	-				\$							
				_					<u> </u>					<b></b>		
19. Capital stock:																
(a) Preferred stock (less stock in treasury)		-		-	-				\$		-					
(b) Common stock (less stock in treasury)			<del></del>	-	-	<del>-</del> -	<b></b>		·							
20. Surplus				-	-				Φ							
22. Total Liabilities.					\$					'		<u>'</u>	s			
REMARKS:									-							
TOURALED.					<del></del>											

SCHEDILE L	-RECONCILIATION	OF NET INCOME	AND ANALYSIS OF	CHANCES IN	CHEDIT
SUBEDULE E	RECONCILIATION	OF NEI INCOME	AND ANALISIS OF	CHANGES IN	SURPLU

1. Net income subject to taxation (Item 30, page 1 2. Nontaxable income:	of return)	\$				13. Unallowable deductions:  (a) Donations, gratuities, and contributions	- \$						
<ul> <li>(a) Interest on:</li> <li>(1) Obligations of a State, Territory, or sion thereof, or the District of Col</li> </ul>						(b) Income and profits taxes paid to the United States, and such taxes paid to its possessions or foreign countries if claimed as a credit in whole or in part in Item 33, page 1							
States possessions					-	of the return		: 	 	-			
under such Act as amended					-	(2) Federal taxes paid on tax-free covenant bonds				-			
States issued on or before Septemb (4) Treasury Notes, Treasury Bills, and	ber 1, 1917					the property assessed	-						
icates of Indebtedness		-				as expenses on the books							
Bonds, and Treasury Bonds owne amount of \$5,000 and under	ed in the principal				<u></u>	(f) Replacements and renewals							
(6) Liberty 4% and 41/8 Bonds, Unite Bonds, and Treasury Bonds owne						ployee where the corporation is directly or indirectly a beneficiary							
amount of over \$5,000(7) Obligations of instrumentalities of t						(h) Interest on indebtedness incurred or continued to purchase or carry obligations (other than obligations of the United		ı					
(other than those to be reported above)						States issued after September 24, 1917, and originally sub- scribed for by the taxpayer) the interest upon which is		i					
(b) Dividends deductible under Section 23 (p Act of 1924						wholly exempt from taxation							
(c) Proceeds of life insurance policies paid upo insured						in Item 21, page 1 of return				-			
(d) Other items of nontaxable income (to be d						(1)	1			-			
(1)		1 1				(2)	-						
(2)		1				(3)	-			-			
3. Charges against reserve for bad debts, if Item 21 is not an addition to a reserve.						(k) Other unallowable deductions (to be detailed):							
4. Charges against reserves for contingencies, etc. (						(2)							
(a)		1 1				(3)	1						
5. Total of Lines 1 to 4, inclusive						14. Total of Line 13							
6. Total from Line 14		1 1				15. Dividends paid during the taxable year (state whether paid in							
						cash, stock of the corporation, or other property):  (a) Date paid	e						
<ol> <li>Net profit or loss for year, as shown by books, b ments are made therein (Line 5 minus Line 6)</li> </ol>	(if loss, indicate)	8		<b>-</b>		(b) Date paid Character							
8. Surplus and undivided profits as shown by bala of preceding taxable year	nce sheet at close					(c) Date paid Character							
of preceding taxable year						(d) Date paid Character		-					
(a)						16. Other debits to surplus (to be detailed):							
(b)						(a)	-	· <b></b>	<sub> </sub>				
10. Total of Lines 7 to 9, inclusive		\$				(b)							
11. Total from Line 17	nce sheet at close					(c)							
of taxable year (Line 10 minus Line 11)		\$				17. Total of Lines 15 and 16	\$						
business falls:  MANUFACTURING  Food and kindred products:  Bakery and confectionery products.  Canned products—fish, fruit, vegetables, etc.	MANUFACTURING—(Continued)  Metal products and processes—Continued.  Machinery—factory, used in producing food, leather, metal, paper, printing, rubber, stone, clay, glass, textile and wood products.  Machinery—agricultural and equipment.					<ol> <li>Is this a consolidated return? If so, procure from the collector of internal revenue for your district Form 851, Affiliations Schedule, which shall be filled in, sworn to, and filed as a part of this return.</li> <li>Was the income of this corporation included in a consolidated return for the prior year?</li></ol>							
Mill products—bran, flour, feed.	Machinery-	-electrical	and equi	pment.		PREDECESSOR BUSINESS							
Packing-house products—meats, lard; slaughtering.  Sugar—beet, cane, maple; molasses, etc.	Machinery— and minin	-other, bui g machin€	ilding, cor ery and e	nstruction quipment	n, gas t.	4. Did the corporation file a return under the same name for the pr							
Other food products—butter substitutes, ce-	Household e erators, se		-metal fu nines, etc.	ırniture, r	refrig-	Was the corporation in any way an outgrowth, result, continuation businesses in existence during this or any prior year since December							
reals, coffee, spices, dairy products; ice, etc.  Beverages, soft drinks, mineral water.	Metal build		al and eq	uipment.		answer is "yes", give name and address of each prodecessor business, a							
Brewing and distilling—alcohol, liquors, beer, malt extract, wines.	Hardware, t	ools, etc.											
Tobacco products.	Precious me	Hardware, tools, etc.  Precious metal, products and processes.											
Textiles: Cotton goods—dress goods, etc.; napping,	Other metals, products and processes.			rocesses.									
dyeing.	Other metals					Upon such change were any asset values increased or decreased?							
Woolen and worsted goods—dress goods, etc.;	Other metals  Miscellaneo Radios, com	s, products us manufa	s and pro	cesses.		Upon such change were any asset values increased or decreased?  If the answer is "yes", closing balance sheets of old business and oper must be furnished.				 isiness			
wool pulling, scouring.  Silk and rayon goods—dress goods, thrown silk, etc.; spinning, warping.	Miscellaneo Radios, com	s, products us manufa plete or pa	s and pro acturing: arts.	cesses.	astru-	If the answer is "yes", closing balance sheets of old business and open must be furnished.  BASIS OF RETURN	ning balanc	e sheets o	of new bu	ısiness			
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I/we swear (or affirm) that I/we prepared this return for the person named herein and that the return (including its accompanying schedules and statements, if any) is a true, correct, and complete statement of all the information respecting the income tax and/or excess-profits tax liability of the person for whom this return has been prepared of which I/we have any knowledge.

Sworn to and subscribed before me this \_\_\_\_\_\_ day of \_\_\_\_\_\_, 193 . (Signature of person preparing the return) NOTARIAL

(Signature of officer administering oath)

Page 4 of Return

Salaries and wages

1. DESCRIPTION OF PROPERTY

in value of your outstanding stock

Salaries and wages\_

ITEMS

SCHEDULE B-

2. DATE ACQUIRED

Mo. Day Year

1. ITEMS

1. KIND OF PROPERTY

State how property was acquired.

1. YEA

1. KIND OF PROPERTY (If buildings, state material of which constructed)

NOTARIAL SEAL

SEAL

2. NET INCOME

. DATE

(Title)

(Name of firm or employer, if any)

2-16980

# INSTRUCTIONS

# The Instructions Numbered 1 to 27 Correspond with the Item Numbers on Page 1 of the Return

#### GROSS INCOME AND DEDUCTIONS

1. Gross sales.—If engaged in business where inventories are an incomedetermining factor, enter as Item 1 on page 1 of the return, the gross sales, less goods returned and any allowances or discounts from the sale price.

Banks, insurance companies, and other corporations required to submit statements of income and expenses to any national, State, municipal, or other public officer may submit with the return a statement of income and expenses in the form furnished to such officer, in lieu of the information requested in Items 1 to 26 of the return, except that a railroad company will submit with the return a statement on Form 1090. In such cases the taxable net income will be reconciled by means of Schedule L on page 3 of the return, with the net profit shown by the income and expense statement submitted, and should be entered as Item 27 on page 1 of the return.

2. Cost of goods sold.—Enter as Item 2 the information requested on lines (a) to (e) and list in Column 1 of Schedule A on page 4 of the return the principal items of cost, including the amount entered on line (c), the minor items to be grouped in one amount. Enter as salaries and wages on line (c) the total compensation, during the period covered by this return, of individuals employed (exclusive of officers and firm members).

If the production, purchase, or sale of merchandise is an income-producing factor in the trade or business, inventories of merchandise on hand should be taken at the beginning and end of the taxable year, which may be valued at cost, or cost or market, whichever is lower. Enter the letters "C", or "C or M", immediately before the amount column on lines (a) and (e) under Item 2, if the inventories are valued at either cost, or cost or market, whichever is lower, and explain fully in answer to question 6 on page 3 the method used. In case the inventories reported do not agree with the balance sheet, attach a statement explaining how difference occurred. explaining how difference occurred.

- 3. Gross profit from sales.—Enter as Item 3 the gross profit from business in which inventories are an income-determining factor, which is obtained by deducting Item 2, the cost of goods sold as extended, from Item 1, the net sales.
- 4. Gross receipts from business in which inventories are not an incomedetermining factor.—Enter as Item 4 the gross receipts or operating revenue. (See also second paragraph of Instruction 1, above.)
- 5. Cost of operations.—Enter as Item 5 the cost of operations and list in Column 2 of Schedule A on page 4 of the return the principal items of cost. Enter as salaries and wages the total compensation, during the period covered by this return, of individuals employed (exclusive of officers and firm members).
- 6. Gross profit from business in which inventories are not an incomedetermining factor.—Enter as Item 6.
- 7. Interest on loans, etc.—Enter as Item 7 all interest received or credited to the corporation during the taxable year on loans, notes, mortgages, bonds, bank deposits, etc.
- 8. Rents.—Enter as Item 8 the gross amount received for the rent of property. Any deductions claimed for repairs, interest, taxes, and depreciation should be included in Items 17, 18, 19, and 23, respectively.
- 9. Royalties.—Enter as Item 9 the gross amount received as royalties. If a deduction is claimed for depletion, it should be reported as Item 24.
- 10. Capital gains and losses.—Report sales or exchanges of capital assets in Schedule B and enter the net amount of gain or loss as Item 10 (CAPITAL LOSSES ARE ALLOWABLE ONLY TO THE EXTENT OF \$2,000 PLUS CAPITAL GAINS). Describe the property briefly and state the actual consideration or price received or the fair market value of the property received in exchange

If the property sold or exchanged was acquired prior to March 1, 1913, the basis for determining GAIN is the cost or the fair market value as of March 1, 1913, adjusted as provided in section 113 (b) of the Revenue Act of 1934, whichever is greater, but in determining Loss the basis is cost so adjusted. (See Section 113 of the Revenue Act of 1934.) If the amount shown as cost is other than actual cash cost of the property sold or exchanged, full details must be furnished regarding the acquisition of the property.

Enter as depreciation the amount of exhaustion, wear and tear, obsolescence, or depletion which has been allowed (but not less than the amount allowable) in respect of such property since date of acquisition, or since March 1, 1913, if the property was acquired before that date. In addition, if the property was acquired before March 1, 1913, the cost shall be reduced by the depreciation actually sustained before that date actually sustained before that date.

Subsequent improvements include expenditures for additions, improvements, and repairs made to restore the property or prolong its useful life.

No loss shall be recognized in any sale or other disposition of shares of stock or

securities where the corporation has acquired substantially identical stock or securities within 30 days before or after the date of such sale or disposition, unless the corporation is a dealer in stocks or securities in the ordinary course of

No deduction shall be allowed in respect of loss from sales or exchanges of property, directly or indirectly, except in the case of distributions in liquidation, between an individual and a corporation in which such individual owns, directly or indirectly, more than 50 percent in value of the outstanding stock. (See section 24 (a) (6) of the Revenue Act of 1934.)

The provisions of the Revenue Act of 1934 relating to capital gains and losses

- "Sec. 117 (b). Definition of capital assets.—For the purposes of this title, 'capital assets' means property held by the taxpayer (whether or not connected with his trade or business), but does not include stock in trade of the taxpayer or other property of a kind which would properly be included in the inventory of the taxpayer if on hand at the close of the taxable year, or property held by the taxpayer primarily for sale to customers in the ordinary course of his trade or business.
- "(d) Limitation on capital losses.—Losses from sales or exchanges of capital assets shall be allowed only to the extent of \$2,000 plus the gains from such sales or exchanges. If a bank or trust company incorporated under the laws of the United States or of any State or Territory, a substantial part of whose business is the receipt of deposits, sells any bond, debenture, note, or certificate or other evidence of indebtedness issued by any corporation (including one issued by a government or political subdivision thereof), with interest couone issued by a government or political subdivision thereof), with interest coupons or in registered form, any loss resulting from such sale (except such portion of the loss as does not exceed the amount, if any, by which the adjusted basis of such instrument exceeds the par or face value thereof) shall not be subject to the foregoing limitation and shall not be included in determining the applicability of such limitation to other losses.
- "(e) Gains and losses from short sales, etc.—For the purpose of this title—(1) gains or losses from short sales of property shall be considered as gains or losses from sales or exchanges of capital assets; \*
- "(f) Retirement of bonds, etc.—For the purposes of this title, amounts received by the holder upon the retirement of bonds, debentures, notes, or certificates or other evidences of indebtedness issued by any corporation (including those issued by a government or political subdivision thereof), with interest coupons or in registered form, shall be considered as amounts received in exchange therefor."

Section 117 applies only to gains and losses upon the sale or exchange of capital assets and, therefore, has no application to loss of useful value upon the permanent abandonment of the use of property or loss sustained as the result of corporate stock or debts becoming worthless.

11. Interest on Liberty bonds, etc.—Enter as Item 5, Schedule K, the amount of the various obligations owned and enter as Item 2 (a), Schedule L, all interest received or credited to the corporation's account during the year on these obligations.

Interest on all coupons falling due within the taxable year will be considered as income for the year, where the books are kept on a cash receipts and dis-

bursements basis. If the books are kept on an accrual basis, report the actual

amount of interest accrued on the obligations owned during the taxable year.

The total of the interest reported as Item 2 (a) (6) and (7), Schedule L, should be entered as Item 11 on page 1 of the return. Such interest is allowable as a credit against net income as Item 29, page 1 of the return.

12. Dividends.—Describe in detail in Schedule H all dividends received during

12. Dividends.—Describe in detail in Schedule H all dividends received during the taxable year.

Enter as Item 12 (a) dividends from a domestic corporation which is subject to taxation under Title I of the Revenue Act of 1934 (other than a corporation entitled to the benefits of Section 251 of the Revenue Act of 1934 and other than a corporation organized under the China Trade Act, 1922). Enter as Item 12 (b) dividends from a domestic corporation which is not subject to taxation under Title I of the Revenue Act of 1934. Enter as Item 12 (c) dividends from a foreign corporation and dividends from a corporation entitled to the benefits of Section 251 of the Revenue Act of 1934 and a corporation organized under the China Trade Act, 1922 China Trade Act, 1922.

- 13. Other income.—Enter as Item 13 all other taxable income for which no space is provided on the return.
- 14. Total income.—Enter as Item 14 the net amount of Items 3, and 6 to 13, inclusive, after deducting any losses reported in Items 3, 6, and 10.
- 15. Compensation of officers.—Enter as Item 15 the compensation of all officers, in whatever form paid, and fill in Schedule C, giving the information

requested.

Note.—If during the taxable year the corporation paid to any officer or employee compensation for personal services in excess of \$15,000, Schedule C-1 (copies of which may be obtained from the collector of internal revenue) must be filed, IN DUPLICATE, with and as part of this return.

16. Rent.—Enter as Item 16 rent paid for business property in which the corporation has no equity.

17. Repairs.—Enter as Item 17 the cost of incidental repairs including the labor, supplies, and other items which do not add to the value or appreciably prolong the life of the property. Enter as salaries and wages the compensation, during the period covered by this return, of persons employed directly in connecting the period covered by this return, of persons employed directly in connecting the period covered by this return, of persons employed directly in connecting the period covered by this return, of persons employed directly in connecting the period covered by this return, of persons employed directly in connecting the period covered by this return, of persons employed directly in connecting the period covered by this return, of persons employed directly in connecting the period covered by this return, of persons employed directly in connecting the period covered by this return, of persons employed directly in connecting the period covered by this return, of persons employed directly in connecting the period covered by this return, of persons employed directly in connecting the period covered by this return, of persons employed directly in connecting the period covered by this return, of persons employed directly in connecting the period covered by this return, of persons employed directly in connecting the period covered by the period tion with these incidental repairs, as shown in Schedule D. Expenditures for new buildings, machinery, equipment, or for permanent improvements or betterments which increase the value of the property are chargeable to capital account. Expenditures for restoring or replacing property are not deductible, as such expenditures are chargeable to capital accounts or to depreciation reserve, depending on how depreciation is charged on the books of the corporation.

18. Interest.—Enter as Item 18 interest paid on business indebtedness. not include interest on indebtedness incurred or continued to purchase or carry obligations (other than obligations of the United States issued after September 24, 1917, and originally subscribed for by the taxpayer) the interest upon which is wholly exampt from taxeticn. is wholly exempt from taxation.

19. Taxes.—Enter as Item 19 taxes paid or accrued during the taxable year. Do not include Federal income and profits taxes, nor estate, inheritance, legacy, succession, and gift taxes, nor income taxes claimed as a credit in Item 33, taxes assessed against local benefits tending to increase the value of the property assessed, Federal taxes paid on bonds containing a tax-free covenant, nor taxes not imposed upon the taxpayer. No deduction is allowable for any portion of foreign income and profits taxes if a credit is claimed in Item 33.

20. Losses.—Enter as Item 20 losses sustained during the year and not compensated for by insurance or otherwise. Losses of business property arising from fire, storm, shipwreck, or other casualty, or from theft, should be explained in Schedule F, giving the information requested.

21. Bad debts.—Enter as Item 21 debts, or portions thereof, arising from sales or services that have been reflected in income, which have been definitely ascertained to be worthless and have been charged off within the year, or such reasonable amount as has been added to a reserve for bad debts within the year.

If the debts are included in the deduction claimed, submit a schedule showing the amounts charged off, and state how and when each was determined to be worthless. If the amount deducted is an addition to a reserve, enter in Schedule G the amount of sales charged on account, and the amount of bad debts

charged off, for each of the years indicated.

A debt previously charged off as bad, if subsequently collected, must be returned as income for the year in which collected.

22. Dividends.—Enter as Item 22 dividends reported as income in Item 12 (a).

23. Depreciation.—The amount deductible on account of depreciation in Item 23 is an amount reasonably measuring the portion of the investment in depreciable property by reason of exhaustion, wear and tear, or obsolescence, which is properly chargeable against the operations of the year. If the property was acquired by purchase on or after March 1, 1913, the amount of depreciation the latest acquired by purchase on or after March 1, 1913, the amount of depreciation. should be determined upon the basis of the original cost (not replacement cost) of should be determined upon the basis of the original cost (not replacement cost) of the property, and the probable number of years remaining of its expected useful life. In case the property was purchased prior to March 1, 1913, the amount of depreciation will be determined in the same manner, except that it will be computed on its original cost, less depreciation sustained prior to March 1, 1913, or its fair market value as of that date, whichever is greater. If the property was acquired in any other manner than by purchase see Section 114 of the Revenue Act of 1934. The capital sum to be recovered should be charged off ratably over the useful life of the property. Whatever plan or method of apportionment is adopted must be reasonable and must have due regard to operating conditions during the taxable year and should be described in the return. Stocks, bonds, and like securities are not subject to exhaustion, wear and tear within the meaning of the law.

If a deduction is claimed on account of depreciation, fill in Schedule I. In case obsolescence is included, state separately amount claimed and basis upon which obsolescence is included, state separately amount claimed and basis upon which it is computed. Land values or cost must not be included in this schedule, and where land and buildings were purchased for a lump sum the cost of the building subject to depreciation must be established. The adjusted property accounts and the accumulated depreciation shown in the schedule should be reconciled with those accounts as reflected on the books of the taxpayer. See Sections 23 (1) and 114 of the Revenue Act of 1934.

24. Depletion.—If a deduction is claimed on account of depletion, secure from 24. Depletion.—If a deduction is challed on account of depletion, secure from the collector Form D (minerals), Form E (coal), Form F (miscellaneous non-metals), Form O (oil and gas), or Form T (timber), fill in and file with return. If complete valuation data have been filed with Questionnaire in previous years, then file with this return information necessary to bring your depletion schedule up to date, setting forth in full statement of all transactions bearing on deductions or additions to value of physical assets with explanation of how depletion tions or additions to value of physical assets with explanation of how depletion deduction for the taxable year has been determined. See Sections 23 (m) and 114 of the Revenue Act of 1934.

25. Other deductions.—Enter as Item 25 other deductions authorized by law and file with the return a schedule showing how each deduction was computed. No deduction is allowable for the amount of any item or part thereof allocable to a class of exempt income, other than interest. Items directly attributable to such exempt income shall be allocated thereto, and items directly attributable to such exempt income shall be allocated the such taxable income shall be allocated the such taxable incomes that the such taxable incomes the such taxable incomes that taxable incomes that taxable incomes that taxable taxable incomes that taxable incomes that taxable incomes that taxable incomes that taxable taxable incomes that taxable incomes that taxable taxable incomes that taxable taxabl to any class of taxable income shall be allocated to such taxable income. A taxpayer receiving any exempt income, other than interest, or holding any property or engaging in any activity the income from which is exempt shall submit with its return as a part thereof an itemized statement, in detail, showing (1) the amount of each class of exempt income, and (2) the amount of items allocated to each such class (the amount allocated by apportionment being shown separately).

26. Total deductions.—Enter as Item 26 the total of Items 15 to 25. inclusive.

27. Net income.—Enter as Item 27 the net income, which is obtained by deducting Item 26 from Item 14. The net income of a corporation shall be computed upon the basis of its taxable year in accordance with the method of accounting regularly employed in keeping the books, unless such method does not clearly reflect the income,

### CREDIT FOR TAXES

28. A nonresident foreign corporation subject to taxation may claim as a credit in Item 32 any income tax required to be deducted and withheld at the source.

29. If, in accordance with Section 131 (a) of the Revenue Act of 1934, a credit is claimed by a domestic corporation in Item 33 on account of income tax paid to a foreign country or a possession of the United States, Form 1118 should be submitted with this return, together with the receipt for each such tax payment. In case credit is sought for taxes accrued but not paid, the form must have attached to it a certified copy of the return on which each such accrued tax was based, and the Commissioner may require a bond on Form 1119 for the payment of any additional tax found due if the foreign tax when paid differs from the amount claimed. Foreign corporations, domestic corporations entitled to the benefits of Section 251, and corporations organized under the China Trade Act, 1922, are not entitled to claim this credit.

#### **EXCESS-PROFITS TAX**

30. The excess-profits tax is imposed upon the net income of every corpora-30. The excess-profits tax is imposed upon the net income of every corporation for each income-tax taxable year ending after the close of the first year in respect of which it is subject to the capital-stock tax. The excess-profits tax imposed by Section 701 of the Revenue Act of 1934, is equivalent to 5 percent of such portion of the corporation's net income for such income-tax taxable year as is in excess of 12½ percent of the adjusted declared value of its capital stock (or in the case of a foreign corporation the adjusted declared value of capital employed in the transaction of its business in the United States) as of the close of the preceding income-tax taxable year (or as of the date of organization if it had no preceding income-tax taxable year) determined as provided in Section 701. No variation between the adjusted declared value of capital stock set forth in the capital-stock tax return and the adjusted declared value embodied in the excess-profits tax return is permissible. For excess-profits tax purposes the net income shall be the same as the net income for income tax purpurposes the net income shall be the same as the net income for income tax purposes. Foreign income and profits taxes may not be credited against the excess-profits tax. Every corporation which is liable for the making of an excess-profits tax return, whether or not such corporation is a member of an affiliated group of corporations, must make its excess-profits tax return and compute its net income separately, without regard to the provisions of Section 141 of the Revenue Act of 1934. Where an affiliated group of railroad corporations makes a consolidated income tax return, the common parent corporation and each subsidiary which is liable for the making of an excess-profits tax return must make a separate excess-profits tax return.

### LIABILITY FOR FILING RETURNS

31. Corporations generally.—Every domestic or resident corporation, joint-31. Corporations generally.—Every domestic or resident corporation, joint-stock company, association, or insurance company (other than a life insurance company or a mutual insurance company coming within the specific provisions of Section 207 (b) and (c) of the Revenue Act of 1934) not specifically exempted by Section 101 of the Revenue Act of 1934, whether or not having any net income, must make a return of income on this form. Every corporation which is subject to the capital-stock tax must make an excess-profits tax return for each income-tax taxable year ending after the close of the first year in respect of which it is subject to the capital-stock tax. For the calendar year 1935, or fiscal year ending on or before June 30, 1936, a combined return for income and excess-profits tax purposes must be made on this form, except where a consolidated income-tax return is made by an affiliated group of railroad corporations. (See Instruction 30.) (See Instruction 30.)

32. Corporations in possessions of the United States.—Domestic corporations within the possessions of the United States (except the Virgin Islands) may report as gross income only gross income from sources within the United States report as gross meome only gross meome from sources within the United States, provided, (a) 80 percent or more of the gross income for the three-year period immediately preceding the close of the taxable year (or such part thereof as may be applicable) was derived from sources within a possession of the United States; and (b) 50 percent or more of the gross income for such period or such part thereof was derived from the active conduct of a trade or business within a possession of the United States. a possession of the United States.

33. Foreign corporations.—A foreign corporation subject to the provisions of the Revenue Act of 1934, regardless of the amount of its net income, is required to file a return with the collector in whose district is located its principal office or agency through which is transacted the business in the United States. The net income should be computed in accordance with Section 119 of the Revenue

Act of 1934. Any foreign nonresident corporation excluding from gross income from sources within the United States income of the type specified in Section 119 (a) (1) (A) (B) or (C) of the Revenue Act of 1934 must file with its return a statement setting forth the amount of such income and such information as may be necessary to show that the income is of the type specified in those paragraphs. A foreign corporation engaged in trade or business within the United States or having an office or place of business therein is a resident foreign corporation.

34. Life insurance companies.—A life insurance company issuing life insurance and annuity contracts (including contracts of combined life, health, and accident insurance), as defined by Section 201 of the Revenue Act of 1934, shall file its tax return on Form 1120L, instead of this form.

35. Mutual insurance companies.—A mutual insurance company (other than a life insurance company) shall make and file its return in accordance with the provisions of Section 207 of the Revenue Act of 1934 and Article 207–1 of Regulations 86.

36. Benevolent life insurance associations of a purely local character, mutual ditch or irrigation companies, mutual or cooperative telephone companies, or like organizations are exempt from taxation only if 85 percent or more of the income consists of amounts collected from members for the sole purpose of meeting losses and expenses.

37. Other insurance companies.—The net income of an insurance company (other than a life or mutual insurance company referred to above) is the gross income earned during the taxable year from investment income and from underwriting income, computed on the basis of the underwriting and investment exhibit of the Annual Statement approved by the National Convention of Insurance Commissioners, plus the gain from the sale or other disposition of property, less the deductions for ordinary and necessary expenses, interest, taxes, losses, bad debts, depreciation, etc., as provided in Section 204 of the Revenue Act of 1934.

# CONSOLIDATED RETURNS OF RAILROAD CORPORATIONS

38. Subject to the provisions of Section 141 of the Revenue Act of 1934 and Regulations 89, an affiliated group of railroad corporations may make a consolidated income tax return in lieu of separate returns.

39. The common parent corporation, when filing a consolidated return on this form, shall attach thereto a schedule showing the names and addresses of all the corporations included in the return. Each taxable year each subsidiary must prepare two duplicate originals of Form 1122 consenting to Regulations 89 and authorizing the making of the return on its behalf. One of such forms shall be attached to the consolidated return as a part thereof, and the other shall be filed, at or before the time the consolidated return is filed, in the office of the collector for the subsidiary's district.

40. Supporting schedules shall be filed with the consolidated return. These schedules shall be prepared in columnar form, one column being provided for each corporation included in the consolidation, one column for a total of like items before adjustments are made, one column for intercompany eliminations and adjustments, and one column for a total of like items after giving effect to the eliminations and adjustments. The items included in the column for eliminations and adjustments should be symbolized to identify contra items affected, and suitable explanations appended, if necessary. Similar schedules shall also contain in columnar form a reconciliation of surplus for each corporation, together with a reconciliation of the consolidated surplus.

41. Consolidated balance sheets as of the beginning and close of the taxable year of the group shall accompany the consolidated return prepared in a form similar to that required for reconciliation of surplus.

See Instruction 30 relative to making excess-profits tax returns.

### BALANCE SHEETS

42. The balance sheets on page 2 of the return, Schedule K, should agree with the books, or any differences should be reconciled. The balance sheets for a consolidated return should be furnished in accordance with Instruction 41. All corporations engaged in an interstate and intrastate trade or business and reporting to the Interstate Commerce Commission and to any national, State, municipal, or other public officer, may submit, in lieu of Schedule K, copies of their balance sheets prescribed by said Commission or State and municipal authorities, as at the beginning and end of the taxable year.

In case the balance sheet as at the beginning of the current taxable year does

In case the balance sheet as at the beginning of the current taxable year does not agree in every respect with the balance sheet which was submitted as at the end of the previous taxable year, the differences should be fully explained in the space provided under Schedule K.

#### PERIOD COVERED

43. Except in the case of the first return the corporation shall make its return on the basis upon which the return was made for the taxable year immediately preceding unless, with the approval of the Commissioner, a change is made in the accounting period. Application for such change shall be made on Form

### TIME AND PLACE FOR FILING

44. The return must be filed on or before the fifteenth day of the third month following the close of the taxable year with the collector for the district in which the corporation's principal place of business or principal office is located. In the case of a foreign corporation not having any office or place of business in the United States the return shall be filed on or before the fifteenth day of the sixth month following the close of the taxable year, with the Collector of Internal Revenue, Baltimore, Maryland. Where a subsidiary corporation is not permitted to be included in a consolidated income tax return under the Revenue Act of 1934 but was included in a consolidated return under the Revenue Act. permitted to be included in a consolidated income tax return under the Revenue Act of 1934, but was included in a consolidated return under the Revenue Act of 1932, as amended, for the last period for which it was required to make a return under that Act, such subsidiary corporation for any taxable year beginning after December 31, 1933 (during which it and the common parent are members of the same affiliated group), may, in any case, make its return to the collector for the district in which the return of such common parent corporation is made. Unless its return is so made, such subsidiary must file for such year a true and correct copy of its return with the collector for the district in which the return of the common parent corporation is made. The copy must be certified to by the same officers as are required to swear to the return, and must be a true and correct copy of its return with the cohector for the district in which the return of the common parent corporation is made. The copy must be certified to by the same officers as are required to swear to the return, and must be filed on or before the date prescribed for filing the return. Where a consolidated income tax return is filed by an affiliated group of railroad corporations, the separate excess-profits tax returns of the common parent corporation and each subsidiary corporation must be filed with the collector with whom the consolidated income tax return is filed dated income tax return is filed.

45. The collector of internal revenue may grant a reasonable extension of time for filing a return, not to exceed six months, if application therefor is made before the date prescribed by law for filing such return, whenever in his judgment good cause exists.

### SIGNATURES AND VERIFICATION

46. The return shall be sworn to by the president, vice president, or other principal officer, and by the treasurer, assistant treasurer, or chief accounting officer. The return of a foreign corporation having no office or place of business in the United States but having an agent in the United States shall be sworn to by such agent. Receivers, trustees in bankruptcy, and assignees, operating the property or business of corporations, must make returns of income for such corporations. If a receiver has full custody of and control over the business or property of a corporation, he shall be deemed to be operating such business or property, whether he is engaged in carrying on the business for which the corporation was organized or only in marshaling, selling, and disposing of its assets for purposes of liquidation.

47. Question 7 on page 3 of the return should be answered fully, and where the return is actually prepared by some person or persons other than the corporation, such person or persons must execute the affidavit at the foot of page 4 of the return.

## PAYMENT OF TAXES

48. The tax should be paid by sending or bringing with the return a check or money order drawn to the order of "Collector of Internal Revenue at (insert name and city and State)." Do not send cash by mail, nor pay it in person except at the collector's office.

The tax in the case of a domestic corporation may be paid when the return is filed, or in four equal installments, as follows: The first installment shall be paid on or before the fifteenth day of the third month following the close of the taxable year, the second installment shall be paid on or before the fifteenth day of the third month, the third installment on or before the fifteenth day of the sixth month, and the fourth installment on or before the fifteenth day of the ninth month, after the date prescribed for paying the first installment.

ninth month, after the date prescribed for paying the first installment.

If any installment is not paid on the date fixed for its payment, the whole amount of the tax unpaid shall be paid upon notice and demand by the collector.

# PENALTIES

49. For willful failure to make and file return on time.—Not more than \$10,000 or imprisonment for not more than one year, or both, together with the costs of prosecution, and in addition 5 percent to 25 percent of the amount of the tax.

50. For willfully making a false or fraudulent return.—Not more than \$10,000 or imprisonment for not more than five years, or both, together with the costs of prosecution.

51. For deficiency in tax.—Five percent of the amount of the deficiency if due to negligence or intentional disregard of rules and regulations without intent to defraud, or 50 percent of the amount of the deficiency if due to fraud.

# UNDISTRIBUTED PROFITS

52. There shall be levied, collected, and paid for each taxable year upon the adjusted net income of every corporation (other than a personal holding company as defined in Section 351 of the Revenue Act of 1934) if such corporation, however created or organized, is formed or availed of for the purpose of preventing the imposition of the surtax upon its shareholders or the shareholders of any other corporation, through the medium of permitting gains and profits to accumulate instead of being divided or distributed, a surtax equal to the sum of the following: (1) 25 percent of the amount of the adjusted net income not accumulate instead of being divided or distributed, a surtax equal to the sum of the following: (1) 25 percent of the amount of the adjusted net income not in excess of \$100,000, plus (2) 35 percent of the amount of the adjusted net income in excess of \$100,000. The term "adjusted net income" means the net income computed without the allowance of the dividend deduction otherwise allowable, but diminished by the amount of dividends paid during the taxable year. (See Section 102 of the Revenue Act of 1934.)

For surtax on personal holding companies, see Section 351 of the Revenue Act of 1934.

Act of 1934.

## INFORMATION AT THE SOURCE

53. Every corporation making payments of salaries, wages, interest, rent, commissions, or other fixed or determinable income of \$1,000 or more during the calendar year, to a single person, a partnership, or a fiduciary, or \$2,500 or more to a married person, or payments of dividends of \$300 or more to an individual, a partnership, or a fiduciary, is required to make a return on Forms 1096 and 1099 showing the amount of such payments and the name and address These forms will be furnished by any collector of internal of each recipient. revenue upon request. Such returns covering the calendar year 1935 must be forwarded to the Commissioner of Internal Revenue, Sorting Section, Washington, D. C., in time to be received not later than February 15, 1936.