HELPFUL INFORMATION ON

How to prepare your Income Tax Return

ON FORM 1040 FOR 1955

You can save money for yourself and the Government, if you—

File your return early
Make sure the figures are right

The final date for filing your return is April 15, but taxpayers who wait until the last minute often make costly mistakes.

You should be able to prepare your return with the assistance of the information contained in this pamphlet. If you have questions or complicated problems, you may need help. You can get such help and extra forms, if you need them, at the nearest Internal Revenue Service Office.

T. Coleman Andrews
Commissioner.

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WHEN AND WHERE TO FILE YOUR RETURN

Please file as early as possible. You must file not later than April 15. Mail your return to the "District Director of Internal Revenue" for the district in which you live. Following is a list of the District Directors' offices. If there is more than one District Director's office in your State and you are not sure which one to use, consult your local post office.

ALABAMA—Birmingham 3, Ala.; ALASKA—Tacoma 2, Wash.; ARIZONA—Phoenix, Ariz.; ARKANSAS—Little Rock, Ark.; CALIFORNIA—Los Angeles 12, Calif.; 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—Chicago 2, Ill.; Springfield, Ill.; INDIANA—Indianapolis 6, Ind.; IOWA—Des Moines 8, Iowa; KANSAS—Wichita 21, 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—St. Louis 1, Mo.; Kansas City 6, Mo.; MONTANA—Helena, Mont.; NEBRASKA—Omaha 2, Nebr.; NEVADA—Reno, Nev.; NEW HAMPSHIRE—Portsmouth, N. H.; NEW JERSEY—Newark 2, N. J.; 7th and Cooper Streets, Camden 1, N. J.; NEW MEXICO—Albuquerque, N. Mex.; NEW YORK—Brooklyn 1, N. Y.; Customhouse Building, New York 4, N. Y.; 484 Lexington Avenue, New York 17, N. Y.; Albany 1, N. Y.; Syracuse 2, N. Y.; Buffalo 2, N. Y.; NORTH CAROLINA—Greensboro, N. C.; NORTH DAKOTA—Fargo, N. Dak.; OHIO—Cleveland 15, Ohio; Columbus 16, Ohio; Toledo 1, Ohio; Cincinnati 2, Ohio; OKLAHOMA—Oklahoma City, Okla.; OREGON—Portland 9, Oreg.; PENNSYLVANIA—Philadelphia 7, Pa.; Scranton 14, Pa.; Post Office and Courthouse Building, Pittsburgh 30, Pa.; PUERTO RICO—Santurce Building, Santurce, P. R.; RHODE ISLAND—Providence 2, R. I.; SOUTH CAROLINA—Columbia 1, S. C.; SOUTH DAKOTA—Aberdeen, S. Dak.; TENNESSEE—Nashville 3, Tenn.; TEXAS—Austin 14, Tex.; Dallas 1, Tex.; UTAH—Salt Lake City, Utah; VERMONT—Burlington, Vt.; VIRGINIA—Richmond 19, Va.; VIRGIN ISLANDS—Charlotte Amalie, St. Thomas, V. I.; WASHINGTON—Tacoma 2, Wash.; WEST VIRGINIA—Parkersburg, W. Va.; WISCONSIN—Milwaukee 1, Wis.; WYOMING—Cheyenne, Wyo. Taxpayers with legal residence in FOREIGN COUNTRIES—Baltimore 2, Md., U. S. A.

HOW TO FILE YOUR RETURN

Who Must File

Every citizen or resident of the United States—whether an adult or minor—who had $600 ($1,200 if 65 years of age or over) or more gross income in 1955 must file. A person with income of less than $600 ($1,200 if 65 years of age or over) should file a return to get a refund if tax was withheld. A married person with income less than her (his) own personal exemption(s) should file a joint return with husband or wife to get the smaller tax or larger refund for the couple. For self-employment tax filing requirements, see page 7 of these instructions.

Members of the Armed Forces please add your service serial number after your name.

Why You Must File a Return

Most of your tax is withheld from your wages every payday or paid as Estimated Tax every quarter. (See page 13, relative to the Declaration of Estimated Tax.) However, the law requires you to file an annual return to determine whether you owe more or should get a refund.

How To Pay

Any balance of tax shown to be due on line 18, page 1, of your return on Form 1040 must be paid with your return. Checks or money orders should be made payable to "Internal Revenue Service."

Signature and Verification

You have not filed a valid return unless you sign it. Husband and wife both must sign a joint return.

Any person(s), firm, or corporation who prepares a taxpayer's return also must sign. If the return is prepared by a firm or corporation, the return should be signed in the name of the firm or corporation. This verification is not required if the return is prepared by a regular, full-time employee of the taxpayer such as a clerk, secretary, bookkeeper, etc.

Where To Get Forms

As far as practical, the forms are mailed directly to taxpayers. Additional forms may be obtained from any Internal Revenue Service office, and also at most banks and post offices.

Where To Get Help

After reading these instructions you should be able to prepare your own return, unless you have complicated problems. If you do need help, you can get it at any Internal Revenue Service office. A more detailed publication, "Your Federal Income Tax," may be purchased for twenty-five 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 have the matter reconsidered by the District Director. He will give you an opportunity to dispute any change in your tax which he proposes, and will advise you of further appeal rights if you cannot reach an agreement with him. Upon request by the District Director you must be able to support all deductions claimed by you.

Special For Employees Earning Less Than $5,000

This pamphlet contains the forms and instructions used by most taxpayers. However, if your gross income was less than $5,000 and consisted only of (a) wages reported on withholding statements (Form W-2) and (b) not more than $100 total of other wages, interest, and dividends, the law provides a simple way for you to file. Merely enter the required information on card Form 1040A, and the Internal Revenue Service will figure your tax and send you a check for any refund or a bill for any amount due. *You may obtain the card form from your District Director. If you qualify and decide to use Form 1040A, do not use any of the forms in this pamphlet.*

How To Fill In Form 1040

Form 1040 is designed to meet the needs of all persons who do not use card Form 1040A described above. Most taxpayers who use Form 1040 will find it necessary to use only a part of the form. Therefore, it is so arranged that pages 3 and 4 may be discarded if not needed.

If your income is all from salaries and wages, you need only the first two pages of Form 1040. If less than $5,000 and all from salaries and wages, you may need page 1 only. Also, income from farming or other business, which is figured on a separate schedule is to be reported on page 1. All other income is to be reported on page 3. Page 2 contains a schedule for claiming exemptions for persons other than your wife and children, for itemizing your nonbusiness deductions, and for figuring your tax. Page 4 contains the schedules for computing the credits for dividends received and retirement income.

Filling in the form involves four steps: (1) claiming your exemptions, (2) reporting your income, (3) claiming your deductions, and (4) figuring your tax. There follows a brief explanation of each step with some examples.

1. *Claiming Your Exemptions*—Detailed instructions, page 4.

List on page 1 exemptions for yourself (and for your wife, if you are filing a joint return or if she has no income) and for your children. List exemptions for dependents other than your children in the schedule at the top of page 2.

2. *Reporting Your Income*—Detailed instructions, page 5.

Enter income from salaries and wages on page 1; also, income from farming and other business income, the details of which will be shown in separate Schedules F and C. All other income is to be reported on page 3. If you are an employee, see page 5 of these instructions for information relating to the treatment of sick pay and special deductions for travel expenses, reimbursed expenses, etc.

3. *Claiming Your Deductions*—Detailed instructions, page 11.

The law allows you to reduce your income by certain contributions to charity, expenditures for interest, taxes, extraordinary medical and dental expenses, child care, certain losses, and miscellaneous items, provided you itemize them on your return. Since there are restrictions on these deductions, refer to pages 11, 12, and 13 for details.

The law also provides a "standard deduction" for persons who do not wish to list their deductions. The Tax Table on page 16 automatically allows a standard deduction for persons having income of less than $5,000. The standard deduction for those with income of $5,000 or more is 10 percent of the income on line 11, page 1 of the form, but not to exceed $1,000 ($500 for a married person filing a separate return). It will be wise to compare the total of your itemized deductions with the standard deduction to see which method is better.

4. *Figuring Your Tax*—See page 14 for detailed instructions.

If you do not claim deductions and if your income on line 11, page 1 of the form, is less than $5,000, you must use the Tax Table on page 16. If you itemize your deductions or if your income was $5,000 or more, you must use the tax computation schedule on the form and the tax rate schedules on page 14. See page 14 if you are unmarried or legally separated, maintain a home, and have a dependent living with you. Also see page 14 if you are a widow or widower.

Examples For Taxpayers With Income Less Than $5,000

Single person
Income all from salary and wages
Deductions less than 10% of income

This person need complete only page 1.

He claims his exemption on line 1, and reports his salary on lines 5, 7 and 11. He then finds the tax on the amount on line 11 by using the Tax Table on page 16 of these instructions. He enters the tax on line 12 and fills in the remainder of the page. He should tear off pages 3 and 4.

Single person with dependent mother
Income from salary and interest
Deductions exceed 10% of income

This person must use pages 1, 2 and 3.

He claims his exemption on line 1 and exemption for his mother on line 3 after entering the information on her dependency in the schedule at top of page 2.

He reports his salary income on lines 5 and 7, page 1. The interest is reported on page 3 and carried over to line 10, page 1.

He itemizes his deductions and computes his tax on page 2.

The amount of tax is carried over to line 12, page 1, and he fills in the remainder of the page.

Married couple filing joint return with 2 dependent children
Income from salary, gain on sale of stock, and dividends
Deductions less than 10% of income

This couple must use all four pages of the return and separate Schedule D.

They claim their exemptions on lines 1 and 2.

They report their salaries on lines 5 and 7, page 1. Gain on the sale of stock is figured on separate Schedule D and reported on page 3. Dividends are also reported on page 3. The total of the gain and the dividends is carried over to line 10, page 1.

They use the Tax Table to find their tax and enter it on line 12, page 1. They use Schedule J on page 4 to figure their dividends received credit.

Examples For Taxpayers With Income of $5,000 or More

Assume that the situations are the same as above except that income is $5,000 or more

Same as above, except he computes tax on page 2, and itemizes deductions if more than $1,000.

No change.
Same as for income less than $5,000, as above.

The only change is they must make the tax computation on page 2 instead of using the Tax Table to figure their tax.

MARRIED PERSONS—JOINT OR SEPARATE RETURNS

Are You Married?—If married at the close of your taxable year, you are considered married for the entire year. If divorced or legally separated on or before the close of your year, 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. You may also be entitled to the benefits of a joint return for the two years following the death of your husband or wife. See page 14.

Joint or Separate 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 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 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 Joint Return.—In a joint return you include all income and deductions of both husband and wife. In the return heading, list both names (for example: "John H. and Mary D. Doe"). Both must sign the return.

Advantages of a Joint Return.—In most cases it is 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.

Joint Tax or Refund.—When a joint return is filed, the couple assume full legal responsibility for the entire tax, and if one fails to pay, the other must pay it.

How To Make a Separate Return.—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 of husband and wife. When filing separate returns, the husband and wife should each claim the allowable deductions 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, then both must.

HOW TO CLAIM YOUR EXEMPTIONS

You are Allowed a Deduction of $600 for Each Exemption for Which You Qualify as Explained Below

Exemptions For You And Wife

For You.—You, as the taxpayer, are always entitled to at least one exemption. If, at the end of your taxable year, you were blind or were 65 or over, you get two exemptions. 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 did not receive more than half her support from another taxpayer. Otherwise, your wife's exemptions are like your own—one, if she was neither blind nor 65 or over; two, if she was either blind or 65 or over; three, if she was both blind and 65 or over.

In Case Of Death.—If wife or husband died during 1955, the number of her or his exemptions is determined as of the date of death.

Proof Of Blindness.—If totally blind, a statement of such fact must be attached 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 are entitled to one exemption for each child (including a stepchild, or legally adopted child), if during the taxable year, that child:

1. *Support*—Received more than one-half of his or her support from you (or from husband or wife if this is a joint return), and

2. *Income*—Had not attained the age of 19 or was a student (if the child is 19 or over and not a student, he must have received less than $600 gross income), and

3. *Married Children*—Did not file a joint return with her husband (or his wife), and

4. *Nationality*—Was either a citizen or resident of the United States or a resident of Canada, Mexico, the Republic of Panama or the Canal Zone. For the exemption in the case of children who are residents of the Republic of the Philippines and were born to or were legally adopted by servicemen in the Philippine Islands before January 1, 1956, consult your Internal Revenue Service office.

The law defines a student as an individual who is engaged in full-time study at a recognized educational institution for at least five months of the year, or who is pursuing a full-time course of institutional on-farm training under the supervision of an accredited agent of an educational institution or of a State, or a political subdivision of a State.

In figuring whether you provide more than one-half of the support of a student, you may disregard amounts received by him as scholarships.

Exemptions For Dependents Other Than Your Children

You are entitled to one exemption for each other dependent who meets all the following requirements for the year:

1. Received less than $600 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. Did not file a joint return with her husband (or his wife), and

4. Was either a citizen or resident of the United States or a resident of Canada, Mexico, the Republic of Panama or the Canal Zone, and

5. EITHER (1) had as his principal place of abode your home and was a member of your household; OR (2) was related to you (or to husband or wife if a joint return is filed) in one of the following ways:

Mother	Stepbrother	Son-in-law
Father	Stepsister	Daughter-in-law
Grandmother	Stepmother	*The following if related by blood:*
Grandfather	Stepfather	Uncle—
Brother	Mother-in-law	Aunt—
Sister	Father-in-law	Nephew—
Grandson	Brother-in-law	Niece—
Granddaughter	Sister-in-law	

Exemptions For Individuals Supported by More Than One Taxpayer

If several persons contributed toward the support of an individual during the taxable year, but none contributed over half of the support, they may designate one of their number to claim the exemption if:

(a) They as a group have provided over half of the support of the individual; and

(b) Each of them, had he contributed over half of the support, would have been able to claim the individual as a dependent; and

(c) The person claiming the exemption for the individual contributed over 10 percent of the support; and

(d) Each person described in (b) above (other than the person claiming the exemption) who contributed over 10 percent of the individual's support files a declaration that he will not claim the individual as a dependent for the year. Form 2120, Multiple Support Agreement, is available at the nearest Internal Revenue Service office for this purpose.

HOW TO REPORT YOUR INCOME

What Income Is Taxed

The law says all kinds of income in whatever form received 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.

Examples of Income Which Must Be Reported	Examples of Income Which Should Not Be Reported
Wages, salaries, bonuses, commissions	Armed forces pay due to active service in a combat zone or while hospitalized from such service after June 24, 1950 and before February 1, 1955—enlisted men's entire service pay for each month; officers' service pay up to $200 for each month. Your service withholding statement (Form W–2) does not include this nontaxable service pay but shows only the pay you must report
Tips and gratuities for services rendered	All Government payments and benefits made to veterans and their families, except nondisability retirement pay and interest on terminal leave bonds
Dividends and other earnings from investments	Dividends on veterans' Government insurance
Interest from loans and bonds, including Federal bonds issued on or after March 1, 1941	Federal and State Social Security benefits
Industrial, civil service and other pensions, annuities, endowments	Railroad Retirement Act benefits
Rents and royalties from property, patents, copyrights	Gifts, inheritances, bequests
Profits from business or profession	Workmen's compensation, insurance, damages, etc., for bodily injury or sickness
Profit from sale of real estate, securities, autos	Interest on State and municipal bonds
Your share of partnership profits	Life insurance proceeds upon death.
Your share of estate or trust income	
Contest prizes	
Gambling winnings	
Alimony, separate maintenance or support payments received from (and deductible by) your husband (or wife). For details see Miscellaneous Section relative to deductions.	

Wages, Salaries, Etc.

You must report the full amount of your wages, salaries, fees, commissions, bonuses, and other payments for your personal services even though tax has been withheld by your employer.

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

Tips and Gratuities.—The law requires you to include in your wages all tips, gratuities, bonuses, and similar payments for services rendered whether you get them from a customer or from your employer. Legally, these are not "gifts," even though sometimes called 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.—Employees who, as a matter of choice, receive meals and lodging from their employers whether or not it is stipulated to be part of their salaries must include in income the fair market value of the meals and lodging.

However, if, for the convenience of your employer, your meals are furnished at your place of employment or you are required to accept lodging at your place of employment as a condition of your employment, the value of the meals or lodging is not to be reported in your return.

Exclusions From Salaries And Wages

The law allows you to exclude from wages amounts received as wages or in place of wages under a wage continuation plan for the period during which you were absent from work on account of personal injuries or sickness. This amount may not exceed a weekly rate of $100. (This limitation applies only to amounts received under plans which are financed by the employer. If the plan is one to which you and your employer contributed, the amounts received which are attributable to your contributions are excludable without limit.)

If your absence is due to illness, the exclusion does not apply to the amounts received for the first 7 calendar days. However, if you were hospitalized on account of sickness for at least one day during the illness or were injured, the exclusion applies from the first day of absence. In cases where the payments exceed a weekly rate of $100, the exclusion is figured by multiplying the amount received by 100 and dividing the result by the weekly rate of payment. If you received such payments and they are included in your gross wages, enter your gross wages on line 5, page 1 of Form 1040, and enter on line 6 the amount to be excluded. Attach a statement showing your computation, and indicating the period(s) of absence, nature of illness or injury, and whether hospitalized.

You may also exclude from gross income amounts received under an accident or health plan which are paid directly or indirectly to you to reimburse you for expenses for the medical care of yourself, your wife (or husband), or your dependents. However, you may not claim a deduction for medical expense for these amounts.

Trade and Business Deductions of Employees

Reimbursed Expenses Other Than for Travel and Transportation.—If your employer pays you an "expense account" or otherwise reimburses you for money spent for him in connection with your employment (other than "travel and transportation"), you should add these payments to your wages, and then subtract your actual allowable expenses of this type but not more than the reimbursements. Enter net amount on line 5 and attach a detailed statement in explanation. Any allowable expense in excess of the reimbursed amount may be deducted as Miscellaneous Expenses on page 2 of your return if you itemize your deductions.

Out-Of-Town Travel Expenses.—The law provides special deductions for the expenses of travel 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. "Travel expenses" means the cost of transportation fares, meals, and lodging, and includes porters' tips, hire of public stenographers, baggage charges, and similar expenses necessary to travel. Travel expenses do not include any entertainment expenses or any personal expenses such as laundry. Any amount paid to you to cover these expenses must be included in your wages. You can deduct your full "travel expenses" from your wages before writing the net amount of your wages on line 5, page 1. Attach a statement to your return explaining in detail the expenses you deduct. 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.

Other Transportation Expenses.—Even though you do not travel away from home, as explained above, you may deduct from your wages or other compensation, before entering the net amount on page 1, transportation expenses paid in connection with the performance of services for your employer. Transportation expenses include payments for actual travel or, if you use your own car, the business portion of the cost of operation, including fuel, repairs, and depreciation. Any reimbursement of these expenses must be included in your income. Attach a statement to your return explaining in detail the expenses you deduct.

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.

Expenses Of Outside Salesmen.—The law allows "Outside Salesmen" to deduct all their ordinary and necessary business expenses from their compensation before entering the net amount on line 5, page 1. This applies only to full-time salesmen who are engaged in soliciting business for their employers away from their employer's place of business. The term does not include one whose principal activities consist of service and delivery such as a milk-driver salesman.

Other Expenses Of Employees.—The expenses set forth above are the only ones which may be deducted from salaries and wages on page 1 of Form 1040 by employees. If you use the Tax Table, or if you take the standard deduction, you automatically receive an allowance for a deduction which takes the place of all other employment expenses and nonbusiness deductions. On the other hand, if you itemize your deductions, 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 2 under the heading "Miscellaneous."

Dividends

If you own stock, the payments you receive out of the company's 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 a distribution is not paid from earnings and profits, it is not taxable as a dividend, but is treated as reduction of the cost or other basis of your stock. These distributions are not taxable until they exceed your cost or other basis, after which you must generally 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; the check or notice will usually show them separately. In any case, you must report the dividend portion as income.

There are special rules applicable to stock dividends or stock rights; ask your Internal Revenue Service office for more complete information.

You may exclude from your income $50 of dividends received from qualifying domestic corporations during your taxable year. Use Schedule A on page 3 to list your dividends and to show the amount of the exclusion to which you are entitled. However, this exclusion does not apply to dividends received from the following types of nonqualifying corporations:

(a) life insurance companies, and mutual insurance companies (other than mutual marine or mutual fire insurance companies issuing perpetual policies).

(b) China Trade Act corporations.

(c) so-called exempt organizations (charitable, fraternal, etc.) and exempt farmer's cooperative organizations.

(d) mutual savings banks, cooperative banks, domestic building and loan associations, domestic savings and loan associations, Federal savings and loan associations on deposits or withdrawable accounts. Dividends from these organizations must be reported as interest in Schedule B, on page 3 of Form 1040 and not as dividends.

(e) regulated investment companies except to the extent designated by the company to be taken into account as a dividend for these purposes.

(f) corporations deriving 80 percent or more of their income from U. S. possessions and 50 percent or more of their income from the active conduct of a business therein.

If a joint return is filed and both husband and wife have dividend income, each one may exclude up to $50 of dividends received from qualifying corporations, but one may not use any portion of the $50 exclusion not used by the other. For example, if the husband has $200 in dividends, and the wife has $20, only $70 may be excluded on a joint return.

See page 15 for the dividends received credit.

Interest

You must include in your return any interest you receive or which is credited to your account (whether entered in your pass-book or not) and can be withdrawn by you. All interest on bonds, debentures, notes, savings accounts, or loans is taxable, except for certain governmental issues. For example, some of the interest which is fully exempt from tax is (a) interest from State and municipal bonds and securities and (b) interest on any $5,000 principal value of Treasury bonds issued before March 1, 1941.

You must include in your gross income the interest from certain United States securities issued prior to March 1, 1941, which was exempt from the normal tax by the acts authorizing their issuance. However, you are entitled to a credit against your tax computed according to the instructions on page 15. The following securities are examples of those for which the credit for partially tax-exempt interest is allowed: (a) Treasury bonds in excess of $5,000 issued before March 1, 1941; (b) "dividends" on shares of Federal savings and loan associations if the shares were issued before March 28, 1942.

The interest on U. S. Government bonds and securities 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 or until the year of final maturity whichever is earlier. 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.

Itemize your interest in Schedule B, page 3, stating the name of the payer and the amount of interest received.

Business Or Profession

General.—The law taxes the profits from a business or profession—not its total receipts. Therefore, separate Schedule C (Form 1040), which contains further instructions, is provided to help you figure your profit or loss from business. Generally, you may deduct 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 a depreciation allowance as the method of deducting the cost over the life of the property. For further information on depreciation, see page 10.

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.

Everyone engaged in a trade or business and making payments to another person of salaries, wages, commissions, interest, rent, etc., of $600 or more in the course of such trade or business during his taxable year must file information returns, Forms 1096 and 1099, to report such payments. 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. Information returns are not required unless the payments are made in the course of business.

Individuals in business may under certain conditions elect to report and pay income tax on such business income on the same basis as a domestic corporation. For full details consult your Internal Revenue Service office.

Farming

For the assistance of farmers, a separate Schedule F (Form 1040), is provided and must be used by all farmers who report on the cash method. This form is optional with farmers who keep books on the accrual method; however, farmers who do not use Schedule F must use Schedule C. Additional instructions for farmers have been provided for use with Schedule F and are also available in the Internal Revenue Service offices.

Partnerships

A partnership does not pay income tax in the firm's name. Each partner must report in his personal tax return his share of his partnership's income and pay tax on it.

Include in Schedule H, page 3 of Form 1040, your share of the ordinary income (whether actually received by you or not) or the net loss of a partnership, joint venture, or the like, whose taxable year ends within or with the year covered by your return. Other items, income, deductions, etc., to be carried to the appropriate schedule of your individual return are shown in Schedule K of the partnership return.

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 28(b), separate Schedule C.

Net Operating Loss

If, in 1955, your business or profession lost money instead of making a profit or if you had a casualty loss, or a loss from the sale or other disposition of depreciable property (or real property) used in your trade or business, you can apply these losses against your other 1955 income. If these losses exceed your other income, the excess of this "net operating loss" may be carried back to offset your income for 1953 and 1954, and any remaining excess may be carried forward against your income for the years 1956 through 1960. If a carryback entitles you to a refund of prior year taxes, ask the District Director for Form 1045 to claim a quick refund. For further information, see section 172 of the Internal Revenue Code of 1954 and section 122 of the 1939 Code.

If you had a loss in preceding years which may be carried over to 1955, you should apply the net operating loss deduction as an adjustment of the amount entered on line 11, page 1, Form 1040, and file a statement setting forth this computation.

Self-employment Tax

Every self-employed individual must 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 his taxable year, even though he may not have sufficient income to require the filing of an income tax return.

If your income is derived solely from salary or wages, or from dividends or interest on investments, capital gains, annuities, or pensions, you will have no self-employment income and 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 self-employment tax is made on separate Schedule C or separate Schedule F, which with attached Schedule SE should be filed with your individual income tax return. The self-employment tax is a part of the total tax to be paid with your income tax return.

Any declaration of estimated tax required to be filed may, if you desire, include estimated tax on self-employment income.

Sale and Exchange of Property

If you sell your house, car, furniture, securities, real estate, or any other kind of property, you must report any profit on your tax return. Generally, such profits are capital gains if the property was not held for sale to customers in the ordinary course of business. Separate Schedule D (Form 1040) is provided to compute capital gains and losses, and the results from other transactions in property.

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. Your gain from the sale of this kind of property is the difference between (1) the sales price and (2) your original cost plus the cost of permanent improvements. If depreciation was allowed or allowable during any period because you rented the house or used part of it for business purposes, the original cost must be reduced by the amount of depreciation which was allowed or allowable.

Special Rule for Sale of Residence at a Gain.—If you sold or exchanged your residence during 1955 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 adjusted sales 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 one year before or within one year after the sale of your old residence) 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 plus the cost of land (acquired within the period beginning one year before the sale and ending 18 months after the sale) equals or exceeds the adjusted sales price of the old residence.

If the adjusted sales price of your old residence exceeds the cost of your new residence, the gain on the sale is taxable to the extent of such excess. The adjusted sales price is the gross selling price less commissions and the expenses for work performed on the residence in order to assist in its sale, such as selling and redecorating expenses. Redecorating expenses, however, must be for work performed during the 90-day period ending on the day on which a contract to sell is entered into, and must be paid within 30 days after date of sale.

For example, assume your adjusted sales price is $15,000 for a residence which cost you $10,000 and you purchase a new residence for $14,000. The taxable portion of your gain is only $1,000, the difference between the adjusted sales price of your original residence and the purchase price of the new residence. The nontaxable portion of the gain of $4,000 serves to reduce the basis of the new property. Therefore in any future transaction its adjusted basis would be $10,000 (cost of $14,000 less non-taxable gain of $4,000).

Special rules apply if (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 shares of the husband and wife in the old and new residences are not identical, (d) you own more than one residence at the same time, or (e) you acquired your new residence because your old residence was destroyed by a casualty (such as fire) or condemned.

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 if the period for replacement has passed, report the details in the year of sale. If you have acquired and occupied your new residence, enter in column (h) 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 have decided to replace, but have not done so, or if you are undecided, you should enter "None" in column (h) of Schedule D. When you do replace within the required period, you must advise the District Director, giving full details. When you decide not to replace, or the period has passed, you must file an amended return, if you previously filed a return. Since any additional tax due will bear interest from the due date of the original return until paid, it is advisable to file the amended return for the year of sale 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 during an induction period, 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, as the case may be, and cannot extend such period beyond a date which falls 4 years after the date of sale.

If your residence is destroyed or condemned, or even if you sell because of the threat of condemnation, you may be entitled to the benefit of other provisions of law which give you a longer time in which to buy a new residence. If you require more information about your particular case, you should apply to your Internal Revenue Service office.

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

Noncontributory Annuities.—The full amount of an annuity or a pension of a retired employee, where the employee did not contribute to the cost and was not taxable on his employer's contributions, must be included in his gross income. The total of the payments received during his taxable year should be shown on line 6, Part I of Schedule E.

Other Annuities.—Amounts received from other annuities, pensions, endowments, or life insurance contracts for a reason other than the death of the insured, whether paid for a fixed number of years or for life, may have a portion of the payment excluded from gross income. The following types are included under this rule: (a) pensions where the employee has either contributed to its cost or has been taxed on his employer's contributions, (b) amounts paid for a reason other than the death of the insured under an annuity, endowment, or life insurance contract, and (c) amounts paid to a beneficiary, through an option in the policy or otherwise, in installments or in a lump sum under a life insurance contract at a date or dates later than the insured's death where the death occurred on or after August 17, 1954.

Schedule E on Form 1040 and the following instructions should enable you to compute the taxable portion of the annuity. If you are receiving payments on more than one pension or annuity, fill out a separate schedule for each one.

General Rule for Annuities

In general, amounts received from annuities and pensions are included in income to the extent they exceed the exclusion described below. You may exclude from your income an amount found by using the following formula:

$$\frac{\text{Investment in the contract}}{\text{Expected return}} \times \text{payment received}$$

This formula means that you divide the investment in the contract by the expected return and multiply the result by the payment received under the annuity, pension, or contract. Formula terms are explained below.

"*Investment in the contract*" is, in general, the total amount of the premiums or other consideration paid (the amount contributed by you plus the contributions made by your employer on which you were previously taxable) for the contract as of the annuity starting date. This investment must be reduced by the amounts received under the investment before the annuity starting date to the extent excludable from gross income under prior income tax law. The "*annuity starting date*" is the first day of the first period for which a payment is received as an annuity under the contract; except that if the date was before January 1, 1954, then the annuity starting date is considered January 1, 1954.

For contracts which provide for refunds if the annuitant dies before receiving specified amounts, the "investment in the contract" should be reduced by the value of the refund feature. The latter is computed from actuarial tables which will be furnished by your Internal Revenue Service office upon request. Since the refund payable to the beneficiary is exempt from tax, this downward adjustment for the refund feature is to avoid a duplicate exclusion.

"*Expected return*"—There are two methods for determining expected return depending on the type of contract.

(a) If the contract provides for amounts to be received for a fixed number of years, then the expected return is the total amount of the payments to be received after the annuity starting date.

(b) If the contract provides for amounts to be received for the life of the annuitant, then the expected return is found by multiplying the amount of the annual payment by the multiple applicable to the age and sex of the annuitant as of the annuity starting date. Special multiples are applicable in the case of payments under joint and survivor annuities. The multiples are set out in actuarial tables which will be furnished by your Internal Revenue Service office upon request.

"*Payment received*" is the total amount received for a year under the contract.

Example: D purchased a life annuity on January 1, 1952, for $15,000 which provides for annual payments of $1,200 beginning January 1, 1953. The multiple applicable in D's case as of January 1, 1954, is 15.0. During the year 1953, D received tax-free under the existing tax laws $750 ($1,200 less 3% of $15,000). The amount of each payment which D is to exclude from his gross income beginning with the 1954 payment is $950, determined as follows:

Annual payment		$1, 200
Investment in the contract	$15, 000	
Less: Amount recovered tax free in prior years	750	
Investment in the contract as of 1/1/54, the annuity starting date as defined above		$14, 250
Expected return ($1,200×15.0)		$18, 000

The amount to be excluded based on the formula above:

$$\frac{\$14,250}{\$18,000} \times \$1,200 \text{ which equals } \$950$$

D will include in his income $250 ($1,200—$950) in the year 1954 and each subsequent year as long as he lives.

Special Rule for Certain Types of Employees' Annuities

There is a special rule provided for amounts received as employees' annuities where part of the cost is contributed by the *employer* and the amount contributed by the *employee* will be returned within 3 years from the date (whether or not before January 1, 1954) of the first payment received under the contract. If both of these conditions are met, then all the payments received under the contract are to be excluded from gross income until the employee recovers his cost (the amount contributed by him plus the contributions made by the employer on which the employee was previously taxable); thereafter all amounts received under the contract are fully taxable. This method of computing taxable income also applies to employee's beneficiary if employee died before receiving any annuity or pension payments.

Example: An employee receives $200 a month under an annuity. While he worked, he contributed $4,925 toward the cost of the annuity. His employer also made contributions toward the cost of the annuity. The retired employee would be paid $7,200 during his first 3 years, which amount exceeds his contribution of $4,925. Therefore, he excludes from gross income all the payments received from the annuity until he has received $4,925. All payments received thereafter are fully taxable.

Other Types of Annuities

Amounts Received Under Life-Insurance Policies By Reason Of Death.—In general, a lump sum payable at the death of the insured under a life insurance policy is excludable from the gross income of the recipient. When, however, the beneficiary of a life insurance contract leaves a sum on deposit with the insurer, and receives interest on it under an agreement with the insurer the interest is includible in its entirety in the beneficiary's gross income. If the beneficiary receives, through his option or otherwise, installment payments at dates later than the insured's death he or she may be taxed on a part of the amount or amounts so received.

Special rules also apply in the case of joint and survivor annuities where the first annuitant died in 1951, 1952, or 1953; where a refund feature is involved; where amounts are received under an annuity, endowment, or life insurance contract, if such amount is not received as an annuity; and in cases which have not been otherwise explained in the instructions. See your Internal Revenue Service office for more detailed instructions.

Rents and Royalties

If you are not engaged in selling real estate to customers but receive rent from property owned or controlled by you, or royalties from copyrights, mineral leases, and similar rights, report the total amount received in Schedule G on page 3 of Form 1040. If property, other than cash, was received as rent, its fair market value should be reported.

You are entitled to various deductions which are indicated in Schedule G. In the case of buildings you can deduct depreciation, as explained elsewhere in these instructions.

You can also deduct all ordinary and necessary expenditures on the property such as taxes, interest, repairs, insurance, agent's commissions, maintenance, and similar items. However, you cannot deduct capital investments or improvements but must add them to the basis of the property for the purpose of depreciation. For example, a landlord 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 G.

If You Rent Part of Your House, Etc.—If you rent out only part of your property, you can 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, 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; otherwise, report such income in Schedule G. If you are engaged in the business of selling real estate, you should report rentals received in separate Schedule C.

Estates and Trusts

If you are a beneficiary of an estate or trust, report in your personal tax return any of its income which is required to be distributed to you or which has been paid or credited to your account for the taxable year. The administrator, executor, or trustee should advise you what to report.

Include in Schedule H of your return your share of such income (whether actually received by you or not) of an estate or trust for its taxable year which ends with or within the year covered by your return. Subtract from your share of such income any depreciation on estate or trust property which is allocable to you and show the net amount (or loss). There may be distributions (other than ordinary income) by an estate or trust, such as capital gains, dividends, etc., which are properly reportable in other schedules in your return. The fiduciary should advise you of such items requiring this special treatment.

Other Income

If you cannot find any specific place on your return to list certain types of income, you should report such income in

Schedule H, page 3. This is the proper place to report amounts received as alimony, support, prizes, recoveries of bad debts, etc., which reduced your tax in a prior year.

Depreciation

A reasonable allowance for the exhaustion, wear and tear, and obsolescence of property used in the trade or business or of property held by the taxpayer for the production of income shall be allowed as a depreciation deduction. The allowance does not apply to inventories or stock-in-trade nor to land apart from the improvements or physical development added to it.

The useful life of an asset can be measured in units of production or machine hours (for machinery) or in miles of operation (for automotive equipment), etc., but the ordinary practice is to measure useful life in years. Business experience, engineering information, and other relevant factors provide a reasonable basis for estimating the useful life of property. The cost (or other basis) to be recovered should be charged off over the expected useful life of the property. For guidance, comprehensive tables of "average useful lives" of various kinds of buildings, machines, and equipment in many industries and businesses have been published in a booklet called Bulletin F, which may be purchased for 30 cents from the Superintendent of Documents, Government Printing Office, Washington 25, D. C.

(a) *Straight line method.*—The most common method of computing depreciation is the "straight line" method. It allows for the recovery of cost in equal annual amounts over the life of the property, with only salvage value remaining at the end of its useful life. To compute the deduction, add the cost of improvements to the cost (or other basis) of the asset and deduct both the estimated salvage value and the total depreciation allowed or allowable in past years. Divide the result by the number of years of useful life remaining to the asset—the quotient is the depreciation deduction.

(b) *Declining balance method.*—Under this method a uniform rate is applied each year to the remaining cost or other basis of property (without adjustment for salvage value) determined at the beginning of such year. For property acquired before January 1, 1954, or used property whenever acquired, the rate of depreciation under this method may not exceed one and one-half times the applicable straight-line rate.

(c) *Special rules for new assets acquired after December 31, 1953.*—The cost or other basis of an asset acquired after December 31, 1953, may be depreciated under methods proper in the past; or, it may be depreciated under any of the following methods provided (1) that the asset is tangible, (2) that it has an estimated useful life of three years or more, and (3) that the original use of the asset commenced with the taxpayer and commenced after December 31, 1953. If an asset is constructed, reconstructed, or, erected by the taxpayer, so much of the basis of the asset as is attributable to construction, reconstruction or erection after December 31, 1953, may be depreciated under methods proper in the past; or, it may be depreciated under any of the following methods provided that the asset meets qualifications (1) and (2) above.

(1) *Declining balance method.*—This method may be used with a rate not in excess of twice the applicable straight-line rate.

(2) *Sum of the years-digit method.*—Under this method annual allowances for depreciation are computed by applying changing fractions to the taxpayer's cost or other basis of property (reduced by estimated salvage).

The deduction for each year is computed by multiplying the cost or other basis of the asset (reduced by estimated salvage value) by the number of years of useful life remaining (including the year for which the deduction is computed) and dividing the product by the sum of all the digits corresponding to the years of the estimated useful life of the asset. In the case of a 5-year life this sum would be 15 (5+4+3+2+1). For the first year five-fifteenths of the cost reduced by estimated salvage value would be allowable, for the second year four-fifteenths, etc.

(3) *Other methods.*—A taxpayer may use any consistent method which does not result in accumulated allowances at the end of any year greater than the total of the accumulated allowances which would have resulted from the use of the declining balance method. This limitation applies only during the first two-thirds of the useful life of the property.

Accounting Methods and Records

Your return must be on the "cash method" unless you keep books of account. "Cash method" means that all items of taxable income actually or constructively received during the year (whether in cash or in property or services) and only those amounts actually paid during the year for deductible expenses are shown. Income is "constructively" received when it is credited to your account or set aside for you and may be drawn upon by you at any time. Uncashed salary or dividend checks, bank interest credited to your account, matured bond coupons, and similar items which you can immediately turn into cash are "constructively received" even though you have not actually converted them into cash.

An "*accrual method*" means that you report income when earned, even if not received, and deduct expenses when incurred, even if not paid within the taxable period.

The method used in keeping your records may be the cash receipts and disbursements method, or an accrual method, so long as income is clearly reflected. However, in most cases you must secure consent of the Commissioner before changing your accounting method.

Rounding Off to Whole-Dollar Amounts

If you wish, the money items on your return or accompanying schedules required by such return may be shown as whole-dollar amounts. This means that you eliminate any amount less than 50 cents, and increase any amount between 50 cents and 99 cents to the next higher dollar. Your choice as to whether or not you round off to whole-dollar amounts may not be changed after the due date for filing your return.

Contributions

If you itemize deductions, you can deduct gifts to religious, charitable, educational, scientific, or literary organizations, and organizations for the prevention of cruelty to children and animals, unless the organization is operated for personal profit, or conducts propaganda or otherwise attempts 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). If in property, it is measured by the fair market value of the property at the time of contribution.

For the contribution to be deductible, 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.

In general, the deduction for contributions may not exceed 20 percent of your adjusted gross income.

There is a special additional deduction of up to 10 percent for contributions made to churches, a convention or association of churches, tax-exempt educational institutions, and tax-exempt hospitals, which must be computed as explained below. If all your contributions were to these churches, schools, and hospitals, you can deduct up to 30 percent of your adjusted gross income. To compute the deduction for contributions you should first figure the contributions to these special institutions to the extent of 10 percent of your adjusted gross income and the amount in excess of 10 percent should be added to the other contributions to which the 20 percent limitation applies. Attach a schedule showing this computation.

While you can deduct gifts to the kind of organizations listed below, 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
Salvation Army
Red Cross, community chests
Nonprofit schools and hospitals
Veterans' organizations
Boy Scouts, Girl Scouts, and other similar organizations
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.

You CANNOT Deduct Gifts To:

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

Interest

If you itemize deductions, 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 Schedules C or F or Schedule G, page 3, of Form 1040. Do not deduct interest paid on money borrowed to buy tax-exempt securities or single-premium life insurance. Interest paid on behalf of another person is not deductible unless you were legally liable to pay it. In figuring the interest paid on a mortgage on your home or on an installment contract for goods for your personal use, eliminate such items as carrying charges and insurance, which are not deductible, and taxes which may be deductible but which should be itemized separately.

The law provides a deduction for interest paid for purchasing personal property (such as automobiles, radios, etc.) on the installment plan where the interest charges are not separately stated from other carrying charges. This deduction is equal to 6 percent of the average unpaid monthly balance under the contract. Compute the average unpaid monthly balance by adding up the unpaid balance at the beginning of each month during the year and dividing by 12. The interest deduction may not exceed the portion of the total carrying charges attributable to the taxable year.

You CAN Deduct Interest On:

Your personal note to a bank or an individual
A mortgage on your home
A life insurance loan, if you pay the interest in cash
Delinquent taxes

You CANNOT Deduct Interest On:

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

Taxes

If you itemize deductions, you can deduct most non-Federal taxes paid by you. 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. In general, you cannot deduct taxes assessed for pavements or other local improvements, including front-foot benefits, which tend to increase the value of your property. Consult your Internal Revenue Service office for circumstances under which local improvement taxes may be deducted. If you paid foreign taxes you may be entitled to a credit against your tax rather than a deduction from income.

Do not deduct on page 2 any nonbusiness Federal taxes, or any taxes paid in connection with a business or profession which are deductible in Schedule G or separate Schedules C or F.

You CAN Deduct:

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

You CANNOT Deduct:

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

Casualty Losses and Thefts

If you itemize deductions, you can deduct your net loss resulting 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 negligent driving but cannot be deducted if due to your willful act or your willful negligence. You can also deduct in the year of discovery losses due to theft, but not losses due to mislaying or losing articles.

The amount of loss to be deducted is measured by the fair market value of the property just before the casualty less its fair market value immediately after the casualty (but not more than the cost or other adjusted basis of the property), reduced by any insurance or compensation received. Explain in an attached statement.

If your 1955 casualty losses exceed your 1955 income, the excess may be carried back as a "net operating loss" to offset your income for 1953. If the loss carried back exceeds your 1953 income, the excess may be used to offset your 1954 income. Any remaining excess may be carried over to the years 1956–1960, inclusive.

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

You CANNOT Deduct Losses On:

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

Medical and Dental Expenses

If you itemize deductions, you can deduct, within the limits described below, the amount you paid during the year (not compensated by hospital, health or accident insurance) for medical or dental expenses for yourself, your wife, or any dependent who received over one-half of his support from you. List name and amount paid to each person. If you pay medical expenses for a dependent who gets over half of his support from you, you can deduct the payments even though you are not entitled to a deduction for an exemption for that dependent because he had more than $600 of gross income.

You can deduct amounts paid for the prevention, cure, correction, or treatment of a physical or mental defect or illness. 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 transportation primarily for and essential to medical care, but you cannot deduct any other travel expense even if it benefits your health. Meals and lodging may not be treated as medical expense while away from home receiving medical treatment unless they are part of a hospital bill.

Figuring the Deduction.—You can deduct only those medical and dental expenses which exceed 3 percent of your adjusted gross income. However in figuring these expenses, the amount paid for medicine and drugs may be taken into account only to the extent it exceeds 1 percent of your adjusted gross income, line 11, page 1. There is a schedule provided on page 2 to make this computation.

Limitations.—The deduction may not exceed $2,500 multiplied by the number of exemptions other than the exemptions for age and blindness. In addition there is a maximum limitation as follows:

(a) $5,000 if the taxpayer is single and not a head of household or a widow or widower entitled to the special tax rates;

(b) $5,000 if the taxpayer is married but files a separate return; or

(c) $10,000 if the taxpayer files a joint return, or is a head of household or a widow or widower entitled to the special tax rates.

Special Rule For Persons 65 Or Over.—If either you or your wife were 65 or over, the maximum limitation for amounts spent is the same as set out above. However, amounts deductible for medical and dental expenses for you and your wife are not restricted to the excess over 3 percent of your adjusted gross income. In effect, the 3 percent rule may be disregarded. But the amounts spent by you for your medicine and drugs are still limited to the excess of 1 percent of your adjusted gross income, and amounts spent by you for your dependents' medical expenses are deductible only to the extent they exceed 3 percent of your adjusted gross income.

Special Rule For Decedents.—In the case of a decedent, expenses for medical care may be treated as paid by the decedent at the time incurred, if such expenses are paid from his estate within one year after his death, and provided they are not deducted in computing the decedent's taxable estate for Federal estate tax purposes. If the expenses are allowable for estate tax purposes, but it is preferred to deduct them for income tax purposes, there must be filed with the Form 1040 a statement that this amount has not been claimed in the estate tax return, and a waiver of the right to have this amount allowed at any time for estate tax purposes.

Any expense claimed as a deduction for the care of children and certain other dependents should not be included in your computation of the deduction for medical expense.

You CAN Deduct Payments To or For:

Doctors, dentists, nurses, and hospitals
Drugs or medicines
Transportation necessary to get medical care
Eyeglasses, artificial teeth, medical or surgical appliances, braces, etc.
X-ray examinations or treatment
Premiums on hospital or medical insurance

You CANNOT Deduct Payments For:

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

Expenses For the Care of Children and Certain Other Dependents

Generally, there is allowed a deduction not to exceed a total of $600 for expenses paid by a woman or a widower (including men who are divorced or legally separated under a decree and who have not remarried) for the care of one or more dependents if such care is to enable the taxpayer to be gainfully employed or actively to seek gainful employment. For this purpose, the term "dependent" is limited to the following persons for whom the taxpayer is entitled to a deduction for an exemption:

(a) a child or stepchild of the taxpayer who is under 12 years of age; or

(b) a person who is physically or mentally incapable of caring for himself, regardless of age.

The deduction is not allowable to the extent the payments are made to an individual whom the taxpayer claims as a dependent.

In the case of a woman who is married, the deduction is allowed only if she files a joint return with her husband; and the deduction is reduced by the amount (if any) by which their combined adjusted gross income exceeds $4,500. If the husband is incapable of self-support because mentally or physically defective these two limitations do not apply.

If the person who receives the payment performs duties other than dependent care, only that part of the payment which is for the dependent's care may be deducted.

Miscellaneous

If you itemize deductions, 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 and which have not been claimed on page 1. For example, if your job requires you to furnish small tools, you can deduct the cost of such tools.

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	Bribes and illegal payments
Entertaining friends	Educational expenses

You can deduct all ordinary and necessary expenses connected with the production or collection of income, or for the management or protection of property held for the production of income.

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. Periodic payments made after August 16, 1954, under either (a) a written separation agreement entered into after that date or (b) a decree for support entered after March 1, 1954, are also deductible. Such payments must be included in the wife's income. However, you cannot deduct lump-sum settlements, specific maintenance payments for support of minor children, or any voluntary payments not under a court order or a written separation agreement.

You may not deduct gambling losses in excess of gambling winnings. If you are a tenant-stockholder in a cooperative housing corporation, you can deduct your share of its payments for interest and real-estate taxes.

Declarations of Estimated Tax

Who Must File.—For many taxpayers the withholding tax on wages is not sufficient to keep them paid up on their income tax. The law requires every individual (including an alien who is a resident of Puerto Rico during the entire taxable year) to file a Declaration of Estimated Tax, Form 1040–ES, and to make quarterly payments in advance of filing the annual income tax return if:

(*a*) his gross income can reasonably be expected to consist of wages subject to withholding and of not more than $100 from other sources, and to exceed—

(1) $10,000 for a head of household or a widow or widower entitled to the special tax rates;

(2) $5,000 for other single individuals:

(3) $5,000 for a married individual not entitled to file a joint declaration;

(4) $5,000 for a married individual entitled to file a joint declaration, and the combined income of both husband and wife can reasonably be expected to exceed $10,000; OR

(*b*) his gross income can reasonably be expected to include more than $100 from sources other than wages and to exceed the sum of: (1) $600 for each of his exemptions and (2) $400.

Additional Charge for Underpayment.—The following additional charge is imposed by law for underpayment of any installment of estimated tax: 6 percent per year for the period of the underpayment on the difference between the installment payment made and 70 percent (66⅔ percent in the case of farmers) of the installment due on the basis of the final return or tax for the year.

The charge with respect to any underpayment of any installment is mandatory and will be made unless the total amount of all payments of estimated tax made on or before the last date prescribed for the payment of such installment equals or exceeds whichever of the following is the lesser—

(*a*) The amount which would have been required to be paid on or before such date if the estimated tax were whichever of the following is the least—

(1) The tax shown on your return for the previous year (if your return for such year showed a liability for tax and covered a taxable year of 12 months), or

(2) A tax computed by using the previous year's income with the current year's rates and exemptions, or

(3) 70 percent (66⅔ percent in the case of farmers) of a tax computed by projecting to the end of the year the income received from the beginning of the year up to the beginning of the month of the installment payment; OR

(*b*) An amount equal to 90 percent of the tax computed, at the rates applicable to the taxable year, on the basis of the actual taxable income for the months in the taxable year ending before the month in which the installment is required to be paid.

If you have an underpayment of estimated tax and believe the additional charge should not be asserted due to one or more of the relief provisions, attach a statement to your return explaining which of the provisions apply to you and showing any necessary computations. If you wish, you may obtain Form 2210 from the nearest Internal Revenue Service office for this purpose.

The Internal Revenue Service will mail Form 1040–ES, as far as is practical, to each person who may need it. Anyone else required to file should obtain the form from an Internal Revenue Service office in time to file by April 15, 1956. Farmers may postpone filing their declarations for 1956, until January 15, 1957.

Determining Your Tax.—(*1*) *By Using the Tax Table.* To relieve the average taxpayer from computing the tax, the law provides a table which shows the correct tax for any income up to $5,000. This table (on page 16) is based on the same rates used when you itemize your deductions. If your actual deductions are larger than 10 percent of your income, you should itemize them and compute the tax on page 2 of the Form 1040.

(*2*) *By Computing Your Tax.* To figure your tax on the amount on line 5, page 2 of Form 1040, use the appropriate tax rate schedule below.

Schedule I applies to (1) single taxpayers who do not qualify for the special rates for "Head of Household" or for "Widow or Widower," and (2) married taxpayers filing separate returns.

Schedule II applies to married taxpayers filing joint returns, and to widows or widowers who qualify for the special rates. It provides the split-income benefits.

Schedule III applies to unmarried (or legally separated) taxpayers who qualify as "Head of Household."

Widows and Widowers.—Under certain conditions a taxpayer whose husband or wife has died during either of his two preceding taxable years may compute his tax by including only his income, exemptions, and deductions, but otherwise computing the tax as if a joint return had been filed. Use Tax Rate Schedule II.

The conditions are that the taxpayer must not have remarried, and must (*a*) maintain as his home a household which is the principal place of abode of his child or stepchild for whom he is entitled to a deduction for an exemption and (*b*) have been entitled to file a joint return with his wife (or husband) in the year of death.

Unmarried Persons—Head of Household.—The law provides a special tax rate for any individual who qualifies as a "Head of Household." Only the following persons may qualify: (a) unmarried (or legally separated) at the end of the taxable year, or (b) married to a nonresident alien at any time during the taxable year. In addition, you must have furnished over half the cost of maintaining as your home a household which during the entire year, except for temporary absence, was occupied as the principal place of abode and as a member of such household by (a) any related person (see those listed under 5, page 4) for whom you are entitled to a deduction for an exemption, unless the deduction arises from a multiple support agreement or (b) your unmarried child, grandchild, or stepchild, even though such child is not a dependent.

You also qualify if you pay more than one-half the cost of maintaining a household (not necessarily your home) which is the principal place of abode of your father or mother and either qualifies as your dependent.

The cost of maintaining a household includes such items as rent, insurance, repairs, utilities (gas, telephone, etc.) and cost of food. Do not include the value of personal services performed by you or other members of the household.

The above expenditures are to be considered 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.

If you are a widow or widower qualifying for the special tax rates as described above, as well as a head of household, it will be to your advantage to compute your tax by using Schedule II.

1955 Tax Rate Schedules

I. (A) SINGLE TAXPAYERS WHO DO NOT QUALIFY FOR RATES IN TABLES II AND III, AND (B) MARRIED PERSONS FILING SEPARATE RETURNS

If the amount on line 5 is: *Enter on line 6:*

Not over $2,000 .... 20% of the amount on line 5.

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

II. (A) MARRIED TAXPAYERS FILING JOINT RETURNS, AND (B) CERTAIN WIDOWS AND WIDOWERS. (SEE ABOVE)

If the amount on line 5 is: *Enter on line 6:*

Not over $4,000 .... 20% of the amount on line 5.

Over—	*But not over—*		*of excess over—*
$4,000	$8,000	$800, plus 22%	$4,000
$8,000	$12,000	$1,680, plus 26%	$8,000
$12,000	$16,000	$2,720, plus 30%	$12,000
$16,000	$20,000	$3,920, plus 34%	$16,000
$20,000	$24,000	$5,280, plus 38%	$20,000
$24,000	$28,000	$6,800, plus 43%	$24,000
$28,000	$32,000	$8,520, plus 47%	$28,000
$32,000	$36,000	$10,400, plus 50%	$32,000
$36,000	$40,000	$12,400, plus 53%	$36,000
$40,000	$44,000	$14,520, plus 56%	$40,000
$44,000	$52,000	$16,760, plus 59%	$44,000
$52,000	$64,000	$21,480, plus 62%	$52,000
$64,000	$76,000	$28,920, plus 65%	$64,000
$76,000	$88,000	$36,720, plus 69%	$76,000
$88,000	$100,000	$45,000, plus 72%	$88,000
$100,000	$120,000	$53,640, plus 75%	$100,000
$120,000	$140,000	$68,640, plus 78%	$120,000
$140,000	$160,000	$84,240, plus 81%	$140,000
$160,000	$180,000	$100,440, plus 84%	$160,000
$180,000	$200,000	$117,240, plus 87%	$180,000
$200,000	$300,000	$134,640, plus 89%	$200,000
$300,000	$400,000	$223,640, plus 90%	$300,000
$400,000		$313,640, plus 91%	$400,000

III. UNMARRIED (OR LEGALLY SEPARATED) TAXPAYERS WHO QUALIFY AS HEAD OF HOUSEHOLD

If the amount on line 5 is: *Enter on line 6:*

Not over $2,000 .... 20% of the amount on line 5.

Over—	*But not over—*		*of excess over—*
$2,000	$4,000	$400, plus 21%	$2,000
$4,000	$6,000	$820, plus 24%	$4,000
$6,000	$8,000	$1,300, plus 26%	$6,000
$8,000	$10,000	$1,820, plus 30%	$8,000
$10,000	$12,000	$2,420, plus 32%	$10,000
$12,000	$14,000	$3,060, plus 36%	$12,000
$14,000	$16,000	$3,780, plus 39%	$14,000
$16,000	$18,000	$4,560, plus 42%	$16,000
$18,000	$20,000	$5,400, plus 43%	$18,000
$20,000	$22,000	$6,260, plus 47%	$20,000
$22,000	$24,000	$7,200, plus 49%	$22,000
$24,000	$28,000	$8,180, plus 52%	$24,000
$28,000	$32,000	$10,260, plus 54%	$28,000
$32,000	$38,000	$12,420, plus 58%	$32,000
$38,000	$44,000	$15,900, plus 62%	$38,000
$44,000	$50,000	$19,620, plus 66%	$44,000
$50,000	$60,000	$23,580, plus 68%	$50,000
$60,000	$70,000	$30,380, plus 71%	$60,000
$70,000	$80,000	$37,480, plus 74%	$70,000
$80,000	$90,000	$44,880, plus 76%	$80,000
$90,000	$100,000	$52,480, plus 80%	$90,000
$100,000	$150,000	$60,480, plus 83%	$100,000
$150,000	$200,000	$101,980, plus 87%	$150,000
$200,000	$300,000	$145,480, plus 90%	$200,000
$300,000		$235,480, plus 91%	$300,000

Credits Against Tax

Credit For Foreign Taxes.—If you claim credit for such taxes, you should submit with your return Form 1116 which contains a schedule for the computation of the credit with appropriate instructions. This form may be obtained from your Internal Revenue Service office.

Credit For Partially Tax-Exempt Interest.—If you itemize your deductions, you may deduct on line 8(b), page 2, a credit for partially tax-exempt interest. This credit is 3 percent of the partially tax-exempt interest included in gross income. See instructions on page 6 for the type of securities for which a credit is allowed. The credit may not exceed the lesser of (a) 3 percent of taxable income (line 5, page 2, Form 1040, or line 18, separate Schedule D, whichever is applicable) for taxable year or (b) the amount of tax less the credit for taxes paid to foreign countries and possessions of U. S. and the credit for dividends received.

Credit For Dividends Received.—The law provides a credit against tax for dividends received from domestic corporations. This credit is equal to 4 percent of dividends in excess of those which you may exclude from your gross income (see page 6). The credit may not exceed the lesser of:

(a) the total income tax reduced by the foreign tax credit; or

(b) 4 percent of the taxable income.

Schedule J has been provided to compute the dividend credit. The credit does not apply to a nonresident alien who is not engaged in trade or business in the United States and whose gross income from sources within the United States is not more than $15,400.

Credit For Retirement Income.—You may qualify for a retirement income credit if you received earned income in excess of $600 in each of any 10 calendar years—not necessarily consecutive—before the beginning of your taxable year.

The term "earned income" means wages, salaries, or professional fees, and other amounts received as compensation for personal services actually rendered. It does not include any amount received as an annuity or pension. If you were engaged in a trade or business in which both personal services and capital were material income-producing factors a reasonable allowance as compensation for the personal services rendered by you, not in excess of 30 percent of your share of the net profits of such trade or business, shall be considered as earned income.

If you qualify, you are entitled to a credit for retirement income you are now receiving. If your deceased husband (or wife) would qualify for this credit, if living, you may claim the credit even though you did not meet the earnings test. If a husband and wife both qualify and each has retirement income, each one is entitled to the credit.

Retirement income for the purpose of the credit means—

(a) In the case of an individual who is 65 years of age or over before the close of his taxable year, income from pensions, annuities, interest, rents, and dividends, which are included in gross income in your return. (Gross income from rents for this purpose means gross receipts from rents without reduction for depreciation or any other expenses. Royalties are not considered rents for this computation.)

(b) In the case of an individual who is not 65 years of age before the close of his taxable year, only that income received from pensions or annuities under a public retirement system (one established by the Federal Government, a State, county, city, etc.) which is included in gross income in your return.

For purposes of this computation the amount of the retirement income credit shall not exceed the amount of $1,200 reduced by:

(a) any amount received and excluded from gross income as a pension or annuity under the Social Security Act and Railroad Retirement Acts and by tax-exempt pensions or annuities. This reduction does not include that part of a pension or annuity which is excluded from gross income because it represents, in effect, a return of capital or tax-free proceeds of a like nature. Moreover, this reduction does not include amounts excluded from gross income which are received as compensation for injuries or sickness or under accident or health plans; and

(b) in the case of any individual who is not 75 before the close of the taxable year, any amount of earned income in excess of $900 received in the taxable year.

Example: Assume that a qualified individual, who is married and over 65 but not 75, has the following items of income for 1955:

Dividend income after exclusion	$700
Pension under the Railroad Retirement Act (entirely excludable from gross income)	500
Disability payments under a workmen's compensation act (entirely excludable from gross income)	400
Rental income (Gross)	600
Earned at odd jobs	1, 200

The credit is computed as follows:

Retirement income includes—		
Dividend income		$700
Rental income		600
Total retirement income		$1, 300
But the retirement income is limited to		$1, 200
Less:		
Railroad retirement pension	$500	
Earned income in excess of $900 ($1,200 − $900)	300	$800
Base for computation of credit		$400
Retirement income credit 20 percent of $400		$80

Credit For Tax Withheld.—On line 5, page 1, itemize the taxes withheld, and report the total amount on line 17(a), page 1. If you have lost any Withholding Statement, ask your employer for a copy. If you cannot furnish Withholding Statements for all taxes withheld from you, attach an explanation.

Credit For F. I. C. A. Tax.—If more than $84 of F. I. C. A. (Social Security) employee tax was withheld during 1955 *because you received wages from 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 $84 in the "Income Tax Withheld" column of line 5, page 1, and write "F. I. C. A. tax" in the "Where Employed" column. If a joint return, compute the credit separately.

Credit For Estimated Tax Payments.—If you paid any estimated tax on a Declaration of Estimated Tax (Form 1040–ES) for 1955, report the total of such payments on line 17(b) on page 1. If on your 1954 return you had an overpayment which you chose to apply on your 1955 tax, include this on line 17(b).

Balance Of Tax Or Refund.—After figuring your tax either from the Tax Table or from the computation on page 2, enter the amount on line 12, page 1. Enter on line 15 the amount of your self-employment tax shown on line 34, separate Schedule C, or line 19, separate Schedule F. Show on line 18 any balance you owe, or on line 19 the amount of any overpayment due you, after taking credit for the amounts entered on line 17.

In order to facilitate the processing of collections and refunds, balances due of less than $1.00 need not be remitted, and overpayments of less than $1.00 will be refunded only upon application to your District Director.

TAX TABLE FOR CALENDAR YEAR 1955

FOR PERSONS WITH INCOMES UNDER $5,000 NOT COMPUTING TAX ON PAGE 2 OF FORM 1040

Read down the shaded columns below until you find the line covering the adjusted gross income you entered on line 11, page 1, Form 1040. Then read across to the appropriate column headed by the number corresponding to the number of exemptions claimed on line 4, page 1. Enter the tax you find there on line 12, page 1.

If total income on line 11, page 1, is—		And the number of exemptions claimed on line 4, page 1, is—			
At least	But less than	1	2	3	4 or more
		Your tax is—			
$0	$675	$0	$0	$0	$0
675	700	4	0	0	0
700	725	8	0	0	0
725	750	13	0	0	0
750	775	17	0	0	0
775	800	22	0	0	0
800	825	26	0	0	0
825	850	31	0	0	0
850	875	35	0	0	0
875	900	40	0	0	0
900	925	44	0	0	0
925	950	49	0	0	0
950	975	53	0	0	0
975	1,000	58	0	0	0
1,000	1,025	62	0	0	0
1,025	1,050	67	0	0	0
1,050	1,075	71	0	0	0
1,075	1,100	76	0	0	0
1,100	1,125	80	0	0	0
1,125	1,150	85	0	0	0
1,150	1,175	89	0	0	0
1,175	1,200	94	0	0	0
1,200	1,225	98	0	0	0
1,225	1,250	103	0	0	0
1,250	1,275	107	0	0	0
1,275	1,300	112	0	0	0
1,300	1,325	116	0	0	0
1,325	1,350	121	1	0	0
1,350	1,375	125	5	0	0
1,375	1,400	130	10	0	0
1,400	1,425	134	14	0	0
1,425	1,450	139	19	0	0
1,450	1,475	143	23	0	0
1,475	1,500	148	28	0	0
1,500	1,525	152	32	0	0
1,525	1,550	157	37	0	0
1,550	1,575	161	41	0	0
1,575	1,600	166	46	0	0
1,600	1,625	170	50	0	0
1,625	1,650	175	55	0	0
1,650	1,675	179	59	0	0
1,675	1,700	184	64	0	0
1,700	1,725	188	68	0	0
1,725	1,750	193	73	0	0
1,750	1,775	197	77	0	0
1,775	1,800	202	82	0	0
1,800	1,825	206	86	0	0
1,825	1,850	211	91	0	0
1,850	1,875	215	95	0	0
1,875	1,900	220	100	0	0
1,900	1,925	224	104	0	0
1,925	1,950	229	109	0	0
1,950	1,975	233	113	0	0
1,975	2,000	238	118	0	0
2,000	2,025	242	122	2	0
2,025	2,050	247	127	7	0
2,050	2,075	251	131	11	0
2,075	2,100	256	136	16	0
2,100	2,125	260	140	20	0
2,125	2,150	265	145	25	0
2,150	2,175	269	149	29	0
2,175	2,200	274	154	34	0
2,200	2,225	278	158	38	0
2,225	2,250	283	163	43	0
2,250	2,275	287	167	47	0
2,275	2,300	292	172	52	0
2,300	2,325	296	176	56	0

If total income on line 11, page 1, is—		And the number of exemptions claimed on line 4, page 1, is—												
		1		2			3			4	5	6	7	8 or more
		And you are—		And you are—			And you are—							
At least	But less than	Single or a married person filing separately	An unmarried head of a household	Single or a married person filing separately	An unmarried head of a household	★ A married couple filing jointly	Single or a married person filing separately	An unmarried head or a household	★ A married couple filing jointly					
		Your tax is—												
$2,325	$2,350	$301	$301	$181	$181	$181	$61	$61	$61	$0	$0	$0	$0	$0
2,350	2,375	305	305	185	185	185	65	65	65	0	0	0	0	0
2,375	2,400	310	310	190	190	190	70	70	70	0	0	0	0	0
2,400	2,425	314	314	194	194	194	74	74	74	0	0	0	0	0
2,425	2,450	319	319	199	199	199	79	79	79	0	0	0	0	0
2,450	2,475	323	323	203	203	203	83	83	83	0	0	0	0	0
2,475	2,500	328	328	208	208	208	88	88	88	0	0	0	0	0
2,500	2,525	332	332	212	212	212	92	92	92	0	0	0	0	0
2,525	2,550	337	337	217	217	217	97	97	97	0	0	0	0	0
2,550	2,575	341	341	221	221	221	101	101	101	0	0	0	0	0
2,575	2,600	346	346	226	226	226	106	106	106	0	0	0	0	0
2,600	2,625	350	350	230	230	230	110	110	110	0	0	0	0	0
2,625	2,650	355	355	235	235	235	115	115	115	0	0	0	0	0
2,650	2,675	359	359	239	239	239	119	119	119	0	0	0	0	0
2,675	2,700	364	364	244	244	244	124	124	124	4	0	0	0	0
2,700	2,725	368	368	248	248	248	128	128	128	8	0	0	0	0
2,725	2,750	373	373	253	253	253	133	133	133	13	0	0	0	0
2,750	2,775	377	377	257	257	257	137	137	137	17	0	0	0	0
2,775	2,800	382	382	262	262	262	142	142	142	22	0	0	0	0
2,800	2,825	386	386	266	266	266	146	146	146	26	0	0	0	0
2,825	2,850	391	391	271	271	271	151	151	151	31	0	0	0	0
2,850	2,875	395	395	275	275	275	155	155	155	35	0	0	0	0
2,875	2,900	400	400	280	280	280	160	160	160	40	0	0	0	0
2,900	2,925	405	404	284	284	284	164	164	164	44	0	0	0	0
2,925	2,950	410	409	289	289	289	169	169	169	49	0	0	0	0
2,950	2,975	415	414	293	293	293	173	173	173	53	0	0	0	0
2,975	3,000	420	419	298	298	298	178	178	178	58	0	0	0	0
3,000	3,050	427	426	305	305	305	185	185	185	65	0	0	0	0
3,050	3,100	437	435	314	314	314	194	194	194	74	0	0	0	0
3,100	3,150	447	445	323	323	323	203	203	203	83	0	0	0	0
3,150	3,200	457	454	332	332	332	212	212	212	92	0	0	0	0
3,200	3,250	467	464	341	341	341	221	221	221	101	0	0	0	0
3,250	3,300	476	473	350	350	350	230	230	230	110	0	0	0	0
3,300	3,350	486	482	359	359	359	239	239	239	119	0	0	0	0
3,350	3,400	496	492	368	368	368	248	248	248	128	8	0	0	0
3,400	3,450	506	501	377	377	377	257	257	257	137	17	0	0	0
3,450	3,500	516	511	386	386	386	266	266	266	146	26	0	0	0
3,500	3,550	526	520	395	395	395	275	275	275	155	35	0	0	0
3,550	3,600	536	530	404	404	404	284	284	284	164	44	0	0	0
3,600	3,650	546	539	414	413	413	293	293	293	173	53	0	0	0
3,650	3,700	556	549	424	423	422	302	302	302	182	62	0	0	0
3,700	3,750	566	558	434	432	431	311	311	311	191	71	0	0	0
3,750	3,800	575	567	443	441	440	320	320	320	200	80	0	0	0
3,800	3,850	585	577	453	451	449	329	329	329	209	89	0	0	0
3,850	3,900	595	586	463	460	458	338	338	338	218	98	0	0	0
3,900	3,950	605	596	473	470	467	347	347	347	227	107	0	0	0
3,950	4,000	615	605	483	479	476	356	356	356	236	116	0	0	0
4,000	4,050	625	615	493	489	485	365	365	365	245	125	5	0	0
4,050	4,100	635	624	503	498	494	374	374	374	254	134	14	0	0
4,100	4,150	645	634	513	508	503	383	383	383	263	143	23	0	0
4,150	4,200	655	643	523	517	512	392	392	392	272	152	32	0	0
4,200	4,250	665	653	533	527	521	401	401	401	281	161	41	0	0
4,250	4,300	674	662	542	536	530	410	410	410	290	170	50	0	0
4,300	4,350	684	671	552	545	539	420	419	419	299	179	59	0	0
4,350	4,400	694	681	562	555	548	430	429	428	308	188	68	0	0
4,400	4,450	704	690	572	564	557	440	438	437	317	197	77	0	0
4,450	4,500	714	700	582	574	566	450	448	446	326	206	86	0	0
4,500	4,550	724	709	592	583	575	460	457	455	335	215	95	0	0
4,550	4,600	734	719	602	593	584	470	467	464	344	224	104	0	0
4,600	4,650	744	728	612	602	593	480	476	473	353	233	113	0	0
4,650	4,700	754	738	622	612	602	490	486	482	362	242	122	2	0
4,700	4,750	764	747	632	621	611	500	495	491	371	251	131	11	0
4,750	4,800	773	756	641	630	620	509	504	500	380	260	140	20	0
4,800	4,850	783	766	651	640	629	519	514	509	389	269	149	29	0
4,850	4,900	793	775	661	649	638	529	523	518	398	278	158	38	0
4,900	4,950	803	785	671	659	647	539	533	527	407	287	167	47	0
4,950	5,000	813	794	681	668	656	549	542	536	416	296	176	56	0

★ **This column may also be used by a widow or widower who meets certain qualifications which are explained on page 14 of these instructions.**

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