

Helpful Information on

HOW TO PREPARE YOUR

Income Tax Return

on Form 1040

for 1959

You can save money for yourself and your 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. The instructions are arranged in the same order as the lines and pages of Form 1040. If you need help from the Internal Revenue Service, you can ask questions by phone of our nearest office or come in for other assistance.

Commissioner of Internal Revenue



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GENERAL INSTRUCTIONS

Washington 25, D. C. A list of the District Directors' offices is set out below.

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.

HOW TO PAY

The balance of tax shown to be due on line 18, page 1, of your return on Form 1040 must be paid in full with your return if it amounts to \$1.00 or more. 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 for compensation 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.

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 office of the District Director. You will be given an opportunity to discuss any change in your tax which is proposed, and you will be advised of further appeal rights if you cannot reach an agreement. Upon request by the District Director you must be able to support all deductions claimed by you.

OTHER PUBLICATIONS

Copies of the following Internal Revenue Service publications may be obtained from your District Director:

- *Your Federal Income Tax (I. R. S. Pub. No. 17) . . . Price 40¢
- *Tax Guide for Small Business (I. R. S. Pub. No. 334) . . Price 40¢
- Employer's Tax Guide, Circular E (I. R. S. Pub. No. 15) Free
- Farmers' Tax Guide (I. R. S. Pub. No. 225) Free
- Tax Guide for U. S. Citizens Abroad (I. R. S. Pub. No. 54) Free

*Also available from the Superintendent of Documents, Government Printing Office, Washington 25, D. C.

LOCATIONS OF DISTRICT DIRECTORS' OFFICES

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.
- 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, Hawaii
- IDAHO—Boise, Idaho.
- ILLINOIS—Chicago 2, Ill.; Springfield, Ill.
- INDIANA—Indianapolis, Ind.
- IOWA—Des Moines 8, Iowa.
- KANSAS—Wichita 2, Kans.
- KENTUCKY—Louisville 2, Ky.

- LOUISIANA—New Orleans, 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—Industrial Office Bldg., Newark 2, N. J.; 808 Market Street, Camden, N. J.
- NEW MEXICO—Albuquerque, N. Mex.
- NEW YORK—Brooklyn 1, N. Y.; 245 West Houston Street, New York 14, N. Y.; 484 Lexington Avenue, New York 17, N. Y.; Albany 10, N. Y.; Syracuse 1, N. Y.; Buffalo 2, N. Y.
- NORTH CAROLINA—Greensboro, N. C.
- NORTH DAKOTA—Fargo, N. Dak.
- OHIO—Cleveland 15, Ohio; Columbus 15, Ohio; Toledo 1, Ohio; Cincinnati 2, Ohio.
- OKLAHOMA—Oklahoma City, Okla.
- OREGON—Portland 12, Oreg.

OFFICES

- PANAMA CANAL ZONE—Director, International Operations Division, Internal Revenue Service, Washington 25, D. C.
 - PENNSYLVANIA—Philadelphia 7, Pa.; Scranton 14, Pa.; Post Office and Courthouse Building, Pittsburgh 30, Pa.
 - PUERTO RICO—1105 Fernandez Juncos Avenue, Stop 17, Santurce, P. R.
 - RHODE ISLAND—Providence 7, R. I.
 - SOUTH CAROLINA—Columbia, 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, Va.
 - VIRGIN ISLANDS—Charlotte Amalie, St. Thomas, V. I.
 - WASHINGTON—Tacoma 2, Wash.
 - WEST VIRGINIA—Parkersburg, W. Va.
 - WISCONSIN—Milwaukee 2, Wis.
 - WYOMING—Cheyenne, Wyo.
- FOREIGN ADDRESSES—Taxpayers with legal residence in Foreign Countries—Director, International Operations Division, Internal Revenue Service, Washington 25, D. C.

SELECTION OF YOUR INDIVIDUAL INCOME TAX FORM

In order to make your reporting problem as simple as possible the Internal Revenue Service has developed three individual income tax forms. Since most taxpayers' income consists of salary or wages, dividends, and interest, two of the forms have been designed to cover only the items of income and deductions which apply to this group of taxpayers. These three forms are as follows:

Form 1040A

This is the easiest form if you are eligible to use it. One of the special features is that if your income is less than \$5,000, you can choose to have the Internal Revenue Service figure your tax for you. You may use this form if:

1. Your gross income was less than \$10,000, AND
2. It consisted of wages reported on withholding statements (Forms W-2) and not more than \$200 total of other wages, interest, and dividends, AND
3. You wish to take the standard deduction (about 10% of your income) instead of itemizing deductions.

Form 1040W

This is a new streamlined version of the regular Form 1040. It will be most helpful for wage and salary earners who can't use Form 1040A because they wish to itemize deductions, claim the "sick-pay" exclusion or estimated tax payments, or have \$10,000 or over of income, etc. You can use this form if:

1. Your income consists of salary and wages regardless of amount, AND
2. Not more than \$200 of dividends and interest, AND
3. No other items of income.

Form 1040

This is the standard form which anyone can use. Instructions for this form follow.

HOW TO FILL IN FORM 1040

Filling in the form involves **FOUR STEPS**:

<p>STEP 1 Claiming Your Exemptions</p>	<p>List on page 1 exemptions for yourself (and for your wife, if you are filing a joint return or if she had no income) and for your children. List exemptions for dependents other than your children in the schedule at the top of page 2.</p> <p>DETAILED INSTRUCTIONS, PAGE 4 OF THIS PAMPHLET.</p>
<p>STEP 2 Reporting Your Income</p>	<p>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 pages 6 and 7 of these instructions for information relating to the treatment of sick pay and special deductions for travel expenses, reimbursed expenses, etc.</p> <p>DETAILED INSTRUCTIONS, PAGES 5, 6, AND 7 OF THIS PAMPHLET.</p>
<p>STEP 3 Claiming Your Deductions</p>	<p>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 8, 9, 10, and 11 of this pamphlet for details.</p> <p>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.</p> <p>DETAILED INSTRUCTIONS, PAGES 8, 9, 10, AND 11 OF THIS PAMPHLET.</p>
<p>STEP 4 Figuring Your Tax</p>	<p>If you do not itemize 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 is \$5,000 or more, you must use the tax computation schedule on page 2 of the form and the tax rate schedules on page 15 of this pamphlet. See page 7 if you are unmarried or legally separated, maintain a home, and have a dependent living with you. Also see page 8 if you are a widow or widower and have a dependent child.</p> <p>DETAILED INSTRUCTIONS, PAGE 15 OF THIS PAMPHLET.</p>

MARRIED PERSONS—JOINT OR SEPARATE RETURNS

Advantages of a Joint Return.—In most cases it is advantageous for married couples to file joint returns. The law provides "split income" benefits in figuring the tax on a joint return which often results in a lower tax than would result from separate returns.

How To Prepare a Joint Return.—In a joint return you must include all income and deductions of both husband and wife. In the return heading, list both names including middle initials (for example: "John F. and Mary L. Doe"). Both must sign the return.

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.

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 Prepare a Separate Return.—In a separate return each must report his or her separate income and deductions and fill in a separate form. 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, deduc-

tions 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 do so.

Changes in Marital Status.—If married at the end of your taxable year, you are considered married for the entire year. If divorced or legally separated on or before the end 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 8.

HOW TO CLAIM YOUR EXEMPTIONS

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

LINE 1—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. Be sure to check the appropriate blocks.

For Your Wife.—An exemption is allowed 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. You are not entitled to an exemption for your wife on your return if she files a separate return for any reason (for example, to obtain a refund of tax withheld where her income is less than \$600). 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 your wife or husband died during 1959, 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°.

LINE 2—EXEMPTIONS FOR YOUR CHILDREN

You are entitled to one exemption for each child (including a stepchild, a legally adopted child, and a child who is a member of your household if placed with you by an authorized placement agency for legal adoption), if during the taxable year, that child:

1. Income.—Received less than \$600 gross income (if the child was under 19 or was a student, this limitation does not apply), and

2. Support.—Received more than half of his or her support from you (or from husband or wife if a joint return is filed), (see definition below of support), 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; or was an alien child adopted by and living with a United States citizen abroad.

Definition of Support.—Support includes food, shelter, clothing, medical and dental care, education, and the like. Generally, the amount of an item of support will be the amount of expense incurred by the one furnishing such item. If the item of support furnished by an individual is in the form of property or lodging, it will be necessary to measure the amount of such item of support in terms of its fair market value. In computing the amount of support include amounts contributed by the dependent for his own support and

also amounts ordinarily excludable from gross income.

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

Definition of Student.—The law defines a student as an individual who, during each of 5 calendar months during the year, is (a) a full-time student at an educational institution or (b) 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.

LINE 3—EXEMPTIONS FOR PERSONS 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 half of his or her support from you (or from husband or wife if a joint return is filed), (see definition of support on this page), 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) for your entire taxable year had your home as his principal place of abode 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	<i>The following if related by blood:</i>
Grandfather	Stepfather	Uncle
Brother	Mother-in-law	Aunt
Sister	Father-in-law	Nephew
Grandson	Brother-in-law	Niece
Granddaughter	Sister-in-law	

for the part of the year during which he was alive.

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 entitled 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 other person in the group who contributed over 10 percent of the individual's support makes a declaration that he will not claim the individual as a dependent for the year. The declarations must be filed with the return of the person claiming the exemption. Form 2120, Multiple Support Declaration, is available at any Internal Revenue Service office.

The information concerning these dependents must be shown in the schedule at the top of page 2 of Form 1040.

Birth or Death of Dependent.—You can claim a full \$600 exemption for a dependent who was born or died during the year if the tests for claiming an exemption for such dependent are met

HOW TO REPORT YOUR INCOME

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 spe-

cifically exempt must be included in your return, even though it may be offset by expenses and other deductions.

The following examples will help you

in finding out what kinds of income must be reported on your income tax return and what items are exempt from tax.

Examples of Income Which Must Be Reported

Wages, salaries, bonuses, commissions, fees, tips, and gratuities.
Dividends.
Interest on bank deposits, bonds, notes.
Interest on U. S. Savings bonds.
Profits from sales or exchanges of real estate, securities, or other property.

Industrial, civil service and other pensions, annuities, endowments.
Rents and royalties from property, patents, copyrights.
Profits from business or profession.
Your share of partnership profits; estate or trust income.

Employer supplemental unemployment benefits.
Alimony, separate maintenance or support payments received from (and deductible by) your husband (or wife). For details see Miscellaneous, page 10 of this pamphlet.

Examples of Income Which Should Not Be Reported

Disability retirement payments and other benefits paid by the Veterans Administration on account of military service to veterans and their families.

Dividends on veterans' insurance.
Workmen's compensation, insurance, damages, etc., for injury or sickness.
Interest on State and municipal bonds.
Life insurance proceeds upon death.

Federal and State Social Security benefits.
Railroad Retirement Act benefits.
Gifts, inheritances, bequests.

ROUNDING OFF TO WHOLE-DOLLAR AMOUNTS

If you wish, the money items on your return and 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 from 50 cents through 99 cents to the next higher dollar.

ATTACHMENTS TO THE RETURN

Attachments may be used in the preparation of your return and supplemental schedules, provided they contain all of the required information and that summarized totals of the items shown in the attachments are entered on the return and schedules. This does not apply to page 3 of the business and farm schedules (Schedules C and F) which the Service separates from the returns and transmits to the Social Security Administration for the recording of information in benefit accounts, or to any tax computation portion of a form or schedule.

LINE 5—WAGES, SALARIES, ETC.

Enter all wages, salaries, etc., on the lines provided. If more space is

needed attach a separate statement. You must report the full amount of your wages, salaries, fees, commissions, tips, bonuses, and other payments for your personal services even though taxes and other amounts have been withheld by your employer.

Payment in Merchandise, etc.—If you are paid in whole or in part 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 agreed 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.

Earned Income From Sources Without The United States.—For the purpose of determining whether an income tax return must be filed, gross income must be computed without regard to the exclusion provided for income earned from sources without the United States. If you received such income and believe it is excludable for income tax purposes, complete Form 2555 and attach it to your Form 1040.

Income Tax Withheld.—Itemize the taxes withheld, and report the total amount on line 17 (a). If you have lost a Withholding Statement, ask your employer for a copy. If you cannot furnish Withholding Statements for all taxes withheld from you, attach an explanation.

Excess Social Security (F. I. C. A.) Tax Credit.—If more than \$120.00 of Social Security (F. I. C. A.) employee tax was withheld during 1959 because either you or your wife received wages from more than one employer, the excess should be claimed as a credit against income tax. Enter any excess of Social Security (F. I. C. A.) tax withheld over \$120.00

on line 5, column (b), and write "F. I. C. A. tax" in the "Where Employed" column. If a joint return, do not add the Social Security (F. I. C. A.) tax withheld from both husband and wife to figure the excess over \$120.00; compute the credit separately.

Credit for Taxes Paid by Regulated Investment Companies.—If you are entitled to a credit for taxes paid by a regulated investment company on undistributed capital gains, enter the credit on line 5, column (b), and write "Credit from regulated investment company" in "Where Employed" column. To substantiate the credit claimed attach Copy B of Form 2439 to page 1 of Form 1040 in the same manner as Withholding Statements, Form W-2.

EMPLOYEE BUSINESS EXPENSES

Certain expenses incurred by an employee in connection with his employment, amounts charged to his employer, and any advances, allowances, or reimbursements he receives for such expenses must be taken into account in determining his income tax liability. Under certain circumstances, however, the expenses—and an equal amount of the employer's payments—need not be shown on the return. The following instructions will assist you in making your computation: Part I deals with deductible expenses and Part II with reporting requirements. (Note: You do not have to report in your return employer paid expenses incurred for incidentals, such as the purchase of office supplies for the employer or local transportation in connection with an errand.)

Part I. Employee Business Expenses Which Are Deductible

The law requires that certain employee business expenses be handled differently from other expenses. The rules are as follows:

A. Travel, transportation, and outside salesmen expenses:

You may deduct these expenses from the amounts you are required to report in item 5, page 1, to the extent they are not paid for by your employer. See Part II for reporting requirements. Travel, transportation, and outside salesmen expenses mean:

(1) Expenses for travel, including the cost of meals and lodging while temporarily away at least overnight from the city, town or other general area which constitutes your principal or regular business location are deductible as expenses for travel while "away from home." For this purpose, "home" means your principal or regular business location.

(2) Transportation expenses in connection with your duties as an employee are deductible even though you are not away from home as explained above. Transportation expenses include payments for actual travel or, if you use your own car, they include the business portion of the cost of operation, including fuel, repairs, and depreciation. The cost of commuting between your residence and your principal place of employment is a personal expense and is not deductible.

(3) If you are an "outside salesman" you may deduct all of the expenses which are ordinary and necessary in performing your duties. This means that in addition to the expenses described above you are entitled to deduct other business expenses such as business entertainment, stationery, and postage. The term "outside salesman" means one who is engaged in full time solicitation of business for his employer away from the employer's place of business. It does not include a person whose principal activities consist of service and delivery as, for example, a milk driver-salesman.

B. Other employee business expenses:

If you itemize deductions on page 2 of your return, you may deduct (under the heading "Other Deductions") ordinary and necessary business expenses, other than those described in "A" above to the extent that they are not paid for by your employer. Examples of such expenses are entertainment, professional and union dues, and the cost of tools, materials, etc.

Part II. Reporting Employee Business Expenses

Expenses you paid or incurred as an employee, or expenses which you charged to your employer, or expenses for which you received an advance, allowance, or reimbursement should be handled as follows:

A. Employees who are required to and do account to their employers:

If you were required to and did submit an expense voucher or other accounting to your employer in which you listed your business expenses by categories (i. e., transportation, meals and lodging while away from home overnight, entertainment expenses, and other business expenses), and if your answer is "Yes" to the questions on page 1 of Form 1040 relating to reimbursed expenses, you may report as follows:

(1) *If employer's payments equaled business expenses.*—You need not report these items on your return either itemized or in total amount.

(2) *If employer's payments exceeded business expenses.*—If you received from or charged to your employer (for example, through the use of credit cards) amounts in excess of your actual business expenses, or if your employer paid your personal expenses for you, the excess amounts and the amount of personal expenses must be included in income on line 5, page 1, of Form 1040, and must be identified as "Excess Reimbursements."

(3) *If expenses exceeded employer's payments.*—If you wish to claim a deduction for the amount of the excess expenses, you must, in addition to answering the questions relating to business expenses on page 1 of Form 1040, submit the following information with your return:

(a) The total of all amounts received from or charged to your employer for business expenses, including amounts charged directly or indirectly through credit cards or otherwise,

(b) The nature of your occupation,

(c) The number of days away from home on business, and

(d) The amount of your expenses which constitute ordinary and necessary business expenses broken down into such broad categories as transportation, meals and lodging while away from home overnight, entertainment expenses, and other business expenses.

In preparing your statement and claiming your expenses be sure to separate the expenses as explained in Part I which are deductible in computing the amount to be entered on line 5, page 1, of the return and those expenses which are deductible on page 2 of the return. Form 2106 is available in any Internal Revenue Service office for use in listing these expenses.

If you received per diem, in lieu of subsistence, of not more than \$15 per day, or a mileage allowance of not more than 12½ cents per mile for travel within the continental limits of the United States, it will be considered that you were required to account to your employer, and you will be required to report only the excess of the allowance over your actual expenses.

B. Employees who do not account to their employers or who are not reimbursed for their expenses:

If you were not required to account to your employer (or if you were required to account and did not) or if your employer did not pay for your business expenses in connection with your duties as an employee, submit the information required in subparagraph (3) above in a statement attached to your

return, answer the questions on page 1 of Form 1040 relating to reimbursed expenses and complete your return as follows:

(1) *If employer's payments equaled business expenses.*—No further entry with regard to the transactions need be made on the form.

(2) *If employer's payments exceeded business expenses.*—If you received from or charged to your employer (for example, through the use of credit cards) amounts in excess of your actual business expenses, or if your employer paid your personal expenses for you, the excess amounts and the amount of personal expenses must be included in income on line 5, page 1, of Form 1040, and identified as "Excess Reimbursements."

(3) *If your business expenses exceeded employer's payments or the employer did not pay for your expenses.*—You may claim deductions for those business expenses not paid by him as explained in subparagraph (3) of Part II.

LINE 6—EXCLUSION FOR "SICK PAY"

The law allows you to exclude from income amounts received under a wage continuation plan for the period during which you were absent from work on account of personal injuries or sickness. If both you and your employer contribute to the plan, any benefits attributable to your own contributions are excludable without limit, but there are certain limitations on the exclusion of the benefits attributable to your employer's contributions. In the case of such a contributory plan, it will be necessary for you to know to what extent any benefits are attributable to your contributions and to what extent they are attributable to your employer's contributions.

The employer-provided wage continuation payments can be excluded at a rate not to exceed \$100 a week. In cases where these 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 your absence is due to sickness, the exclusion of employer-provided wage continuation payments does not apply to the amounts received for the first 7 calendar days of each absence from work. However, if you were (a) hospitalized on account of sickness for at least one day at any time during the absence from work, or (b) injured, the exclusion applies from the first day of absence.

If you received sick pay and it is included in your gross wages as shown on Form W-2, enter the gross wages on

line 5, and enter on line 6 the amount of such wages to be excluded. In addition, attach a statement showing your computation, and indicating the period or periods of absence, nature of sickness or injury, and whether hospitalized. Or, you may use Form 2440 which may be obtained from any Internal Revenue Service office.

Amounts received during absence due to pregnancy are excludable as sick pay only if a statement by a physician is furnished that it was necessary the taxpayer remain at home because of substantial danger of miscarriage.

LINE 8—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.

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.

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 turn into cash immediately 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 method, or an accrual method, so long as income is clearly reflected. However, in most cases you must secure consent of the Commissioner of Internal Revenue, Washington 25, D. C., before changing your accounting method.

Net Operating Loss.—If, in 1959, 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 1959 income. If these losses exceed your other income, the excess of this "net operating loss" must be carried back three years to offset your income for 1956 first, and then 1957 and 1958, and any remaining excess may be carried forward against your income for the years 1960 through 1964. 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.

If you had a loss in preceding years which may be carried over to 1959, you should apply the net operating loss deduction as an adjustment of the amount entered on line 11, and attach a statement showing this computation.

LINE 9—FARMING

For the assistance of farmers, a separate Schedule F (Form 1040) is provided to report farm income for income and self-employment tax purposes. Additional instructions for farmers have been provided for use with Schedule F which may be obtained from any Internal Revenue Service office.

SPECIAL COMPUTATIONS

Unmarried 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) one who is unmarried (or legally separated) at the end of the taxable year, or (b) one who is married at the end of the year to an individual who was a nonresident alien at any time during the taxable year.

In addition, you must have furnished over half of 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 (1) any related person (see those listed under requirement 5 at the top of page 5 of these instructions) for whom you are entitled to a deduction for an exemption, unless the de-

duction arises from a multiple support agreement, (2) your unmarried child, grandchild, or stepchild, even though such child is not a dependent or (3) your married child, grandchild, or stepchild for whom you are entitled to a deduction for an exemption.

If you qualify under (a) or (b) above, you are entitled to the special tax rate if you pay more than half the cost of maintaining a household (not necessarily your home) which is the principal place of abode of your father or mother and who qualifies as your dependent.

The cost of maintaining a household includes such items as rent, property insurance, property taxes, mortgage interest, repairs, utilities (gas, telephone, etc.) and cost of food. Such expenses do not include the cost of clothing, education, medical treatment, vacations, life insurance, and transportation. Do not include the value of personal services performed by you or by the person qualifying you as Head of 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.

The rates for Head of Household are found in tax rate schedule III on page 15 of these instructions.

Widows and Widowers.—Under certain conditions a taxpayer whose husband (or wife) has died during either of her two preceding taxable years may compute her tax by including only her income, exemptions, and deductions, but otherwise computing the tax as if a joint return had been filed. However, the exemption for the decedent may be claimed only for the year of death.

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

USE OF TAX TABLE ON PAGE 16 OF THESE INSTRUCTIONS

Purpose of Table.—The table is a short-cut method of finding your income tax if your adjusted gross income, line 11, page 1, of your return is less than \$5,000. It is provided by law and saves you the trouble of itemizing deductions and computing your tax on page 2 of the return. The table allows for an exemption of \$600 for each person claimed as an exemption, and charitable contributions, interest, taxes, etc., approximating 10 percent of your income.

How To Find Your Tax.—Read down the income columns until you find the line that fits the income you reported on line 11, page 1. Then read across that line until you come to the exemption column which is headed by a number corresponding to the number of exemptions you claimed on line 4 on page 1. The figure you find there is your tax.

LINE 13(a)—See page 14 of these instructions.

LINE 13(b)—See page 14 of these instructions.

LINE 15—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 or is already receiving social security benefits.

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.

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.

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 in one remittance with your income tax return. Enter on line 15 the amount of your self-employment tax shown on line 34, separate Schedule C, or line 18, separate Schedule F.

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

If a citizen living abroad is self-employed, he should consult the pertinent sections of I. R. S. Pub. 54.

LINE 17(a)—CREDIT FOR TAX WITHHELD

Enter the total amount of income tax withheld, credit for excess F. I. C. A. tax, and credit for taxes paid by regulated investment companies as shown on line 5, column (b). Also see explanation for line 5 on pages 5 and 6 of these instructions relating to these credits.

LINE 17(b)—CREDIT FOR ESTIMATED TAX PAYMENTS

If you paid any estimated tax on a Declaration of Estimated Income Tax (Form 1040-ES) for 1959, report the total of such payments on line 17(b). If on your 1958 return you had an overpayment which you chose to apply as a credit on your 1959 tax, include the credit in this total.

See page 14 of these instructions for filing requirements for 1960 declaration of estimated income tax.

LINES 18 AND 19—BALANCE OF TAX DUE OR REFUND OF OVERPAYMENT

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 the case of a refund, be sure to use the correct post office address designation on your return so that the refund check will not be returned as undeliverable by the Post Office.

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

INSTRUCTIONS FOR PAGE 2 OF FORM 1040

Itemized Deductions—If you do not use Tax Table or Standard Deduction.

CONTRIBUTIONS

If you itemize deductions, you can deduct gifts to religious, charitable, educational, scientific, or literary organ-

izations, 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 generally 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 (line 11, page 1). However, you may increase this limitation to 30 percent if the extra 10 percent consists of contributions made to churches, a convention or association of churches, tax-exempt educational institutions, tax-exempt hospitals, or certain medical research organizations.

If all your contributions were to these churches, schools, hospitals, or medical research organizations, you can deduct the contributions made but not more than 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, diabetes, 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 allows a deduction for interest paid for purchasing personal property (such as automobiles, radios, etc.) on the installment plan even where the interest charges are not separately stated from other carrying charges. If it is not stated separately, then the 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 unpaid balance at the beginning of each month is determined by taking into account the amounts required to be paid under the contract whether or not such amounts are actually paid. 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 income taxes, you may be entitled to a credit against your tax rather than a deduction from income. Form 1116 should be used to claim this credit.

Do not deduct on page 2 any non-business Federal taxes, or any taxes paid in connection with a business or profession which are deductible in Schedule G or separate Schedule 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, transportation, telephone, etc.
Federal social security taxes
Hunting licenses, dog licenses
Auto inspection fees
Water taxes
Taxes paid by you for another person

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 half of his support from you whether or not the dependent had \$600 or more gross income. List name and amount paid to each person.

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 while you are away from home receiving medical treatment may not be treated as medical expense unless they are part of a hospital bill or are included in the cost of care in a similar institution.

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. There is a schedule provided on page 2 to make this computation.

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

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.

Subject to the Foregoing Limitations, You CAN Deduct as Medical Expenses Payments To or For:

Physicians, 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 and cemetery plot
Illegal operations or drugs
Travel ordered or suggested by your doctor for rest or change
Premiums on life insurance

Special Rules for Persons 65 or Over.—

(a) *If not disabled.*—If either you or your wife were 65 or over during the taxable year, 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, if either was 65 or over, 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 medicine and drugs for yourself, your wife, and your dependents are still limited to the excess over 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.

(b) *If disabled.*—If either you or

your wife are disabled and 65 or over, you may qualify for an increased maximum limitation. For this purpose disabled means that an individual is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or to be of long-continued and indefinite duration. Consult the nearest Internal Revenue Service office for further information.

OTHER DEDUCTIONS

Expenses for the Care of Children and Certain Other Dependents.—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" does not include the husband (wife) of the taxpayer and is limited to the following persons for whom the taxpayer is entitled to a deduction for an exemption:

(a) under 12 years of age; or

(b) physically or mentally incapable of caring for themselves.

Do not deduct any child care payments to a person for whom you claim an exemption.

In the case of a woman who is married, the deduction is allowed only (a) if she files a joint return with her husband; and (b) 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 he is mentally or physically defective, these two limitations do not apply.

If the person who receives the payment performs duties not related to dependent care, only that part of the payment which is for the dependent's care may be deducted.

If you claim this deduction, attach a detailed statement showing the amount expended and the person or persons to whom it was paid. If you wish, you may obtain Form 2441 from any Internal Revenue Service office for this purpose.

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 faulty driving but cannot be deducted if due to your

willful act or 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 1959 casualty losses exceed your 1959 income, the excess must be treated in the same manner as a net operating loss described on page 7.

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

Expenses for Education.—Expenses for education may be deducted if the education was undertaken primarily for the purpose of:

(a) Maintaining or improving skills required in your employment or other trade or business, or

(b) Meeting the express requirements of your employer, or the requirements of applicable law or regulations, imposed as a condition to the retention of your salary, status, or employment.

Expenses incurred for the purpose of obtaining a new position, a substantial advancement in position, or for personal purposes are not deductible. The expenses incurred in preparing for a trade or business or a specialty are personal expenses and are not deductible.

The rules for reporting deductible education expenses are the same as those shown on page 6 for the reporting of "Employee Business Expenses." If you are required therein to attach a statement to your return explaining the nature of the expenses, also include a description of the relationship of the education to your employment or trade or business. If the education was required by your employer, a statement to that effect from him would be helpful.

Miscellaneous.—If you itemize deductions, you can deduct several other types of expenses under "Other Deductions."

If you work for wages or a salary, you can deduct your ordinary and necessary employee business expenses which have not been claimed on page 1.

You CAN Deduct Cost Of:

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

You CANNOT Deduct Cost Of:

Travel to and from work
Entertaining friends
Bribes and illegal payments

You can deduct all ordinary and necessary expenses connected with the pro-

duction 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 under either (a) a written separation agreement entered into after August 16, 1954, or (b) a decree for support entered after March 1, 1954, are also deductible. Such payments must be included in the wife's income. You cannot deduct any voluntary payments not

under a court order or a written separation agreement, lump-sum settlements, or specific maintenance payments for support of minor children.

You may deduct gambling losses to the extent of gambling winnings only if you itemize deductions.

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.

Computation of Tax.—For determination of tax, other than from the Tax Table, see page 15.

INSTRUCTIONS FOR PAGE 3 OF FORM 1040

SCHEDULE A—DIVIDENDS

If you own stock, the payments you receive out of the company's earnings and profits are 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. It is not taxable until it exceeds your cost or other basis, after which you must generally include it as a gain 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, partial liquidations, stock rights, and redemptions; call your Internal Revenue Service office for more complete information.

You may exclude from your income \$50 of dividends received from qualifying domestic corporations.

If a joint return is filed and both husband and wife have dividend income, each one may exclude \$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 had \$200 in dividends, and the wife had \$20, only \$70 may be excluded on a joint return.

Use Schedule A to list your dividends including dividends you receive as a member of a partnership or as a beneficiary of an estate or trust, and to show the amount of the exclusion to which you are entitled. Dividends from mutual insurance companies which are a reduction of premiums are not to be

included. So-called "dividends" from the following corporations are considered interest and should be reported as interest in Schedule B:

Mutual savings banks, cooperative banks, domestic building and loan associations, domestic savings and loan associations, and Federal savings and loan associations, on deposits or withdrawable accounts; and Federal credit unions.

Taxable dividends from the following nonqualifying corporations should be reported on line 5 of Schedule A:

- (a) China Trade Act corporations.
- (b) so-called exempt organizations (charitable, fraternal, etc.) and exempt farmers' cooperative organizations.
- (c) regulated investment companies except to the extent designated by the company to be taken into account as a dividend for these purposes.
- (d) 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.
- (e) corporations which are not domestic corporations.

See page 14 for the credit for dividends received.

SCHEDULE B—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. Examples of interest which is fully exempt from tax are (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.

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, if you report income on the cash method, 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.

SCHEDULE D—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 from the sale 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.

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.

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 deprecia-

tion 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.—Deferring Gain When Buying New Residence.—If you sold or exchanged your principal residence during 1959 at a gain and within one year after (or before) the sale you purchase another residence, and use it as your principal 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 use it as your principal residence not later than 18 months after the sale, none of the gain upon the sale is taxable if your costs attributable to construction during, 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 sale price is the gross selling price less commissions, selling expenses, and the expenses for work performed on the residence in order to assist in its sale, such as redecorating expenses. Redecorating expenses 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 no later than 30 days after date of sale.

If you sold or exchanged your residence at a gain, 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 your new residence and used it as your principal residence, enter in column (h) 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). 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. Form 2119 is available at any Internal Revenue Service office for reporting the sale or exchange of your residence.

SCHEDULE E—PENSIONS AND ANNUITIES

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.

However, if there is a death-benefit exclusion, this rule does not apply; consult the Internal Revenue Service.

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, and (b) amounts paid for a reason other than the death of the insured under an annuity, endowment, or life insurance contract.

Schedule E is provided for reporting 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.

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 of the first payment received under the contract. If both of these conditions are met, then all the payments received under the contract during the first three years 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 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 for which the employee was not taxable. 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.

General Rule for Annuities.—Generally, amounts received from annuities and pensions are included in income in an amount which is figured upon your life expectancy. This computation and your life expectancy multiple can be found in the regulations covering annuities and pensions. Once you have obtained the multiple it remains unchanged and it will not be necessary to recompute your taxable portion each year unless the payments you receive change in amount. In making this computation you can get help from the Internal Revenue Service as well as from some employers and insurance companies.

Amounts Received Under Life-Insurance Policies by Reason of Death.—Generally, a lump sum payable at the death of the insured under a life insurance policy is excludable from the gross income of the recipient. For more detailed information, call or visit your Internal Revenue Service office.

SCHEDULE G—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. 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 on page 13.

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—

If you rent out only part of your property, you can deduct only that portion of your expenses which relates to the rented portion. If you cannot determine these expenses exactly, you may figure them on a proportionate basis. For example, if you rent out half of your home, and live in the other half, you can deduct only 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.

SCHEDULE H—OTHER INCOME

Partnerships.—A partnership does not pay income tax unless it elects to be taxed on the same basis as a domestic corporation. It does, however, file an information return on Form 1065. Only one Form 1065 need be filed for each partnership. Each partner must report in his personal tax return his share of his partnership's taxable income and pay tax on it.

Include in Schedule H 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 of income, deductions, etc., to be carried to the appropriate schedule of your individual return are shown in Schedule K of the partnership return. Your share of such income of the following classes should be entered on the appropriate lines on Form 1040:

Dividends.

Interest on tax-free covenant bonds.

Partially tax-exempt interest.

Gains from the sale or exchange of capital assets and other property.

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 self-employment income from the partnership. In such a case the partner's share of partnership self-employment net earnings (or loss) should be entered on line 28(b), page 3, separate Schedule C. Members of farm partnerships should use Schedule F to figure self-employment tax.

Estates and Trusts.—If you are a beneficiary of an estate or trust, report in your personal tax return your taxable portion of its income (whether actually received or not) which, for the taxable year, is either required to be distributed to you or has been paid or credited to your account. Your share of such income of the following classes should be entered on the appropriate lines on Form 1040:

Dividends.

Interest on tax-free covenant bonds.

Partially tax-exempt interest.

Gains from the sale or exchange of capital assets and other property.

All other taxable income from estates and trusts should be included in Schedule H of your return. Any depreciation (on estate or trust property) which is allocable to you may be subtracted from estate or trust income so that only the net income received will be included in your return. Information with respect to these items may be obtained from the fiduciary.

Small Business Corporations.—If you are a shareholder in a small business corporation which elects to have its current taxable income taxed to its stockholders, you should report your share of both the distributed and undistributed current taxable income as ordinary income in Schedule H except that portion which is reportable as a long-term capital gain in Schedule D. Neither type of income is eligible for the dividend received credit or the exclusion. Your share of any net operating loss should be treated in the same manner as if the loss were from a proprietorship.

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. This is the proper place to report amounts received as alimony, support, prizes, and recoveries of bad debts and other items which reduced your tax in a prior year.

INSTRUCTIONS FOR PAGE 4 OF FORM 1040

SCHEDULE I—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 cost (or other basis) to be recovered should be charged off over the expected useful life of the property. Similar assets may be grouped together as one item for reporting purposes in the depreciation schedule. 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.

Straight Line Method.—To compute, 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.

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.

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 before that date;

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 Dec. 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 before that date; or, it may be depreciated under any of the following methods provided that the asset meets qualifications (1) and (2) above.

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

(b) *Sum of the years-digit method.*—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.

(c) *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 property's useful life.

Additional First Year Depreciation For Small Business.—Taxpayers (not including trusts) may elect to write off in the year of acquisition 20 percent of the cost of tangible personal property having an aggregate value of not more than \$10,000 (\$20,000 on a joint return) acquired by purchase for use in a trade or business or to be held for the production of income. The additional depreciation is limited to property acquired after December 31, 1957, with a remaining useful life of 6 years or more and which is not acquired from a person (other than a brother or sister) whose relationship to the taxpayer would result in the disallowance of losses. In regard to the remaining cost of the property, depreciation may be taken in the same manner as explained above beginning with the year of acquisition. The additional first-year depreciation of an asset should be shown on a separate line of the depreciation schedule rather than included on the line used to show the regular depreciation of the asset.

SCHEDULE J—DIVIDENDS RECEIVED CREDIT

The law provides a credit against tax for dividends received from qualifying domestic corporations. This credit is equal to 4 percent of such dividends in excess of those which you may exclude from your gross income (see page 11 of this pamphlet). 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 K—RETIREMENT INCOME CREDIT

You may qualify for this credit which is generally 20 percent of retirement income 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% of your share of the net profits of such trade or business, shall be considered as earned income.

If you are a surviving widow (widower) and have not remarried, you may use the earned income of your deceased husband (wife), or you may combine such income with your earned income, for the purpose of determining whether you qualify. If a husband and wife both qualify and each has retirement income, each is entitled to the credit.

Retirement income for the purpose of the credit means—

(a) 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 and annuities under a public retirement system (one established by the Federal Government, a State, county, city, etc.) which is included in gross income in his return.

(b) 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 his 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.)

The amount of the retirement income used for the credit computation may not exceed \$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 other tax-exempt pensions or annuities. This reduction does not include (1) 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, or (2) 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 65 before the close of the taxable year, any amount of earned income in excess of \$900 received in the taxable year; and in the case of an individual who is 65 or over but who is not 72 before the close of the taxable year, any amount of earned income in excess of \$1,200 received in the taxable year (neither of the limitations in this paragraph applies to an individual who is 72 or over at the close of the year).

1960 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 citizen or resident of the United States to file a Declaration of Estimated Income 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 a 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; or

(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 subject to withholding and to exceed the sum of: (1) \$600 for each of his exemptions plus (2) \$400.

The Internal Revenue Service will mail Form 1040-ES, as far as is practicable, to each person who may need it. Others required to file should obtain the form from any Internal Revenue Service office in time to file by April 15, 1960. Farmers may postpone filing their 1960 declarations until January 15, 1961.

Additional Charge for Underpayment of Estimated Tax.—It is important that you estimate your tax carefully. It will avoid the difficulties of paying a large balance with your final return.

Furthermore, there is an additional charge imposed by law for underpayment of any installment of estimated tax. Details of this additional charge, and exceptions to it, are printed on Form 1040-ES and Form 2210. If you had an underpayment and believe one of the exceptions applies, attach a statement or Form 2210 to your return.

TAX COMPUTATION.—Page 2, Form 1040

If you do not use the Tax Table on page 16, then figure your tax on amount on line 5, page 2 of your return, by using appropriate tax rate schedule on this page.

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."

LINE 8(a)—Credit For Foreign Income Taxes

If you itemize your deductions and claim credit for foreign income 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.

LINE 8(b)—Credit For Partially Tax-Exempt Interest

If you itemize your deductions, you may deduct on line 8(b), page 2 of your return, a credit for partially tax-exempt interest. This credit is 3 percent of the partially tax-exempt interest included in gross income. The credit may not exceed the lesser of (a) 3 percent of taxable income (line 5, page 2, Form 1040) for taxable year or (b) the amount of tax less the credit for income taxes paid to foreign countries and possessions of U. S. and the credit for dividends received.

Schedule I. (A) SINGLE TAXPAYERS who do not qualify for rates in Schedules II and III, and **(B) married persons** filing separate returns

If the amount on line 5, page 2, is:

Enter on line 6, page 2:

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

Schedule II. (A) MARRIED TAXPAYERS filing joint returns, and **(B) certain widows and widowers.** (See page 8 of these instructions)

If the amount on line 5, page 2, is:

Enter on line 6, page 2:

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

Schedule III. Unmarried (or legally separated) taxpayers who qualify as **HEAD OF HOUSEHOLD.**

If the amount on line 5, page 2, is:

Enter on line 6, page 2:

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

TAX TABLE FOR CALENDAR YEAR 1959

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

Read down the income 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—			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 If 4 or more there is no tax	At least	But less than	1 And you are—		2 And you are—			3 And you are—			4	5	6	7 If 8 or more there is no tax
							Single or a married person filing separately	An un-married head of a household	Single or a married person filing separately	An un-married head of a household	A (*) married couple filing jointly	Single or a married person filing separately	An un-married head of a household	A (*) married couple filing jointly				
Your tax is—					Your tax is—													
\$0	\$675	\$0	\$0	\$0	\$2,325	\$2,350	\$301	\$301	\$181	\$181	\$181	\$61	\$61	\$61	\$0	\$0	\$0	\$0
675	700	4	0	0	2,350	2,375	305	305	185	185	185	65	65	65	0	0	0	0
700	725	8	0	0	2,375	2,400	310	310	190	190	190	70	70	70	0	0	0	0
725	750	13	0	0	2,400	2,425	314	314	194	194	194	74	74	74	0	0	0	0
750	775	17	0	0	2,425	2,450	319	319	199	199	199	79	79	79	0	0	0	0
775	800	22	0	0	2,450	2,475	323	323	203	203	203	83	83	83	0	0	0	0
800	825	26	0	0	2,475	2,500	328	328	208	208	208	88	88	88	0	0	0	0
825	850	31	0	0	2,500	2,525	332	332	212	212	212	92	92	92	0	0	0	0
850	875	35	0	0	2,525	2,550	337	337	217	217	217	97	97	97	0	0	0	0
875	900	40	0	0	2,550	2,575	341	341	221	221	221	101	101	101	0	0	0	0
900	925	44	0	0	2,575	2,600	346	346	226	226	226	106	106	106	0	0	0	0
925	950	49	0	0	2,600	2,625	350	350	230	230	230	110	110	110	0	0	0	0
950	975	53	0	0	2,625	2,650	355	355	235	235	235	115	115	115	0	0	0	0
975	1,000	58	0	0	2,650	2,675	359	359	239	239	239	119	119	119	0	0	0	0
1,000	1,025	62	0	0	2,675	2,700	364	364	244	244	244	124	124	124	4	0	0	0
1,025	1,050	67	0	0	2,700	2,725	368	368	248	248	248	128	128	128	8	0	0	0
1,050	1,075	71	0	0	2,725	2,750	373	373	253	253	253	133	133	133	13	0	0	0
1,075	1,100	76	0	0	2,750	2,775	377	377	257	257	257	137	137	137	17	0	0	0
1,100	1,125	80	0	0	2,775	2,800	382	382	262	262	262	142	142	142	22	0	0	0
1,125	1,150	85	0	0	2,800	2,825	386	386	266	266	266	146	146	146	26	0	0	0
1,150	1,175	89	0	0	2,825	2,850	391	391	271	271	271	151	151	151	31	0	0	0
1,175	1,200	94	0	0	2,850	2,875	395	395	275	275	275	155	155	155	35	0	0	0
1,200	1,225	98	0	0	2,875	2,900	400	400	280	280	280	160	160	160	40	0	0	0
1,225	1,250	103	0	0	2,900	2,925	405	404	284	284	284	164	164	164	44	0	0	0
1,250	1,275	107	0	0	2,925	2,950	410	409	289	289	289	169	169	169	49	0	0	0
1,275	1,300	112	0	0	2,950	2,975	415	414	293	293	293	173	173	173	53	0	0	0
1,300	1,325	116	0	0	2,975	3,000	420	419	298	298	298	178	178	178	58	0	0	0
1,325	1,350	121	1	0	3,000	3,050	427	426	305	305	305	185	185	185	65	0	0	0
1,350	1,375	125	5	0	3,050	3,100	437	435	314	314	314	194	194	194	74	0	0	0
1,375	1,400	130	10	0	3,100	3,150	447	445	323	323	323	203	203	203	83	0	0	0
1,400	1,425	134	14	0	3,150	3,200	457	454	332	332	332	212	212	212	92	0	0	0
1,425	1,450	139	19	0	3,200	3,250	467	464	341	341	341	221	221	221	101	0	0	0
1,450	1,475	143	23	0	3,250	3,300	476	473	350	350	350	230	230	230	110	0	0	0
1,475	1,500	148	28	0	3,300	3,350	486	482	359	359	359	239	239	239	119	0	0	0
1,500	1,525	152	32	0	3,350	3,400	496	492	368	368	368	248	248	248	128	8	0	0
1,525	1,550	157	37	0	3,400	3,450	506	501	377	377	377	257	257	257	137	17	0	0
1,550	1,575	161	41	0	3,450	3,500	516	511	386	386	386	266	266	266	146	26	0	0
1,575	1,600	166	46	0	3,500	3,550	526	520	395	395	395	275	275	275	155	35	0	0
1,600	1,625	170	50	0	3,550	3,600	536	530	404	404	404	284	284	284	164	44	0	0
1,625	1,650	175	55	0	3,600	3,650	546	539	414	413	413	293	293	293	173	53	0	0
1,650	1,675	179	59	0	3,650	3,700	556	549	424	423	422	302	302	302	182	62	0	0
1,675	1,700	184	64	0	3,700	3,750	566	558	434	432	431	311	311	311	191	71	0	0
1,700	1,725	188	68	0	3,750	3,800	575	567	443	441	440	320	320	320	200	80	0	0
1,725	1,750	193	73	0	3,800	3,850	585	577	453	451	449	329	329	329	209	89	0	0
1,750	1,775	197	77	0	3,850	3,900	595	586	463	460	458	338	338	338	218	98	0	0
1,775	1,800	202	82	0	3,900	3,950	605	596	473	470	467	347	347	347	227	107	0	0
1,800	1,825	206	86	0	3,950	4,000	615	605	483	479	476	356	356	356	236	116	0	0
1,825	1,850	211	91	0	4,000	4,050	625	615	493	489	485	365	365	365	245	125	5	0
1,850	1,875	215	95	0	4,050	4,100	635	624	503	498	494	374	374	374	254	134	14	0
1,875	1,900	220	100	0	4,100	4,150	645	634	513	508	503	383	383	383	263	143	23	0
1,900	1,925	224	104	0	4,150	4,200	655	643	523	517	512	392	392	392	272	152	32	0
1,925	1,950	229	109	0	4,200	4,250	665	653	533	527	521	401	401	401	281	161	41	0
1,950	1,975	233	113	0	4,250	4,300	674	662	542	536	530	410	410	410	290	170	50	0
1,975	2,000	238	118	0	4,300	4,350	684	671	552	545	539	420	419	419	299	179	59	0
2,000	2,025	242	122	2	4,350	4,400	694	681	562	555	548	430	429	428	308	188	68	0
2,025	2,050	247	127	7	4,400	4,450	704	690	572	564	557	440	438	437	317	197	77	0
2,050	2,075	251	131	11	4,450	4,500	714	700	582	574	566	450	448	446	326	206	86	0
2,075	2,100	256	136	16	4,500	4,550	724	709	592	583	575	460	457	455	335	215	95	0
2,100	2,125	260	140	20	4,550	4,600	734	719	602	593	584	470	467	464	344	224	104	0
2,125	2,150	265	145	25	4,600	4,650	744	728	612	602	593	480	476	473	353	233	113	0
2,150	2,175	269	149	29	4,650	4,700	754	738	622	612	602	490	486	482	362	242	122	2
2,175	2,200	274	154	34	4,700	4,750	764	747	632	621	611	500	495	491	371	251	131	11
2,200	2,225	278	158	38	4,750	4,800	773	756	641	630	620	509	504	500	380	260	140	20
2,225	2,250	283	163	43	4,800	4,850	783	766	651	640	629	519	514	509	389	269	149	29
2,250	2,275	287	167	47	4,850	4,900	793	775	661	649	638	529	523	518	398	278	158	38
2,275	2,300	292	172	52	4,900	4,950	803	785	671	659	647	539	533	527	407	287	167	47
2,300	2,325	296	176	56	4,950	5,000	813	794	681	668	656	549	542	536	416	296	176	56

16 (*) This column may also be used by a widow or widower with dependent child who meets certain qualifications which are explained on page 8 of these instructions.