

1938

INDIVIDUAL INCOME TAX RETURN

1938

(Auditor's Stamp)

FOR NET INCOMES OF NOT MORE THAN \$5,000
DERIVED FROM SALARIES, WAGES, DIVIDENDS,
INTEREST, AND ANNUITIES

(BEFORE PREPARING THIS RETURN, READ THE
INSTRUCTIONS CAREFULLY)

To be filed with the Collector of Internal Revenue for your district on or before March 15, 1939

PRINT NAME AND HOME OR RESIDENTIAL ADDRESS PLAINLY BELOW

(Name) (Use given names of both husband and wife, if a joint return)

(Street and number, or rural route)

(Post office)

(County)

(State)

Do not write in these spaces

Serial
Number

Amount
Paid. \$

(Cashier's Stamp)

Cash—Check—M. O.

Item and Instruction No.	INCOME			
1.	Salaries and other compensation for personal services. (From Schedule B)	\$		
2.	Dividends			
3.	Interest on bank deposits, notes, mortgages, etc.			
4.	Interest on corporation bonds			
5.	Income from annuities			
6.	Total income in items 1 to 5		\$	
DEDUCTIONS				
7.	Contributions paid. (From Schedule C)	\$		
8.	Interest paid. (From Schedule D)			
9.	Taxes paid. (From Schedule E)			
10.	Other deductions. (From Schedule F)			
11.	Total deductions in items 7 to 10			
COMPUTATION OF TAX				
12.	Net income (item 6 minus item 11)		\$	
13.	Less: Earned income credit. (From Schedule G-1 or G-2)	\$		
14.	Personal exemption. (From Schedule A-1)			
15.	Credit for dependents. (From Schedule A-2)			
16.	Balance of net income taxable (item 12 minus items 13, 14, and 15)		\$	
17.	Income tax (4% of item 16)		\$	
18.	Less: Income tax paid at source on tax-free covenant bonds	\$		
19.	Income tax paid to a foreign country or United States possession. (Attach Form 1116)			
20.	Balance of tax (item 17 minus items 18 and 19)		\$	

Schedule A.—EXPLANATION OF CREDITS CLAIMED IN ITEMS 14 AND 15. (See Instructions 14 and 15)

(1) Personal Exemption			(2) Credit for Dependents			
Status	Number of Months During Year in Each Status	Credit Claimed	Name of Dependent and Relationship	Number of Months During the Year		Credit Claimed
				Under 18 Years Old	Over 18 Years Old	
Single, or married and not living with husband or wife		\$				\$
Married and living with husband or wife						
Head of family (explain below)						
			Reason for support if over 18 years old			

NOTE.—One form marked "DUPLICATE COPY" must be filed with this original return (\$5 will be assessed if duplicate copy is not filed)

Schedule B.—INCOME RECEIVED FROM OTHERS CONSISTING OF SALARIES, WAGES, FEES, AND OTHER COMPENSATION FOR PERSONAL SERVICES. (See Instruction 1)

1. Name and Address of Employer and Nature of Income	2. Amount	3. Expenses Paid (Itemize)	4. Amount
	\$		\$
Total column 2 minus total column 4 (enter as item 1, page 1)			\$

Schedule C.—CONTRIBUTIONS PAID. (See Instruction 7)

1. Name and Address of Organization	2. Amount
	\$

Schedule D.—INTEREST PAID. (See Instruction 8)

1. To Whom Paid	2. Amount
	\$

Schedule E.—TAXES PAID. (See Instruction 9)

1. Nature of Tax	2. Amount
	\$

Schedule F.—OTHER DEDUCTIONS. (See Instruction 10)

1. Description	2. Amount
	\$

Schedule G.—COMPUTATION OF EARNED INCOME CREDIT. (See Instruction 13)

1. If your net income is \$3,000 or less, use only this part of schedule		2. If your net income is more than \$3,000, use only this part of schedule	
Net income (item 12, page 1)	\$	Earned net income (item 1, page 1) (not more than \$14,000)	\$
Earned income credit (10% of net income, above)		Net income (item 12, page 1)	
		Earned income credit (10% of earned net income or net income, above, whichever amount is smaller, but do not enter less than \$300)	

Schedule H.—NONTAXABLE INCOME. (See Instruction 6)

1. Obligations or Securities	2. Amount Owned at End of Year	3. Interest Received	4. Other Exempt Income (State nature)	5. Amount Received
	\$	\$		\$

QUESTIONS

- What is your occupation? _____
- Check whether you are a citizen or a resident alien
- If you filed a return for 1937, to which Collector's office was it sent? _____
- Are items of income or deductions of both husband and wife included in this return? (See Instruction A) _____
- State name of husband or wife if a separate return was made and the Collector's office to which it was sent: _____

AFFIDAVIT. (See Instruction D)

I/we swear (or affirm) that this return has been examined by me/us, and, to the best of my/our knowledge and belief, is a true, correct, and complete return, made in good faith, for the taxable year stated, pursuant to the Revenue Act of 1938 and regulations issued under authority thereof; and that this form (Form 1040 A) was used because I/we had no income from sources other than stated hereon.

Subscribed and sworn to by _____
before me this _____ day of _____, 1939.

(Signature) (See Instruction D)

(Signature and title of officer administering oath)

(Signature)
(If this is a joint return (not made by agent), it must be signed by both husband and wife. It must be sworn to before a proper officer by the spouse preparing the return. If neither or both prepare the return, it must be sworn to by both spouses.)

A RETURN MADE BY AN AGENT MUST BE ACCOMPANIED BY POWER OF ATTORNEY. (See Instruction D)



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INSTRUCTIONS CAREFULLY)

To be filed with the Collector of Internal Revenue for your district on or before March 15, 1939

PRINT NAME AND HOME OR RESIDENTIAL ADDRESS PLAINLY BELOW

(Name) (Use given names of both husband and wife, if a joint return)

(Street and number, or rural route)

(Post office)

(County)

(State)

DUPLICATE COPY

IMPORTANT



One duplicate copy
must be filed with
original return.

(\$5 will be assessed if
duplicate is not filed.)

Item and Instruction No.	INCOME			
1.	Salaries and other compensation for personal services. (From Schedule B)	\$		
2.	Dividends			
3.	Interest on bank deposits, notes, mortgages, etc.			
4.	Interest on corporation bonds			
5.	Income from annuities			
6.	Total income in items 1 to 5			\$
DEDUCTIONS				
7.	Contributions paid. (From Schedule C)	\$		
8.	Interest paid. (From Schedule D)			
9.	Taxes paid. (From Schedule E)			
10.	Other deductions. (From Schedule F)			
11.	Total deductions in items 7 to 10			
COMPUTATION OF TAX				
12.	Net income (item 6 minus item 11)			\$
13.	Less: Earned income credit. (From Schedule G-1 or G-2)	\$		
14.	Personal exemption. (From Schedule A-1)			
15.	Credit for dependents. (From Schedule A-2)			
16.	Balance of net income taxable (item 12 minus items 13, 14, and 15)			\$
17.	Income tax (4% of item 16)			\$
18.	Less: Income tax paid at source on tax-free covenant bonds	\$		
19.	Income tax paid to a foreign country or United States possession. (Attach Form 1116)			
20.	Balance of tax (item 17 minus items 18 and 19)			\$

Schedule A.—EXPLANATION OF CREDITS CLAIMED IN ITEMS 14 AND 15. (See Instructions 14 and 15)

(1) Personal Exemption			(2) Credit for Dependents			
Status	Number of Months During Year in Each Status	Credit Claimed	Name of Dependent and Relationship	Number of Months During the Year		Credit Claimed
				Under 18 Years Old	Over 18 Years Old	
Single, or married and not living with husband or wife		\$				\$
Married and living with husband or wife						
Head of family (explain below)						
			Reason for support if over 18 years old			

Schedule B.—INCOME RECEIVED FROM OTHERS CONSISTING OF SALARIES, WAGES, FEES, AND OTHER COMPENSATION FOR PERSONAL SERVICES. (See Instruction 1)

1. Name and Address of Employer and Nature of Income	2. Amount	3. Expenses Paid (Itemize)	4. Amount
.....	\$	\$
.....
.....
Total column 2 minus total column 4 (enter as item 1, page 1)			\$

Schedule C.—CONTRIBUTIONS PAID. (See Instruction 7)

1. Name and Address of Organization	2. Amount
.....	\$
.....
.....

Schedule D.—INTEREST PAID. (See Instruction 8)

1. To Whom Paid	2. Amount
.....	\$
.....
.....

Schedule E.—TAXES PAID. (See Instruction 9)

1. Nature of Tax	2. Amount
.....	\$
.....
.....

Schedule F.—OTHER DEDUCTIONS. (See Instruction 10)

1. Description	2. Amount
.....	\$
.....
.....

Schedule G.—COMPUTATION OF EARNED INCOME CREDIT. (See Instruction 13)

1. If your net income is \$3,000 or less, use only this part of schedule		2. If your net income is more than \$3,000, use only this part of schedule	
Net income (item 12, page 1).....	\$	Earned net income (item 1, page 1) (not more than \$14,000).....	\$
Earned income credit (10% of net income, above).....	Net income (item 12, page 1).....
		Earned income credit (10% of earned net income or net income, above, whichever amount is smaller, but do not enter less than \$300).....

Schedule H.—NONTAXABLE INCOME. (See Instruction 6)

1. Obligations or Securities	2. Amount Owned at End of Year	3. Interest Received	4. Other Exempt Income (State nature)	5. Amount Received
.....	\$	\$	\$
.....
.....

QUESTIONS

- | | |
|---|---|
| <p>1. What is your occupation?</p> <p>2. Check whether you are a citizen <input type="checkbox"/> or a resident alien <input type="checkbox"/></p> <p>3. If you filed a return for 1937, to which Collector's office was it sent?</p> <p>.....</p> <p>.....</p> | <p>4. Are items of income or deductions of both husband and wife included in this return? (See Instruction A)</p> <p>5. State name of husband or wife if a separate return was made and the Collector's office to which it was sent:</p> <p>.....</p> |
|---|---|



1938 UNITED STATES INDIVIDUAL INCOME TAX RETURN 1938

INSTRUCTIONS FOR FORM 1040A

Taxpayers will find it helpful to read general instructions (A) to (H) before commencing to fill in their returns, and to read specific instructions in connection with filling in the items to which they refer.

(References are to the Revenue Act of 1938, unless otherwise noted)

GENERAL INSTRUCTIONS

(A) WHO MUST MAKE A RETURN

For each taxable year a return of income shall be made by each citizen of the United States, whether residing at home or abroad, and every individual residing within the United States though not a citizen thereof, whether or not he is the head of a family or has dependents—

(1) If single or married and not living with husband or wife for any part of the taxable year, and if—

(a) having for the taxable year a gross income (as defined in sections 22 and 116) of \$5,000 or over; or

(b) having for the taxable year a net income (as defined in section 21) of \$1,000 or over.

(2) If married and living with husband or wife for the entire taxable year, if no joint return is made, and if—

(a) having for the taxable year a net income of \$2,500 or over or a gross income of \$5,000 or over (regardless of the amount of the net income), and the other spouse has no gross income; or

(b) such individual and his or her spouse each has for the taxable year a gross income (regardless of the amount of the net income) and the aggregate net income of the two is \$2,500 or over; or

(c) such individual and his or her spouse each has for the taxable year a gross income (regardless of the amount of the net income) and the aggregate gross income is \$5,000 or over.

(3) If married and living with husband or wife for any part of the taxable year, but not at the close thereof, or if married and living with husband or wife at the close of the taxable year, but not during the entire taxable year, if no joint return is made, and if—

(a) having for the taxable year a net income equal to, or in excess of, the credit allowed him or her by section 25(b) (1) and (3) (computed without regard to any credit to which he or she may be entitled as the head of a family (see Specific Instructions 14 and 15)), or a gross income of \$5,000 or over (regardless of the amount of the net income) and the other spouse has no gross income; or

(b) such individual and his or her spouse each has for the taxable year a gross income (regardless of the amount of the net income), and the aggregate net income of the two is equal to, or in excess of, the credit allowed them by section 25(b) (1) and (3) (computed without regard to any credit to which either or both may be entitled as the head of a family (see Specific Instructions 14 and 15)); or

(c) such individual and his or her spouse each has for the taxable year a gross income (regardless of the amount of the net income), and their aggregate gross income is \$5,000 or over.

A husband and wife, if living together at the close of the taxable year, may elect to make a joint return, that is, to include in a single return made by them jointly the income and deductions of each, even though one has no gross income. In such a case, the tax shall be computed on the aggregate income and all deductions and credits to which either is entitled shall be taken from such aggregate income. The liability with respect to the tax shall be joint and several. If one spouse dies prior to the last day of the taxable year, the surviving spouse may not include the income of the deceased spouse in a joint return for such taxable year. A joint return may not be made if either the husband or wife is a nonresident alien.

Returns of income of decedents.—If the net income of a decedent to the date of his death was \$1,000 or over, if unmarried, or equal to or in excess of the credit allowed him by section 25(b) (1) and (3) (computed without regard to his status as the head of a family), if married and living with spouse, or if his gross income for the period was \$5,000 or over, the executor or administrator shall make a return for him on Form 1040 or 1040A. The return for a decedent shall include all items of income and deductions accrued up to the date of death regardless of the fact that the decedent may have kept his books on a cash basis or kept no books.

Returns for estates and trusts must be made on Form 1041.

(B) WHO MUST USE FORM 1040A

Form 1040A must be used by all individuals whose net income is not more than \$5,000, whose income is derived from salaries, wages, or other compensation received from others for personal services, dividends, interest, taxable income from annuities, and who make returns on the cash basis and for the calendar year.

NOTE.—Form 1040 and not Form 1040A must be used by individuals (1) whose net income exceeds \$5,000, or (2) who have any income other than that stated above, such as rents or gains from the sale of property, or (3) who make returns on an accrual basis, or (4) who make returns

for a fiscal year, or (5) who conduct a business or profession on their own account, or (6) who have any losses from the renting of or from the sale of property, including shares of stock, corporate bonds, and other corporate securities. Nonresident alien individuals are required to use Form 1040B or 1040NB.

(C) WHEN AND WHERE THE RETURN MUST BE FILED

The return must be sent to the collector of internal revenue for the district in which the taxpayer has his legal residence, so as to reach the collector's office on or before March 15, 1939. In case the taxpayer has no legal residence in the United States, the return should be forwarded to the Collector of Internal Revenue, Baltimore, Md.

(D) AFFIDAVIT

The affidavit must be executed by the person whose income is reported or by his legal representative or agent. The return may be made by an agent (1) if, by reason of illness, the person liable for the making of the return is unable to make it, or (2) if the taxpayer is unable to make the return by reason of continuous absence from the United States for a period of at least 60 days prior to the date prescribed by law for making the return. Whenever a return is made by an agent it must be accompanied by a power of attorney on Form 935, or, in the case of husband and wife, on Form 936 (copies of which may be obtained from any collector).

The oath or affirmation will be administered without charge by any collector, deputy collector, or internal revenue agent. If an internal revenue officer is not available, the return should be sworn to before a person authorized to administer oaths for general purposes by the law of the United States or of any State, Territory, or possession of the United States, or of the District of Columbia, wherein such oath or affirmation is administered, except an attorney or agent employed to represent the taxpayer before the Department in connection with his tax liability.

(E) WHEN AND TO WHOM THE TAX MUST BE PAID

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

The tax must be paid in full when the return is filed, or in four equal installments, as follows: The first installment on or before March 15, 1939; the second installment on or before June 15, 1939; the third installment on or before September 15, 1939; and the fourth installment on or before December 15, 1939.

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

(F) PENALTIES

The law imposes severe penalties for failing to make a return, or for making a false or fraudulent return. Penalties are also imposed for failing to file a return on time.

(G) ITEMS EXEMPT FROM TAX

All items of income received and claimed to be exempt from tax should be explained in Schedule H.

The following items are exempt from Federal income tax, except as indicated, and should not be included in gross income:

(a) Amounts received under a life insurance contract paid by reason of the death of the insured, whether in a single sum or in installments (but if such amounts are held by the insurer under an agreement to pay interest thereon, the interest payments shall be included in gross income);

(b) Amounts received (other than amounts paid by reason of the death of the insured and interest payments on such amounts and other than amounts received as annuities) under a life insurance or endowment contract, but if such amounts (when added to amounts received before the taxable year under such contract) exceed the aggregate premiums or consideration paid (whether or not paid during the taxable year), then the excess shall be reported in item 5;

(c) Gifts (not received as a consideration for service rendered) and money and property acquired by bequest, devise, or inheritance (but the income derived from such property is taxable and must be reported);

(d) Interest upon (1) the obligations of a State, Territory, or any political subdivision thereof, or the District of Columbia or United States possessions; or (2) obligations issued under the provisions of the Federal Farm Loan Act

or under such Act as amended; or (8) the obligations of the United States; or (4) obligations of instrumentalities of the United States (other than obligations issued under the Federal Farm Loan Act or under such Act as amended), such as Federal Farm Mortgage Corporation bonds, Home Owners' Loan Corporation bonds, etc. The interest on United States Savings Bonds and Treasury Bonds, owned in excess of \$5,000, and on obligations of instrumentalities of the United States (other than obligations issued under Federal Farm Loan Act or under such Act as amended) is subject to surtax if the surtax net income is over \$4,000;

(c) Dividends on share accounts in Federal savings and loan associations, etc., but such dividends are subject to surtax if the surtax net income is over \$4,000;

(f) Amounts received through accident or health insurance or under workmen's compensation acts, as compensation for personal injuries or sickness, plus the amount of any damages received, whether by suit or agreement on account of such injuries or sickness;

(g) The rental value of a dwelling house and appurtenances thereof furnished to a minister of the gospel as part of his compensation;

(h) Compensation paid by a State or political subdivision thereof to its

officers or employees for services rendered if such compensation is constitutionally exempt from Federal taxation;

(i) Pensions and compensation received by veterans from the United States and pensions received from the United States by the family of a veteran for services rendered by the veteran to the United States in time of war; and

(j) Amounts received as earned income from sources without the United States (except amounts paid by the United States or any agency thereof) by an individual citizen of the United States who is a bona fide nonresident for more than 6 months during the taxable year. The taxpayer in such a case may not deduct from his gross income any amount properly allocable to or chargeable against the amount so excluded from his gross income.

(H) STOCK OWNED IN FOREIGN PERSONAL HOLDING COMPANIES

If you owned stock at any time during the taxable year in a foreign personal holding company as defined in section 331, you must include in your return as a dividend the amount required to be included in your gross income by section 337. If you owned 5 percent or more in value of the outstanding stock of such company, set forth in an attached statement in complete detail the information required by section 337 (d).

SPECIFIC INSTRUCTIONS

The following instructions are numbered to correspond with item numbers on the first page of return:

1. **Salaries and other compensation for personal services.**—Enter as item 1 the total income received from others consisting of salaries, wages, fees, and other compensation for personal services, less ordinary and necessary expenses, as reported in Schedule B. Any amount claimed as a deduction for ordinary and necessary expenses against salaries, etc., such as traveling expenses while away from home in connection with your occupation, should be fully explained in Schedule B or in an attached statement. Traveling expenses ordinarily include expenditures for transportation, meals, and lodging. The expenses of a commuter in traveling to and from work are not deductible.

If a joint return, enter as separate items in Schedule B earnings of each spouse. Earnings of minor children should also be entered in Schedule B, if parent is legally entitled to such earnings.

2. **Dividends.**—Enter as item 2 the total of all taxable dividends received from domestic and foreign corporations. Enter in Schedule H all dividends received which are claimed to be nontaxable.

3. **Interest on bank deposits, etc.**—Enter as item 3 the total of all interest on bank deposits, notes, mortgages, etc. Interest on savings bank deposits is considered income to the depositor when credited, even though not entered on the pass book.

4. **Interest on corporation bonds.**—Enter as item 4 the total of all interest received on bonds, mortgages, and similar obligations of corporations. Include bond interest received upon which a 2 percent Federal income tax was paid at the source; such tax may be claimed as a credit in item 18 of the return.

5. **Income from annuities.**—Enter as item 5 amounts received as an annuity under an annuity or endowment contract to the extent of 3 percent of the aggregate premiums or consideration paid for such annuity. If the aggregate of the amounts received and excluded from gross income in years previous to the taxable year equals the aggregate premiums or consideration paid for such annuity, the entire amount received must be included in gross income.

6. **Total income.**—Enter as item 6 the total amount of items 1 to 5. Schedule H should be filled in if you received any nontaxable income or if you owned any of the obligations described in paragraph (d) of General Instruction (G).

DEDUCTIONS

7. **Contributions paid.**—Enter as item 7 the contributions or gifts reported in Schedule C, payment of which was made within the year to or for the use of:

(a) The United States, any State, Territory, or any political subdivision thereof, or the District of Columbia, for exclusively public purposes;

(b) A domestic corporation, or domestic trust, or domestic community chest, fund, or foundation, organized and operated exclusively for religious, charitable, scientific, literary, or educational purposes, or for the prevention of cruelty to children or animals, no part of the net earnings of which inures to the benefit of any private shareholder or individual, and no substantial part of the activities of which is carrying on propaganda, or otherwise attempting, to influence legislation;

(c) The special fund for vocational rehabilitation authorized by section 12 of the World War Veterans' Act, 1924;

(d) Posts or organizations of war veterans, or auxiliary units or societies of any such posts or organizations, if such posts, organizations, units, or societies are organized in the United States or any of its possessions, and if no part of their net earnings inures to the benefit of any private shareholder or individual; or

(e) A domestic fraternal society, order, or association, operating under the lodge system, but only if such contributions or gifts are to be used exclusively for religious, charitable, scientific, literary, or educational purposes, or for the prevention of cruelty to children or animals.

The total amount claimed shall not exceed 15 percent of your net income computed without the benefit of this deduction.

8. **Interest paid.**—Enter as item 8 the amount reported in Schedule D as interest paid on personal indebtedness. Do not include interest on indebtedness incurred or continued to purchase or carry obligations (other than obligations of the United States issued after September 24, 1917, and originally

subscribed for by the taxpayer) the interest upon which is wholly exempt from taxation.

9. **Taxes paid.**—Enter as item 9 the amounts reported in Schedule E as taxes imposed upon and paid by you during the year. Do not include sales taxes unless such taxes were directly imposed upon you by law. Do not include taxes assessed against local benefits of a kind tending to increase the value of the property assessed, nor Federal income taxes, nor estate, inheritance, legacy, succession, or gift taxes, nor taxes imposed upon your interest as a shareholder of a corporation which are paid by the corporation without reimbursement from you. Tax withheld or paid under section 801 of the Social Security Act for or in behalf of the employee is a Federal income tax and is not deductible by the employee. No deduction is allowable for any portion of foreign income taxes if a credit is claimed in item 19.

10. **Other deductions.**—Enter as item 10 the total amount itemized in Schedule F. In the case of loss by fire, storm, shipwreck, or other casualty, or from theft, set forth in Schedule F a description of the property, date acquired, cost, subsequent improvements, depreciation allowable since acquisition, insurance and salvage value, and deductible loss. In the case of bad debts (other than securities) ascertained to be worthless during the taxable year, state in Schedule F, (a) of what the debts consisted, (b) name and family relationship, if any, of the debtor, (c) when the debts were created, (d) when they became due, (e) what efforts were made to collect, and (f) how they were actually determined to be worthless. Losses from worthlessness of securities, including bonds and stocks, are considered as losses from the sale or exchange of securities. If you sustained such a loss, you should not make your return on Form 1040A but should use Form 1040 and report the loss in Schedule F. Losses from wagering transactions are allowable only to the extent of the gains during the year from such transactions.

No deduction is allowable for the amount of any item of expense or part thereof allocable to a class of exempt income, other than interest.

COMPUTATION OF TAX

13. **Earned income credit.**—Enter as item 13 the amount of earned income credit, as computed in Schedule G.

The earned income credit allowable to each spouse in a joint return is the same as is allowable to each spouse in separate returns; however, the earned income, earned income deductions, earned net income, and net income of each spouse must be shown separately in the joint return. For the purpose of determining the 10 percent limitation indicated in Schedule G there should be added to the net income shown as item 12 on page 1 the interest received by you, if any, on an aggregate in excess of \$5,000 principal amount of United States Savings Bonds and Treasury Bonds; and the interest on obligations of instrumentalities of the United States (other than obligations issued under the Federal Farm Loan Act, or under such Act as amended), and dividends on share accounts in Federal savings and loan associations, reported in Schedule H.

14, 15. **Personal exemption and credit for dependents.**—A single person, or a married person not living with husband or wife, is entitled to a personal exemption of \$1,000. A person who, during the entire year, was the head of a family or was married and living with husband or wife is entitled to an exemption of \$2,500. If husband and wife file separate returns, the personal exemption may be taken by either or divided between them.

A "head of a family" is an individual who actually supports and maintains in one household one or more individuals who are closely connected with him by blood relationship, relationship by marriage, or by adoption, and whose right to exercise family control and provide for these dependent individuals is based upon some moral or legal obligation.

In addition to the personal exemption, a credit of \$400 may be claimed for each person (other than husband and wife) under 18 years of age, or incapable of self-support because mentally or physically defective, who received his or her chief support from the taxpayer. This credit may be allowed only to the person who furnishes the chief support, and may not be divided between two individuals.

If the status of the taxpayer, insofar as it affects the personal exemption or credit for dependents, changes during the taxable year, the personal exemption and credit shall be apportioned in accordance with the number of months before and after such change. For the purpose of such apportionment a fractional part of a month shall be disregarded unless it amounts to more than half a month, in which case it shall be considered as a month. For example, if a child became 18 years of age on June 16, 1938, the taxpayer will be allowed a credit of \$200 for such dependent.