CAUTION.
Read all instructions.
Answer all questions.
If necessary, ask your Collector of Internal Revenue for assistance.

Form 1101.—UNITED STATES INTERNAL REVENUE.

INDIVIDUAL EXCESS PROFITS TAX RETURN FOR CALENDAR YEAR 1917.

TAX ON BUSINESS WITH INVESTED CAPITAL (INCLUDING FARMING).

Name ....

Business address ....

(Do not write in this space.)
RECEIVED

LIST.		
Month.	Page.	Line.

Audited by ....

Kind of business .... *Date established* ....

GENERAL INSTRUCTIONS.

1. Complete instructions.—For complete instructions concerning the filling of this form see Regulations No. 41 relative to the War Excess Profits Tax (referred to hereinafter as the Excess Profits Tax Regulations). Copies can be obtained from any collector of internal revenue.

2. Who must make a return on Form 1101.—Every individual employing invested capital in his trade or business and having a net income for 1917 of $6,000 or more must make a return on this form.

3. Income subject to tax.—Income derived from any trade, business, profession, or occupation is subject to excess profits tax. The following income is not subject to the tax and the capital from which such income is derived must not be included in invested capital:

(*a*) Gains or profits from transactions entered into for profit, but which are isolated, incidental, or so infrequent as not to constitute an occupation.

(*b*) Income from property arising merely from its ownership, including interest, rent, and similar income from investments, unless the management of such property or investments occupies a substantial part of the time and attention of the owner or his agent.

4. Tax to be computed on Form 1101.—The net income subject to excess profits tax falls into two classes. The first comprises all net income derived from a trade or business (including occupations and professions) having no invested capital or not more than a nominal capital. This class includes salaries, wages, and other income reported in Schedule A, Form 1040. The tax on such income should be computed and entered on Form 1040 according to the instructions thereon.

All other income subject to tax (see Instruction 3, above) should be entered on this form (see Schedule I) and the tax should be computed as directed herein.

5. Deductions.—Every citizen or resident of the United States is entitled to a specific deduction of $6,000 plus a percentage deduction of not less than 7 and not more than 9 per cent of his invested capital, depending upon the percentage or ratio of the average annual net income to the invested capital during the prewar period. Nonresident alien individuals are not entitled to the specific deduction of $6,000.

(*a*) In order to compute the percentage deduction the individual must report the net income and invested capital of his business for the prewar period (see Schedules I, II, A, and B). If the individual prefers he may compute the deduction at the rate of 7 per cent and avoid the necessity of making a return of income and invested capital for the prewar period; but the invested capital for 1917 must be ascertained and returned if possible.

(*b*) If the individual was not engaged in the trade or business during the whole of at least one of the calendar years 1911, 1912, and 1913 (designated as "the prewar period"), and the trade or business is not substantially a continuation of a trade or business in existence during the prewar period, the deduction shall be an amount equal to 8 per cent of the invested capital for the taxable year plus $6,000.

6. Determination of invested capital in 1917.—The invested capital for the year 1917 will, unless shown to the contrary, be the average of the invested capital (properly adjusted) at the beginning and end of that year (as reported in Schedule A or Schedule B). (See Articles 66–70 of the Excess Profits Tax Regulations.)

7. Invested capital and net income during the prewar period.—(*a*) It will be deemed to be a sufficient compliance with the law to report the invested capital at the beginning of 1911 (or at the commencement of the business if started after January 1, 1911) and at the close of 1913, and to take the average as the invested capital for the prewar period. (See Schedules II, A, and B.)

(*b*) The net income from business for each year of the prewar period should be determined in the same way as net income from business for 1917. (See Schedule I.)

8. Inability to determine invested capital or prewar income.—(*a*) If the business was in existence during the prewar period and you are unable to compute the average net income for the prewar period, or if there was no net income from the business during the prewar period, the tax should be computed in the first instance on the basis of a 7 per cent deduction, but you are entitled to file a claim for abatement. (See Article 23 of the Excess Profits Tax Regulations).

(*b*) If you are unable to determine the average invested capital for the prewar period, you should compute the tax on the basis of a 7 per cent deduction, but you may file a claim for final assessment under Section 210 (Article 52 of the Excess Profits Tax Regulations).

(*c*) If you are unable to determine the invested capital for 1917, you may submit a claim (with proper explanation) for assessment under Section 210 (Article 52 of the Excess Profits Tax Regulations).

SCHEDULE I.—NET INCOME SUBJECT TO TAX (see Excess Profits Tax Regulations, Art. 8).

ITEM.	1911	1912	1913	1917
1. Net income from business, except as entered on lines 2, 3, and 4 (reported for 1917 in Schedule B, Form 1040)	$	$	$	$
2. Net income from sales of property (reported for 1917 in Schedule C, Form 1040), exclusive of transactions entered into for profit, which are isolated, incidental, or so infrequent as not to constitute an occupation				
3. Net income from rents and royalties (reported for 1917 in Schedule D, Form 1040), if the management of the property really constitutes a trade or business				
4. Net income from investments (reported for 1917 in Schedules E, G, and H, Form 1040), if the management of such investments constitutes a trade or business (exclusive of income derived from partnerships)				
5. TOTAL	$	$	$	$
6. Average annual net income for prewar period (total for prewar period divided by number of years)				$

SCHEDULE II.—ADJUSTED CAPITAL (see Excess Profits Tax Regulations, Arts. 66–70).

ITEM.	For prewar period.	For taxable year.
1. Invested capital at beginning of period, as shown in Schedule A or Schedule B, page 2	$	$
2. Invested capital at end of period, as shown in Schedule A or Schedule B, page 2		
3. TOTAL		
4. AVERAGE (half of Item 3)	$	$

SCHEDULE III.—DEDUCTION (see Excess Profits Tax Regulations, Arts. 21-24).

1. Percentage—average net income for prewar period to average invested capital for prewar period (Item 6, Schedule I, divided by Item 4, column for prewar period, Schedule II—carry out result as far as desired, but drop the remainder, if any, without increasing the last figure of the percentage)	%
2. Percentage to be used in computing deduction (see Instruction 5, above)	%
3. Deduction equal to above percentage of average invested capital for taxable year (see Item 4, last column, Schedule II, above)	$
4. Specific deduction (except for nonresident aliens)	6 000 00
5. TOTAL DEDUCTION	$

SCHEDULE IV.—COMPUTATION OF TAX (see Excess Profits Tax Regulations, Arts. 16-17).

CLASSES OF INCOME FOR COMPUTATION OF TAX. Over—	But not over—	Amount of income in each class.	Deduction (if in excess of 15 per cent of invested capital, enter only 15 per cent on first line and balance on line or lines below).	Balance subject to tax.	Rate.	AMOUNT OF TAX.
1	2	3	4	5	6	7
$0.00	15% of invested capital	$	$	$	20%	$
15% of invested capital	20% of invested capital				25%	
20% of invested capital	25% of invested capital				35%	
25% of invested capital	33% of invested capital				45%	
33% of invested capital					60%	
TOTAL		$	$	$	x x	$

1. Were you engaged in this business during the whole of any one calendar year during the prewar period from January 1, 1911, to December 31, 1913? ....

2. If not, and if the business is substantially a continuation of a business carried on during the prewar period, give name and address of predecessor:

....

3. Enter on the following line the name and address of a representative individual or concern in your locality engaged in the same kind of business as yourself:

....

AFFIDAVIT.

I swear (or affirm) that this return, including all accompanying statements, is to the best of my knowledge and belief a true and complete return made in good faith pursuant to the Excess Profits Tax Regulations.

Subscribed and sworn to before me this .... day of ...., 1918.

....
(Signature.)

[SEAL.] .... (Name of officer administering oath.) .... (Official capacity.)

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SCHEDULE A.—INVESTED CAPITAL (ADJUSTED) AT BEGINNING AND END OF TAXABLE YEAR AND PREWAR PERIOD.

(For taxpayers whose books show the capital invested in their business.)

For full instructions regarding adjustments to be made in your capital account, see Articles 66-70 of the Excess Profits Tax Regulations. The numbers of the questions below refer to the corresponding items in Schedule A.

5. Have you made adequate charges to expense accounts for depreciation (wear and tear)?..............; obsolescence?..............; depletion of mineral deposits, etc.? ....; losses of every kind?.................. If not, the amount that should have been charged off must be computed and entered as Item 5, Schedule A.

6. Is any asset entered on your books at a value higher than (*a*) its cost?....................; (*b*) in case of tangible property put into the business, its actual cash value January 1, 1914, or at the time when put in, if after that date?............................ If (*a*) or (*b*) is answered "Yes," state the amount of the increase, $................ This increase must be entered as Item 6, Schedule A, for the taxable year. A similar adjustment should be made for the prewar period except that the provision regarding the value of tangible property on January 1, 1914, should be ignored.

7. Do you *use in your business* any stocks, bonds, or other assets (except obligations of the United States) the income from which is not taxable under the Excess Profits Tax Law? .... If so, how much? $.............. Have you included any part of this amount as invested capital under Articles 45 and 46, Excess Profits Tax Regulations? .... If so, how much? $.................... If the remainder of such tax-free assets exceeds the total liabilities of your business, the excess must be entered as Item 7, Schedule A.

If you use this schedule (Schedule A), attach securely to this return a copy of your balance sheet as of each date for which entries are made in the columns below.

ITEM.	December 31, 1910.	December 31, 1913.	December 31, 1916.	December 31, 1917.
1. Capital as shown by books	$	$	$	$
Adjustments by way of additions:				
2.				
3.				
4. TOTAL OF ITEMS 1, 2, AND 3				
Adjustments by way of deductions:				
5. Depreciation, depletion, etc.				
6. Appreciation				
7. Excess of inadmissible assets (defined in paragraph *g*, Schedule B) over liabilities				
8.				
9. TOTAL DEDUCTIONS				
10. INVESTED CAPITAL (ADJUSTED) (Item 4 minus Item 9)	$	$	$	$

SCHEDULE B.—INVESTED CAPITAL (ADJUSTED) AT BEGINNING AND END OF TAXABLE YEAR AND PREWAR PERIOD.

(For taxpayers whose books do not show the capital invested in their business.)

All property used in the business must be valued at cost less depreciation, depletion, etc., except tangible property put into the business by the owner, which must be valued as of January 1, 1914, or at the time when put in, if after that date.

Distinguish the following classes of assets and describe assets of each class as directed:

(*a*) **Land and improvements.**—State kind of land, as mining land, timber land, farm land, or improved city real estate. State use of buildings and materials of which constructed, as brick dwelling or steel-frame office building.

(*b*) **Machinery and other equipment.**—State kind, as heavy machinery or office furniture.

(*c*) **Patents and copyrights.**—Give a list showing serial number, date of issue, name of patentee, and present value of each patent or copyright. Enter in column 2 only the amount of cash paid *specifically* for assets of this class as such, or the cash value of tangible property so paid. If such assets were paid for with tangible property, state the nature of such property and how its value was determined. Charge off for depreciation such part of the cost as the number of years that have elapsed since the acquisition of the patent or copyright forms of the number of years it had to run from the date of acquisition.

(*d*) **Good will, trade-marks and brands, and other similar intangible assets.**—Enter in column 2 only the amount of cash paid *specifically* for assets of this class as such, or the cash value of tangible property so paid. If such assets were paid for with tangible property, state the nature of such property and how its value was determined.

(*e*) **Obligations of the United States.**

(*f*) **Stocks, bonds, and other assets (except obligations of the United States), the income from which is taxable—if used in the business.**

(*g*) **Stocks, bonds, and other assets (except obligations of the United States), the income from which is not taxable.** These are *inadmissible assets*. **Enter amount in column 2 only.**

(*h*) **Notes and accounts receivable.**

(*i*) **Inventories.**—Describe goods briefly, as dry goods, or hardware. State whether inventories are valued (*a*) at cost or (*b*) at cost or market value, whichever is lower.

(*j*) **Cash.**

Do not include in the cost of any asset any amount which was claimed as a deduction in your income tax return for the year in which the asset was purchased.

If you wish to compute your invested capital for the prewar period by this method, attach to this return a statement in the form of Schedule B for the beginning and the end of the prewar period.

(If space is insufficient for entry of all items, make additional entries on a separate sheet and attach it securely to this return.)

Kind of assets held. (Classify and describe as directed above, and in case of buildings, equipment, and other property subject to depreciation, give year in which acquired. Enter amount of inventories, notes and accounts receivable, cash, etc., in columns 5 and 6 only.	COST. (Except for tangible property put into the business.)	Total depreciation, depletion, etc., to December 31, 1916. Rate.	Total depreciation, depletion, etc., to December 31, 1916. Amount.	December 31, 1916.	December 31, 1917.
1	2	3	4	5	6
1	$		$	$	$
2					
3					
4					
5					
6					
7					
8					
9					
10					
11					
12					
13					
14					
15					
16					
17					
18					
19					
20					
21 TOTAL ADMISSIBLE ASSETS	$		$		
22 The above total of admissible assets (line 21) must be reduced by the amount of liabilities, except such part of the liabilities as is offset by inadmissible assets (see paragraph *g* above). Accordingly enter on the lines below the liabilities of the business; from the total of such liabilities deduct (on line 27) the inadmissible assets; and deduct the remainder (line 28) from the total admissible assets (line 21):					
23 Liabilities of the business (describe)					
24					
25					
26 TOTAL LIABILITIES OF THE BUSINESS					
27 Less inadmissible assets (defined in paragraph *g* above)					
28 Balance of liabilities (Item 26 less Item 27. If Item 27 exceeds Item 26, make no deduction)					
29 INVESTED CAPITAL (ADJUSTED) (Item 21 less Item 28)				$	$