Form 1120
U. S. Internal Revenue

(Auditor's Stamp)

CORPORATION INCOME TAX RETURN

For Calendar Year 1923

File This Return With the Collector of Internal Revenue for Your District on or Before March 15, 1924

Page 1 of Return
(DO NOT WRITE IN THESE SPACES)

SERIAL NUMBER ....

FILE CODE ....

FIRST PAYMENT

$ ....

Examined by ....

(Cashier's Stamp)

Cash Check M. O. Cert. of Ind.

PRINT PLAINLY CORPORATION'S NAME AND BUSINESS ADDRESS

.... (Name.)

.... (Street and Number.)

.... (Post office and State.)

Date of Incorporation ....

Under the Laws of What State or Country ....

KIND OF BUSINESS .... IS THIS A CONSOLIDATED RETURN? ....

Item and Instruction No.	GROSS INCOME			
1.	Gross Sales from Trading or Manufacturing, Less Returns and Allowances		$	
2.	Less Cost of Goods Sold:			
	(a) Inventory at beginning of year	$		
	(b) Merchandise bought for sale			
	(c) Cost of manufacturing or otherwise producing goods (From Schedule A)			
	(d) Total of lines (a), (b), and (c)	$		
	(e) Less inventory at end of year			
3.	Gross Profit from Trading or Manufacturing (Item 1 minus Item 2)		$	
4.	Gross Profit from Operations Other Than Trading or Manufacturing. (State source of income):			
	(a)			
	(b)			
	(c)			
5.	Interest on Bank Deposits, Notes, Mortgages, and Corporation Bonds			
6.	Rents			
7.	Royalties			
8.	Profit from Sale of Real Estate, Stocks, Bonds, and other Capital Assets (From Schedule B)			
9.	Dividends on Stock of Domestic Corporations			
10.	Other Income (including dividends received on stock of foreign corporations). (State nature of income):			
	(a)			
	(b)			
	(c)			
11.	Total Income in Items 3 to 10			$
	DEDUCTIONS			
12.	Compensation of Officers (From Schedule C)		$	
13.	Rent on Business Property			
14.	Repairs (From Schedule D)			
15.	Interest			
16.	Taxes (From Schedule E)			
17.	Losses by Fire, Storm, etc. (From Schedule F)			
18.	Bad Debts (From Schedule G)			
19.	Dividends (From Schedule H)			
20.	Depreciation (resulting from exhaustion, wear and tear, or obsolescence) (From Schedule I)			
21.	Amortization of War Facilities			
22.	Depletion of Mines, Oil and Gas Wells, Timber, etc			
23.	Other Deductions Not Reported Above. (Explain below, or on separate sheet):			
	(a)			
	(b)			
	(c)			
	(d)			
	(e)			
24.	Total Deductions in Items 12 to 23			$
25.	Net Income (Item 11 minus Item 24)			$

COMPUTATION OF TAX

26.	Net Income (Item 25 above)	$	29. Income Tax (12½% of Item 28)	$
27.	Less Credit of $2,000 (for a domestic corporation having a net income of less than $25,250)		30. If the Net Income of a Domestic Corporation is Less Than $25,250, Enter the Amount in Excess of $25,000	
28.	Balance (Item 26 minus Item 27)	$	31. Total Tax (Item 29 plus Item 30)	$

32.	Less: Income Tax Paid at Source (This credit can only be allowed to a nonresident foreign corporation)	$	
33.	Income and Profits Taxes Paid to a Foreign Country or to a Possession of the United States by a domestic corporation		
34.	Balance of Tax (Item 31 minus Items 32 and 33)		$

An amended return must be marked "Amended" at top of return

Checks and drafts will be accepted only if payable at par

2—12960

SCHEDULE A.—COST OF MANUFACTURING OR PRODUCING GOODS. (See Instruction 2.)

Items.	Amount.	Items.	Amount. (Enter as Item 2 (c).)
	$		$

SCHEDULE B.—PROFIT FROM SALE OF REAL ESTATE, STOCKS, BONDS, ETC. (See Instruction 8.)

1. Kind of Property.	2. Date Acquired.	3. Amount Received.	4. Depreciation.	5. Cost.	6. Value March 1, 1913.	7. Subsequent Improvements.	8. Net Profit. (Enter as Item 8.)
		$	$	$	$	$	$

Remarks

SCHEDULE C.—COMPENSATION OF OFFICERS. (See Instruction 12.)

1. Name of Officer.	2. Official Title.	3. Time Devoted to Business.	Shares of Stock Owned.		6. Amount of Compensation. (Enter as Item 12.)
			4. Common.	5. Preferred.	
					$

SCHEDULE D.—COST OF REPAIRS. (See Instruction 14.)

1. Items.	2. Amount. (Enter as Item 14.)
	$

SCHEDULE E.—TAXES PAID. (See Instruction 16.)

1. Items.	2. Amount. (Enter as Item 16.)
	$

SCHEDULE F.—EXPLANATION OF LOSSES BY FIRE, STORM, ETC. (See Instruction 17.)

1. Kind of Property.	2. Date Acquired.	3. Cost, or Value March 1, 1913.	4. Subsequent Improvements.	5. Depreciation.	6. Insurance.	7. Salvage Value.	8. Net Loss. (Enter as Item 17.)
		$	$	$	$	$	$

Remarks

SCHEDULE G.—BAD DEBTS. (See Instruction 18.)

1. Year.	2. Sales on Account.	3. Bad Debts.
1918	$	$
1919		
1920		
1921		
1922		

SCHEDULE H.—DIVIDENDS DEDUCTIBLE. (See Instruction 19.)

1. Name of Corporation.	Amount of Dividends.	
	2. Domestic.	3. Foreign.
	$	$

SCHEDULE I.—EXPLANATION OF DEDUCTION FOR DEPRECIATION. (See Instruction 20.)

1. Kind of Property. (If buildings, state material of which constructed.)	2. Date Acquired.	3. Age When Acquired.	4. Probable Life After Acquirement.	5. Cost, or Value March 1, 1913.	Amount of Depreciation Charged Off.	
					This year.	Previous years.
				$	$	$

Attach a separate sheet if any of the above schedules do not provide sufficient space.

SCHEDULE K.—BALANCE SHEETS. (See Instruction 26.)

Items.	Beginning of Taxable Period. Amount.	Beginning of Taxable Period. Total.	End of Taxable Period. Amount.	End of Taxable Period. Total.
ASSETS.				
1. Cash		$		$
2. Notes receivable				
3. Accounts receivable	$		$	
Less reserve for bad debts				
4. Inventories:				
Raw materials	$		$	
Work in process				
Finished goods				
Supplies				
5. Investments (describe fully):				
	$		$	
6. Loans (describe fully):				
	$		$	
7. Deferred charges:				
Prepaid insurance	$		$	
Prepaid taxes				
8. Capital assets:				
Land				
Buildings	$		$	
Machinery and equipment				
Furniture and fixtures				
Delivery equipment				
	$		$	
Less reserves for depreciation and depletion				
9. Patents				
10. Good will				
11. Other assets (describe fully):				
	$		$	
12. Total Assets		$		$
LIABILITIES.				
13. Notes payable		$		$
14. Accounts payable				
15. Accrued expenses (describe fully):				
	$		$	
16. Other liabilities (describe fully):				
	$		$	
17. Capital stock:				
Preferred stock (less stock in treasury)	$		$	
Common stock (less stock in treasury)				
18. Surplus	$		$	
19. Undivided profits				
20. Total Liabilities		$		$

Remarks

SCHEDULE L—RECONCILIATION OF NET INCOME AND ANALYSIS OF CHANGES IN SURPLUS.

1. Net income from Item 25, page 1 of the return $
2. Nontaxable income:
   (a) Interest on obligations of the United States and its possessions
   (b) Interest on obligations of States, Territories, and political subdivisions thereof
   (c) Interest on Farm Loan Bonds issued under Federal Farm Loan Act
   (d) Dividends deductible under Section 234(a) 6 of the Revenue Act of 1921
   (e) Proceeds of life insurance policies paid upon the death of the insured
   (f) Other items of nontaxable income (to be detailed):
   (1)
   (2)
   (3)
3. Charges against reserves for bad debts, if Item 18, page 1 of return, is not an addition to a reserve
4. Charges against reserves for contingencies, etc. (to be detailed):
   (a)
   (b)
   (c)
5. Total of Lines 1 to 4, inclusive $
6. Total from Line 14
7. Net profit for year as shown by books, before any adjustments are made therein (Line 5 minus Line 6) $
8. Surplus and undivided profits as shown by balance sheet at close of preceding taxable period
9. Other credits to surplus (to be detailed):
   (a)
   (b)
   (c)
10. Total of Lines 7 to 9, inclusive $
11. Total from Line 17
12. Surplus and undivided profits as shown by balance sheet at close of taxable period (Line 10 minus Line 11) $

13. Unallowable deductions:
    (a) Donations, gratuities, and contributions $
    (b) Income and profits taxes paid to the United States, and so much of such taxes paid to its possessions or foreign countries as are claimed as a credit in Item 33, page 1 of the return
    (c) Special improvement taxes tending to increase the value of the property assessed
    (d) Furniture and fixtures, additions, or betterments treated as expenses on the books
    (e) Replacements and renewals
    (f) Insurance premiums paid on the life of any officer or employee where the corporation is directly or indirectly a beneficiary
    (g) Interest on indebtedness incurred or continued to purchase or carry obligations or securities (except Victory 3¾% notes, originally subscribed for by the corporation), the interest upon which is wholly exempt from taxation
    (h) Additions to reserves for bad debts which are not included in Item 18, page 1 of return
    (i) Additions to sinking fund reserve, and reserves for bad debts and other contingencies (to be detailed):
    (1)
    (2)
    (3)
    (j) Other unallowable deductions (to be detailed):
    (1)
    (2)
    (3)
14. Total of Line 13 $
15. Dividends paid during the taxable period (state whether paid in cash, stock of this company, or other property):
    (a) Date paid ______ Character ______ $
    (b) Date paid ______ Character ______
    (c) Date paid ______ Character ______
    (d) Date paid ______ Character ______
16. Other debits to surplus (to be detailed):
    (a)
    (b)
    (c)
17. Total of Lines 15 and 16 $

QUESTIONS.

KIND OF BUSINESS.

1. By means of the key letters given below, identify the corporation's main income-producing activity with one of the general classes, and follow this by a special description of the business sufficient to give the information called for under each general class.

A.—Agriculture and related industries, including fishing, logging, ice harvesting, etc., and also the leasing of such property. State the product or products. **B.**—Mining and quarrying, including gas and oil wells, and also the leasing of such property. State the product or products. **C.**—Manufacturing. State the product and also the material if not implied by the name of the product. **D.**—Construction—excavations, buildings, bridges, railroads, ships, etc., also equipping and installing same with systems, devices, or machinery, without their manufacture. State nature of structures built, materials used, or kind of installations. **E1.**—Transportation—rail, water, local, etc. State the kind and special product transported, if any. **E2.**—Public utilities—gas (natural, coal, or water); electric light or power (hydro or steam generated); heating (steam or hot water); telephone; waterworks or power. **E3.**—Storage—without trading or profit from sales—(elevators, warehouses, stockyards, etc.). State product stored. **E4.**—Leasing transportation or utilities. State kind of property. **F.**—Trading in goods bought and not produced by the trading concern. State manner of trade, whether wholesale, retail, or commission, and product handled. Sales with storage with profit primarily from sales. **G.**—Service—domestic, including hotels, restaurants, etc.; amusements; other professional, personal, or technical service. State the service. **H.**—Finance, including banking, real estate, insurance. **I.**—Concerns not falling in above classes (a) because of combining several of them with no predominant business, or (b) for other reasons.

2. Concerns whose business involves activity falling in two or more of the above general classes, where the *same product* is concerned, should report business as identified with but one of the above general classes; for example, concerns in A or B which also transport and market their own product exclusively or mainly, should still be identified with classes A or B; concerns in C (manufacturing) which own or control their source of material supply in A or B and which also transport, sell, or install their own product exclusively or mainly, should be identified with manufacturing; concerns in D may control or own source of supply of materials used exclusively or mainly in their constructive work; concerns in E1 or E2 may own or control the source of their material or power; concerns in F may transport or store their own merchandise, but its production would identify them with A, B, or C.

3. Answers:
   (a) General class (use key letter designation) ______
   (b) Main income-producing business (give specifically the information called for under each key letter, also whether acting as principal, or as agent on commission; state if inactive or in liquidation) ______

AFFILIATIONS WITH OTHER CORPORATIONS.
(TO BE ANSWERED BY EVERY CORPORATION.)

4. Does the corporation own directly or control through closely affiliated interests or by a nominee or nominees over 70 per cent of the outstanding voting capital stock of another corporation or of other corporations? ______

5. Is over 70 per cent of your outstanding voting capital stock owned by another corporation or by two or more corporations that are affiliated? ______

6. Is over 70 per cent of your outstanding voting capital stock as well as over 70 per cent of the outstanding voting capital stock of another corporation or of other corporations owned or controlled by the same individual or partnership or by the same individuals or partnerships? ______

7. If the answer to questions 4, 5, and 6, or to any of them, is "yes," answer the following:

(a) Did the corporation file Affiliated Corporations Questionnaire, Form 819, for 1917 or subsequent taxable years? ______ If the answer to this question is "yes," a questionnaire is not required, except under the circumstances described in question (b). If the answer to this question is "no," and the answer to questions 4, 5, and 6, or to any of them, is "yes," procure from the Collector of Internal Revenue for your district, Forms 851, 852, and 853, Affiliations Schedules 1, 2, and 3, which shall be filled in and filed as a part of this return. If the answer to this question is "no," question (b) need not be answered.

(b) Did substantially the same conditions, as are set out in the questionnaire filed for 1922 or prior years, obtain during the entire calendar year ended in 1923? ______ If the answer to this question is "no," a statement, setting forth the particulars in which the situation has changed, should be attached to and made a part of this return. If there have been substantial changes in stockholdings, a complete schedule of such changes should be submitted on Form 853, Affiliations Schedule 3. If there are companies other than those covered by the questionnaire for 1922 or prior years which, applying the tests contained in questions 4, 5, or 6, may have come into the affiliated group since 1922, Forms 851, 852, and 853 are required for the entire group for the taxable period.

(c) Did the corporation elect to file a consolidated return for this and subsequent years? ______

(d) Did the corporation file a consolidated return for the preceding taxable period? ______ If the answer is "yes," when did such taxable period begin? ______

PREDECESSOR BUSINESS.

8. Did the corporation file a return under the same name for the preceding taxable period? ______ If not, was the corporation in any way an outgrowth, result, continuation, or reorganization of a business or businesses in existence during this or the preceding taxable period? ______ If answer is "yes," give name and address of each predecessor business.

BASIS OF RETURN.

9. Is this return made on the basis of actual receipts and disbursements? ______

If not, describe fully what other basis or method was used in computing net income? ______

AMORTIZATION.

10. Has amortization been claimed? ______ If the answer to this question is "yes," state for what year or years and the amount for each year ______

LIST OF ATTACHED SCHEDULES.

11. Enter below a list of all schedules accompanying this return, giving for each a brief title and the schedule number.

AFFIDAVIT.

We, the undersigned, president and treasurer of the corporation for which this return is made, being severally duly sworn, each for himself deposes and says that this return, including the accompanying schedules and statements, has been examined by him and is, to the best of his knowledge and belief, a true and complete return made in good faith, for the taxable period as stated, pursuant to the Revenue Act of 1921 and the Regulations issued under authority thereof.

Sworn to and subscribed before me this ______ day of ______, 1924.

______ *President.*

SEAL.

______ (Signature of officer administering oath.), ______ (Title.)

______ *Treasurer.*

GOVERNMENT PRINTING OFFICE

2—12960

INSTRUCTIONS

The Instructions Numbered 1 to 25 on this Page Correspond with the Item Numbers on Page 1 of the Return

GROSS INCOME AND DEDUCTIONS.

1. **Gross sales.**—If engaged in trading or manufacturing, enter as Item 1 on page 1 of the return, the gross sales, less goods returned and any allowances or discounts from the sale price.

Railroad corporations, banks, insurance companies, and other corporations required to submit statements of income and expenses to any national, State, municipal, or other public officer may submit with the return a statement of income and expenses in the form in which submitted to such officer, in lieu of furnishing the information requested in Items 1 to 24 of the return. In such cases the taxable net income will be reconciled by means of Schedule L with the net profit shown by the income and expense statement submitted, and should be entered as Item 25 on page 1 of the return.

2. **Cost of goods sold.**—Enter as Item 2 the information requested on lines (*a*) to (*e*), and list in Schedule A, on page 2 of the return, the principal items of cost included in the amount entered on line (*c*), the minor items to be grouped in one amount.

If the production, purchase, or sale of merchandise is an income-producing factor in the trade or business, secure from the Collector of Internal Revenue and file as a part of this return a *Certificate of Inventory, Form 1126*. Enter on lines (*a*) and (*e*) under Item 2, immediately before the amount column, the letters "C," or "C or M," to indicate that the inventories are valued at either cost, or cost or market, whichever is the lower. In case the inventories reported on the return do not agree with those shown on the balance sheet, attach a statement explaining how the difference occurred.

3. **Gross profit.**—Enter as Item 3 the gross profit from trading or manufacturing, which is obtained by deducting Item 2, the cost of goods sold, from Item 1, the gross sales.

4. **Gross profit from other operations.**—Enter as Item 4 the gross profit from operations other than trading or manufacturing, stating in the space provided, the nature and amount of the principal items; the minor items should be grouped in one amount.

5. **Interest on bank deposits, etc.**—Enter as Item 5 all interest received or credited to the corporation during the taxable period on bank deposits, notes, mortgages, and corporation bonds.

6. **Rent.**—Enter as Item 6 the gross amount received for the rent of property. Any deductions claimed for repairs, interest, taxes, and depreciation should be reported in Items 14, 15, 16, and 20, respectively.

7. **Royalties.**—Enter as Item 7 the gross amount received as royalties. If a deduction is claimed for depletion, it should be reported as Item 22.

8. **Profit from sale of capital assets.**—Enter as Item 8 the net profit (or loss) from the sale of real estate, stocks, bonds, and other capital assets.

Describe the property briefly in Schedule B, and state the actual consideration or price received, or the fair market value of the property received in exchange. Expenses connected with the sale, such as commissions paid agents, may be deducted in computing the amount received.

Enter the original cost of the property, and if it was acquired in any manner prior to March 1, 1913, the fair market value on that date. Attach statement explaining how value at March 1, 1913, was determined. Expenses incidental to the purchase may be included in the cost if never deducted from income.

Enter as depreciation the amount of wear and tear and obsolescence, or depletion sustained and allowable as a deduction since March 1, 1913, or since date of acquisition, if subsequent to March 1, 1913. In computing the taxable gain or deductible loss on property acquired prior to March 1, 1913, see Article 1561 of Regulations 62.

Subsequent improvements include expenditures for additions, improvements, and repairs made to restore the property or prolong its useful life. Do not deduct ordinary repairs, interest, or taxes in computing profit or loss.

In the case of sales of stocks and bonds, no deductions should be taken in columns 4 and 7 for "Depreciation" and "Subsequent improvements."

If property is compulsorily or involuntarily converted into cash or its equivalent as a result of (*a*) its destruction in whole or in part, (*b*) theft or seizure, or (*c*) an exercise of the power of requisition or condemnation, or the threat or imminence thereof; and if the taxpayer proceeds forthwith in good faith, under regulations prescribed by the Commissioner with the approval of the Secretary, to expend the proceeds of such conversion in the acquisition of other property of a character similar or related in service or use to the property so converted, or in the acquisition of 80 per cent or more of the stock or shares of a corporation owning such other property, or in the establishment of a replacement fund, then there shall be allowed as a deduction such portion of the gain derived as the portion of the proceeds so expended bears to the entire proceeds. The gross receipts and deductions claimed should be included in this schedule.

If the net result to be entered in Item 8 is a deductible loss, indicate the deficit by using red ink or a minus sign. (See Sections 202, 234(*a*) 4, and 234(*a*) 14 of the Revenue Act of 1921, as amended March 4, 1923.)

9. **Dividends.**—Enter as Item 9 the amount received as dividends (*a*) from a domestic corporation other than a corporation entitled to the benefits of Section 262 of the Revenue Act of 1921 and other than a corporation organized under the China Trade Act of 1922, or (*b*) from a foreign corporation when it is shown to the satisfaction of the Commissioner that more than 50 per cent of the gross income of such foreign corporation for the three-year period ending with the close of its taxable year preceding the declaration of such dividends (or for such part of such period as the corporation has been in existence) was derived from sources within the United States as defined under Section 217 of the Act.

10. **Other income.**—Enter as Item 10 all other taxable income for which no place is provided on the return, together with any dividends specifically excluded from Item 9.

11. **Total income.**—Enter the net amount of Items 3 to 10, inclusive, after deducting any losses reported in Items 3, 4, and 8.

12. **Compensation of officers.**—Enter as Item 12 the compensation of all officers, in whatever form paid, and fill in Schedule C, giving the information requested.

13. **Rent.**—Enter as Item 13 rent paid for business property in which the corporation has no equity.

14. **Repairs.**—Enter as Item 14 the cost of incidental repairs, including the labor, supplies, and other items which do not add to the value or appreciably prolong the life of property. Expenditures for new buildings, machinery, equipment, or for permanent improvements or betterments which increase the value of the property are chargeable to capital account. Expenditures for restoring or replacing property are not deductible, as such expenditures are chargeable to capital account or to depreciation reserve, depending on the treatment of depreciation on the books of the corporation.

List in Schedule D the principal items of cost, grouping the minor items in one amount.

15. **Interest.**—Enter as Item 15 interest paid on business indebtedness. Do not include interest on indebtedness incurred or continued for the purchase of bonds and other obligation, the interest upon which is wholly exempt from tax, except interest on indebtedness incurred to purchase or carry Victory Liberty Loan 3¾% Notes which were originally subscribed for by the corporation.

16. **Taxes.**—Enter as Item 16 taxes paid or accrued during the taxable period. Do not include Federal income and profits taxes, the amount claimed as a credit in Item 33, and taxes against local benefits tending to increase the value of the property assessed. List in Schedule E, each class of taxes deducted.

17. **Losses by fire, storm, etc.**—Enter as Item 17 the net loss arising from fire, storm, shipwreck, or other casualty, or from theft, and not compensated for by insurance or otherwise. Explain losses claimed in Schedule F. State original cost of property, or if acquired prior to March 1, 1913, its fair market value on that date.

18. **Bad debts.**—Enter as Item 18 debts, or portions thereof, arising from sales or services that have been reflected in income, which have been definitely ascertained to be worthless and have been charged off within the year, or such reasonable amount as has been added to a reserve for bad debts within the year.

If the debts are included in the deduction claimed, submit a schedule showing the amounts charged off, and state how each was determined to be worthless.

If the amount deducted is an addition to a reserve, Schedule G should be filled in giving the information requested.

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

19. **Dividends.**—Enter as Item 19 the dividends described in Instruction 9 which were reported as income in Item 9.

Describe in Schedule H any dividends claimed as a deduction.

20. **Depreciation.**—The amount deductible on account of depreciation in Item 20, is an amount fairly measuring the portion of the investment in depreciable property by reason of exhaustion, wear and tear, and obsolescence, which is properly chargeable against the operations of the year. Such amount should be determined upon the basis of the original cost (not replacement cost) of the property, or if acquired prior to March 1, 1913, the fair market value on that date, and the probable number of years remaining of its useful life. The capital sum to be replaced should be charged off over the useful life of the property either in equal annual installments or in accordance with any other recognized trade practice, such as an apportionment over units of production. Whatever plan or method of apportionment is adopted must be reasonable and must have due regard to operating conditions during the taxable period. The method adopted should be described in the return. Stocks, bonds, and like securities are not subject to exhaustion, wear and tear within the meaning of the law.

If a deduction is claimed on account of depreciation, Schedule I shall be filled in, and the total amount claimed therein should correspond with the figures reflected in the balance sheet. In case obsolescence is included, state separately amount claimed and basis upon which it is computed. Land values must not be included in this schedule.

21. **Amortization.**—In case a deduction is claimed on account of amortization, a schedule should be submitted containing the information called for in Guide Form 1007M, which explains in detail the manner in which a claim of this nature should be presented. A copy of this form may be obtained from the Commissioner. (See Section 234(*a*) 8 of the Revenue Act of 1921).

22. **Depletion.**—If a deduction is claimed on account of depletion, secure from the collector Form D (minerals), Form E (coal), Form F (miscellaneous nonmetals), Form O (oil and gas), or Form T (timber), fill in and file with return. If complete valuation data have been filed with questionnaire in previous years, then file with this return information necessary to bring your depletion schedule up to date, setting forth in full statement of all transactions bearing on deductions or additions to value of physical assets with explanation of how depletion deduction for taxable period has been determined.

23. **Other deductions.**—Enter any other authorized deductions for which no place is provided on the return.

24. **Total income.**—Enter the total of Items 12 to 23, inclusive.

25. **Net income.**—Enter as Item 25 the net income, which is obtained by deducting Item 24 from Item 11.

BALANCE SHEETS.

26. The balance sheets on page 3 of the return, Schedule K, should be prepared from the books and should agree therewith, or any differences should be reconciled. The balance sheets for a consolidated return should be furnished in accordance with Instruction 41. All corporations engaged in an interstate and intrastate trade or business and reporting to the Interstate Commerce Commission and to any national, State, municipal, or other public officer, may submit, in lieu of Schedule K, copies of their balance sheets prescribed by said Commission or State and municipal authorities, as at the beginning and end of the taxable period.

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

WORKING PAPERS.

27. Every corporation should preserve, available for inspection by a revenue officer, working papers showing the balance in each account on the corporation's books that was used in preparing the return.

INFORMATION AT THE SOURCE.

28. Every corporation making payments of salaries, wages, interest, rent, commissions, or other fixed or determinable income of $1,000 or more during the calendar year, to any individual or partnership, is required to make a true and accurate return to the Commissioner of Internal Revenue, showing the amount of such payments and the name and address of the recipient. Forms 1096 and 1099, for reporting such information, will be furnished by any Collector of Internal Revenue. Such returns of information covering the calendar year 1923 must be forwarded to the Commissioner of Internal Revenue, Sorting Section, Washington, D. C., in time to be received not later than March 15, 1924.

2—12960

LIABILITY FOR FILING RETURNS.

29. **Corporations generally.**—Every domestic or resident corporation, joint-stock company, association, or insurance company not specifically exempted by Section 231 of the Revenue Act of 1921, whether or not having any net income, must file a return.

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

31. **Foreign corporations.**—A foreign corporation subject to the provisions of the Revenue Act of 1921, regardless of the amount of its net income, is required to file a return with the Collector in whose district is located its principal office or agency through which is transacted the business in the United States. The net income should be computed in accordance with Section 217 of the Revenue Act of 1921.

INSURANCE COMPANIES.

32. **Life insurance companies.**—A life insurance company issuing life insurance and annuity contracts (including contracts of combined life, health, and accident insurance), as defined by Section 242 of the Revenue Act of 1921, shall file its tax return on Form 1120L, instead of Form 1120.

33. **Mutual insurance companies.**—A mutual insurance company (other than a life insurance company), in addition to the deductions allowed a corporation, unless otherwise allowed, may claim as deductions in Item 23 on this form, (*a*) the net addition required by law to be made within the taxable period to reserve funds (including in the case of an assessment insurance company the actual deposit of sums with State or Territorial officers pursuant to law as additions to guarantee or reserve funds), and (*b*) the sums other than dividends paid within the taxable period on policy and annuity contracts.

34. A mutual marine insurance company shall include in its gross income in Item 4 of this return the gross premiums collected and received, less amounts paid for reinsurance, and in addition to the deductions allowed a corporation, and to a mutual insurance company in paragraph 33 above, unless otherwise allowed, may claim as a deduction in Item 23 of the return, amounts repaid to policyholders on account of premiums previously paid by them and interest paid upon such amounts between the ascertainment and the payment thereof.

35. A mutual insurance company (including interinsurance and reciprocal underwriters, but not including a mutual life or mutual marine insurance company) requiring its members to make premium deposits to provide for losses and expenses, may, in addition to the deductions allowed a corporation, and to a mutual insurance company in paragraph 33 above, unless otherwise allowed, claim as a deduction in Item 23 of this form, the amount of premium deposits returned to its policyholders and the amount of premium deposits retained for losses, expenses, and reinsurance reserves.

36. The receipts of a shipowners' mutual protection and indemnity association, not organized for profit, and no part of the net earnings of which inures to the benefit of any private stockholder or member, are exempt from taxation, but such association shall be subject as a corporation to the tax upon its net income from interest, dividends, and rents.

37. Farmers' or other mutual hail, cyclone, or fire insurance companies, mutual ditch or irrigation companies, mutual or cooperative telephone companies, or like organizations of a purely local character, the income of which consists solely of assessments, dues, and fees collected from members for the sole purpose of meeting expenses are exempt from taxation.

38. **Other insurance companies.**—The net income of an insurance company (other than a life or mutual insurance company referred to above) is the gross income earned during the taxable period from investment income and from underwriting income, computed on the basis of the underwriting and investment exhibit of the Annual Statement approved by the National Convention of Insurance Commissioners, as provided in Section 246 of the Revenue Act of 1921, less the deductions for ordinary and necessary expenses, interest, taxes, losses, bad debts, depreciation, etc., as allowed by Section 247 of the Act.

CONSOLIDATED RETURNS.

39. If one domestic corporation owns 95 per cent or more of the outstanding voting stock of another, or if 95 per cent or more of the outstanding voting stock of two or more domestic corporations is owned by the same individual or individuals, partnership or partnerships, in substantially the same proportion, a consolidated return may be filed by such corporations. In case the ownership is less than 95 per cent of the outstanding voting stock, but exceeds 70 per cent, and a consolidated return is filed, the parent or principal corporation of any group of affiliated corporations must furnish the information called for in questions 4 to 7, page 4, of the return.

40. In case affiliated corporations elect to file a consolidated return, all corporations falling within the requirements for affiliation must be included in one consolidated return. The election does not permit of the inclusion of some corporations and the exclusion of others when all are properly affiliated. If affiliated corporations file either separate returns or a consolidated return, all returns thereafter made shall be upon the same basis unless permission to change the basis has been granted by the Commissioner. See Section 240 of the Revenue Act of 1921, and Articles 631 to 638 of Regulations 62. A corporation organized under the China Trade Act of 1922, shall not be deemed to be affiliated with any other corporation within the meaning of Section 240.

41. The parent or principal reporting company of affiliated corporations, when filing a consolidated return on this form, shall attach thereto a schedule showing the names and addresses of all affiliated corporations in the group, and if the tax is apportioned among these corporations, the amount allocated to each. Each of the other affiliated corporations shall file Form 1122 in the office of the Collector for its district.

42. All supplementary and supporting schedules filed with a consolidated return should be prepared in columnar form, one column being provided for each corporation included in the consolidation, one column for a total of like items before adjustments are made, one column for intercompany eliminations and adjustments, and one column for a total of like items after giving effect to the eliminations and adjustments. The items included in the column for eliminations and adjustments should be symbolized so as to readily identify contra items affected, and suitable explanations appended, if necessary.

CREDIT FOR INCOME AND PROFITS TAXES PAID TO FOREIGN COUNTRIES OR POSSESSIONS OF THE UNITED STATES.

43. If a credit is claimed in Item 33, a copy of Form 1118, completely filled in and sworn to or affirmed, must be submitted with this return. If credit is sought for taxes already paid, the form must have attached to it the receipt for each such tax payment. If credit is sought for taxes accrued, the form must have attached to it the return on which each such accrued tax was based.

44. When a credit is claimed for accrued taxes, the Commissioner may, as a condition precedent to the allowance of this credit, require the corporation to give a bond (Form 1119), with sureties satisfactory to and to be approved by him in such a penal sum as he may require, conditioned for the payment by the taxpayer of any amount of taxes found due if the taxes when paid differ from the amount claimed in respect thereof.

A foreign corporation is not entitled to this credit.

PERIOD COVERED.

45. The return on this form should be for the calendar year 1923, and the net income shall be computed in accordance with the corporation's method of keeping its books, unless such method does not clearly reflect the income.

46. In the case of a return for a period of less than one year, the net income shall be placed on an annual basis by multiplying the amount thereof by twelve and dividing by the number of months included in such period; and the tax shall be such part of a tax computed on such annual basis as the number of months in such period is of twelve months.

47. If the period for which the return is made includes a fractional part of a month, such fractional part shall be computed on the actual number of days in the month, and added to the number of complete months.

48. If a corporation changes its accounting period, it shall as soon as possible give to the Collector for transmission to the Commissioner written notice of such change and of its reasons therefor. Upon approval by the Commissioner, the corporation shall thereafter make its returns upon the basis of the new accounting period. The accounting period established for the taxable year immediately preceding must be adhered to unless permission has been received from the Commissioner to make a change. See Sections 212(c) and 226, Revenue Act of 1921.

TIME AND PLACE FOR FILING.

49. The return must be sent to the Collector of Internal Revenue for the district in which the corporation's principal office is located, so as to reach the Collector's office on or before March 15, 1924. In the case of a foreign corporation not having any office or place of business in the United States the return shall be filed on or before June 15, 1924, with the Collector of Internal Revenue, Baltimore, Maryland, U. S. A.

50. The Collector is authorized to grant an extension of not more than thirty days for filing returns in cases of *absence or sickness*. In meritorious cases the Commissioner is authorized to grant a further extension.

SIGNATURES AND VERIFICATION.

51. The return shall be sworn to by the president, vice president, or other principal officer and by the treasurer or assistant treasurer. The return of a foreign corporation having an agent in the United States shall be sworn to by such agent. If receivers, trustees in bankruptcy, or assignees are operating the property or business of the corporation, such receivers, trustees, or assignees shall execute the return for such corporation, under oath.

PAYMENT OF TAXES.

52. The tax should be paid by sending or bringing with the return a check or money order drawn to the order of "Collector of Internal Revenue at (insert name of city and State)."

Do not send cash through the mail or pay it in person except at the office of the Collector.

The total tax may be paid at the time of filing the return or in four equal installments, as follows:

The first installment shall be paid at the time fixed by law for filing the return, the second installment shall be paid on the fifteenth day of the third month, the third installment on the fifteenth day of the sixth month, and the fourth installment on the fifteenth day of the ninth month after the time fixed by law for filing the return.

If any installment is not paid when due, the whole amount of the tax unpaid shall become due and payable upon notice and demand by the collector.

PENALTIES.

For Making Fraudulent Return.

53. Not exceeding $10,000, or not exceeding one year's imprisonment, or both, in the discretion of the court, and, in addition, 50 per cent of the total tax evaded.

For Failure to Make Return on Time.

54. Not more than $1,000, and, in addition, 25 per cent of the total amount of the tax.

For Failure to Pay Tax When Due or Understatement of Tax Through Negligence, etc.

55. Five per cent of the tax due but unpaid plus interest at the rate of 1 per cent per month during the period in which it remains unpaid.

UNDISTRIBUTED PROFITS.

56. If any corporation, however created or organized, is formed or availed of for the purpose of preventing the imposition of the surtax upon its stockholders or members through the medium of permitting gains and profits to accumulate instead of being divided or distributed, there shall be levied, collected, and paid for each taxable year upon the net income of such corporation a tax equal to 25 per cent of the amount thereof, which shall be in addition to the tax imposed by Section 230, Revenue Act of 1921, and shall be computed, collected, and paid upon the same basis and in the same manner and subject to the same provisions of law, including penalties, as that tax. (See Section 220, of the Revenue Act of 1921.)