Form 1120A
U. S. INTERNAL REVENUE

THIS RETURN SHOULD BE FILED NOT LATER THAN THE 15TH DAY OF THE THIRD MONTH FOLLOWING THE CLOSE OF THE FISCAL YEAR

CORPORATION INCOME AND PROFITS TAX RETURN

FOR FISCAL YEAR ENDING IN 1922

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

FIRST PAYMENT
$ ____________
(Cashier's Stamp)

Fiscal year begun ____________, 1921, and ended ____________, 1922

PRINT PLAINLY CORPORATION'S NAME AND BUSINESS ADDRESS

____
(Name)

____
(Street and number.)

____
(Post office and State.)

CASH CHECK M. O. CERT. OF IND.

KIND OF BUSINESS ____________ IS THIS A CONSOLIDATED RETURN? ____________

SCHEDULE A—TAXABLE NET INCOME.

GROSS INCOME.

1. Gross sales, less returns and allowances ____ $
2. Less cost of goods sold, exclusive of items called for separately below (from Schedule A2) ____ $
3. Gross income from operations other than trading or manufacturing, less allowances (from Schedule A3) ____
4. Taxable interest on Liberty Bonds, etc. (from Schedule A4) ____
5. Taxable interest from all other sources ____
6. Rents ____
7. Royalties ____
8. Share of net income earned by personal service corporation prior to January 1, 1922 (whether received or not) ____
9. Dividends on stock of foreign and domestic corporations ____
10. Other income (not including any amount reported in Item 23, below) (from Schedule A10) ____
11. TOTAL OF ITEMS 1 TO 10 ____ $

DEDUCTIONS.

12. Expenses (except amounts reported in Item 2 above, or called for separately below) (from Schedule A12) ____ $
13. Compensation of officers (in whatever form paid) (from Schedule A13) ____
14. Repairs (including labor, supplies, etc.) (from Schedule A14) ____
15. Interest (see page 2 of Instructions, paragraph 9) ____
16. Taxes (from Schedule A16) ____
17. Bad debts (from Schedule A17) ____
18. Exhaustion, wear and tear (including obsolescence) (from Schedule A18) ____
19. Depletion (from Schedule A19) ____
20. Amortization of war facilities (from Schedule A20) ____
21. TOTAL OF ITEMS 12 TO 20 ____ $
22. ITEM 11 MINUS ITEM 21 ____ $
23. Profit or loss on sales of capital assets and miscellaneous investments (from Schedule A23) ____ $
24. Losses by fire, storm, etc. (from Schedule A24). (Extend difference between or sum of Items 23 and 24) ____
25. Net income exclusive of deductions for dividends (Item 22 plus or minus Item 24, as extended) ____ $
26. Dividends deductible under Section 234(a) 6 of the Revenue Act of 1921 (from Schedule A26) ____
27. NET INCOME (Item 25 minus Item 26). (If return is for a period less than twelve months, see page 1 of Instructions, paragraph 10) ____ $

SCHEDULE B—INVESTED CAPITAL.

1. Capital, surplus, and undivided profits at beginning of taxable period (from Schedule E, Item 11) ____ $
2. Plus adjustments by way of additions (from Schedule F, Item 4) ____
3. TOTAL ____ $
4. Less adjustments by way of deductions (from Schedule G, Item 7) ____
5. REMAINDER ____ $
6. Plus or minus changes in invested capital during taxable period (net Increase or Decrease from Schedule H) ____
7. TOTAL (OR REMAINDER) ____ $
8. Less deduction on account of inadmissible assets (from Schedule J) ____
9. Invested capital for taxable period ____ $

SCHEDULE C—EXCESS PROFITS CREDIT.

1. Eight per cent of invested capital for taxable period (Item 9 of Schedule B) ____ $
2. Exemption ($3,000) (except for a foreign corporation or a corporation satisfying the conditions provided in Section 262 of the Act) ____
3. Excess Profits Credit (Item 1 plus Item 2) ____

SCHEDULE D—COMPUTATION OF TAXES.

1. BRACKETS.	2. NET INCOME (ITEM 27, SCHEDULE A).	3. EXCESS PROFITS CREDIT (ITEM 3, SCHEDULE C).	4. BALANCE SUBJECT TO TAX.	5. RATE.	6. AMOUNT OF TAX.
1. Net income, not in excess of 20% of invested capital	$	$	$	20%	$
2. Balance of net income				40%	
3. Totals computed at 1921 rates under Section 301(a)	$	$	$		$

4. Excess Profits Tax at 1921 rates, if computed under Section 302, 303, 304(c) or 337 of the Revenue Act of 1921 (see page 2 of Instructions, paragraph 14) ____ $

5. Net income (Item 27, Schedule A) ____ $
6. Less: Taxable interest on obligations of the United States (Item 4, Schedule A) ____ $
7. Excess profits tax (Item 3 or 4 whichever is smaller, in column 6, Schedule D); or
8. Profits taxes, if net income from Government contracts prior to January 1, 1922, exceeds $10,000 (Item 16, Form 1120S)
9. Exemption $2,000, for domestic corporation having a net income of less than $25,200 ____
10. Balance (Item 5, less Items 6, 7, and 9, or Items 6, 8, and 9) ____ $
11. Income tax at 1921 rates (10% of Item 10) ____ $
12. If the net income of a domestic corporation is less than $25,200, enter amount in excess of $25,000 ____
13. Total tax for entire period computed at 1921 rates (Item 3 or 4 the lesser, or 8, plus Items 11 and 12) ____ $

14. Net income (Item 27, Schedule A) ____ $
15. Less: Taxable interest on obligations of the United States (Item 4, Schedule A) ____ $
16. Exemption $2,000, for domestic corporation having a net income of less than $25,250 ____
17. Balance (Item 14 minus Items 15 and 16) ____ $
18. Income tax at 1922 rates (12½% of Item 17) ____ $
19. If the net income of a domestic corporation is less than $25,250, enter amount in excess of $25,000 ____
20. Total tax for entire period computed at 1922 rates (Item 18 plus Item 19) ____ $
21. That proportion of Item 20 which the number of months in 1922 is of the number of months in the period ____ $
22. That proportion of Item 13 which the number of months in 1921 is of the number of months in the period ____

23. Total tax for fiscal year beginning in 1921 and ending in 1922 (Item 21 plus Item 22) ____ $
24. Less: Income and profits taxes paid to foreign countries or possessions of the United States (attach Form 1118) ____ $
25. Taxes paid at the source (see Section 237 of the Revenue Act of 1921) ____
26. Balance of tax due (Item 23 minus Items 24 and 25) ____ $

An amended return must be plainly marked "Amended."

Checks and drafts will be accepted only if payable at par.

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SCHEDULE E.—CAPITAL, SURPLUS, AND UNDIVIDED PROFITS AS SHOWN BY BOOKS BEFORE ANY ADJUSTMENTS ARE MADE THEREIN.

E4. Stock actually outstanding at the end of the preceding taxable period should be entered in this schedule to the extent that it is paid up. If stock or shares were issued at a nominal value or without par value the entries should reflect the amounts on the books in respect thereof at the close of the preceding taxable period.

E5. This item should include paid-in surplus as shown by books at the end of the preceding taxable period. If any amount is claimed under Section 326(a) 2 of the Revenue Act of 1921, the amount claimed should be entered under Item 1, Schedule F, and not in this schedule.

E7. Reserves which represent allocations of surplus and were not accumulated through deductions made in computing net income as returned in previous years may, if properly explained, be entered as Item 7. Such entries should be identified and if necessary reconciled with balance-sheet reserves.

E10. If the corporation had on hand at any time during the taxable period any treasury stock, copies of the journal entries covering the original issuance, repossession and any subsequent adjustments should be furnished. Treasury stock includes all stock reacquired by the corporation and not canceled, regardless of the reason for the reacquisition.

Item.	Amount.
Capital stock paid up and actually outstanding at the close of the preceding year:	
1. First preferred	$
2. Second preferred	
3. Common	
4. TOTAL	$
Surplus and undivided profits:	
5. Paid-in surplus	
6. Earned surplus and undivided profits	
7. Reserves, additions to which are not deductible in computing net income (to be reconciled with balance-sheet items)	
8. Other items (to be detailed)	
9. TOTAL OF ITEMS 4, 5, 6, 7, AND 8	$
10. Deduction on account of treasury stock	
11. Capital and surplus at beginning of taxable period as shown by books	$

SCHEDULE F.—ADJUSTMENTS BY WAY OF ADDITIONS.

F1. If an addition to invested capital is claimed in Item 1, Schedule F, submit a statement showing (*a*) the kind of property, (*b*) the year in which it was paid in, (*c*) from whom acquired, explaining his relationship to the corporation, (*d*) the actual cash value of such property at the date when paid in, (*e*) the par value of stock or shares issued therefor and the amount at which such property was entered in the accounts, (*f*) the basis upon which the actual cash value of the property was determined and the date when such determination was made, and (*g*) the amount of depreciation sustained on such property from the date of acquisition to the beginning of the taxable period.

F2. If an addition to invested capital is claimed in Item 2, Schedule F, submit a statement showing (*a*) the kind of property, (*b*) the year in which it was acquired, (*c*) its cost, (*d*) the amount of depreciation sustained on such property from the date of acquisition to the beginning of the taxable period. State also whether each item sought to be restored was actually used or usable at the beginning of the taxable period. Were these expenditures, when made, written off in lieu of depreciation? .... If so, explain what adjustments have been made to provide for depreciation in view of the proposed restoration to surplus. Additions in this item are cumulative to the beginning of the taxable period. For all additions hereunder provision must be made for depreciation to the beginning of the taxable period.

F3. If any addition to invested capital is claimed in Item 3, Schedule F, state specifically the amount of depreciation written off each year in the books of the company and the amount allowed as a deduction in computing net income. Additions to this item are cumulative to the beginning of the taxable period.

Item.	Amount.
1. Actual cash value of tangible property clearly and substantially in excess of par value of stock issued therefor or of the cash or other consideration paid therefor (see Section 326 (a) 2 of the Revenue Act of 1921)	$
2. Additions to surplus (see Section 326 (a) 3 of the Act)	
3. Depreciation or depletion charged in the accounts of the corporation but disallowed by the Department as a deduction on income tax returns	
4. TOTAL	$

SCHEDULE G.—ADJUSTMENTS BY WAY OF DEDUCTIONS.

G1. Is any patent, copyright, secret process, or formula, good will, trade-mark, trade brand, franchise, or other similar intangible property, paid in for stock, carried as an asset by the corporation? .... If not entered specifically as such, is the intangible value merged under any other title or titles on the books or balance sheets submitted with this return? .... Is it entered on the books at a value in excess of its actual cash value when paid in? .... In excess of the par value of the stock issued therefor? .... Is the aggregate of such assets acquired prior to March 3, 1917, entered on the books at a value in excess of 25 per cent of the par value of the stock outstanding on March 3, 1917? .... Is the aggregate of such assets entered on the books at a value in excess of 25 per cent of the par value of the stock outstanding at the beginning of the taxable period? ....

If the answer to any of the foregoing questions is "yes," submit a statement showing separately with respect to such assets acquired (1) before March 3, 1917, and (2) on or after that date, (*a*) date of acquisition; (*b*) cash value at that date, with a complete explanation of the basis upon which such cash value was determined; (*c*) par value of the stock issued therefor; (*d*) par value of total stock outstanding March 3, 1917; (*e*) par value of total stock outstanding at the beginning of the taxable period; (*f*) the value at which such assets are entered on the books of the corporation.

If all the intangibles were acquired before March 3, 1917, the amount by which (*f*) exceeds (*b*), (*c*), 25 per cent of (*d*), or 25 per cent of (*e*), whichever is lowest, must be entered as Item 1, Schedule G, for the taxable period.

If the intangibles were acquired on or after March 3, 1917, the amount by which the entry in (*f*) relating to such intangibles exceeds (*b*) or (*c*) relating thereto, or 25 per cent of (*e*), whichever is lowest, must be included in Item 1, Schedule G, for the taxable period: *Provided*, That if intangibles were acquired before March 3, 1917, and also on or after that date, deduction shall be made so that the amount included in invested capital for the aggregate of intangibles shall not exceed 25 per cent of the par value of the total stock outstanding at the beginning of the taxable period.

NOTE.—If the stock of the corporation was issued at a nominal value or without par value, for the purpose of the computation under Item 1, the par value shall be deemed to be the fair market value as of the date or dates of issue. The aggregate value so determined of stock outstanding on March 3, 1917, or at the beginning of the taxable period, shall be the basis for the computation.

G2. Is any tangible property, paid in for stock, carried as an asset by the corporation? .... If so, is it entered on the books at a value in excess of its actual cash value when received? .... In excess of the par value of the stock paid therefor? ....

If the answer to either of the last two questions is "yes," submit a statement showing (*a*) kind of property, (*b*) when acquired, (*c*) par value of the stock paid therefor, (*d*) actual cash value of the property when paid in, (*e*) the basis on which that value was determined, (*f*) value at which the property is entered on the corporation's books, and (*g*) amount by which such value exceeds the allowable value under Section 326 (a) 2 of the Revenue Act of 1921. Enter this amount as Item 2, Schedule G, for the taxable period.

G3. Was the business reincorporated, reorganized, or consolidated or was its ownership changed or was there a change in ownership of property after March 3, 1917? .... If so, answer the following questions:

(*a*) Did an interest of 50 per cent or more in the business or in the property which changed ownership remain in the control of the same persons, corporations, associations, or partnerships, or of any of them? ....

(*b*) Were any of the assets entered on the books of the corporation making this return at a higher value than on the books of its predecessor? ....

(*c*) If such previous owner was not a corporation, attach a statement showing (1) the cost of acquisition to the previous owner of any asset so transferred or received, (2) expenditures subsequent to that date for betterment or development not deducted as expense or otherwise since March 1, 1913, by such previous owner, (3) the allowance for depreciation, depletion, or impairment since the date of acquisition by such previous owner.

(*d*) If all, or substantially all of the property was acquired from a corporation during the taxable period, attach hereto balance sheets of such predecessor corporations as at the beginning of the taxable period and as at the date immediately prior to the transfer of the property to the corporation making the return, and also a balance sheet or statement of the corporation making this return showing the values at which such property received or transferred were entered on the books.

For the purpose of determining invested capital each asset so transferred shall be allowed a value (*a*) not greater than would have been allowed to the previous owner, if a corporation; or, (*b*) if not a corporation, at its cost to such previous owner, with proper adjustments for losses and improvements.

G4. Is any property (including physical property, securities, and intangible property) paid for with cash or with other tangible property entered on the books of the corporation at a value in excess of the amount of cash paid therefor or the actual cash value of the tangible property paid therefor? .... If so, submit a statement showing (*a*) kind of property, (*b*) amount of cash paid therefor, (*c*) actual cash value of other tangible property paid therefor, (*d*) how that value was determined, (*e*) value at which the property is entered on the books of the corporation, and (*f*) excess of (*e*) over (*b*) or (*c*). This excess must be entered as Item 4, Schedule G, for the taxable period.

G5. Has adequate provision been made in the accounts of the corporation for (*a*) losses of every kind? ...., (*b*) depreciation? ...., (*c*) obsolescence? ...., (*d*) depletion of mineral deposits, timber supplies, and the like? ....

If adequate charge has not been made for depreciation, depletion, obsolescence, and other losses, and the value of the property has not been maintained by replacements that have been charged to expense, proper additional charges therefor must be computed for all years in which they were not made on the books, and the total amount of such charges must be entered as Item 5, Schedule G.

G6. Did the corporation ever receive a stock dividend on stock owned in another corporation? .... If the answer is "yes," state in detail for each stock dividend received, (*a*) date received, (*b*) from whom received, (*c*) number of shares received, (*d*) par value of shares received, (*e*) value at which entered on its books of account, (*f*) whether or not surplus was increased by this value. If answer to (*f*) is "yes," enter the amount by which surplus was increased as Item 6, Schedule G. If answer is "no," state the account in which it was included, (*g*) date of sale of any of the shares of stock received as a stock dividend, (*h*) number of shares sold, (*i*) amount received therefor.

NOTE.—If answers to the foregoing questions indicate that stock dividends received at any time have been treated as an increase of surplus, and such increase is reflected in the computation of invested capital in returns for any or all of the taxable periods 1917, 1918, 1919, 1920, and 1921, amended returns should be filed for such taxable period or periods in which this error occurred.

Item.	Amount.
1. Valuation of patents, copyrights, secret processes, or formulæ, good will, trade-marks, trade brands, franchises, or other intangible property	$
2. Valuation of tangible property paid in for stock	
3. Valuation of assets acquired in reorganizations	
4. Appreciation	
5. Depreciation, depletion, and other losses	
6. Stock dividend on stock held in another corporation	
7. TOTAL DEDUCTION	$

SCHEDULE H.—CHANGES IN INVESTED CAPITAL DURING TAXABLE PERIOD.

1. Changes in invested capital during the taxable period ordinarily arise in one or more of the following ways:

Additions—

(*a*) By sale of capital stock for cash or by the issue of capital stock for tangible or other assets.

(*b*) By payment of assessments by stockholders or by creation of paid-in surplus by contribution of stockholders.

Deductions—

(*c*) By liquidation of part of the capital by retirement of stock or by purchase of treasury stock not out of current earnings.

(*d*) By payment of cash dividends out of earnings of prior years.

(*e*) By payment of Federal income and profits taxes for previous years.

The changes with respect to taxes will occur in nearly every case. Should no changes be noted, the reason for the omission should be stated.

2. The following instructions should be followed in making the above adjustments; each item should be designated as an addition or deduction, deduction being designated by red ink:

(*a*) If stock is issued for cash, the actual cash received (but not the amount of discount) should be entered in this schedule. Assets (other than cash) paid in for stock must be valued in accordance with Section 326 (a) 2 of the Revenue Act of 1921.

(*b*) If capital stock of the corporation is reacquired but not paid for out of current profits, the cost of such stock should be deducted from invested capital.

(*c*) Report dividends paid out of profits of prior years but not dividends paid out of profits of the taxable period. Any distribution made during the first 60 days of the taxable period shall be deemed to have been made from earnings or profits accumulated during preceding taxable years; but any distribution made during the remainder of the taxable period shall be deemed to have been made from the profits for that period to the extent that such profits are sufficient. (See Section 201(f) of the Revenue Act of 1921.)

(*d*) The amount of Federal income and profits taxes payable should be prorated and deducted as of the dates when due and payable whether reserves have been set up on the books or not. The average adjusted deduction to be entered in column 7 equals total income and profits tax multiplied by 0.4226.

3. The data called for in columns 1 to 5 should be given for all transactions, except that columns 3 and 4 are applicable only to the issue or reacquisition of the corporation's stock.

4. In column 6 enter the number of days remaining in the taxable period (including the date of change).

5. The net changes not reported in Schedule L, if not in accordance with the increases or decreases reflected in the balance sheets, should be fully reconciled therewith.

1. Nature of additions and deductions.	2. Date.	3. Number of shares sold or reacquired.	4. If for cash, state price per share.	5. Amount of cash or cash value actually received or paid out.	6. Number of days effective.	7. Adjusted average. $\left(\frac{\text{Column 5} \times \text{Column 6}}{\text{No. days in taxable period.}}\right)$
1.			$	$		$
2.						
3.						
4.						
5.						
6.						
7.						
8.						
9. NET INCREASE OR DECREASE						$

SCHEDULE J.—INADMISSIBLE ASSETS.

Has the corporation any inadmissible assets (i. e., stocks, bonds, and other obligations, except obligations of the United States, the income from which is not taxable)? ....

If so, attach hereto a statement showing for the taxable period the facts called for in items (*a*) to (*j*) of this schedule.

If the income from such assets consists in part of gain or profit from the sale or other disposition thereof, or if all or part of the interest derived from such assets is in effect included in the net income because of the limitation on the deduction of interest under Section 234(a) 2 of the Revenue Act of 1921, then a corresponding part of the capital invested in such assets is deemed an admissible asset. In such case set forth in detail—

(*a*) the various kinds of income derived from such assets and the computation of the part of the capital invested therein which is deemed an admissible asset.

For the purpose of this schedule inadmissible assets shall be valued at cost of acquisition, except that if the corporation is a dealer in securities and inventories such securities in determining its net income, such inventory figure shall constitute the measure of value. Admissible assets shall be valued as provided in Sections 326 and 331 of the Revenue Act of 1921. The average amount of assets of each kind held during any year may ordinarily be determined by dividing by 2 the sum of the amount of such assets held at the beginning of the taxable period and the amount held at the end of the taxable period. In such case the amount of admissible assets may best be determined from (1) the balance sheet as at the beginning of the period *adjusted* with respect to the items in Schedules F and G and (2) the balance sheet as at the end of the period correspondingly adjusted. But if at any time during the taxable period a substantial change has taken place in the amount of such assets, the average amount must be determined as provided in the Regulations issued under authority of the Revenue Act of 1921. In such case show in detail—

(*b*) The computation of such amount;
(*c*) Amount of inadmissible assets held at beginning of the taxable period;
(*d*) Amount of inadmissible assets held at end of taxable period;
(*e*) Average amount of inadmissible assets held during taxable period;
(*f*) Amount of admissible assets held at beginning of taxable period;
(*g*) Amount of admissible assets held at the end of taxable period;
(*h*) Average amount of admissible assets held during taxable period;
(*i*) Sum of (*e*) plus (*h*);
(*j*) Percentage which (*e*) is of (*i*).

This percentage (*j*) should be applied to the amount appearing on line 7, Schedule B, in order to obtain the deduction on account of inadmissible assets, which should be entered on line 8, Schedule B. 2—11884

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) ______

______

______

______

OTHER CORPORATIONS IN SAME BUSINESS.

4. Enter on the following lines the names and addresses of five representative corporations in your locality or section of the country engaged in the same kind of business:

______

______

______

______

______

INCORPORATION.

5. Date of incorporation ______

6. Under the laws of what State or country ______

REORGANIZATION AND ACQUISITION OF MIXED AGGREGATES OF ASSETS.

7. Has the corporation, *or any of its predecessors*, been reorganized, or has it, *or any of its predecessors*, taken over a going business or acquired a mixed aggregate of tangible and intangible property, and paid for such property in whole or in part with stock or other securities since the close of the preceding taxable period? ______

8. If so, furnish a brief narrative history of the business and submit a statement showing:

(*a*) The name of the concern taken over (or from which the property was acquired);

(*b*) The nature of the assets and liabilities so acquired;

(*c*) The total par value of the stock issued therefor;

(*d*) The value at which each class of assets was carried on the books of the concern from which acquired (submit a balance sheet of the predecessor concern as at the date of acquisition or as at the close of its last accounting period prior thereto);

(*e*) The value at which each item was carried on the books of the corporation making this return, and full details of any adjustments subsequently made pertaining thereto and the basis on which such revaluation was made.

9. If patents, copyrights, secret processes or formulæ, good will, trade-marks, trade brands, franchises, or other intangible property were acquired, state the basis on which their value was determined and how they were paid for.

10. If at the time of any purchase or reorganization as contemplated in question 7, any property was entered on the books of the reorganized concern or any vendee predecessor at a value in excess of that at which it was carried on the books of the vendor concern, state the basis on which the revaluation was made.

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

11. 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? ______

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

13. 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? ______

14. If the answer to questions 11, 12, and 13, 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 11, 12, and 13, or to any of them, is "yes," procure from the Collector of Internal Revenue for your district Form 819, which shall be filled out 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 1921 or prior years, obtain during the entire taxable period ended in 1922? ______ 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 in the form prescribed in Tables 3 and 6 of the questionnaire. If there are companies other than those covered by the questionnaire for 1921 or prior years which, applying the tests contained in questions 11, 12, or 13, may have come into the affiliated group since 1921, a questionnaire, Form 819, is required for the entire group for the taxable period.

VALUATION OF CAPITAL STOCK.

15. What was the fair value of the total capital stock of the corporation as determined in the last assessment, if any, of the capital stock tax? $______ Date of that assessment ______

PREDECESSOR BUSINESS.

16. 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.

17. 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 ______

______

______

GOVERNMENT CONTRACTS.

18. Have any adjustments been made prior to January 1, 1922, on account of contract or contracts with the Government or its agencies or in any Government contract or contracts from which the corporation derived income directly or indirectly, through the operations of a claim board or otherwise? ______ If the answer to this question is "yes," state the amounts involved, $______; whether or not such amounts are included in this return ______. Submit a schedule showing full particulars of the contract, date entered into, date the work ceased under said contract or contracts, and the amount and nature of the adjustment.

AMORTIZATION.

19. 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.

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

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SCHEDULE K.—BALANCE SHEETS.

Attach hereto balance sheets as at the beginning and end of the taxable period (preferably in parallel columns), showing as nearly as practicable the details called for below. (These balance sheets should be prepared from the books and should be in agreement therewith, or any differences should be reconciled, and if this is a consolidated return, balance sheets should be furnished in accordance with paragraph 7 of page 1 of Instructions.)

ASSETS.

Cash (including cash in bank and on hand, certificates of deposit, etc.).
Trade accounts (before deducting reserves for losses).
Notes receivable from customers.
Other accounts and notes receivable (to be classified).
Inventories:
- Raw materials.
- Work in progress.
- Finished products.
- Supplies.

Investments:
- Bonds—
  - U. S. bonds and obligations (each issue to be stated separately).
  - Exempt (municipal, State, etc.).
  - Other.

ASSETS—Continued.

Investments—continued.
- Stock of corporations—
  - Foreign.
  - Domestic.

Loans and advances:
- To officers and employees.
- To others.

Deferred charges to future operations (to be detailed).
Fixed assets:
- Land.
- Buildings.
- Machinery.
- Tools and minor equipment.
- Delivery equipment.
- Office furniture.
- Other (state character).

ASSETS—Continued.

Fixed assets—continued.
- Less reserves for depreciation (show separately amount applicable to each fixed asset).*

NET VALUE.

Patents, good will, and other intangible assets:
- Paid for in cash or other tangible property.
- Paid for in stock (other than stock dividends).
- Created by stock dividend or otherwise.

Discount:
- On bonds.
- On stock.

TOTAL.

LIABILITIES.

Notes payable:
- To officers and stockholders.
- To others (including bank loans).

Accounts payable:
- Trade.
- Other.

Accrued expenses and reserves, the charges creating which are allowable deductions from income (to be detailed).
Reserves, the charges creating which are not allowable deductions from income:
- Reserves for losses on notes and accounts receivable.
- Other reserves (to be detailed).

Capital stock outstanding (to be classified).
Surplus and undivided profits.

TOTAL.

*Reserves for depreciation may be deducted from the respective asset accounts or itemized on the liability side of the balance sheet.

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 above form, copies of their balance sheets prescribed by said Commission or State and municipal authorities, as at the beginning and end of the taxable period.

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

1. Net income from Schedule A, Item 27 $
2. Nontaxable income:
   - (a) Interest on obligations of the United States and its possessions exempt
   - (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) Dividends on stock of personal service corporations out of earnings upon which a Federal income tax has been imposed
   - (f) Other items of nontaxable income (to be detailed):
     - (1)
     - (2)
     - (3)
3. Charges against reserves for bad debts, if Item 17, Schedule A, is not an addition to a reserve
4. Charges against reserves for contingencies, etc. (to be detailed):
   - (a)
   - (b)
   - (c)
5. Total of Items 1 to 4, inclusive $
6. Total from Item 14
7. Net profit for year as shown by books, before any adjustments are made therein (Item 5 minus Item 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 Items 7 to 9, inclusive $
11. Total from Item 17
12. Surplus and undivided profits as shown by balance sheet at close of taxable period (Item 10 minus Item 11) $
13. Unallowable deductions:
    - (a) Donations, gratuities, and contributions $
    - (b) Income and profits taxes paid to the United States, its possessions, or foreign countries
    - (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 of the United States, the interest upon which is wholly exempt from taxation, except interest incurred to purchase or carry Victory 3¾% Notes, originally subscribed for by the taxpayer
    - (h) Additions to reserves for bad debts which are not included in Item 17, Schedule A
    - (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 Item 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 Items 15 and 16 $

SCHEDULES TO BE FURNISHED IN SUPPORT OF ITEMS IN SCHEDULE A.

The following schedules must be furnished, and those prepared on separate sheets should be firmly attached to this return. Enter name and address of corporation on each sheet.

SCHEDULE A2: COST OF GOODS SOLD, EXCLUSIVE OF ITEMS CALLED FOR SEPARATELY.

If engaged in a trade or business in which the production, purchase, or sale of merchandise of any kind is an income-producing factor, (a) secure from the Collector of Internal Revenue, and file as a part of this return, **Certificate of Inventory, Form 1126**, and (b) fill in the following schedule, entering on lines 3 and 5, immediately before the amount column, the letters "C," or "C or M," to indicate that inventories are valued at either cost, or cost or market, whichever is lower.

(1) Merchandise bought for sale $
(2) Cost of manufacturing or otherwise producing goods. (Submit schedule showing principal items of cost, the minor items being grouped in one amount)
(3) Plus inventory at beginning of year
(4) Total $
(5) Less inventory at end of year
(6) Cost of goods sold $

SCHEDULE A3: GROSS INCOME FROM OPERATIONS OTHER THAN TRADING OR MANUFACTURING.

Submit a schedule showing the nature and amount of the principal items included herein, the minor items being grouped in one amount. (For insurance companies see page 2 of Instructions, paragraphs 2 and 7.)

SCHEDULE A4: TAXABLE INTEREST ON LIBERTY BONDS, ETC.

The interest on the obligations listed in column 1 of the following table is wholly exempt from the corporation income tax, and is exempt from excess profits tax only to the extent that the aggregate principal amounts do not exceed the exemptions specified in columns 2, 3, and 4. Enter in column 5 the principal amounts of the obligations held in excess of these exemptions, and in column 6 the taxable interest thereon. If securities were bought or sold during the taxable period, attach statement showing the holdings by periods.

Inasmuch as the excess profits tax has been repealed, effective December 31, 1921, interest received after that date on these obligations need not be included in this return, even though the obligations be held in excess of the exemptions described in the preceding paragraph.

If this is a consolidated return, each corporation composing the affiliated group is entitled to the full amount of these exemptions.

1. Obligations.	Exemptions. (Aggregate Principal Amount).			5. Principal amount in excess of exemptions specified in columns 2, 3, and 4.	6. Interest on principal am't in excess of exemptions.
	2. $30,000	3. $125,000	4. $5,000		
(a) First Liberty Loan Second Converted 4¼% Bonds				$	$
(b) First, and Second 4's, and First, Second, Third, and Fourth 4¼'s	None				
(c) Other obligations issued since September 1, 1917 (except Victory and Treasury Notes)	None	None			
(d) Victory Liberty Loan 4¾% Notes, and Treasury Notes	None	None	None		
Total Taxable Interest					$

SCHEDULE A10: OTHER INCOME (not including any amount with respect to sale of capital assets or miscellaneous investments).

Submit a schedule showing the source, nature, and amount of the principal items included herein, the minor items being grouped in one amount. The total of the schedule should be entered as Item 10, Schedule A.

SCHEDULE A12: EXPENSES (except amounts called for separately in Schedule A).

Submit a statement showing character and amount of the principal items included herein, the minor items being grouped in one amount. (For schedules to be submitted by insurance companies see page 2 of Instructions, paragraphs 3 to 7.)

SCHEDULE A13: COMPENSATION OF OFFICERS.

Submit a schedule showing for each officer (1) name, (2) duties, (3) time devoted to such duties, (4) shares of stock owned or controlled: (a) preferred, (b) common; (5) total compensation for the taxable period, and (6) amount of, and reason for increase, if any, over preceding period.

SCHEDULE A14: REPAIRS (including labor, supplies, overhead, and other items properly chargeable to repairs).

Submit a schedule showing the nature and amount of the principal items included herein, the minor items being grouped in one amount. (For classification of repairs see page 2 of Instructions, paragraph 8.)

SCHEDULE A16: TAXES.

Submit a schedule showing separately for each class of taxes deducted, (a) character, and (b) amount.

Federal income and profits taxes, taxes which are a credit under Section 238, taxes assessed against local benefits of a kind tending to increase the value of the property assessed are not allowable deductions. (See Section 234(a) 3 of the Revenue Act of 1921.)

SCHEDULE A17: BAD DEBTS.

Submit a schedule showing debts or portions thereof, arising from sales or professional services that have been reported as income, which have been definitely ascertained to be worthless and charged off within the year, or such reasonable amount as has been added to a reserve for bad debts within the year.

If the amount entered as Item 17, Schedule A, is an addition to a reserve, furnish proof of the reasonableness of the amount. (See Section 234(a) 5 of the Revenue Act of 1921.)

SCHEDULE A18: EXHAUSTION, WEAR AND TEAR (including obsolescence).

If a deduction is made on account of depreciation, the following schedule must be filled in, and the total amount claimed therein should correspond with the figures reflected in the balance sheet. Land values must not be included in this schedule. (See page 2 of Instructions, paragraph 10, and Section 234(a) 7 of the Revenue Act of 1921.)

Kind of property. (If buildings, state the material of which constructed.)	Date acquired.	Age when acquired.	Probable life after acquirement.	Cost, or if acquired prior to Mar. 1, 1913, the fair market value on that date.	Amount of depreciation charged off.	
					This year.	Previous years.
				$	$	$
Totals				$	$	$

Note.—If obsolescence is a factor in determining this deduction, attach a statement showing the amount claimed for the taxable period and the basis upon which computed.

SCHEDULE A19: 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 has 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. In case of timber this should be done by filling in Form T (timber).

SCHEDULE A20: AMORTIZATION OF WAR FACILITIES.

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 214(a) 9 of the Revenue Act of 1921).

SCHEDULE A23: PROFIT OR LOSS ON SALES OF CAPITAL ASSETS AND MISCELLANEOUS INVESTMENTS.

In case of disposal of property, resulting in a profit or loss, a schedule in the following form must be furnished, using a separate line for each asset. (See Sections 202, 234(a) 4 and 234(a) 14 of the Revenue Act of 1921.)

1. Kind of property.	2. Date acquired.	3. Sale price.	4. Cost.	5. Fair market value on March 1, 1913, if acquired prior to that date.	6. Cost of subsequent improvements.	7. Depreciation.	8. Net profit (or loss).
		$	$	$	$	$	$
Total							$

State what amount, if any, included in column 5, represents good will $

If any of the assets were acquired prior to March 1, 1913, state how the fair market value on that date was determined

In case of exchange of property, submit evidence substantiating the basis used in arriving at the market value of property received

SCHEDULE A24: LOSSES BY FIRE, STORM, ETC.

A schedule similar to the one requested above should be submitted with respect to losses of property arising from fires, storms, shipwreck, or other casualty, or from theft, and not compensated for by insurance or otherwise, except that column 3 should show "Insurance and salvage" instead of "Sale price."

SCHEDULE A26: DIVIDENDS (deductible under Section 234(a) 6 of the Revenue Act of 1921).

Submit a schedule showing the amount received as dividends (a) from each domestic corporation other than a corporation entitled to the benefits of Section 262 of the Act, or (b) from each foreign corporation when it is shown to the satisfaction of the Commissioner that more than 50 per centum 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 foreign corporation has been in existence) was derived from sources within the United States as determined under Section 217 of the Act.

DISCOUNT AND PREMIUM ON BONDS SOLD.

There must be attached to the return a schedule showing in detail each issue and sale of bonds of the reporting corporation giving the following information: (a) Class; (b) date of sale; (c) maturity; (d) amount sold; (e) amount realized; (f) premium or discount per annum.

That proportion of the premium or discount applicable to the return period must be reported either as Item 10 or 15, Schedule A, page 1, unless the amount of premiums or discount has been reported as income or allowed as a deduction in prior years.

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 ...., 192..

President.

SEAL.

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

Treasurer.

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GOVERNMENT PRINTING OFFICE

INSTRUCTIONS FOR CORPORATION RETURN.

LIABILITY FOR FILING RETURNS.

1. **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.

A corporation having a net income of less than $3,000 for the taxable period need not fill in the schedules pertaining to excess profits tax, but if the net income is $3,000 or more, it is subject to the excess profits tax and must file a complete return on this form.

2. **Government Contracts.**—In addition thereto, if net income in excess of $10,000 was derived during the calendar year 1921 from a Government contract, Form 1120S should be secured from the Collector of Internal Revenue for your district and filed as a part of this return.

3. **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.

A corporation entitled to the above benefits, however, is not entitled to the specific exemption of $3,000 in computing the excess profits tax. (See Sections 262 and 312, Revenue Act of 1921.)

4. **Foreign Corporations.**—A foreign corporation subject to the law, 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. If it has no office or agency in the United States, the return should be filed with the Collector of Internal Revenue, Baltimore, Maryland. The net income should be computed in accordance with Section 217 of the Revenue Act of 1921.

5. **Life Insurance Companies.**—A life insurance company, as defined by Section 242 of the Act, shall file its return on Form 1120 L.

6. **Personal Service Corporations.**—Personal service corporations must file a return on Form 1065 B.

CONSOLIDATED RETURNS.

7. The parent or principal reporting company of affiliated corporations as defined in Section 240 of the Act must file a consolidated return on this form with the Collector of the district in which its principal office is located and 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. (See paragraph 9, below.) Each of the other affiliated corporations shall file Form 1122 in the office of the Collector of its district.

Consolidated invested capital must be computed as at the beginning of the taxable period of the parent or principal reporting company and consolidated income must be computed on the basis of its taxable period.

All supplementary and supporting schedules 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 if necessary, in order to give a correct understanding of these entries, suitable explanations should be appended.

8. 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 must be filed by such corporations. If the ownership is less than 95 per cent of the outstanding voting stock, but exceeds 70 per cent, the parent or principal corporation of any group of affiliated corporations must furnish the information called for in questions 11 to 14, page 3 of the return. Whenever the fiscal year of one or more subsidiary or other affiliated corporations differs from the fiscal year of the parent or principal corporation, the Commissioner should be fully advised by the taxpayer in order that provision may be made for assessing the tax in respect of the period prior to the beginning of the fiscal year of the parent or principal corporation.

9. The Department prefers that the entire tax shown on a consolidated return be paid by the parent or principal reporting corporation, instead of being apportioned among the corporations composing the affiliated group.

If apportionment is made, each subsidiary or affiliated corporation should state on its Form 1122 the amount of income and profits taxes to be assessed against it for the taxable period.

PERIOD COVERED.

10. The taxable period is the fiscal year ending on the last day of any month other than December in the calendar year 1922, and the net income shall be computed upon the basis of the corporation's annual accounting period in accordance with the method of keeping the books, unless such method does not clearly reflect the income.

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.

If the period for which the first or final return is made includes fractions of months, there shall be added to the number of complete months as many thirtieths of a month as there are days in the fractional parts of months.

11. 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.

12. 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 the fifteenth day of the third month following the close of the taxable period. 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 the fifteenth day of the sixth month following the close of the taxable period.

13. 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.

14. 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.

15. 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)."

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

17. 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.

PENALTIES.

For Making False or Fraudulent Return.

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

For Failing to Make Return on Time.

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

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

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

WORKING PAPERS.

21. Every corporation should preserve, available for inspection by a revenue officer, working papers showing—

(*a*) The balance in each account on the corporation's books that was used in preparing Schedule A.

(*b*) The amount deducted from each such balance on account of each class of nontaxable income, unallowable deductions, and other adjustments indicated in Schedule L, with a reference to the number of the item in Schedule L in which each amount so deducted was included.

(*c*) The remainder of each such balance, analyzed to show the amount included in each item of Schedule A, with a reference to the number of the item in Schedule A in which each such amount was included.

INFORMATION AT THE SOURCE.

22. 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 1922 must be forwarded to the Commissioner of Internal Revenue, Sorting Section, Washington, D. C., in time to be received not later than March 15, 1923.

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INSTRUCTIONS REGARDING INCOME, CREDITS, COMPUTATION OF TAX, ETC.

GROSS INCOME AND DEDUCTIONS.

1. 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 instead of Schedule A a statement of income and expenses in the form in which submitted to such officer. 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 27, Schedule A, page 1.

2. 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.

3. An insurance company (other than a company taxed under Section 243 of the Act) issuing policies covering life, health, and accident insurance combined in one policy issued on the weekly premium payment plan, continuing for life, and not subject to cancellation, shall file its return on this form, and report as a deduction in Schedule A12 subject to the approval of the Commissioner, such portion of the net addition (not required by law) made within the taxable period, prior to January 1, 1922, to reserve funds as may be required for the protection of the holders of such policies only.

4. An insurance company (other than a life insurance company) should report as a deduction in Schedule A12 of 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 same 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. After December 31, 1921, this paragraph applies only to mutual insurance companies other than life insurance companies.

5. A mutual marine insurance company should report as Item 3, Schedule A, of this form, the gross premiums collected and received, less amounts paid for reinsurance, and report as a deduction in Schedule A12 amounts repaid to policyholders on account of premiums previously paid by them and interest paid upon such amounts between ascertainment and the payment thereof.

6. 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.

7. 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, should report in Schedule A12 of this form the amount of premium deposits returned to its policyholders and the amount of premium deposits retained for the payment of losses, expenses, and reinsurance reserves (unless otherwise allowed in Schedule A).

8. Incidental repairs, which do not add to the value or appreciably prolong the life of property, are deductible as expenses (Item 14, Schedule A). Expenditures for new buildings, machinery, equipment, or for permanent improvement or betterments which increase the value of the property are chargeable to capital account. Expenditures for restoring or replacing property are not deductible under this or any other item of the return. Such expenditures are chargeable to capital account or to depreciation reserve, depending on the treatment of depreciation on the books of the taxpayer.

9. The amount of interest deductible in Item 15, Schedule A, is the amount of interest paid within the taxable period on the corporation's indebtedness, except on indebtedness incurred or continued to purchase or carry obligations or securities (other than obligations of the United States issued after September 24, 1917, and originally subscribed for by the corporation), the interest upon which is wholly exempt from taxation. (See Sections 234(*a*) 2 and 234(*b*) of the Revenue Act of 1921.)

10. The amount deductible on account of depreciation in Item 18, Schedule A, 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.

11. 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 centum 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 Schedule A23. (See Section 234(*a*) 14 of the Revenue Act of 1921.)

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

12. If a credit is claimed in Item 24, Schedule D, a copy of Form 1118, completely filled out 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.

13. 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 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.

PROVISIONS AFFECTING COMPUTATION OF TAX.

14. Schedule D, "Computation of Tax," may be subject to one or more of the following provisions:

(*a*) **Return for a fiscal year.**—The tax on a return for a fiscal year ended in 1922 should be computed in accordance with Sections 205, 236(*c*), and 335(*b*) of the Revenue Act of 1921.

(*b*) **Limitation on income tax.**—If the net income reported as Item 5, Schedule D, is more than $25,000 the tax imposed by Section 230 of the Revenue Act of 1921 on the amount of the net income shall not exceed the tax which would be payable if the $2,000 credit were allowed, plus the amount of the net income in excess of $25,000.

(*c*) **Limitations on excess profits tax.**—The maximum excess profits tax imposed shall in no case be more than 20 per cent of the net income in excess of $3,000 and not in excess of $20,000 plus 40 per cent of the net income in excess of $20,000 (Section 302), unless net income amounting to more than $10,000 was derived from a Government contract, when the tax on such income shall be assessed under Section 301(*b*), in which case the maximum excess and war profits tax imposed upon this proportion of the net income shall not be more than 30 per cent of the amount of net income in excess of $3,000 and not in excess of $20,000 plus 80 per cent of the amount of net income in excess of $20,000. (See Section 302.)

(*d*) **Tax of corporation whose income is derived in part from "Personal Service."**—If part of the net income (not less than 30 per cent) is derived from a separate trade or business of the character of "personal service," the tax shall be computed in accordance with the provisions of Section 303 of the Act.

(*e*) **Tax on corporation engaged in mining of gold.**—If a corporation is engaged in the mining of gold, its excess profits tax shall be that proportion of Item 3, Schedule D, which the net income not derived from the mining of gold bears to the total net income. (See Section 304(*c*) of the Act.)

(*f*) **Tax on profits from sale of mineral deposits.**—In the case of a bona fide sale of mines, oil or gas wells, or any interest therein, where the principal value of the property has been demonstrated by prospecting or exploration and discovery work done by the taxpayer, the portion of the excess profits tax attributable to such sale shall not exceed 20 per cent of the selling price of such property or interest. (See Section 337 of the Act.)

The first step is to find the excess profits tax computed without regard to this provision; the second is to find of the tax thus computed such portion as the net income from the sale bears to the total net income. If this portion equals or does not exceed 20 per cent of the selling price, then no adjustment is permitted. Should such portion exceed 20 per cent of the selling price, the tax will be that portion of the excess profits tax which the net income not attributable to the sale bears to the total net income plus 20 per cent of the selling price of the mineral deposits.

15. **Statement of basis of claims.**—If a corporation claims the benefit of any of the provisions outlined in (*d*), (*e*), or (*f*), it should attach to the return a complete statement of the basis for such claim and a computation of the tax payable in the event that such claim is allowed. The amount of tax so computed should be entered in Schedule D.

SPECIAL CASES.

16. **Definition of special cases.**—Section 327 of the Act provides that in the following cases the tax shall be determined as provided in Section 328:

(*a*) Where the Commissioner is unable to determine the invested capital as provided in Section 326.

(*b*) In the case of a foreign corporation or a corporation entitled to the benefits of Section 262 of the Revenue Act of 1921. (See paragraph 3, page 1 of Instructions.)

(*c*) Where a mixed aggregate of tangible property and intangible property has been paid in for stock or for stock and bonds and the Commissioner is unable satisfactorily to determine the respective values of the several classes of property at the time of payment, or to distinguish the classes of property paid in for stock and for bonds, respectively.

(*d*) Where, upon application by the corporation, the Commissioner finds and declares of record that the tax if determined without benefit of this section would, owing to abnormal conditions affecting the capital or income of the corporation, work upon the corporation an exceptional hardship evidenced by gross disproportion between the tax computed without benefit of this section and the tax computed by reference to the representative corporations specified in Section 328. This subdivision shall not apply to any case: (1) In which the tax (computed without benefit of this section) is high merely because the corporation earned within the taxable period a high rate of profit upon a normal invested capital, nor (2) in which 50 per centum or more of the gross income of the corporation for the taxable period (computed under Section 233 of the Act) consisted of gains, profits, commissions, or other income derived on a cost-plus basis from a Government contract or contracts made between April 6, 1917, and November 11, 1918, both dates inclusive.

17. **Treatment of special cases.**—In the cases specified in Section 327 the tax will be specially determined under the provisions of Section 328. A corporation which comes within the provisions of subdivision (*d*) of Section 327 (paragraph 16, above) may make application for assessment under the provisions of Section 328, which application shall be attached to its return in the form of a statement setting forth in full: (*a*) The reasons why the tax should be so determined; (*b*) the facts upon which such reasons are based; (*c*) an exact description of each trade or business or important branch of a trade or business carried on by it; (*d*) a statement of the invested capital and net income for each year since the beginning of the prewar period; and (*e*) a statement showing the amount of gains, profits, commissions, or other income derived on a cost-plus basis from Government contracts made between April 5, 1917, and November 12, 1918, both dates inclusive, and showing the per cent which such income is of the total income of the corporation.

18. **Returns in special cases.**—Corporations other than foreign corporations making claim for assessment under Section 328 of the Act should answer all questions and file all schedules as far as possible and attach a statement explaining why it is impracticable to fill out the entire return.

UNDISPUTED PROFITS TAXABLE TO STOCKHOLDERS.

19. 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 twenty-five per cent (25%) 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, Revenue Act of 1921.)