FORM 1120 L
Treasury Department
Internal Revenue Service

UNITED STATES

LIFE INSURANCE COMPANY INCOME TAX RETURN

1945

FOR COMPANIES ISSUING LIFE INSURANCE AND ANNUITY CONTRACTS; COMBINED LIFE, HEALTH, AND ACCIDENT INSURANCE CONTRACTS; OR NONCANCELLABLE CONTRACTS OF HEALTH AND ACCIDENT INSURANCE

FOR CALENDAR YEAR 1945

File This Return With the Collector of Internal Revenue for Your District on or Before March 15, 1946

PRINT PLAINLY COMPANY'S NAME AND ADDRESS

(Name)

(Street and number)

(City or town, postal zone number) (State)

Do Not Write in These Spaces

File Code

Serial Number

District

(Cashier's Stamp)

Cash Check M. O. Cert. of Ind.

(First Payment)

$

Item and Instruction No.	GROSS INCOME	1. Interest Received	2. Accrual of Discount	3. Amortization of Premium	4. Total (In Case of Item 1, Column 1 Plus Column 2 Less Column 3)
1.	Interest on:				
	(a) Obligations of a State, Territory, or political subdivision thereof, or the District of Columbia, or United States possessions	$	$	$	$
	(b) Obligations of Federal land banks, joint stock land banks, and Federal intermediate credit banks issued prior to March 1, 1941				
	(c) Obligations of the United States issued on or before September 1, 1917				
	(d) Treasury Notes issued prior to December 1, 1940, Treasury Bills and Treasury Certificates of Indebtedness issued prior to March 1, 1941				
	(e) United States Savings Bonds and Treasury Bonds owned in the principal amount of $5,000 or less issued prior to March 1, 1941				
	(f) United States Savings Bonds and Treasury Bonds owned in excess of the principal amount of $5,000 issued prior to March 1, 1941				
	(g) Obligations of instrumentalities of the United States (other than obligations to be reported in line (b) above) issued prior to March 1, 1941				
	(h) Treasury Notes issued on or after Dec. 1, 1940, and obligations issued on or after March 1, 1941, by the United States or any agency or instrumentality thereof. (Submit schedule)				
	(i) Loans, notes, mortgages, bank deposits, etc.				
	TOTALS	$	$	$	$

2.	Dividends on stock of:		
	(a) Domestic corporations subject to taxation under Chapter 1 of the Internal Revenue Code*		
	(b) Foreign corporations		
	(c) Other corporations		
3.	Rents. (Attach schedule)		
4.	TOTAL INCOME IN ITEMS 1 TO 3		$
	DEDUCTIONS		
5.	Interest wholly exempt from tax (item 1 (a), (b), (c), (d), (e), column 4)	$	
6.	Investment expenses. (Attach schedule)		
7.	Taxes		
8.	Real estate expenses		
9.	Depreciation. (Attach schedule)		
10.	TOTAL DEDUCTIONS IN ITEMS 5 TO 9		
11.	Net income (item 4 minus item 10)		$
12.	Less: Interest partially exempt from tax (item 1 (f) and (g), column 4)		
13.	Adjusted net income		$
14.	Less: Income subject to excess profits tax	$	
15.	Dividends received credit (85 percent of item 2 (a), but not in excess of 85 percent of item 13 minus item 14)		
16.	Normal-tax net income		$
17.	Less: Reserve and other policy liability credit (item 16 multiplied by ____)		
18.	Balance (item 16 minus item 17)		$
19.	Plus: Amount of adjustment for certain non-life insurance reserves		
20.	Adjusted normal-tax net income		$

*Except dividends received from corporations organized under the China Trade Act, 1922, and corporations entitled to the benefits of section 251 of the Internal Revenue Code, which dividends should be included in item 2 (c).

COMPUTATION OF TAX

	NORMAL TAX COMPUTATION	Column 1	Col. 2 Rate	Column 3 Amount of Tax
	COMPANIES WITH NORMAL-TAX NET INCOMES NOT OVER $50,000			
21.	Adjusted normal-tax net income (item 20)	$		
22.	Portion of item 21 (not in excess of $5,000); and tax at 15 percent	$	15%	$
23.	Portion of item 21 (in excess of $5,000 and not in excess of $20,000); and tax at 17 percent		17%	
24.	Portion of item 21 (in excess of $20,000 and not in excess of $25,000); and tax at 19 percent		19%	
25.	Portion of item 21 (in excess of $25,000); and tax at 31 percent		31%	
26.	Total normal tax (total tax in column 3 of items 22, 23, 24, and 25)			$
	COMPANIES WITH NORMAL-TAX NET INCOMES OVER $50,000			
27.	Adjusted normal-tax net income (item 20)	$		
28.	Normal tax (24 percent of item 27)		24%	$
	SURTAX COMPUTATION			
29.	Net income (item 11 above)	$		
30.	Less: Income subject to excess profits tax			
31.	Dividends received credit (85 percent of item 2 (a), but not in excess of 85 percent of item 29 minus item 30) (excluding from the computation certain dividends on preferred stock of a public utility))			
32.	Surtax net income (item 29 minus items 30 and 31)	$		
33.	Less: Reserve and other policy liability credit (item 32 multiplied by ____)			
34.	Balance (item 32 minus item 33)	$		
35.	Plus: Amount of adjustment for certain non-life insurance reserves			
36.	Adjusted surtax net income	$		
	COMPANIES WITH SURTAX NET INCOMES NOT OVER $50,000			
37.	Portion of item 36 (not in excess of $25,000); and tax at 10 percent	$	10%	$
38.	Portion of item 36 (in excess of $25,000); and tax at 22 percent		22%	
39.	Total surtax (total in column 3 of items 37 and 38)			$
	COMPANIES WITH SURTAX NET INCOMES OVER $50,000			
40.	Adjusted surtax net income (item 36)	$		
41.	Surtax (16 percent of item 40)		16%	$
42.	Total income tax (item 26 or 28 plus item 39 or 41, whichever is applicable)			$
43.	Less: Credit for income taxes paid to a foreign country or United States possession allowed a domestic corporation			
44.	Balance of income tax			$

16—41066-2

Schedule A.—DATA FOR RESERVE AND OTHER POLICY LIABILITY CREDIT FOR THE SUCCEEDING TAXABLE YEAR (See Instruction 17)

	Nature of Reserve (Life, Annuity, Etc.) (1)	Assumed Morbidity or Mortality Table (2)	Assumed Interest Rate (3)	Method of Computation (Illinois Standard, Etc.) (4)	Amount of Adjusted Reserve at Beginning of Taxable Year* (5)	Amount of Adjusted Reserve at End of Taxable Year* (6)	Mean of Columns (5) and (6) (7)	Column (3) Times Column (7) (8)
1.					$	$	$	$
2.								
3.								
4.								
5.								
6.	TOTALS						$	$

7.	Average rate of interest assumed in computing life insurance reserves (total of column 8 above divided by total of column 7 above)	%
8.	35 percent of line 7	%
9.	2.1125 percent (65 percent of 3¼ percent)	2. 1125%
10.	Reserve earnings rate (line 8 above plus line 9 above)	%
11.	Total of column 7 multiplied by line 10 above	$
12.	2 percent of the reserve held for deferred dividends	
13.	Interest paid	
14.	TOTAL OF LINES 11, 12, AND 13 ABOVE	$
15.	Net income (item 11, page 1)	$
16.	Interest wholly exempt from tax (item 5, page 1)	$
17.	Adjustment for unearned premiums and unpaid losses on non-life insurance reserves (item 19, page 1)	$

* In the case of reserves computed on a preliminary term basis, 107% of the amount of the reserve.

Schedule B.—INVESTED ASSETS BOOK VALUES (See Instruction 6)

(Schedule B need not be filled in if no deduction is claimed for any general expenses that are allocated to investment income)

		1. Beginning of taxable year	2. End of taxable year
1.	Real estate	$	$
2.	Mortgage loans		
3.	Collateral loans		
4.	Policy loans, including premium notes		
5.	Bonds of domestic corporations		
6.	Stocks of domestic corporations		
7.	Government obligations, etc.:		
	(a) Obligations of a State, Territory, or political subdivision thereof, or the District of Columbia, or United States possessions		
	(b) Obligations of Federal land banks, joint stock land banks, and Federal intermediate credit banks issued prior to March 1, 1941		
	(c) Obligations of the United States issued on or before September 1, 1917		
	(d) Treasury Notes issued prior to December 1, 1940, Treasury Bills and Treasury Certificates of Indebtedness issued prior to March 1, 1941		
	(e) United States Savings Bonds and Treasury Bonds owned in the principal amount of $5,000 or less issued prior to March 1, 1941		
	(f) United States Savings Bonds and Treasury Bonds owned in excess of the principal amount of $5,000 issued prior to March 1, 1941		
	(g) Obligations of instrumentalities of the United States (other than obligations to be reported in line (b) above) issued prior to March 1, 1941		
	(h) Treasury Notes issued on or after December 1, 1940, and obligations issued on or after March 1, 1941, by the United States or any agency or instrumentality thereof		
8.	Bank deposits bearing interest		
9.	Other interest-bearing assets (attach statement)		
10.	TOTALS OF LINES 1 TO 9	$	$

11.	Total of columns 1 and 2, line 10	$
12.	Mean of the invested assets for the taxable year (one-half of line 11)	$
13.	One-fourth of 1 percent of the mean of the invested assets	$
14.	Income base (item 4, page 1, minus items 7, 8, and 9, page 1)	$
15.	3¾ percent of line 12	
16.	Excess (if any) of line 14 over line 15	$
17.	One-fourth of line 16	$
18.	Limit on deduction for investment expenses (line 13 plus line 17)	$

EXCESS PROFITS TAX (See Instructions for Form 1121)

(a) Is an excess profits tax return on Form 1121 being filed for the taxable period covered by this return? ____________
(b) If an excess profits tax return is not being filed for the reason that it is claimed that the excess profits net income computed under the invested capital method is not greater than $10,000, the following Schedule C should be filled in. The completion of Schedule C does not constitute the filing of an excess profits tax return.

Schedule C.—EXCESS PROFITS NET INCOME COMPUTATION

1.	Normal-tax net income computed without credit for income subject to excess profits tax (item 16 plus item 14, page 1)	$
2.	Less: Dividends received credit adjustment (item 2, page 1, excluding dividends (actual or constructive) on stock of foreign personal holding companies, minus item 15, page 1)	
3.	Excess profits net income (before adjustment under section 711(a)(2)(J))	$
4.	Line 3 multiplied by the figure determined and proclaimed under section 202(b)—(____________)	$
5.	Amount of adjustment for certain non-life insurance reserves (item 19, page 1)	
6.	Excess of line 4 over line 5 (if any)	$
7.	50 percent of line 6	$
8.	Excess profits tax net income (line 3 minus line 7) (for purpose of determining necessity for filing return)	$

1. Date of incorporation ____________

2. State or country ____________

3. Did the company file a return under the same name for the preceding taxable year? ____________

4. State the amount of deferred dividend funds at the end of the taxable year, exclusive of any amount held for payments during the following taxable year: $____________

5. Is this a consolidated return? ____________ (If so, procure from the collector of internal revenue for your district Form 851, Affiliations Schedule, which shall be filled in, sworn to, and filed as a part of this return.)

6. If this is not a consolidated return, (a) did the company own at any time during the taxable year 50 percent or more of the voting stock of another corporation either domestic or foreign? ____________; or (b) did any corporation, individual, partnership, trust, or association own at any time during the taxable year 50 percent or more of your voting stock? ____________ (If either answer is "yes," attach separate schedule showing: (1) Name and address; (2) percentage of stock owned; (3) date stock was acquired; and (4) the collector's office in which the income tax return of such corporation, individual, partnership, trust, or association for the last taxable year was filed.)

7. Did the company at any time during its taxable year have in its employ more than eight individuals? (Answer "yes" or "no") ____________ If answer is "yes," has the company in this return taken a deduction for any amount of wages or salaries representing an increase or decrease in rate? (Answer "yes" or "no") ____________ If answer to second question is "yes," attach statement as required by Instruction 6.

8. Did the company pay to any officer or employee of the company, salary, commission, bonus, or other compensation for personal services rendered, in an aggregate amount in excess of $75,000? ____________ (If answer is "yes," attach Schedule F-1.) (See General Instruction I-3.)

9. Did the company make a return of information on Forms 1096 and 1099 or Form W-2a for the calendar year 1945 (see General Instruction H)? ____________ (Answer "yes" or "no.")

10. Did the company at any time during the taxable year own directly or indirectly any stock of a foreign corporation? ____________ (If answer is "yes," attach statement required by General Instruction J.)

AFFIDAVIT (See Instruction E)

We, the undersigned, president (or vice president, or other principal officer) and treasurer (or assistant treasurer, or chief accounting officer) of the corporation for which this return is made, being severally duly sworn, each for himself deposes and says that this return (including any accompanying schedules and statements) has been examined by him and is, to the best of his knowledge and belief, a true, correct, and complete return, made in good faith, for the taxable year stated, pursuant to the Internal Revenue Code and the regulations issued thereunder.

Subscribed and sworn to before me this ____________ day of ____________, 194____ ____________
(President or other principal officer) (State title)

NOTARIAL SEAL

____________, ____________
(Signature of officer administering oath) (Title)

CORPORATE SEAL

____
(Treasurer, Assistant Treasurer, or Chief Accounting Officer) (State title)

AFFIDAVIT (See Instruction E)

I/we swear (or affirm) that I/we prepared this return for the person named herein and that the return (including any accompanying schedules and statements) is a true, correct, and complete statement of all the information respecting the tax liability of the person for whom this return has been prepared of which I/we have any knowledge.

Subscribed and sworn to before me this ____________ day of ____________, 194____

____
(Signature of person preparing the return)

____
(Signature of person preparing the return)

NOTARIAL SEAL

____________, ____________
(Signature of officer administering oath) (Title)

16—41066-2

____
(Name of firm or employer, if any)

1945 INSTRUCTIONS FOR FORM 1120 L 1945

UNITED STATES LIFE INSURANCE COMPANY INCOME TAX RETURN

(References are to the Internal Revenue Code, unless otherwise noted)

Taxpayers will find it helpful to read the General Instructions A to L before commencing to fill in their returns

GENERAL INSTRUCTIONS

A. COMPANIES REQUIRED TO FILE A RETURN

Every domestic life insurance company and every foreign life insurance company carrying on an insurance business within the United States (if with respect to its United States business it would qualify as a life insurance company), which is engaged in the business of issuing life insurance and annuity contracts (either separately or combined with health and accident insurance) or noncancellable contracts of health and accident insurance, and the life insurance reserves, plus unearned premiums and unpaid losses on noncancellable life, health, or accident policies not included in life insurance reserves, of which comprise more than 50 percent of its total reserves, shall file a return on this form. (See section 201.)

Receivers, trustees in dissolution, trustees in bankruptcy, and assignees, operating the property or business of corporations, must make returns of income for such corporations. If a receiver has full custody of and control over the business or property of a corporation, he shall be deemed to be operating such business or property, whether he is engaged in carrying on the business for which the corporation was organized or only in marshaling, selling, and disposing of its assets for purposes of liquidation.

B. PERIOD COVERED

The return shall be for the calendar year ended December 31, 1945, and the net income computed on the calendar year basis in accordance with the State laws regulating insurance companies.

C. BASIS OF RETURN

A return on this form shall be rendered on a cash receipts and disbursements basis in conformity with the annual statement made to the State Insurance Department, instead of the accrual basis.

D. TIME AND PLACE FOR FILING

The return must be sent to the collector of internal revenue for the district in which the company's principal place of business or principal office or agency is located, so as to reach the collector's office on or before March 15, 1946.

E. AFFIDAVITS

The return shall be sworn to by the president, vice president, or other principal officer, and by the treasurer, assistant treasurer, or chief accounting officer.

Where the return is actually prepared by some person or persons other than officers or employees of the company, such person or persons must execute the affidavit at the foot of page 2.

F. PAYMENT OF TAX

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

The tax must be paid in full when the return is filed, or in four equal installments, as follows: The first installment shall be paid on or before March 15, 1946; the second installment on or before June 15, 1946; the third installment on or before September 15, 1946; and the fourth installment on or before December 15, 1946.

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

G. PENALTIES

For failure to make and file a return on time.—Five percent to 25 percent of the amount of the tax, unless such failure is due to reasonable cause, and, in addition, where failure is willful, a fine of not more than $10,000, or imprisonment for not more than 1 year, or both, together with the costs of prosecution.

For willfully attempting to evade or defeat payment of the tax.—Not more than $10,000, or imprisonment for not more than 5 years, or both, together with the costs of prosecution.

For deficiency due to negligence or fraud.—Five percent of the amount of the deficiency if due to negligence or intentional disregard of rules and regulations without intent to defraud, or 50 percent of the amount of the deficiency if due to fraud.

H. INFORMATION AT SOURCE

Every insurance company shall make a return on Forms 1096 and 1099 with respect to amounts paid, credited, or distributed during the calendar year (*a*) as salaries or other compensation for personal services, totaling $500 or more in the case of a citizen or resident, or (*b*) as interest, rent, premiums, annuities, or other fixed or determinable income totaling $500 or more to a fiduciary, a domestic or resident partnership, or a citizen or resident. A report on Form 1099 is not required with respect to wage payments from which the tax has been withheld, provided copies of withholding receipts on Form W–2a are furnished with the last return (Form W–1) for 1945. If a portion of such wage payments was reported on a Withholding Receipt (Form W–2), only the remainder must be reported on Form 1099. The return on Forms 1096 and 1099 shall also include dividend payments amounting to $100 or more during the calendar year to each shareholder who is an individual (citizen or resident of the United States), a resident fiduciary, or a resident partnership any member of which is a citizen or resident.

I. INFORMATION BY CORPORATIONS

I–1. **Contemplated dissolution or liquidation.**—Every corporation shall, within 30 days after the adoption by the corporation of a resolution or plan for the dissolution of the corporation or for the liquidation of the whole or any part of its capital stock, render a correct return on Form 966 to the Commissioner, verified under oath, setting forth the terms of such resolution or plan. (See section 148(d).)

I–2. **Distributions in liquidation.**—Every corporation shall, when required by the Commissioner, render a correct return, duly verified under oath, of its distributions in liquidation, stating the name and address of each shareholder, the number and class of shares owned by him, and the amount paid to him or, if the distribution is in property other than money, the fair market value (as of the date the distribution is made) of the property distributed to him. (See section 148(e).)

I–3. **Compensation of officers and employees.**—If the company paid to any officer or employee during the taxable year compensation for personal services in excess of $75,000, Schedule F–1 (copies of which may be obtained from the collector of internal revenue) must be filed, IN DUPLICATE, with and as part of the return.

J. STOCK OWNERSHIP IN FOREIGN CORPORATIONS

If the company owned any stock of a foreign corporation (including less than 5 percent of the stock of a foreign personal holding company), it should attach to its return a statement setting forth the name and address of each such company and the total number of shares of each class of outstanding stock owned by it during the taxable year. This statement should be furnished in addition to the schedule required by Specific Instruction 2. If the company owned stock at any time during the taxable year in a foreign personal holding company, as defined in section 331, it must include in its return as a dividend the amount required to be included in its gross income by section 337. If the company owned 5 percent or more in value of the outstanding stock of such foreign personal holding company, it should set forth in an attached statement in complete detail the information required by section 337(d).

K. ANNUAL STATEMENT

A copy of the annual statement for life insurance companies adopted by the National Convention of Insurance Commissioners for the year 1945, as filed with the Insurance Department of the State, Territory, or District of Columbia, which shows the reserves used in computing the net income reported on the return, together with copies of Schedule A (real estate) and Schedule D (bonds and stocks), must accompany the return. Similar copies for the preceding year must also be furnished, if not filed for such year. In the case of a foreign life insurance company carrying on a life insurance business within the United States, the copies submitted shall be those relating to the United States business of the company.

L. LIST OF ATTACHED SCHEDULES

Attach a list of the schedules accompanying the return, giving for each a brief title and the schedule number. Place name and address of company on each schedule.

SPECIFIC INSTRUCTIONS

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

1. INTEREST

Enter interest received from all sources during the taxable year. Interest on bonds is considered income when due and payable. The gross amount of interest reported as gross income shall be decreased by the amortization of premium and increased by the accrual of discount attributable to the taxable year on bonds, notes, debentures, or other evidences of indebtedness, determined (1) in accordance with the method regularly employed, if reasonable, or (2) in accordance with regulations prescribed by the Commissioner with the approval of the Secretary. (Attach statement showing method and computation.)

2. DIVIDENDS

Enter as item 2(*a*) the amount received as dividends from a domestic corporation which is subject to taxation under Chapter 1 other than a corporation entitled to the benefits of section 251 and other than a corporation organized under the China Trade Act, 1922. Enter as item 2(*b*) dividends from foreign corporations. Enter as item 2(*c*) dividends from all other corporations, including dividends on share accounts in Federal savings and loan associations issued on or after March 28, 1942. Enter in item 1(*g*) dividends on share accounts in Federal savings and loan associations issued prior to March 28, 1942. Submit schedule, itemizing all dividends received during the year, stating the names and addresses of the corporations declaring the dividends and amounts received from each.

3. RENTS

Enter rents received from tenants.

5. INTEREST WHOLLY EXEMPT FROM TAX

Enter the amount of interest which is **wholly** exempt from taxation under the provisions of section 22(b)(4).

See Specific Instruction 12 with respect to **partially** tax-exempt interest which is allowed as a credit against net income.

6. INVESTMENT EXPENSES

Enter expenses paid which are properly chargeable to investment expenses, the total amount of which, if there be any allocation of general expenses to investment expenses, should not exceed one-fourth of 1 percent of the mean of the invested assets reported on line 12, Schedule B, plus, in cases where the net income computed without any deduction for (1) investment expenses and (2) tax-free interest, exceeds 3¾ percent of the book value of such mean of the invested assets, one-fourth of such excess. Submit a schedule showing the nature and amount of the items included herein, the minor items being grouped in one amount. (See section 201(c)(7)(B).)

Limitations on wages and salaries.—If any increase or decrease in salaries or wages is made during the taxable year which has been determined by the National War Labor Board, the Commissioner of Internal Revenue, or other governmental agency having jurisdiction, to have been paid or accrued in contravention of the Act of October 2, 1942, as amended, or regulations, rules, or orders promulgated thereunder, the amount so determined will be denied as a deduction.

Every corporation employing more than eight individuals, and taking a deduction for any amount of salaries or wages representing an increase or decrease in rate, should file with its return a statement certifying that such increase or decrease has had the prior approval of the National War Labor Board, the Commissioner of Internal Revenue, or other governmental agency having jurisdiction, or that such increase or decrease did not require such prior approval under orders, rulings, or regulations promulgated under authority of the Act of October 2, 1942, as amended.

16—41066-2

7. TAXES

Enter taxes paid exclusively upon real estate owned by the company and taxes assessed against individual shareholders and paid by the company without reimbursement as provided in section 201(c)(7)(C). Do not include taxes assessed against local benefits of a kind tending to increase the value of the property assessed, as for paving, sewers, etc. (For limitation on deduction, see Instruction 10 (*b*) below.)

8. REAL ESTATE EXPENSES

Enter all ordinary and necessary building expenses, such as fire insurance, heat, light, labor, etc., and the cost of incidental repairs which neither materially add to the value of the property nor appreciably prolong its life, but keep it in an ordinarily efficient operating condition. Do not include any amount paid out for new buildings or for permanent improvements or betterments made to increase the value of any property or any amount expended on foreclosed property before such property is held forth for rental purposes. (For limitation on deduction, see Instruction 10 (*b*) below.)

9. DEPRECIATION

The amount deductible on account of depreciation is an amount reasonably measuring the portion of the investment in depreciable property by reason of exhaustion, wear and tear, or obsolescence, which is properly chargeable against the operations of the year. In any event the deduction is limited to the depreciation on the property that is used, and to the extent used, for the purpose of producing the income specified in section 201(c)(1). If the property was acquired by purchase on or after March 1, 1913, the amount of depreciation should be determined upon the basis of the original cost (not replacement cost) of the property, and the probable number of years remaining of its expected useful life. In case the property was purchased prior to March 1, 1913, the amount of depreciation will be determined in the same manner, except that it will be computed on its original cost, less depreciation sustained prior to March 1, 1913, or its fair market value as of that date, whichever is greater. If the property was acquired in any other manner than by purchase, see section 114. The capital sum to be recovered should be charged off ratably over the useful life of the property. Whatever plan or method of apportionment is adopted must be reasonable, must have due regard to operating conditions during the taxable year, and should be described in the return.

If a deduction is claimed on account of depreciation, a schedule should be filed with the return showing: (1) Kind of property; (2) date acquired; (3) cost or other basis; (4) assets fully depreciated in use at end of taxable year; (5) depreciation allowed (or allowable) in prior years; (6) remaining cost or other basis to be recovered; (7) estimated life used in accumulating depreciation; (8) estimated remaining life from beginning of year; and (9) depreciation allowable for the taxable year. In case obsolescence is included, state separately amount claimed and basis upon which it is computed. Cost or value of land must not be included in the schedule, and where land and buildings were purchased for a lump sum the cost of the building subject to depreciation must be established.

The adjusted property accounts and the accumulated depreciation shown in the schedule should be reconciled with those accounts as reflected on the books of the taxpayer.

Stocks, bonds, and like securities are not subject to depreciation within the meaning of the law. (See sections 23(l), 114, and 201(c)(7)(D).)

For limitation on deduction, see Instruction 10 (*b*) below.

10. TOTAL DEDUCTIONS

(*a*) Enter the total of items 5 to 9, inclusive.

(*b*) **Limitation on deductions relating to real estate owned and occupied.**—The deduction included in items 7 to 9 on account of real estate owned and occupied in whole or in part by the company shall be limited to an amount which bears the same ratio to such deduction (computed without regard to subsection (d) of section 201) as the rental value of the space not so occupied bears to the rental value of the entire property. (Submit detailed schedule.)

(*c*) **Items not deductible.**—No deduction is allowable for the amount of any item or part thereof allocable to a class of exempt income, other than interest. Items directly attributable to such exempt income shall be allocated thereto, and items directly attributable to any class of taxable income shall be allocated to such taxable income. If an item is indirectly attributable to both taxable income and exempt income, a reasonable proportion thereof, determined in the light of all the facts and circumstances in each case, shall be allocated to each. Apportionments must in all cases be reasonable. A taxpayer receiving any exempt income, other than interest, or holding any property or engaging in any activity the income from which is exempt shall submit with its return as a part thereof an itemized statement, in detail, showing (1) the amount of each class of exempt income, and (2) the amount of items allocated to each such class (the amount allocated by apportionment being shown separately).

12, 14, 15 and 17. CREDITS AGAINST NET INCOME

Enter as item 12 the amount of interest included in gross income which is partially exempt from taxation and for which credit is allowed under the provisions of section 26(a).

Enter as item 14 the income subject to excess profits tax. (See section 26(e).)

Enter as item 15, 85 percent of the amount received as dividends from a domestic corporation which is subject to taxation under Chapter 1, except dividends received from corporations organized under the China Trade Act, 1922, or from corporations entitled to the benefits of section 251. The amount claimed as a credit (item 15) shall be limited to an amount not in excess of 85 percent of the adjusted net income (item 13) minus item 14. (See section 26(b).)

Enter as item 17 the product of the normal-tax net income and the figure proclaimed by the Secretary for determining the reserve and other policy liability credit. (See section 202(b).)

Data for succeeding taxable year. The following data shall be furnished by every life insurance company in Schedule A for the computation of the figure, for the succeeding year, to be proclaimed by the Secretary to determine the reserve and other policy liability credit:

(1) **Reserves (lines 1 to 6, inclusive, Schedule A).**—List in Schedule A data pertaining to life insurance reserves. Describe fully the nature of the reserve, the method of computation, the interest rate used, and the amount of each such reserve at the beginning and end of the taxable year. Include mortality and morbidity reserves on noncancellable life, health, or accident contracts. Do not include pro rata unearned premiums or unpaid losses on cancellable accident and health contracts. For reserves computed on a modified basis, such as Illinois Standard, or Select and Ultimate, list 107 percent of the amount of such reserves. (For definition of life insurance reserves, see section 29.201–4 of the regulations.) (For reserves computed on a modified basis, see section 29.201–6 of the regulations.)

(2) **Reserve earnings rate.**—Reserve earnings rate means a rate computed by adding 2.1125 percent (65 percent of 3¼ percent) and 35 percent of the average rate of interest assumed in computing life insurance reserves. Enter as line 10, Schedule A.

(3) **Reserve for deferred dividends.**—Enter in line 12, Schedule A, an amount equal to 2 percent of the reserve held at the end of the taxable year for deferred dividends the payment of which is deferred for a period of not less than 5 years from the date of the policy contract. Do not include in such reserve dividends payable during the following taxable year.

(4) **Interest paid.**—Enter in line 13, Schedule A, the amount of interest paid during the taxable year on the company's indebtedness, except on indebtedness incurred or continued to purchase or carry obligations (other than obligations of the United States issued after September 24, 1917, and originally subscribed for by the taxpayer) the interest upon which is wholly exempt from taxation, and all amounts in the nature of interest, whether or not guaranteed, paid within the taxable year on insurance contracts (or contracts arising out of insurance contracts) which do not involve, at the time of payment, life, health, or accident contingencies. Interest paid on dividends held on deposit and surrendered during the taxable year should be included in this item. Do not include any interest paid on deferred dividends which were included under (3) above.

19. ADJUSTMENT FOR CERTAIN RESERVES

For companies writing contracts other than life insurance or annuity contracts (either separately or combined with noncancellable health and accident insurance) add to the normal-tax net income and to the surtax net income 3¼ percent of the unearned premiums and unpaid losses on such other contracts which are not included in life insurance reserves, but not less than 3¼ percent of unpaid losses plus 3¼ percent of 25 percent of the net premiums written during the taxable year on such other contracts. (See sections 202 and 203.)

21 to 41. COMPUTATION OF TAX

Normal tax.—All life insurance companies (including foreign life insurance companies carrying on a life insurance business within the United States) are subject to the tax imposed by section 201(a)(1). The following table shows the normal tax imposed by section 201(a)(1) upon certain specified amounts of adjusted normal-tax net income—

If adjusted normal-tax net income is:	*The normal tax shall be:*
Not over $5,000	15% of the adjusted normal-tax net income
Over $5,000 but not over $20,000	$750 plus 17% of excess over $5,000
Over $20,000 but not over $25,000	$3,300 plus 19% of excess over $20,000
Over $25,000 but not over $50,000	$4,250 plus 31% of excess over $25,000
Over $50,000	24% of the adjusted normal-tax net income

Surtax.—For companies with surtax net incomes not over $50,000 the surtax imposed by section 201(a) is 10 percent of the amount of the adjusted surtax net income not in excess of $25,000, and 22 percent of the amount of the adjusted surtax net income in excess of $25,000. For companies with surtax net incomes over $50,000, the surtax is 16 percent of the amount of the adjusted surtax net income.

The terms "adjusted normal-tax net income" and "adjusted surtax net income" mean the normal-tax net income and the surtax net income, respectively, minus the "reserve and other policy liability credit" provided in section 202(b) and plus 3¼ percent of the unearned premiums and unpaid losses on contracts other than life insurance or annuity contracts written (either separately or combined with noncancellable health and accident insurance). (See Instruction 19.)

The term "normal-tax net income" means the adjusted net income minus the credit for income subject to excess profits tax provided in section 26(e) and the credit for dividends received provided in section 26(b).

The normal-tax net income and the corporation surtax net income of a foreign life insurance company carrying on life insurance business within the United States consists of that portion of its net income from the United States business (shown on the form approved for life insurance companies by the National Association of Insurance Commissioners) computed under the provisions of section 201.

The term "surtax net income" means the net income minus the credit for income subject to excess profits tax provided in section 26(e) and the credit for dividends received provided in section 26(b) (excluding certain dividends received on preferred stock of a public utility), computed by limiting such credit to 85 percent of the net income minus the credit for income subject to excess profits tax in lieu of 85 percent of the adjusted net income, minus such credit.

43. CREDIT FOR TAXES

If, in accordance with section 131(a), a credit is claimed by a domestic corporation in item 43, on account of income, war-profits and excess-profits taxes paid or accrued to a foreign country or a possession of the United States, Form 1118 should be submitted with the return, together with the receipt for each such tax payment. In case credit is sought for taxes accrued but not paid, the form must have attached to it a certified copy of the return on which each such accrued tax was based, and the Commissioner may require a bond on Form 1119 as a condition precedent to the allowance of a credit for such accrued taxes. A foreign company is not entitled to claim this credit.

U. S. GOVERNMENT PRINTING OFFICE 16—41066-1