UNITED STATES LIFE INSURANCE COMPANY INCOME TAX RETURN Treasury Department Internal Revenue Service FOR COMPANIES ISSUING LIFE INSURANCE AND ANNUITY Do Not Write in These Sp CONTRACTS; COMBINED LIFE, HEALTH, AND ACCIDENT INSURANCE CONTRACTS; OR NONCANCELLABLE CONTRACTS OF HEALTH AND ACCIDENT INSURANCE District FOR CALENDAR YEAR 1948 File This Return With the Collector of Internal Revenue for Your District on or Before March 15, 1949 PRINT PLAINLY COMPANY'S NAME AND ADDRESS (Name) Check M.O. Cert. of Ind. (First Payment) (City or town, postal zone number) 4. TOTAL (In Case of Item 1, Column 1 Plus Column 2 Less Column 3) 2. ACCRUAL OF DISCOUNT 3. Amortization of Premium GROSS INCOME 1. INTEREST RECEIVED 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. Treasury Notes issued on or after Dec. 1, 1940, and obligations issued on March 1, 1941, by the United States or any agency or instrumentality (Submit schedule) (i) Loans, notes, mortgages, bank deposits, etc\_\_\_\_\_ 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)\_\_ 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)..... 8. Real estate expenses..... TOTAL DEDUCTIONS IN ITEMS 5 TO 9 .... 10. 11. Net income (item 4 minus item 10)\_\_\_\_\_ Less: Interest partially exempt from tax (item 1 (f) and (g), column 4). 12. 13. Less: Dividends received credit (85 percent of item 2 (a), but not in excess of 85 percent of item 13). 14. 15. Normal-tax net income\_\_\_\_\_ Less: Reserve and other policy liability credit (item 15 multiplied by 16. 17. Balance (item 15 minus item 16) Plus: Amount of adjustment for certain non-life insurance reserves. 18. \$ \*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). Adjusted normal-tax net income\_\_\_\_\_ COMPUTATION OF TAX NORMAL TAX COMPUTATION COMPANIES WITH ADJUSTED NORMAL-TAX NET INCOMES NOT Column 1 20. Adjusted normal-tax net income (item 19)\_\_\_\_\_ 15% 21. Portion of item 20 (not in excess of \$5,000); and tax at 15 percent 17% 22. Portion of item 20 (in excess of \$5,000 and not in excess of \$20,000); and tax at 17 percent. 23. Pertion of item 20 (in excess of \$20,000 and not in excess of \$25,000); and tax at 19 percent. 19% 31% 24. Portion of item 20 (in excess of \$25,000); and tax at 31 percent... 25. Total normal tax (total tax in column 3 of items 21, 22, 23, and 24).... COMPANIES WITH ADJUSTED NORMAL-TAX NET INCOMES OVER \$50,000 26. Adjusted normal-tax net income (item 19) 27. Normal tax (24 percent of item 26)..... SURTAX COMPUTATION 28. Net income (item 11 above) Less: Dividends received credit (85 percent of item 2 (a), but not in excess of 85 percent of item 13 (excluding from the computation certain dividends on preferred stock of a public utility))...... 29. 30. Surtax net income (item 28 minus item 29)\_\_\_\_\_ 31. Less: Reserve and other policy liability credit (item 30 multiplied by 32. Balance (item 30 minus item 31)\_\_\_\_\_ Plus: Amount of adjustment for certain non-life insurance reserves. 33.

Nature of Reserve (Life, Annuity, Etc.)		Assumed Morbidity or Mortality Table (2)	Assumed Interest Rate	Method of Computation (Illinois Standard, Etc.)	Amount of Adjusted Re Beginning of Taxable (5)	serve at Amo	unt of Adjusted Reserve at End of Taxable Year*	Mean of Col and (6	umns (5)	Column (3) Times Column (7)	
(1)				(4)		<u> </u>	(0)				
1 2											
ó		_		.  <u></u>							
Totals								\$		\$	
. Average rate of i	nterest assu	umed in cor	mputing li	ife insurance r	eserves (total of	olumn 8 al	ove divided by tota	al of column	7 above	) <u>.                                    </u>	<u></u>
. 35 percent of lin	e 7										
. 2.1125 percent (	65 percent	of 3¼ perc	ent)							2	. 1125
5. Net income (item 11, page 1)										\$	
7. Adjustment for	unearned n	remiums a	nd unnaic	d losses on no	n-life insurance r	eserves (ite	em 18, page 1)			\$	
In the case of reserves											
- In the case of reserves	computed on a					VALUES	(See Instruction	<u>6)</u>			
	(Schedule B	need not be	filled in if	no deduction is	s claimed for any ge	neral expens	ses that are allocated	to investment	income)		
							1. Beginning of t	taxable year	2.	End of taxable	year
I. Real estate							\$		8		T
							1	1			ţ
2. Mortgage loans											
. Government obl	igations, et	e.:									
(a) Obligations o possessions	f a State, Terr	itory, or politi	cal subdivisi	ion thereof, or the	District of Columbia,	or United Stat	or				
(b) Obligations of to March 1	f Federal land , 1941	banks, joint st	tock land ba	nks, and Federal	intermediate credit ba	nks issued pri	or			<b></b>	
(c) Obligations of	the United St	tates issued on	or before Se	eptember 1, 1917	Treasury Certificates	of Indebtedne	ss	İ			j
issued prior	to March 1, 19	941s and Treasury	v Bonds own	eastry bins and	al amount of \$5,000 or l	ess issued pri	or		į.	····	- 1
to March 1	, 1941 Savings Bonds	s and Treasury	Bonds own	ed in excess of the	principal amount of \$5	000 issued pri	or	i	i		1
issued prior (h) Treasury Not	to March 1, 19 es issued on o	941 r after Decem	ber 1, 1940, a	and obligations is	sued on or after March	1, 1941, by th	e)				
United Stat	tes or any agen	icy or instrum	entality ther	reoI							
9. Other interest-bearing assets (attach statement)							8		\$		
									l		_i
I. Total of column	s 1 and 2, 1	line 10			f line 11)	••••			Φ		
13. One-fourth of 1 percent of the mean of the invested assets											
8. Limit on deduct	tion for inv	estment ex	kpenses (1	ine 13 plus li	ne 17)				\$		
1. Date of incorporation					7. 1	Did the compa	any pay to any officer or	employee of the	company	salary, commiss	sion, bon
	Date of incorporation										
3. Did the company file 4. State the amount of d					1	(If an	swer is "yes," attach Se	chedule F-1.) (	See Genera	al Instruction I-	3.)
					1.8.1	Did the compa	any make a return of infe	ormation on For	ms 1096 and	d 1099 or Form <b>V</b>	V-2a for
mount held for payments during the following taxable year: \$						calendar year 1948 (see General Instruction H)? (Answer "yes" or "no.")					
5. Is this a consolidated return? (If so, procure from the collector of internal evenue for your district Form 851, Affiliations Schedule, which shall be filled in, sworn to, and lied as a part of this return.)											
6. If this is not a consoli ar 50 percent or more	dated return,	(a) did the constock of anoth	mpany own : er corporation	at any time durin on either domest	ic or foreign?	-	any at any time during t				
; or (b) did a					Lofat	oreign co <b>r</b> pora action J.)	tion? (If an	swer is "yes," a	ttach state	ement required	by Gen
ne during the taxable yo swer is "yes," attach se rned; (3) date stock was ch corporation, individu	acquired; and	(4) the collect	Name and a tor's office in	which the income	e tax return of						
en corporation, marvidu	ai, partnersmi	o, trust, or ass	ociation for t		DAVIT (See Ins	truction I	Ε)				
We, the undersi	igned, presi	ident (or vi	ice presid	ent or other	principal officer)	and treasu	rer (or assistant tro	easurer, or c	hief acco	ounting office	er) of t
hadulas and stator	nontal had	hoon over	inad hu h	im and is to	the heet of his ki	nowledge si	oses and says that and belief, a true, co	rrect, and c	(includir omplete	ng any accon return, mad	npanyı e in go
ith, for the taxable	e year state	ed, pursuar	it to the	Internal Reve	enue Code and th	e regulatio	ns issued thereunde	er.	•	•	_
Subscribed and	sworn to b	efore me tl	his	day of .		, 194	(Presid	ent or other pri-	neipal office	ar) (Stata title)	
NOTARIAL								eut of Ofuer bell	TOTORI OHICE	a, (praise title)	
SEAL	(Signature of	officer admini	istering oath	)	(Title)	SEAL	(Treasurer, A	ssistant Treasu	rer, or Chie	ef Accounting O	fficer)
	,~-g.musum.g~,	Janou William						(St.	ate title)	5	•
I/wa swaar (ar	affirm) that	t I/we nrer	oared this	noturn for th	DAVIT (See Inspersion named	harain and	that the return (in	cluding anv	accomp	anying scheo	lules a
atements) is a tru	e, correct,	and compl	lete statei	ment of all th	he information re	specting th	ne tax liability of t	the person f	or whom	this return	has be
repared of which I				da *		104	***				
Subscribed and	sworn to b	eiore me t	111S	ay of		, 18 <del>2</del>	***	(Signature of p	erson prepa	ring the return)	
								(Signature of p	erson prepa	aring the return)	
NOTARIAL .											

# 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

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, 1948, 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 effice or agency is located, so as to reach the collector's office on or before March 15, 1949.

#### 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, 1949; the second installment on or before June 15, 1949; the third installment on or before September 15, 1949; and the fourth installment on or before December 15, 1949.

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 \$600 or more in the case of a citizen or resident, or (b) as interest, rent, premiums, annuities, or other fixed or determinable income totaling \$600 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 included on Form W-2, provided copies of withholding statements on Form W-2a are furnished with the last return (Form W-1) for 1948. If a portion of such wage payments was reported on a Withholding Statement (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 DU-PLICATE, 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 1948, 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

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).)

## 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(e)(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).)

# 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) 10 (b).)

#### 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 com-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(1), 114, and 201(c)(7)(D).)

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

#### 10. TOTAL DEDUCTIONS

Enter the total of items 5 to 9, inclusive.

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 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, and 16. 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, 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 14) shall be limited to an amount not in excess of 85 percent of the adjusted net income (item 13). section 26(b).)

Enter as item 16 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 deter-

mine 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 3½ percent) and 35 percent of the average rate of interest assumed in computing life insurance re-

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.

#### 18. 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 31/4 percent of the unearned premiums and unpaid losses on such other contracts which are not included in life insurance reserves, but not less than 3½ percent of unpaid losses plus 3½ percent of 25 percent of the net premiums written during the taxable year on such other contracts. (See sections 202 and 203.)

#### 20 to 39. 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 fol-States) are subject to the tax imposed by section 201(a)(1). lowing table shows the normal tax imposed by section 201(a)(1) upon certain specified amounts of adjusted normal-tax net income-

f adjusted normal-tax net income is: Not over \$5,000

Over \$5,000 but not over \$20,000 Over \$20,000 but not over \$25,000 Over \$25,000 but not over \$50,000Over \$50,000

The normal tax shall be: 15% of the adjusted normal-tax net income

\$750 plus 17% of excess over \$5,000 \$3,300 plus 19% of excess over \$20,000 \$4,250 plus 31% of excess over \$25,000 24% of the adjusted normal-tax net income

Surtax.-For companies with adjusted surtax net incomes not over \$50,000 the surtax imposed by section 201(a) is 6 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 adjusted surtax net incomes over \$50,000, the surtax is 14

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 3½ 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 18.)

accident insurance). (See Instruction 18.)

The term "normal-tax net income" means the adjusted net income minus

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 dividends received provided in section 26(b) (excluding certain dividends received on preferred stock of a public utility).

### 41. CREDIT FOR TAXES

If, in accordance with section 131(a), a credit is claimed by a domestic corporation in item 41, 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.