

LIFE INSURANCE COMPANY INCOME TAX RETURN

1949

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 1949

File This Return With the Collector of Internal Revenue for Your District on or Before March 15, 1950
PRINT PLAINLY COMPANY'S NAME AND ADDRESS

(Name) _____
(Street and number) _____
(City or town, postal zone number) _____ (State) _____
(Date incorporated) _____ (State or country) _____

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: Dividends received credit (85 percent of item 2 (a), but not in excess of 85 percent of item 13)		
15. Normal-tax net income		\$ _____
16. Less: Reserve and other policy liability credit (item 15 multiplied by _____)		
17. Balance (item 15 minus item 16)		\$ _____
18. Plus: Amount of adjustment for certain non-life insurance reserves		
19. 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		
20. Adjusted normal-tax net income (item 19)		\$ _____
21. Normal tax. If amount in item 20 is:		
Not over \$5,000; enter 15 percent of item 20		
Over \$5,000 but not over \$20,000; enter \$750, plus 17 percent of excess over \$5,000		
Over \$20,000 but not over \$25,000; enter \$3,300, plus 19 percent of excess over \$20,000		
Over \$25,000 but not over \$50,000; enter \$4,250, plus 31 percent of excess over \$25,000		
Over \$50,000; enter 24 percent of amount in item 20		

SURTAX COMPUTATION		
22. Net income (item 11 above)		\$ _____
23. 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))		
24. Surtax net income (item 22 minus item 23)		\$ _____
25. Less: Reserve and other policy liability credit (item 24 multiplied by _____)		
26. Balance (item 24 minus item 25)		\$ _____
27. Plus: Amount of adjustment for certain non-life insurance reserves		
28. Adjusted surtax net income		\$ _____
29. Surtax. If amount in item 28 is:		
Not over \$25,000; enter 6 percent of item 28		
Over \$25,000 but not over \$50,000; enter \$1,500, plus 22 percent of excess over \$25,000		
Over \$50,000; enter 14 percent of amount in item 28		
30. Total income tax (item 21 plus item 29)		\$ _____
31. Less: Credit for income taxes paid to a foreign country or United States possession allowed a domestic corporation		
32. Balance of income tax		\$ _____

Schedule A.—DATA FOR RESERVE AND OTHER POLICY LIABILITY CREDIT FOR THE SUCCEEDING TAXABLE YEAR (See Instruction 16)

Nature of Reserve (Life, Annuity, Etc.) (1)	Assumed Morbidity or Mortality Table (2)	Assumed Interest Rate (3)	Method of Com- putation (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 18, 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. 3¼ 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).....			\$ _____	

- 1. Did the company file a return under the same name for the preceding taxable year?
- 2. 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: \$.....
- 3. 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, and filed as a part of this return.)
- 4. 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.)
- 5. Did the company make a return of information on Forms 1096 and 1099 or Form W-2a for the calendar year 1949 (see General Instruction H)? (Answer "yes" or "no.")
- 6. 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.)

DECLARATION (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 each for himself declares under the penalties of perjury 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.

.....
(President or other principal officer) (State title)

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



DECLARATION (See Instruction E)

I/we declare under the penalties of perjury 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.

.....
(Signature of person preparing the return)

.....
(Signature of person preparing the return)

.....
(Name of firm or employer, if any)

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, 1949, 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, 1950.

E. DECLARATION

The return must be signed 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 also sign the declaration 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, 1950; the second installment on or before June 15, 1950; the third installment on or before September 15, 1950; and the fourth installment on or before December 15, 1950.

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 1949. 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, 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 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).)

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, 1949, 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 3% 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 (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).)

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).)

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, 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). (See 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 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.

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 ¾ percent of the unearned premiums and unpaid losses on such other contracts which are not included in life insurance reserves, but not less than ¾ percent of unpaid losses plus ¾ percent of 25 percent of the net premiums written during the taxable year on such other contracts. (See sections 202 and 203.)

20 to 29. 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—

<i>If adjusted normal-tax net income is:</i>	<i>The normal tax shall be:</i>
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 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 ¾ 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.)

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).

31. CREDIT FOR TAXES

If, in accordance with section 131(a), a credit is claimed by a domestic corporation in item 31, 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.