

1939 RETURN OF CAPITAL-STOCK TAX

For Year Ending June 30, 1939

DOMESTIC CORPORATIONS

(Chapter 6, Internal Revenue Code, as amended)

This return must be filed, in triplicate, and received with remittance by the Collector for your district on or before the due date. (See instruction 20, page 10.)

To be stamped above by Collector, showing district and date received

1. Name _____ (Print name of corporation, joint-stock company, or association)

2. Address _____ (The address must be that of the principal place of business. Give "street and number", "city or town," and "State")

3. Incorporated or organized in State of _____ Month _____ Day _____ Year _____

4. Was a 1938 capital-stock tax return filed? _____ Name under which filed. (If different, attach statement explaining fully.) _____ (District _____)

5. Date of close of last income-tax year ended prior to July 1, 1939 _____ Was an income-tax return filed for that year? _____ Name under which filed _____ (District _____)

If the corporation is newly organized and has not established an income-tax year, state date of organization _____

6. Nature of business in detail _____

7. Name of parent company, if any _____ (District _____)

8. Name of subsidiary, if any _____ No. shares held _____ (District _____)
(If more than one, attach list and state number of shares held by parent; also districts where filed)

9. **DECLARED VALUE OF CAPITAL STOCK** _____ \$ _____
Corporations enumerated in instruction 10 on page 10 must report a definite and unqualified declared value in this block. (See also instructions 11 to 13.) (Do not use this block for elective declaration year—see block 10 below.)

10. ADJUSTED VALUE—ELECTIVE DECLARED VALUE		PART A	PART 13
Corporations described in instruction 5 on page 9 MUST complete Schedules I and II and enter the adjusted value (last item in Schedule I) in Part A of this block. Any corporation of this class may elect to declare, and pay tax on, a value in excess of the adjusted value. If such election is made, a definite and unqualified value MUST be entered in Part B of this block. (See instructions 14 and 15.)		ADJUSTED VALUE OF CAPITAL STOCK (Last item of Schedule I, page 2)	ELECTIVE DECLARED VALUE OF CAPITAL STOCK (Any amount declared below must be in excess of adjusted value disclosed by Schedule I)
\$ _____		\$ _____	\$ _____

11. **EXEMPTIONS.**—The law provides for exemption from the tax only on the grounds indicated below. Corporations claiming exemption must (1) complete block 9 or 10 above whichever is applicable, (2) check the appropriate block below, and (3) submit with the return the evidence specified under the block checked.

- Corporation exempt from income tax under section 101, Internal Revenue Code. Furnish information required by instruction 17.
- Insurance company subject to tax under section 201, 204, or 207, Internal Revenue Code. State which section _____
- Corporation not doing business. Furnish information required by instruction 19.

COMPUTATION OF TAX	FOR USE OF TAXPAYER				FOR USE OF DEPARTMENT			
	\$				\$			
12. Taxable value reported in item 9 or 10 _____	\$ _____				\$ _____			
13. Tax at rate of \$1 for each full \$ 1,000 in item 12 (omit cents) _____				X X X X				X X X X
14. Penalty of _____ percent for delinquency in filing return _____								
15. Interest at 6 percent per annum _____								
16. Total tax, penalty, and interest _____								

We, the undersigned _____ (Name of president, vice president, or other principal officer), _____ (Title)

and _____ (Name of treasurer, assistant treasurer, or chief accounting officer), _____ (Title), 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 and complete return, made in good faith, for the taxable year stated, pursuant to Chapter 6, Internal Revenue Code, and Regulations 64 (1938 edition).

Sworn to and subscribed before me this _____ day of _____, 19 ____

	_____ (Signature of officer administering oath)		_____ (Signature)	_____ (Title)
	_____ (Official capacity)		_____ (Signature)	_____ (Title)

1939 RETURN

OF CAPITAL-STOCK TAX

For Year Ending June 30, 1939

DOMESTIC CORPORATIONS

(Chapter 6, Internal Revenue Code, as amended)

This return must be filed, in triplicate, and received with remittance by the Collector for your district on or before the due date. (See instruction 20, page 10.)

To be stamped above by Collector, showing district and date received

1. Name _____ (Print name of corporation, joint-stock company, or association)

2. Address _____ (The address must be that of the principal place of business. Give "street and number", "city or town," and "State")

3. Incorporated or organized in State of _____ Month _____ Day _____ Year _____

4. Was a 1938 capital-stock tax return filed? _____ Name under which filed. (If different, attach statement explaining fully.) _____ (District _____)

5. Date of close of last income-tax year ended prior to July 1, 1939 _____ Was an income-tax return filed for that year? _____ Name under which filed _____ (District _____)
If the corporation is newly organized and has not established an income-tax year, state date of organization _____

6. Nature of business in detail _____

7. Name of parent company, if any _____ (District _____)

8. Name of subsidiary, if any _____ No. shares held _____ (District _____)
(If more than one, attach list and state number of shares held by parent; also districts where filed)

9. **DECLARED VALUE OF CAPITAL STOCK** _____ \$ _____
Corporations enumerated in instruction 10 on page 10 must report a definite and unqualified declared value in this block. (See also instructions 11 to 13.) (Do not use this block for elective declaration year—see block 10 below.)

10.	ADJUSTED VALUE—ELECTIVE DECLARED VALUE Corporations described in instruction 5 on page 9 MUST complete Schedules I and II and enter the adjusted value (last item in Schedule I) in Part A of this block. Any corporation of this class may elect to declare, and pay tax on, a value in excess of the adjusted value. If such election is made, a definite and unqualified value MUST be entered in Part B of this block. (See instructions 14 and 15.)	PART A ADJUSTED VALUE OF CAPITAL STOCK (Last item of Schedule I, page 2)	PART 13 ELECTIVE DECLARED VALUE OF CAPITAL STOCK (Any amount declared below must be in excess of adjusted value disclosed by Schedule I)
		\$ _____	\$ _____

11. **EXEMPTIONS.**—The law provides for exemption from the tax only on the grounds indicated below. Corporations claiming exemption must (1) complete block 9 or 10 above whichever is applicable, (2) check the appropriate block below, and (3) submit with the return the evidence specified under the block checked.

- Corporation exempt from income tax under section 101, Internal Revenue Code. Furnish information required by instruction 17.
- Insurance company subject to tax under section 201, 204, or 207, Internal Revenue Code. State which section _____
- Corporation not doing business. Furnish information required by instruction 19.

COMPUTATION OF TAX	FOR USE OF TAXPAYER				FOR USE OF DEPARTMENT			
12. Taxable value reported in item 9 or 10 _____	\$				\$			
13. Tax at rate of \$1 for each full \$ 1,000 in item 12 (omit cents) _____				x x x x				x x x x
14. Penalty of _____ percent for delinquency in filing return _____								
15. Interest at 6 percent per annum _____								
16. Total tax, penalty, and interest _____								

DUPLICATE

1939 RETURN OF CAPITAL-STOCK TAX

For Year Ending June 30, 1939

DOMESTIC CORPORATIONS

(Chapter 6, Internal Revenue Code, as amended)

This return must be filed, in triplicate, and received with remittance by the Collector for your district on or before the due date. (See instruction 20, page 10.)

To be stamped above by Collector, showing district and date received

1. Name _____ (Print name of corporation, joint-stock company, or association)

2. Address _____ (The address must be that of the principal place of business. Give "street and number", "city or town," and "State")

3. Incorporated or organized in State of _____ Month _____ Day _____ Year _____

4. Was a 1938 capital-stock tax return filed? _____ Name under which filed. (If different, attach statement explaining fully.) _____ (District _____)

5. Date of close of last income-tax year ended prior to July 1, 1939 _____ Was an income-tax return filed for that year? _____ Name under which filed _____ (District _____)

If the corporation is newly organized and has not established an income-tax year, state date of organization _____

6. Nature of business in detail _____

7. Name of parent company, if any _____ (District _____)

8. Name of subsidiary, if any _____ No. shares held _____ (District _____)
(If more than one, attach list and state number of shares held by parent; also districts where filed)

9. **DECLARED VALUE OF CAPITAL STOCK** _____ \$ _____
Corporations enumerated in instruction 10 on page 10 must report a definite and unqualified declared value in this block. (See also instructions 11 to 13.) (Do not use this block for elective declaration year—see block 10 below.)

10. **ADJUSTED VALUE—ELECTIVE DECLARED VALUE**
Corporations described in instruction 5 on page 9 MUST complete Schedules I and II and enter the adjusted value (last item in Schedule I) in Part A of this block. Any corporation of this class may elect to declare, and pay tax on, a value in excess of the adjusted value. If such election is made, a definite and unqualified value MUST be entered in Part B of this block. (See instructions 14 and 15.)

**PART A
ADJUSTED VALUE
OF CAPITAL STOCK**
(Last item of Schedule I,
page 2)

\$ _____

**PART B
ELECTIVE DECLARED
VALUE OF
CAPITAL STOCK**
(Any amount declared below must
be in excess of adjusted value
disclosed by Schedule I)

\$ _____

11. **EXEMPTIONS.**—The law provides for exemption from the tax only on the grounds indicated below. Corporations claiming exemption must (1) complete block 9 or 10 above whichever is applicable, (2) check the appropriate block below, and (3) submit with the return the evidence specified under the block checked.

- Corporation exempt from income tax under section 101, Internal Revenue Code. Furnish information required by instruction 17.
- Insurance company subject to tax under section 201, 204, or 207, Internal Revenue Code. State which section _____
- Corporation not doing business. Furnish information required by instruction 19.

COMPUTATION OF TAX	FOR USE OF TAXPAYER				FOR USE OF DEPARTMENT			
12. Taxable value reported in item 9 or 10 _____	\$				\$			
13. Tax at rate of \$1 for each full \$ 1,000 in item 12 (omit cents) _____				x x x x				x x x x
14. Penalty of _____ percent for delinquency in filing return _____								
15. Interest at 6 percent per annum _____								
16. Total tax, penalty, and interest _____								

COLLECTOR'S COPY

The schedules on this page must be completed by every corporation which established a declared value in its capital stock tax return for the year ended June 30, 1938, even though, under section 1202 (e) of the Code, as amended, the corporation elects to make a new declared value. See instructions 5 to 9, inclusive, 14, and 15.

SCHEDULE I. STATUTORY ADJUSTMENTS FOR TRANSACTIONS DURING INCOME-TAX YEAR ENDED
DECEMBER 31, 1938, OR INCOME-TAX FISCAL YEAR ENDED _____, 19____

Declared value established by the return for the taxable year ended June 30, 1938 _____ \$ _____

Additions:

A. (1) Total cash paid in for stock or shares (see instruction 7, item A) _____ \$ _____
 (2) Fair market value of all property paid in for stock or shares (see instruction 7, item A) _____

B. Paid-in surplus and contributions to capital (see instruction 7, item B) _____

C. Net income (if net loss, enter as item 3) (see instruction 7, item C) _____

D. Income wholly exempt from Federal income tax (see instruction 7, item D) _____

E. Excess, if any, of deduction for depletion over the amount which would be allowable if computed without regard to discovery value or to percentage depletion under section 114 (b) (2), (3), or (4) of the 1936 or 1938 Act (see instruction 7, item E) _____

Total additions _____

TOTAL BEFORE DEDUCTIONS _____ \$ _____

Deductions:

1. (a) Total cash distributed to shareholders (see instruction 7, item 1) _____ \$ _____
 (b) Fair market value of all property distributed to shareholders (see instruction 7, item 1) _____

2. Amount disallowed as deduction by section 24 (a) (5) of 1936 or 1938 Act (see instruction 7, item 2) _____

3. Excess of deductions allowable over gross income and claimed on income-tax return (see instruction 7, item 3) _____

Total deductions _____

ADJUSTED VALUE (enter in Part A of block 10, page 1) _____ \$ _____

SCHEDULE II. ANALYSIS OF CHANGES IN CAPITAL STOCK AND SURPLUS

(See instruction 8, page 10)

Capital Stock and Surplus at beginning of year		Deductions—Capital transactions	
1. Capital stock: Preferred _____ \$ _____		12. Distributions to shareholders (items 1 (a) and (b), Schedule I*):	
Common _____		(a) Earnings or profits _____ \$ _____	
2. Capital or paid-in surplus _____		(b) Liquidating _____	
3. Surplus reserves _____		(c) Other _____	
4. Surplus and undivided profits _____		13. Enter class and amount of distributions in corporation's own stock:	
		_____ \$ _____	X X X X X
Additions—Capital transactions		14. Other deductions (to be detailed) _____	
5. Total cash and fair market value of property paid in for stock or shares (total of items A (1) and A (2), Schedule I) * _____			
6. Paid-in surplus and contributions to capital (item B, Schedule I) * _____		Deductions—Revenue transactions	
7. Other additions (to be detailed) _____		15. Excess of deductions allowable over gross income and claimed on income-tax return (item 3, Schedule I) _____	
		16. Deductions disallowed by sec. 24 (a) (5), 1936 or 1938 Act (item 2, Schedule I) _____	
		17. Other deductions (to be detailed) _____	
Additions—Revenue transactions			
8. Net income (item C, Schedule I) _____			
9. Income wholly exempt from income tax (item D, Schedule I) _____			
10. Excess of deduction for depletion (same as item E, Schedule I) _____			
11. Other additions (to be detailed) _____			
TOTAL _____ \$ _____		Capital Stock and Surplus at end of year	
		18. Capital stock: Preferred _____	
		Common _____	
		19. Capital or paid-in surplus _____	
		20. Surplus reserves _____	
		21. Surplus and undivided profits _____	
		TOTAL _____ \$ _____	

* Enter values shown by the books and, if different from values entered in Schedule I, explain difference.

1939 RETURN OF CAPITAL-STOCK TAX

For Year Ending June 30, 1939

DOMESTIC CORPORATIONS

(Chapter 6, Internal Revenue Code, as amended)

This return must be filed, in triplicate, and received with remittance by the Collector for your district on or before the due date. (See instruction 20, page 10.)

To be stamped above by Collector, showing district and date received

1. Name _____ (Print name of corporation, joint-stock company, or association)

2. Address _____ (The address must be that of the principal place of business. Give "street and number", "city or town," and "State")

3. Incorporated or organized in State of _____ Month _____ Day _____ Year _____

4. Was a 1938 capital-stock tax return filed? _____ Name under which filed. (If different, attach statement explaining fully.) _____ (District _____)

5. Date of close of last income-tax year ended prior to July 1, 1939 _____ Was an income-tax return filed for that year? _____ Name under which filed _____ (District _____)
If the corporation is newly organized and has not established an income-tax year, state date of organization _____

6. Nature of business in detail _____

7. Name of parent company, if any _____ (District _____)

8. Name of subsidiary, if any _____ No. shares held _____ (District _____)
(If more than one, attach list and state number of shares held by parent; also districts where filed)

9. **DECLARED VALUE OF CAPITAL STOCK** _____ \$ _____
Corporations enumerated in instruction 10 on page 10 must report a definite and unqualified declared value in this block. (See also instructions 11 to 13.) (Do not use this block for elective declaration year—see block 10 below.)

10.	ADJUSTED VALUE—ELECTIVE DECLARED VALUE Corporations described in instruction 5 on page 9 MUST complete Schedules I and II and enter the adjusted value (last item in Schedule I) in Part A of this block. Any corporation of this class may elect to declare, and pay tax on, a value in excess of the adjusted value. If such election is made, a definite and unqualified value MUST be entered in Part B of this block. (See instructions 14 and 15.)	PART A ADJUSTED VALUE OF CAPITAL STOCK <small>(Last item of Schedule I, page 2)</small> \$ _____	PART 13 ELECTIVE DECLARED VALUE OF CAPITAL STOCK <small>(Any amount declared below must be in excess of adjusted value disclosed by Schedule I)</small> \$ _____

11. **EXEMPTIONS.**—The law provides for exemption from the tax only on the grounds indicated below. Corporations claiming exemption must (1) complete block 9 or 10 above whichever is applicable, (2) check the appropriate block below, and (3) submit with the return the evidence specified under the block checked.

- Corporation exempt from income tax under section 101, Internal Revenue Code. Furnish information required by instruction 17.
- Insurance company subject to tax under section 201, 204, or 207, Internal Revenue Code. State which section _____
- Corporation not doing business. Furnish information required by instruction 19.

COMPUTATION OF TAX	FOR USE OF TAXPAYER				FOR USE OF DEPARTMENT			
	\$				\$			
12. Taxable value reported in item 9 or 10 _____	\$ _____				\$ _____			
13. Tax at rate of \$1 for each full \$ 1,000 in item 12 (omit cents) _____				x x x x				x x x x
14. Penalty of _____ percent for delinquency in filing return _____								
15. Interest at 6 percent per annum _____								
16. Total tax, penalty, and interest _____								

TAXPAYER'S COPY

The schedules on this page must be completed by every corporation which established a declared value in its capital stock tax return for the year ended June 30, 1938, even though, under section 1202 (e) of the Code, as amended, the corporation elects to make a new declared value. See instructions 5 to 9, inclusive, 14, and 15.

SCHEDULE I. STATUTORY ADJUSTMENTS FOR TRANSACTIONS DURING INCOME-TAX YEAR ENDED
DECEMBER 31, 1938, OR INCOME-TAX FISCAL YEAR ENDED _____, 19____

Declared value established by the return for the taxable year ended June 30, 1938 _____ \$ _____

Additions:

A. (1) Total cash paid in for stock or shares (see instruction 7, item A) _____ \$ _____
 (2) Fair market value of all property paid in for stock or shares (see instruction 7, item A) _____

B. Paid-in surplus and contributions to capital (see instruction 7, item B) _____

C. Net income (if net loss, enter as item 3) (see instruction 7, item C) _____

D. Income wholly exempt from Federal income tax (see instruction 7, item D) _____

E. Excess, if any, of deduction for depletion over the amount which would be allowable if computed without regard to discovery value or to percentage depletion under section 114 (b) (2), (3), or (4) of the 1936 or 1938 Act (see instruction 7, item E) _____

Total additions _____

TOTAL BEFORE DEDUCTIONS _____ \$ _____

Deductions:

1. (a) Total cash distributed to shareholders (see instruction 7, item 1) _____ \$ _____
 (b) Fair market value of all property distributed to shareholders (see instruction 7, item 1) _____

2. Amount disallowed as deduction by section 24 (a) (5) of 1936 or 1938 Act (see instruction 7, item 2) _____

3. Excess of deductions allowable over gross income and claimed on income-tax return (see instruction 7, item 3) _____

Total deductions _____

ADJUSTED VALUE (enter in Part A of block 10, page 1) _____ \$ _____

SCHEDULE II. ANALYSIS OF CHANGES IN CAPITAL STOCK AND SURPLUS

(See instruction 8, page 10)

Capital Stock and Surplus at beginning of year		Deductions—Capital transactions	
1. Capital stock: Preferred _____ \$ _____		12. Distributions to shareholders (items 1 (a) and (b), Schedule I*):	
Common _____		(a) Earnings or profits _____ \$ _____	
2. Capital or paid-in surplus _____		(b) Liquidating _____	
3. Surplus reserves _____		(c) Other _____	
4. Surplus and undivided profits _____		13. Enter class and amount of distributions in corporation's own stock:	
		_____ \$ _____	X X X X X
Additions—Capital transactions		14. Other deductions (to be detailed) _____	
5. Total cash and fair market value of property paid in for stock or shares (total of items A (1) and A (2), Schedule I) * _____			
6. Paid-in surplus and contributions to capital (item B, Schedule I) * _____		Deductions—Revenue transactions	
7. Other additions (to be detailed) _____		15. Excess of deductions allowable over gross income and claimed on income-tax return (item 3, Schedule I) _____	
_____		16. Deductions disallowed by sec. 24 (a) (5), 1936 or 1938 Act (item 2, Schedule I) _____	
_____		17. Other deductions (to be detailed) _____	

Additions—Revenue transactions			
8. Net income (item C, Schedule I) _____			
9. Income wholly exempt from income tax (item D, Schedule I) _____			
10. Excess of deduction for depletion (same as item E, Schedule I) _____			
11. Other additions (to be detailed) _____			

TOTAL _____ \$ _____		Capital Stock and Surplus at end of year	
		18. Capital stock: Preferred _____	
		Common _____	
		19. Capital or paid-in surplus _____	
		20. Surplus reserves _____	
		21. Surplus and undivided profits _____	
		TOTAL _____ \$ _____	

* Enter values shown by the books and, if different from values entered in Schedule I, explain difference.

LAW

Chapter 6, Internal Revenue Code, As Amended, Capital-Stock Tax

SECTION 1200. TAX

(a) Domestic corporations.—For each year ending June 30, beginning with the year ending June 30, 1939, there shall be imposed upon every domestic corporation with respect to carrying on or doing business for any part of such year an excise tax of \$1 for each \$1,000 of the adjusted declared value of its capital stock.

SECTION 1201. EXEMPTIONS

(a) The taxes imposed by section 1200 shall not apply—
(1) Corporations exempt from income tax.—To any corporation enumerated in section 101.
(2) Insurance companies.—To any insurance company subject to the tax imposed by section 201, 204, or 207.
(b) Common trust funds.—For exemption of common trust funds from the capital-stock tax, see section 169 (b) of chapter 1.
(NOTE.—The exemption for common trust funds relates only to a fund maintained by a bank.)

SECTION 1202. ADJUSTED DECLARED VALUE

(a) Declaration Year.—
(1) The adjusted declared value shall be determined with respect to 3-year periods beginning with the year ending June 30, 1938, and each third year thereafter.
(2) For the declaration year of the first 3-year period the adjusted declared value shall be the value as declared by the corporation in its return under section 601 of the Revenue Act of 1938, 52 Stat. 565, for the year ended June 30, 1938, or in the case of a corporation not subject to the tax imposed for such year, the value as declared in its return filed under this chapter for the first year with respect to which it is subject to the tax.
(b) Subsequent years.—
(1) Domestic corporations.—For each year of any 3-year period subsequent to the declaration year, the adjusted declared value in the case of a domestic corporation shall be the value declared in the return for the declaration year plus—
(A) the cash, and the fair market value of property, paid in for stock or shares,
(B) paid-in surplus and contributions to capital,
(C) its net income,
(D) its income wholly exempt from Federal income tax, and
(E) the amount, if any, by which the deduction for depletion exceeds the amount which would be allowable if computed without regard to discovery value or to percentage depletion, under section 114 (b) (2), (3), or (4) of chapter 1 or a corresponding section of a later Revenue Act; and minus—
(i) the cash, and the fair market value of property, distributed to shareholders,
(ii) the amount disallowed as a deduction by section 24 (a) (5) of chapter 1 or a corresponding provision of a later Revenue Act, and
(iii) the excess of the deductions allowable for income-tax purposes over its gross income.

The adjustments provided in this paragraph shall be made for each income-tax taxable year included in the 3-year period from the date as of which the value was declared in the return for the declaration year to the close of the last income-tax taxable year ending with or prior to the close of the year for which the tax is imposed by this section. The amount of such adjustment for each such year shall be computed (on the basis of a separate return) according to the income-tax law applicable to such year.

(c) Corporations in bankruptcy or receivership.—The capital-stock tax year beginning with or within an income-tax taxable year within which bankruptcy or receivership, due to insolvency, of a domestic corporation is terminated shall constitute a declaration year. In such case the adjusted declared value for any subsequent year of the 3-year period shall be determined on the basis of the value declared in the return for such declaration year.

(e) Additional declaration years.—In the case of any domestic corporation, the year ending June 30, 1939, and the year ending June 30, 1940, shall each, if not otherwise a declaration year, constitute an additional declaration year if with respect to such year (1) the taxpayer so elects (which election cannot be changed) in its return filed before the expiration of the statutory filing period or any authorized extension thereof, and (2) the value declared by the taxpayer is in excess of the adjusted declared value computed under paragraph (1) of subsection (b). If, under this subsection, the year ending June 30, 1939, is a declaration year, the computation, under paragraph (1) of subsection (b), of the adjusted declared value for the year ending June 30, 1940, shall be made on the basis of the value declared for the year ending June 30, 1939.

SECTION 1203. RETURNS

(a) Requirement.—Every corporation liable for tax under section 1200 shall make a return under oath. Such return shall contain such information and be made in such manner as the Commissioner, with the approval of the Secretary, may by regulations prescribe.
(b) Time for filing:
(1) General rule.—Such return shall be made within 1 month after the close of the year with respect to which such tax is imposed.
(2) Extension of time.—The Commissioner may extend the time for making the returns, under such rules and regulations as he may prescribe with the approval of the Secretary, but no such extension shall be for more than 60 days.
(c) Place for filing.—The return shall be made to the collector for the district in which is located the principal place of business of the corporation, or, if it has no principal place of business in the United States, then to the collector at Baltimore, Md.

SECTION 1205. PAYMENT OF TAX

(a) Time of payment.—The tax shall, without assessment by the Commissioner or notice from the collector, be due and payable to the collector before the expiration of the period for filing the return.
(b) Extension of time.—The Commissioner may extend the time for paying the taxes imposed by section 1200, under such rules and regulations as he may prescribe with the approval of the Secretary, but no such extension shall be for more than 60 days.

SECTION 1206. ADDITION TO THE TAX IN CASE OF DELINQUENCY

If the tax is not paid when due, there shall be added as part of the tax interest at the rate of 6 per centum per annum from the time when the tax became due until paid.

Chapter 2, Subchapter B. Excess Profits Tax SECTION 600. RATE OF TAX

If any corporation is taxable under section 1200 with respect to any year ending June 30, there shall be imposed upon its net income for the income-tax taxable year ending after the close of such year an excess-profits tax equal to the sum of the following:
6 per centum of such portion of its net income for such income-tax taxable year as is in excess of 10 per centum and not in excess of 15 per centum of the adjusted declared value;
12 per centum of such portion of its net income for such income-tax taxable year as is in excess of 15 per centum of the adjusted declared value.

INSTRUCTIONS

The chapters and sections of the law mentioned throughout these instructions, unless otherwise stated, refer to sections of the Internal Revenue Code in which are consolidated all internal revenue laws (including section 601 of the Revenue Act of 1938 imposing the capital-stock tax) which were in force on the 2nd day of January 1939. The Code was enacted February 10, 1939, and is applicable with respect to the capital-stock tax for the year ending June 30, 1939.

RETURN

1. (a) Every domestic corporation (including an association, common-law trust, and any other organization which is required to file income-tax returns as a corporation) which was in existence during the period July 1, 1938, to June 30, 1939, or any fractional part thereof, must, unless specifically exempted, file a capital-stock tax return in triplicate with the collector for the district in which is located its principal place of business. The return must be complete in every respect, including either a declared value or an adjusted value. So-called parent and subsidiary corporations must each submit a separate return.
(b) If at the time for filing a return all the property of a corporation is in custody of a receiver (including a trustee in bankruptcy or other like representative), the return shall be filed by the receiver. In such case, if the property of the corporation was under the control of the receiver during the entire year July 1, 1938, to June 30, 1939, no value will be required to be shown on the return, but, in lieu of such value, the receiver should attach a statement to the return showing the date on which the property came into his custody and whether his custody was continuous thereafter.
2. For corporations required to compute and report an adjusted value, see instructions under the heading "ADJUSTED VALUE."
3. For corporations required to report a declared value, see instructions under the heading "DECLARED VALUE—MANDATORY." For corporations electing under section 1202 (e) to report a new declared value, see instructions under the heading "DECLARED VALUE ELECTIVE."
4. For corporations claiming exemption, see instructions under the heading "EXEMPTIONS."

ADJUSTED VALUE

5. Every corporation created prior to July 1, 1938, which was not granted exemption from the capital-stock tax for the year ended June 30, 1938, must compute and report an adjusted value on this return, unless by reason of termination of bankruptcy or receivership the corporation comes within the rule specified in instruction 10 (c). In the case of a corporation electing to establish the year ending June 30, 1939, as an additional declaration year under section 1202 (e), the adjusted value must, nevertheless, be computed. (See instructions 14 and 15.)

6. The adjusted value must be determined by making the adjustments provided for in section 1202 (b) (1). The adjustments must be confined to transactions during the income-tax taxable year ended subsequent to June 30, 1938, and on or prior to June 30, 1939. Thus, if the income-tax return was filed for the calendar year 1938, the adjustments must reflect the transactions during that year; whereas, if the income-tax return was filed or is to be filed for a fiscal year ended subsequent to June 30, 1938, and prior to July 1, 1939, the adjustments must reflect the transactions during such fiscal year. Only adjustments provided for by the law reflecting transactions during the applicable income-tax taxable year may be made.

7. The adjusted value must be computed in Schedule I of the return by making the following additions to and deductions from the declared value established for the year ended June 30, 1938.

ADDITIONS.

Item A. If cash was paid in during the income-tax taxable year for stock or shares of the corporation, the total amount of the cash paid in by the stockholders shall be entered as item A (1). If a corporation pays a liability by issuing stock therefor, the amount of the liability so paid shall be included in item A (1). If property other than cash was received for stock or shares, enter as item A (2) the fair market value of such property as of the date paid in and attach a statement describing the property and explaining how the value was determined. If property was acquired in connection with a reorganization, full particulars as to the corporations involved, the plan of reorganization, and other details of the transaction should also be submitted.

Item B. If any cash or property was acquired during the income-tax taxable year as paid-in surplus or contribution to capital, whether received from shareholders or from others, the total amount of the cash and fair market value of the property so acquired will be entered as item B. In every instance a statement setting forth substantially the same information as required with respect to item A (2) must be submitted.

Item C. If the income-tax return was filed for the calendar year 1938 or for a fiscal year ended from January to June, 1939, inclusive, the amount to be entered as item C will be the net income as reported under item 30, page 1, of Form 1120 or 1120A. A corporation which filed its income-tax return for a fiscal year ended from July to November, 1938, inclusive, and therefore used the 1937 return, Form 1120, will enter as its net income under item C the amount reported under item 31, Schedule A, page 2, plus any amount entered under item 30 of that schedule, since the net income for capital-stock tax purposes includes interest on obligations of the United States not exempt from excess-profits tax. In case of a net loss, see instructions under "DEDUCTIONS," item 3.

Item D. The total income received (or accrued if the books are kept on an accrual basis) during the applicable income-tax taxable year which is wholly exempt from Federal taxation, regardless of its nature and its source, will be entered as item D. The amount entered under this item shall include (1) all items excluded from gross income by sections 22 and 116 of the 1936 or 1938 Act, (2) items which do not constitute income within the meaning of the Sixteenth Amendment, and (3) items which are exempt from Federal taxation under the Provisions of any Act of Congress not inconsistent with the applicable Revenue Act.

Item E. The amount of depletion claimed as a deduction on the income-tax return less the amount which would be allowable if computed without regard to discovery value or percentage depletion under section 114 (b) (2), (3), or (4) of the 1936 or 1938 Act will be entered as item E. This addition must be made even though such excess is not reflected in the corporate books of account.

DEDUCTIONS.

Item 1. The total amount of cash distributed to shareholders during the applicable income-tax taxable year will be entered as item 1 (a). If property other than cash was distributed to shareholders, enter the fair market value thereof as of the date of distribution as item 1 (b) and attach a statement describing the property and explaining how the value was determined. The deductions under this item shall include all distributions of earnings or profits, whether current or accumulated, all distributions in partial or complete liquidation, and all other distributions from capital, but shall not include any payments to shareholders for stock acquired for the treasury or for subsequent resale. For the purpose of this deduction, a distribution of earnings or profits ordinarily takes effect on the date of the resolution making an unqualified declaration of a dividend to the shareholders. The effective date of other distributions depends upon the facts and circumstances in the particular case. In support of deductions under this item, there must be submitted, in addition to other required evidence, a copy of all resolutions authorizing distributions and, if stock was acquired, a statement disclosing the number and classes of shares acquired and the dates of acquisition and cancellation.

Item 2. The total amounts disallowed by section 24 (a) (5) of the 1936 or 1938 Act as deductions in the computation of net income will be entered as item 2. *Deductions disallowed by other sections are not to be included.* An itemized statement of the amounts included in this deduction must be attached.

Item 3. If a net income was not reported on the income-tax return, the excess of the deductions allowable and claimed over the amount of gross income (i. e., net loss, item 28, Form 1120 or 1120A) will be entered as item 3. *Losses and other charges to surplus not allowable as deductions, and deductions allowable but not claimed on the income-tax return shall not be included.*

8. A reconciliation of changes in capital stock and surplus accounts during the income-tax taxable year (including the adjustments in Schedule I) must be made by completing Schedule II. Any differences between the amounts entered as adjustments in Schedule I and the corresponding entries in Schedule II must be explained.

9. All statements attached to the return in support of the adjustments in Schedule I or in explanation of the entries in Schedule II should properly identify the items to which related.

DECLARED VALUE—MANDATORY

10. The following corporations are required to report a declared value on this return:

(a) Every corporation created during the year July 1, 1938, to June 30, 1939.

(b) Every corporation created prior to July 1, 1938, which was granted exemption from the capital-stock tax for the year ended June 30, 1938.

(c) Every corporation which, during its income-tax taxable year which began on or prior to July 1, 1938, and ended on or prior to June 30, 1939, emerged from proceedings in bankruptcy or receivership due to insolvency.

11. A corporation required to report a declared value in this return is not bound by any value declared upon a return for a prior year but may exercise unrestricted judgment and discretion in determining the value to be declared. In making such determination, consideration should be given to the earning power and to the net worth of the organization. Whether it is a stock or a nonstock corporation, an association, or other entity, taxable as a corporation, net worth includes: (a) The capital paid in for stock, or as capital surplus, or otherwise; (b) surplus, surplus reserves, and undivided profits; and (c) all other values, tangible and intangible, which enter into the net worth of the organization. However, the declared value is not limited to the net worth but may be any amount greater or less than the net worth which the corporation in its judgment may elect to declare.

12. Extreme care should be exercised in making a declared value, since under the provisions of section 1202 (a) (2) : (a) The value declared for a declaration year cannot be changed, amended, or corrected after the close of the filing period or any authorized extension thereof; (b) the value is the base for computing the capital-stock tax for this taxable year and for computing the adjusted value of the capital stock for the year ending June 30, 1940; and (c) the value is a prime factor in determining the excess-profits tax liability under Subchapter B of Chapter 2, quoted on page 9.

13. The declared value must be definite and unqualified and must be stated as an amount in United States dollars, or as "Zero," in the event it is intended to make a declaration of no value. Statements such as "None," "No value," "Deficit," and similar expressions, or specific amounts stated as deficits, will be considered as declarations of "Zero." The value must be declared as of the close of the income-tax taxable year ended subsequent to June 30, 1938, and with or prior to June 30, 1939. Thus, if the last income-tax return was made on a calendar year basis, the value must be declared as of December 31, 1938; or if the last income-tax return was made on the basis of a fiscal year ended subsequent to June 30, 1938, and prior to July 1, 1939, the value must be declared as of the close of such fiscal year. In the case of a corporation created during the year ended June 30, 1939, which has not established an income-tax taxable year, the value must be declared as of the date of organization.

DECLARED VALUE—ELECTIVE

14. Any corporation required to report an adjusted value for the year ending June 30, 1939, may elect under section 1202 (e) to establish such year as a declaration year provided (a) such election is made in a return filed before the expiration of the filing period or any authorized extension thereof, and (b) a value is declared in excess of the adjusted value computed under section 1202 (b) (1). Such declared value must be as of the close of the last income-tax taxable year ended on or prior to June 30, 1939. **In the event of such election, Schedules I and II on page 2 must be completed, the adjusted value entered in Part A of block 10 on page 1 and the elective declared value entered in Part B of that block.**

15. Extreme care should be exercised in making the election to declare a value and in determining the amount to be declared, since under the provisions of the law: (a) The election

to declare may not be changed and the value declared may not be amended or corrected after the close of filing period or any authorized extension thereof; (b) the value declared will be the measure of the capital-stock tax for this taxable year and the base for computing the adjusted value of the capital stock for the year ending June 30, 1940; and (c) such value will be a prime factor in determining the excess-profits tax liability under Subchapter B of Chapter 2. (See page 9.)

EXEMPTIONS

16. **Corporations claiming exemption from the capital-stock tax.**—Three classes of corporations (or organizations) are entitled to exemption from the capital-stock tax: (1) Corporations enumerated in section 101; (2) insurance companies subject to income tax under section 201, 204, or 207; and (3) corporations not carrying on or doing business at any time during the period July 1, 1938, to June 30, 1939.

17. **Exemption as a corporation enumerated in section 101.**—The exemption from the capital-stock tax under section 1201 (a) (1) as a corporation enumerated in section 101 must be established by an official ruling, unless already established. For that purpose a capital-stock tax return must be filed, complete in all respects, including a declared value or an adjusted value, or both (see instructions 1, 5, 10, 14 and 15), and specifying the subsection of section 101 under which exemption is claimed. The return must be accompanied by evidence that the corporation is, in fact, within the exempted class specified. As a part of such evidence, the corporation must file with the return a statement setting forth (1) the character of the organization, (2) the purpose for which it was organized, (3) its actual activities, (4) the sources of its income and the disposition thereof, (5) whether or not any of its income is credited to surplus or may inure to the benefit of any private shareholder or individual, and (6) in general all facts relating to its operations which affect its right to exemption. There must also be attached to the return a copy of (1) the charter or articles of incorporation, (2) the bylaws of the corporation, and (3) the latest financial statement showing the assets, liabilities, receipts, and disbursements, properly itemized. Original documents, such as leases, charters, bylaws, etc., should not be submitted as all evidence becomes a part of the records of the Bureau and, under the rules of the Department, may not be returned. The corporation, if a farmers' cooperative association, should also submit Questionnaire Form 1028 or, if a domestic building and loan association, Questionnaire Form 1027, and furnish all of the information required therein. Copies of the proper form may be secured from the collector. Since exemption from the capital-stock tax is dependent upon exemption from filing Federal income-tax returns, reference is made to the pertinent provisions of the Regulations relating to the income tax for more detailed information in regard to the evidence required in such cases. If, however, the corporation has received a letter from the Commissioner exempting it from filing Federal income-tax returns, submit a copy of such letter in lieu of the foregoing evidence.

18. **Exemption as an insurance company.**—Exemption from the capital-stock tax under section 1201 (a) (2) as an insurance company subject to the tax imposed by section 201, 204, or 207 must be established by an official ruling. For that purpose a capital-stock tax return, complete in all respects, including a declared value or an adjusted value, or both (see instructions 1, 5, 10, 14, and 15), must be filed. The return must state the section under which the corporation is subject to income tax.

19. **Exemption as not doing business.**—A corporation which claims exemption on the ground that it was not carrying on or doing business at any time during the year ended June 30, 1939, must file a return, complete in all respects, including a declared value or an adjusted value, or both (see instructions 1, 5, 10, 14, and 15), even though exemption was allowed for the previous taxable year. In every instance the claim for exemption must be supported by an affidavit of one of the responsible officers having knowledge of the facts, in which the following information must be set forth:

(a) A general statement of the operations prior to July 1, 1938, and a detailed statement of the operations for the period July 1, 1938, to June 30, 1939. The latter statement must be complete and show all transactions such as purchases, orders, commitments, sales, agreements, contracts (including contracts of employment), acquisitions of property for stock of the corporation, etc.

(b) A detailed statement of the receipts and disbursements by or on behalf of the corporation for the period July 1, 1938, to June 30, 1939.

(c) A comparative detailed statement of the assets and liabilities as of June 30, 1938, and June 30, 1939, respectively, with a full explanation of the changes reflected by the comparative statement. The explanation should include the exchange of any assets not disclosed by this statement.

(d) Copies of the minutes of all meetings of the stockholders and of the board of directors held during the year ended June 30, 1939, and of all reports made by an executive or other standing committee, or any governing body.

(e) If exemption is claimed as a new corporation which did not engage in business activities prior to July 1, 1939, submit the information required under (a), (b), and (d) for the period between date of incorporation and June 30, 1939, and in addition furnish (1) an excerpt from the charter setting forth the corporate powers, and (2) a statement of assets and liabilities as of June 30, 1939.

Originals of such documents as leases, charters, bylaws, etc., should not be submitted as evidence to support a claim for exemption since all evidence becomes a part of the records of the Bureau and, under the rules of the Department, may not be returned.

GENERAL

20. **Penalties and interest.**—Failure to file a return on or before July 31, 1939 (or before the expiration of a period of extension), causes to accrue the following graduated scale of penalties: 6 percent of the amount of the tax if the failure is for not more than 30 days, with an additional 5 percent for each additional 30 days, or fraction thereof, during which failure continued. Such penalties may not, however, exceed 25 percent in the aggregate. Failure to pay the tax on or before the due date causes to accrue interest at the rate of 6 percent per annum until paid. Failure to pay within 10 days after the issuance of notice and demand, based on assessment approved by the Commissioner, causes to accrue a penalty of 5 percent of the total assessment and interest at the rate of 6 percent per annum on the entire assessment from the date of issuance of notice and demand until date of payment. Severe penalties for willful failure to pay tax, keep records, file returns, or for false or fraudulent returns are imposed by law.

21. **Signatures and verification.**—The return must be signed and verified under oath or affirmation by at least one of the responsible officers of the corporation. Execution by two officers, the president, vice president, or other executive officer, and the treasurer, assistant treasurer, or chief accounting officer, is, however, preferred. If at the time the return is required to be filed a receiver or trustee in bankruptcy is operating the property or business of the corporation, such officer shall execute the return of such corporation.