

(FOR WASHINGTON USE ONLY)
(FOR USE OF COLLECTORS)

1942 RETURN OF CAPITAL-STOCK TAX For Year Ended June 30, 1942

Form 707
TREASURY DEPARTMENT
INTERNAL REVENUE SERVICE

(Collection district)

DOMESTIC CORPORATIONS (Chapter 6, Internal Revenue Code, as amended)

(Month) (Year)

This return must be filed, in triplicate, and received with remittance by the Collector for your district on or before Nov. 28, 1942. (See instruction 7, page 8.)

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

(Page) (Line)

- Name
(Print name of corporation, joint-stock company, or association)
- Address
(The address must be that of the principal place of business. Give "street and number," "city or town," and "State")
- Incorporated or organized in State of Month Day Year
- Was a 1941 capital-stock tax return filed? Name under which filed. (If different, attach statement explaining fully.)...
..... (District
- Was an income-tax return filed for the last income-tax year ended prior to July 1, 1942? Name under which filed
..... (District
- Nature of business in detail
- Name of parent company, if any..... (District
- Name of subsidiary, if any Number of shares held
(If more than one, attach list and state number of shares held by parent; also districts where filed)
(District

9. **DECLARED VALUE OF ENTIRE CAPITAL STOCK** \$.....
(The value declared must be definite and unqualified. A value must be declared in every case regardless of whether exemption is claimed. See instructions 1 and 2)

10. **EXEMPTIONS.**—The law provides for exemption from the tax only on the grounds indicated below. Corporations claiming exemption must (1) declare a value for the capital stock under item 9, (2) check the appropriate block under item 10 showing the basis of the claim, and (3) submit with the return a full statement of the evidence specified under the block checked.
- Corporation exempt from income tax under section 101, Internal Revenue Code. Furnish information required by instruction 4.
 - 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 6.

COMPUTATION OF TAX	FOR USE OF TAXPAYER				FOR USE OF DEPARTMENT			
11. Declared value (must be identical figure entered in item 9)	\$				\$			
12. Tax at rate of \$1.25 for each full \$1,000 in item 9								
13. Penalty of percent for delinquency in filing return								
14. Interest at 6 percent per annum beginning Nov. 29, 1942								
15. Total tax, penalty, and interest	\$				\$			

DUPLICATE

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

- Name _____
(Print name of corporation, joint-stock company, or association)
- Address _____
(The address must be that of the principal place of business. Give "street and number," "city or town," and "State")
- Incorporated or organized in State of _____ Month _____ Day _____ Year _____
- Was a 1941 capital-stock tax return filed? _____ Name under which filed. (If different, attach statement explaining fully.)...
_____ (District _____)
- Was an income-tax return filed for the last income-tax year ended prior to July 1, 1942? _____ Name under which filed
_____ (District _____)
- Nature of business in detail _____
- Name of parent company, if any _____ (District _____)
- Name of subsidiary, if any _____ Number of shares held _____
(If more than one, attach list and state number of shares held by parent; also districts where filed)
(District _____)

9. **DECLARED VALUE OF ENTIRE CAPITAL STOCK \$** _____
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COMPUTATION OF TAX	FOR USE OF TAXPAYER				FOR USE OF DEPARTMENT			
	\$				\$			
11. Declared value (must be identical figure entered in item 9)	\$				\$			
12. Tax at rate of \$1.25 for each full \$1,000 in item 9								
13. Penalty of _____ percent for delinquency in filing return								
14. Interest at 6 percent per annum beginning Nov. 29, 1942								
15. Total tax, penalty, and interest	\$				\$			

COLLECTOR'S COPY

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 \$1.25 for each \$1,000 of the 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.—DECLARED VALUE

(a) **Declaration of Value.**—The declared value shall be the value as declared by the corporation in its return for the year (which declaration of value cannot be amended). The value declared by the corporation in its return shall be as of the close of its last income-tax taxable year ending with or prior to the close of the capital-stock tax taxable year (or as of the date of organization in the case of a corporation having no income-tax taxable year ending with or prior to the close of such declaration year).

(b) **Credit for China Trade Act Corporations.**—For the purpose of the tax imposed by section 1200 there shall be allowed in the case of a corporation organized under the China Trade Act, 1922, 42 Stat. 849 (U. S. C., 1940 ed., title 15, ch. 4), as a credit against the declared value of its capital stock, an amount equal to the proportion of such declared value which the par value of the shares of stock of the corporation, owned on the last day of the taxable year by (1) persons resident in China, the United States, or possessions of the United States, and (2) individual citizens of the United States or China wherever resident, bears to the par value of the whole number of shares of stock of the corporation outstanding on such date. For the purposes of this subsection shares of stock of a corporation shall be considered to be owned by the person in whom the equitable right to the income from such shares is in good faith vested; and as used in this subsection the term "China" shall have the same meaning as when used in the China Trade Act, 1922.

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.

* * * * *

(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.

* * * * *

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.

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Section 301.—REVENUE ACT 1942

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(d) **Prior Returns Effective.**—If a return for the year ended June 30, 1942, is filed under Chapter 6 of the Internal Revenue Code, without regard to the amendment thereof as made by this Act, the adjusted declared value reported by the corporation on such return (whether or not correct) shall constitute the declared value for the purposes of such Chapter 6, as amended by this Act, unless a different value is declared on a subsequent return for such year received within the prescribed filing period.

* * * * *

Chapter 2, Subchapter B Internal Revenue Code, as Amended,
Declared Value Excess-Profits Tax

Section 690.—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, a declared value 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 declared value;

13% 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 declared value.

* * * * *

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(Collection district)

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..... (District))
5. Was an income-tax return filed for the last income-tax year ended prior to July 1, 1942? Name under which filed
..... (District))
6. Nature of business in detail
7. Name of parent company, if any..... (District))
8. Name of subsidiary, if any Number of shares held
(If more than one, attach list and state number of shares held by parent; also districts where filed)
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14. Interest at 6 percent per annum beginning Nov. 29, 1942								
15. Total tax, penalty, and interest	\$				\$			

TAXPAYER'S COPY

INSTRUCTIONS

The sections of the law mentioned throughout these instructions refer to sections of the Internal Revenue Code, as amended.

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, 1941, to June 30, 1942, 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 a declared 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, 1941, to June 30, 1942, 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.

DECLARED VALUE

2. (a) In making the declaration of value upon this return a corporation 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.

(b) Extreme care should be exercised in making the declared value, since: (A) Under the provisions of section 1202 (a) the value declared cannot be changed, amended, or corrected after the close of the filing period or any authorized extension thereof; (B) the value will be the measure of the capital stock tax; and (C) the value is a prime factor in determining the declared value excess-profits tax liability under section 600, quoted on page 6.

(c) 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."

EXEMPTIONS

3. **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, 1941, to June 30, 1942.

4. **Exemption as a Corporation Enumerated in Section 101.**—A mere claim or contention by a corporation (or other organization) that it is exempt from income tax as a corporation enumerated in section 101 will not relieve the corporation from filing a capital-stock tax return. Unless the Commissioner has determined that a corporation is exempt, it must prepare and file a capital-stock tax return, complete in all respects, including a declared value (see instructions 1 and 2 above), accompanied by complete information regarding the corporation as follows: If exemption is claimed as a corporation enumerated in either subsection (1), (3), (4), (6), (7), (8), (9), (10), (12), (14), or (16) of section 101 the form of questionnaire designed for the particular type of corporation should be obtained from the collector of internal revenue and, after it has been completely filled in and duly executed and there has been attached thereto the various statements and documents specified therein it should be filed with the capital-stock tax return on or before the prescribed due date. If the corporation claims exemption under either subsection (2), (5), (11), (13), (15), (17), (18), or (19) of section 101 there should be attached to the capital-stock tax return when filed a statement setting forth (1) the subsection under which exemption is claimed, (2) the character of the organization, (3) the purpose for which it was organized, (4) its actual activities, (5) the sources of its income and the purposes for which expended, (6) whether or not any of its income is credited to surplus or may inure to the benefit of any private shareholder or individual, and (7) all other facts deemed material in determining whether it qualifies for exemption under

the law. There must accompany such a statement a copy of the (1) charter and articles of incorporation or of association, (2) bylaws, and (3) classified statement of receipts and expenditures during the last complete year of operation, and a complete statement of assets and liabilities as of the end of that year. Original documents such as charters, bylaws, etc., should not be submitted as all evidence becomes a part of the record of the Bureau and, under the rules of the Department, may not be returned. See sections 19.101-1 to 19.101 (18)-1 of Regulations 103 relating to the income tax under the Internal Revenue Code for more detailed information regarding proof of exemption. If, however, the corporation has received a ruling from the Commissioner exempting it from filing Federal income-tax returns, and if the conditions on which such ruling was based have not changed, the corporation may submit a copy of such ruling with the capital-stock tax return in lieu of the detailed information specified herein.

5. **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 (see instructions 1 and 2), must be filed. The return must state the section under which the corporation is subject to income tax.

6. **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, 1942, must file a return, complete in all respects, including a declared value (see instructions 1 and 2), 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, 1941, and a detailed statement of the operations for the period July 1, 1941, to June 30, 1942. 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, 1941, to June 30, 1942.

(c) A comparative detailed statement of the assets and liabilities as of June 30, 1941, and June 30, 1942, 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, 1942, 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, 1942, submit the information required under (a), (b), and (d) for the period between date of incorporation and June 30, 1942, 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, 1942.

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

GENERAL

7. **Penalties and Interest.**—Failure to file a return on or before November 28, 1942, causes to accrue the following graduated scale of penalties: 5 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 November 28, 1942 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.

8. **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.