INSTRUCTIONS FOR FORM 1040, UNITED STATES TAX INCOME TAX RETURN

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

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GENERAL INSTRUCTIONS

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A. WHO MUST MAKE A RETURN.—Every citizen and resident of the United States, during the tax year, must make a return if he has had income from whatever source, unless exempt from tax by law, in an amount specified below, regardlesss of the amount of net income, shall make a return. (See Instruction 20 as to personal exemption.)

1. Single for entire year, or married and not living with husband or wife for any part of the taxable year. If having a gross income of $575 or over, or a net income of $300 or over, only one is required to make a return.

2. Married and living with husband or wife for the entire taxable year. If each has income and their combined gross income is $1,500 or over, they must each make a return or file a joint return. If either has income and their combined gross income is $1,500 or over, only that one is required to make a return.

3. Married and living with husband or wife for only part of the taxable year. If each has income and their combined gross income is $1,500 or over, or equal to, or in excess of, their total personal exemption (not including credit as head of a family or for dependents), they must each make a return or file a joint return. If only one has income and his gross income is $1,500 or over, or equal to, or in excess of, his personal exemption (not including credit as head of a family or for dependents), only that one is required to make a return. (See Specific Instruction 20 as to personal exemption.)

Joint return.—May be filed by husband and wife only if they are (1) both citizens or residents of the United States and (2) living together at all the end of the taxable year. A joint return is permitted even though one has no gross income. In a joint return the aggregate income, deductions, and credits are computed as though husband and wife operated separately.

Deceased individuals.—Return required on Form 1040 or 1040A if gross income to date of death is $750 or over, if single, or married and not living with spouse for any part of the taxable year, or equal to, or in excess of, the personal exemption (not including credit as head of a family or for dependents), if married and living with spouse for any part of the taxable year. The return for a decedent shall include all items of income and deduction accruing up to the date of death regardless of the fact that the decedent may have kept his books on a cash basis or kept no books.

B. FORM OF RETURN.—Citizens and resident aliens use Form 1040, except that those whose gross income is not more than $3,000 and consists wholly of salaries, wages, other compensation for personal services, dividends, interest, rent, annuities, or royalties may use Form 1040A. Nonresident aliens use Form 1040B or 1040NB. Fiduciaries for estates and trusts use Form 1041.

C. FILING OF RETURNS AND PAYMENT OF TAX.—File on or before 15th day of 3rd month following close of taxable year with collector for the district in which the taxpayer has his legal residence or principal place of business. If the taxpayer has no legal residence or place of business in United States, file with collector at Baltimore, Md. The taxpayer’s home address must be given and a permanent business address may be added. Pay in cash at collector’s office or by check or money order payable to “Collector of Internal Revenue.” Pay taxes on account first by check or money order payable to “Collector of Internal Revenue.” Pay taxes on account first by check or money order payable to “Collector of Internal Revenue.”

D. PENALTIES.—Severe penalties are imposed for failing to file a required return. For late filing, and for filing a false or fraudulent return.

SPECIFIC INSTRUCTIONS

(Numbered to correspond with item numbers on page 1 of return)

1. SALARIES, ETC.—Include compensation received as an officer or employee of a State or political subdivision or any agency or instrumentality thereof.

2. DIVIDENDS.—Enter total of all taxable dividends. Enter in Schedule A dividends on share accounts in Federal savings and loan associations.

3. RENT AND ROYALTIES.—Include rent received in property or crops. Report crops received on income basis in year in which disposed of (unless return is made on accrual basis).

4. ANNUITIES.—Amounts received as an annuity under an annuity or endowment contract shall be included in income for the year in the discretion of the payer to the extent of 3 percent of the aggregate premiums or consideration paid for such annuity. If the aggregate of the amounts received exceeds the annuity paid during the tax year gross income (consideration paid for such annuity, the entire amount thereafter received must be included in gross income.

FOR INSTRUCTIONS 7, 8, AND 9, SEE PAGE 2, SECOND COLUMN.

11. CONTRIBUTIONS PAID.—Enter (not to exceed 15 percent of your net income computed without the benefit of this deduction) contributions or gifts, payment of which was made within the year ending with and including the taxable year.

(a) A corporation, trust, or community chest, fund, or foundation, created or organized in the United States or in any possession thereof or under the law of the United States or of any State thereof, for religious, charitable, scientific, literary, or educational purposes.

(b) The United States, any State, Territory, or any political subdivision thereof, or the District of Columbia, or any possession of the United States, for exclusively religious, charitable, scientific, literary, or educational purposes, or for the prevention of cruelty to children or animals.

(c) Any organization exempt from income tax under the provisions of Section 501(c)(3) of the Internal Revenue Code.

12. INCOME TAX.—Enter interest on personal indebtedness (other than business indebtedness which should be entered in Schedules B and D). For limitations on deductions for unpaid expenses and interest, see section 21 (c).

13. TAXES.—Enter sales taxes paid by you and paid or accrued during the taxable year, except taxes entered in Schedules B and D. Do not include taxes assessed against local benefits, Federal income tax paid to state, local, or other governmental units, additional taxes imposed on your interest as a shareholder of a corporation which are paid by the corporation without reimbursement from you, or income taxes paid as a credit in item 31. Federal social security and employment taxes paid by you or for an employee are not deductible by the employee.

14. LOSSES.—Enter property losses (not claimed in Schedule H). These are losses from the sale of property, whether or not you, or by other casualty, or theft, not compensated for by insurance or otherwise. Explain in Schedule C, giving description of property, date acquired, cost, subsequent improvements, depreciation allowable, insurance, salvage value, and deductible loss.
7. GAINS AND LOSSES FROM SALES OR EXCHANGES OF CAPITAL ASSETS AND OTHER PROPERTY.—Report details in Schedules F and G.

"Capital assets" defined.—The term "capital assets" means property held by the taxpayer (whether or not connected with his trade or business), but not stock in trade or other property of a kind which would properly be included in his inventory if on hand at the close of the taxable year, or property held by the taxpayer primarily for sale to customers in the ordinary course of his trade or business, or property used in the trade or business of a character which is subject to the alternate depreciation provision provided in section 23 (g), or an obligation secured by a pledge of any property in the United States or any of its possessions, or of a State or Territory, or any political subdivision thereof, or of the District of Columbia, issued before March 1, 1913, and bearing interest at a fixed maturity date not exceeding one year from the date of issue.

Disposition of property.—State following facts: (a) For real estate, location and description of land and improvements; (b) for bonds or other evidences of indebtedness, name of issuing corporation, particular issue, denomination, class of stock, number of shares, and capital changes affecting basis (including nontaxable distributions).

Basis.—In determining GAIN in case of property acquired before March 1, 1913, use the cost or the fair market value as of March 1, 1913, adjusted as provided in section 113 (b), whichever is greater, but in determining LOSS use cost so adjusted. If the property was acquired after February 26, 1912, use cost, except as otherwise provided in section 113.

Losses on securities becoming worthless.—If (1) shares of stock become worthless during the tax year, or (2) any bond or other evidence of indebtedness is called for redemption or a portion thereof, the interest coupons or in registered form are ascertained to be worthless and charged off during the year, and are capital assets, the loss therefrom shall be considered a capital loss on the sale or exchange of capital assets as of the last day of such tax year.

Classification of capital gains and losses.—The phrase "short-term" applies to gains and losses from the sale or exchange of capital assets held for a period of less than one year, while the phrase "long-term" to capital assets held for more than 18 months.

Limitation on short-term capital losses.—Short-term capital losses shall be allowed only to the extent of short-term capital gains. However, any net short-term capital loss (not in excess of the net income for the year involved) may be carried over in the succeeding year and deducted not later than the 15th day of the 4th month following the close of the corporation's taxable year. The carry-over is restricted to 1 year.

Alternative tax.—In the case of a net long-term capital gain or loss, an alternative tax may be imposed in lieu of the normal tax and surtax imposed on net income. The Computation of Alternative Tax, Schedule F, is calculated in the alternative tax in the case of a long-term capital loss, the base (1) for computing the 15 percent limitation with respect to the deduction for charitable contributions is the "ordinary net income" as adjusted for the charitable contributions deduction.

"Wash sales" losses.—Loss from sale or disposition of stock or securities cannot be deducted if both the purchase and sale were made in a transaction in which the taxpayer, either directly or indirectly, purchased or acquired the stock or securities for the purpose (whether or not in the same taxable year) of reselling it to the person from whom the taxpayer purchased it or to his assigns or transferees. Such a transaction shall be disregarded where the purchase or sale took place in a period within 30 days before or 60 days after the date of sale or other disposition, or where the taxpayer did not have a bona fide intent to hold the stock or securities for the purpose of selling it at a profit, or where the taxpayer has entered into a contract or option to acquire, substantially identical stock or securities.

Charitable contributions between years.—Charitable contributions made in one taxable year in respect of sales or exchanges of property directly or indirectly between (a) members of a family, (b) a contribution to a charitable organization which can be charged against income in the same year, and (c) a contributary and a beneficiary of the same charitable organization, shall be treated as contributed in the year of the contribution.

8. BUSINESS OR PROFESSION.—Fill in Schedule H. Farmers keeping no books of account, or books on cash basis, must attach Form 106-F. A taxpayer electing to include in gross income amounts received during the year as loans from the Commodity Credit Corporation should file with his return a statement showing the details of such loans. (See section 125.)

9 (a). INCOME FROM PARTNERSHIPS, FIDUCIARIES, ETC.—While it is not possible to reconcile the current year's income with the prior year's income, it is possible to determine the difference or excess or deficiency of current year's income from that of the prior year by comparing the current year's income with that of the prior year and the difference or excess or deficiency of the current year's income with that of the prior year, in excess of that of the prior year.

9 (b). OTHER INCOME.—Enter any other taxable income, including earnings of minor children if parent is legally entitled thereto.