INSTRUCTIONS FOR FORM 1040, U.S. INDIVIDUAL INCOME TAX RETURN 1944

GENERAL INSTRUCTIONS

These instructions will help you understand and fill out Form 1040, the U.S. Individual Income Tax Return, for 1944. They give the information most commonly needed by taxpayers. You may obtain additional information from the collector of internal revenue for your district or from any of his branch offices.

The normal tax is at a flat rate of 7 per cent. The surtax is at graduated rates ranging from 20 to 91 per cent.

For normal tax, you are allowed a flat exemption of $500 if your return includes the income of only one person. In a joint return of husband and wife, the combined normal-tax exemption is $1,000 if each had income of $500 or more; but if the income of either was less than $300, the combined normal-tax exemption is $500 plus the actual amount of the smaller of the two incomes.

For surtax, you are allowed (subject to the restrictions stated under the heading ‘Your Exemptions’ on page 2 of these instructions) an exemption of $500 for yourself, $300 for your wife, and $500 for each dependent relative.

Exclusions From Gross Income

Income from any source whatsoever is subject to income tax unless excluded by some specific provision of law. The exclusions are described in sections 22 (b) and 116 of the Internal Revenue Code. The principal exclusions are listed below.

1. Armed Forces, Etc.—Members and veterans of the armed forces and their families should exclude from their income:
   (a) The first $1,500 of annual pay for active service.
   (b) Muster-out pay.
   (c) Annuities distributed from the Government to monthly family allowances.
   (d) Pensions and disability compensation to war veterans and their families.
   (e) Disability retirement pay (but other retirement pay is taxable).
   (f) Interest on adjusted-service bonds.

2. Social Security Benefits.—Exclude benefit payments received from the Federal Government or from a State under the Federal social security program.

3. Sickness and Injury Benefits.—Exclude amounts received as compensation for bodily injury or sickness, whether in the form of health and accident insurance, workmen’s compensation, or damages. However, reimbursements on account of medical and dental expenses which were claimed as a deduction in a prior year should be included in the current income.

4. Tax-exempt Interest.—Exclude interest on obligations of a State or political subdivision; interest on obligations of the United States issued prior to March 1, 1941, if made wholly exempt from taxation by the Act authorizing their issuance; and interest on not exceeding $5,000 of United States savings bonds (at cost) and Treasury bonds (at face value) which were issued before March 1, 1941.

5. Gifts.—All bona fide gifts should be excluded, but so-called “gifts” received as compensation for personal services rendered are taxable.

6. Awards, Inheritance, Etc.—Property acquired by bequest, devise, or inheritance should be excluded, but any income earned by the property is taxable.

Cash or Accrual Basis of Reporting Income

Your return must be on the “cash basis” — which means on the basis of cash receipts and payments — unless you keep accounts on the “accrual basis.” However, receipts and payments on account of tax delinquencies, should be excluded if deductions for these items did not reduce the income tax liability of the taxpayer for any prior year.

Farmers

Farming is regarded as a business and the instructions applicable to returns of farmers may be found on page 3 under “Schedule C.—Business or Profession.”

Penalties

Severe penalties are provided by law for failure to file a required return, for filing late, and for filing a false or fraudulent return.

Information at Source

Every person who makes payments of salary, wages, interest, rents, commissions, or other fixed or determinable income of $500 or more during the calendar year 1944 to an individual, partnership, or fiduciary, must make a return on Form 1096 and 1099. This requirement does not apply to salary or wages reported on a Withholding Receipt (Form W-2).

HOW TO FILL OUT FORM 1040

In preparing Form 1040, you are required to fill out only those lines and pages which apply to your particular circumstances. Thus, if your income is all from wages or salary, you should disregard items 3 and 4 on page 1 and the whole of page 3. Likewise, if you use the tax table on page 2, you should disregard all of page 3.

Specific instructions for filling out particular lines and schedules on the form are given in the following pages. The specific instructions have been so arranged that they may be placed alongside the corresponding items on the form, for easy reference.
INSTRUCTIONS FOR PAGE 1 OF FORM 1040

Place alongside page 1 of Form 1040 for easy reference

Your Exemptions

1. List the names called for in item 1, in order to get credit for your exemptions.
   If you were married at the end of the year and you and your wife make a joint return, you may list your wife’s name. In case you make a separate return, you may list your wife’s name only if she had no income and did not receive her chief support from another person closely related to her. If your wife died during the year, you may list her name if she had no income and did not receive her chief support from another person closely related to her. If you were divorced at the end of the year, do not include your former wife.

   List the names of other close relatives with 1944 incomes of less than $500 who received more than one-half of their support from you.

   “Close relative” means: Your son, daughter, or a descendant of either; your stepson, stepdaughter, son-in-law, daughter-in-law; your father, mother, or ancestor of either; your stepfather, stepmother, father-in-law, or mother-in-law; your brother, sister, stepbrother, stepsister, half brother, half sister, brother-in-law, or sister-in-law; your uncle, aunt, nephew, or niece. Do not include any uncle, aunt, nephew, or niece if related to you only by marriage.

   The above relationships apply to a legally adopted child the same as though he or she were a child by blood. Do not claim a citizen of a foreign country as a dependent unless he or she was a resident of the United States, Canada, or Mexico. Do not claim an exemption for any relative who files a joint return with another person.

Your Income

2. Wages and Salaries.—If this return includes wages of both husband and wife, list wages and employers of each. Do not include earnings of anyone any pay.

   Members of the armed forces should include mustering-out payments and the first $1,500 of active service pay.

   If, in connection with your employment, you claim deductions for traveling or reimbursed expenses, itemize actual expenses on a separate sheet of paper, subtract them from your total compensation and allowances, and enter the balance in item 2. Attach the itemized list securely to your return.

   You must also include any “gift” which is really compensation for services.

   If you receive payment in any form other than money, such as merchandise, room, or board, you must include the fair market value in item 2. However, if it is necessary for you to live on your employer’s premises in order to fulfill your duties, do not include the value of the board and room furnished you. A minister of the gospel should not include the rental value of a dwelling furnished him as a part of his compensation.

3. Dividends and Interest.—Enter the total of any dividends or interest unless wholly exempt from tax. See General Instructions under “Exclusions From Gross Income.” Allowance for any partial exemption or amortizable bond premium is made in the tax table and in the standard deduction of $500. If you do not use the tax table or the standard deduction, these items may be deducted in the tax computation on page 4 (line 7).

4. Other Income.—If you had any income from annuities, rents, royalties, a business or profession, farming, transactions in securities or other property partnerships, estates and trusts, or other sources, explain on page 3 and enter the total in item 4, page 1.

Tax Due or Refund

6. Your Tax.—This is your total tax liability before taking credit for tax withheld from your wages and payments on your 1944 Declaration of Estimated Tax.

   Income in Value of a War Bond (Series E or F) or United States savings bond (Series A, B, C, or D) need not be reported until the bond is cashed. However, you may at any time adopt the practice of reporting each year the annual increase in value; but if you do so, you must report in the first year the entire increase to date and must continue to report the annual increase each year thereafter.

7. Payments.—(A) Enter the amount of income tax withheld from your wages by your employer. Attach to your return original of receipts for tax withheld (Form W-2 or Form W-2, Rev.). If you have lost any receipt, obtain a copy from your employer. If you cannot furnish a receipt or copy, attach a statement to your return showing amount withheld by your employer.

   (B) If you filed a 1944 Declaration of Estimated Tax (Form 1040-ES), enter the total amount of estimated tax paid, including any prior year’s credit which you applied against your estimated tax. You can determine the amount paid from the retained copy of your declaration, your canceled checks, or other personal records.

   If husband and wife filed a joint declaration but are now filing separate returns, they may divide the payments of estimated tax between them in any proportion they desire.

8. Balance of Tax Due.—Any tax owed in excess of payments must be shown in item 8. This amount must be paid in full at the time your return is filed. If payments exceed tax, leave item 6 blank.

9. Refund or Credit.—If you have overpaid your tax and ask for a refund in item 9, any refund found due will be made as promptly as possible without any further action on your part. Refunds will bear interest at 6 percent from March 15, 1945.

   Do not ask that any overpayment on this return be credited on your 1945 estimated tax unless you expect to file a Declaration of Estimated Tax (Form 1040-ES) showing an estimated tax against which the overpayment can be applied.

Signature

You must sign your return. If husband and wife are filing a joint return, both must sign. If you cannot sign because you are ill or out of the United States, an authorized agent may sign for you, but the agent must attach a power of attorney on Form 935 to show that he is empowered to sign for you.

INSTRUCTIONS FOR TAX TABLE ON PAGE 2 OF FORM 1040

Purpose of Table.—The table is a short-cut method of finding your income tax. It is provided by law and saves you the trouble of itemizing deductions and computing your tax on page 4 of the return. The table allows for: (a) Your normal-tax exemption of $500; (b) your surtax exemptions—$500 for each person listed in item 1, page 1; and (c) charitable contributions, interest, taxes, etc., approximating 10 percent of your income.

Arrangement of Table.—The table contains income columns and exemption columns. The income columns are headed by the words “At least—But less than.” The exemption columns are headed by the numbers 1, 2, 3, 4, etc.

How to Find Your Tax.—Read down the income columns until you find the line that fits the income you reported in item 5 on page 1. Then read across that line until you come to the exemption column which is headed by a number corresponding to the number of persons you listed in item 1 on page 1. The figure you find there is your tax. EXAMPLE.—If your income was $2,245 and you were entitled to three exemptions, you would find your tax opposite the income line “At least $2,225 but less than $2,250.” You would read over to the column headed by the figure “3” and thus find your tax was $148.

If Both Husband and Wife Have Income.—If you are filing a joint return, do not include the separate incomes of both husband and wife (see entries under item 5, page 1). Subtract from the tax you find in the table an amount equal to 3 percent of the smaller of the two incomes, but do not subtract more than $75. EXAMPLE.—If your return includes $3,000 income of the husband and $500 income of the wife, or a total of $3,500, you will find your tax opposite the income line “At least $3,300 but less than $3,500.” If you have no dependents, you will read over to the column headed by the figure “2,” and $75. But since the table allows only one normal-tax exemption and your return includes the incomes of both husband and wife, you are allowed to subtract an amount equal to 3 percent of the smaller income. Three percent of $300 is $9, reducing the joint tax in this case to $464.

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INSTRUCTIONS FOR PAGE 3 OF FORM 1040

Place alongside page 3 of Form 1040 for easy reference

Since these instructions relate to special types of income, they may be disregarded by persons whose income is all from salaries, wages, dividends, and interest

Schedule A.—Annuities and Pensions

If you received a pension or annuity which you bought or to which you contributed, you are entitled to recover your cost tax-free. However, an amount equal to 3 percent of your total cost must be reported as income each year until you have recovered your total cost tax-free. Thereafter, the entire amount received each year must be reported as income.

If you have not recovered your total cost tax-free in prior years, fill in all the lines of Schedule A to determine how much of the amount you received in 1944 is taxable.

On line 1, enter the total amount you paid for the annuity or the total amount of your contributions to the pension or retirement fund. If you received the annuity by gift, or as the survivor of a deceased annuitant, enter the cost to the donor or deceased annuitant. However, an employer's contribution to an employee's pension is not a gift and should not be included in line 1.

On line 2, enter the total of the amounts received in all prior years, less 3 percent of line 1 for each year during which the annuity has been received since 1933.

If the payments received in 1944 were for less than 12 months, compute 3/12 of 3 percent of the amount on line 1 and multiply by the number of months for which payments were received; then enter on line 6 either the amount so computed or the amount on line 5, whichever is greater.

If you have recovered your cost tax-free in prior years, or if the entire cost of your pension or annuity is borne by a former employer, you may omit lines 1 to 5, inclusive, and enter directly on line 6 the total amount received in 1944.

Schedule B.—Rents and Royalties

Fill in all applicable columns of Schedule B whether the transactions resulted in a profit or a loss. If rent was received in property or crops instead of money, except under a crop-sharing arrangement, enter the fair market value of the property or crops received. In the case of rents received as rent under a crop-sharing arrangement by a taxpayer who reports his income on the cash basis, the value of the crop rent should be reported in the year in which the commodities received as rent are disposed of. Include in “Other expenses” taxes and interest chargeable against rental or royalty income.

Schedule C.—Business or Profession

Profit or loss from a business or profession must be explained in Schedule C, except that farmers who keep no books or who keep books on the cash basis must obtain Form 1040F and fill it in instead of Schedule C. Farmers who keep books on the accrual basis may also substitute Form 1040F for Schedule C if they so desire. If you include in your income loans received from the Commodity Credit Corporation, attach a statement explaining the details.

If you sell merchandise on the installment plan and your return is made on that basis, attach a schedule showing separately for the years 1941, 1942, 1943, and 1944 the following: (a) Gross sales; (b) cost of goods sold; (c) gross profit; (d) percentage of gross profit to gross sales; (e) amount collected; (f) gross profit on amount collected.

If you make your return on the accrual basis, you may deduct either (a) the amount of accounts receivable arising from sales or services, which became wholly worthless during the taxable year or (b) a reasonable addition to a duly established reserve for bad debts. On either the cash or the accrual basis you may deduct the amount of any business loans which became wholly worthless during the taxable year. A debt which became partially worthless may be deducted to the extent charged off during the year.

List as repairs, expenditures for the upkeep of rental or royalty property, but do not include expenditures which materially prolong the life of the property and therefore should be added to its cost and recovered by annual depreciation allowances. Do not include taxes levied for paving, sewers, or other local improvements which tend to increase the value of the property. Deductions for depreciation, repairs, and other expenses should be entered as totals in Schedule B and explained in detail in Schedules F and G. If more space is needed, use separate sheet and attach securely to your return.

Schedule D.—Gains and Losses from Sales or Exchanges of Capital Assets, Etc.

If you sold or exchanged any capital assets or other property during the year, fill in the separate sheet entitled Schedule D (Form 1040), in accordance with the detailed instructions thereon. The totals from the separate sheet should then be entered on lines 1 and 2 of Schedule D of your return. Be sure to attach the separate sheet to your return.

Schedule E.—Income from Partnerships, Estates and Trusts, and Other Sources

Partnerships.—Include in your return your share of the net profit (whether received by you or not) or loss of a partnership, pool, syndicate or the like, whose taxable year ends within the year covered by your return. However, you should enter in Schedule E only your share of the "ordinary" net income or loss, excluding the following items:

1. Capital gains and losses, which should be entered in separate Schedule D.

Estates and Trusts.—Include in your return your share of the distributable income (whether received by you or not) of an estate or trust whose taxable year ends within the year covered by your return. However, you should enter in Schedule E only your share of the income of the estate or trust after the exclusion of the following items:

1. Interest on obligations of the United States or its instrumentalities, which should be included in item 3, page 1.

2. Income taxes paid to a foreign government, and income taxes paid at source on tax-free covenant bond interest—all of which should be omitted if you use the tax table on page 2 or take the standard deduction, but should be entered in the proper spaces on page 4 if you itemize your deductions.

3. Contributions, income taxes paid to a foreign government, and income taxes paid at source on tax-free covenant bond interest—which taxes should be omitted if you use the tax table on page 2 and take the standard deduction, but should be entered in the proper spaces on page 4 if you itemize your deductions.

Other Sources.—List and explain other income, such as amounts received from alimony or separate maintenance, rewards or prizes, recoveries of bad debts for which a deduction was taken in a prior year, and health and accident insurance benefits received as reimbursement for medical expenses for which a deduction was taken in a prior year.

Schedule F.—Explanation of Deduction Claimed in Schedules B and C

Depreciation.—In determining net rents (Schedule B) or business profits or losses (Schedule C), you may deduct each year as depreciation a reasonable allowance for exhaustion, wear and tear, and obsolescence of property used in a trade or business or held for the production of income. The depreciation must be based on the useful life of the property and on its cost if purchased after February 28, 1913. For the year 1943, regarding depreciation, see Bulletin "F" of the Bureau of Internal Revenue and section 114 of the Internal Revenue Code.

Depletion.—For information about depletion allowances in connection with oil and gas wells, mines, timber, and other natural resources, see sections 23 (m) and 114 of the Internal Revenue Code.
INSTRUCTIONS FOR PAGE 4 OF FORM 1040

Place alongside page 4 of Form 1040 for easy reference

DEDUCTIONS—The following instructions describe the classes of expenditures and losses which you may itemize and claim as deductions if you do not use the tax table on page 2 nor take the standard deduction of $500 on line 2 of the Tax Computation on page 2 of Form 1040. If your expenditures and losses of these classes amounted to more than 10 percent of your total income, or more than $500 if your total income was over $5,000, it will ordinarily be to your advantage to itemize them on page 4 of Form 1040. If you do so, you must compute your tax as indicated at the bottom of that page.

Contributions

The deduction for contributions cannot exceed 15 percent of the income you reported in item 3, page 1. Deduct only contributions of money or property (not services) to organizations operated exclusively for religious, charitable, scientific, literary, or educational purposes or for the prevention of cruelty to children or animals; veterans’ organizations; or governmental organizations for use exclusively for public purposes.

Do not deduct gifts to relatives or other individuals, or to organizations any part of whose earnings is for the use or benefit of private individuals, or to organizations which devote a substantial part of their activities to carrying on propaganda or otherwise attempting to influence legislation.

Interest

Endowment contract. Do not deduct interest paid on behalf of another person unless you were legally liable to make the payment. In figuring the interest paid on a mortgage or installment contract, be careful to distinguish between interest and other charges such as financing fees, taxes, or insurance.

Taxes

Do not deduct Federal income tax, or any estate, inheritance, legacy, succession, or gift taxes, or taxes on your shares in a corporation which are paid for you by the corporation. Do not deduct in this schedule taxes on business or rental property, but report such taxes in Schedule B or C. Do not deduct Federal excise or stamp taxes; but any such taxes attributable to your business activities may be deducted in Schedule B or C. Federal social security taxes are not deductible by employees.

Medical and Dental Expenses

Include any amounts paid for health, accident, or hospitalization insurance.

List names of those to whom payments were made and state amounts and dates of payment. Find your “Net expenses” by subtracting the total of all insurance and other amounts received as reimbursement for the expenses itemized. From the net expenses subtract 5 percent of the total income you reported in item 3, page 1, since only the excess is deductible.

Miscellaneous

Same year; (d) amortizable bond premium for the taxable year (see section 125 of the Internal Revenue Code); (e) your share of the interest and real estate taxes paid by a cooperative apartment corporation in which you are a tenant-stockholder; and (f) the $300 special deduction for the blind.

TAX COMPUTATION INSTRUCTIONS FOR TAXPAYERS NOT USING THE TAX TABLE ON PAGE 2 OF FORM 1040

Surtax Table

From the following table figure your surtax on the surtax net income on line 5, page 4, of the return:

<table>
<thead>
<tr>
<th>Surtax Net Income</th>
<th>Surtax Rate</th>
<th>Surtax Amount</th>
</tr>
</thead>
</table>
| $400 plus 22% of excess over $2,000 | $840 plus 26% of excess over $4,000
| $1,360 plus 30% of excess over $6,000 | $1,110 plus 34% of excess over $10,000
| $5,140 plus 38% of excess over $10,000 | $3,400 plus 43% of excess over $12,000
| $6,280 plus 47% of excess over $14,000 | $5,200 plus 50% of excess over $16,000
| $7,260 plus 56% of excess over $20,000 | $8,380 plus 59% of excess over $22,000
| $10,740 plus 62% of excess over $26,000 | $14,680 plus 65% of excess over $30,000
| $18,360 plus 68% of excess over $30,000 | $22,500 plus 72% of excess over $44,000
| $34,400 plus 75% of excess over $50,000 | $26,820 plus 75% of excess over $50,000
| $33,240 plus 78% of excess over $60,000 | $34,400 plus 81% of excess over $70,000
| $41,220 plus 84% of excess over $80,000 | $56,820 plus 87% of excess over $90,000
| $58,620 plus 87% of excess over $100,000 | $111,820 plus 90% of excess over $150,000
| $115,820 plus 91% of excess over $200,000 | $150,000 plus 93% of excess over $250,000

Adjustment on Line 7, Page 4, for Partial Tax-exempt Interest

If you take the standard deduction, enter on line 7 the same figure as appears on line 3, page 4, since the standard deduction has been allowed in full in the computation of your net income which is exempt from normal tax. However, if you itemize your deductions, you may subtract partially tax-exempt interest, less amortizable bond premium for the taxable year, from the amount shown on line 3, page 4, and enter only the balance on line 7. If you subtract any such amounts, attach an explanatory statement.

Normal-tax Exemption on Line 8, Page 4

If husband and wife combine their incomes in a joint return, the normal-tax exemption (line 8, page 4) is $500 plus the amount of the smaller of the two incomes shown under item 5, page 1, but not more than $1,000 for both.