INSTRUCTIONS FOR FORM 1040B
1947
UNITED STATES NONRESIDENT ALIEN
INCOME TAX RETURN
(BUSINESS WITHIN UNITED STATES)

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

GENERAL INSTRUCTIONS

(B) Returns of income of decedents.—The executor or administrator shall make a return on Form 1040B for a nonresident alien decedent who was engaged in trade or business in the United States at any time during his last taxable year.

(C) Period to be covered by return.—Calendar year 1947 or fiscal year beginning in 1947 and ending in 1948.

The established accounting period must be adhered to for all years, unless permission is received from the Commissioner to make a change. An application for a change in the accounting period shall be made on Form 1128.

(D) When and where the return must be filed.—On or before the 15th day of the sixth month following the close of the taxable year with the collector of internal revenue for the district in which you have your principal place of business in the United States, except that a nonresident alien individual whose wages are subject to withholding at the source under section 1622 is required to file Form 1040B on or before the 15th day of the third month following the close of the taxable year. In case you have no principal place of business in the United States at the time of filing return, it should be forwarded to the Collector of Internal Revenue, Baltimore 2, Maryland, U. S. A.

(E) Declaration.—The return shall contain or be verified by a written declaration that it is made under the penalties of perjury. The return may be made by an agent (1) if made by the authorized representative or agent within the United States under competent agency appointment, or (2) if, by reason of illness, the person liable for the making of the return is unable to make it, or (3) if the taxpayer is unable to make the return by reason of continuous absence from the United States for a period of at least 60 days prior to the date prescribed by law for making the return. Whenever a return is made by an agent it must be accompanied by a power of attorney.

Where the return is actually prepared by some person or persons other than the taxpayer, such person or persons must also sign the declaration.

(F) When and to whom the tax must be paid.—The tax must be paid in full when the return is filed, or in four equal installments, as follows: On or before the 15th day of the sixth month, on or before the 15th day of the ninth month, on or before the 15th day of the twelfth month, from the close of the fiscal year, except that in the case of a nonresident alien individual whose wages are subject to withholding at the source under section 1622, the tax must be paid in full on or before the 15th day of the third month following the close of the taxable year. If any installment is not paid on or before the date fixed for payment, the whole amount of tax unpaid shall be paid upon notice and demand by the collector.

The tax may be paid by sending or bringing with the return a check or money order drawn to the order of “Collector of Internal Revenue.” Do not send cash by mail, nor pay it in person except at the collector’s office.

(G) 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.

(H) Received or accrued income.—If your books of account are kept on the accrual basis, report all income accrued, even though it has not been actually received or entered on the books, and expenses incurred instead of expenses paid. As to disallowance of deductions for unpaid expenses and interest payable to certain persons, the rules of section 24 (c) do not apply to the accrual basis, or if you keep no books, make your return on a cash basis and report all income received or constructively received, such as bank interest credited to your account and coupon bond interest matured, and report expenses actually paid.

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(I) Items exempt from tax.—The following items are exempt, except where otherwise indicated, from United States income tax and should not be included in gross income:

(a) The proceeds of life insurance policies, paid by reason of the death of the insured. If any part of the proceeds is held by the insurer under an agreement to pay interest, the interest is taxable. Amounts received under a life insurance or endowment policy, not payable by reason of the death of the insured, are not taxable until the aggregate of the amounts received exceeds the premiums or consideration paid for the policy. (See Specific Instruction 1)

(b) Gifts (not received as consideration for services rendered) and money and property acquired by bequest, devise, or inheritance (but the income derived from such property is taxable and must be reported)

(c) Interest on obligations of a State or political subdivision, interest on obligations of the United States issued prior to March 1, 1941, if 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

(d) Except in the case of amounts attributable to (and not in the case of amounts attributable to) amounts received under section 23 (x) in any prior taxable year, amounts received through accident or health insurance or under workmen’s compensation acts, and amounts received as a pension, annuity, or similar allowance for personal injuries or sickness resulting from active service in the armed forces of the United States

(e) Income which consists exclusively of earnings derived from the operation of a ship or ships documented under the laws of a foreign country, provided such country grants an equivalent exemption to citizens of the United States and to corporations of the United States;

(f) Interest received from a resident alien individual, a resident foreign corporation, or a domestic corporation when it is shown to the satisfaction of the Commissioner that less than 20 percent of the gross income of such payor or domestic corporation has been derived from sources within the United States for the 3-year period ending with the close of the taxable year preceding the payment of such interest, or for such part of such period as may be applicable

(g) Certain dividends as noted in Specific Instruction 2

(h) Royalties and like amounts received by a resident of France at no time within the taxable year having a permanent establishment in France, and any incidental services performed within the United States shall be included in the gross income

(i) Royalties and interest derived by a nonresident alien resident in the United Kingdom if such alien (a) is subject to United Kingdom tax on such income and (b) is not engaged in trade or business through a permanent establishment in the United States

(j) Pensions and life annuities paid to nonresident alien individuals residing in Canada, the United Kingdom, France, or Sweden; and

(b) The following classes of income received by nonresident aliens: (1) Industrial and commercial profits of a Swedish, Canadian, French, or United Kingdom enterprise having no permanent establishment in the United States; (2) income by reason of the ownership of a United Kingdom enterprise from the operation of ships or aircraft registered in the respective countries; (3) royalties and like amounts derived by a nonresident alien individual resident in Sweden; (4) gains derived from the sale or exchange of capital stock or other property of a foreign corporation (see Treasury Decisions 4975, 5206, 5532, and 5569); (7) compensation derived by a resident of France in the exercise of a liberal profession if he has no place of business within the United States; (8) remittances from sources within Sweden, Canada, France, or the United Kingdom (see Treasury Decisions 4975, 5206, 5532) received in the United States by nonresident alien individuals residents of Sweden, Canada, France, or the United Kingdom who are temporarily residing in the United States for the purposes of study or for acquiring business experience, such remittances being for the purposes of their maintenance or studies.

Any taxpayer who excludes from gross income from sources within the United States income of the type specified in (f) above must file with his return a statement setting forth the amount of such income and such information as may be necessary to show that the income is of the type specified in that paragraph.

J) Treatment of depreciation and depletion.—A reasonable allowance for the exhaustion, wear and tear, and obsolescence of property used in the trade or business may be deducted. All reasonable expenses for repairs and for the acquisition of additional property shall be deducted as to the time and manner of its use. The amount of such depreciation shall be determined by reference to the published price for the article at the time of acquisition, and any deduction for depreciation shall be subject to the limitations of section 141, et seq.

The amount of depreciation on property acquired by purchase shall be determined upon the basis of the original cost (not replacement cost) of such property, and if the property is being used for the earning of its expected useful life, except if the property was purchased prior to March 1, 1913, it will be computed on the fair market value of such property as of that date or its original cost (less depreciation actually sustained before that date), whichever is greater.

Depreciation may be claimed on automobiles, under sections 23 (m) and 114 with respect to additional forms and information required if a deduction is claimed for depletion.

SPECIFIC INSTRUCTIONS

1. Salaries and other compensation for personal services.—Report all salaries, wages, commissions, bonuses, etc., for services performed within the United States. Except as noted in General Instruction (A), gross income from sources within the United States shall be included in the gross income regardless of the residence of the payor, of the place in which the contract for services was made, or of the place of payment. If a specific amount is paid for labor or personal services performed in the United States, the amount shall be included in the gross income. If no accurate allocation or segregation of compensation for labor or personal services performed in the United States can be made, or when such labor or service is performed partly within and partly without the United States, the compensation from such services shall be included in the gross income.

If any compensation is paid for labor or personal services performed in the United States, the compensation shall be included in the gross income. Compensation paid to the number of days of performance of labor or services for which the payment is made. Except as noted in General Instruction (A), wages received for services rendered in the territorial limits of the United States and wages of an alien seaman earned on a coastwise vessel are to be regarded as from sources within the United States.

Any amount claimed as a deduction for ordinary and necessary expenses against salaries, etc., such as traveling expenses in connection with your occupation, should be fully explained. Traveling expenses ordinarily include expenditures for transportation, meals, and lodging. The expenses of a commuter in traveling to and from work are not deductible.

2. Dividends.—Attach a statement showing (a) dividends on stock in Federal savings and loan associations in case of shares issued before March 28, 1942 (dividends on shares issued before that date should be included in item 4, page 1); (b) dividends from a domestic corporation constituting income from sources within the United States; and (c) dividends from a foreign corporation to the extent they constitute income from sources within the United States.

Dividends will be treated as income from sources within the United States unless the taxpayer submits sufficient data to establish the satisfaction of the Commissioner that they should be excluded from gross income. (See section 119 (a.))

Include interest on bonds, notes received in the original form, and all other interest received or credited to your account on corporation bonds upon which a United States tax has been paid. Include all interest received or accrued, as the case may be, on notes, mortgages, or other similar-interest-bearing obligations of residents of the United States, except the interest specified in paragraphs (e), (f), and (g) of General Instruction (1).

4. Noninterest-bearing obligations issued at a discount.—Taxpayer on the cash basis may elect, as to all noninterest-bearing obligations issued at a discount and redeemable for fixed amounts increasing at stated intervals (for example, United
States Savings Bonds to include the increase in redemption price applicable to the current year. For the year of election the total increase in redemption price attributable to interest accruing between the date of acquisition and the end of the year must be included. Taxpayer so electing shall report such income as interest in item 3 or 4, page 1, whichever is applicable, and attach a statement listing obligations owned and computation of interest. Interest so received from a domestic corporation and in a prior year is binding for all subsequent years.

5. Annuites.—Amounts received as an annuity under an annuity or endowment contract shall be included in gross income to the extent of 5 percent of the aggregate premiums or consideration paid for such annuity, deduct the aggregate of all amounts received and excluded from gross income in this and prior years equals the aggregate premiums or consideration paid for such annuity, the entire amount thereafter received must be included in gross income.

6. Gain or loss from sales or exchanges of capital assets and other property.—Report details in Schedules A (1) and (2).

"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 allowance for depreciation. Capital assets include property located within 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 on or after March 1, 1941, on a discount basis and payable without interest at a fixed maturity date not exceeding two years from date, or real property used in the trade or business of the taxpayer.

Description 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, date, face amount, and interest rate; and (c) for stocks, name of corporation, class of stock, number of shares, and capital changes affecting basis (including non-taxable distributions).

Base. In determining GAIN in case of property acquired before March 1, 1913, use the cost or the fair market value as of February 28, 1913, whichever is greater, but in determining LOSS use cost so adjusted. If the property was acquired after February 28, 1913, use cost, except as otherwise provided in section 115.

Losses from sales or exchanges of capital assets are deductible for income tax purposes.
the benefit of any private shareholder, or individual, and no sub-
stantial part of the activities of which is carrying on propa-
ganda, or otherwise attempting, to influence legislation; or to
the special fund for vocational rehabilitation authorized by sec-
tion 12 of title 38, United States Code, or the income derived
from the sale of personal property produced (in whole or in part) by
the taxpayer, within the United States and sold within a foreign
country, or produced (in whole or in part) by the taxpayer
within a foreign country and sold within the United States, shall be
taxed as derived from sources partially without the United States.
(See the regulations issued under section 119(e).)

12. Interest.—Enter interest on personal indebtedness as dis-

 analyze the calculations (which should be entered in
Schedules B (1) and (2)). Do not include interest on indebted-
ness incurred or continued to purchase or carry obligations
(other than obligations of the United States issued after Sep-
tember 24, 1921, and originally subscribed for by the taxpayer)
the interest upon which the taxpayer is liable from limitations of
deductions for unpaid expenses and interest, see section 24 (c).
Do not deduct amounts paid or accrued on in-
edebtedness incurred or continued to purchase a single premium
life insurance or endowment contract. A contract shall be con-
sidered a single premium life insurance policy or endowment
contract if substantially all the premiums on such contract are paid
within a period of 4 years from the date on which the contract
is purchased.

In order to claim a deduction for interest paid, the indebted-
ness must be connected with some source of taxable income
within the United States. Any deductions on account of inter-
est should be itemized and explained in Schedule D.

13. Taxes.—Enter personal taxes and all taxes on property
holding status in the United States, and not used in your business
or profession, which were paid or accrued during the taxable
year. State and local retail sales taxes imposed in the first in-
stance upon retailers may be deducted to the extent that they are
separately stated and paid by the taxpayer and are taxes assessed
against local benefits. Federal income taxes or estate,
inheritance, legacy, succession, gift taxes, taxes imposed
on your interest as shareholder of a corporation which are paid
by the corporation without reimbursement from you. Do not
include federal import duties or federal excise taxes paid for
your business activities may be deducted in Schedule B (1) or B (2).
Federal social security and employment taxes paid by or for an employee
are not deductible by the employee.

Any deduction on account of taxes should be itemized and
explained in Schedule E.

14. Losses from fire, storm, shipwreck, or other casualty, or
theft.—Losses sustained during the taxable year of property
not connected with your trade or business if arising from fire,
storm, shipwreck, or other casualty, or theft, and if not
compensated for by insurance or otherwise, are deductible only
if the property was located within the United States. Explain
and itemize losses claimed in Schedule F.

15. Other deductions.—Enter other authorized deductions not
claimed elsewhere in Schedule C.

Do not deduct losses incurred in transactions which were not
connected with your trade or business or enter into profit.
Losses sustained during the taxable year and not
compensated for by insurance or otherwise, if incurred in any
transaction entered into for profit, although not connected with
a trade or business, are (otherwise allowable) deductible only
and to the extent that the profit, if such transaction resulted in a
profit, would have been taxable as income from sources within
the United States. Losses from wagering transactions are
allowable only to the extent of the gains derived by you from
such transactions. Any deduction claimed should be explained in
Schedule F. Determine the extent to which you incurred expenses in connection with exempt
income (other than interest) or owned any property the income from which is exempt, see the regulations issued under section
24 (a) (5).

See the regulations under section 23 (v) which provides for the
deduction of amortizable bond premium by the owner of the
bond.

16. Ratable part of deductions not definitely allocated to any
class of income. In addition to deductions which can be defi-
nitely allocated to income from sources within the United States,
there may be deducted a ratable part of any other expenses,
losses, or deductions which cannot be definitely allocated to some
item or class of gross income from sources within or without the
United States. The ratable part is based upon the ratio of gross
income from sources within the United States to the total gross
income. Fill in Schedule G and enter as item 16 the ratable part
of any deductions not definitely allocated to any item or class of
gross income.

19. Income from sources within and without the United
States.—Items of gross income not allocated to sources within
the United States or to United States sources subject to withholding
under section 16222 should enter the amount of income tax withheld on account of the estimated tax shown on such declaration.