INSTRUCTIONS FOR FORM 1040B
1950
UNITED STATES NONRESIDENT ALIEN INCOME TAX RETURN (BUSINESS WITHIN UNITED STATES)

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

GENERAL INSTRUCTIONS
The term “nonresident alien individual” includes “nonresident alien fiduciary.”

(A) Who must make a return on Form 1040B.—Every nonresident alien individual who at any time within the taxable year was engaged in trade or business within the United States is required to make or have made a return on Form 1040B of his income received from all sources within the United States, except a resident of Canada or Mexico whose sole income from sources within the United States consists of compensation for personal services and did not exceed $600 during the taxable year. Section 51 (b) provides that “No joint return may be made if either the husband or wife is a nonresident alien.”

The phrase “engaged in trade or business within the United States” includes the performance of personal services within the United States at any time within the taxable year, but does not include the performance of personal services for a nonresident alien individual, foreign partnership, or foreign corporation not engaged in trade or business within the United States by a nonresident alien individual temporarily present in the United States for a period or periods not exceeding a total of 30 days during the taxable year and whose compensation for such services did not exceed, in the aggregate, $3,000. Such phrase does not include the effecting, through a resident broker, commission agent, or custodian, of transactions in the United States in commodities (if of a kind customarily consummated in the United States at an organized commodity exchange, if the transaction is of the kind customarily consummated at such place, and if the alien, partnership, or corporation has no office or place of business in the United States at any time during the taxable year through which or by the direction of which such transactions in commodities are effected or executed securities.

The responsible representative or agent within the United States of a nonresident alien individual who at any time within the taxable year was engaged in trade or business within the United States shall make, in behalf of his nonresident alien principal, a return of, and shall pay the tax on, all income from sources within the United States coming within his control as representative or agent. The agency appointment will determine how completely the agent is substituted for the principal for tax purposes.

Unless a nonresident alien individual who, at any time within the taxable year, was engaged in trade or business within the United States shall file, or cause to be filed with the collector, a true and accurate return of his total income from sources within the United States, in the manner prescribed by law, the tax shall be collected on the basis of gross income (not net income) from sources within the United States.

A nonresident alien individual who is a member of a partnership which at any time within the taxable year is engaged in trade or business within the United States is considered as being engaged in trade or business within the United States. Such individual is, therefore, taxable under section 211 (b) and is required to file for any time within the taxable year.

Every nonresident alien individual not engaged in trade or business within the United States is required to make or have made a return on Form 1040NB or Form 1040NB-a, instead of Form 1040B, in any case in which the tax was not fully satisfied at the source.

A resident of the United Kingdom engaged in trade or business within the United States at any time during the taxable year (for example, rendering personal services therein) but not having a permanent establishment therein in such year shall not report on Form 1040B dividends, interest, rents, royalties, capital gains, or gains from the sale of property, or realized foreign currency gains, or capital gains, since such items are exempt from tax subject to the conditions provided in the United States-United Kingdom income tax convention. A like rule applies to a resident of the Netherlands or Denmark as to dividends, interest, and royalties. If, however, a resident of the United Kingdom or the Netherlands receives natural resource royalties or real property rentals in the taxable year and elects to be taxed as if he were engaged in trade or business through a permanent establishment in the United States, he must report on Form 1040B his entire income from sources within the United States.

(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 1950 or fiscal years ending after September 30, 1950, but before December 31, 1951.

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 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 responsible 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 sign the return.

(F) When and to whom the tax must be paid.—The tax must be paid in full when the return is filed, 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 in cash or by check or money order drawn to the order of “Collector of Internal Revenue.”

(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, see section 24 (c). If your books are kept on the cash 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.

(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 Special instructions: Government securities.)

(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) Income received by a State or political subdivision in excess of the premiums or consideration paid for the policy. (See Special instructions: Government securities.)

(d) In the case of amounts attributable to (and not in excess of) deductions allowed under section 23 (x) in any prior taxable year, amounts received through accident or health insurance policies which are received as a pension, annuity, or similar allowance for personal injuries or sickness resulting from active service in the armed forces of any country;

(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 organized in the United States;

(f) Income 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 resident payor or domestic corporation has been derived from sources within the United States; and

(g) Certain dividends as noted in Special Instruction 2;

(h) Royalties and like amounts received by a resident of France, the United Kingdom, or Denmark at any time within the taxable year having a permanent establishment within the United States;

(i) Royalties and interest derived by a nonresident alien resident in the United Kingdom 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) Private pensions and life annuities paid to nonresident alien individuals residing in Canada, the United Kingdom, France, Sweden, the Netherlands, or Denmark; and

(k) The following classes of income received by nonresident alien individuals: (1) Industrial and commercial profits of a Swedish, Canadian, French, or United Kingdom enterprise having no permanent establishment in the United States; (2) income derived by a Swedish, Canadian, French, or United Kingdom enterprise from the operation of ships or aircraft registered in the respective countries; (3) royalties and like amounts derived from the operation of a domestic corporation in the United States; (4) gains derived from the sale or exchange of capital assets by a nonresident alien individual resident in Sweden, Canada, France, or the United Kingdom having no permanent establishment in the United States; (5) wages, salaries, or compensations paid by a corporation or personal services performed within the United States by a nonresident alien individual resident in Sweden, Canada, France, or the United Kingdom; and (6) remittances paid to individuals (other than citizens of the United States) temporarily residing in the United States;

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 property in the United States is included in the cost or original basis, or original cost (less depreciation) for property 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 support.

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.

(K) Interest on corporation bonds, etc.—Enter interest on bonds, debentures, notes, or certificates or other evidences of indebtedness, issued by any corporation with interest coupons attached thereto, on which payment of interest is due or maturing, and the interest accrued and due or maturing, with a statement of the name of the payer, 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, such amount (if income from sources within the United States) shall be included in the gross income of the recipient and shall be included in the gross income of the United States payor, to the extent it is properly allocable or segregated 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 amount to be included in the gross income shall be determined by application of the same principles as in the case of the income of a nonresident alien. If the income of a nonresident alien is included in the gross income, the number of days of performance of the labor or service within the United States bears to the total number of days of performance of such labor or service the same ratio as the number of days of performance of the labor or service within the United States bears to the total number of days of performance of such labor or service, and the same principles as in the case of the income of a nonresident alien.

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. From the employer or the bureau controlling transportation, meals, and lodging. The expenses of a traveler in commuting to and from work are not deductible.

2. Dividends.—Attach a statement showing (a) dividends on shares accounts in Federal savings and loan associations in case of shares issued on or after March 28, 1942 (dividends on shares issued before that date should be included in paragraph 4, page 1); (b) dividends on a domestic corporation constitute 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 to the satisfaction of the Commissioner that they should be excluded from gross income. (See section 119 (a).)

3. Interest on corporation bonds, etc.—Enter interest on bonds, debentures, notes, or certificates or other evidences of indebtedness, issued by any corporation with interest coupons attached thereto, on which payment of interest is due or maturing, and the interest accrued and due or maturing, with a statement of the name of the payer, 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, such amount (if income from sources within the United States) shall be included in the gross income of the recipient and shall be included in the gross income of the United States payor, to the extent it is properly allocable or segregated 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 amount to be included in the gross income shall be determined by application of the same principles as in the case of the income of a nonresident alien. If the income of a nonresident alien is included in the gross income, the number of days of performance of the labor or service within the United States bears to the total number of days of performance of such labor or service the same ratio as the number of days of performance of the labor or service within the United States bears to the total number of days of performance of such labor or service, and the same principles as in the case of the income of a nonresident alien.

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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. From the employer or the bureau controlling transportation, meals, and lodging. The expenses of a traveler in commuting to and from work are not deductible.
5. Annuiters.—Amounts received as an annuity under an annuity or endowment contract shall be included in gross income to the extent of 3 percent of the aggregate premiums or consideration paid for such annuity. If the aggregate of the amounts received or annuiters paid on the annuity is less than the aggregate of the premiums or consideration paid for such annuity, the entire amount thereafter received must be included in gross income.

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

7. Rents and royalties.—Pill in Schedule B (1) giving the information requested.

Report all rents and royalties from property located within the United States or from any interest in such property, including rents and royalties for the use of or the privilege of using within the United States, patents, copyrights, secret processes and formulas, good will, trade-marks, trade brands, franchises, and other similar property or interests therein. Include also any income from the rental of property, whether tangible or intangible, located within the United States, or from the use of property, whether tangible or intangible, within the United States, is sources from within the United States.

Deductions which may be properly allocated to income from rents and royalties are ordinary and necessary expenses incurred in connection with the property, for which the rents and royalties are paid, depreciation or depletion of such property sustained during the taxable year. Other necessary expenses, such as repairs, interest, taxes, fire insurance, fuel, light, and labor, should be itemized.

8. Net profit (or loss) from business or profession.—If you own a business, or practiced a profession on your own account, fill in Schedule B (2) of the return, and enter the net profit (or loss) as item 8.

If installment method is used, attach schedule showing separate years 1947, 1948, 1949, and 1950: (a) Gross sales; (b) cost of goods sold; (c) gross profits; (d) percentage of profits to gross sales; (e) amount collected; and (f) gross profit on amount collected.

Bad debts may be treated in either of two ways: (1) by a deduction from income of losses of debts which became wholly worthless during the taxable year, or (2) by a deduction from income of a reasonable addition to a reserve. Every taxpayer claiming a deduction due to a net operating loss for the preceding taxable year or years shall file with his return a statement required by section 29.122-1 of Regulations 111.

Do not include in your costs or other business deductions any salary or other compensation for yourself.

From the items of income derived specifically from sources within the United States there shall be deducted the expenses, losses, or other charges allowance. In the case of individuals, include in income for the taxable year any interest income from United States government obligations at any part of the year. Include in item 7 the amount of capital gains and losses, which should be entered in Schedule A (1), and income from a domestic estate or trust.

9. (a) Income from partnerships, joint ventures, etc., and fiduciaries.—Enter in Schedule B (3) your share of the profits (whether received or not) or of the losses of a partnership (including a joint venture or agreement) doing business in the United States (except your share of capital gains and losses, which should be entered in Schedule A (1)), and income from a domestic estate or trust.

If the taxable period on the basis of which you file your return does not coincide with the annual accounting period of the partnership, use the partnership's accounting period in determining your share of the net profits or losses for such accounting period ending within your taxable year.

Include in item 4 your share of interest on obligations of the United States and instrumentalities issued prior to March 1, 1941, owned by the partnership, estate, or trust.

(b) Other income.—Enter in Schedule B (3) any other taxable income, including alimony and separate maintenance income.

11. Contributions.—Enter contributions or gifts paid within the taxable year to any domestic corporation, or to any community chest, fund, or foundation, created in the United States, operated exclusively for religious, charitable, scientific, literary, or educational purposes, or for the prevention of cruelty to children or animals. Include in item 11 the amount of which income is to the benefit of any private shareholder, or individual, and, no substantial part of the activities of which is carrying on propaganda, or otherwise attempting, to influence legislation; or to the special fund for vocational rehabilitation authorized by Section 2 of the World War Veterans' Act, 1924. The amount claimed shall not exceed 15 percent of your adjusted gross income. For definition of adjusted gross income, see section 22 (n).
Report in Schedule C the name and address of each organization and the approximate date and amount of the contribution or gift in each case.

12. Interest.—Enter interest on personal indebtedness as distinguished from business indebtedness (which should be entered in Schedule E) and the amount of interest on any indebtedness incurred or continued to purchase or carry obligations (other than obligations of the United States issued after September 24, 1917, and originally subscribed for by the taxpayer) the interest upon which is wholly exempt from taxation. For limitations on deductions for interest, see section 24 (c). Do not deduct amounts paid or accrued on indebtedness incurred or continued to purchase a single premium life insurance or endowment contract. A contract shall be considered a single premium life insurance 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 indebtedness must be connected with some source of taxable income within the United States. Any deductions on account of interest should be itemized and explained in Schedule E.

13. Taxes.—Enter personal taxes and all taxes on property having a situs 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 instance upon retailers may be deducted to the extent that they are separately stated and paid by the purchaser. Do not include taxes assessed against local benefits, Federal income taxes and estate, inheritance, legacy, succession, gift taxes, taxes imposed on your interest as shareholder of a corporation which are paid by your corporation, without reimbursement from you. Do not include Federal income taxes and any taxes attributable to your business activities, but any such duties or taxes attributable to your business activities may be deducted in Schedule B (1) or (2). Federal social security and employment taxes paid by or for an employee are not deductible by the employee.

Any deduction claimed 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 the trade or business if arising from fire, storm, shipwreck, or other casualty, or from 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 as above, separately.

Do not deduct losses incurred in transactions which were neither connected with your trade or business nor entered into for 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 deductible only if 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.

In case 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 and deductions not allocable to a class or item of income. If deductions which can be definitely 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 amount of 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. The gross income not allocated to sources within or without the United States, such as gross 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 treated as derived from sources partly within and partly without the United States. (See the regulations issued under section 119 (c)). Explain fully in a statement attached to the return how you determined the amount entered in item 19 as the proportion of income attributable to sources within the United States.

22. Exemptions for normal tax and surtax.—In the case of a nonresident foreign alien (other than a resident of Canada or Mexico) the exemption is $600.

A nonresident alien residing in Canada or Mexico is entitled to—

(I) One exemption ($600) for the taxpayer himself—two if he is 65 years of age or over or blind—three if he is both 65 or over AND blind.

(II) One exemption ($600) for the taxpayer’s wife (or husband) if she (or he) had no gross income from sources within the United States and her (or his) exemption is not claimed on another return—two if she (or he) is 65 years of age or over OR blind—three if she (or he) is both 65 or over AND blind.

For purposes of (I) and (II) above, marital status, age, and blindness must be determined as of the close of the taxable year. However, if the husband or wife died during the year, the exemptions of the deceased would be determined as of the date of death instead of the close of the year. If totally blind, attach a statement of such fact to the return. If partially blind, attach a statement of partial blindness, certified by a registered ophthalmologist that (1) central visual acuity did not exceed 20/200 in the better eye with correcting lenses or (2) that the widest diametrical visual field subtends an angle no greater than 20 degrees.

(III) One exemption ($600) for each closely related dependent who received more than half of his or her support from the taxpayer during the taxable year and who during the year had less than $500 income of his or her own from sources within the United States. (The law does not allow additional exemptions for age and blindness for dependents.)

"Closely related" means that the person is the taxpayer’s son or daughter (including legally adopted children), or descendant of either; stepson, stepdaughter, son-in-law, or daughter-in-law; father, mother, or ancestor of either; stepfather, stepmother, mother-in-law, father-in-law, brother, sister, stepbrother, stepsister, half brother, half sister, brother-in-law, or sister-in-law; uncle, aunt, nephew, or niece (but not if related only by marriage).

To qualify as a dependent, a person must also be either a citizen of the United States, or a resident of the United States, Canada, or Mexico.

24. Tax rates.—The table below shows the combined tentative normal tax and surtax for the taxable year. The combined tax to be entered as item 24, page 1, should be reduced by 3 percent of any partially tax-exempt interest and dividends included in item 4, page 1, or 3 percent of item 23, page 1, whichever amount is the lesser. If you so reduce your tax, attach an explanatory statement.

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<th>Enter as item 24, page 1:</th>
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<td>Over $75,000 but not over $100,000</td>
<td>$6,600 plus 54% of excess over $75,000</td>
</tr>
<tr>
<td>Over $100,000 but not over $150,000</td>
<td>$7,200 plus 56% of excess over $100,000</td>
</tr>
<tr>
<td>Over $150,000 but not over $200,000</td>
<td>$7,800 plus 58% of excess over $150,000</td>
</tr>
<tr>
<td>Over $200,000 and over</td>
<td>$8,400 plus 60% of excess over $200,000</td>
</tr>
</tbody>
</table>

28. United States income tax paid at source.—Enter the total of all the credits allowable under section 143 for the taxable year 1950.

29. United States income tax withheld by employer.—A nonresident alien engaged in trade or business within the United States and having wages subject to withholding under section 162 should enter the amount of income tax withheld from his wages by his employer and attach all Original Withholding Statements (Form W-2) received from his employer for the year.

30. United States tax paid on 1950 Declaration of Estimated Tax.—A nonresident alien engaged in trade or business within the United States and having wages subject to withholding under section 162 who filed a Declaration of Estimated Tax (Form W-4) should enter the total of all payments or credits on account of the estimated tax shown on such declaration.