

## U. S. NONRESIDENT ALIEN INCOME TAX RETURN

### For a Nonresident Alien Individual Engaged in Trade or Business Within the United States

*The term "nonresident alien individual" includes "nonresident alien fiduciary"*

(References are to the Internal Revenue Code of 1954 unless otherwise noted)

**Special Notice.**—If you are a resident of Australia, Belgium, Canada, Denmark, Federal Republic of Germany, Finland, France, Greece, Ireland, Japan, the Netherlands, Netherlands Antilles, New Zealand, Norway, Sweden, Switzerland, Union of South Africa, or the United Kingdom, refer to the income tax convention entered into by the United States with your respective country in order to ascertain the exemptions from, and reduced rates of, United States income tax to which you may be entitled under the convention with your country. For any additional information regarding such tax convention consult the Director of International Operations, Internal Revenue Service, Washington 25, D. C.

### GENERAL INSTRUCTIONS

(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 all his income received from sources within the United States. Section 6013 (a) provides that "no joint return shall be made if either the husband or wife at any time during the taxable year is a nonresident alien."

An alien actually present in the United States who is not a mere transient or sojourner is a resident of the United States for purposes of the income tax and, therefore, must make a return on Form 1040. Whether he is a transient is determined by his intentions with regard to the length and nature of his stay. A mere floating intention, indefinite as to time, to return to another country is not sufficient to constitute him a transient. If he lives in the United States and has no definite intention as to his stay, he is a resident. One who comes to the United States for a definite purpose which in its nature may be promptly accomplished is a transient; but, if his purpose is of such a nature that an extended stay may be necessary for its accomplishment, and to that end the alien makes his home temporarily in the United States, he becomes a resident, though it may be his intention at all times to return to his domicile abroad when the purpose for which he came has been consummated or abandoned. An alien whose stay in the United States is limited to a definite period by the immigration laws is not a resident of the United States in the absence of exceptional circumstances. Similar rules apply in determining the status of an alien in Puerto Rico.

A nonresident alien who is a resident of Puerto Rico for the entire taxable year is required to make or have made a return on Form 1040 instead of Form 1040B.

The term "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, (1) for a nonresident alien individual, foreign partnership, or foreign corporation, not engaged in trade or business within the United States, or (2) for an office or place of business maintained by a domestic corporation in a foreign country or in a possession of the United States, by a nonresident alien individual temporarily present in the United States for a period or periods not exceeding a total of 90 days during the taxable year and whose compensation for such services did not exceed in the aggregate \$3,000. Such term does not include the effecting, through a resident broker, commission agent, or custodian, of transactions in the United States in stocks or securities, or in commodities (if of a kind customarily dealt in on 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).

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.

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 Director of International Operations a true and accurate return of his total income from all sources within the United States, in the manner prescribed by law, including therein all the information which the Commissioner may deem necessary for the calculation of the deductions and credits, the tax shall be collected on the basis of gross amount of income, and he shall not receive the benefit of the deductions and credits (other than those provided in sections 31 and 32 for tax withheld at source).

**NOTE:** A resident alien whose status changed during the taxable year to that of nonresident alien, or vice versa, must file a final return for the full taxable year, after the expiration of such year, on Form 1040. For information on how the tax should be computed, consult the Director of International Operations.

(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 1956 or other taxable year beginning in 1956.

Permission to change the accounting period must be obtained from the Commissioner of Internal Revenue, Washington 25, D. C.

(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 Director of International Operations, Internal Revenue Service, Washington 25, D. C., U. S. A., except that a nonresident alien individual resident of Canada or Mexico whose wages are subject to withholding at the source under section 3402 of the 1954 Code is required to file Form 1040B on or before the 15th day of the fourth month following the close of the taxable year.

(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.

The statement at the bottom of page 1 of Form 1040B is required to be signed by a person, firm, or corporation who prepares the taxpayer's return. If the return is prepared by a firm or corporation, the statement should be signed in the name of the firm or corporation. The statement is not required if the return is prepared by a regular, full-time employee of the taxpayer such as a clerk, secretary, bookkeeper, etc.

(F) **When and to whom the tax must be paid.**—The tax must be paid in full when the return is filed, and may be paid in cash or by check or money order payable to "Internal Revenue Service."

(G) **Failure to file, etc.**—Substantial additions to the tax are imposed for failing to file a return, or late filing, and for filing a false or fraudulent return.

(H) Received or accrued income.—Generally, if your books of account are kept on the accrual method, report all income earned, even if not received, and deduct expenses when incurred, even if not paid within the taxable year. As to disallowance of deductions for unpaid expenses and interest payable to certain persons, see section 267. If your books are not kept on the accrual method, or if you kept no books, make your return on the cash method and report all income actually or constructively received (whether in cash or in property or services) and only those amounts actually paid during the year for deductible expenses.

(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; however, see section 101 (d). For amounts received under a life insurance or endowment policy, not payable by reason of the death of the insured, see instructions for Form 1040 as to taxation of annuities;

(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, Territory, or a possession of the United States, or any political subdivision thereof, or of the District of Columbia; 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;

(d) Income which consists exclusively of earnings derived from the operation of a ship or ships (or aircraft) documented

(or registered) 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;

(e) 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 resident 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 of such payor preceding the payment of such interest, or for such part of such period as may be applicable;

(f) Dividends from foreign corporations to the extent that they do not constitute income from sources within the United States.

(g) Income to the extent provided by tax convention (see special notice on page 1).

(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 only if and to the extent they are connected with income from sources within the United States. All deductions for depreciation must be explained. If obsolescence is claimed, explain why the useful life is less than the actual life.

The amount of depreciation on property acquired by purchase should be determined upon the basis of the original cost (not replacement cost) of the property 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. For methods of computing depreciation see section 167.

See the regulations under sections 611 through 614 with respect to additional forms and information required if a deduction is claimed for depletion.

## SPECIFIC INSTRUCTIONS

### INCOME

1. Salaries and other compensation for personal services.—Report on line 5, page 1, 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 includes compensation for labor or personal services performed within the United States regardless of the residence 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 service performed in the United States, such amount (if income from sources within the United States) 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 amount to be included in the gross income shall be determined by an apportionment on the time basis, i. e., there shall be included in the gross income an amount which bears the same ratio to the total compensation as the number of days of performance of the labor or services within the United States bears to the total 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 inside 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.

On line 5, page 1, itemize income tax withheld by your employer and report the total amount on line 23(b), page 1.

2. Dividends.—Report in Schedule A, (a) dividends from domestic corporations constituting income from sources within the United States, and (b) dividends from foreign corporations 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 with his return sufficient data to establish to the satisfaction of the Commissioner that they should be excluded from gross income.

You may exclude from your income \$50 of dividends received from domestic corporations during your taxable year. However,

this exclusion does not apply to dividends received from the following nonqualifying corporations which should be reported on line 5 of Schedule A:

(a) Life insurance companies, and mutual insurance companies (other than mutual marine or mutual fire insurance companies issuing perpetual policies).

(b) China Trade Act corporations.

(c) So-called exempt organizations (charitable, fraternal, etc.) and exempt farmers' cooperative organizations.

(d) Mutual savings banks, cooperative banks, domestic building and loan associations, domestic savings and loan associations, Federal savings and loan associations on deposits or withdrawable accounts.

(e) Regulated investment companies except to the extent designated by the company to be taken into account as a dividend for these purposes.

(f) Corporations deriving 80 percent or more of their income from U. S. possessions and 50 percent or more of their income from the active conduct of a business therein.

See instruction 18 for explanation of the credit for dividends received.

3. Interest on corporation bonds, etc.—Except to the extent provided in General Instruction (I), enter in Schedule B all interest received or accrued on (a) bonds, notes, mortgages, or similar interest-bearing obligations of residents, corporate or otherwise, of the United States, including any interest upon which a United States income tax was paid at the source by the debtor corporation, and (b) Government obligations, etc.

4. Net profit (or loss) from business or profession.—If you owned a business, or practiced a profession on your own account, fill in Schedule C, page 4 of the return, and enter the net profit (or loss) in Schedule C Summary, page 3, of the return.

If installment method of reporting income from sales is used, attach schedule showing separately for years 1953, 1954, 1955, and 1956: (a) Gross sales; (b) cost of goods sold; (c) gross profits; (d) percentage of profit 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 in respect of debts which became wholly

worthless within the taxable year, or (2) by a deduction from income of a reasonable addition to a reserve.

Do not include in your costs or other business deductions any salary or other compensation for yourself or any merchandise withdrawn from the business for your personal use.

From the items of income derived specifically from sources within the United States there shall be deducted the expenses, losses, and other deductions connected with such items and properly apportioned or allocated thereto. For expenses which cannot definitely be allocated to some item or class of gross income, see Instruction 13.

**5. Gains and losses from sales or exchanges of capital assets and other property.**—For details as to the treatment of such gains and losses, see instructions on the back of separate Schedule D (Form 1040). Only those gains and losses shall be entered on separate Schedule D which are derived from or allocable to sources within the United States. Disregard the references on the separate Schedule D which are not applicable to Form 1040B.

**Alternative Tax.**—If the net long-term capital gain exceeds the net short-term capital loss, or in the case of only a net long-term capital gain, taxpayers with taxable income exceeding \$18,000 should compute the alternative tax in Schedule I, page 4 of Form 1040B. The alternative tax, if less than the tax on line 18, page 1, shall be the tax liability.

**6. Income from partnerships, estates and trusts, and other sources.**—Enter in Schedule E your share of the profits (whether received or not) or of the losses of a partnership (including a joint venture, or the like), or income of an estate or trust deriving income from sources within the United States. Other items of income such as capital gains and losses, dividends, etc., should be reported in the appropriate schedules.

## EXPENSES

Deductions (other than those provided in sections 873 (b) and (c) covering certain losses and charitable contributions) are allowable only if and to the extent that they are connected with taxable income from sources within the United States. No deduction is allowable for the amount of any item or part thereof allocable to a class of exempt income. Items directly attributable to exempt income shall be allocated thereto, and items directly attributable to any class of taxable income shall be allocated to such taxable income. If an item is indirectly attributable both to taxable income and exempt income, a reasonable proportion thereof, determined in the light of all the facts and circumstances in each case, shall be allocated to each.

**8. Contributions.**—Enter in the "Contributions" schedule on page 2 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, no part of the net earnings of which inures 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. In general, the amount claimed shall not exceed 20 percent of your adjusted gross income from sources within the United States. For definition of adjusted gross income see section 62. In the event such contributions exceed 20 percent and include amounts contributed to schools, churches, hospitals, or certain medical research organizations, see section 170 for a possible further deduction of up to 10 percent.

Report in the "Contribution" schedule on page 2 of the return the name and address of each organization, the amount and approximate date of payment of the contribution or gift.

**9. Interest.**—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 the "Interest" schedule on page 2.

**10. Taxes.**—In general, most non-Federal taxes paid in connection with taxable income from sources within the United States may be deducted. Do not deduct Federal income taxes or estate, inheritance, legacy, succession, gift taxes, or taxes imposed on your interest as shareholder of a corporation which are paid by the corporation without reimbursement from you. Do not deduct Federal import duties or Federal excise or stamp taxes; but any such duties or taxes attributable to your business activities may be deducted in Schedule C. Federal social security 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 the "Taxes" schedule on page 2.

**11. 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

If the taxable period on the basis of which you file your return does not coincide with the annual accounting period of the partnership, joint venture, etc., or fiduciary, you should include in your return your distributive share of the net profits or losses of the partnership and your share of the income of the fiduciary for such accounting period ending with or within your taxable year.

**Annuities.**—For explanation of annuities and pensions see the instructions for Form 1040 and the actuarial tables referred to therein both of which may be obtained from any Internal Revenue Service office.

**Other income.**—Enter in Schedule E any other taxable income, including alimony and separate maintenance income.

**7. Rents and royalties.**—Report in Schedule F the net amount of 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, trademarks, trade brands, franchises, and other like property. The income arising 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 from sources within the United States.

Deductions which may be properly allocated to income from rents and royalties are (1) ordinary and necessary expenses (such as repairs, interest, taxes, fire insurance, fuel, light, and labor) incurred in connection with the property for the use of which the rents and royalties are paid and (2) allowable depreciation or depletion of such property sustained during the taxable year. These deductions are allowable to the extent they are connected with income from sources within the United States.

property was located within the United States. Losses arising from theft shall be deducted only in the year in which the loss is discovered. Explain and itemize losses claimed in the "Losses" schedule on page 2.

**12. Other deductions.**—Enter other authorized deductions not claimed elsewhere on the return in the "Miscellaneous" schedule on page 2.

Every taxpayer claiming a deduction due to a net operating loss for the preceding taxable year or years shall file with his return the statement required by section 172 and regulations thereunder.

Do not deduct losses incurred in transactions which were neither connected with your trade or business nor entered into for profit; however, see Instruction 11. 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 (if otherwise allowable) 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.

In case you incurred expenses in connection with exempt income or owned any property the income from which is exempt, see section 265 and the regulations thereunder.

For the deduction of amortizable bond premium by the owner of bond, see section 171 and the regulations issued thereunder.

**13. Ratable part of deductions not definitely allocated to any class of income.**—In addition to the 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 are connected with income from sources within the United States, but 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 the explanation schedule on page 2 of the return and enter on line 10, page 1, the ratable part of any deductions not definitely allocated to any item or class of gross income.

**14. Income derived partly from sources within and partly from sources without the United States.**—Items of 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 partly from sources within and partly from sources without the United States. To determine the taxable income attributable to sources within the United States, see sections 861 thru 863 and the regulations issued thereunder.

Explain fully in a statement attached to the return how you determined the amount entered on line 13, page 1, as the portion of income attributable to sources within the United States.

**15. Personal Exemptions.**—In the case of a nonresident alien (other than a resident of Canada or Mexico) the deduction for the exemption is \$600. Residents of Japan see Article XVI of the Tax Convention between Japan and the United States which provides that in the case of a Japanese resident (other than an officer or employee of the Japanese Government) who is living in the United States and performing personal services here is entitled to an exemption for his wife and each of his children living with him under the provisions of section 25 of the Internal Revenue Code of 1939 as in effect on January 1, 1954.

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

(I) One exemption (\$600) for the taxpayer himself—two if he was either 65 years of age or over OR blind—three if he was both 65 or over AND blind;

(II) One exemption (\$600) for the taxpayer's wife (or husband)—two if she (or he) was 65 years of age or over OR blind—three if she (or he) was both 65 or over AND blind—provided, in each instance, that she (or he) had no gross income from sources within the United States and her (or his) exemption is not claimed on another U. S. income tax return;

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 should 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 from a qualified physician or a registered optometrist that (1) central visual acuity did not exceed 20/200 in the better eye with correcting lenses or (2) that the widest diameter of the visual field subtends an angle no greater than 20 degrees.

(III) One exemption (\$600) for each dependent who meets all of the following requirements for the taxable year:

(a) Received more than one-half of his or her support from the taxpayer;

(b) Received less than \$600 gross income from sources within the United States. (This test does not apply to children or stepchildren who were under 19 or who were students within the meaning of section 151 (e).);

(c) Did not file a joint return with her husband (or his wife);

(d) Was either a citizen or resident of the United States or a resident of Canada, Mexico, the Republic of Panama or the Canal Zone; and

(e) EITHER (1) had as his principal place of abode the home of the taxpayer and was a member of the taxpayer's household; OR (2) was related to the taxpayer in one of the following ways:

Child	Sister	Mother-in-law	The following if related by blood:
Stepchild	Grandchild	Father-in-law	
Mother	Stepbrother	Brother-in-law	
Father	Stepsister	Sister-in-law	
Grandparent	Stepmother	Son-in-law	
Brother	Stepfather	Daughter-in-law	
		Niece	

The law does not allow additional exemptions for age and blindness in the case of dependents.

**Exemptions For Individuals Supported by More Than One Taxpayer.**—If several persons contributed toward the support of an individual during the taxable year, but none contributed over half of the support, they may designate one of their number to claim the exemption, if:

(a) They as a group have provided over half of the support of the individual; and

(b) Each of them, had he contributed over half of the support, would have been entitled to claim the individual as a dependent; and

(c) The person claiming the exemption for the individual contributed over 10 percent of the support; and

(d) Each person described in (b) above (other than the person claiming the exemption) who contributed over 10 percent

of the individual's support files a declaration that he will not claim the individual as a dependent for the year. Form 2120, Multiple Support Agreement, is available at the nearest Internal Revenue Service office for this purpose.

**16. Tax Rate Schedule.**—The schedule below shows tax rates for the taxable year. The tax should be entered on line 18, page 1. If the taxpayer is entitled to a reduced rate under a tax convention, attach a statement showing details and tax computation. A summary of treaty references is set out in the instructions for Forms 1040NB and NB-a.

If line 17, page 1, is: Enter on line 18, page 1:

Not over \$2,000.....	20% of the amount on line 17
<b>Over</b>	<b>But not over</b>
\$2,000	\$4,000.....\$400, plus 22% of excess over \$2,000
\$4,000	\$6,000.....\$840, plus 26% of excess over \$4,000
\$6,000	\$8,000.....\$1,360, plus 30% of excess over \$6,000
\$8,000	\$10,000.....\$1,960, plus 34% of excess over \$8,000
\$10,000	\$12,000.....\$2,640, plus 38% of excess over \$10,000
\$12,000	\$14,000.....\$3,400, plus 43% of excess over \$12,000
\$14,000	\$16,000.....\$4,260, plus 47% of excess over \$14,000
\$16,000	\$18,000.....\$5,200, plus 50% of excess over \$16,000
\$18,000	\$20,000.....\$6,200, plus 53% of excess over \$18,000
\$20,000	\$22,000.....\$7,260, plus 56% of excess over \$20,000
\$22,000	\$26,000.....\$8,380, plus 59% of excess over \$22,000
\$26,000	\$32,000.....\$10,740, plus 62% of excess over \$26,000
\$32,000	\$38,000.....\$14,460, plus 65% of excess over \$32,000
\$38,000	\$44,000.....\$18,360, plus 69% of excess over \$38,000
\$44,000	\$50,000.....\$22,500, plus 72% of excess over \$44,000
\$50,000	\$60,000.....\$26,820, plus 75% of excess over \$50,000
\$60,000	\$70,000.....\$34,320, plus 78% of excess over \$60,000
\$70,000	\$80,000.....\$42,120, plus 81% of excess over \$70,000
\$80,000	\$90,000.....\$50,220, plus 84% of excess over \$80,000
\$90,000	\$100,000.....\$58,620, plus 87% of excess over \$90,000
\$100,000	\$150,000.....\$67,320, plus 89% of excess over \$100,000
\$150,000	\$200,000.....\$111,820, plus 90% of excess over \$150,000
\$200,000	.....\$156,820, plus 91% of excess over \$200,000

17. Enter on line 21 (a), page 1, tax assumed at source on tax-free covenant bond interest; enter on line 23 (a) the tax withheld at source on such interest.

18. Credit for dividends received.—The law provides a credit against tax for dividends received from domestic corporations. This credit is equal to 4 percent of the dividends in excess of those which may be excluded from gross income. The credit may not exceed the lesser of:

- (i) the total income tax; or
- (ii) 4 percent of the taxable income.

Schedule H has been provided to compute the dividend credit. Dividends from certain types of corporations do not qualify for the credit for dividends received. These corporations are the same corporations as those listed in Instruction 2 under the explanation of the dividend exclusion. Enter such credit on line 21 (b), page 1.

19. Credit for partially tax-exempt interest.—A credit for partially tax-exempt interest may be deducted on line 21 (c), page 1. This credit is 3 percent of the partially tax-exempt interest included in gross income. The credit may not exceed the lesser of (i) 3 percent of the taxable income for the taxable year (line 17, page 1, or line 3, Schedule I, whichever is applicable), or (ii) the amount of tax less the credit for dividends received.

20. Tax withheld at source.—Enter on line 23 (a), page 1, tax withheld at source under chapter 3 of the 1954 Code on dividends, interest, etc.

21. United States income tax withheld by employer.—Enter on line 23 (b), page 1, total of income tax withheld from wages subject to withholding under section 3402 and attach all Forms W-2 (Copy B) received from employers for the year.

22. United States tax paid on 1956 Declaration of Estimated Tax.—A nonresident alien engaged in trade or business within the United States and having wages subject to withholding under section 3402 who filed a Declaration of Estimated Tax for 1956 should enter on line 23 (c), page 1, the total of all payments of estimated tax shown on such declaration. If on your 1955 return you had an overpayment which you chose to apply on your 1956 estimated tax, include this on line 23 (c) also.

23. United States income tax paid on Form 1040C or Form 1040D.—Enter on line 23 (d), page 1, tax paid on Form 1040C or Form 1040D.