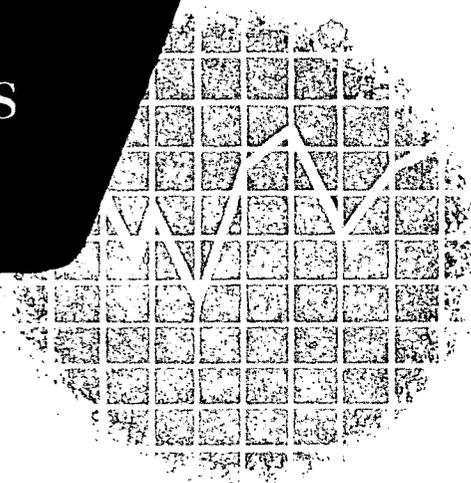


STATISTICS OF INCOME . . . 1963

Supplemental Report

Farmers' Cooperative

INCOME TAX RETURNS



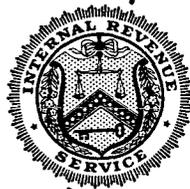
U. S. TREASURY DEPARTMENT • INTERNAL REVENUE SERVICE

Statistics of Income

1963

Supplemental Report

Farmers' Cooperative INCOME TAX RETURNS



*Prepared under the direction of the
Commissioner of Internal Revenue
by the Statistics Division*

U. S. TREASURY DEPARTMENT

Internal Revenue Service • Publication No. 386 (11-66)

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This report was prepared under the direction of Staunton Calvert, Supervisory Statistician in the Income, Finance, and Wealth Branch, by Frederick Scheuren.

Other branches of the Statistics Division assisted in development of the sample design and the computer systems design, the preparation of processing procedures, and the post-tabulation review of the data. Statistical and computer processing of the data were conducted by the service centers at Ogden, Utah; Kansas City, Missouri; Lawrence, Massachusetts; Chamblee, Georgia; Cincinnati, Ohio; Austin, Texas; and Philadelphia, Pennsylvania.

Letter of Transmittal

Treasury Department,
Office of Commissioner of Internal Revenue,
Washington, D. C., October 10, 1966.

Dear Mr. Secretary:

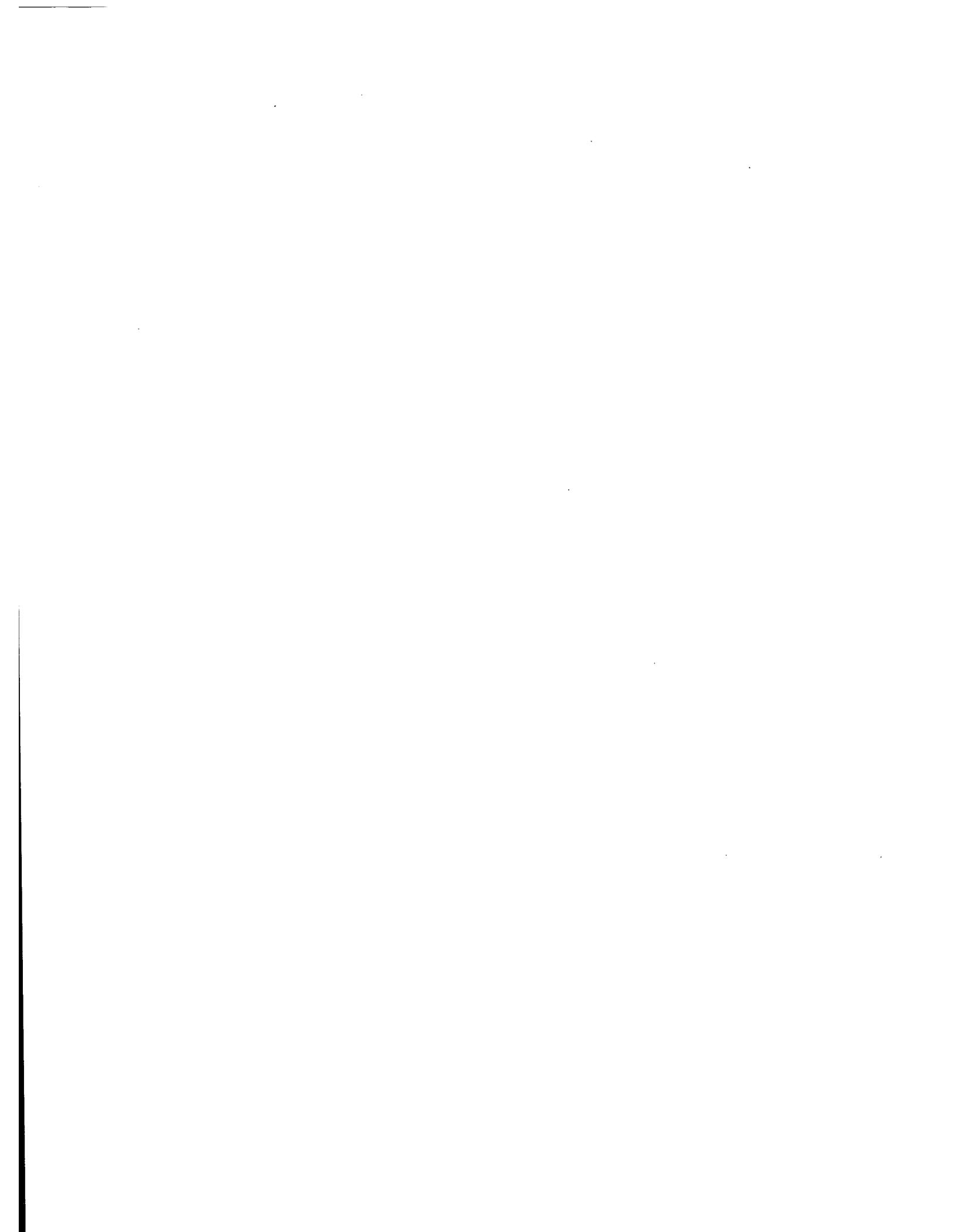
I am transmitting *Statistics of Income--1963, Farmers' Cooperative Income Tax Returns*. This report was prepared in partial fulfillment of Section 6108 of the Internal Revenue Code of 1954, which provides for the publication of statistics on the operation of the tax laws. The statistics in this volume were obtained from corporation income tax returns and exempt cooperative association income tax returns filed for farmers marketing and purchasing cooperatives and generally relate to 1963.

Benchmark data are presented on assets, liabilities, receipts, and income tax. Size classifications used include total assets, business receipts and net income. For exempt cooperatives detailed income statements and balance sheets are presented by type of service, by commodity marketed and by State.



Commissioner of Internal Revenue.

Hon. Henry H. Fowler,
Secretary of the Treasury.



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Farmers' Cooperative Income Tax Returns, 1963

This report has been prepared to show some of the impact of the Federal tax law on farmers' marketing and purchasing cooperatives, one of the most important of the many types of associations organized by farmers, and to provide financial statistics taken from the income tax returns for such cooperatives.¹ The report primarily relates to 1963 and is the first of its kind since 1953.

Farmers' marketing and purchasing associations are organized to obtain for the farmer-patron better prices for his product and to provide farm supplies, equipment, and services at lower cost. In a sense the cooperative acts as an intermediary between the agricultural and non-agricultural sectors of the economy concentrating the buying and selling power of the farm community in a way intended to equalize its competitive position. In getting agricultural products flowing from farmer to consumer, cooperatives are found supplying such transportation services as shipping, trucking, and storing; such manufacturing services as canning, winemaking, ginning, and other operations needed to produce finished goods for sale; such selling activities as acting as an agent or broker. In providing mass purchasing power for the supplies needed for farming operations, cooperatives often will be found operating petroleum bulk stations and even refineries; manufacturing chemical fertilizers; and hiring, housing and transporting farm laborers. In other words, cooperative activities are nearly as varied as to function, as wide in scope and diversified in line as any other type of business enterprise.

EXEMPT STATUS

Depending on the character of a cooperative, its membership and business practices, special, so-called "exempt," tax status may be conferred. Associations granted this status are referred to in this report as "Exempt cooperatives." Farmers' cooperatives not meeting all of the requirements listed below or those which have not applied for and been granted an exemption are also included and are called "Nonexempt cooperatives." The requirements for exempt status are:

(1) The association must serve, and be owned by farmers, fruit growers, livestock growers, dairymen and the like for the purpose of marketing farm products and turning back to producers the proceeds of the sales less necessary operating expenses on a basis proportionate to either the quantity or value of goods furnished; or of purchasing supplies and equipment and turning over such supplies at actual cost plus necessary operating expenses.

(2) All patrons, whether members or not, must be treated in the same way with respect to their proportionate shares of, or patronage dividend from, the earnings of the cooperative.

(3) The ownership of the voting stock of the cooperative must be essentially in the hands of producers. Capital stock must not return dividends in excess of 8 percent or the legal rate of interest in the State of incorporation, whichever is larger.

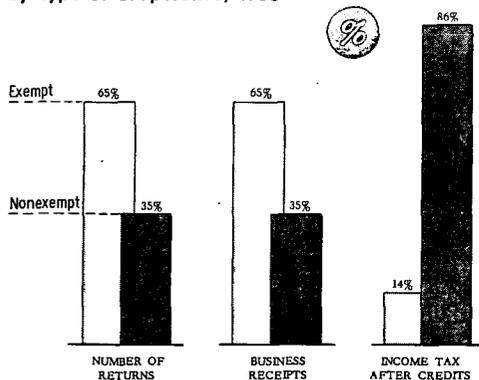
(4) The value of the products marketed or supplies purchased for nonmembers must not exceed the value of goods marketed or purchased for members. Further the value of supplies purchased for nonmembers who are also nonproducers cannot exceed 15 percent of the value of all purchases. (A member is anyone who is entitled to participate in the cooperative's management - see chart F.)

(5) The association must establish that it has no taxable income other than that needed to accumulate and maintain a reasonable reserve required by State statute or for any other necessary purpose.

The advantage of exempt status can be seen quite clearly from chart A. Of the 8,595 returns for exempt and nonexempt cooperatives included in this report, 5,574 or nearly two-thirds were for exempt cooperatives. However, because exempt cooperatives were allowed to deduct from earnings dividends paid on capital stock and distributions of any net margin from nonpatronage business, just 14 percent of the total tax liability was reported by them. The one-third of the associations which were not exempt, with a tax base computed without the foregoing special deductions, reported 86 percent of the tax liability.

Setting aside tax considerations, exempt and nonexempt cooperatives were otherwise quite similar. Table 1 shows

Chart A. - Percentage of Selected Items, by Type of Cooperative, 1963



¹Farmers' cooperatives, according to estimates made by the Farmer Cooperative Service, U.S.D.A., handle 25 percent of the U. S. agricultural marketing volume and 15 percent of the U. S. agricultural supply volume.

FARMERS' COOPERATIVE INCOME TAX RETURNS FOR 1963

that exempt and nonexempt cooperatives were about the same average size, had about the same composition of income and invested in the same kinds of assets. There were differences however. Cooperative earnings as measured by net income were considerably larger on

the average for the nonexempt portion--an indication of some real differences in business operations. Nonexempt cooperatives were not limited in their business dealings with nonmembers, nor were they required to pay patronage dividends to members and nonmembers alike.

Table 1.—SUMMARY—EXEMPT AND NONEXEMPT COOPERATIVES

Item	Exempt and nonexempt cooperatives		Nonexempt cooperatives		Exempt cooperatives		
	Number of returns	Amount	Number of returns	Amount	With and without balance sheets		With balance sheets
					Number of returns	Amount	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Number of returns.....	8,595	-	3,021	-	5,574	-	5,224
		(Thousand dollars)		(Thousand dollars)		(Thousand dollars)	
Total receipts.....	8,531	13,877,172	2,998	4,937,300	5,533	8,939,872	8,835,113
Business receipts.....	8,253	13,515,688	2,946	4,813,622	5,307	8,702,066	8,598,422
Domestic stock dividends eligible for deduction.....	1,830	3,599	1,218	2,123	612	1,476	1,475
Other stock dividends.....	(1)	6,313	(1)	2,243	(1)	4,270	4,258
Interest on U. S. Government obligations.....	205	1,479	(2)	(2)	111	1,165	1,161
Other interest.....	4,320	19,052	1,677	6,410	2,633	12,642	12,597
Rental income.....	2,621	12,317	1,001	1,933	1,620	10,384	10,272
Net gain, sales of capital assets.....	996	4,381	502	2,202	494	2,179	2,015
Net gain, sales of property other than capital assets.....	533	947	247	169	286	778	777
Patronage dividends received.....	(1)	313,197	(1)	108,284	3,229	52,008	51,753
Other income.....					3,817	152,905	152,384
Total deductions before net income.....	8,590	13,827,186	3,021	4,907,884	5,569	8,919,302	8,806,371
Cost of sales and operations.....	(1)	12,430,651	(1)	4,441,450	(1)	7,989,201	7,896,242
Beginning inventory.....	6,079	1,237,428	2,490	348,807	3,589	888,621	881,635
Merchandise bought.....	6,625	10,376,869	3,569	3,563,696	4,056	6,813,173	6,744,681
Salaries and wages.....	(1)	763,367	(1)	249,170	(1)	514,197	504,473
Other costs.....	(1)	823,483	(1)	414,603	(1)	408,880	402,146
Ending inventory.....	6,019	1,407,280	2,425	346,736	3,594	1,060,544	1,056,413
Total only shown.....		636,784	291	211,910	362	424,874	419,720
Compensation of officers.....	4,474	20,475	1,380	8,329	3,094	12,146	11,964
Charitable contribution.....	2,375	818	1,105	236	1,270	582	569
Rents paid.....	4,430	26,040	1,709	12,541	2,721	13,499	13,193
Repairs.....	6,541	55,644	2,435	18,384	4,106	37,260	36,708
Bad debts.....	3,326	18,006	1,542	4,246	1,784	13,760	7,851
Interest paid.....	5,895	81,686	2,381	27,634	3,514	54,052	53,424
Taxes.....	8,023	132,567	2,959	35,831	5,064	76,736	76,035
Amortization.....	213	649	(2)	(2)	138	554	551
Depreciation.....	7,457	168,741	2,822	59,710	4,635	109,031	107,741
Depletion.....	11	4,921	6	2,763	5	2,158	2,158
Advertising.....	6,459	44,795	2,531	16,808	3,928	27,987	27,627
Pension plan contributions.....	1,965	17,148	777	6,446	1,188	10,702	10,473
Other employee benefit plan contributions.....	2,119	8,582	879	1,510	1,240	7,072	6,683
Net loss, sales of property other than capital assets.....	906	3,256	200	651	306	2,605	1,787
Patronage dividends paid.....	(1)	813,207	(1)	251,250	3,491	227,017	224,308
Other deductions.....					(1)	334,940	329,057
Net income.....	5,255	82,301	2,334	40,022	2,921	42,279	41,620
Net deficit.....	1,781	32,314	587	10,606	1,194	21,708	12,877
Deductions after net income.....	1,593	20,246	(3)	(3)	1,593	20,246	19,796
Dividends paid on capital stock.....	509	10,388	(3)	(3)	509	10,388	10,316
Nonpatronage income allocated to patrons.....	626	6,754	168	2,932	458	3,822	3,751
Net operating loss carryforward.....	1,445	2,070	1,048	1,412	397	658	657
Dividends received deduction.....	3,869	43,046	2,106	35,662	1,763	7,384	7,317
Taxable income.....	3,870	16,510	2,107	14,558	1,763	2,352	2,336
Income tax before credits.....	1,656	1,088	1,122	915	534	173	170
Investment credit.....	3,574	13,422	1,874	13,243	1,700	2,180	2,166
Income tax after credits.....	8,123	5,991,534	2,899	1,926,979	5,224	4,064,555	4,064,555
Cash.....	7,934	376,466	2,836	131,144	5,098	245,322	245,322
Notes and accounts receivable.....	7,301	1,415,099	2,689	360,131	4,612	754,968	754,968
Less: Reserve for bad debts.....	2,440	32,018	1,119	14,028	1,321	17,990	17,990
Inventories.....	6,678	1,267,381	2,534	383,858	4,144	1,178,723	1,178,723
Other current assets.....	4,318	105,494	1,584	34,129	2,734	71,365	71,365
Investments in Government obligations.....	326	52,481	178	15,145	148	37,336	37,336
Other investments.....	6,324	817,737	2,429	301,312	3,895	516,425	516,425
Depreciable assets.....	7,457	3,131,671	2,747	1,084,076	4,710	2,047,595	2,047,595
Less: Accumulated amortization and depreciation.....	7,253	1,369,837	2,726	445,728	4,527	924,109	924,109
Depletable assets.....	20	49,541	6	36,881	14	12,660	12,660
Less: Accumulated depletion.....	15	26,335	4	21,256	11	5,079	5,079
Land.....	5,207	70,435	2,000	22,536	3,207	47,899	47,899
Other assets.....	(1)	133,220	(1)	33,779	(1)	99,441	99,441
Total assets.....	7,650	3,077,410	2,813	967,422	4,837	2,109,988	2,109,988
Accounts payable.....	7,077	716,314	2,629	183,411	4,448	532,903	532,903
Mortgages; notes, and bonds payable in less than one year.....	3,615	906,171	1,504	168,828	2,111	737,343	737,343
Other current liabilities.....	5,758	480,672	2,116	150,038	3,642	330,634	330,634
Mortgages, notes, and bonds payable in one year or more.....	3,533	677,287	1,470	291,539	2,063	385,748	385,748
Other liabilities.....	3,463	296,967	1,876	173,606	1,587	123,361	123,361
Net worth.....	7,987	2,914,124	2,824	959,557	5,163	1,954,567	1,954,567
Preferred stock.....	(1)	1,356,705	2,582	522,173	1,824	395,121	395,121
Part-paid stock.....					794	36,999	36,999
Common stock.....					3,417	404,412	404,412
Paid-in or capital surplus.....					1,559	82,852	82,852
Reserves.....					4,747	1,035,183	1,035,183

¹Not available.
²Relative sampling variability too large to warrant showing separately.
³Not applicable.
⁴No imputation has been made for exempt cooperatives not reporting usable balance sheets.

PERIOD COVERED

The statistics for nonexempt cooperatives are based on a sample of Form 1120 returns for taxable years with accounting periods ended July 1963 through June 1964. Statistics for exempt cooperatives are based on all Form 990-C returns filed in 1964 and represent a somewhat different period. The chief reason for this was the requirement that exempt cooperative returns need not be filed until 8 1/2 months after the close of the cooperative's year of operations (nonexempt cooperatives had only 2 1/2 months). If 8 1/2 months elapsed between the end of the taxable year and the filing of the return (disregarding extensions to file and delinquent returns), the accounting periods includible would have ended April 15, 1963 through March 15, 1964, more than 2 months earlier than the period covered by the nonexempt returns.

Table 2.—EXEMPT COOPERATIVES BY TAXABLE YEAR

Taxable year	Number of returns	Business receipts	Net income (less deficit)	Income tax after credits	Total assets
	(1)	(2)	(3)	(4)	(5)
	(Thousand dollars)				
Total.....	5,574	8,702,066	20,571	2,180	4,064,555
Taxable years ending before July 1962.....	26	7,478	-208	4	3,006
Taxable years ending July 1962 through June 1963, total.....	1,184	1,896,425	7,351	500	849,963
Calendar year, 1962.....	102	116,284	109	2	26,717
Noncalendar year.....	1,068	1,770,943	7,429	498	819,107
Part year.....	14	9,199	-188	-	4,139
Taxable years ending July 1963 through June 1964, total.....	4,172	6,582,467	13,248	1,631	3,143,317
Calendar year, 1963.....	2,031	3,086,340	9,758	759	1,165,791
Noncalendar year.....	2,084	3,394,227	9,673	870	1,944,246
Part year.....	57	101,900	-6,182	2	33,280
Taxable years ending after June 1964.....	192	215,694	182	48	68,270

Table 2 shows that nearly one-third of the noncalendar year exempt returns filed in 1964 were for taxable years ending before July 1963 and that one-fourth of all exempt returns were filed for taxable years ending either before July 1963, or after June 1964. Since nonexempt returns in this report were sampled to represent the taxable years ending July 1963 through June 1964, they are entirely comparable to only three-fourths of the exempt returns. However, exempt and nonexempt data have been added together in tables 1, 3, and 5 for the convenience of the user.

The periods covered by exempt and nonexempt returns would no doubt have been closer had not such a large percentage of the exempt cooperatives (nearly 60 percent) been on a noncalendar year accounting basis. (See table 3.) The accounting period pattern of cooperatives, whether exempt or nonexempt, differed materially from that used by corporations generally where only about half report on a noncalendar year basis.²

The bulk of the cooperatives' business receipts and net income was also shown on returns for noncalendar year reporting periods. Noncalendar and part-year returns taken together accounted for 68 percent of business receipts, 69 percent of net income, 78 percent of income

²Statistics of Income--1962, Corporation Income Tax Returns (Washington: U. S. Government Printing Office, 1966), p. 190.

Table 3.—ACCOUNTING PERIOD-EXEMPT AND NONEXEMPT COOPERATIVES

Reporting period	Number of returns	Business receipts	Net income (less deficit)	Income tax after credits	Total assets
	(1)	(2)	(3)	(4)	(5)
	(Thousand dollars)				
Exempt and nonexempt, total.....	8,595	13,515,688	49,987	15,422	5,991,534
Calendar year.....	3,228	4,264,208	15,522	3,344	1,612,689
Noncalendar and part year.....	5,366	9,251,479	34,464	12,079	4,378,846
Nonexempt, total.....	3,021	4,813,622	29,416	13,243	1,926,979
Calendar year.....	1,063	1,041,131	5,491	2,570	410,373
Noncalendar and part year.....	1,958	3,772,491	23,925	10,673	1,516,606
Exempt, total.....	5,574	8,702,066	20,571	2,180	4,064,555
Calendar year.....	2,165	3,223,077	10,031	774	1,202,316
Noncalendar year.....	3,331	5,366,012	17,155	1,403	2,823,647
Part year.....	77	112,976	-6,616	3	38,593

tax after credits and 73 percent of total assets. These proportions are surprisingly large when compared with corporations generally. For example, only about 26 percent of net income was reported on noncalendar and part-year corporation returns for 1962.³ Such differences are due in large measure to the seasonality of farm production.

PATRONAGE DIVIDEND DEDUCTION

Farmers' marketing and purchasing cooperatives as well as most other corporations organized on a cooperative basis may deduct from gross income patronage refunds paid to patrons (called the patronage dividend deduction in this report). These refunds must be made under a legal obligation existing prior to the receipt by the corporation of the amount to be distributed.

The period covered by this report was one in which major legislative changes became effective (December 31, 1962) in the treatment of this deduction. While these changes involved both exempt and nonexempt cooperatives, only patronage dividends for exempt cooperatives are shown in this report. (The deduction was not required to be shown separately on returns for nonexempt cooperatives.)

The new law no longer allowed the deduction of non-qualified notices--in general dividends carried on the books of the cooperative in the patrons' name which he either could not receive for a term of years (included in "Other property" in this report) or which he could receive only at the discretion of the cooperative (called "Nonqualified notices" in this report). To be deductible, dividends issued as capital stock, revolving fund certificates, letters of advice and the like must under the new law be in the form of "Qualified notices." (See Explanation of Terms.) However, "nonqualified notices," while no longer deductible when issued, could be deducted in the year they were redeemed.⁴

These were 2160 exempt returns filed for periods beginning before December 31, 1962; some of which were filed under the new law even though this was not required. The bulk of the exempt returns, 3,414, were required to deduct patronage dividends under the provisions of the

³ibid.

⁴This new form of patronage dividends was deducted on only 13 returns and totaled \$359,000. It is included in the category "Other property" in the statistics.

FARMERS' COOPERATIVE INCOME TAX RETURNS FOR 1963

Table 4.—PATRONAGE DIVIDENDS FOR EXEMPT COOPERATIVES BY TAXABLE YEAR

Form of patronage dividends	Total	Taxable year beginning—	
		During or before December 1962	After December 1962
		(1)	(2)
		(Thousand dollars)	
Total.....	227,017	97,205	129,814
Cash.....	75,181	23,726	51,455
Qualified notices.....	68,832	3,143	65,690
Nonqualified notices.....	48,084	45,949	2,135
Other property.....	34,919	24,387	10,534

new law. Table 4 highlights the shift in reporting and indicates a lack of understanding of the new law on the part of some cooperatives. Of the \$48 million shown as nonqualified notices on 1,055 returns, fully \$2 million appears to have been deducted improperly as it was shown on returns whose taxable year began after the new law became effective. (The returns were not audited before statistical processing.) One of the chief reasons for this seems to have been the use of the 1962 Form 990-C rather than that for 1963.

BUSINESS RECEIPTS

Business receipts constituted about 97 percent of total receipts for farmers' marketing and purchasing cooperatives. Such receipts, depending upon the nature of the

cooperative's activities, include the gross sales of farm supplies, farm produce or services. For some cooperatives, particularly shipping cooperatives, business receipts include "check-off" income, a small percentage of the total volume of goods handled. In fact for cooperatives engaged principally in "Other services" - shipping, price bargaining, etc. - business receipts is not a good indication of their true importance.

Sources of income other than business receipts comprised less than 3 percent of total receipts. Most of this was either an additional receipt from operations (patronage dividends received) or receipts from secondary operations (other income). Less than four-tenths of 1 percent of total receipts (\$48 million) consisted of income from investments and gains from the sale of assets.

Since the amount of business receipts provides a good measure of cooperative size, it is used as a classifier in tables 5 to 7 in order to compare: (a) exempt and nonexempt cooperatives (table 5); (b) exempt cooperatives with net income or deficit (table 6); and (c) exempt cooperatives by type of service (table 7). Chart B, based on table 5, shows that 76 percent of the nonexempt returns reported business receipts between \$100,000 and \$5,000,000 as against 70 percent of the exempt returns, indicating that the exempt returns are slightly more spread out in size than the nonexempt. However, the average amount of business receipts was about the same for both types--\$1.6 million.

COST OF SALES AND OPERATIONS

Cost of sales and operations (\$12.4 billion) comprised 90 percent of the deductions before net income. Such costs consisted chiefly of merchandise bought for resale, salaries and wages, and other "direct" costs of production and distribution. (See chart C.) Deductions other than the cost of sales and operations totaled about \$1.4 billion, more than half of which (\$813 million) was an additional cost of operation (patronage dividends paid) or general overhead expenses and costs from secondary operations (other deductions). Of the remaining \$583 million, depreciation was the largest--\$169 million (29 percent), followed by taxes--\$133 million (23 percent), interest--\$82 million, repairs--\$56 million, and advertising--\$45 million. The remaining deductions taken together totaled only \$100 million or 17 percent.

The amount reported as cost of sales and operations was adjusted to include all direct and indirect labor costs reported on the return. This departure from traditional accounting practice was adopted because the reporting of manufacturing and other direct labor costs together with selling costs was so common that publishing payroll costs shown in the cost schedule separately from those shown elsewhere on the return would be misleading.⁵ Salaries and wages were originally reported as a cost of sales and operations on only 1,430 returns; nearly three-fourths, or \$557,309,000, of the wage bill was deducted elsewhere on 7,094 returns--only a few of which also reported salaries and wages as a cost.

⁵This pattern of reporting payroll costs is not confined to cooperatives. For example, *Statistics of Income--1963, U. S. Business Tax Returns* (Washington: U. S. Government Printing Office, 1966), table G, shows that only 25 percent of the wage bill of nonfarm sole proprietorships was deducted as a cost of sales or operations.

Chart B. - Percent Distribution of Number of Returns and Business Receipts by Selected Sizes of Business Receipts, 1963

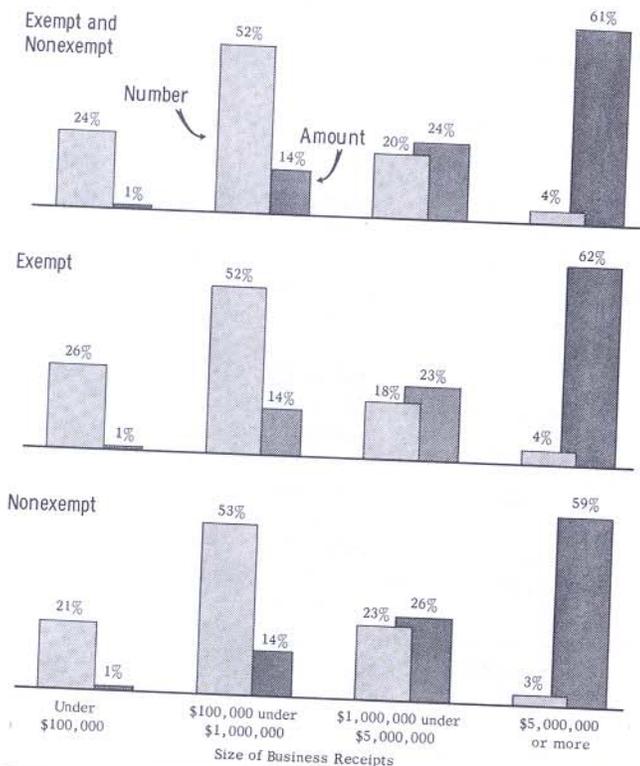
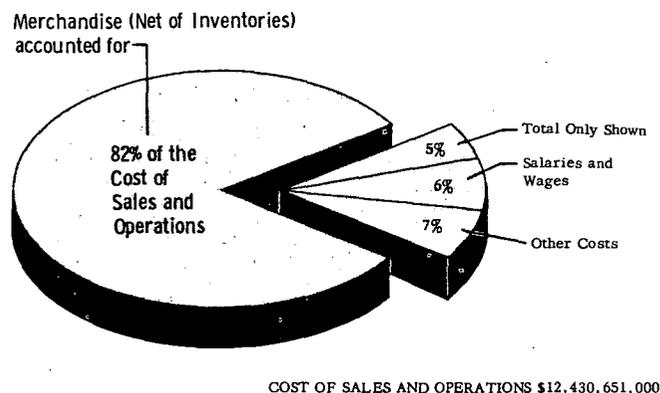


Chart C. - Cost of Sales and Operations, 1963

(Exempt and Nonexempt Cooperatives)



Cost of sales and operations was further adjusted to exclude any identifiable amounts deductible as: rent, taxes, compensation of officers, depreciation, depletion, amortization, advertising, patronage dividends, pension and other employee benefit plans. These amounts were included in the appropriate deduction item. The effect of this procedure was to decrease "Other costs" by \$15 million. (Most of the amounts treated in this way were deductible as either depreciation or patronage dividends.)

There were 653 returns reporting cost of sales and operations but without any usable supporting cost schedule. These returns are included in the summary of costs as "Total only shown." In a few of these cases, at least a portion of the deductible salaries and wages was available separately.

NET INCOME AND TAX

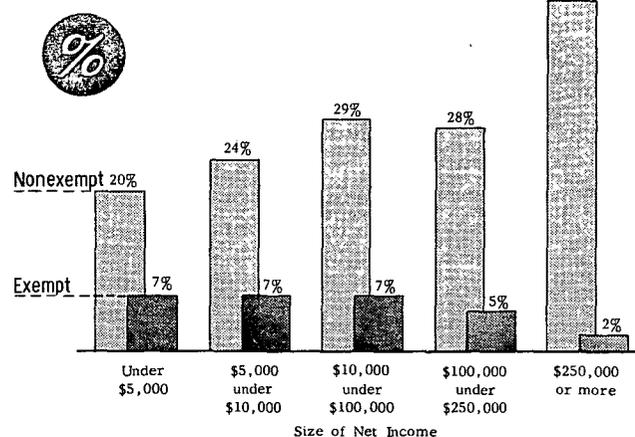
Net Income

Net income is defined in this report as total receipts less deductions for cost of sales and operations, interest, taxes, and other operating expenses, including patronage dividends. It is used as a size classifier in table 5 for both exempt and nonexempt cooperatives and is central to the analysis of the effect on tax liability of the deductions after net income.

The deductions after net income include two deductions unique to exempt cooperatives, the deduction for dividends paid on stock and the deduction for nonpatronage income allocated to patrons. The other two deductions after net income, the deduction for net operating loss carryforward and the dividends received deduction, are not unique to cooperatives. They are deducted after arriving at net income because they do not represent current operating expenses. Of these four deductions, totaling about \$39 million, more than \$30 million were the special deductions available only to exempt cooperatives. The effect of these can be seen in chart D which presents for exempt and nonexempt cooperatives the ratio of income tax after credits to net income by size of net income.

Chart D. - Income Tax After Credits as a Percent of Net Income, by Size of Net Income, 1963

(Exempt and Nonexempt Cooperatives)



Income Tax

Exempt and nonexempt cooperatives are subject to tax at regular corporate rates, which, as was the case with other corporations, could be offset by credits for foreign taxes paid and qualified investments. No foreign tax credit was reported on the returns used. However, of the 3,867 exempt and nonexempt returns with income tax before credits, 1,656 or 42.8 percent claimed investment credits totaling \$1,088,000, of which \$915,000 was shown on nonexempt cooperative returns.

The effect of the deductions against net income and the credits against tax was to make 1,681, or 32 percent of the returns with net income, nontaxable--20 percent of the nonexempt returns and 42 percent of the exempt returns. This difference in tax status between exempt and nonexempt returns was due chiefly to the provisions of the law taxing exempt cooperatives only to the extent of retained earnings (allowing such cooperatives to deduct from their tax base all amounts paid in dividends on capital stock or from nonpatronage income).

ASSETS, LIABILITIES, AND NET WORTH

Total Assets

Nearly 95 percent of the 8,595 returns showed balance sheet information, reporting about \$6 billion in total assets. The amount of total assets was used as a size classification in tables 5 and 6. While only 774 returns for cooperatives (or 9 percent) reported total assets of \$1,000,000 or more, they accounted for \$9 billion (or 67 percent) of business receipts, 84 percent of the net income (less deficit), and 64 percent of the total tax liability.

The assets of cooperatives (as shown in chart E) consist chiefly of depreciable property, inventories, receivables and investments, in that order. However, when the data are separated by the type of product the cooperative markets (table 11), or by the type of service it performs (table 10), some striking dissimilarities in asset compo-

Table 5.—EXEMPT AND NONEXEMPT COOPERATIVES BY SIZE OF NET INCOME, TOTAL ASSETS AND BUSINESS RECEIPTS

Size classes	Exempt and nonexempt cooperatives						Nonexempt cooperatives						Exempt cooperatives					
	Number of returns	Business receipts (Thousand dollars)	Net income less deficit (Thousand dollars)	Taxable income (Thousand dollars)	Income tax after credits (Thousand dollars)	Total assets (Thousand dollars)	Number of returns	Business receipts (Thousand dollars)	Net income less deficit (Thousand dollars)	Taxable income (Thousand dollars)	Income tax after credits (Thousand dollars)	Total assets (Thousand dollars)	Number of returns	Business receipts (Thousand dollars)	Net income less deficit (Thousand dollars)	Taxable income (Thousand dollars)	Income tax after credits (Thousand dollars)	Total assets (Thousand dollars)
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)
NET INCOME OR NET DEFICIT																		
Grand total.....	8,595	13,515,688	49,987	43,046	15,422	5,991,534	3,021	4,813,622	29,416	35,662	13,243	1,926,979	5,574	8,702,066	20,571	7,384	2,180	4,064,555
Returns with net income, total....	5,255	9,547,679	82,301	43,046	15,422	4,003,095	2,334	3,768,817	40,022	35,662	13,243	1,570,581	2,921	5,778,862	42,279	7,384	2,180	2,432,514
Under \$5,000.....	2,981	1,897,379	4,148	1,994	503	895,423	1,191	424,030	1,588	1,233	312	217,864	1,790	1,473,367	2,560	761	191	677,379
\$5,000 under \$10,000.....	922	886,653	6,532	4,100	1,052	381,333	494	439,962	3,411	3,237	821	182,148	428	446,691	3,121	863	231	199,185
\$10,000 under \$15,000.....	382	546,910	4,661	2,738	698	212,133	140	188,474	1,732	1,705	434	60,266	242	358,436	2,929	1,033	264	151,867
\$15,000 under \$20,000.....	230	443,545	4,066	2,758	733	167,983	110	166,667	1,974	1,964	521	77,045	120	276,878	2,092	794	212	90,938
\$20,000 under \$25,000.....	168	313,054	3,801	2,428	608	174,702	92	131,663	2,109	1,892	466	68,351	76	181,391	1,692	536	142	106,351
\$25,000 under \$50,000.....	337	981,235	11,417	7,182	2,195	372,054	204	504,898	6,907	5,787	1,806	164,019	133	476,337	4,510	1,395	389	208,035
\$50,000 under \$100,000.....	134	934,620	9,395	4,867	1,949	380,486	61	589,671	4,383	4,195	1,749	239,152	73	344,949	5,012	200	141,334	
\$100,000 under \$250,000.....	70	1,483,584	9,787	3,541	1,440	486,878	33	650,035	4,259	2,912	1,184	190,844	37	833,549	5,528	629	256	296,034
\$250,000 under \$500,000.....	15	583,171	5,156	633	256	205,900	3	48,951	974	474	213	31,555	12	534,220	4,182	159	43	174,345
\$500,000 under \$1,000,000.....	7	533,340	4,968	154	61	228,455	-	-	-	-	-	-	7	533,340	4,968	154	61	228,455
\$1,000,000 or more.....	9	944,170	18,370	12,651	5,929	497,928	6	624,466	12,685	12,263	5,737	339,337	3	319,704	5,685	388	192	158,591
Returns with no net income or deficit.....	1,559	2,157,432	(¹)			875,983	100	422,291	(¹)			119,416	1,459	1,735,141	(¹)			756,567
Returns with net deficit, total...	1,781	1,810,577	-32,314	(¹)	(¹)	1,112,456	587	622,514	-10,606	(¹)	(¹)	236,982	1,194	1,188,063	-21,708	(¹)	(¹)	875,474
Under \$5,000.....	1,159	482,516	-1,281			153,906	299	122,666	-314			42,103	860	359,850	-967			111,803
\$5,000 or more.....	622	1,328,061	-31,033			958,550	288	499,848	-10,292			194,879	334	828,213	-20,741			763,671
TOTAL ASSETS																		
Total.....	8,595	13,515,688	49,987	43,046	15,422	5,991,534	3,021	4,813,622	29,416	35,662	13,243	1,926,979	5,574	8,702,066	20,571	7,384	2,180	4,064,555
Zero assets.....	472	152,846	-7,375	1,169	212	(¹)	122	49,202	797	1,103	200	(¹)	350	103,644	-8,172	66	12	(¹)
\$1 under \$25,000.....	1,233	59,417	-1,209	89	17	9,731	412	7,613	-703	21	-	3,789	821	51,804	-506	68	17	5,942
\$25,000 under \$50,000.....	554	99,406	41	154	41	20,305	283	59,122	52	92	24	10,468	271	40,284	-11	62	17	9,837
\$50,000 under \$100,000.....	766	189,485	139	695	215	55,639	227	40,970	362	439	147	15,213	539	148,515	-223	256	68	40,426
\$100,000 under \$250,000.....	2,028	929,948	563	3,516	960	343,370	747	357,409	-721	2,310	637	126,651	1,281	572,539	1,284	1,206	323	216,719
\$250,000 under \$500,000.....	1,720	1,443,030	7,372	7,236	1,935	609,035	658	585,966	4,106	5,557	1,463	231,998	1,062	857,064	3,266	1,679	472	377,073
\$500,000 under \$1,000,000.....	1,047	1,549,496	8,288	6,766	2,102	738,548	332	505,370	3,498	5,363	1,731	241,459	715	1,044,126	4,790	1,403	371	497,089
\$1,000,000 under \$2,500,000.....	515	1,952,788	9,888	5,778	2,115	774,958	163	686,053	5,219	4,716	1,819	248,328	352	1,266,735	4,669	1,062	296	526,630
\$2,500,000 under \$5,000,000.....	125	1,135,669	3,882	2,200	924	415,140	30	435,827	1,377	1,461	647	94,572	95	699,842	2,505	739	277	320,568
\$5,000,000 under \$10,000,000.....	65	1,529,928	4,608	1,467	546	449,910	23	760,281	1,782	1,372	518	155,166	42	769,647	2,826	95	28	294,744
\$10,000,000 under \$25,000,000.....	39	1,269,919	9,129	3,434	1,150	608,426	11	274,329	3,102	2,890	930	178,551	28	995,590	6,027	544	220	429,875
\$25,000,000 under \$50,000,000.....	15	960,077	2,011	1,435	635	511,424	6	314,042	1,406	1,435	635	192,789	9	646,035	605	-	-	318,635
\$50,000,000 under \$100,000,000.....	12	1,712,889	11,202	5,787	2,887	752,291	5	514,419	5,760	5,584	2,806	293,206	7	1,198,470	5,442	203	81	459,085
\$100,000,000 or more.....	3	530,788	1,447	3,319	1,686	702,759	1	223,019	3,379	3,319	1,686	134,789	2	307,769	-1,932	-	-	567,970
BUSINESS RECEIPTS																		
Total.....	8,595	13,515,688	49,987	43,046	15,422	5,991,534	3,021	4,813,622	29,416	35,662	13,243	1,926,979	5,574	8,702,066	20,571	7,384	2,180	4,064,555
No business receipts.....	342	(¹)	-2,894			36,582	75	(¹)	-2,490			2,762	267	(¹)	-404			33,820
\$1 under \$50,000.....	1,244	13,952	-763			42,029	352	2,702	-270			11,678	892	11,250	-493			30,351
\$50,000 under \$100,000.....	497	36,449	-781			36,244	200	14,407	-569			6,039	297	22,042	-212			30,205
\$100,000 under \$200,000.....	900	130,955	459			103,792	350	50,395	392			31,012	550	80,060	67			72,780
\$200,000 under \$500,000.....	2,015	677,229	2,095			471,005	701	237,976	1,499			137,938	1,314	439,253	596			333,067
\$500,000 under \$1,000,000.....	1,590	1,126,930	6,669	(²)	(²)	605,281	549	388,400	2,302	(²)	(²)	194,819	1,041	738,530	4,367	(²)	(²)	410,462
\$1,000,000 under \$5,000,000.....	1,684	3,289,145	20,812			1,325,723	698	1,276,416	10,796			482,359	986	2,012,729	10,016			843,364
\$5,000,000 under \$10,000,000.....	148	1,026,013	5,250			399,985	37	243,503	3,133			130,889	111	777,510	2,117			269,096
\$10,000,000 under \$50,000,000.....	132	2,754,417	345			1,456,198	39	823,444	3,395			307,645	93	1,930,973	-3,050			1,148,553
\$50,000,000 under \$100,000,000.....	29	1,997,191	5,443			714,946	15	950,047	1,888			361,152	14	1,047,144	3,555			353,794
\$100,000,000 or more.....	14	2,463,410	13,350			799,746	5	821,332	9,340			260,686	9	1,642,078	4,010			539,060

¹Not applicable.²Not available.

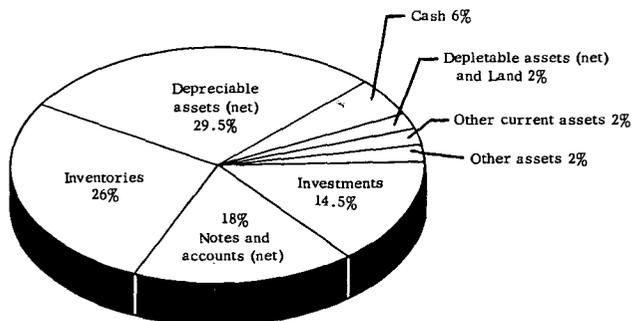
Table 6.—EXEMPT COOPERATIVES BY SIZE OF TOTAL ASSETS AND BUSINESS RECEIPTS

Size classes	Returns with net income				Returns with net deficit				Returns with no net income or deficit		
	Number of returns	Business receipts (Thousand dollars)	Net income (Thousand dollars)	Total assets (Thousand dollars)	Number of returns	Business receipts (Thousand dollars)	Net deficit (Thousand dollars)	Total assets (Thousand dollars)	Number of returns	Business receipts (Thousand dollars)	Total assets (Thousand dollars)
TOTAL ASSETS	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
Total.....	2,921	5,778,862	42,279	2,432,513	1,194	1,188,063	21,708	875,476	1,459	1,735,141	756,566
Zero assets.....	121	43,989	659	(¹)	150	55,708	8,831	(¹)	79	3,947	(¹)
\$1 under \$5,000.....	162	1,327	26	270	184	2,911	166	302	85	15,477	193
\$5,000 under \$10,000.....	37	2,528	24	263	57	5,681	247	396	51	3,457	363
\$10,000 under \$15,000.....	30	2,589	19	380	24	2,752	45	299	40	2,095	468
\$15,000 under \$20,000.....	14	834	16	241	38	2,513	75	665	30	3,613	529
\$20,000 under \$25,000.....	25	2,651	49	559	23	1,603	105	513	21	1,770	480
\$25,000 under \$50,000.....	91	14,005	270	3,308	110	13,099	281	3,950	70	13,180	2,580
\$50,000 under \$100,000.....	239	59,072	789	18,268	148	34,239	1,012	10,770	152	55,205	11,388
\$100,000 under \$250,000.....	697	298,404	3,325	120,321	222	99,319	2,042	35,485	362	174,816	60,913
\$250,000 under \$500,000.....	680	546,243	5,085	242,589	117	91,943	1,820	40,277	265	218,879	94,171
\$500,000 under \$1,000,000.....	480	629,759	6,992	331,757	70	119,831	2,202	47,844	165	294,536	117,488
\$1,000,000 under \$2,500,000.....	227	859,517	6,071	342,767	32	104,774	1,402	45,161	93	302,443	138,702
\$2,500,000 under \$5,000,000.....	55	389,033	2,897	184,798	10	64,669	391	35,835	30	246,141	99,935
\$5,000,000 under \$10,000,000.....	31	605,139	2,867	213,546	3	8,922	41	22,739	8	155,586	58,459
\$10,000,000 under \$25,000,000.....	22	768,768	6,345	348,681	1	67,893	318	17,008	5	158,929	64,185
\$25,000,000 under \$50,000,000.....	3	252,484	1,153	115,374	3	308,487	548	96,568	3	85,064	106,693
\$50,000,000 under \$100,000,000.....	6	1,042,786	5,691	405,526	1	155,684	249	53,560	-	-	-
\$100,000,000 or more.....	1	259,733	(²)	103,868	1	48,037	1,932	464,102	-	-	-
BUSINESS RECEIPTS											
Total.....	2,921	5,778,862	42,279	2,432,513	1,194	1,188,063	21,708	875,476	1,459	1,735,141	756,566
No business receipts.....	77	(¹)	128	12,796	146	(¹)	532	17,755	44	(¹)	3,269
\$1 under \$5,000.....	160	178	35	1,041	161	253	145	993	68	126	685
\$5,000 under \$10,000.....	35	240	23	402	48	349	136	1,539	46	319	722
\$10,000 under \$15,000.....	16	205	10	225	40	494	71	656	29	362	6,689
\$15,000 under \$20,000.....	15	259	10	313	28	480	42	296	22	376	3,477
\$20,000 under \$25,000.....	15	334	8	440	18	399	70	845	14	309	711
\$25,000 under \$50,000.....	57	2,073	239	3,220	59	2,184	354	3,018	61	2,310	3,079
\$50,000 under \$100,000.....	115	8,347	357	11,789	84	6,367	569	7,124	98	7,328	11,292
\$100,000 under \$200,000.....	258	38,433	920	39,882	139	20,113	853	14,441	153	22,014	18,457
\$200,000 under \$500,000.....	727	245,069	3,711	206,153	227	73,497	3,115	39,479	360	120,687	87,435
\$500,000 under \$1,000,000.....	660	470,588	6,079	270,712	119	83,116	1,712	184,826	262	184,826	106,748
\$1,000,000 under \$5,000,000.....	652	1,316,679	13,326	567,650	102	233,694	3,310	90,635	232	462,356	185,079
\$5,000,000 under \$10,000,000.....	58	411,674	2,721	159,618	11	78,617	604	26,173	42	287,219	83,305
\$10,000,000 under \$25,000,000.....	46	722,766	3,600	262,848	5	63,922	132	8,279	19	276,022	143,892
\$25,000,000 under \$50,000,000.....	14	528,923	2,431	187,720	2	92,514	8,949	464,102	7	246,826	81,712
\$50,000,000 under \$100,000,000.....	9	717,253	4,418	254,198	3	205,829	863	81,582	2	124,062	18,014
\$100,000,000 or more.....	7	1,315,843	4,262	453,506	2	326,235	252	85,554	-	-	-

¹Not applicable.
²Less than \$500.

Chart E. - Components of Total Assets, 1963

(Exempt and Nonexempt Cooperatives)



TOTAL ASSETS \$5,991,534,000

sition appear. For example, exempt tobacco cooperatives have 95 percent of their total assets in inventories. In fact, these 30 returns for tobacco cooperatives reported 42 percent of the inventories for exempt cooperatives.

Capital Stock

Net worth items were about evenly divided between capital stock (common, preferred, or part-paid) and reserves. As with assets, there are differences in the

form net worth takes when cooperatives are separated by the type of product they market. Some of these differences are due to differences in reporting. Exempt grain cooperatives, for example, reported about 80 percent of all "Part-paid stock." Most differences, however, are due to differences in operation as well as reporting. For example, exempt farm supply cooperatives reported better than 60 percent of their net worth as capital stock; only 36 percent of net worth was in the form of capital stock for other exempt cooperatives. Since there are proportionately more farm supply cooperatives in the nonexempt filings, it is not surprising to note that about 54 percent of the net worth of nonexempt cooperatives is in capital stock, versus only 43 percent for all exempt cooperatives.

Reserves

Allocated but unpaid patronage dividends are an important method of providing cooperatives with working capital. Patrons' equity reserves have been one of the chief forms such capital takes, although patronage dividends are paid in stock as well. Of the 5,224 exempt returns with balance sheet information, 3,026 (or nearly 60 percent) reported some kind of allocated patrons' reserve, totaling more than three-fourths of all reserves. A common kind of equity reserve is the so-called revolving fund reserve. The use of revolving funds is one way to insure that the ownership of the cooperative remains in the hands of those doing business with it. It

Table 7.—EXEMPT COOPERATIVES BY TYPE OF SERVICE BY SIZE OF BUSINESS RECEIPTS

Size of business receipts	Number of returns	Business receipts (Thousand dollars)	Net income		Net deficit		Number of returns with no net income or deficit	Number of returns	Business receipts (Thousand dollars)	Net income		Net deficit		Number of returns with no net income or deficit		
			Number of returns	Amount (Thousand dollars)	Number of returns	Amount (Thousand dollars)				Number of returns	Amount (Thousand dollars)	Number of returns	Amount (Thousand dollars)		Number of returns	Amount (Thousand dollars)
Type of service																
All types																
Total.....	5,574	8,702,066	2,921	42,279	1,194	21,708	1,459	698	1,995,830	254	9,538	171	3,594	273		
Marketing only																
No business receipts.....	267	(¹)	77	128	146	532	44	40	(¹)	10	15	27	114	3		
\$1 under \$5,000.....	389	556	160	35	161	145	68	24	42	7	7	8	5	9		
\$5,000 under \$10,000.....	129	908	35	23	48	136	46	22	164	5	3	8	86	9		
\$10,000 under \$15,000.....	85	1,061	16	10	40	71	29	14	177	3	3	4	9	7		
\$15,000 under \$20,000.....	65	1,115	15	10	28	42	22	9	153	4	4	1	20	4		
\$20,000 under \$25,000.....	47	1,041	15	8	18	70	14	6	131	1	3	3	18	2		
\$25,000 under \$50,000.....	177	6,567	37	239	59	354	61	26	953	10	37	11	75	5		
\$50,000 under \$100,000.....	297	22,043	115	357	84	569	98	58	4,409	17	109	22	102	19		
\$100,000 under \$200,000.....	550	80,560	258	920	139	853	153	80	11,432	24	217	17	66	39		
\$200,000 under \$500,000.....	1,314	439,252	727	3,711	227	3,115	369	145	48,387	53	869	31	331	61		
\$500,000 under \$1,000,000.....	1,041	738,529	660	6,079	119	1,712	262	68	46,536	23	356	14	330	31		
\$1,000,000 under \$5,000,000.....	986	2,012,730	652	13,326	102	3,310	232	141	310,147	65	2,785	19	356	57		
\$5,000,000 under \$10,000,000.....	111	777,509	58	2,721	11	604	42	31	226,436	14	569	2	123	15		
\$10,000,000 under \$25,000,000.....	70	1,062,710	46	3,600	5	132	19	21	314,537	11	633	2	23	8		
\$25,000,000 under \$50,000,000.....	23	868,263	14	2,431	2	8,949	7	7	303,564	3	754	1	1,932	3		
\$50,000,000 under \$100,000,000.....	14	1,047,143	9	4,418	3	863	2	3	230,078	2	942	-	-	1		
\$100,000,000 or more.....	9	1,642,078	7	4,262	2	252	2	3	498,684	2	2,232	1	3	-		
Marketing and purchasing																
Purchasing only																
Total.....	959	848,789	673	5,560	120	1,201	166	2,358	4,784,279	1,306	18,864	394	13,893	658		
Marketing predominant																
No business receipts.....	6	(¹)	1	(²)	4	1	1	66	(¹)	24	52	32	195	10		
\$1 under \$5,000.....	15	30	3	3	8	9	4	45	36	23	5	15	47	7		
\$5,000 under \$10,000.....	8	47	3	(²)	3	5	2	10	70	2	4	5	9	3		
\$10,000 under \$15,000.....	2	26	1	(²)	-	-	1	11	141	2	(²)	7	35	2		
\$15,000 under \$20,000.....	-	-	-	-	-	-	-	9	197	4	3	2	3	3		
\$20,000 under \$25,000.....	3	65	-	-	-	-	3	8	183	4	1	4	16	-		
\$25,000 under \$50,000.....	16	647	6	3	5	11	5	39	1,493	14	139	13	176	12		
\$50,000 under \$100,000.....	45	3,314	24	15	9	34	12	98	7,606	35	148	29	279	34		
\$100,000 under \$200,000.....	184	27,639	122	186	32	173	30	173	25,437	68	261	57	499	48		
\$200,000 under \$500,000.....	390	125,873	293	1,275	40	267	57	559	191,093	268	1,022	95	2,043	196		
\$500,000 under \$1,000,000.....	208	141,456	162	1,274	11	166	35	587	424,880	353	3,172	66	735	168		
\$1,000,000 under \$5,000,000.....	67	132,015	46	836	7	430	14	634	1,284,606	439	6,918	56	1,827	139		
\$5,000,000 under \$10,000,000.....	5	40,368	4	256	-	-	1	59	398,456	31	1,347	7	337	21		
\$10,000,000 under \$25,000,000.....	5	89,079	4	652	-	-	1	39	585,054	26	1,835	3	108	10		
\$25,000,000 under \$50,000,000.....	3	116,459	3	483	-	-	-	9	317,914	4	483	1	7,017	4		
\$50,000,000 under \$100,000,000.....	1	69,965	-	-	1	106	-	7	505,565	5	2,023	1	318	1		
\$100,000,000 or more.....	1	101,806	1	576	-	-	-	5	1,041,588	4	1,453	1	249	-		
Marketing and purchasing—Continued																
Purchasing predominant																
Total.....	533	786,889	340	6,760	135	1,189	58	921	250,536	314	877	332	1,389	275		
Other services																
No business receipts.....	25	(¹)	3	(²)	20	8	2	95	(¹)	29	35	47	86	19		
\$1 under \$5,000.....	6	5	-	-	6	13	-	287	414	121	19	120	67	46		
\$5,000 under \$10,000.....	2	17	1	(²)	1	(²)	-	81	570	21	9	29	35	31		
\$10,000 under \$15,000.....	1	13	-	-	1	3	-	56	693	10	7	28	24	18		
\$15,000 under \$20,000.....	2	38	1	(²)	1	(²)	-	44	751	6	3	23	15	15		
\$20,000 under \$25,000.....	2	43	-	-	1	8	1	26	573	9	5	9	23	8		
\$25,000 under \$50,000.....	8	269	1	1	5	17	2	78	2,819	24	54	20	59	34		
\$50,000 under \$100,000.....	20	1,472	11	25	5	38	4	71	4,883	27	54	17	100	27		
\$100,000 under \$200,000.....	44	6,387	17	40	21	74	6	57	7,959	22	165	10	33	25		
\$200,000 under \$500,000.....	161	55,095	100	472	38	273	23	49	15,730	14	73	17	108	18		
\$500,000 under \$1,000,000.....	135	96,736	101	1,073	21	269	13	38	25,781	19	198	5	46	14		
\$1,000,000 under \$5,000,000.....	109	215,887	90	2,172	14	343	5	31	61,263	9	180	5	355	17		
\$5,000,000 under \$10,000,000.....	9	62,966	6	454	1	143	2	6	42,326	2	42	1	1	3		
\$10,000,000 under \$25,000,000.....	3	44,068	3	357	-	-	-	1	18,802	1	34	-	-	-		
\$25,000,000 under \$50,000,000.....	4	130,327	4	711	-	-	-	-	-	-	-	-	-	-		
\$50,000,000 under \$100,000,000.....	2	173,565	2	1,453	-	-	-	1	67,971	-	-	1	439	-		
\$100,000,000 or more.....	-	-	-	-	-	-	-	-	-	-	-	-	-	-		

¹Not applicable.

²Time of service could not be determined.

works as follows: Patronage dividends are paid in revolving fund certificates redeemable after a period of years. Certificates issued in the current year are added to reserves. Certificates issued in prior years and redeemable during the coming year are shown as other current liabilities. (The change in the tax treatment of patronage dividends need not substantially affect this method of capitalization provided the patron's consent is secured.)

TYPE OF SERVICE AND COMMODITY MARKETED

Exempt cooperatives were classified by the predominant service performed for their patrons and by the commodity they marketed. The classifications were based on the description of the cooperative's operations required on the return. The following types of business services or combinations of services are distinguished in the statistics: marketing cooperatives, those engaged in selling their patrons produce (marketing and marketing predominant); purchasing cooperatives, those engaged in purchasing supplies for their patrons (purchasing and purchasing predominant); and those cooperatives engaged predominantly in providing other services to their patrons (e.g., price bargaining, shipping, storing, etc.).

These type of service categories are quite broad. A dairy cooperative, for example, classified as 'Marketing only' may engage in numerous activities which support the resale, at wholesale or retail, of its patrons' milk and milk products. Such activities might include: hauling, pasteurizing, cheese and butter manufacturing, packaging (perhaps under its own brand name), bottling, labelling, and shipping. A dairy cooperative classified as 'Marketing predominant' would provide additional services such as selling feed grains to its patrons at cost. A dairy cooperative classified as performing 'Other services' might engage in any or all of the above, but as secondary services to such activities as price bargaining which would constitute the bulk of its business.

Of the 4,548 returns for exempt cooperatives identified as engaged predominantly in either marketing or purchasing, more than half (57 percent) were engaged in both. Not only were these cooperatives diversified but they were also quite large, reporting about 64 percent of all the business receipts of exempt cooperatives and constituting nearly three-fourths of the cooperatives with business receipts of \$1,000,000 or more.

As can be seen from table 7, about one-sixth of the exempt cooperatives were engaged predominantly in services other than direct marketing or purchasing; principally shipping, breeding, bargaining and such general services as storage. Such cooperatives, in terms of business receipts, are considerably smaller than those engaged in a direct marketing or supply function. They constituted about 60 percent of the cooperatives reporting business receipts of less than \$25,000.

In addition to the type of service classification, the exempt cooperatives were also divided into 10 major categories (and 42 minor ones) according to the commodity marketed or handled, with two additional major categories for cooperatives providing services which were not oriented to a particular product, namely, farm

supply and general service cooperatives.⁶ Of these 12 types, three - dairy, grain, and farm supply - accounted for \$6.6 billion or nearly three-fourths of the total receipts of all exempt cooperatives and 63 percent of the exempt returns filed.

Within each major category the return was classified into a very specific subcategory (e.g., 'White potato marketing' under 'Vegetables'). However, if the cooperative marketed more than one vegetable (to continue the example) it was included in the subcategory 'Diversified vegetable marketing.' The larger cooperatives were, of course, usually the diversified ones.

Table 8.—EXEMPT COOPERATIVES: NUMBER OF RETURNS, BY COMMODITY MARKETED AND BY TYPE OF SERVICE

Commodity	Number of returns by type of service						
	Total	Marketing only	Purchasing only	Marketing and purchasing		Other services	Undetermined
				Marketing predominant	Purchasing predominant		
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Total.....	5,574	698	959	2,358	533	921	105
Marketed commodity, total.	3,830	676		2,294	82	719	59
Cotton.....	389	73		273	22	16	5
Dairy products.....	977	184		687	5	87	14
Fruits and vegetables.....	446	158		231	2	31	24
Grain.....	1,083	78		938	46	17	4
Livestock.....	678	68	(1)	64	1	540	5
Nuts.....	23	6		12	-	5	-
Poultry.....	65	28		22	3	9	3
Tobacco.....	30	17		7	-	5	1
Wool.....	40	22		15	1	1	1
Other crops.....	99	42		45	2	8	2
Farm supply and general service.....	1,631	(1)	949	49	449	183	1
Undetermined.....	113	22	10	15	2	19	45

¹Not applicable.

The type of service and commodity classifications are compared in table 8 in summary form and can be used to examine yet another dimension of the diversity of exempt cooperatives--the multiple nature of the commodity-oriented services engaged in. For example, 984 (or 91 percent) of the 1,083 returns filed for grain cooperatives reported some supply business (938 predominantly engaged in marketing but doing some purchasing and 46 doing more purchasing than marketing). Only livestock cooperatives were engaged predominantly in production and distribution functions other than direct marketing or purchasing, principally shipping and breeding services. Almost 80 percent of the returns for livestock cooperatives reported their major service as other than marketing or purchasing. These 540 returns for livestock cooperatives constituted nearly 60 percent of the returns for cooperatives engaged in 'Other services.'

One of the chief means of determining the nature of the exempt cooperative's service was the required description of its operations in terms of the dollar value of goods marketed or handled, and supplies purchased, for

⁶The 49 types distinguished in the statistics (table 11) generally follow the classifications used by the Farmer Cooperative Service, U.S.D.A., when classifying by major business activity. See for example pp. 18-22, *Statistics of Farmer Cooperatives, 1963-64: General Report 134* (Washington: U. S. Government Printing Office, 1966). There are, however, four exceptions: Dairy-herd-improvement associations, artificial breeding associations, grazing associations, and harvest labor cooperatives; cooperatives engaged principally in these activities are excluded from Farmer Cooperative Service statistics. (See p. 27 of this report.)

Chart F. - Percent Distribution of the Dollar Value of Produce Marketed or Handled, and Supplies Purchased, 1963

(Exempt Cooperatives)

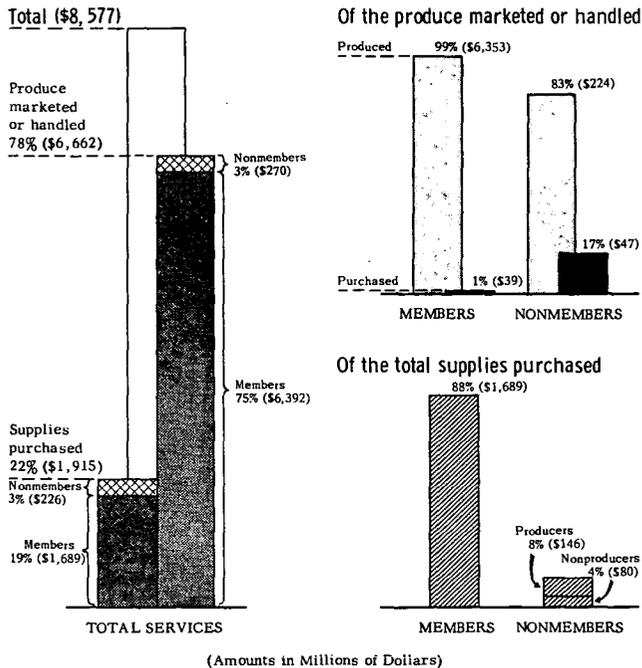


Table 9.—EXEMPT COOPERATIVES: TOTAL SERVICES, BY TYPE OF SERVICE AND BY COMMODITY MARKETED

Item	Number of returns	Returns reporting services					
		Number of returns	Total services (Thousand dollars)	Marketing or handling		Purchasing	
				Number of returns	Amount (Thousand dollars)	Number of returns	Amount (Thousand dollars)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	
TYPE OF SERVICE							
Total.....	5,574	3,592	8,577,030	2,695	6,661,835	2,955	1,915,195
Marketing only.....	698	543	2,165,842	543	2,165,842	(1)	(1)
Purchasing only.....	959	895	809,225	(1)	(1)	895	809,225
Marketing and purchasing:							
Marketing predominant.....	2,358	1,661	4,178,389	1,661	3,651,039	1,661	527,350
Purchasing predominant.....	533	359	728,114	359	164,452	359	563,662
Other services.....	921	134	695,460	132	680,502	40	14,958
Undetermined.....	105	-	-	-	-	-	-
COMMODITY							
Total.....	5,574	3,592	8,577,030	2,695	6,661,835	2,955	1,915,195
Marketed commodity, total	3,830	2,330	6,843,346	2,330	6,362,794	1,712	480,552
Cotton.....	389	262	488,615	262	422,143	197	66,471
Dairy products.....	977	615	2,418,400	615	2,331,009	462	87,391
Fruits and vegetables.....	446	273	797,897	273	771,763	149	26,134
Grain.....	1,083	892	1,924,585	892	1,640,584	839	284,001
Livestock.....	678	132	466,853	132	464,092	10	2,762
Nuts.....	23	12	12,055	12	11,829	6	226
Poultry.....	65	33	194,370	33	187,251	13	7,120
Tobacco.....	30	20	94,887	20	94,733	1	154
Wool.....	40	28	23,740	28	23,493	10	247
Other crops.....	99	63	421,944	63	415,896	25	6,047
Purchasing farm supplies	1,452	1,218	1,684,940	334	257,031	1,218	1,427,909
General service.....	179	-	-	-	-	-	-
Undetermined.....	113	44	48,744	33	42,010	25	6,734

¹Not applicable.

members and nonmembers, producers and nonproducers. (See chart F.) A usable schedule of these was provided on 64 percent of the exempt returns. These data are summarized for exempt returns in table 9 by the cooperative's predominant service and major product.

Marketing and supply data relating to the total volume of business are only useful approximations. The reporting of these items was not uniform and extensive adjustments were sometimes necessary. When the schedule of a marketing cooperative's dollar volume of goods marketed was valued at the price paid rather than the price at which it was resold, the marketing amounts were "grossed-up" to business receipts. For shipping, trucking, and bargaining cooperatives the value of services was reported only as an approximation of the actual dollar volume of goods handled. No attempt was made to adjust such amounts.

With some important exceptions marketing and supply data are closely related to business receipts. The ex-

ceptions were: (1) cooperatives which did not buy all the goods their patrons produced but merely handled them (e.g., shipping and bargaining cooperatives); (2) cooperatives for which business receipts reflected only the major service of the cooperative. (For example, a cooperative engaged for the most part in selling eggs at wholesale may include feed sales to patrons as other income); (3) a small number of cooperatives which reported gross profit as business receipts. For these reasons, on returns where both are available, total services exceeds business receipts by more than 20 percent.

The bottom of each page of table 11 shows business receipts and total services for returns reporting services. For example, there were 130 returns for livestock shipping and marketing cooperatives (column 31, page 18) reporting total services of \$466 million, nearly three times as much as their business receipts. Substantially all of this difference was due to goods handled but not purchased by these cooperatives. Of the 9 cooperatives identified as engaged in peach and apricot marketing (column 15, page 16), 5 reported total services of \$15 million with business receipts of less than \$1 million. Most of this difference, however, was due to one return on which gross profit was reported as business receipts.

FARMERS' COOPERATIVE INCOME TAX RETURNS FOR 1963

Table 10.—EXEMPT COOPERATIVES: INCOME AND BALANCE SHEET BY TYPE OF SERVICE

Part I.—ALL RETURNS

Item	Type of service						
	Total	Marketing only	Purchasing only	Marketing and purchasing		Other	Undetermined
				Marketing predominant	Purchasing predominant		
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Number of returns.....	5,574	698	959	2,358	533	921	105
	(Thousand dollars)						
Total receipts.....	8,939,872	2,020,004	878,965	4,917,331	817,143	268,694	37,736
Business receipts.....	8,702,066	1,995,830	848,789	4,784,279	786,889	250,536	35,743
Domestic stock dividends eligible for deduction.....	1,476	281	318	408	314	12	143
Other stock dividends.....	4,270	388	1,010	1,859	936	66	9
Interest on U. S. Government obligations.....	1,165	171	486	424	21	62	1
Other interest.....	12,642	1,497	1,534	6,663	2,498	373	78
Rental income.....	10,384	2,914	928	4,899	658	937	48
Net gain from sales of capital assets.....	2,179	486	70	1,559	177	79	207
Net gain, sales of property other than capital assets.....	778	141	63	510	33	29	2
Patronage dividends received.....	52,008	4,479	12,078	27,792	6,783	621	255
Other income.....	152,905	13,816	13,688	89,338	18,833	15,979	1,251
Total deductions before net income.....	8,919,302	2,014,059	874,606	4,912,359	811,572	269,207	37,498
Cost of sales and operations.....	7,989,201	1,778,914	776,025	4,450,318	729,722	221,322	32,899
Beginning inventory.....	888,621	441,729	75,316	288,654	64,389	17,030	1,502
Merchandise bought.....	6,813,173	1,576,113	710,540	3,722,250	672,670	113,897	17,705
Salaries and wages.....	514,197	106,182	51,242	252,207	51,658	50,199	2,710
Other costs.....	408,880	152,049	10,936	194,417	6,747	44,239	490
Ending inventory.....	1,060,544	590,332	80,380	305,441	69,917	13,175	1,299
Total only shown.....	424,874	93,173	8,371	298,231	4,175	9,132	11,791
Compensation of officers.....	12,146	2,711	1,701	5,499	1,127	946	161
Charitable contributions.....	582	99	37	326	27	93	(1)
Rents paid.....	13,499	4,091	1,389	6,074	824	1,037	85
Repairs.....	37,260	9,113	3,429	20,909	2,433	1,227	148
Bad debts.....	13,760	1,460	1,268	9,231	1,630	165	7
Interest paid.....	54,052	22,721	4,056	21,342	4,806	1,028	99
Taxes.....	76,736	26,214	6,314	33,268	6,745	3,880	314
Amortization.....	554	150	35	275	30	63	1
Depreciation.....	109,031	20,215	11,489	60,996	10,150	5,773	408
Depletion.....	2,158	224	870	1,054	10	-	-
Advertising.....	27,987	7,400	2,360	13,388	1,856	2,795	187
Pension plan contributions.....	10,702	2,668	1,456	3,970	1,233	1,368	7
Other employee benefit plan contributions.....	7,072	1,381	552	4,025	770	323	21
Net loss, sales of property other than capital assets.....	2,605	151	569	1,717	47	33	89
Patronage dividends paid.....	227,017	48,039	37,747	113,559	20,053	6,428	1,192
Cash.....	75,181	20,070	10,758	35,242	6,353	2,568	190
Qualified notices.....	68,832	8,882	11,776	39,507	6,260	2,268	139
Nonqualified notices.....	48,084	8,572	7,466	25,687	4,520	1,090	749
Other property.....	34,919	10,515	7,745	13,122	2,920	502	114
Other deductions.....	334,940	88,509	25,307	166,409	30,109	22,726	1,880
Net income less deficit.....	20,571	5,944	4,359	4,971	5,571	-512	238
Deductions after net income:							
Dividends paid on capital stock.....	20,246	4,319	2,920	8,617	4,087	208	96
Nonpatronage income allocated to patrons.....	10,388	2,859	1,077	5,445	683	232	92
Net operating loss carryforward.....	3,822	1,102	229	1,425	551	177	336
Dividends received deduction.....	658	225	12	191	151	2	77
Taxable income.....	7,384	1,092	1,322	3,223	1,409	258	80
Income tax before credits.....	2,352	429	402	1,009	417	73	23
Investment credit.....	172	27	16	106	17	6	1
Income tax after credits.....	2,180	402	386	903	400	67	22
Total assets.....	4,064,555	1,186,813	438,145	1,889,027	366,530	161,863	22,178
Cash.....	245,322	50,087	23,447	132,940	16,102	19,312	3,434
Notes and accounts receivable.....	754,968	122,169	99,141	398,496	98,661	32,608	3,894
Less: Reserve for bad debts.....	17,990	1,839	4,033	8,539	850	634	95
Inventories.....	1,178,723	647,703	82,640	367,067	69,997	9,760	1,557
Other current assets.....	71,365	19,793	5,447	37,174	4,015	4,804	132
Investments in Government obligations.....	37,336	7,942	11,081	14,488	1,095	2,681	50
Other investments.....	516,425	94,736	89,660	234,550	70,267	23,662	3,551
Depreciable assets.....	2,047,595	403,836	195,508	1,154,185	182,451	97,829	13,787
Less: Accumulated amortization and depreciation.....	924,109	185,246	78,506	521,124	84,516	49,251	5,168
Depletable assets.....	12,660	1,578	4,824	5,505	747	8	-
Less: Accumulated depletion.....	5,079	570	3,194	1,063	246	6	-
Land.....	47,899	11,108	6,518	20,680	6,042	3,227	324
Other assets.....	99,441	15,817	5,614	54,668	4,766	17,863	712
Total liabilities.....	2,109,988	866,748	141,021	885,484	131,700	77,524	7,511
Accounts payable.....	532,903	95,654	53,569	319,931	43,871	17,578	2,299
Mortgages, notes, and bonds payable in less than one year.....	737,343	545,601	29,589	130,585	22,161	8,586	821
Other current liabilities.....	330,634	121,177	16,509	135,922	15,760	39,168	2,098
Mortgages, notes, and bonds payable in one year or more.....	385,748	66,052	35,776	233,805	39,889	9,006	1,220
Other liabilities.....	123,361	38,264	5,578	65,240	10,020	3,186	1,073
Net worth.....	1,954,567	320,065	297,124	1,003,543	234,830	84,339	14,666
Preferred stock.....	395,121	40,640	130,945	160,258	55,343	6,667	1,268
Part-paid stock.....	36,999	2,506	943	30,602	2,701	236	11
Common stock.....	404,412	58,407	68,831	212,554	54,640	8,142	1,838
Paid-in or capital surplus.....	82,852	8,870	6,758	44,987	13,046	9,184	6
Reserves, total.....	1,035,183	209,641	89,646	555,143	109,100	60,110	11,544
Patrons equity.....	794,536	171,917	69,111	428,994	68,897	45,052	10,565
Other reserves.....	83,316	19,532	1,778	39,996	15,492	6,492	25
Total only shown.....	157,331	18,191	18,757	86,152	24,711	8,566	954

Footnote at end of table.

FARMERS' COOPERATIVE INCOME TAX RETURNS FOR 1963

Table 10.—EXEMPT COOPERATIVES: INCOME AND BALANCE SHEET BY TYPE OF SERVICE—Continued

Part II.—RETURNS WITH NET INCOME

Item	Type of service						
	Total	Marketing only	Purchasing only	Marketing and purchasing		Other	Undetermined
				Marketing predominant	Purchasing predominant		
(1)	(2)	(3)	(4)	(5)	(6)	(7)	
Number of returns.....	2,921	254	673	1,306	340	314	34
	(Thousand dollars)						
Total receipts.....	5,940,865	1,077,778	645,688	3,402,342	710,326	76,157	28,574
Business receipts.....	5,778,862	1,064,689	622,694	3,306,358	683,976	73,490	27,655
Domestic stock dividends eligible for deduction.....	1,235	210	307	305	312	5	96
Other stock dividends.....	3,071	317	562	1,250	885	50	5
Interest on U. S. Government obligations.....	1,066	155	484	376	20	31	1
Other interest.....	9,605	764	1,285	5,134	2,256	143	23
Rental income.....	7,245	1,788	846	3,745	495	365	5
Net gain from sales of capital assets.....	1,463	424	64	641	129	23	179
Net gain, sales of property other than capital assets.....	493	41	20	406	11	13	2
Patronage dividends received.....	33,400	1,977	9,328	15,698	5,888	330	181
Other income.....	104,425	7,412	10,098	68,428	16,354	1,707	426
Total deductions before net income.....	5,898,587	1,068,241	640,127	3,383,478	703,567	75,280	27,894
Cost of sales and operations.....	5,364,446	958,104	569,437	3,092,163	635,278	63,910	25,556
Beginning inventory.....	383,838	57,000	59,182	208,231	54,924	3,538	963
Merchandise bought.....	4,599,295	826,973	527,005	2,598,581	587,837	45,762	13,137
Salaries and wages.....	321,523	52,343	39,305	173,603	43,771	10,823	1,679
Other costs.....	173,649	42,220	5,089	114,691	5,813	5,509	327
Ending inventory.....	441,143	82,022	63,550	230,388	61,012	3,434	737
Total only shown.....	307,287	61,591	2,406	227,445	3,945	1,713	10,187
Compensation of officers.....	6,736	1,356	1,084	3,018	929	264	84
Charitable contributions.....	377	66	30	255	21	4	(1)
Rents paid.....	8,556	2,470	812	4,366	681	186	42
Repairs.....	23,083	5,046	1,756	13,724	1,963	501	93
Bad debts.....	5,004	859	605	2,336	1,142	61	1
Interest paid.....	25,272	4,221	2,322	14,266	4,078	336	50
Taxes.....	48,627	15,029	4,823	21,993	5,707	937	139
Amortization.....	363	116	4	197	30	16	(1)
Depreciation.....	70,776	11,075	7,771	41,710	8,201	1,821	198
Depletion.....	1,917	-	853	1,054	10	-	-
Advertising.....	18,922	3,796	1,984	11,077	1,604	302	160
Pension plan contributions.....	7,450	1,973	1,286	2,917	1,157	113	4
Other employee benefit plan contributions.....	5,251	845	450	3,217	656	71	11
Net loss, sales of property other than capital assets.....	421	68	55	252	41	2	3
Patronage dividends paid.....	130,558	17,792	26,980	67,642	15,907	1,442	793
Cash.....	35,275	3,489	6,623	20,333	4,284	523	22
Qualified notices.....	51,403	5,274	10,480	29,118	6,086	410	35
Nonqualified notices.....	25,789	5,850	6,276	9,618	2,935	389	722
Other property.....	18,090	3,179	3,602	8,574	2,600	119	15
Other deductions.....	200,831	45,424	19,877	103,291	26,164	5,314	764
Net income less deficit.....	42,279	9,538	5,560	18,864	6,760	877	680
Deductions after net income:							
Dividends paid on capital stock.....	20,246	4,319	2,920	8,617	4,087	208	96
Nonpatronage income allocated to patrons.....	10,388	2,859	1,077	5,445	683	232	92
Net operating loss carryforward.....	3,821	1,102	229	1,425	551	177	336
Dividends received deduction.....	607	178	11	188	151	2	77
Taxable income.....	7,384	1,092	1,322	3,223	1,409	258	80
Income tax before credits.....	2,352	429	402	1,009	417	73	23
Investment credit.....	172	27	15	105	17	7	1
Income tax after credits.....	2,180	402	387	904	400	67	22
Total assets.....	2,432,513	387,444	338,127	1,315,710	314,961	61,847	14,424
Cash.....	148,371	26,116	18,489	85,080	12,216	5,028	1,442
Notes and accounts receivable.....	470,594	57,167	78,302	237,082	87,837	8,067	2,140
Less: Reserve for bad debts.....	11,007	704	2,961	5,129	2,064	97	53
Inventories.....	534,858	117,230	64,738	286,764	60,869	4,083	1,175
Other current assets.....	42,768	5,122	4,238	29,134	3,345	843	86
Investments in Government obligations.....	30,232	5,062	10,685	11,712	1,044	1,684	45
Other investments.....	342,096	37,400	72,166	161,832	61,110	6,785	2,803
Depreciable assets.....	1,371,435	235,164	142,007	802,954	148,905	32,893	9,514
Less: Accumulated amortization and depreciation.....	607,463	109,211	59,960	352,948	67,846	14,272	3,225
Depletable assets.....	11,032	-	4,822	5,471	739	-	-
Less: Accumulated depletion.....	4,493	-	3,193	1,059	240	-	-
Land.....	30,861	6,348	4,925	13,526	4,949	992	125
Other assets.....	73,231	7,751	3,872	41,295	4,099	15,840	372
Total liabilities.....	1,019,804	175,377	94,736	603,758	109,925	31,700	4,307
Accounts payable.....	357,047	57,319	37,448	218,867	36,635	5,712	1,063
Mortgages, notes, and bonds payable in less than one year.....	170,214	43,594	22,492	83,090	17,987	2,522	529
Other current liabilities.....	182,941	29,272	13,194	107,264	14,112	17,392	1,706
Mortgages, notes, and bonds payable in one year or more.....	243,318	36,367	17,391	151,921	33,211	4,565	463
Other liabilities.....	65,684	8,824	4,211	42,614	7,981	1,508	547
Net worth.....	1,412,710	212,067	243,391	711,952	205,035	30,146	10,116
Preferred stock.....	304,385	33,155	101,568	117,027	49,431	2,409	794
Part-paid stock.....	28,184	2,195	795	23,205	11,888	92	8
Common stock.....	370,428	50,632	65,577	198,255	49,316	5,312	1,336
Paid-in or capital surplus.....	48,399	3,302	5,750	22,684	11,360	5,277	26
Reserves, total.....	661,313	122,782	69,701	350,781	93,039	17,057	7,952
Patrons equity.....	437,683	59,211	45,543	256,522	55,880	12,774	7,751
Other reserves.....	70,522	14,848	7,521	30,071	15,883	2,352	-154
Total only shown.....	153,109	48,723	16,636	64,187	21,276	1,931	355

Footnote at end of table.

FARMERS' COOPERATIVE INCOME TAX RETURNS FOR 1963

Table 10.—EXEMPT COOPERATIVES: INCOME AND BALANCE SHEET BY TYPE OF SERVICE—Continued

Part III.—RETURNS WITH NET DEFICIT

Item	Type of services						
	Total	Marketing only	Purchasing only	Marketing and purchasing		Other	Undetermined
				Marketing predominant	Purchasing predominant		
(1)	(2)	(3)	(4)	(5)	(6)	(7)	
Number of returns.....	1,194	171	120	394	135	332	42
(Thousand dollars)							
Total receipts.....	1,224,004	332,354	116,425	593,790	64,144	111,925	5,366
Business receipts.....	1,188,063	329,218	111,991	578,740	61,645	101,359	5,110
Domestic stock dividends eligible for deduction.....	29	2	3	21	1	3	-
Other stock dividends.....	200	9	35	118	28	9	1
Interest on U. S. Government obligations.....	55	8	2	24	1	21	(1)
Other interest.....	1,486	255	82	847	188	86	27
Rental income.....	1,122	172	25	505	66	321	33
Net gain from sales of capital assets.....	545	45	6	433	47	3	10
Net gain, sales of property other than capital assets.....	91	12	10	44	21	5	-
Patronage dividends received.....	7,058	280	1,650	4,613	426	66	23
Other income.....	25,357	2,356	2,620	8,446	1,721	10,053	161
Total deductions before net income.....	1,245,713	335,947	117,626	607,682	65,333	113,314	5,808
Cost of sales and operations.....	1,095,264	298,524	103,314	534,844	57,210	96,509	4,862
Beginning inventory.....	411,815	351,312	7,396	36,061	6,600	9,769	477
Merchandise bought.....	1,010,879	354,234	94,490	463,825	51,284	44,177	2,868
Salaries and wages.....	70,487	9,141	5,648	35,519	5,082	14,683	412
Other costs.....	111,260	56,916	3,176	19,244	160	31,749	15
Ending inventory.....	524,604	476,965	7,593	27,674	6,016	5,869	488
Total only shown.....	15,427	3,686	196	7,869	100	2,000	1,577
Compensation of officers.....	2,157	449	310	868	113	397	18
Charitable contributions.....	102	8	1	7	1	84	(1)
Rents paid.....	2,677	521	339	1,211	116	461	29
Repairs.....	5,423	693	1,207	2,877	322	282	43
Bad debts.....	7,433	74	411	6,465	447	35	2
Interest paid.....	22,162	15,399	1,275	4,587	557	297	47
Taxes.....	7,634	1,166	634	3,666	669	1,452	48
Amortization.....	127	26	30	48	-	23	1
Depreciation.....	15,649	1,854	2,584	7,916	1,251	1,928	116
Depletion.....	17	-	17	-	-	-	-
Advertising.....	3,726	261	229	870	161	2,193	12
Pension plan contributions.....	1,662	169	65	404	63	957	2
Other employee benefit plan contributions.....	630	63	69	383	52	61	2
Net loss, sales of property other than capital assets.....	2,081	76	513	1,382	5	18	87
Patronage dividends paid.....	23,198	9,864	3,870	7,366	1,908	176	14
Cash.....	13,444	9,569	16	2,018	1,764	72	7
Qualified notices.....	839	32	(1)	798	2	(1)	7
Nonqualified notices.....	4,714	212	180	4,119	140	63	-
Other property.....	4,199	52	3,675	429	2	41	-
Other deductions.....	55,774	6,797	2,760	34,789	2,458	8,444	526
Net income less deficit.....	-21,708	-3,594	-1,201	-13,893	-1,189	-1,389	-442
Deductions after net income:							
Dividends paid on capital stock.....							
Nonpatronage income allocated to patrons.....				Not applicable			
Net operating loss carryforward.....							
Dividends received deduction.....	5	1	(1)	4	(1)	(1)	-
Taxable income.....							
Income tax before credits.....							
Investment credit.....				Not applicable			
Income tax after credits.....							
Total assets.....	875,476	540,636	56,536	187,047	32,669	54,200	4,387
Cash.....	22,724	3,231	953	9,843	1,298	6,636	765
Notes and accounts receivable.....	106,241	19,384	9,797	55,363	7,437	12,989	1,271
Less: Reserve for bad debts.....	2,188	225	231	376	565	164	27
Inventories.....	522,298	480,350	8,035	26,776	6,176	698	264
Other current assets.....	8,568	1,646	760	2,512	450	3,184	16
Investments in Government obligations.....	3,407	2,282	69	389	26	636	5
Other investments.....	52,208	5,115	9,257	18,049	6,267	13,261	299
Depreciable assets.....	261,948	41,831	36,373	124,072	21,607	35,998	2,066
Less: Accumulated amortization and depreciation.....	115,687	15,495	10,006	57,587	11,272	20,661	666
Depletable assets.....	30	-	-	23	-	8	-
Less: Accumulated depletion.....	6	-	-	-	-	6	-
Land.....	6,844	1,554	942	2,498	822	880	148
Other assets.....	9,088	961	589	6,086	422	744	287
Total liabilities.....	724,027	550,674	31,191	95,574	15,370	29,149	2,067
Accounts payable.....	65,075	8,027	10,234	35,959	5,106	4,763	987
Mortgages, notes, and bonds payable in less than one year.....	494,196	463,253	4,320	20,616	3,596	2,188	222
Other current liabilities.....	94,373	64,833	991	8,637	759	19,037	115
Mortgages, notes, and bonds payable in one year or more.....	54,813	7,443	15,337	23,923	5,053	2,393	664
Other liabilities.....	15,569	7,118	310	6,439	856	768	78
Net worth.....	151,449	-10,039	25,345	91,473	17,299	25,051	2,320
Preferred stock.....	44,061	1,515	24,027	11,398	5,054	1,595	472
Part-paid stock.....	3,004	213	73	2,243	378	96	-
Common stock.....	19,026	4,819	1,968	6,700	4,238	814	484
Paid-in or capital surplus.....	5,151	1,012	16	1,645	657	1,908	-85
Reserves, total.....	80,207	-17,595	-740	69,485	6,971	20,636	1,448
Patrons equity.....	112,405	22,978	3,989	58,910	7,571	17,347	1,612
Other reserves.....	-658	965	-5,498	2,483	-1,198	2,504	87
Total only shown.....	-31,542	-41,539	769	8,092	599	785	-251

Footnote at end of table.

FARMERS' COOPERATIVE INCOME TAX RETURNS FOR 1963

Table 10.—EXEMPT COOPERATIVES: INCOME AND BALANCE SHEET BY TYPE OF SERVICE—Continued

Part IV.—RETURNS WITH NO NET INCOME OR DEFICIT

Item	Type of services						
	Total	Marketing only	Purchasing only	Marketing and purchasing		Other	Undetermined
				Marketing predominant	Purchasing predominant		
(1)	(2)	(3)	(4)	(5)	(6)	(7)	
Number of returns.....	1,459	273	166	658	58	275	29
	(Thousand dollars)						
Total receipts.....	1,775,003	609,872	116,852	921,199	42,673	80,612	3,796
Business receipts.....	1,735,141	601,923	114,104	899,181	41,268	75,687	2,978
Domestic stock dividends eligible for deduction.....	212	69	8	82	1	4	47
Other stock dividends.....	999	62	413	491	23	7	3
Interest on U. S. Government obligations.....	44	8	-	24	-	10	-
Other interest.....	1,551	478	167	682	54	144	28
Rental income.....	2,017	954	57	649	97	251	10
Net gain from sales of capital assets.....	171	17	-	85	1	53	18
Net gain, sales of property other than capital assets.....	194	88	33	60	1	11	-
Patronage dividends received.....	11,550	2,222	1,100	7,481	469	225	51
Other income.....	23,123	4,048	970	12,464	758	4,219	664
Total deductions before net income.....	1,775,002	609,871	116,853	921,199	42,672	80,613	3,796
Cost of sales and operations.....	1,549,491	522,286	103,274	823,311	37,234	60,903	2,481
Beginning inventory.....	92,968	33,217	8,738	44,362	2,865	3,723	62
Merchandise bought.....	1,202,999	394,906	89,045	659,844	33,549	23,958	1,700
Salaries and wages.....	122,187	44,698	6,289	43,085	2,805	24,693	619
Other costs.....	123,971	52,913	2,671	60,482	774	6,981	148
Ending inventory.....	94,797	31,345	9,237	47,379	2,889	3,872	74
Total only shown.....	102,160	27,896	5,769	62,917	130	5,419	27
Compensation of officers.....	3,253	906	307	1,613	85	285	59
Charitable contributions.....	103	25	6	64	5	5	(1)
Rents paid.....	2,266	1,100	238	497	27	390	14
Repairs.....	8,754	3,374	466	4,308	148	444	12
Bad debts.....	1,323	527	252	430	41	69	4
Interest paid.....	6,618	3,101	459	2,489	171	395	2
Taxes.....	20,475	10,019	857	7,609	369	1,491	127
Amortization.....	64	8	1	30	-	24	(1)
Depreciation.....	22,606	7,286	1,134	11,370	698	2,024	94
Depletion.....	224	224	-	-	-	-	-
Advertising.....	5,339	3,343	147	1,441	91	300	15
Pension plan contributions.....	1,590	526	105	649	13	298	1
Other employee benefit plan contributions.....	1,191	473	33	425	62	191	8
Net loss, sales of property other than capital assets.....	103	7	1	83	1	13	1
Patronage dividends paid.....	73,261	20,383	6,897	38,551	2,238	4,810	385
Cash.....	26,462	7,012	4,119	12,891	305	1,973	161
Qualified notices.....	16,590	3,576	1,296	9,591	172	1,858	97
Nonqualified notices.....	17,581	2,510	1,010	11,950	1,445	638	27
Other property.....	12,630	7,284	468	4,119	318	342	99
Other deductions.....	78,335	36,288	2,670	28,329	1,491	8,968	590
Net income less deficit.....							
Deductions after net income:							
Dividends paid on capital stock.....				Not applicable			
Nonpatronage income allocated to patrons.....							
Net operating loss carryforward.....							
Dividends received deduction.....	47	46	(1)	-	-	-	-
Taxable income.....							
Income tax before credits.....							
Investment credit.....							
Income tax after credits.....							
Total assets.....	756,566	258,733	43,482	386,270	18,900	45,816	3,367
Cash.....	74,227	20,740	4,005	38,017	2,588	7,648	1,227
Notes and accounts receivable.....	178,133	45,618	11,042	106,051	3,387	11,552	483
Less: Reserve for bad debts.....	4,795	910	841	2,434	221	373	15
Inventories.....	121,567	50,123	9,867	53,527	2,952	4,979	118
Other current assets.....	20,029	13,025	449	5,528	220	777	30
Investments in Government obligations.....	3,697	598	327	2,387	25	361	-
Other investments.....	122,121	52,221	8,237	54,669	2,890	3,616	489
Depreciable assets.....	414,212	126,841	17,128	227,159	11,939	28,938	2,207
Less: Accumulated amortization and depreciation.....	200,959	60,840	8,540	110,589	5,398	14,318	1,277
Depletable assets.....	1,598	1,578	2	11	8	-	-
Less: Accumulated depletion.....	580	570	1	4	6	-	-
Land.....	10,194	3,206	651	4,658	271	1,355	51
Other assets.....	17,122	7,105	1,153	7,287	245	1,279	53
Total liabilities.....	366,157	140,697	15,094	186,152	6,405	16,675	1,137
Accounts payable.....	110,781	30,308	5,887	65,105	2,130	7,103	249
Mortgages, notes, and bonds payable in less than one year.....	72,933	38,754	2,777	26,879	578	3,876	70
Other current liabilities.....	53,320	27,072	2,324	20,021	889	2,739	277
Mortgages, notes, and bonds payable in one year or more.....	87,017	22,242	3,048	57,961	1,625	2,048	93
Other liabilities.....	42,108	22,322	1,057	16,187	1,183	910	448
Net worth.....	390,408	118,037	28,388	200,118	12,496	29,142	2,230
Preferred stock.....	46,675	5,970	5,350	31,833	858	2,667	2
Part-paid stock.....	5,811	98	75	5,152	435	48	3
Common stock.....	14,958	2,956	1,286	7,599	1,086	2,016	18
Paid-in or capital surplus.....	29,302	4,556	992	20,658	1,029	1,999	68
Reserves, total.....	293,664	104,454	20,685	134,877	9,090	22,417	2,144
Patrons equity.....	244,448	89,728	19,579	113,562	5,446	14,931	1,202
Other reserves.....	13,452	3,720	-247	7,443	807	1,636	92
Total only shown.....	35,764	11,007	1,352	13,873	2,836	5,850	850

¹Less than \$500.

FARMERS' COOPERATIVE INCOME TAX RETURNS FOR 1963

Table 11.—EXEMPT COOPERATIVES: INCOME STATEMENT AND BALANCE SHEET BY COMMODITY MARKETED

Item	Total	Cotton	Dairy products					
			Total	Diversified	Butter	Cheese	Bargaining	Miscellaneous
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Number of returns.....	5,974	389	977	729	85	54	82	27
(Thousand dollars)								
Total receipts.....	8,939,872	528,233	2,678,611	2,417,676	58,030	12,469	173,219	17,216
Business receipts.....	8,702,066	510,892	2,640,829	2,387,755	57,354	12,294	166,534	16,892
Domestic stock dividends eligible for deduction.....	1,476	35	162	1	(1)	-	2	(1)
Other stock dividends.....	4,270	538	751	629	1	(1)	122	-
Interest on U. S. Government obligations.....	1,165	10	153	108	-	1	44	-
Other interest.....	12,642	929	2,469	2,213	22	6	218	10
Rental income.....	10,384	395	1,691	1,307	20	17	312	34
Net gain from sales of capital assets.....	2,179	133	301	292	1	-	8	-
Net gain, sales of property other than capital assets.....	778	19	379	4	-	(1)	-	-
Patronage dividends received.....	52,008	7,500	9,098	8,473	330	104	16	7
Other income.....	152,905	7,784	22,776	16,378	299	46	5,780	272
Total deductions before net income.....	8,919,302	528,227	2,677,127	2,415,896	58,037	12,463	173,518	17,213
Cost of sales and operations.....	7,989,201	447,696	2,437,307	2,198,501	53,346	11,058	161,148	13,254
Beginning inventory.....	888,621	30,029	83,846	52,075	847	61	754	88
Merchandise bought.....	6,813,173	366,428	2,066,006	1,869,027	47,391	8,153	131,952	9,485
Salaries and wages.....	514,197	24,232	174,471	162,360	2,505	903	5,890	2,812
Other costs.....	408,880	45,653	120,622	114,435	1,377	1,148	2,856	807
Ending inventory.....	1,060,544	23,875	55,567	53,371	965	88	1,019	124
Total only shown.....	424,874	5,019	77,929	53,975	2,191	861	20,715	186
Compensation of officers.....	12,146	1,104	2,662	2,005	36	22	483	115
Charitable contribution.....	582	12	69	26	-	(1)	4	1
Rents paid.....	13,499	773	4,765	4,531	22	10	189	13
Repairs.....	37,260	4,446	10,891	10,177	176	50	246	242
Bad debts.....	13,760	215	2,578	2,367	14	-	135	62
Interest paid.....	54,052	4,932	6,573	6,069	50	15	388	50
Taxes.....	76,736	2,820	16,730	15,595	290	33	565	247
Amortization.....	554	11	298	273	-	-	24	1
Depreciation.....	109,031	9,966	30,959	28,208	703	77	1,425	546
Depletion.....	2,158	-	-	-	-	-	-	-
Advertising.....	27,987	281	9,535	8,916	31	1	293	295
Pension plan contributions.....	10,702	152	2,980	2,779	13	-	164	35
Other employee benefit plan contributions.....	7,072	33	3,373	3,505	2	(1)	48	7
Net loss, sales of property other than capital assets.....	2,605	21	635	616	12	(1)	4	3
Patronage dividends paid, total.....	227,017	30,153	41,429	37,018	1,155	284	2,369	603
Cash.....	75,181	16,241	8,557	7,718	368	123	240	108
Qualified notices.....	68,832	6,043	17,993	16,085	489	23	1,009	386
Nonqualified notices.....	48,084	6,559	8,336	7,370	269	10	683	4
Other property.....	34,919	1,310	6,544	5,845	29	128	436	105
Other deductions.....	334,940	25,624	106,113	95,266	2,161	911	6,036	1,739
Net income.....	42,279	888	5,280	4,937	75	23	221	25
Net deficit.....	21,708	881	3,796	3,156	81	18	520	22
Deductions after net income:								
Dividends paid on capital stock.....	20,246	409	2,709	2,650	24	3	10	22
Nonpatronage income allocated to patrons.....	10,388	125	678	608	1	(1)	69	-
Net operating loss carryforward.....	3,822	155	850	728	16	14	91	-
Dividends received deduction.....	658	5	109	108	(1)	-	(1)	-
Taxable income.....	7,384	194	935	842	33	6	51	3
Income tax before credits.....	2,352	57	349	324	10	1	14	(1)
Investment credit.....	172	12	75	66	8	(1)	(1)	(1)
Income tax after credits.....	2,180	45	274	258	2	1	14	(1)
Returns with balance sheets:								
Number of returns.....	5,224	385	895	691	77	36	72	19
(Thousand dollars)								
Total assets.....	4,064,555	234,743	777,833	695,033	12,947	2,179	60,494	7,180
Cash.....	245,322	12,686	74,211	64,799	1,380	474	6,792	766
Notes and accounts receivable.....	754,968	49,564	219,376	186,471	2,307	542	28,601	1,456
Less: Reserve for bad debts.....	17,990	676	5,800	4,110	39	1	1,650	-
Inventories.....	1,178,723	24,587	72,779	69,656	1,284	169	1,232	439
Other current assets.....	71,365	1,580	11,978	10,751	444	15	650	118
Investments in Government obligations.....	37,336	957	7,763	5,910	-	-	1,852	-
Other investments.....	516,425	34,087	100,981	92,636	2,125	141	5,745	333
Depreciable assets.....	2,047,595	157,795	506,318	464,961	11,188	1,593	21,052	7,523
Less: Accumulated amortization and depreciation.....	924,109	69,806	248,133	231,950	6,006	798	5,600	3,778
Depletable assets.....	12,660	-	98	98	-	-	-	-
Less: Accumulated depletion.....	5,079	-	5	5	-	-	-	-
Land.....	47,899	3,882	14,340	12,963	124	15	1,128	110
Other assets.....	99,441	20,087	23,928	22,853	140	29	693	214
Total liabilities.....	2,109,988	97,208	319,241	276,618	5,019	1,118	34,689	1,798
Accounts payable.....	532,903	11,539	158,944	134,959	2,686	513	20,039	748
Mortgages, notes, and bonds payable in less than one year.....	737,343	26,017	28,391	25,784	294	55	2,115	144
Other current liabilities.....	330,634	29,374	54,788	49,908	911	335	2,909	727
Mortgages, notes, and bonds payable in one year or more.....	385,748	28,258	48,657	42,612	548	111	5,224	162
Other liabilities.....	123,361	2,020	28,460	23,356	580	105	4,402	18
Net worth.....	1,954,567	137,535	458,591	418,415	7,928	1,061	25,806	5,383
Preferred stock.....	395,121	27,289	53,545	49,788	386	47	2,888	435
Part-paid stock.....	36,999	149	4,728	4,655	17	25	30	1
Common stock.....	404,412	4,248	43,796	42,240	757	268	267	264
Paid-in or capital surplus.....	82,852	6,188	23,827	22,568	878	75	207	105
Reserves, total.....	1,035,183	99,660	332,695	299,163	5,889	646	22,418	4,579
Patrons equity reserve.....	794,536	84,406	267,892	242,317	4,885	566	15,941	4,183
Other reserves.....	83,316	5,542	23,080	18,096	422	22	4,262	278
Total only shown.....	157,331	9,712	41,723	38,750	582	58	2,215	118
Returns with explanation of services:								
Total number of returns.....	3,592	262	615	486	55	26	44	4
With produce marketed and handled.....	2,695	262	615	486	55	26	44	4
With supplies purchased.....	2,955	197	462	385	43	12	22	-
(Thousand dollars)								
Business receipts.....	7,397,109	470,496	2,134,832	1,956,893	33,625	7,409	128,061	8,844
Services, total.....	8,577,030	488,615	2,548,400	2,081,142	33,696	7,886	286,833	8,845
Produce marketed and handled.....	6,661,835	422,143	2,331,009	1,999,339	31,933	7,701	283,192	8,844
Supplies purchased.....	1,915,195	66,471	87,391	81,802	1,763	185	3,641	-

Footnote at end of table.

FARMERS' COOPERATIVE INCOME TAX RETURNS FOR 1963
Table 11.—EXEMPT COOPERATIVES: INCOME STATEMENT AND BALANCE SHEET BY COMMODITY MARKETING—Continued

Item	Fruit and vegetable										
	Total	Fruit and vegetable combined	Fruit								
			Total	Diversified	Apple	Cherry, pear, plum, and prune	Peach and apricot	Orange, lemon, and grapefruit	Cranberry, strawberry and currants	Grape and raisin	Processing and storage
(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)	
Number of returns.....	446	35	316	95	30	21	9	111	10	30	10
(Thousand dollars)											
Total receipts.....	758,547	121,580	563,268	122,829	11,869	6,950	1,013	312,234	36,261	52,692	19,420
Business receipts.....	736,230	119,653	546,515	119,762	11,530	6,763	999	299,763	35,980	52,491	19,227
Domestic stock dividends eligible for deduction.....	192	3	188	59	(1)	-	(1)	129	18	(1)	-
Other stock dividends.....	160	4	153	16	7	-	-	111	13	(1)	-
Interest on U. S. Government obligations.....	14	-	14	1	-	-	-	13	-	-	-
Other interest.....	956	240	635	340	15	23	10	201	(1)	38	9
Rental income.....	1,179	675	405	114	10	7	(1)	227	-	-	-
Net gain from sales of capital assets.....	440	87	347	220	1	(1)	-	118	3	36	8
Net gain, sales of property other than capital assets.....	128	26	98	8	-	-	-	88	2	7	(1)
Patronage dividends received.....	3,832	195	3,527	831	125	16	-	2,388	-	-	-
Other income.....	15,417	716	11,387	1,479	182	142	5	9,197	257	6	161
Total deductions before net income.....	758,839	121,537	563,794	122,721	11,826	5,760	996	312,513	36,010	54,351	19,617
Cost of sales and operations.....	602,760	97,831	446,897	92,580	8,408	4,318	604	264,800	24,533	39,796	11,859
Beginning inventory.....	67,926	37,565	27,774	13,888	393	325	8	9,674	2,111	792	584
Merchandise bought.....	313,190	37,715	252,758	61,855	3,134	2,801	39	131,412	11,067	36,158	6,293
Salaries and wages.....	74,847	17,193	49,037	14,013	1,988	415	153	27,564	1,994	1,456	1,457
Other costs.....	140,348	37,082	93,936	13,943	1,370	581	78	61,895	11,032	1,515	3,519
Ending inventory.....	67,101	35,307	29,017	19,563	509	195	9	5,777	1,920	1,032	13
Total only shown.....	73,530	3,583	52,409	8,444	2,032	391	335	40,332	249	907	19
Compensation of officers.....	2,663	453	2,004	350	94	29	59	1,290	79	47	56
Charitable contribution.....	11	(1)	9	3	(1)	-	-	1	(1)	(1)	5
Rents paid.....	2,002	188	1,698	647	15	16	12	449	542	16	5
Repairs.....	5,917	2,532	3,123	991	47	4	3	1,472	193	96	240
Bad debts.....	272	60	108	61	4	-	1	20	4	3	16
Interest paid.....	4,861	2,369	2,258	1,329	170	66	5	254	127	93	214
Taxes.....	16,456	1,785	13,886	2,114	277	89	11	2,954	337	2,370	5,733
Amortization.....	57	5	50	21	-	-	-	28	-	1	-
Depreciation.....	12,634	3,553	8,111	2,936	532	242	18	3,432	412	270	269
Depletion.....	224	-	-	-	-	-	-	-	-	-	-
Advertising.....	8,806	809	7,899	1,028	37	11	1	3,169	3,346	19	288
Pension plan contributions.....	1,754	196	1,494	178	-	8	19	1,238	25	2	26
Other employee benefit plan contributions.....	747	129	593	248	6	3	3	261	-	28	45
Net loss, sales of property other than capital assets.....	1,000	-	1,000	131	6	5	-	65	-	791	3
Patronage dividends paid, total.....	39,544	3,427	31,678	4,985	1,450	399	43	11,545	3,735	9,303	218
Cash.....	18,056	260	15,941	507	923	119	21	10,256	3,694	201	218
Qualified notices.....	5,002	1,608	2,258	1,755	397	36	-	49	16	5	-
Nonqualified notices.....	7,447	583	6,048	23	23	59	-	666	24	5,252	-
Other property.....	9,042	977	7,432	2,699	107	185	21	575	-	3,845	-
Other deductions.....	59,128	8,200	42,985	15,118	748	528	217	21,535	2,677	1,519	644
Net income.....	3,136	157	2,498	402	65	1,254	21	432	293	30	(1)
Net deficit.....	3,427	114	3,024	295	22	65	4	712	41	1,690	198
Deductions after net income:											
Dividends paid on capital stock.....	1,493	127	1,283	179	53	630	-	111	285	25	-
Nonpatronage income allocated to patrons.....	1,384	-	1,045	187	-	611	-	240	-	-	-
Net operating loss carried forward.....	57	24	22	2	1	4	1	9	7	-	-
Dividends received deduction.....	49	(1)	49	49	(1)	-	-	(1)	(1)	6	-
Taxable income.....	200	6	147	33	11	9	(1)	73	-	(1)	-
Income tax before credits.....	55	2	40	9	3	3	6	19	-	(1)	-
Investment credit.....	7	-	6	4	1	1	(1)	19	-	(1)	-
Income tax after credits.....	48	2	34	5	2	2	-	19	-	(1)	-
Returns with balance sheets:											
Number of returns.....	423	34	305	93	30	21	6	108	10	27	10
(Thousand dollars)											
Total assets.....	483,494	115,454	338,051	97,446	14,776	5,297	3,512	103,770	11,273	79,136	22,841
Cash.....	42,033	1,108	33,663	8,870	1,678	1,097	991	19,250	719	612	445
Notes and accounts receivable.....	108,495	15,464	86,716	11,799	4,154	726	2,330	20,671	1,413	41,695	3,929
Less: Reserve for bad debts.....	646	177	408	186	21	-	-	116	20	65	-
Inventories.....	83,172	38,676	40,184	21,936	1,108	318	11	1,977	3,449	1,633	9,751
Other current assets.....	11,608	2,448	8,503	1,652	183	32	(1)	4,234	163	524	1,715
Investments in Government obligations.....	1,307	10	949	50	30	5	-	864	-	-	-
Other investments.....	79,108	6,733	70,720	6,626	522	477	68	29,479	484	29,565	3,500
Depreciable assets.....	265,562	64,244	184,328	72,214	11,474	3,807	235	71,552	10,266	8,583	6,198
Less: Accumulated amortization and depreciation.....	133,629	27,833	95,911	29,100	4,808	1,748	141	47,273	5,313	4,672	2,856
Depletable assets.....	1,583	-	-	-	-	-	-	-	-	-	-
Less: Accumulated depletion.....	573	-	-	-	-	-	-	-	-	-	-
Land.....	5,717	1,195	3,927	1,497	189	99	8	1,777	11	201	146
Other assets.....	19,761	13,587	5,382	2,091	269	485	10	1,354	100	1,061	12
Total liabilities.....	278,116	80,436	187,552	47,881	7,705	2,016	3,065	47,732	2,870	59,361	16,922
Accounts payable.....	42,379	4,078	34,324	12,260	1,083	175	972	17,253	1,086	849	645
Mortgages, notes, and bonds payable in less than one year.....	72,285	40,962	29,453	9,432	857	245	9	958	202	9,478	8,271
Other current liabilities.....	53,025	6,975	45,289	13,165	2,017	698	2,015	22,161	275	789	4,170
Mortgages, notes, and bonds payable in one year or more.....	76,996	17,604	56,898	12,242	2,034	489	14	2,520	1,306	35,384	2,910
Other liabilities.....	33,429	10,817	21,587	782	1,713	409	54	4,841	2	12,860	926
Net worth.....	205,378	35,018	150,499	49,565	7,072	3,281	447	26,038	8,403	19,775	5,919
Preferred stock.....	15,198	4,123	9,779	2,331	1,379	-	26	3,314	2,527	202	-
Part-paid stock.....	154	41	5	(1)	4	-	-	1	-	-	-
Common stock.....	12,632	1,573	8,453	1,934	204	541	2	280	-	-	-
Paid-in or capital surplus.....	11,518	52	9,883	6,983	657	79	287	1,496	4,665	826	-
Reserves, total.....	165,878	29,333	122,380	38,318	4,827	2,661	132	50,948	1,180	18,391	5,923
Patrons equity reserve.....	130,232	17,390	104,282	30,300	3,486	2,397	134	43,914	228	17,900	5,923
Other reserves.....	10,697	1,073	8,686	3,789	657	265	-	3,919	54	3	-
Total only shown.....	24,948	10,870	9,412	4,229	684	(1)	-2	3,115	899	488	-
Returns with explanation of services:											
Total number of returns.....	273	21	198	51	22	11	5	85	6	14	4
With produce marketed and handled.....	273	21	198	51	22	11	5	85	6	14	4
With supplies purchased.....	149	12	112	35	17	7	1	43	4	5	-
(Thousand dollars)											
Business receipts.....	538,473	26,271	466,254	96,894	9,413	4,471	976	273,322	34,053	28,696	18,429
Services, total.....	797,897	28,824	691,917	129,512	13,150	5,866	14,922	444,659	34,058	31,320	18,429
Produce marketed and handled.....	771,763	27,601	674,219	120,925	11,525	5,355	14,907	438,370	33,338	31,169	18,429
Supplies purchased.....	26,134	1,222	17,699	8,586	1,626	511	15	6,089	720	151	-

Footnote at end of table.

FARMERS' COOPERATIVE INCOME TAX RETURNS FOR 1963

Table 11.—EXEMPT COOPERATIVES: INCOME STATEMENT AND BALANCE SHEET BY COMMODITY MARKETED—Continued

Item	Fruit and vegetable—Continued									Grain marketing and storage
	Vegetable and truck crops									
	Total	Diversified	Asparagus, celery, cucumber and radish	Cabbage, cauliflower, and lettuce	Onion	White potato	Tomato	Bean and pea	Miscellaneous	
(20)	(21)	(22)	(23)	(24)	(25)	(26)	(27)	(28)	(29)	
Number of returns.....	95	45	8	4	3	11	7	9	8	1,083
(Thousand dollars)										
Total receipts.....	73,699	40,927	885	4,817	815	9,867	4,310	2,471	9,607	2,107,663
Business receipts.....	70,060	38,626	847	4,672	805	9,672	4,276	2,427	8,736	2,025,672
Domestic stock dividends eligible for deduction.....	1	(1)	-	-	(1)	(1)	(1)	(1)	-	184
Other stock dividends.....	3	2	-	-	-	(1)	-	(1)	-	456
Interest on U. S. Government obligations.....	(1)	-	-	-	-	(1)	-	-	-	308
Other interest.....	81	66	5	2	-	2	(1)	1	6	2,891
Rental income.....	99	59	30	1	-	5	2	-	2	2,705
Net gain from sales of capital assets.....	26	20	2	-	-	2	1	(1)	1	124
Net gain, sales of property other than capital assets.....	10	6	-	-	-	1	-	-	1	36
Patronage dividends received.....	4	2	-	29	-	2	5	5	3	11,367
Other income.....	3,314	2,084	2	113	10	183	26	37	859	63,920
Total deductions before net income.....	73,508	40,607	878	4,809	815	9,915	4,291	2,478	9,715	2,094,092
Cost of sales and operations.....	58,032	34,403	583	3,452	789	5,457	3,248	2,247	7,852	1,957,900
Beginning inventory.....	2,587	1,736	6	-	(1)	278	7	57	503	194,452
Merchandise bought.....	22,717	11,991	256	124	96	2,741	2,437	1,413	3,659	1,710,715
Salaries and wages.....	8,617	4,154	244	1,492	35	1,315	603	240	535	56,392
Other costs.....	9,330	5,073	81	92	-	197	168	106	3,611	25,847
Ending inventory.....	2,777	1,894	4	-	(1)	232	8	73	565	222,505
Total only shown.....	17,558	13,343	-	1,744	658	1,158	41	504	109	192,999
Compensation of officers.....	208	108	2	1	1	59	1	20	16	999
Charitable contribution.....	2	1	(1)	(1)	-	(1)	(1)	-	(1)	260
Rents paid.....	116	56	20	3	(1)	13	18	3	4	1,593
Repairs.....	262	155	1	5	-	40	39	7	16	1,049
Bad debts.....	104	55	2	-	5	2	36	4	1	-
Interest paid.....	234	192	7	(1)	(1)	9	2	6	18	9,871
Taxes.....	785	503	13	30	1	11.3	41	29	53	11,660
Amortization.....	2	(1)	-	(1)	-	-	-	1	-	76
Depreciation.....	970	573	42	50	1	148	62	33	61	23,111
Depletion.....	224	224	-	-	-	-	-	-	-	1,054
Advertising.....	98	60	1	3	(1)	4	8	1	21	1,822
Pension plan contributions.....	64	44	-	-	-	-	-	-	20	1,183
Other employee benefit plan contributions.....	25	17	-	1	-	7	-	-	-	469
Net loss, sales of property other than capital assets.....	-	-	-	-	-	-	-	-	-	185
Patronage dividends paid, total.....	4,439	1,674	144	464	-	1,064	277	35	781	43,481
Cash.....	1,855	854	-	53	-	898	7	1	42	10,682
Qualified notices.....	1,136	756	-	268	-	36	65	-	10	18,563
Nonqualified notices.....	816	27	-	28	-	-	15	20	725	9,161
Other property.....	633	37	144	11.5	-	131	189	14	4	5,074
Other deductions.....	7,943	2,541	63	801	16	2,998	560	91	873	34,253
Net income.....	481	388	10	7	(1)	42	34	(1)	108	14,512
Net deficit.....	289	68	2	-	(1)	90	15	7	-	941
Deductions after net income:										
Dividends paid on capital stock.....	83	36	2	3	-	40	2	-	-	4,841
Nonpatronage income allocated to patrons.....	339	335	-	4	-	-	-	-	-	6,558
Net operating loss carryforward.....	11	1	-	-	(1)	(1)	9	-	-	248
Dividends received deduction.....	(1)	(1)	-	-	(1)	(1)	(1)	-	-	118
Taxable income.....	477	14	7	-	-	2	23	-	(1)	2,782
Income tax before credits.....	13	4	2	-	-	(1)	7	-	(1)	932
Investment credit.....	1	(1)	-	-	-	-	-	-	-	41
Income tax after credits.....	12	4	2	-	-	(1)	6	-	(1)	891
Returns with balance sheets:										
Number of returns.....	84	38	7	4	2	10	7	8	8	1,077
(Thousand dollars)										
Total assets.....	29,989	19,260	1,213	929	51	3,031	941	844	3,720	888,394
Cash.....	7,262	4,120	48	277	19	602	323	76	1,798	45,385
Notes and accounts receivable.....	6,315	3,579	931	350	12	604	199	242	398	117,514
Less: Reserve for bad debts.....	61	56	-	-	(1)	1	-	2	2	2,680
Inventories.....	4,312	3,056	9	21	8	438	15	84	681	257,265
Other current assets.....	657	478	-	13	-	23	51	11	80	24,866
Investments in Government obligations.....	348	-	-	-	-	348	-	-	-	8,995
Other investments.....	1,655	1,414	-	21	3	44	26	122	25	88,284
Depreciable assets.....	16,990	10,216	720	358	16	2,103	630	749	2,198	548,568
Less: Accumulated amortization and depreciation.....	9,885	5,637	537	180	6	1,176	351	490	1,509	223,512
Depletable assets.....	1,583	1,578	-	-	-	-	-	5	-	5,396
Less: Accumulated depletion.....	573	570	-	-	-	-	-	2	-	1,054
Land.....	595	403	25	14	-	45	37	41	4	4,039
Other assets.....	792	680	17	56	(1)	1	9	19	9	15,327
Total liabilities.....	10,128	7,041	207	197	36	1,295	226	233	892	436,669
Accounts payable.....	3,977	2,430	126	195	16	937	59	113	99	169,010
Mortgages, notes, and bonds payable in less than one year.....	1,870	1,423	50	-	13	34	15	82	254	66,791
Other current liabilities.....	761	534	3	1	5	114	31	8	65	80,256
Mortgages, notes, and bonds payable in one year or more.....	2,494	2,302	-	-	-	89	47	26	31	91,825
Other liabilities.....	1,025	352	28	2	2	121	76	4	443	28,787
Net worth.....	19,861	12,218	1,006	732	15	1,736	714	611	2,829	451,725
Preferred stock.....	1,296	671	-	-	-	117	161	106	241	78,208
Part-paid stock.....	108	-	-	-	-	-	-	-	108	28,738
Common stock.....	2,606	1,400	162	42	1	501	259	27	214	169,690
Paid-in or capital surplus.....	1,687	1,268	379	2	4	25	25	14	-30	13,930
Reserves, total.....	14,165	8,879	464	689	10	1,093	269	464	2,297	161,159
Patrons equity reserve.....	8,560	4,169	464	464	-	795	42	353	2,274	103,499
Other reserves.....	938	908	-	-	(1)	35	-7	1	-	18,204
Total only shown.....	4,666	3,802	-	225	9	262	234	110	23	39,456
Returns with explanation of services:										
Total number of returns.....	54	23	2	4	2	5	6	7	5	892
With produce marketed and handled.....	54	23	2	4	2	5	6	7	5	892
With supplies purchased.....	25	12	-	-	-	1	3	2	5	839
(Thousand dollars)										
Business receipts.....	45,948	23,152	453	4,672	805	3,990	4,265	1,388	7,224	1,787,206
Services, total.....	77,156	38,520	827	4,716	801	8,165	9,890	3,079	11,158	1,924,581
Produce marketed and handled.....	69,943	31,979	827	4,716	786	8,104	9,682	3,061	10,789	1,640,584
Supplies purchased.....	7,213	6,541	-	-	15	61	208	19	370	284,001

Footnote at end of table.

Table 11.—EXEMPT COOPERATIVES: INCOME STATEMENT AND BALANCE SHEET BY COMMODITY MARKETED—Continued

Item	Livestock			Nut marketing				Poultry marketing			
	Total	Shipping and marketing	Breeding	Total	Almond	Peanut	Walnut and filbert	Total	Diversified	Egg	Turkey, duck, and geese
	(30)	(31)	(32)	(33)	(34)	(35)	(36)	(37)	(38)	(39)	(40)
Number of returns.....	678	384	294	23	3	4	16	65	37	20	8
(Thousand dollars)											
Total receipts.....	224,852	198,313	26,539	6,267	874	2,837	2,557	203,393	135,515	17,312	50,566
Business receipts.....	222,223	196,206	26,017	5,906	862	2,683	2,361	201,097	133,919	17,249	49,929
Domestic stock dividends eligible for deduction.....	47	47	(¹)	-	-	-	-	7	7	-	(¹)
Other stock dividends.....	102	101	1	-	-	-	-	9	8	(¹)	1
Interest on U. S. Government obligations.....	50	34	16	-	-	-	-	(¹)	(¹)	-	-
Other interest.....	214	142	72	33	-	21	12	69	44	2	22
Rental income.....	100	55	45	66	12	22	32	82	82	1	(¹)
Net gain from sales of capital assets.....	21	6	15	-	-	-	-	7	6	-	2
Net gain, sales of property other than capital assets.....	16	3	13	-	-	-	-	6	6	-	-
Patronage dividends received.....	312	235	77	12	-	(¹)	12	478	277	12	189
Other income.....	1,768	1,485	283	251	(¹)	111	140	1,639	1,168	48	423
Total deductions before net income.....	224,782	198,116	26,666	6,280	873	2,818	2,591	203,167	135,345	17,307	50,513
Cost of sales and operations.....	206,411	188,667	17,744	4,635	259	2,589	1,787	189,801	128,399	15,759	45,644
Beginning inventory.....	980	900	80	293	4	2	287	6,649	3,683	200	2,766
Merchandise bought.....	166,031	163,464	2,567	3,438	82	2,246	1,110	158,827	110,774	13,559	34,494
Salaries and wages.....	20,167	8,362	11,805	590	50	258	282	11,326	6,303	1,099	3,925
Other costs.....	7,672	5,004	2,668	420	25	85	311	12,033	8,865	795	2,373
Ending inventory.....	1,090	978	112	212	6	2	204	7,562	4,591	236	2,735
Total only shown.....	12,651	11,915	736	106	104	2	1	8,528	3,365	342	4,821
Compensation of officers.....	300	148	152	43	8	12	22	148	117	9	22
Charitable contribution.....	89	6	83	(¹)	-	-	(¹)	5	5	(¹)	(¹)
Rents paid.....	334	252	82	14	2	1	11	181	98	73	10
Repair.....	328	193	135	37	-	8	29	387	159	42	186
Bad debts.....	146	125	21	3	-	(¹)	3	110	97	1	13
Interest paid.....	258	238	20	25	8	(¹)	17	652	283	53	316
Taxes.....	1,133	555	578	107	9	21	77	1,058	589	72	397
Amortization.....	14	-	14	1	-	-	1	22	1	(¹)	20
Depreciation.....	1,760	735	1,025	151	2	17	132	1,800	949	124	727
Depletion.....	-	-	-	-	-	-	-	-	-	-	-
Advertising.....	805	407	398	6	-	5	1	193	160	7	27
Pension plan contributions.....	424	175	249	-	-	-	-	141	111	1	29
Other employee benefit plan contributions.....	135	41	94	11	-	6	-	108	85	-	24
Net loss, sales of property other than capital assets.....	16	-	16	(¹)	-	-	(¹)	4	(¹)	3	(¹)
Patronage dividends paid, total.....	1,956	1,232	724	746	569	7	171	3,528	2,207	403	917
Cash.....	644	485	159	689	543	-	146	492	300	92	100
Qualified notices.....	478	300	178	-	-	-	-	1,512	603	226	683
Nonqualified notices.....	731	365	366	31	23	7	2	868	751	51	66
Other property.....	103	82	21	26	3	-	23	656	553	35	68
Other deductions.....	10,674	5,344	5,330	500	16	151	334	5,028	2,086	761	2,182
Net income.....	600	502	98	29	1	22	5	254	190	11	53
Net deficit.....	530	306	224	42	(¹)	2	40	27	20	6	1
Deductions after net income:											
Dividends paid on capital stock.....	143	143	-	1	1	-	-	133	81	(¹)	52
Nonpatronage income allocated to patrons.....	114	102	12	5	-	-	5	63	63	-	-
Net operating loss carryforward.....	65	41	24	(¹)	-	(¹)	-	40	29	11	-
Dividends received deduction.....	34	34	(¹)	-	-	-	-	(¹)	-	-	(¹)
Taxable income.....	256	204	52	22	-	22	-	18	17	-	1
Income tax before credits.....	78	63	15	6	-	6	-	5	4	-	(¹)
Investment credit.....	3	-	3	-	-	-	-	(¹)	(¹)	-	(¹)
Income tax after credits.....	75	63	12	6	-	6	-	5	4	-	(¹)
Returns with balance sheets:											
Number of returns.....	517	289	228	23	3	4	16	62	36	18	8
(Thousand dollars)											
Total assets.....	48,419	33,256	15,163	8,810	272	1,287	7,252	48,931	29,264	2,674	16,993
Cash.....	10,199	6,926	3,273	1,018	16	478	524	2,940	1,910	294	736
Notes and accounts receivable.....	10,250	7,666	2,584	979	72	129	778	14,020	9,827	640	3,553
Less: Reserve for bad debts.....	325	211	114	6	-	-	6	260	220	21	18
Inventories.....	1,921	1,521	400	270	49	2	219	9,447	6,033	275	3,139
Other current assets.....	483	261	222	1,006	2	162	842	655	193	79	383
Investments in Government obligations.....	1,710	1,223	487	-	-	-	-	5	5	-	-
Other investments.....	6,775	5,281	1,494	3,518	-	357	3,160	4,196	2,810	8	1,377
Depreciable assets.....	25,326	14,796	10,530	3,018	147	337	2,533	27,472	14,396	2,000	11,076
Less: Accumulated amortization and depreciation.....	10,537	5,623	4,914	1,352	26	211	1,116	10,540	6,070	698	3,772
Depletable assets.....	-	-	-	-	-	-	-	-	-	-	-
Less: Accumulated depletion.....	-	-	-	-	-	-	-	-	-	-	-
Land.....	1,118	680	438	144	11	21	112	608	262	62	284
Other assets.....	1,499	735	764	216	1	10	205	390	119	34	236
Total liabilities.....	20,064	16,378	3,686	1,491	69	543	879	20,687	10,954	1,153	8,579
Accounts payable.....	9,447	7,941	1,506	469	42	61	366	7,099	4,400	375	2,324
Mortgages, notes, and bonds payable in less than one year.....	1,657	1,588	69	245	(¹)	-	244	5,639	4,122	96	1,421
Other current liabilities.....	3,929	2,566	1,363	514	(¹)	377	137	3,697	948	48	2,701
Mortgages, notes, and bonds payable in one year or more.....	3,976	3,433	543	143	27	-	116	3,729	1,207	607	1,914
Other liabilities.....	1,056	853	203	120	(¹)	105	15	522	276	27	219
Net worth.....	28,355	16,878	11,477	7,319	202	744	6,373	28,245	18,311	1,521	8,413
Preferred stock.....	2,528	2,515	13	-	-	-	-	2,384	1,312	10	1,062
Part-paid stock.....	43	22	21	1	-	1	-	30	(¹)	8	22
Common stock.....	2,692	2,369	323	5	-	-	5	3,721	1,661	200	1,860
Paid-in or capital surplus.....	4,517	1,528	2,989	658	16	2	640	377	242	40	850
Reserves, total.....	18,574	12,708	5,866	6,656	187	741	5,728	21,732	15,095	1,263	5,374
Patrons equity reserve.....	13,720	7,033	6,687	5,820	187	39	5,594	19,657	13,314	1,183	5,160
Other reserves.....	1,615	988	627	33	-	12	20	1,419	1,324	17	77
Total only shown.....	3,239	2,422	817	803	-	690	114	656	457	62	137
Returns with explanation of services:											
Total number of returns.....	132	130	2	12	2	2	8	33	21	9	3
With produce marketed and handled.....	132	130	2	11	2	2	7	33	21	9	3
With supplies purchased.....	10	10	-	6	-	1	5	13	8	5	3
(Thousand dollars)											
Business receipts.....	157,956	156,604	1,352	5,003	772	2,175	2,057	134,819	111,887	4,881	18,051
Services, total.....	466,853	465,501	1,352	12,055	772	6,611	4,672	194,370	168,749	5,474	20,147
Produce marketed and handled.....	464,092	462,740	1,352	11,829	772	6,578	4,479	187,251	162,324	4,779	20,147
Supplies purchased.....	2,762	2,762	-	226	-	32	193	7,120	6,425	695	-

Footnote at end of table.

FARMERS' COOPERATIVE INCOME TAX RETURNS FOR 1963

Table 11.—EXEMPT COOPERATIVES: INCOME STATEMENT AND BALANCE SHEET BY COMMODITY MARKETED—Continued

Item	Miscellaneous and special crop marketing									
	Tobacco	Wool	Total	Flower and nursery stock	Fur	Seed	Dry bean	Sugar, sugar beet, and honey	Rice	Other
	(41)	(42)	(43)	(44)	(45)	(46)	(47)	(48)	(49)	(50)
Number of returns.....	30	40	99	10	5	15	9	11	40	9
(Thousand dollars)										
Total receipts.....	72,829	14,493	421,020	3,476	2,736	3,120	22,241	220,421	160,435	8,593
Business receipts.....	71,582	13,783	416,473	3,460	2,721	3,116	21,843	219,322	157,599	8,414
Domestic stock dividends eligible for deduction.....	1	(1)	157	-	-	(1)	2	154	1	-
Other stock dividends.....	2	(1)	276	-	-	(1)	(1)	(1)	275	(1)
Interest on U. S. Government obligations.....	17	6	91	-	-	(1)	-	76	3	12
Other interest.....	35	27	378	4	3	(1)	21	152	177	20
Rental income.....	264	21	1,231	1	-	-	1	38	1,186	3
Net gain from sales of capital assets.....	4	(1)	326	2	-	-	2	18	304	-
Net gain, sales of property other than capital assets.....	(1)	1	60	-	-	(1)	-	58	2	-
Patronage dividends received.....	12	161	575	(1)	1	2	82	28	462	(1)
Other income.....	911	493	1,453	8	11	1	289	573	426	144
Total deductions before net income.....	74,489	14,480	417,230	3,467	2,712	3,118	22,227	218,204	158,930	8,572
Cost of sales and operations.....	58,515	12,756	360,087	2,674	2,505	2,021	20,678	186,893	137,630	7,687
Beginning inventory.....	334,842	1,416	38,874	158	82	288	358	32,129	5,433	426
Merchandise bought.....	144,241	8,926	331,954	1,801	892	891	7,482	184,096	130,586	6,207
Salaries and wages.....	2,421	573	20,970	342	96	410	1,935	10,236	7,657	295
Other costs.....	17,595	1,761	14,332	406	-	652	79	8,695	3,356	1,144
Ending inventory.....	460,999	448	59,390	115	67	283	421	48,263	9,572	668
Total only shown.....	20,415	528	13,347	83	1,502	63	11,245	-	170	283
Compensation of officers.....	164	57	739	12	3	9	20	301	360	36
Charitable contribution.....	1	(1)	34	1	(1)	1	(1)	27	5	-
Rents paid.....	89	25	511	6	6	2	3	317	173	5
Repairs.....	72	11	3,436	2	8	22	64	2,436	826	81
Bad debts.....	(1)	3	350	15	(1)	5	14	3	311	2
Interest paid.....	14,106	86	2,201	7	6	39	91	157	1,794	106
Taxes.....	230	86	11,432	31	8	40	127	9,902	1,272	51
Amortization.....	(1)	-	3	(1)	(1)	-	1	-	1	-
Depreciation.....	294	58	4,533	24	27	48	140	1,959	2,258	77
Depletion.....	-	-	-	-	-	-	-	-	-	-
Advertising.....	42	16	1,666	11	2	25	14	1,335	276	3
Pension plan contributions.....	74	24	1,053	2	-	4	4	649	391	3
Other employee benefit plan contributions.....	22	6	463	3	-	2	-	349	109	-
Net loss, sales of property other than capital assets.....	-	-	125	1	-	-	1	122	(1)	(1)
Patronage dividends paid, total.....	213	323	6,590	248	35	436	393	408	4,999	71
Cash.....	17	82	1,228	180	26	277	101	240	345	59
Qualified notices.....	3	220	926	-	9	127	54	168	558	10
Nonqualified notices.....	146	-	2,977	65	-	27	169	-	2,786	-
Other property.....	48	21	1,458	3	-	4	69	-	1,380	2
Other deductions.....	666	1,030	24,006	431	113	463	676	13,350	8,523	450
Net income.....	393	40	3,872	16	24	7	15	2,230	1,516	65
Net deficit.....	2,053	27	82	8	-	5	-	15	10	45
Deductions after net income:										
Dividends paid on capital stock.....	246	1	2,563	2	2	3	12	1,214	1,289	41
Nonpatronage income allocated to patrons.....	34	-	80	7	-	2	-	-	51	20
Net operating loss carryforward.....	32	27	917	(1)	21	2	(1)	868	26	-
Dividends received deduction.....	-	(1)	133	-	-	(1)	2	131	(1)	-
Taxable income.....	81	12	180	7	(1)	-	1	17	151	4
Income tax before credits.....	18	4	49	2	(1)	-	(1)	2	44	1
Investment credit.....	(1)	(1)	2	(1)	-	-	-	-	1	-
Income tax after credits.....	18	4	47	2	-	-	(1)	2	43	-
Returns with balance sheets:										
Number of returns.....	30	36	94	10	5	14	9	8	39	9
(Thousand dollars)										
Total assets.....	519,501	6,913	184,835	1,110	693	2,400	8,987	89,722	77,257	4,664
Cash.....	1,795	480	9,624	310	104	395	256	3,324	4,790	444
Notes and accounts receivable.....	1,181	1,656	24,411	408	251	728	2,237	9,773	8,978	2,037
Less: Reserve for bad debts.....	-	21	344	15	7	61	44	190	7	15
Inventories.....	496,223	702	69,820	152	67	291	3,113	49,273	16,193	731
Other current assets.....	7,341	43	2,092	81	2	40	124	1,424	381	40
Investments in Government obligations.....	2,417	133	1,377	-	-	17	-	-	996	364
Other investments.....	816	2,483	17,251	2	5	102	979	3,480	12,539	145
Depreciable assets.....	9,391	1,551	100,828	239	425	1,147	4,563	38,690	54,186	1,575
Less: Accumulated amortization and depreciation.....	3,930	614	46,037	106	162	513	2,390	18,984	23,158	72
Depletable assets.....	-	-	5	-	-	-	5	-	-	-
Less: Accumulated depletion.....	-	-	1	-	-	-	1	-	-	-
Land.....	1,437	77	2,403	23	13	56	112	857	1,290	5
Other assets.....	2,830	425	3,405	16	-	198	31	2,076	1,071	1
Total liabilities.....	551,113	1,504	87,033	670	426	867	4,878	40,022	37,398	2,777
Accounts payable.....	1,316	653	29,248	293	87	479	1,037	21,570	5,486	29
Mortgages, notes, and bonds payable in less than one year.....	454,532	19	26,925	55	49	83	2,231	13,955	8,535	2,011
Other current liabilities.....	59,339	115	13,336	20	12	277	157	4,015	8,736	11
Mortgages, notes, and bonds payable in one year or more.....	26,354	268	12,316	-	67	16	171	434	11,389	25
Other liabilities.....	9,572	448	5,208	302	212	12	1,283	68	3,252	8
Net worth.....	-31,612	5,410	97,802	440	271	1,533	4,109	49,701	39,858	1,887
Preferred stock.....	1,722	869	13,894	62	22	46	684	206	12,720	15
Part-paid stock.....	-	-	2	-	-	2	-	-	-	-
Common stock.....	7,205	125	21,005	3	89	68	195	15,187	5,458	-
Paid-in or capital surplus.....	-466	132	1,183	82	9	91	25	-58	921	1
Reserves, total.....	-40,074	4,284	61,719	293	151	1,326	3,205	34,366	20,759	1,600
Patrons equity reserve.....	788	3,117	21,824	258	148	958	2,944	1,864	14,898	7
Other reserves.....	749	987	3,897	13	2	370	252	51	3,221	-
Total only shown.....	-41,610	179	35,998	22	-	-2	9	32,451	2,641	8
Returns with explanation of services:										
Total number of returns.....	20	28	63	8	3	7	7	5	30	-
With produce marketed and handled.....	19	28	63	8	3	7	7	5	30	-
With supplies purchased.....	1	10	25	3	1	3	5	3	8	-
(Thousand dollars)										
Business receipts.....	70,149	13,590	387,015	2,532	1,705	1,238	16,430	219,315	138,485	7,300
Services, total.....	94,887	23,740	421,944	3,968	1,705	1,241	17,320	219,868	170,492	7,300
Produce marketed and handled.....	94,733	23,493	415,896	3,203	1,668	1,210	15,392	219,686	167,749	6,900
Supplies purchased.....	154	247	6,047	764	37	31	1,928	181	2,742	300

Footnote at end of table.

FARMERS' COOPERATIVE INCOME TAX RETURNS FOR 1963

Table 11.—EXEMPT COOPERATIVES: INCOME STATEMENT AND BALANCE SHEET BY COMMODITY MARKETED—Continued

Item	Farm supply	General service							Activity undetermined
		Total	Markets	Frozen food lockers cold storage	Warehousing pre-cooling	Trucking	Harvest labor cooperatives	Miscellaneous	
	(51)	(52)	(53)	(54)	(55)	(56)	(57)	(58)	(59)
Number of returns.....	1,452	179	8	22	16	14	68	51	113
(Thousand dollars)									
Total receipts.....	1,849,553	26,545	280	904	1,004	1,209	20,342	2,805	47,865
Business receipts.....	1,788,570	23,288	38	784	931	1,187	17,837	2,511	45,522
Domestic stock dividends eligible for deduction.....	685	3	-	3	(1)	-	-	-	(1)
Other stock dividends.....	1,970	1	-	(1)	1	-	-	(1)	5
Interest on U. S. Government obligations.....	504	5	-	-	-	-	-	-	5
Other interest.....	4,348	62	7	3	13	6	25	7	33
Rental income.....	2,113	509	180	24	28	2	123	152	29
Net gain from sales of capital assets.....	637	4	-	(1)	2	2	2	(1)	182
Net gain, sales of property other than capital assets.....	119	13	-	11	-	(1)	1	(1)	-
Patronage dividends received.....	18,307	35	1	2	(1)	11	15	6	319
Other income.....	32,101	2,624	55	77	32	-	2,332	129	1,770
Total deductions before net income.....	1,846,274	26,627	282	915	970	1,184	20,443	2,835	47,686
Cost of sales and operations.....	1,651,128	19,691	99	603	579	688	15,864	1,859	40,525
Beginning inventory.....	157,540	138	1	10	22	12	12	82	1,636
Merchandise bought.....	1,508,065	1,676	20	241	192	59	421	744	33,674
Salaries and wages.....	109,852	15,401	73	319	140	418	13,875	577	2,956
Other costs.....	21,345	1,012	1	44	1	8	737	220	242
Ending inventory.....	160,283	121	1	11	18	12	4	76	1,591
Total only shown.....	14,609	1,585	5	-	242	203	823	312	3,608
Compensation of officers.....	3,025	93	3	3	4	2	35	45	148
Charitable contribution.....	66	1	(1)	(1)	-	(1)	(1)	1	2
Rents paid.....	2,657	442	11	7	(1)	4	255	172	113
Repairs.....	6,219	222	7	13	31	47	79	45	168
Bad debts.....	8,983	23	(1)	2	3	-	11	7	28
Interest paid.....	10,239	137	58	8	15	8	27	23	110
Taxes.....	13,800	820	27	39	35	44	599	76	408
Amortization.....	72	1	-	-	-	-	1	-	(1)
Depreciation.....	22,688	596	33	75	111	91	186	100	482
Depletion.....	880	-	-	-	-	-	-	-	-
Advertising.....	4,649	13	1	1	-	-	-	-	7
Pension plan contributions.....	2,888	10	-	-	-	(1)	3	-	152
Other employee benefit plan contributions.....	1,399	89	-	-	(1)	17	-	10	19
Net loss, sales of property other than capital assets.....	608	1	-	-	(1)	1	70	2	15
Patronage dividends paid, total.....	57,148	674	5	19	65	28	478	80	1,231
Cash.....	17,685	263	-	6	43	19	187	9	545
Qualified notices.....	17,390	270	3	7	-	-	254	7	433
Nonqualified notices.....	11,634	85	(1)	2	-	9	31	41	110
Other property.....	10,439	56	1	5	20	(1)	6	23	143
Other deductions.....	59,827	3,814	39	153	126	253	2,835	407	4,276
Net income.....	12,615	142	12	11	44	30	13	32	520
Net deficit.....	9,336	225	13	23	9	5	114	62	340
Deductions after net income:									
Dividends paid on capital stock.....	7,571	12	1	3	3	(1)	-	5	123
Nonpatronage income allocated to patrons.....	1,328	16	-	6	-	1	6	3	4
Net operating loss carryforward.....	1,042	51	2	2	18	20	6	4	338
Dividends received deduction.....	210	(1)	-	-	(1)	-	-	-	(1)
Taxable income.....	2,387	63	9	-	24	9	2	20	54
Income tax before credits.....	765	18	3	-	7	3	(1)	6	16
Investment credit.....	32	(1)	-	-	(1)	-	-	(1)	1
Income tax after credits.....	733	18	3	-	7	3	(1)	6	15
Returns with balance sheets:									
Number of returns.....	1,431	162	8	22	16	11	61	44	89
(Thousand dollars)									
Total assets.....	836,128	12,451	1,437	1,107	2,056	819	3,997	3,034	14,102
Cash.....	40,060	2,304	116	230	365	90	1,027	476	2,589
Notes and accounts receivable.....	202,974	2,004	2	128	92	37	965	779	2,545
Less: Reserve for bad debts.....	7,111	30	(1)	4	-	8	15	4	94
Inventories.....	160,891	307	34	17	24	62	17	154	1,339
Other current assets.....	9,170	323	14	10	230	2	39	28	221
Investments in Government obligations.....	12,331	162	-	-	-	-	162	-	179
Other investments.....	175,902	948	142	82	121	205	150	248	2,078
Depreciable assets.....	380,341	10,821	1,274	1,540	2,211	847	2,342	2,606	10,607
Less: Accumulated amortization and depreciation.....	164,936	5,287	240	933	1,095	463	1,129	1,426	5,795
Depletable assets.....	5,571	8	-	-	-	-	8	-	-
Less: Accumulated depletion.....	3,440	6	-	-	-	-	6	-	-
Land.....	13,217	756	90	26	95	25	369	151	160
Other assets.....	11,158	142	6	11	13	23	68	20	274
Total liabilities.....	287,942	5,273	947	618	992	197	1,455	1,062	3,648
Accounts payable.....	99,599	1,596	4	29	264	52	481	768	1,602
Mortgages, notes, and bonds payable in less than one year.....	53,778	607	72	104	57	45	233	97	455
Other current liabilities.....	31,107	655	2	120	6	8	476	42	497
Mortgages, notes, and bonds payable in one year or more.....	91,042	1,635	869	224	132	88	199	122	548
Other liabilities.....	12,415	779	(1)	141	533	4	67	34	546
Net worth.....	548,186	7,178	490	489	1,064	622	2,542	1,971	10,454
Preferred stock.....	196,209	1,145	103	290	118	10	48	576	2,128
Part-paid stock.....	2,973	100	-	-	-	-	-	100	81
Common stock.....	135,124	1,800	27	169	689	575	301	39	2,370
Paid-in or capital surplus.....	20,034	591	19	-9	126	50	274	130	361
Reserves, total.....	193,845	3,542	342	39	130	-13	1,918	1,126	5,514
Patrons equity reserve.....	137,291	3,040	273	109	232	47	1,528	850	3,249
Other reserves.....	16,719	132	5	7	-22	12	41	90	243
Total only shown.....	39,836	370	65	-78	-80	-73	350	186	2,022
Returns with explanation of services:									
Total number of returns.....	1,218	-	-	-	-	-	-	-	44
With produce marketed and handled.....	334	-	-	-	-	-	-	-	33
With supplies purchased.....	1,218	-	-	-	-	-	-	-	25
(Thousand dollars)									
Business receipts.....	1,665,607	-	-	-	-	-	-	-	31,963
Services, total.....	1,684,940	-	-	-	-	-	-	-	48,744
Produce marketed and handled.....	257,031	-	-	-	-	-	-	-	42,010
Supplies purchased.....	1,427,909	-	-	-	-	-	-	-	6,734

¹Less than \$500.

FARMERS' COOPERATIVE INCOME TAX RETURNS FOR 1963

Table 12.—EXEMPT COOPERATIVES: INCOME STATEMENT AND BALANCE SHEET BY STATE

	Total U. S.	Alabama	Arizona	Arkansas	California	Colorado	Connecticut	Florida	Georgia	Hawaii
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
Number of returns, by commodity marketed, total.....	5,574	62	12	90	410	30	17	64	88	16
Cotton.....	389	4	5	20	30	-	-	-	6	-
Dairy products.....	977	-	2	1	20	8	4	4	11	2
Fruits and vegetables.....	446	2	3	3	216	4	2	38	-	6
Grain.....	1,083	-	-	4	11	10	-	-	-	-
Livestock.....	678	7	-	3	8	2	3	3	11	2
Nuts.....	23	-	-	-	16	-	-	-	1	-
Poultry.....	65	-	-	-	14	-	1	1	3	2
Tobacco.....	30	-	-	-	-	-	1	2	-	-
Wool.....	40	-	-	-	-	1	-	-	-	-
Other crops.....	99	2	-	17	13	-	-	-	-	3
Farm supply and general service.....	1,631	42	2	38	71	3	6	15	50	3
Undetermined.....	113	5	-	4	11	2	-	1	4	-
(Thousand dollars)										
Total receipts.....	8,939,872	39,159	17,888	143,228	1,264,106	22,142	61,267	74,507	255,693	10,332
Business receipts.....	8,702,066	37,372	17,701	139,978	1,240,429	21,093	60,446	71,232	247,929	9,955
Domestic stock dividends eligible for deduction.....	1,476	(1)	-	(1)	340	4	-	1	-	-
Other stock dividends.....	4,270	8	14	110	282	8	1	7	21	-
Interest on U. S. Government obligations.....	1,165	-	1	-	80	(1)	-	13	-	-
Other interest.....	12,642	53	7	102	828	11	32	316	726	20
Rental income.....	10,384	166	10	1,209	692	14	33	73	276	2
Net gain from sales of capital assets.....	2,179	161	28	27	701	(1)	(1)	4	83	-
Net gain, sales of property other than capital assets.....	778	26	50	4	50	7	2	35	14	-
Patronage dividends received.....	52,008	1,079	27	822	3,084	146	3	312	4,282	5
Other income.....	152,905	293	51	976	17,619	857	749	2,515	2,362	351
Total deductions before net income.....	8,919,302	38,855	17,943	142,289	1,268,650	21,922	61,309	74,383	255,585	10,325
Cost of sales and operations.....	7,989,201	35,116	16,158	126,603	1,075,244	20,250	57,329	61,013	217,054	9,597
Beginning inventory.....	888,621	1,083	855	1,987	98,132	773	325	3,928	17,179	196
Merchandise bought.....	6,813,173	23,779	4,980	117,380	775,429	19,774	50,006	38,355	191,932	8,911
Salaries and wages.....	514,197	1,635	1,368	5,349	97,236	664	2,112	9,426	15,750	464
Other costs.....	408,880	315	1,434	3,341	149,773	64	521	13,378	5,541	6
Ending inventory.....	1,060,544	1,465	868	2,389	111,028	1,259	368	7,080	13,386	239
Total only shown.....	424,874	9,769	8,389	935	65,702	234	4,733	3,006	38	259
Compensation of officers.....	12,146	98	65	173	2,892	30	27	331	672	43
Charitable contribution.....	582	2	7	40	5	4	2	4	9	(1)
Rents paid.....	13,499	132	3	74	2,350	60	29	268	632	25
Repairs.....	37,260	72	81	497	8,019	79	120	912	1,290	16
Bad debts.....	13,760	76	9	46	6,590	13	26	120	229	12
Interest paid.....	54,052	288	59	1,863	5,099	91	65	283	2,956	25
Taxes.....	76,736	198	174	690	27,225	215	223	773	1,444	32
Amortization.....	554	4	1	54	(1)	-	-	-	1	1
Depreciation.....	109,031	327	408	2,221	13,348	283	348	1,340	2,753	54
Depletion.....	2,158	-	-	-	224	-	-	-	-	-
Advertising.....	27,987	36	8	99	6,965	17	297	127	821	24
Pension plan contributions.....	10,702	11	37	139	2,540	5	31	74	104	-
Other employee benefit plan contributions.....	7,072	(1)	9	53	1,693	7	61	67	36	(1)
Net loss, sales of property other than capital assets.....	2,605	1	-	1	967	1	-	(1)	-	(1)
Patronage dividends paid, total.....	227,017	1,508	386	5,064	38,443	312	1,548	5,919	9,263	77
Cash.....	75,181	441	225	900	23,053	36	10	3,618	3,288	21
Qualified notices.....	68,832	39	40	715	4,480	166	26	748	571	45
Nonqualified notices.....	48,084	839	37	2,664	2,293	67	931	1,098	5,195	(1)
Other property.....	34,919	189	84	786	8,617	42	580	455	209	11
Other deductions.....	334,940	986	543	4,759	76,956	552	1,201	3,154	18,320	418
Net income.....	42,279	380	56	1,068	5,481	269	20	273	399	10
Net deficit.....	-21,708	-76	-111	-130	-10,025	-49	-63	-150	-291	-3
Deductions after net income:										
Dividends paid on capital stock.....	20,246	24	6	966	2,935	30	10	88	7	10
Nonpatronage income allocated to patrons.....	10,388	8	-	14	1,390	211	1	89	6	-
Net operating loss carryforward.....	3,822	321	-	80	899	13	2	21	364	(1)
Dividends received deduction.....	658	-	-	-	180	(1)	-	(1)	-	-
Taxable income.....	7,384	27	50	8	123	14	7	74	21	-
Income tax before credits.....	2,352	8	13	2	33	4	2	21	5	-
Investment credit.....	172	2	-	(1)	1	1	-	1	(1)	-
Income tax after credits.....	2,180	6	13	2	32	3	2	20	5	-
Total assets.....	4,064,555	17,058	9,065	73,979	511,538	10,731	11,243	48,496	83,790	2,662
Cash.....	245,322	1,269	1,131	2,295	41,416	628	2,013	8,753	3,373	304
Notes and accounts receivable.....	754,968	3,935	1,983	8,973	97,536	2,390	4,289	9,432	26,420	1,235
Less: Reserve for bad debts.....	17,990	73	6	330	849	13	117	94	682	12
Inventories.....	1,178,723	2,197	1,003	19,772	116,803	1,359	403	8,308	13,894	275
Other current assets.....	71,365	288	31	408	12,538	76	45	799	529	56
Investments in Government obligations.....	37,336	-	20	111	80	2	25	1,212	-	-
Other investments.....	516,425	4,547	1,345	6,582	93,329	793	354	7,914	14,920	14
Depreciable assets.....	2,047,595	6,072	6,007	52,833	251,543	8,584	5,269	25,516	37,520	1,049
Less: Accumulated amortization and depreciation.....	924,109	1,581	2,702	19,144	129,174	3,304	1,730	14,255	16,383	347
Depletable assets.....	12,660	-	-	-	1,596	-	-	-	8	-
Less: Accumulated depletion.....	5,079	-	-	-	580	-	-	-	2	-
Land.....	47,899	244	178	981	7,562	70	285	427	1,596	65
Other assets.....	99,441	159	78	1,499	19,739	147	407	485	2,599	23
Total liabilities.....	2,109,988	8,154	4,318	39,730	261,976	5,603	5,115	20,474	38,394	1,549
Accounts payable.....	532,903	3,311	1,121	6,454	61,611	1,609	3,329	8,724	10,901	892
Mortgages, notes, and bonds payable in less than one year.....	737,343	1,028	1,766	15,697	73,839	514	503	3,488	13,045	186
Other current liabilities.....	330,634	1,167	107	1,625	68,854	407	117	2,048	2,513	28
Mortgages, notes, and bonds payable in one year or more.....	385,748	1,852	1,270	15,776	25,022	1,179	1,119	5,204	11,554	139
Other liabilities.....	123,361	795	54	177	32,650	1,896	47	1,011	381	304
Net worth.....	1,954,567	8,904	4,748	34,248	249,562	5,128	6,129	28,022	45,396	1,113
Preferred stock.....	395,121	171	-	10,600	6,097	938	173	3,781	1,579	-
Part-paid stock.....	36,999	-	-	119	1	396	1	-	-	3
Common stock.....	404,412	178	(1)	1,792	22,246	1,308	91	1,429	652	602
Paid-in or capital surplus.....	82,852	156	(1)	912	9,032	39	72	2,753	1,551	22
Reserves, total.....	1,035,183	8,400	4,747	20,825	212,186	2,446	5,791	20,059	41,614	486
Patrons equity.....	794,536	7,202	4,315	16,743	160,825	1,426	2,912	12,006	37,045	169
Other reserves.....	83,316	676	432	1,082	8,177	187	196	1,433	527	42
Total only shown.....	157,331	521	259	1,089	43,184	834	2,683	6,619	4,042	275

Footnote at end of table.

FARMERS' COOPERATIVE INCOME TAX RETURNS FOR 1963

Table 12.—EXEMPT COOPERATIVES: INCOME STATEMENT AND BALANCE SHEET BY STATE—Continued

	Idaho	Illinois	Indiana	Iowa	Kansas	Kentucky	Louisiana	Maine	Maryland	Massachusetts
	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)	(20)
Number of returns, by commodity marketed, total.....	44	110	77	135	197	46	34	8	27	15
Cotton.....	-	-	-	-	-	-	5	-	-	-
Dairy products.....	8	7	8	80	10	5	5	1	4	3
Fruits and vegetables.....	-	5	1	2	1	1	4	4	2	3
Grain.....	15	68	15	20	118	-	-	-	-	-
Livestock.....	-	8	9	24	50	20	1	-	1	-
Nuts.....	-	-	-	-	-	-	-	-	-	-
Poultry.....	1	-	1	2	-	-	-	-	1	-
Tobacco.....	-	-	-	-	-	8	-	-	1	1
Wool.....	1	-	-	1	-	-	-	-	-	1
Other crops.....	3	4	-	-	-	-	7	-	-	-
Farm supply and general service.....	12	14	39	5	16	11	11	3	16	6
Undetermined.....	4	4	4	1	2	1	1	-	2	1
	(Thousand dollars)									
Total receipts.....	61,387	299,629	406,910	254,667	258,123	29,253	44,421	14,541	87,024	48,494
Business receipts.....	59,971	294,640	399,531	249,929	235,489	28,278	43,513	14,362	85,404	48,023
Domestic stock dividends eligible for deduction.....	27	7	(1)	7	67	-	1	(1)	(1)	-
Other stock dividends.....	(1)	17	43	68	257	7	360	(1)	1	20
Interest on U. S. Government obligations.....	(1)	28	143	(1)	49	19	-	(1)	12	(1)
Other interest.....	72	78	265	156	163	26	18	11	143	45
Rental income.....	39	35	113	47	76	172	54	6	22	19
Net gain from sales of capital assets.....	5	18	105	13	10	16	2	1	6	13
Net gain, sales of property other than capital assets.....	9	1	6	22	21	8	55	1	9	3
Patronage dividends received.....	305	1,358	1,843	944	4,915	30	87	25	32	13
Other income.....	959	3,448	4,859	3,481	17,077	697	332	134	1,395	358
Total deductions before net income.....	61,226	299,212	405,415	253,706	252,007	28,998	44,375	14,498	86,626	48,090
Cost of sales and operations.....	55,020	281,208	377,559	237,193	224,187	26,579	40,017	12,825	77,824	37,265
Beginning inventory.....	2,362	8,684	10,244	9,088	12,818	329	1,738	566	2,553	2,837
Merchandise bought.....	44,972	266,017	176,569	198,595	215,727	6,925	31,982	2,206	70,790	22,149
Salaries and wages.....	3,474	11,478	19,474	7,993	12,092	1,730	2,075	871	4,054	3,700
Other costs.....	6,198	5,357	2,800	2,015	1,993	364	1,340	272	2,959	11,248
Ending inventory.....	2,251	10,990	10,484	8,217	18,886	420	1,982	416	2,535	2,734
Total only shown.....	265	662	178,956	27,719	443	17,651	4,864	9,326	3	65
Compensation of officers.....	64	238	209	173	107	151	134	45	227	115
Charitable contribution.....	3	5	15	10	17	2	1	(1)	3	4
Rents paid.....	19	255	218	92	171	14	33	15	107	566
Repairs.....	208	1,489	1,427	545	636	54	307	56	312	272
Bad debts.....	46	213	286	18	99	3	36	16	41	126
Interest paid.....	193	1,120	949	566	1,407	80	185	104	503	173
Taxes.....	444	1,072	2,703	935	2,155	175	214	141	348	504
Amortization.....	(1)	21	23	2	-	-	(1)	-	8	1
Depreciation.....	671	3,095	4,294	2,180	4,872	324	689	158	749	670
Depletion.....	-	17	1,054	-	-	-	-	-	-	-
Advertising.....	160	391	673	465	501	63	79	24	72	3,339
Pension plan contributions.....	61	142	626	108	163	45	32	12	144	108
Other employee benefit plan contributions.....	34	77	207	101	156	6	16	19	77	6
Net loss, sales of property other than capital assets.....	(1)	93	31	43	4	2	124	-	-	-
Patronage dividends paid, total.....	1,369	5,903	5,819	4,714	9,331	493	886	446	1,771	1,440
Cash.....	97	1,168	1,142	630	2,132	56	418	166	687	1,318
Qualified notices.....	222	425	3,383	1,281	5,990	191	397	238	787	44
Nonqualified notices.....	1,006	267	143	2,343	725	117	68	-	294	-
Other property.....	45	4,043	1,152	460	485	129	2	43	2	79
Other deductions.....	2,933	3,872	9,321	6,559	8,200	1,008	1,623	636	4,440	3,501
Net income.....	186	610	1,645	1,200	6,348	348	189	82	418	411
Net deficit.....	-24	-193	-151	-239	-231	-93	-144	-39	-21	-7
Deductions after net income:										
Dividends paid on capital stock.....	160	267	931	256	849	198	15	76	351	289
Nonpatronage income allocated to patrons.....	18	32	280	564	4,247	-	-	-	9	27
Net operating loss carryforward.....	4	23	58	26	5	7	30	6	47	68
Dividends received deduction.....	-	5	(1)	5	27	-	(1)	-	(1)	-
Taxable income.....	4	285	376	349	1,221	143	145	(1)	12	26
Income tax before credits.....	1	86	128	110	454	41	32	(1)	3	8
Investment credit.....	(1)	6	1	19	20	1	(1)	-	(1)	(1)
Income tax after credits.....	1	80	127	91	434	40	32	(1)	3	8
Total assets.....	29,789	77,744	151,646	55,267	135,971	13,976	19,059	6,049	37,131	27,013
Cash.....	3,707	6,591	7,509	4,684	9,671	1,659	1,123	395	2,478	1,884
Notes and accounts receivable.....	5,380	16,473	23,493	11,120	11,965	1,032	5,790	1,633	8,096	4,292
Less: Reserve for bad debts.....	110	634	970	31	159	43	12	62	19	159
Inventories.....	2,699	11,483	31,444	10,998	20,549	4,223	3,274	1,325	8,430	4,295
Other current assets.....	431	606	1,396	809	3,958	94	232	62	578	7,324
Investments in Government obligations.....	19	868	1,862	23	2,437	-	-	11	602	3
Other investments.....	7,847	9,145	45,928	5,177	18,796	1,049	1,228	723	2,324	1,200
Depreciable assets.....	18,018	53,201	78,601	41,159	109,519	7,894	11,615	3,380	12,980	14,586
Less: Accumulated amortization and depreciation.....	9,371	21,464	38,488	20,034	42,437	3,222	4,716	1,866	5,046	7,195
Depletable assets.....	-	-	5,396	-	-	-	(1)	5	-	-
Less: Accumulated depletion.....	-	-	1,054	-	-	-	-	-	-	-
Land.....	396	1,141	352	479	874	765	235	104	449	164
Other assets.....	773	335	520	882	798	70	285	344	6,260	618
Total liabilities.....	7,533	41,081	37,591	25,152	61,526	5,930	11,050	2,173	19,816	13,076
Accounts payable.....	4,159	17,754	17,409	5,365	11,215	657	5,196	641	7,712	3,117
Mortgages, notes, and bonds payable in less than one year.....	1,259	5,346	5,345	5,059	9,947	4,040	2,847	878	887	717
Other current liabilities.....	818	2,711	4,312	4,250	12,512	228	696	134	216	7,397
Mortgages, notes, and bonds payable in one year or more.....	827	11,790	14,023	7,091	16,957	883	2,256	436	2,777	1,804
Other liabilities.....	470	3,482	845	3,386	10,894	122	55	85	8,222	41
Net worth.....	22,256	36,663	109,712	30,116	74,446	8,046	8,010	3,876	17,315	13,937
Preferred stock.....	2,616	21,571	23,065	3,740	11,568	334	1,486	587	5,901	2,573
Part-paid stock.....	82	114	3,613	15	1,709	14	-	-	-	-
Common stock.....	917	2,711	67,694	1,839	22,040	4,605	145	1,380	130	5,754
Paid-in or capital surplus.....	2,337	587	482	1,453	4,601	-591	118	39	1,626	76
Reserves, total.....	16,303	11,681	14,858	23,069	34,529	3,683	6,261	1,870	9,657	5,534
Patrons equity.....	16,063	4,252	9,706	17,071	22,294	749	5,330	1,690	1,327	2,259
Other reserves.....	134	-2,180	3,595	4,104	6,781	1,442	93	93	1,436	2,346
Total only shown.....	107	9,608	1,557	1,894	5,454	1,492	839	87	6,895	929

Footnote at end of table.

FARMERS' COOPERATIVE INCOME TAX RETURNS FOR 1963

Table 12.—EXEMPT COOPERATIVES: INCOME STATEMENT AND BALANCE SHEET BY STATE—Continued

	New York	North Carolina	North Dakota	Ohio	Oklahoma	Oregon	Pennsylvania	South Carolina	South Dakota	Tennessee
	(31)	(32)	(33)	(34)	(35)	(36)	(37)	(38)	(39)	(40)
Number of returns, by commodity marketed, total.....	327	66	332	134	75	82	155	19	143	123
Cotton.....	-	-	-	-	34	-	-	1	-	-
Dairy products.....	47	15	19	20	3	22	26	2	23	6
Fruits and vegetables.....	12	4	1	7	-	17	10	2	-	4
Grain.....	-	-	219	45	22	11	-	-	83	1
Livestock.....	65	33	14	5	3	2	39	7	3	5
Nuts.....	-	-	-	-	2	3	-	-	-	-
Poultry.....	5	-	-	-	-	1	6	1	2	-
Tobacco.....	-	4	-	-	-	-	1	-	-	8
Wool.....	-	-	-	1	-	1	21	-	-	-
Other crops.....	2	1	-	-	-	1	1	-	2	1
Farm supply and general service.....	195	6	79	52	11	21	46	2	29	97
Undetermined.....	1	3	-	4	-	3	5	4	1	1
	(Thousand dollars)									
Total receipts.....	484,944	107,640	184,365	384,931	136,290	201,785	184,754	1,462	87,181	114,852
Business receipts.....	475,912	106,872	176,442	374,774	133,397	197,043	177,442	1,393	83,769	112,361
Domestic stock dividends eligible for deduction.....	17	-	2	117	55	4	145	-	-	13
Other stock dividends.....	12	3	1	197	70	9	61	(¹)	3	252
Interest on U. S. Government obligations.....	87	-	(¹)	12	(¹)	-	25	-	-	(¹)
Other interest.....	926	20	237	840	69	611	146	1	98	79
Rental income.....	1,107	96	76	813	147	270	115	8	72	133
Net gain from sales of capital assets.....	60	23	6	317	6	78	21	-	2	24
Net gain, sales of property other than capital assets.....	1	1	7	37	1	3	-	-	-	-
Patronage dividends received.....	134	23	2,259	414	721	843	795	-	866	719
Other income.....	6,688	601	5,335	7,412	1,825	2,894	6,001	59	2,364	1,269
Total deductions before net income.....	483,292	109,613	183,876	383,066	135,468	201,488	183,598	1,473	87,001	113,867
Cost of sales and operations.....	437,103	87,973	164,304	354,930	127,275	168,793	160,318	1,236	78,742	104,193
Beginning inventory.....	13,778	337,456	62,764	27,421	5,803	23,116	10,146	14	19,534	8,432
Merchandise bought.....	379,140	182,283	154,341	317,503	123,238	124,022	114,884	1,093	73,347	86,101
Salaries and wages.....	29,785	7,988	7,236	21,750	4,324	20,332	17,976	93	4,026	6,054
Other costs.....	18,418	22,598	4,393	5,633	1,753	19,763	21,982	19	-424	2,584
Ending inventory.....	14,369	463,596	64,677	27,123	8,113	22,179	10,924	20	19,242	10,985
Total only shown.....	10,351	1,244	247	9,746	270	3,737	6,654	37	1,501	12,007
Compensation of officers.....	312	120	97	542	24	426	671	16	49	299
Charitable contribution.....	13	3	85	7	21	3	8	(¹)	11	2
Rents paid.....	651	302	189	999	92	609	1,164	3	94	249
Repairs.....	1,514	379	558	1,121	296	1,964	989	9	237	292
Bad debts.....	464	148	68	666	55	542	165	4	41	257
Interest paid.....	2,544	14,249	473	1,761	474	1,670	872	3	347	519
Taxes.....	2,655	648	1,116	2,621	724	3,030	1,350	8	567	607
Amortization.....	45	4	(¹)	29	-	22	117	-	17	-
Depreciation.....	5,305	1,344	2,326	4,214	1,576	3,546	2,914	35	1,220	1,874
Depletion.....	-	-	-	-	-	10	-	-	-	-
Advertising.....	1,059	432	322	963	197	1,232	1,242	1	182	462
Pension plan contributions.....	471	174	98	717	95	263	440	-	30	94
Other employee benefit plan contributions.....	185	160	89	234	41	612	216	-	36	6
Net loss, sales of property other than capital assets.....	498	8	14	9	8	4	113	-	4	2
Patronage dividends paid, total.....	7,807	578	7,862	3,487	2,511	6,138	2,676	28	3,061	2,470
Cash.....	1,527	108	2,039	1,193	1,451	2,116	728	1	921	455
Qualified notices.....	610	301	3,193	979	681	2,253	519	5	520	1,197
Nonqualified notices.....	5,329	94	2,345	471	46	950	753	-	1,443	738
Other property.....	340	75	284	844	332	818	676	23	177	80
Other deductions.....	22,664	3,093	6,275	10,765	2,080	12,624	10,343	129	2,380	2,526
Net income.....	2,429	378	656	2,460	916	619	1,395	9	283	1,096
Net deficit.....	-777	-2,351	-168	-594	-94	-321	-240	-21	-104	-111
Deductions after net income:										
Dividends paid on capital stock.....	517	305	140	1,561	570	229	1,063	-	95	798
Nonpatronage income allocated to patrons.....	230	-	286	194	4	76	11	-	59	37
Net operating loss carryforward.....	527	13	28	385	10	42	49	9	(¹)	24
Dividends received deduction.....	13	-	2	95	44	-	14	-	2	-
Taxable income.....	1,144	60	201	235	287	271	258	(¹)	126	238
Income tax before credits.....	343	17	58	71	105	122	90	(¹)	42	66
Investment credit.....	20	2	14	3	6	6	26	-	3	(¹)
Income tax after credits.....	323	15	56	57	102	116	64	(¹)	39	66
Total assets.....	181,940	485,435	146,754	141,673	45,830	109,458	85,316	1,105	50,759	74,755
Cash.....	8,974	1,307	6,767	1,898	4,791	6,447	4,577	81	3,537	3,992
Notes and accounts receivable.....	89,560	4,425	20,245	34,029	6,447	24,336	19,200	60	5,333	10,376
Less: Reserve for bad debts.....	204	51	614	948	35	1,533	322	5	147	739
Inventories.....	18,159	463,997	65,890	28,269	8,246	26,877	13,537	375	19,552	27,989
Other current assets.....	1,634	244	2,968	1,149	107	1,626	1,474	15	1,022	884
Investments in Government obligations.....	3,369	2,006	3	937	481	73	663	-	-	122
Other investments.....	9,475	641	11,749	23,720	10,468	10,548	11,460	24	4,742	7,541
Depreciable assets.....	79,479	19,962	52,956	76,255	37,532	74,240	54,130	740	23,232	26,892
Less: Accumulated amortization and depreciation.....	35,749	8,862	23,313	36,538	20,009	37,778	23,053	213	9,263	7,164
Depletable assets.....	-	-	-	-	-	733	-	-	-	-
Less: Accumulated depletion.....	-	-	-	-	-	239	-	-	-	-
Land.....	1,237	1,487	360	3,157	440	2,533	1,597	26	264	1,470
Other assets.....	6,007	320	9,743	1,892	255	3,251	2,052	1	2,483	3,390
Total liabilities.....	106,691	510,319	90,134	70,781	11,445	49,075	34,495	639	28,003	41,799
Accounts payable.....	24,062	2,952	59,318	29,161	2,453	11,556	12,917	457	14,349	5,286
Mortgages, notes, and bonds payable in less than one year.....	10,273	451,595	1,305	7,063	2,433	15,693	6,806	19	909	6,048
Other current liabilities.....	23,605	52,937	24,420	3,333	2,083	7,556	6,600	10	8,170	3,428
Mortgages, notes, and bonds payable in one year or more.....	46,630	2,372	2,697	27,973	2,964	7,987	11,715	137	2,718	26,008
Other liabilities.....	2,122	464	2,393	3,251	1,509	6,283	1,397	16	1,858	1,028
Net worth.....	75,249	-24,885	56,620	70,892	34,386	60,382	50,821	466	22,756	32,956
Preferred stock.....	11,158	5,205	1,636	36,645	1,302	4,831	19,123	178	1,264	19,515
Part-paid stock.....	10	4	16,115	558	147	188	573	-	3,256	50
Common stock.....	4,742	6,148	23,994	18,039	17,680	2,932	11,312	72	7,725	592
Paid-in or capital surplus.....	985	1,098	1,473	995	447	8,802	1,883	28	224	373
Reserves, total.....	58,335	-37,338	13,402	14,654	14,810	43,630	17,930	188	10,287	12,425
Patrons equity.....	37,445	4,508	11,529	9,675	2,858	23,571	10,222	179	7,549	6,987
Other reserves.....	4,972	-223	376	3,038	2,479	-13	3,567	-56	797	1,109
Total only shown.....	15,938	-41,623	1,497	1,941	9,474	20,073	4,141	66	1,941	4,329

Footnote at end of table.

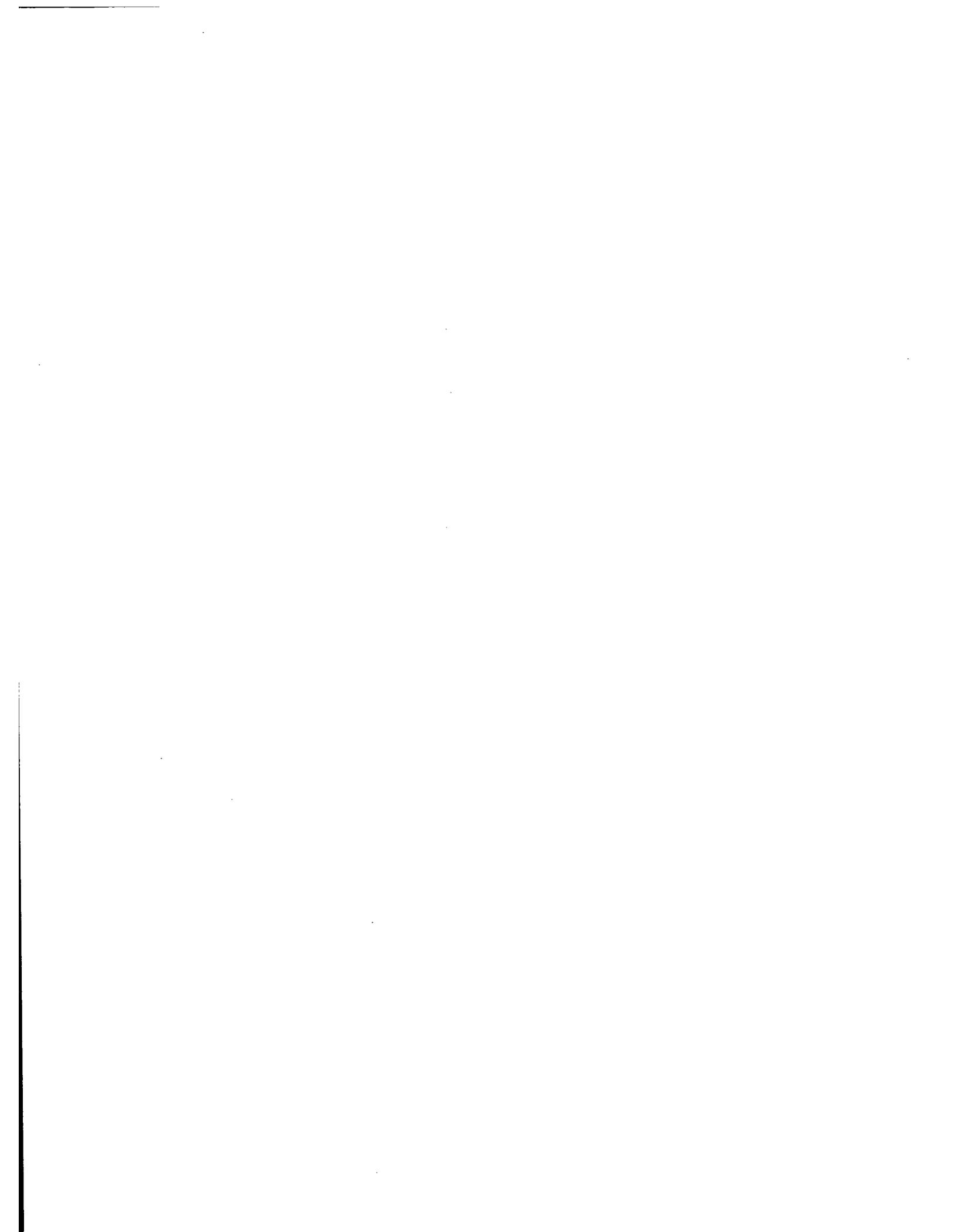
FARMERS' COOPERATIVE INCOME TAX RETURNS FOR 1963

Table 12.—EXEMPT COOPERATIVES: INCOME STATEMENT AND BALANCE SHEET BY STATE—Continued

	Texas	Utah	Vermont	Virginia	Washington and Alaska	West Virginia	Wisconsin	Wyoming
	(41)	(42)	(43)	(44)	(45)	(46)	(47)	(48)
Number of returns, by commodity marketed, total.....	390	15	18	192	177	16	375	9
Cotton.....	254	-	-	-	-	-	-	-
Dairy products.....	6	3	11	16	13	2	182	2
Fruits and vegetables.....	7	-	-	4	49	1	2	-
Grain.....	45	2	-	2	31	-	-	-
Livestock.....	3	1	3	13	4	4	111	1
Nuts.....	1	-	-	-	-	-	-	-
Poultry.....	1	2	-	3	-	-	1	-
Tobacco.....	-	-	-	4	-	-	-	-
Wool.....	-	1	-	1	1	2	1	-
Other crops.....	14	1	-	-	6	-	3	3
Farm supply and general service.....	50	5	3	149	68	7	70	1
Undetermined.....	9	-	1	-	5	-	5	2
	(Thousands dollars)							
Total receipts.....	353,532	86,243	31,419	233,606	401,136	2,794	374,466	5,151
Business receipts.....	337,840	85,312	31,269	226,835	391,232	2,745	369,717	5,021
Domestic stock dividends eligible for deduction.....	33	88	(¹)	152	6	2	3	-
Other stock dividends.....	493	3	(¹)	1,014	465	4	31	(¹)
Interest on U. S. Government obligations.....	11	-	(¹)	(¹)	14	(¹)	23	-
Other interest.....	278	50	16	1,049	1,089	2	450	3
Rental income.....	884	41	31	203	454	2	247	(¹)
Net gain from sales of capital assets.....	19	9	2	22	271	(¹)	48	-
Net gain, sales of property other than capital assets.....	15	1	(¹)	14	145	-	65	-
Patronage dividends received.....	4,768	73	3	1,844	2,661	18	2,661	39
Other income.....	9,192	664	97	2,473	4,798	23	1,221	88
Total deductions before net income.....	353,166	86,021	31,548	231,206	399,275	2,777	373,795	5,171
Cost of sales and operations.....	305,743	80,144	29,553	210,613	352,240	2,498	336,424	4,726
Beginning inventory.....	8,042	3,095	464	19,445	22,708	195	13,139	439
Merchandise bought.....	275,686	60,613	26,533	191,200	307,055	1,811	285,992	2,457
Salaries and wages.....	18,272	2,744	1,373	14,843	32,371	367	27,772	286
Other costs.....	5,765	6,592	1,464	4,204	10,500	308	18,411	497
Ending inventory.....	7,401	3,237	522	19,455	23,286	198	13,345	436
Total only shown.....	5,379	10,337	241	376	2,892	15	4,455	1,483
Compensation of officers.....	482	120	12	479	672	12	387	5
Charitable contribution.....	12	1	(¹)	6	2	1	8	(¹)
Rents paid.....	582	30	9	166	267	4	389	2
Repairs.....	3,303	160	44	497	1,643	13	1,478	17
Bad debts.....	403	87	37	368	709	2	170	12
Interest paid.....	1,814	77	48	1,612	2,639	11	598	29
Taxes.....	1,958	186	136	1,621	4,606	40	2,447	27
Amortization.....	30	-	-	2	2	-	(¹)	-
Depreciation.....	8,077	493	294	2,645	5,704	57	4,488	52
Depletion.....	-	-	-	-	-	-	-	-
Advertising.....	616	250	16	365	1,241	12	1,084	11
Pension plan contributions.....	224	35	9	344	547	-	623	-
Other employee benefit plan contributions.....	29	106	21	101	886	7	756	64
Net loss, sales of property other than capital assets.....	42	-	-	45	40	(¹)	60	1
Patronage dividends paid, total.....	16,115	1,986	204	4,227	13,883	15	8,535	95
Cash.....	5,695	(¹)	89	921	3,671	8	2,181	3
Qualified notices.....	6,445	317	28	307	7,186	-	2,378	12
Nonqualified notices.....	2,224	1,669	35	1,241	1,151	2	2,195	64
Other property.....	1,551	-	52	1,758	1,895	5	1,781	17
Other deductions.....	13,736	2,347	1,166	8,114	14,192	105	16,349	193
Net income.....	1,378	245	22	2,739	2,165	26	1,124	6
Net deficit.....	-1,012	-24	-151	-339	-304	-8	-453	-26
Deductions after net income:								
Dividends paid on capital stock.....	592	42	7	2,389	1,687	21	662	6
Nonpatronage income allocated to patrons.....	282	-	-	71	318	(¹)	258	-
Net operating loss carryforward.....	159	98	-	156	39	3	57	(¹)
Dividends received deduction.....	3	75	-	122	5	1	(¹)	-
Taxable income.....	341	31	15	123	118	1	146	1
Income tax before credits.....	95	9	4	37	34	(¹)	41	(¹)
Investment credit.....	14	1	4	1	2	(¹)	4	-
Income tax after credits.....	81	8	(¹)	36	32	(¹)	37	(¹)
Total assets.....	169,127	27,760	6,814	134,767	183,750	1,265	119,129	2,958
Cash.....	14,172	1,415	1,108	4,611	13,608	75	13,006	79
Notes and accounts receivable.....	21,515	9,360	2,441	39,487	41,583	259	24,560	600
Less: Reserve for bad debts.....	561	292	188	112	1,219	9	870	25
Inventories.....	8,834	3,857	573	29,128	25,583	202	14,560	674
Other current assets.....	2,994	224	190	490	2,996	2	2,876	13
Investments in Government obligations.....	2,150	327	18	12	394	3	1,100	-
Other investments.....	25,100	5,086	215	26,132	21,831	180	21,272	475
Depreciable assets.....	135,699	12,168	4,633	50,792	128,388	1,044	78,173	2,283
Less: Accumulated amortization and depreciation.....	61,774	4,937	2,364	21,903	58,195	550	37,882	1,201
Depletable assets.....	-	-	-	-	-	-	98	-
Less: Accumulated depletion.....	-	-	-	-	-	-	5	-
Land.....	3,771	271	120	3,241	3,260	31	1,258	37
Other assets.....	17,228	282	68	2,889	5,520	29	984	23
Total liabilities.....	57,871	7,725	4,115	53,855	52,159	417	43,831	1,216
Accounts payable.....	10,830	2,561	2,925	8,205	22,054	158	21,581	349
Mortgages, notes, and bonds payable in less than one year.....	8,507	3,252	182	10,394	9,189	91	5,452	441
Other current liabilities.....	18,693	680	118	2,511	8,527	16	6,542	38
Mortgages, notes, and bonds payable in one year or more.....	18,026	824	622	27,107	8,580	20	6,818	335
Other liabilities.....	1,815	407	268	5,638	3,809	132	3,437	53
Net worth.....	111,256	20,035	2,699	80,912	131,591	848	75,298	1,741
Preferred stock.....	49,639	5	647	21,426	10,770	227	19,073	701
Part-paid stock.....	347	-	14	-	25	-	1,024	69
Common stock.....	4,286	90	483	26,192	27,473	371	24,730	51
Paid-in or capital surplus.....	7,816	270	154	4,031	1,231	81	2,985	36
Reserves, total.....	49,169	19,670	1,402	29,264	92,092	168	27,486	884
Patrons equity.....	37,590	19,576	381	17,049	68,552	87	23,168	380
Other reserves.....	3,303	3	294	2,881	11,636	8	2,847	-10
Total only shown.....	8,276	92	727	9,334	11,904	73	1,470	514

¹Less than \$500.

NOTE: No exempt returns were filed in Delaware, Rhode Island or the District of Columbia.



Related Statistical Studies

There are many associations other than farmers' marketing and purchasing cooperatives formed by, or for, farmers to improve their lives and livelihoods (e.g., rural electric, telephone, and health cooperatives and cooperatives providing insurance and credit services.)⁷ Banks for cooperatives are of particular interest because 98 percent of the \$757 million in their loans outstanding on June 30, 1964, were to farmers' marketing and supply cooperatives. The total interest earned by these banks was \$38 million in the year ending June 30, 1964. More than \$8 million of this interest was rebated to farmers' cooperatives in the form of patronage dividends in direct proportion to the amount charged on their loans.⁸

Farmers' production credit associations also perform important financial services in the cooperative system. Unlike banks for cooperatives, however, their services are focused on the cooperative's patrons and not the cooperative itself. "In several farm credit districts, cooperatives have made arrangements to provide credit for their members through working agreements with production credit associations."⁹

PATRONAGE DIVIDENDS RECEIVED

Goods flowing within the cooperative system from wholesale to retail may be handled or sold several times, first to a local marketing cooperative, then to a regional marketing (and supply) cooperative of which the local cooperative is a member. For produce such as feed grains the goods may be again resold within the cooperative system to suppliers and then in turn to their farmer-patrons.¹⁰ Patronage dividends may be paid as a result of any or all of these sales; the first and last to individuals and other noncooperative patrons, the others to the cooperatives themselves. In this sense then, patronage dividends received are a measure of both intercooperative business and of business done by cooperatives with their noncooperative patrons, principally farmers. Thus the \$52 million received by exempt cooperatives in patronage dividends is a dollar measure of the business done with other cooperatives and banks for cooperatives. Because there is a lag in receiving such income it often represents business done in a prior year.

For individuals filing Forms 1040 for 1963, patronage dividends were also tabulated if shown on schedule F

⁷See *Agricultural Statistics--1965* (Washington: U. S. Government Printing Office, 1965), p. 464, for estimates of the number and membership of these kinds of associations.

⁸*31st Annual Report of the Farm Credit Administration on the Work of the Cooperative Farm Credit System, 1963-64* (Washington: U. S. Government Printing Office, 1965), pp. 55-60 and p. 128.

⁹*Ibid.*, p. 55.

¹⁰Estimates based on statistics provided by the Farmer Cooperative Service for the fiscal year ending June 30, 1964, *Statistics of Farmer Cooperatives, 1963-64: General Report 134*, p. 3, show that about 25 percent of the total volume of goods and services of farmers' marketing and purchasing cooperatives was intercooperative business.

(Farm Income and Expenses) as income. The total amount of such dividends was \$171 million.¹¹ This figure, for a number of reasons, is not an estimate of the total patronage dividends from farmers' marketing and purchasing cooperatives received by noncooperative patrons in 1963: (1) Nonqualified notices received are generally not considered income unless redeemed in money or money's worth. (2) Nonfarmers do not file schedule F and thus any patronage dividends received by them are included in other income on Form 1040 and are not available separately. (3) Rebates from farm supply cooperatives for goods purchased for personal, rather than business use, are not income for tax purposes. (4) Rebates from supply cooperatives on purchases of equipment are adjustments to the cost of such purchases, rebates on current business expenses may have been shown as downward adjustments to those expenses rather than as income. (5) Individuals receiving nominal amounts of patronage dividend income may not have reported them in such a way that they could be identified. (6) Patronage dividends received by estates, trusts, partnerships and incorporated farms are not included.

FARMERS' MARKETING AND PURCHASING COOPERATIVES REPORTING TO THE U. S. DEPARTMENT OF AGRICULTURE

For fiscal years ending July 1, 1963 through June 30, 1964, the Farmer Cooperative Service, U.S.D.A., as a result of its annual survey reported that there were 8,847 marketing and purchasing cooperatives serving farmers, handling a total of \$19.3 billion in goods and services.¹²

The number of returns in the present report, 8,595 does not differ greatly from the number of cooperatives reporting to F.C.S., and total volume of business, assuming that the relationship between total services and business receipts holds for all returns, is roughly similar to total services. However, there are great differences in coverage: (1) There are differences in period. (See table 2.) (2) The unit of enumeration in F.C.S. statistics is the cooperative. (3) Their survey is based on a mailed questionnaire and, like all such voluntary surveys, is subject to nonresponse. (Although this is minor in any year's survey--less than 6 percent in the 1963 survey--it can be progressive.) (4) Dairy-herd-improvement, artificial breeding, grazing, and harvest labor cooperatives, included here, are excluded (by definition) from the F.C.S. universe. (5) Form 1120 returns for cooperatives were not included in the present tabulations unless they identified themselves as farmers' marketing or purchasing cooperatives. (6) Cooperatives included in U.S.D.A. statistics for which returns were filed on return forms other than Form 1120 or Form 990-C (Form 990

¹¹*Statistics of Income--1963, U. S. Business Tax Returns*, table 9.

¹²*Statistics of Farmer Cooperatives, 1963-64: General Report 134*, p. 3.

for example) were not tabulated. (7) Cooperatives for which no returns were filed during the period covered by this report were, of course, also missed.

Although not the usual case, one cooperative may be represented by more than one return. A cooperative may have separately incorporated subsidiaries and returns may be filed for each. Only nonexempt cooperatives are allowed to file consolidated returns. (There was one cooperative in the nonexempt filings that was represented by a consolidated return.) If a cooperative changes its accounting period or merges with another cooperative, two or more part-year returns may be filed.

Of the 5,574 returns for exempt cooperatives, more than 400 returns were identified as being filed for cooperatives excluded by definition from F.C.S. statistics: Nearly all of the 294 livestock breeding associations, 17 cooperatives engaged solely in dairy-herd-improvement activities (included in the category "Miscellaneous dairy cooperatives"), 68 harvest labor cooperatives, and 25 grazing associations (included in the category "Miscellaneous general services").

Only estimates for farmer's marketing and purchasing cooperatives for which income tax returns were filed on Form 990-C in 1964 or Form 1120 for accounting periods ending July 1, 1963 through June 30, 1964 are presented in this report. Cooperatives included in the U.S.D.A. estimates but exempt under Section 501 of the Internal Revenue Code (and required to file on Form 990) were excluded.

Estimates for nonexempt cooperatives were based on a sample of 387 returns drawn to represent all corporations reported as being farmers' marketing and purchasing cooperatives. It is likely that some cooperatives classified by the U.S.D.A. as farmers' marketing and purchasing were not included, chiefly because they were not reported to the Internal Revenue Service as such.

For some States the number of exempt returns exceeds the total number of cooperatives reported by the Farmer Cooperative Service as having headquarters in those States. For example, table 12 shows 192 exempt returns filed in Virginia; however the 1963-64 report of the Farmer Cooperative Service shows only 174 cooperatives with headquarters in Virginia.¹³ (Only four nonexempt returns fell in the sample of Form 1120 returns in Virginia, so no good estimate of the total number of nonexempt returns filed in that State is available.) Differences of this sort are due to the basic differences in coverage between the present report and that prepared by F.C.S. Another factor not yet discussed is the difference between the cooperative's tax home and the State in which the headquarters are located. While these are usually the same, they can differ not only from each other but also from the State in which the activity principally occurs.

The Dairy Husbandry Research Branch, Department of Agriculture, provides statistics on dairy-herd-improvement associations and artificial breeding associations. Statistics from this source for 1964 show 1,424 associations engaged in dairy-herd-improvement (milk and butterfat testing, etc.) and 44 artificial breeding associations, not all of which were cooperatives, engaged in

supplying semen.¹⁴ The actual number of associations providing artificial insemination as distinct from semen suppliers is not shown in U.S.D.A. statistics. The current report includes 294 exempt returns for livestock breeding associations nearly all of which provided artificial insemination. Twenty of these returns were for associations identified in the Dairy Husbandry Research statistics as semen suppliers. These 20 exempt cooperative returns reported nearly \$17 million in business receipts and \$11 million in total assets and financials are the important segment of the breeding associations included in the statistics.

Only 17 Form 990-C returns, included in the category "Miscellaneous dairy cooperatives," were specifically identified as dairy-herd-improvement associations. Many other dairy and livestock cooperatives engaged in dairy-herd-improvement but were classified elsewhere because it was not their principal activity.

HISTORICAL STATISTICS

The previous report in the *Statistics of Income* series for *Farmers' Cooperatives* was for 1953 and it covered cooperatives with accounting periods ending July 1953 through June 1954. Since that time, there have been many changes in the tax structure and rates. Recent examples were the 7 percent investment credit and the new provisions of the law affecting the deductibility of patronage dividends.¹⁵ Some historical comparisons are, however, worthwhile. For this purpose several tables originally presented in the 1953 report are shown again. Differences in usage and classification from 1953 to 1963 are discussed below and should be carefully noted before making comparisons.

While the number of cooperatives and the division between those which are exempt and nonexempt changed little from 1953 to 1963 the average amount of business done by cooperatives, as measured by business receipts, has nearly doubled. The number of exempt returns reporting business receipts of \$500,000 or more has increased from 30 to 40 percent. Assets owned by cooperatives have more than doubled. In 1953 less than 10 percent of the cooperatives had total assets of \$500,000 or more. In 1963 more than 20 percent were above that level. (See chart G.)

Not only did cooperatives grow in size but they also became more diversified. Of the returns for exempt cooperatives for which the type of service could be determined, better than half (52.9 percent) were engaged both marketing and purchasing in 1963 as against 42 percent in 1953. While the proportion of returns for cooperatives engaged in some marketing remained nearly constant (64.9 percent in 1953; 65.7 percent in 1963) the proportion engaged in some purchasing increased from 59.0 to 70.4 percent.

¹⁴*Dairy-Herd-Improvement Letter: March 1964*, ARS-44-138 (Vol. 40, 2), issued April 1964.

Dairy-Herd-Improvement Letter: April-May 1965, ARS-44-158 (Vol. No. 3), issued June 1965.

¹⁵For a complete synopsis of the changes in the law from 1953 to 1963 see *Statistics of Income--1960-61, Corporation Income Tax Returns* (Washington: U. S. Government Printing Office, 1963), pp. 319-327.

¹³*Ibid.*, p. 21.

1977 CORPORATION COOP LISTING

N-368

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MM/DD/19YY HH:MM:SS

08/06/1981 18:13:48

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USE 11., TABOUT.

ASG, T CKPT., F2/10/TRK/1000

ASG, T COMP-STATS1.

USE COMP-STATS., COMP-STATS1.

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1 = ≤ 500

PAT DIV. ≥ 500

PAT DIV. < 500

PER-UNIT RET ≥ 500

PER-UNIT RET < 500

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THERE WERE NO INVALID REFERENCES TO SUBSCRIBED DATA ITEMS

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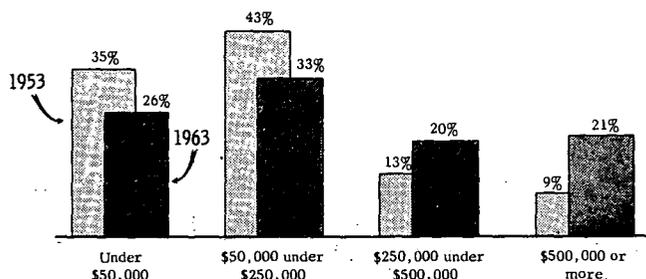
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Chart G. - Percent Distribution of Number of Returns, by Size of Total Assets and by Type of Service, 1953 and 1963

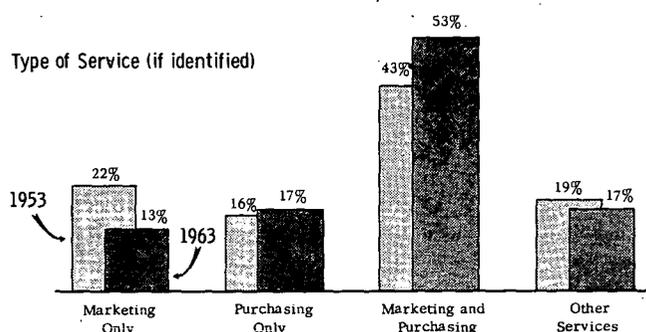
(Exempt and Nonexempt Cooperatives)



Size of total assets



Type of Service (if identified)



Terms Used in Historical Tables

Number of Returns

Excluded were returns for inactive organizations. Also, for 1963, if two or more full-year returns were filed for the same exempt cooperative, only the return with the latest accounting period was used. If the cooperative was represented by both a full-year and a part-year return, only the full-year return was used.

Total Receipts

Business receipts, patronage dividends received, rents, interest, dividends on stock, gains from sales of assets and other receipts. All nontaxable income was excluded except, for 1953, a small amount of tax-exempt interest on certain Government obligations was included for nonexempt cooperatives.

Business Receipts

Gross sales less returns and allowances or gross receipts from operations. For 1953, business receipts may have been reduced by patronage dividends paid for some purchasing cooperatives.

Patronage Dividends Received

Dividends, rebates and refunds received on business done with other cooperatives and banks for cooperatives.

Deductions Before Net Income

Cost of goods sold and operations, patronage dividends paid, rents paid, repairs, bad debts, interest and taxes paid, contributions, losses, depreciation, depletion, amortization, advertising, compensation of officers, losses on sales of property other than capital assets, and amounts contributed under pension and other employee benefit plans.

Cost of Sales and Operations

Merchandise bought net of inventories, all identifiable amounts of salaries and wages for 1963 but only salaries and wages included in "costs" by the taxpayer for 1953, and other direct costs of production and distribution. Identifiable amounts of taxes, depreciation, depletion, amortization, advertising and contributions to pension and other benefit plans were excluded. For 1963, identifiable amounts of patronage dividends paid, rents, and compensation of officers were also excluded.

Patronage Dividends Paid

A deduction for amounts paid or allocated by a cooperative to the account of a patron on the basis of the business done with or for such patron. For 1953, not all such dividends paid were included in the deduction; only that portion which was not shown as a reduction of business receipts or an addition to costs was included.

Net Income

Total receipts less costs of sales and operations, patronage dividends paid and other current operating expenses.

Deductions After Net Income

Dividends paid on capital stock, nonpatronage income allocated to patrons and net operating loss carryforward were essentially the same for 1953 and 1963 except that for 1953 the reported amount was used and not just the deductible portion.

Income Tax Before Credits

The normal tax, surtax and alternative tax payable under the 1939 Code or the 1954 Code.

Total Assets

Cash, notes and accounts receivable (less reserve for bad debts), capital assets, inventories, investments and other current and noncurrent assets at end of year book values. For 1953, total assets were tabulated for all full-year returns with usable balance sheets. For 1963, also included were certain balance sheets on part-year returns and for some nonexempt cooperatives the amount of total assets was inputted from the income statement shown on the return.

Inventories

The book value of such items as raw materials, finished and partially finished goods, merchandise on hand or in transit, etc.

Capital Assets

Land, depreciable and depletable assets net of accumulated amortization, depreciation, and depletion.

Table 13.—HISTORICAL SUMMARY 1953 AND 1963

Item	1953			1963		
	Total	Nonexempt cooperatives	Exempt cooperatives	Total	Nonexempt cooperatives	Exempt cooperatives
	(1)	(2)	(3)	(4)	(5)	(6)
Number of returns.....	8,311	3,170	5,141	8,595	3,021	5,574
(Thousand dollars)						
Total receipts.....	7,418,858	2,487,752	4,931,106	13,877,172	4,937,300	8,939,872
Business receipts.....	7,336,860	2,460,606	4,876,254	13,515,688	4,813,622	8,702,066
Patronage dividends received.....	81,998	27,146	55,037	361,484	123,678	52,008
Balance of receipts.....						185,798
Deductions before net income, total.....	7,388,465	2,465,666	4,922,799	13,827,186	4,907,884	8,919,302
Cost of sales and operations.....	6,489,732	2,226,975	4,262,757	12,430,651	4,441,450	7,989,201
Patronage dividends paid.....	898,733	238,691	660,046	1,396,535	466,434	227,017
Balance of deductions.....			499,046			703,084
Net income (less deficit).....	30,393	22,086	8,307	49,987	29,416	20,571
Deductions after net income:						
Dividends paid on capital stock.....	9,532	(¹)	9,532	20,246	(¹)	20,246
Nonpatronage income allocated to patrons.....	5,733	(¹)	5,733	10,388	(¹)	10,388
Net operating loss carryforward.....	2,347	1,387	960	6,754	2,932	3,822
Dividends received deduction.....	(²)	(²)	(²)	2,070	1,412	658
Income tax before credits.....	9,835	9,196	639	16,510	14,158	2,352
Returns with balance sheets:						
Number of returns.....	7,720	3,007	4,713	8,123	2,899	5,224
(Thousand dollars)						
Total assets.....	2,638,159	832,521	1,805,638	5,991,534	1,926,979	4,064,555
Capital assets.....	864,242	279,908	584,334	1,785,040	653,973	1,131,067
Inventories.....	607,478	177,569	429,909	1,567,581	388,858	1,178,723
Balance of assets.....	1,166,439	375,044	791,395	2,638,913	884,148	1,754,765

¹Not applicable.²Not available.

Table 14.—HISTORICAL STATISTICS—1953: TOTAL ASSETS BY SIZE OF TOTAL ASSETS

Size of total assets	Exempt and nonexempt cooperatives		Nonexempt cooperatives		Exempt cooperatives	
	Number of returns	Total assets (Thousand dollars)	Number of returns	Total assets (Thousand dollars)	Number of returns	Total assets (Thousand dollars)
	(1)	(2)	(3)	(4)	(5)	(6)
Total.....	8,311	2,638,159	3,170	832,521	5,141	1,805,638
Zero assets.....	591	(¹)	163	(¹)	428	(¹)
\$1 under \$50,000.....	2,329	50,014	916	22,734	1,413	27,280
\$50,000 under \$100,000.....	1,423	104,739	611	43,853	812	60,886
\$100,000 under \$250,000.....	2,171	352,032	917	147,168	1,254	204,864
\$250,000 under \$500,000.....	1,033	360,915	371	127,932	662	232,983
\$500,000 under \$1,000,000.....	434	302,151	109	76,534	325	225,617
\$1,000,000 under \$5,000,000.....	272	519,023	68	130,236	204	388,787
\$5,000,000 under \$10,000,000.....	33	220,607	6	44,133	27	176,474
\$10,000,000 under \$50,000,000.....	22	507,892	8	187,497	14	320,395
\$50,000,000 under \$100,000,000.....	2	102,809	1	52,434	1	50,375
\$100,000,000 or more.....	1	117,977	-	-	1	117,977

¹Not applicable.

Table 15.—HISTORICAL STATISTICS—1953: NUMBER OF EXEMPT COOPERATIVE RETURNS BY TYPE OF SERVICE BY SIZE OF BUSINESS RECEIPTS

Size of business receipts	Number of returns	Business receipts (Thousand dollars)	Number of returns by type of service					
			Marketing only	Purchasing only	Marketing and purchasing		Other services	Undetermined
					Marketing predominant	Purchasing predominant		
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	
Total.....	5,141	4,876,254	1,140	836	1,831	359	963	12
No business receipts.....	159	(¹)	27	12	1	-	110	9
\$1 under \$50,000.....	989	14,070	195	98	60	10	625	1
\$50,000 under \$75,000.....	210	12,867	62	55	34	12	47	-
\$75,000 under \$100,000.....	218	18,870	58	65	53	10	32	-
\$100,000 under \$150,000.....	425	52,737	102	148	126	17	32	-
\$150,000 under \$200,000.....	351	61,318	82	79	132	30	27	1
\$200,000 under \$250,000.....	303	67,522	77	89	107	22	8	-
\$250,000 under \$300,000.....	266	73,052	61	61	108	19	17	-
\$300,000 under \$400,000.....	370	127,975	85	70	176	25	14	-
\$400,000 under \$500,000.....	290	130,265	49	44	157	31	9	-
\$500,000 under \$1,000,000.....	741	523,632	143	77	406	85	30	-
\$1,000,000 under \$5,000,000.....	687	1,355,848	155	29	405	87	10	1
\$5,000,000 under \$10,000,000.....	74	518,418	21	4	41	7	1	-
\$10,000,000 under \$25,000,000.....	36	562,556	15	2	17	2	-	-
\$25,000,000 or more.....	22	1,357,124	8	3	8	2	1	-

¹Not applicable.

Source of Data

Statistical information in this report was estimated from a sample, selected before audit, of corporation income tax returns, Forms 1120, for active nonexempt farmers' cooperatives and from all exempt cooperative association income tax returns, Forms 990-C, filed in the District Offices of the Internal Revenue Service and with the Office of International Operations in the National Office. The Form 1120 returns reflected the business activities of the total number of corporations identifying themselves as farmers' marketing and purchasing cooperatives with accounting periods ended July 1963 through June 1964. The Form 990-C returns were those filed in 1964 and generally represented the same accounting period as the Form 1120 cooperatives (but see table 2).

The estimates for nonexempt cooperative returns were based on 387 returns in the *Statistics of Income* sample of nonexempt corporations. These estimates are shown separately in the present report. In addition, these returns are included with other nonexempt corporation returns in the *Preliminary Report, Corporation Income Tax Returns--1963*. A complete discussion of the sample selection and estimation is contained in that report on pages 5-8.

Data for exempt cooperatives were based on all returns for active cooperatives filed on Forms 990-C in 1964. However, if two or more full-year returns were filed for the same cooperative only the return with the latest accounting period was used. If a cooperative was represented by both a full-year and a part-year return only the full-year return was used.

Limitations

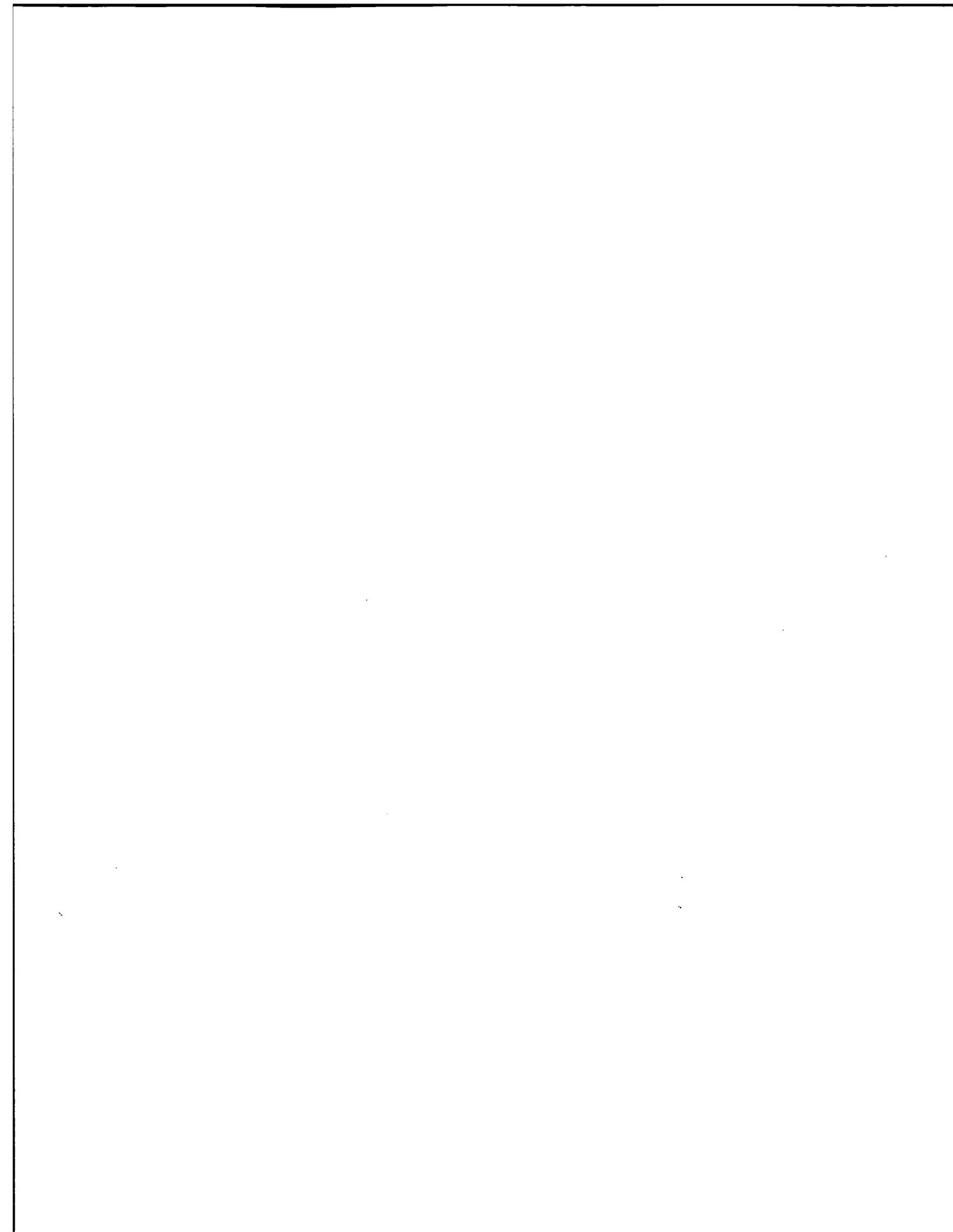
The statistics for nonexempt cooperative returns are subject to sampling variability and are therefore not as

precise as those for exempt cooperatives. Frequency and amount estimates for nonexempt returns when subject to excessive sampling variability are not shown in the tables, although they are reflected in the appropriate totals.

A dash, rather than a frequency or amount, in any given table cell indicates either that there were no returns with the particular characteristic, or because of its rarity, returns with the characteristic were not present among the returns selected for the sample. However for statistics based only on exempt returns or on nonexempt returns with total assets of \$5,000,000 or more (selected for the sample at a rate of 100 percent), a dash indicates a presumption of no returns with the particular characteristic.

In processing returns for revenue collection purposes in the District Offices, and later in statistical processing, several steps were taken to reduce the effect of taxpayer reporting errors and errors introduced in data processing. A large proportion of the returns were mathematically verified, although not audited, in the District Offices. Any correction resulting from mathematical verification of the taxpayer's entries are reflected in the statistics.

In transcribing and tabulating information from the returns, additional checks were imposed to improve the quality of the resulting estimates. Returns which showed data in accompanying schedules, but not on appropriate return lines, and returns with other obvious errors, were edited and properly transcribed. Mechanical transcribing was verified by the process of repeat card punching, and, prior to tabulation, numerous tests for consistency were applied to assure the proper balance and relationship between return items and statistical classifications.



Explanation of Terms

Accounts Payable

Liabilities of relatively short duration not secured by notes of indebtedness. Generally, only liabilities which arose during the normal course of conducting the trade or business were included. Nontrade accounts payable were includible in "Other current liabilities."

Advertising

A deduction for ordinary and necessary expenses incurred to advertise the cooperative's products or services.

Amortization

A deduction principally for deferred expenses written off from research, experimental, exploration, development, organizational and trade-mark expenditures.

Bad Debts

A deduction for debts written off as uncollectible or a reasonable addition to a reserve for such debts. Bad debt recoveries were included in "Other income."

Business Receipts

In general, the gross operating receipts of the cooperative reduced by the cost of returned goods and allowances.

Capital Stock

Outstanding shares of ownership in the cooperative as shown in the balance sheet. For exempt cooperatives such shares were divided by type into common, preferred and part-paid. Shares not designated as to type were considered common.

Cash

An asset for currency or instruments and claims which are generally used and accepted as money.

Charitable Contributions

A deduction, subject to limitation, for contributions or gifts to charitable, religious, educational and similar organizations made in the current year or carried over from prior years.

Commodity Marketed

The classification scheme used is generally that followed by the Farmer Cooperative Service, U.S.D.A. Categories in the present report which are not self-evident are explained below:

Diversified Dairy Product Cooperatives were those engaged in marketing milk and milk products and not engaged solely in butter or cheese manufacturing or bargaining activities.

Miscellaneous Dairy Product Cooperatives were those engaged solely in dairy-herd-improvement activities, condensing, drying, or ice cream making.

Miscellaneous Vegetable and Truck Crop Cooperatives were those engaged in watermelon, cantaloupe, and sweet potato marketing.

Grain Marketing and Storage Cooperatives include those engaged in soybean and soybean oil marketing.

Livestock Shipping and Marketing Cooperatives were those engaged in shipping, storing, auctioning, and terminal marketing (principally cattle).

Livestock Breeding Associations were those engaged in artificial-breeding activities and the handling of breeder stock.

Other Special Crop Cooperatives were those engaged in tung oil, flax, hops, and forest products marketing.

Miscellaneous General Service Cooperatives were those engaged in leasing grazing land, agricultural flying (pest control and spraying) and general business services such as equipment rentals.

Compensation of Officers

A deduction for salaries, wages, stock bonuses, etc., paid to officers for personal services rendered.

Cost of Sales and Operations

The *direct* costs incurred by the cooperative in producing goods or providing services. Included were the costs of goods purchased for resale (merchandise bought net of beginning and ending inventories), costs of materials used in manufacturing and operating expenses (other costs), and all identifiable amounts of salaries and wages. For some returns only a total cost of sales and operations was reported. Operating expenses for depreciation, depletion, amortization, compensation of officers, rent of buildings or real estate, advertising contributions to pension plans, contributions to other employee benefit plans, and patronage dividends were transferred to their respective deduction categories when identified in cost of sales and operations schedules

Depletable Assets

The gross value of mineral property, oil and gas wells other natural deposits, standing timber, intangible development and drilling costs capitalized, and leases and leaseholds, each subject to depletion. Accumulated depletion represented the cumulative adjustment to these assets shown on the cooperative's books of account. Some cooperatives, however, reported only the net amount of depletable assets after adjusting for these depletion charges.

The value of depletable assets and accumulated depletion may not be closely related to the current-year depletion deduction. The balance sheet accounts reflected book values; the depletion deduction reflected the amount claimed for tax purposes.

Depletion

A deduction allowable for the exhaustion of natural deposits or timber, could be based on cost, or, in the case of natural deposits, on a fixed percentage of gross income, less rents and royalties paid, from the depletable property.

Depreciable Assets

In general, the gross value of tangible property (such as buildings and equipment) which was used in the trade or business or held for the production of income and which had a useful life of 1 year or more. Accumulated depreciation represented the cumulative adjustment to these assets shown on the cooperative's books. Some cooperatives, however, reported only the net amount of depreciable assets after adjusting for these depreciation charges.

Depreciable assets and accumulated depreciation may not be closely related to the current-year depreciation deduction. The balance sheet accounts reflected book values; the deduction reflected the amount claimed for tax purposes.

Depreciation

A deduction for the exhaustion, wear, tear, and obsolescence of business property, except inventories and land (apart from the physical improvements or developments added to it). Included was any identifiable depreciation reported as an operating or manufacturing cost.

Dividend Income

Dividends received from the stock of nonexempt cooperatives and other domestic corporations eligible for the special deduction from net income for intercorporate dividends received are shown in the report as "Domestic stock dividends eligible for deduction." Domestic dividends not qualifying for the deduction, principally those received from exempt farmers' cooperatives, are shown in this report as "Other stock dividends." (No dividends from foreign corporations were reported on the returns used in this study.)

Dividend Received Deduction

A deduction, in general, equal to 85 percent of dividends received from domestic corporations subject to the income tax. Dividends received from exempt cooperatives were not eligible.

Dividends Paid on Capital Stock

A deduction for dividends actually or constructively paid during the taxable year on common or preferred

stock, capital retain certificates, or other evidence of a proprietary interest in the cooperative association. Only the amount actually used to reduce taxable income is shown. The deduction was only available to exempt cooperatives.

Income Tax After Credits

Income tax before credits less the investment credit (net of any tax from prior year's investment credit recomputation).

Income Tax Before Credits

The normal tax and surtax computed on taxable income or the alternative tax comprising 25 percent of the excess of net long-term capital gain over net short-term capital loss and normal tax and surtax on the balance of taxable income. Effective January 1, 1964, the normal tax on the first \$25,000 of taxable income was reduced from 30 to 22 percent and the surtax applicable to the excess over \$25,000 was raised from 22 to 28 percent. For taxable returns with accounting periods spanning the effective date the tax was computed under both sets of rates and the liability (before credits) determined by prorating the two tentative income tax amounts according to the number of days under each law.

Interest on U. S. Government Obligations

Interest on obligations issued by the United States or its instrumentalities. Interest on obligations of a State, Territory, United States possession, or their political subdivisions, or of the District of Columbia, and interest on United States obligations issued on or before September 1, 1917 was wholly tax-exempt and was not included.

Interest Paid

The deduction for interest paid to banks for cooperatives, the cooperative's patrons, etc., in connection with business indebtedness.

Inventories

Inventories at end of year as shown in the cooperative's balance sheet, included at book values such items as raw materials, finished and partially finished goods, merchandise on hand or in transit, etc.

Inventories shown in computing the cooperative's costs for the taxable year included merchandise or other goods available for sale valued at cost, lower of cost or market, or any other permissible method.

Investment Credit

A tax credit, net of any tax from a prior year's credit recomputation, for qualified investments in certain depreciable property. In general the credit was the cooperative's "ratable share" of 7 percent of the qualified investment computed on the basis of the proportion which the cooperative's taxable income bore to the sum of the patronage dividend deduction, the deductions for dividends

paid on capital stock and nonpatronage allocations, and taxable income.

Investments in Government Obligations

Bonds or other obligations of a State, Territory, or United States possession, including obligations of political subdivisions and of the District of Columbia and of instrumentalities of the Federal Government.

Land

The book value of land owned by the cooperative reduced by any amortization for emergency facilities.

Mortgages, Notes, and Bonds Payable

A liability separated according to the length of time from maturity of the obligation. Length of time from maturity was based on the date of the balance sheet rather than the date of issue. Accordingly, long-term obligations maturing within the coming year were reportable together with short-term obligations, as having maturity of less than 1 year.

Net Gain From Sales of Capital Assets

Net short-term capital gain reduced by any net long-term capital loss and net long-term gain reduced by any net short-term loss and loss carryover. Losses from sales or exchanges of capital assets were allowed only to the extent of capital gains.

Net Gain or Loss Sales of Property Other Than Capital Assets

Net gain or loss from the sale or exchange of depreciable and real property used in trade or business and other sales of noncapital assets. If no distinction was made between capital and noncapital gains or losses, the entire amount was included here. Net gains were included in total receipts; net losses in total deductions before net income.

Net Income or Deficit

Total receipts less the ordinary and necessary business deductions, including patronage dividends, allowed by the Code.

Net Operating Loss Carryforward

A deduction for losses from *prior* years actually used to reduce taxable income. Losses could be carried back over a 3 year period and any amount not offset against income could then be carried forward for a period not exceeding 5 years.

Net Worth

The sum of capital stock, reserves and paid-in surplus. The total equity of the cooperative whether or not available in distributable shares.

Nonpatronage Income Allocated to Patrons

A deduction for distributions by exempt cooperatives on a patronage basis of net margins from nonpatronage business. Nonpatronage income includes income from investments, sales of capital assets, and the like. Only the amount actually used to reduce taxable income is shown.

Notes and Accounts Receivable

In general, the gross receivables arising from sales or services to customers on credit during the ordinary course of trade or business which would normally be converted to cash within 1 year. (Nontrade receivables were generally included in the statistics as "Other current assets.") The reserve for bad debts, shown as an adjustment to notes and accounts receivable may have included the reserves for certain other investments, such as for mortgage and real estate loans. As a result, it was possible for the reserve to exceed the amount of notes and accounts receivable.

Other Assets

Noncurrent assets not allocable to a specific account on the return form balance sheet, and certain accounts for which no distinction could be made between current and noncurrent status. Includible were such items as deferred charges reported as noncurrent by the cooperative, interest discounts, guaranty deposits, and intangible assets net of any amortization.

Other Current Assets

Current assets not allocable to a specific account in the return form balance sheet and, when specifically reported as short-term by the cooperative, marketable securities other than Government obligations. Included as other current assets were amounts reported as pre-paid expenses, nontrade receivables, coupons and dividends receivable, claims and judgments, and similar items.

Other Current Liabilities

Accrued expenses, as well as current payables not arising from the purchase of goods and services and not evidenced by bonds, notes, or mortgages. Examples of other current liabilities were taxes accrued or payable, accrued employee accounts such as for payrolls and contributions to benefit plans, dividends payable, overdrafts, accrued interest or rent, and deposits and withdrawable shares of banking and savings institutions.

Other Deductions

The total of deductions for (1) business expenses which were not allocable to a specific deduction item such as: administrative, general, and selling expenses except salaries; delivery, freight, and shipping expenses; sales discounts; travel and entertainment expenses, and similar items, (2) casualty and theft losses, and (3) on some returns costs of secondary operations.

Other Employee Benefit Plan Contributions

A deduction of the cooperative's contributions to employee death plans, health or accident and sickness plans, and other welfare plans.

Other Income

Included income not identified as to type or not elsewhere reportable, such as: profits from sales of commodities other than the principal commodity in which the cooperative dealt; income from minor operations; cash discounts; income from claims, license rights, judgments, and joint ventures; net amount earned under operating agreements; royalties; recoveries of losses and bad debts previously claimed for tax purposes; refunds for cancellation of contracts; and income from sales of scrap, salvage, or waste.

Other Interest

Interest income, except from U.S. obligations, received on loans, notes, mortgages, bonds, bank deposits, and corporate bonds less amortizable bond premium.

Other Investments

Long-term non-Government investments and certain investments for which no distinction could be made as to their current or long-term nature. Included were stocks, bonds, loans on mortgages, revolving fund certificates, loans to subsidiaries, and other types of financial securities.

Other Liabilities

Noncurrent obligations or accounts which could not be identified as either current or long-term. Examples were deferred expenses, provisions for future taxes, principal amounts of employee and similar funds, and deferred patronage refunds when not identified as a reserve.

Other Reserves

Statutory, contingency and other reserves from undivided earnings, income or profits. (See "Patrons equity reserve".) Excluded were reserves for bad debts, depreciation, etc., which were shown as adjustments to assets.

Paid-In or Capital Surplus

The net of additions to the cooperative's capital from sources other than earnings. Included were certificates of membership, surplus occasioned by donation, appreciation of assets, receipts from sale of capital stock in excess of stated value, stock redemptions or conversions, and similar transactions.

Patronage Dividends Paid

A deduction for dividends, rebates, and refunds paid to patrons on the basis of their patronage. This deduction, available to both exempt and nonexempt cooperatives, is

shown in this report only for exempt returns. The patronage dividend deduction could take several forms depending on whether the taxable year for which the return was filed began on or before December 31, 1962, or after that date. Four forms of dividends are separated in the statistics:

(1) Cash dividends-deductible under both the old and new law. Included were "qualified" checks and, for some returns filed for taxable years beginning before December 31, 1962, the fair market value of merchandise paid as a dividend.

(2) Qualified Notices of allocation--this term is defined under the new law as a distribution which may be redeemed in cash at its stated dollar amount within 90 days after the notice is issued. Twenty percent or more of the dividend must be paid when the dividend is declared either in money or by "qualified" check. A notice of allocation is any capital stock, revolving fund certificate, retain certificate, certificate of indebtedness, letter of advice or other instrument which discloses to the patron the stated dollar amount allocated to him on the books of the cooperative organization, and the portion thereof, if any, which constitutes a patronage dividend. The consent of the patron to consider a written notice of allocation at its stated dollar amount is also required to make such a notice "qualified" and therefore deductible. This consent may be indicated in writing, by membership in the cooperative (provided the cooperative has a bylaw to this effect), or by endorsing a "qualified" check within 90 days after the close of the cooperative's payment period for the taxable year. (The payment period begins on the 1st day of the cooperative's taxable year and ends on the 15th day of the 9th month following the close of such year.) On some returns only qualified notices were shown; that portion which had to be paid in money or qualified check was not separated. A number of returns filed for taxable years beginning before December 31, 1962, but ending after that date reported some or all of their patronage dividends as qualified notices.

(3) Nonqualified Notices of allocation are defined by the new law as all written notices of allocation which are not "qualified." Patronage dividends paid in this form were not deductible on business done during taxable years beginning after December 31, 1962. For the purposes of this report "Nonqualified notices" are defined somewhat differently to include only those nonqualified notices of allocation without due date, considered in general to have no fair market value at the time of receipt by the patron. A number of returns filed for taxable years beginning after December 31, 1962, (usually reporting on the 1962 Form 990-C) claimed this deduction even though it was not properly available.

(4) Other Property includes all patronage dividends paid which could not be identified as cash, qualified notices, or nonqualified notices (in the special sense this term is used above). In a small number of cases dividends paid in redemption of nonqualified notices were included (a deduction available under the new law). Nonqualified notices (as defined by the new law) in the form of capital stock, retain certificates, certificates of indebtedness and other written notices of allocation with due dates, considered to have some fair market value upon receipt by the patron (but not necessarily as much

as the amount deducted), constitute the bulk of other property (even on returns filed for taxable years beginning after December 31, 1962).

Patronage Dividends Received

Dividends, rebates, and refunds received from patronage with other cooperatives and banks for cooperatives. Included were the fair market value of dividends received in the form of capital stock, revolving fund certificates, letters of advice, retain certificates or similar documents; and the full (face) value of qualified notices.

Patrons Equity Reserve

The cooperative's retained earnings which were identified as allocated to the members of the cooperative. Included were revolving fund and other allocated reserves.

Pension Plan Contributions

A deduction, subject to limitations, of the cooperative's contributions to pension, profit-sharing, stock bonus, annuity, and other deferred compensation plans.

Rental Income

The gross income from rents for the use or occupancy of property. Depreciation, repairs, interest, taxes, and other expenses, which were deductible from gross rents, were included in their respective deduction items.

Rents Paid

A deduction for ordinary and necessary rental expenses on business property.

Repairs

A deduction for costs of maintenance and incidental repairs. It could include the cost of labor, supplies, and other items which did not add to the value or appreciably prolong the life of the property. Expenditures for new buildings, machinery or equipment, or for permanent improvements which increased the value of the property were not deductible currently and were charged to capital expenditures, which were generally depreciable.

Reserves

For most exempt cooperatives reserves were separated into that portion which was divided (allocated to members) and undivided. For all nonexempt cooperatives and for some exempt cooperatives only the total was obtained. Excluded from this net worth item were reserves for bad debts, depreciation, depletion, amortization (shown as adjustments to assets) and reserves for taxes (Other liabilities).

Salaries and Wages

A deduction, shown as part of costs of sales and operations, for all *identifiable* labor charges whether originally

shown as a direct production expense or not. Excluded were amounts paid as compensation for officers; payroll expenses such as contributions to pension or other employee benefit plans; and labor charges which could not be separated from another deductible operating expense such as repairs.

Taxable Income

Total receipts less deductions for ordinary and necessary expenses and deductions for net operating loss carryforward, dividends received, etc. In general the income subject to tax unless the 25 percent tax on capital gains was applicable.

Taxes

A deduction for ordinary State and local taxes paid or accrued during the year; social security and payroll taxes; unemployment insurance taxes; import and tariff duties; and business, license, and privilege taxes. Income and profits taxes paid to foreign countries or United States possessions were also deductible. Not deductible were such taxes as Federal income and excess profits taxes, gift taxes, taxes assessed against local benefits, and Federal taxes paid on interest from tax-free covenant bonds. Some cooperatives (grape, raisin, sugar, and tobacco) reported excise taxes which were part of the sales price of their products as receipts.

Total Assets

The assets reported in the end-of-year balance sheet of the cooperative's books of account. Total assets were net after reduction by accumulated depreciation, amortization, depletion, and by the reserve for bad debts. When these reserves were reported as liabilities, they were treated as reductions from the asset accounts to which they related and the totals of assets and liabilities were adjusted accordingly.

"Zero assets" was used as a category in classifying returns by size of total assets. Included were: (1) final returns of liquidating or dissolving cooperatives which had disposed of all assets, (2) final returns of merging cooperatives whose assets and liabilities were reported in the returns of the acquiring cooperative, (3) the earlier part-year return of a cooperative for which two part-year returns were included in the statistics (for example, a cooperative changing its accounting period), and (4) for exempt cooperatives, returns for which no usable balance sheet data were reported.

Total Deductions Before Net Income

Ordinary and necessary business deductions from gross income, the cost of sales and operations, and net loss from sales of noncapital assets.

Total Liabilities

Accounts payable, long and short-term debts whether or not secured by a mortgage or other instrument, and deferred or accrued expenses.

Total Receipts

Total receipts included the gross taxable receipts before deduction of cost of sales and operations and net losses from sales of noncapital assets. Nontaxable income was excluded.

Total Services

The total of products marketed or handled, and supplies purchased, for members and nonmembers, producers and nonproducers.

Type of Service

Marketing cooperatives were those engaged principally in selling their patrons produce. Purchasing cooperatives were those engaged principally in purchasing supplies for their patrons. Cooperatives engaged principally in bargaining, shipping, breeding, storing and the like are classified as "Other." Cooperatives which could not be identified as one of the above were classified as "Undetermined."

Schedule A.—COST OF GOODS SOLD. (See Instruction 2) (Where inventories are an income-determining factor)		Schedule B.—INCOME FROM PATRONAGE DIVIDENDS, REBATES AND REFUNDS. (See Instruction 4(a))	
1. Inventory at beginning of year		Name of Declaring Association	Amount
2. Merchandise bought for manufacture or sale			
3. Salaries and wages			
4. Other costs per books (attach schedule)			
5. TOTAL			
6. Less: Inventory at end of year			
7. Cost of goods sold. (Enter here and on line 2, page 1)		TOTAL (Enter on line 4(a), page 1)	

Schedule C.—INCOME FROM DIVIDENDS ON CAPITAL STOCK			
I. INCOME. (See Instruction 4(b))		II. DEDUCTIONS. (See Instruction 31(b))	
1. *Domestic corporations (including nonexempt cooperative associations)		1. 85% of line (1), Part I	
2. Public utility corporations		2. 62.115% of line (2), Part I	
3. Certain foreign corporations		3. 85% of line (3), Part I	
4. Amount includable by shareholders of controlled foreign corporation (att. Form 3646)			
5. Other corporations (including exempt cooperative associations)			
6. TOTAL (Enter on line 4(b), page 1)		4. TOTAL (See Instruction 31(b) for limitations. Enter on line 31(b), page 1)	

*Except (a) dividends on certain preferred stock of public utilities, which should be entered on line 2; and (b) dividends, which should be entered on line 5, received from China Trade Act corporations, from corporations to which section 931 applies, and from corporations exempt from tax under sections 501 and 521.

Schedule D.—Separate Schedule D (Form 1120) should be used in reporting sales or exchanges of property and filed with this return. (See Instruction 9)

Schedule E.—COMPENSATION OF OFFICERS						
1. Name and address of officer	2. Official title	3. Time devoted to business	Percent of association's stock owned		6. Amount of compensation	7. Expense account allowances
			4. Common	5. Preferred		
TOTAL compensation of officers (Enter here and on line 12, page 1)						

Schedule F.—BAD DEBTS—RESERVE METHOD. (See Instruction 16)					
1. Taxable year	2. Trade notes and accounts receivable outstanding at end of year	3. Sales on account	4. Gross amount added to reserve	5. Amount charged against reserve	6. Reserve for bad debts at end of year
1960					
1961					
1962					
1963					

NOTE: Securities which are capital assets and which became worthless within the taxable year should be reported in separate Schedule D.

Schedule G.—DEPRECIATION. (See Instruction 22)
This schedule is designed for taxpayers using the alternative guidelines and administrative procedures described in Revenue Procedure 62-21 as well as for those taxpayers who wish to continue using procedures authorized prior to the Revenue Procedure. Where double headings appear use the first heading for the new procedure and the second heading for the older procedure.

1. Group and guideline class —OR— Description of property	2. Cost or other basis at beginning of year —OR— Cost or other basis	3. Asset additions in year (amount) —OR— Date acquired	4. Asset retirements in year (amount) (applicable only to Rev. Proc. 62-21)	5. Depreciation allowed or allowable in prior years	6. Method of computing depreciation	7. Class life —OR— Rate (%) or life	8. Depreciation for this year
1. TOTALS							
2. Less: Amount of depreciation claimed in Schedule A and elsewhere on return							
3. Balance—Enter here and on line 22, page 1							
4. Cost or other basis of fully depreciated assets still in use							

Schedule H.—DEDUCTIONS AND ADJUSTMENTS UNDER SECTION 1382 AND/OR SECTION 522 (b). (See Instruction 29)

Table with 5 rows for deductions: 1. Dividends paid on capital stock, 2. Nonpatronage income allocated to patrons, 3. Patronage dividends (a-e), 4. TOTAL (Enter here and on line 29, page 1)

TAX COMPUTATION

Table for tax computation with 9 rows: 1. Enter amount of taxable income from line 32, page 1, 2. If amount on line 1 is: (a) Not over \$25,000, (b) Over \$25,000, 3. Income tax, 4. Foreign tax credit, 5. Balance, 6. Investment credit, 7. Balance of income tax, 8. Tax from recomputing prior year investment credit, 9. TOTAL tax

Section 6033(a) INFORMATION NOT SHOWN ON PAGE 1

INCOME, RECEIPTS, DUES, ETC.

Table for income, receipts, dues, etc. with 3 rows: 1. Dues, assessments, etc., from members, 2. Dues, assessments, etc., from affiliated organizations, 3. TOTAL of lines 1 and 2

DISPOSITION OF INCOME, RECEIPTS, DUES, ETC.

Table for disposition of income, receipts, dues, etc. with 1 row: 4. Dues, assessments, etc., to affiliated organizations

ADDITIONAL INFORMATION REQUIRED

Table for additional information required with 14 numbered questions regarding legal form, formation year, changes, income sources, voting stock, allocation of dividends, agricultural products, and business done.

Schedule L.—BALANCE SHEETS. (See Instructions)

	Beginning of taxable year		End of taxable year	
	(A) Amount	(B) Total	(C) Amount	(D) Total
ASSETS				
1. Cash				
2. Notes and accounts receivable				
(a) Less: Reserve for bad debts				
3. Inventories				
4. Investments in Government obligations				
5. Other current assets (attach schedule)				
6. Other investments (attach schedule)				
7. Buildings and other fixed depreciable assets				
(a) Less: Accumulated amortization and depreciation				
8. Depletable assets				
(a) Less: Accumulated depletion				
9. Land (net of any amortization)				
10. Intangible assets (amortizable only)				
(a) Less: Accumulated amortization				
11. Other assets (attach schedule)				
12. Total assets				
LIABILITIES AND CAPITAL				
13. Accounts payable				
14. Mortgages, notes, and bonds payable in less than 1 year				
15. Other current liabilities (attach schedule)				
16. Mortgages, notes, and bonds payable in 1 year or more				
17. Other liabilities (attach schedule)				
18. Capital stock: Enter numbers at end of year—				
Shares				
Shareholders				
(a) Preferred stock				
(b) Common stock				
19. Paid-in or capital surplus				
20. Reserves (attach schedule)				
21. TOTAL liabilities and capital				

ENTRIES MADE BELOW MUST BE IDENTIFIED BY ACCOUNT

Schedule M-1.—RECONCILIATION OF INCOME PER BOOKS WITH INCOME PER RETURN

1. Net income per books		7. Income recorded on books this year not included in this return (itemize)	
2. Federal income tax			
3. Excess of capital losses over capital gains			
4. Taxable income not recorded on books this year (itemize)			
		8. Deductions in this tax return not charged against book income this year (itemize)	
5. Expenses recorded on books this year not deducted in this return (itemize)			
		9. TOTAL of lines 7 and 8	
6. TOTAL of lines 1 through 5		10. Income (line 30, page 1)—line 6 less 9	

Schedule M-2.—ANALYSIS OF RESERVES (Line 20, page 4)

1. Balance at beginning of year		5. Distributions to stockholders charged to reserves during the taxable year:	
2. Net income per books		(a) Cash	
3. Other increases (itemize)		(b) Stock of the corporation	
		(c) Property	
		6. Other decreases (itemize)	
4. TOTAL of lines 1, 2, and 3		7. TOTAL of lines 5 and 6	
		8. Balance end of year (line 4 less 7)	

1963

Instructions For Form 990-C

EXEMPT COOPERATIVE ASSOCIATION INCOME TAX RETURN

GENERAL INSTRUCTIONS

(References are to the Internal Revenue Code unless otherwise indicated)

A. Who Must File Form 990-C.—A return must be filed by every exempt cooperative association described in section 521, whether or not having any taxable income.

B. Period to be covered by return.—Returns shall be filed for the calendar year 1963 or fiscal year beginning in 1963 and ending in 1964. For the procedure to follow in changing an established accounting period, see Section 1.442-1, Income Tax Regulations. In cases where prior approval must be obtained, file Form 1128, Application for Change in Accounting Period.

C. Accounting methods.—Taxable income shall be computed in accordance with the method of accounting regularly used by the taxpayer in maintaining its books and records. In all cases the method adopted should clearly reflect taxable income. (See section 446.) Except in those cases where the law specifically permits it, a taxpayer may not change the method of accounting upon the basis of which it has reported its income in prior years (for its income as a whole or with respect to any separate trade or business) without first securing consent on Form 3115, Application for Change in Accounting Method.

Rounding off to whole-dollar amounts.—The money items on your return and accompanying schedules may be shown as whole-dollar amounts. Eliminate any amount less than 50 cents, and increase any amount from 50 cents through 99 cents to the next highest dollar.

D. Filing of return and payment of tax.—Returns of exempt cooperative associations described in section 521 must be filed on or before the 15th day of the 9th month following the close of the taxable year with the District Director of Internal Revenue for the district in which the association's principal place of business or principal office or agency is located. (Section 6072.)

The tax must be paid in full when the return is filed or in two installments, 50 percent on or before the 15th day of the 9th month and 50 percent on or before the 15th day of the 12th month following the close of the taxable year.

The tax may be paid in cash or by check or money order drawn to the order of "Internal Revenue Service." Cash payment should be made only in person at the District Director's office.

Section 6016 provides that an association subject to income tax shall make a declaration of estimated tax for the taxable year if its income tax liability for such taxable year, reduced by the amount which the corporation estimates as the sum of any credits against tax provided by the Code, can reasonably be expected to exceed \$100,000. (See Form 1120-ES.)

E. Signature and verification.—The return must be signed either by the president, vice president, treasurer, assistant treasurer or chief accounting officer, or by any other corporate officer (such as tax officer) who is authorized to sign. A receiver, trustee, or assignee must sign any return which he is required to file on behalf of an association.

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

G-(1). Information at the source.—Every organization engaged in a trade or business shall make an information return on Forms 1099 and 1096 with respect to payments made during the calendar year in the course of such trade or business to another person of fixed or determinable salaries, wages, commissions, fees, and other forms of compensation for services rendered aggregating \$600 or more (to the extent not reported on Form W-2), and rents, royalties, annuities, pensions, and other gains, profits, and income aggregating \$600 or more. (See Section 1.6041-1, Income Tax Regulations.) Where the aggregate compensation of an employee is \$600 or more and a portion thereof is required to be reported on Form W-2, the remainder must be reported on Form 1099, regardless of amount.

Every association making payments of interest or dividends

aggregating \$10 or more to any person during the calendar year 1963 shall make an information return on Forms 1096 and 1099.

In general, any organization exempt from tax under section 521 which makes payments (with respect to patronage occurring on or after the first day of the first taxable year of the organization beginning after December 31, 1962) of amounts described in Section 1.6044-3, Income Tax Regulations, aggregating \$10 or more to any person during any calendar year shall make an information return on Forms 1096 and 1099. Any organization allocating to any patron (with respect to patronage occurring in any taxable year of the organization beginning before January 1, 1963) amounts aggregating \$100 or more during a calendar year as patronage dividends, rebates or refunds, shall for each such calendar year make an information return on Forms 1096 and 1099.

A copy of Form 1099 shall also be furnished to each recipient of dividend, interest, and patronage dividend payments.

G-(2). Information regarding dissolution or liquidation.—Every association shall, within 30 days after the adoption by the association of a resolution or plan for the dissolution of the association or for the liquidation of the whole or any part of its capital stock, render a correct return on Form 966 setting forth the terms of such resolution or plan.

Every association making distributions in liquidation of the whole or any part of its capital stock shall also make returns on Forms 1096 and 1099L, as required by instructions on Form 1096, for the calendar year 1963.

H. Balance sheets.—The balance sheets, Schedule L, should agree with the books of account or any differences should be reconciled.

Line 9, Schedule L, should show land less any accumulated amortization of the land as an emergency facility under the authority of section 168.

I. Attachments.—Attachments may be used in the preparation of your return if the lines on the form schedules are not sufficient for your needs. The attachments must contain all required information, follow the format of the official schedules and must be attached to the return in the same sequence as the schedules appear on the official forms. If an attachment is used in place of a schedule having a summary line on page 1 of the form the total need not be entered on the schedule, but must be entered on page 1.

J. Information return by a domestic corporation with respect to controlled foreign corporations.—Every domestic corporation shall make a separate annual information return on Form 2952, in duplicate, with respect to each controlled foreign corporation and each foreign subsidiary. This information required by section 6038 must be furnished even though there are no foreign taxes which would be reduced.

K. Stock ownership in foreign corporations.—A corporation owning directly or indirectly any stock of a foreign corporation must attach a statement showing the name and address of each company and the total number of shares of each class of outstanding stock owned during the taxable year. If the corporation owned 5 percent or more in value of the outstanding stock of a foreign personal holding company, attach a statement setting forth in complete detail the information required by section 551 (d).

L. Tax computation instructions—Foreign tax credit.—If, in accordance with section 901, a foreign tax credit is claimed by a domestic corporation on line 4, page 3, Tax Computation, Form 1118 should be submitted with the return, together with the receipt for each tax payment. If credit is sought for taxes accrued but not paid, see section 905 and regulations thereunder. For carryback and carryover of a foreign tax credit, see sections 904 (d) and 904 (e).

Tax from recomputing prior year investment credit.—Enter the amount that the credit taken in a prior year or years exceeds the credit as recomputed due to early disposition of such property (section 47 (a)). Attach computation.

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SPECIFIC INSTRUCTIONS (Numbered to correspond with line numbers on page 1 of return)

1. Gross receipts.—Enter gross receipts or sales from all business operations except those required to be reported in lines 4 through 9.

2. Cost of goods sold.—If the production, manufacture, purchase, or sale of merchandise is an income-determining factor in the trade or business, inventories of merchandise on hand should be taken at the beginning and end of the taxable year, and may be valued at cost, or at cost or market, whichever is lower, or by any other permissible method.

An inventory method once properly adopted is controlling until permission to change is obtained from the Commissioner. Application for permission to change an inventory method must be made on Form 3115 and filed with the Commissioner within 90 days after the beginning of the taxable year in which it is desired to effect a change. In case the inventories reported do not agree with the balance sheet, attach a statement explaining the difference.

An association electing to use the last-in, first-out method of valuing inventory provided for in section 472 must file Form 472 with the return for the first year of the election. Thereafter, attach separate schedule showing: (1) a summary of all inventories; (2) with respect to any inventories computed under section 472, the computation of the quantities and cost by acquisition levels.

Cost of operations (where inventories are not an income-determining factor).—If the amount entered on line 2 includes an amount applicable to cost of operations, attach a schedule showing: (1) salaries and wages; and (2) other costs in detail.

4 (a). Income from patronage dividends, rebates, and refunds.—*Treatment of distributions and allocations received from a cooperative association with respect to patronage occurring in a taxable year of such association beginning before January 1, 1963 (see Section 1.61-5, Income Tax Regulations).*—Enter the total of amounts allocated from cooperative associations and fill in Schedule B. If the allocation is in the form of capital stock, revolving fund certificates, letters of advice, retain certificates or similar documents, include the fair market value of such documents at the time of their receipt by the patron. Any document containing an unconditional promise to pay a fixed sum of money on demand or at a fixed or determinable time shall be considered to have a fair market value at the time of its receipt by the patron, unless it is clearly established to the contrary. However, any document which is payable only at the discretion of the cooperative association, or which is otherwise subject to conditions beyond the control of the patron, shall be considered not to have any fair market value at the time of its receipt by the patron, unless it is clearly established to the contrary.

Treatment of distributions and allocations received from a cooperative association described in section 1381 (a) with respect to patronage occurring in a taxable year of such association beginning after December 31, 1962 (see section 1385).—Enter the total amount of patronage dividends received in money, qualified written notices of allocation, or other property (except nonqualified written notices of allocation), and fill in Schedule B. Also enter total amount of nonpatronage distributions received on a patronage basis from tax exempt farmers' cooperatives in money, qualified written notices of allocation, or other property (except nonqualified written notices of allocation) with respect to earnings derived by such association either from business done with or for the United States or any of its agencies or from sources other than patronage, such as investment income. Qualified written notices of allocation are to be included at their stated dollar amounts and property is to be included at its fair market value. Also enter amounts received upon redemption, sale, or other disposition of nonqualified written notices of allocation.

Patronage dividends attributable to purchases of capital assets or depreciable property are not includable in income but the basis of such items must be reduced accordingly.

4 (b). Income from dividends on capital stock.—Enter the total of all taxable dividends received from domestic and foreign corporations, except dividends on share accounts in Federal savings and loan associations in case of share accounts issued prior to March 28, 1942, and fill in Schedule C, Part I.

5. Interest on U.S. obligations.—Enter interest on obligations of the United States and U.S. instrumentalities.

Non-interest-bearing obligations issued at a discount.—Taxpayers on the cash basis may elect, as to all non-interest-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 of such obligations occurring between the date of acquisition and the end of the year must be included. Attach

statement listing obligations owned and computation of the increase. (Section 454.)

6. Other interest.—Enter on line 6, the amount of interest on loans, notes, mortgages, bonds, bank deposits, corporate bonds, etc. The term "corporate bonds" includes bonds, debentures, notes, certificates of indebtedness, or other evidences of indebtedness issued by any corporation and bearing interest, with interest coupons or in registered form. For provisions relating to amortizable bond premium, see section 171.

7. Rents.—Enter the gross amount received for the rent of property. Any expenses, including repairs, interest, taxes, and depreciation, should be included in the proper items of deductions on page 1. In the case of a lease entered into prior to January 1, 1954, if both lessor and lessee are corporations and if under the lease the lessee is obligated to pay any part of the lessor's income tax on the rental payment, this tax is excluded from lessor's gross income and may not be deducted by lessee. (Section 110.)

8. Royalties.—Enter the gross amount received as royalties. If a deduction is claimed for depletion, it must be reported on line 23, page 1.

9. Gains and losses from sales or exchanges of capital assets and other property.—The computation of gains and losses from sales or exchanges of capital assets and property other than capital assets should be made on separate Schedule D (Form 1120). Every sale or exchange of property, even though no gain or loss is indicated, must be reported in detail. If for any taxable year the net long-term capital gain exceeds the net short-term capital loss, or in case of only a net long-term capital gain, a computation of the alternative tax should be made on separate Schedule D (Form 1120).

The results computed on separate Schedule D (Form 1120) must be shown in the appropriate lines, pages 1 and 3 of Form 990-C, disregarding any reference to the Form 1120.

10. Other income.—Enter total amount of other income not reported elsewhere in the return and attach schedule showing details. Include recoveries of bad debts deducted in prior years under the specific charge-off method. Refunds of taxes deducted in prior years should be reported here and not offset against current year's taxes.

14. Rents.—Enter rent paid or accrued for business property in which the corporation has no equity. With respect to leases entered into prior to January 1, 1954, see instruction No. 7.

15. Repairs.—Enter the cost of incidental repairs, including labor, supplies, and other items, which do not add to the value or appreciably prolong the life of the property. Expenditures for new buildings, machinery, equipment, or for permanent improvements or betterments which increase the value of the property are chargeable to capital account.

16. Bad debts.—Bad debts may be treated in either of two ways—(1) by a deduction from income in respect of debts which become worthless in whole or in part, or (2) by a deduction from income of a reasonable addition to a reserve for bad debts. (Section 166.)

A taxpayer filing a first return of income may select either of the two methods, and that method must be followed for subsequent years, unless permission is granted by the Commissioner to change to the other method. Application for permission to change the method must be made on Form 3115 within 90 days after the beginning of the taxable year for which it is desired to effect the change.

17. Interest.—Enter interest paid or accrued on business indebtedness. Do not include interest on indebtedness incurred or continued to purchase or carry obligations, the interest on which is wholly exempt from income tax. (Section 265.)

See section 267 for limitation on deductions for unpaid expenses and interest in the case of transactions between related taxpayers.

18. Taxes.—Enter taxes paid or accrued during the taxable year and attach a schedule showing the type and amount of tax. Do not include Federal income, war-profits, and excess-profits taxes; estate, inheritance, legacy, succession, and gift taxes; foreign or United States possession income taxes if any credit is claimed on line 4, page 3, Tax Computation; Federal taxes paid on bonds containing a tax-free covenant, nor taxes not imposed upon the taxpayer. See section 164 (d) regarding apportionment of taxes on real property between seller and purchaser.

19. Contributions or gifts paid.—Enter contributions or gifts actually paid within the taxable year of the character described in section 170 (c). The amount claimed shall not exceed 5 percent of the taxable income computed without regard to (1) this deduction, (2) the dividends-received deductions from Schedule C, Part II and (3) any net operating loss carryback to the taxable year under section 172.

At the election of a corporate taxpayer on the accrual method

of accounting (which election must be made at the time its return is filed), any contribution or gift will be considered as paid during the taxable year if payment is actually made on or before the 15th day of the 3d month following the close of the taxable year, and if the contribution or gift has been authorized during the taxable year by the board of directors of the corporation. A copy of such authorization must be attached to the return. Do not deduct as a business expense charitable contributions which come within the above description, but which are unallowable in whole or in part due to the limitation contained in section 170. (Sec. 162 (b).)

Any contributions paid during the taxable year in excess of the amount deductible may be carried over and deducted in the two succeeding taxable years subject to the 5 percent limitation provided in section 170 (b) (2). In a taxable year to which there is a net operating loss carryover and charitable contributions in excess of the amount deductible (or a charitable contribution carryover from a preceding taxable year), see section 170 (b) (3).

Attach a schedule showing the name and address of each organization and the amount paid. If there is included a contribution carryover, show the amount and how the carryover was determined.

For each gift of property other than cash attach a statement setting forth a description of the property, the date of the gift, and the method of valuation for all gifts except securities.

Special rule for contribution of depreciable property as defined in section 1245 (a) (3).—The amount to be taken into account for such purposes shall not exceed the fair market value of the property less the amount which would constitute ordinary income under section 1245 (a).

20. Losses by fire, storm, shipwreck, or other casualty, or theft.—Enter losses sustained during the year, arising from fire, storm, shipwreck, or other casualty. For determination of the amount deductible, see section 165 (b). Theft losses are deductible only in the year in which discovered.

21. Amortization.—If the taxpayer elects the deduction with respect to the amortization of (a) the adjusted basis of any emergency facility (section 168) with respect to which the Government has issued a certificate of necessity, or (b) certain expenditures relating to research and experiment (section 174), trademark and trade name expenditures (section 177), exploration (section 615), development (section 616), and organizational (section 248), a statement of the pertinent facts should be filed with the return.

22. Depreciation.—A reasonable allowance for the exhaustion, wear and tear, and obsolescence of property used in the trade or business or of property held by the taxpayer for the production of income shall be allowed as a depreciation deduction. The allowance does not apply to inventories or stock-in-trade nor to land apart from the improvements or physical development added to it. Depreciation on leasehold improvements, patents and copyrights shall be included in Schedule C.

Adjustments to basis of property: (a) **Investment credit.**—The cost or other basis of property which qualifies for the investment credit shall be reduced by an amount equal to 7 percent (3 percent for public utilities) of the qualified investment.

(b) **Additional first-year depreciation.**—If a taxpayer elects to claim the additional first-year allowance under section 179, the basis of the property must be adjusted for the amount of the deduction so claimed.

(c) **Salvage value.**—In computing the basis on which depreciation may be taken for personal property, other than livestock, salvage value need not be taken into account, if it does not exceed 10 percent of the cost or other basis of the property. If salvage value exceeds 10 percent, only the excess need be taken into account. These provisions apply to property with a useful life of 3 years or more which was acquired after October 16, 1962.

Alternative Depreciation Guidelines and Rules

Revenue Procedure 62-21 dated July 12, 1962, sets forth alternative standards and procedures for determining depreciation. The guideline lives for guideline classes (broad categories not item-by-item) are in most cases substantially shorter than those used prior to the Revenue Procedure. Taxpayers who wish to use these provisions must use them for all assets in a particular guideline class.

The depreciation schedule provided on the return is to be used for reporting depreciation under both Revenue Procedure 62-21 and previously prescribed rules and standards.

Revenue Procedure 62-21 is contained in IRS Publication No. 456 (9-62). Additional information is contained in IRS Publication No. 457. These publications may be obtained from the Superintendent of Documents, Government Printing Office, Washington, D.C., 20402, for 25 cents and 15 cents, respectively.

DEPRECIATION METHODS

Following is a brief description of the various methods of depreciation which may be used under either Revenue Procedure 62-21 or previously prescribed rules and standards:

(a) **Straight line.**—To compute the deduction, add the cost of improvements to the cost (or other basis) of the property and deduct the total depreciation allowed or allowable. Divide the result by the number of years of useful life remaining to the asset—the quotient is the depreciation deduction.

(b) **Declining balance.**—A uniform rate is applied each year to the remaining cost or other basis of property determined at the beginning of such year. For property acquired before January 1, 1954, or used property whenever acquired, the rate of depreciation under this method may not exceed one and one-half times the applicable straight-line rate.

(c) **Special rules for new assets acquired after December 31, 1953.**—The cost or other basis of an asset acquired after December 31, 1953, may be depreciated under methods proper in the past; or, it may be depreciated under any of the following methods provided (1) that the asset is tangible, (2) that it has an estimated useful life of three years or more, and (3) that the original use of the asset commenced with the taxpayer and commenced after December 31, 1953.

(1) **Declining balance.**—This method may be used with a rate not in excess of twice the applicable straight-line rate.

(2) **Sum of the years-digit.**—The deduction for each year is computed by multiplying the cost or other basis of the asset by the number of years of useful life remaining (including the year for which the deduction is computed) and dividing the product by the sum of all the digits corresponding to the years of the estimated useful life of the asset. In the case of a 5-year life this sum would be 15 or (5+4+3+2+1). For the first year five-fifteenths of the cost would be allowable, for the second year four-fifteenths, etc.

(3) **Other methods.**—A taxpayer may use any consistent method which does not result in accumulated allowances at the end of any year greater than the total of the accumulated allowances which would have resulted from the use of the declining balance method. This limitation applies only during the first two-thirds of the useful life of the property.

(d) **Section 179—Additional first-year depreciation allowance.**—Corporations may elect to write off 20 percent of the cost (before adjustment for the investment credit or salvage value) of tangible personal property, but only to the extent of an aggregate cost of \$10,000, for the first taxable year for which a deduction is allowable under section 167. The cost of property does not include so much of the basis of such property as is determined by reference to the basis of other property held at any time by the person acquiring such property. This additional depreciation is limited to property with a remaining useful life of 6 years or more and which is not acquired from an affiliated corporation (as defined in section 1504, except that "more than 50 percent" stock ownership is substituted for "at least 80 percent" wherever it appears in section 1504 (a)). All members of the affiliated group will be treated as one taxpayer, and the \$10,000 limitation will be apportioned among the members in the manner prescribed by regulations. Further, for this allowance to apply in any case, the basis of the property must not be determined in whole or in part by reference to the transferor's basis. Depreciation on the remaining cost of the property may be taken under any of the methods indicated above. The additional first year depreciation of an asset should be shown on a separate line of the depreciation schedule rather than included on the line used to show the regular depreciation of the asset.

Change in method of depreciation.—Taxpayers who may desire to follow more conservative depreciation policies because ordinary income treatment will be applied to the gain (to the extent of the depreciation taken after December 31, 1961) from the sale or exchange of depreciable property defined in section 1245 (a) (3), may elect to change their method of depreciation with respect to such property from the declining balance or sum of the years-digits to the straight line method on or before the due date of the return for the first taxable year ending after December 31, 1962. To make this election attach a statement to your return identifying the assets to which the election applies.

23. Depletion.—If a deduction is claimed for depletion, Form M (mines and other natural deposits), Form O (oil and gas), or Form T (timber) should be submitted with your return. If complete valuation data have been filed with questionnaire in previous years, then file with your return information necessary to bring your depletion schedule up to date, setting forth in full a statement of all transactions bearing on deductions from or additions to value of physical assets during the taxable year with explanation of how depletion deduction for the taxable year has been determined. (Sections 611, 612, and 613.) Expenditures to be deferred and deducted ratably under the election provided in sections 616 (b), relating to certain expenditures in the development of mines, and 615 (b), relating to the deductions for mine explorations, are not to be taken into account in determining the adjusted basis for property for the purpose of computing a deduction for depletion under section 611.

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25 (a). File Form 2950 to substantiate the deduction claimed for amounts contributed to pension, profit-sharing, stock bonus, and annuity plans under section 404. Form 2950 must be filed for years other than the first year a deduction is claimed and may be used for the first year, instead of submitting the information required by Section 1.404 (a)—2 (a), Income Tax Regulations.

(b). Enter deductions for contributions to employee benefit plans (other than those claimed on line 25 (a)) such as insurance, health, or welfare plans. Submit a schedule for each plan showing: (1) the nature of benefits, i. e., group term life insurance, group permanent life insurance, noninsured death benefit, hospitalization, surgical, medical, sickness, accident, major medical expense, unemployment benefits, or other welfare benefits; (2) method of financing, i. e., insured, industry or area wide fund, self-insured fund, or direct benefit payments; (3) the amount of deduction; (4) the amount of employee contributions; (5) the number of employees covered; and (6) if a self-insured plan, the amount of benefits paid during the taxable year. Also show the number of employees employed by the corporation.

26. Other deductions.—Enter any other authorized deductions for which no space is provided on the return. Any deduction claimed should be explained in an attached schedule.

29. Deductions and adjustments under section 1382 and/or section 522 (b).—Enter the total amount from Schedule H which is comprised of the following:

Dividends paid on capital stock.—Enter on line 1 the amount actually or constructively paid as dividends during the taxable year upon common stock (whether voting or nonvoting), preferred stock, capital retain certificates, revolving fund certificates, letters of advice, or other documentary evidence of a proprietary interest in the cooperative association.

Nonpatronage income allocated to patrons.—Enter on line 2 amounts paid on a patronage basis to patrons in money, qualified written notices of allocation, or other property (except nonqualified written notices of allocation) where the income involved was not derived from patronage. The amounts must be paid during the payment period which begins on the first day of the taxable year and ends on the 15th day of the 9th month following the close of the taxable year in which the earnings were derived. The term "income not derived from patronage" includes incidental income derived from sources not directly related to marketing, purchasing, or service activities of the association (such as income derived from the lease of premises, from investments, or from the sale or exchange of capital assets) and from business done with or for the Government of the United States or any of its agencies. See patronage dividends below for explanation of the term "qualified written notice of allocation." For deductibility of amounts paid in redemption of nonqualified written notices of allocation, see section 1382 (c) (2) (B).

For the deductibility of amounts paid during taxable years beginning after December 31, 1962, with respect to income derived during the taxable years beginning before January 1, 1963, see section 522 without regard to subchapter T.

Patronage dividends.—The term "patronage dividend" includes any amount paid to a patron by a cooperative association on the basis of business done with or for such patron under a pre-existing obligation of the cooperative to pay such amount, and which is determined by reference to the net earnings of the organization from business done with or for its patrons. The following are not patronage dividends:

(a) Amounts paid to patrons out of earnings not derived from business done with or for patrons.

(b) Amounts paid to patrons out of earnings from business done with or for other patrons to whom no amounts are paid, or to whom smaller amounts are paid, with respect to substantially identical transactions.

(c) Amounts paid to patrons in redemption of capital stock, or in redemption or satisfaction of certificates of indebtedness, revolving fund certificates, retain certificates, letters of advice, or other similar documents.

(d) Amounts paid to patrons without reference to the net earnings of the cooperative organization from business done with or for its patrons.

To be deductible, patronage dividends must be paid during the payment period which begins on the first day of the taxable year in which the patronage occurs and ends on the 15th day of the 9th month following the close of that taxable year.

See sections 1382 (e) and (f) for special rules relating to the time when patronage is deemed to occur where products are marketed under a pooling arrangement or where earnings are includable in the gross income of the cooperative organization for a taxable year after the year in which the patronage occurred.

Patronage dividends may be in the form of money, qualified written notices of allocation, or other property (except nonqualified written notices of allocation). The term "written notice of allocation" means any capital stock, revolving fund certificate, certificate of indebtedness, or other written notice, which discloses to the patron the stated dollar amount allocated to him by the organization and the portion thereof, if any, which constitutes a patronage dividend. In order for a written notice of allocation to be qualified, 20 percent or more of the amount of the patronage dividend must be paid in the form of money or a qualified check. (See section 1388 (c) and regulations thereunder.) One of two other conditions must be met before a written notice of allocation is qualified:

(1) The patron must have the option of redeeming the written notice of allocation in cash during a period beginning on the date such written notice of allocation is paid and ending not earlier than 90 days from such date, and the distributee must receive written notice of the right of redemption at the time he received such written notice of allocation, or

(2) The patron must consent, in one of three specified methods, to having the allocation treated as being constructively received by him and then reinvested in the cooperative. (See section 1388 (c) (2) and regulations thereunder.)

If a written notice of allocation does not qualify, no deduction is allowable at the time it is issued. However, the cooperative is entitled to a deduction or refund of tax when the nonqualified written notice of allocation is finally redeemed (provided that such nonqualified written notice of allocation was paid as a patronage dividend during the payment period for the taxable year during which the patronage occurred) but only to the extent that amounts paid in redemption of the nonqualified written notice of allocation are paid in money or other property (other than written notices of allocation) and do not exceed the stated dollar amount of such nonqualified written notice of allocation. (Section 1382 (b) and regulations thereunder.) A special rule is provided for computing the cooperative's tax in the year of redemption of a nonqualified written notice of allocation. (See section 1383.)

For the deductibility of patronage dividends paid during taxable years beginning after December 31, 1962, with respect to patronage occurring during taxable years beginning before January 1, 1963, see section 522 without regard to subchapter T.

31 (a). Net operating loss deduction.—The "net operating loss deduction" is the sum of the net operating loss carryovers and carrybacks to the taxable year. (Section 172 (a).) A net operating loss may be carried back 3 years and carried over 5 years. The net operating loss must first be carried to the earliest of the 8 taxable years to which it may be carried, then to the next earliest year, etc. The portion of such loss which shall be carried to each of the other 7 taxable years shall be the excess, if any, of the amount of such loss over the sum of the taxable income for each of the prior taxable years to which such loss may be carried. (Section 172 (b).) Attach a schedule showing your computation.

(b) Dividends-received deductions. (Sections 243-247.) (Numbered to correspond to line numbers in Schedule C, part II.)

(1) *Dividends received from a domestic corporation.*—Enter an amount equal to 85 percent of the amount received as dividends (except dividends on certain preferred stock of public utilities) from a domestic corporation subject to income tax. Amounts received as dividends from mutual savings banks, cooperative banks, and domestic building and loan associations and allowed as a deduction to such banks or building and loan associations shall not be treated as dividends. In the case of dividends received from a regulated investment company, see section 854 regarding limitations on amount deductible.

(2) *Dividends received on certain preferred stock of public utilities.*—Enter 62.115 percent of the amount received as dividends on the preferred stock of a public utility which is subject to income tax and is allowed a deduction, as provided in section 247.

(3) *Dividends received from certain foreign corporations.*—Enter 85 percent of dividends received from certain foreign corporations. See section 245 for qualifications and limitations.

The total dividends-received deduction may not exceed 85 percent of line 30, page 1. However, the 85 percent limitation does not apply to a year in which a net operating loss occurs. (See section 246 (b).) In general, no dividend-received deduction will be allowed on any share of stock (A) which is sold or otherwise disposed of in any case in which the corporation has held such share for 15 days or less, or (B) to the extent the corporation is under an obligation to make corresponding payments with respect to substantially identical stock or securities. Where the stock has preference in dividends, the holding period is 90 days instead of 15 if the corporation receives dividends with respect to such stock which are attributable to a period or periods aggregating in excess of 366 days.

FORM 1120

U.S. CORPORATION INCOME TAX RETURN—1963

U.S. Treasury Department Internal Revenue Service

or other taxable year beginning 1963, ending 19... (PLEASE TYPE OR PRINT)

Check if this is a— A. Sole proprietorship or partnership... B. Consolidated return... C. Personal Holding Co... D. Business Code No... E. Employer Identification No... F. County in which located... G. Enter total assets from line 13 Sch. L... \$

IMPORTANT—All applicable lines and schedules must be filled in. If the lines on the schedules are not sufficient, see instruction Q.

GROSS INCOME 1. Gross receipts or gross sales Less: Returns and allowances 2. Less: Cost of goods sold (Schedule A) and/or operations (attach schedule) 3. Gross profit 4. Dividends (Schedule C) 5. Interest on obligations of the United States and U.S. instrumentalities 6. Other interest 7. Rents 8. Royalties 9. Net gains (losses) (from separate Schedule D) 10. Other income (attach schedule) 11. TOTAL income, lines 3 to 10, inclusive

DEDUCTIONS 12. Compensation of officers (Schedule E) 13. Salaries and wages (not deducted elsewhere) 14. Repairs (do not include cost of improvements or capital expenditures) 15. Bad debts (from Schedule F if reserve method is used) 16. Rents 17. Taxes (attach schedule) 18. Interest 19. Contributions or gifts paid (attach schedule—see instructions for limitation) 20. Losses by fire, storm, shipwreck, or other casualty, or theft (attach schedule) 21. Amortization (attach schedule) 22. Depreciation (Schedule G) 23. Depletion (attach schedule) 24. Advertising 25. (a) Pension, profit-sharing, stock bonus, annuity plans (see instructions) (b) Other employee benefit plans (see instructions) 26. Other deductions (attach schedule) 27. TOTAL deductions in lines 12 to 26, inclusive 28. Taxable income before net operating loss deduction and special deductions (line 11 less line 27) 29. Less: (a) Net operating loss deduction (see instructions—attach schedule) (b) Special deductions (Schedule I) 30. Taxable income (line 28 less line 29)

TAX 31. TOTAL income tax (from line 10, Tax Computation Schedule, page 3) 32. Credits: (a) Tax paid with Form 7004 application for extension (attach copy) (b) Payments and credits on 1963 Declaration of Estimated Tax (c) Credit from regulated investment companies (attach Form 2439) 33. If tax (line 31) is larger than credits (line 32), the balance is TAX DUE. Enter balance here 34. If tax (line 31) is less than credits (line 32) Enter the OVERPAYMENT here 35. Enter amount of line 34 you want: Credited on 1964 estimated tax Refunded

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief it is true, correct, and complete. If prepared by a person other than taxpayer, his declaration is based on all information of which he has any knowledge.

CORPORATE SEAL Date Signature of officer Title Date Individual or firm signature of preparer Address

Form 1120 (1963)

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Schedule A.—COST OF GOODS SOLD. (See Instruction 2) (Where inventories are an income-determining factor)

Table with 1 column and 7 rows: 1. Inventory at beginning of year, 2. Merchandise bought for manufacture or sale, 3. Salaries and wages, 4. Other costs per books (attach schedule), 5. Total, 6. Less: Inventory at end of year, 7. Cost of goods sold (enter here and on line 2, page 1).

- 1. Was inventory valued at—Cost [] lower of cost or market [] LIFO [] other []? If other, attach explanation.
2. Have write-downs been made to inventory? Yes [] No []. If "Yes," were the write-downs computed on the basis of: (a) [] Percentage reductions from parts of the inventory (b) [] Percentage reductions from the total inventory (c) [] Valuation of individual items.
3. Was the inventory verified by physical count during the year? Yes [] No []. If "No," attach explanation of how the closing inventory was determined.
4. Was there any substantial change in the manner of determining quantities, costs or valuations between the opening and closing inventories? Yes [] No []. If "Yes," attach explanation.

NOTE: If a direct answer cannot be given to a question, attach explanation.

Schedule C.—INCOME FROM DIVIDENDS

Table with 5 columns: 1. Name of declaring corporation, 2. Domestic corporations taxable under chapter 1, Internal Revenue Code, 3. Certain preferred stock of public utilities taxable under chapter 1, Internal Revenue Code, 4. Foreign corporations, 5. Other corporations. Includes Totals and Total of columns 2, 3, 4, and 5.

Schedule D.—Separate Schedule D (Form 1120) should be used in reporting sales or exchanges of property. (See Instruction 9)

Schedule E.—COMPENSATION OF OFFICERS. (See page 5 of Instructions)

Table with 6 columns: 1. Name and address of officer, 2. Official title, 3. Time devoted to business, 4. Common, 5. Preferred, 6. Amount of compensation, 7. Expense account allowances. Includes Total compensation of officers (enter here and on line 12, page 1).

Schedule F.—BAD DEBTS—RESERVE METHOD. (See Instruction 15)

Table with 6 columns: 1. Taxable year, 2. Trade notes and accounts receivable outstanding at end of year, 3. Sales on account, 4. Gross amount added to reserve, 5. Amount charged against reserve, 6. Reserve for bad debts at end of year. Rows for 1960, 1961, 1962, 1963.

NOTE: Securities which are capital assets and which became worthless within the taxable year should be reported in separate Schedule D.

Schedule G.—DEPRECIATION. (See Instruction 22, page 3)

This schedule is designed for taxpayers using the alternative guidelines and administrative procedures described in Revenue Procedure 62-21 as well as for those taxpayers who wish to continue using procedures authorized prior to the Revenue Procedure. Where double headings appear use the first heading for the new procedure and the second heading for the older procedure.

Table with 8 columns: 1. Group and guideline class, 2. Cost or other basis at beginning of year, 3. Asset additions in year (amount), 4. Asset retirements in year (amount), 5. Depreciation allowed or allowable in prior years, 6. Method of computing depreciation, 7. Class life, 8. Depreciation for this year. Includes 1. Totals, 2. Less: Amount of depreciation claimed in Schedule A and elsewhere on return, 3. Balance—Enter here and on line 22, page 1, 4. Cost or other basis of fully depreciated assets still in use.

Schedule H.—SUMMARY OF DEPRECIATION AND AMORTIZATION SCHEDULES

DEPRECIATION		Under Rev. Proc. 62-21	Other	AMORTIZATION	
1. Straight line method				1. Emergency facilities	
2. Declining balance method				2. Research or experimental	
3. Sum of the years-digits method				3. Exploration and development	
4. Based on units of production				4. Organizational	
5. Addl. 1st year (Sec. 179)				5. Trademark and trade name	
6. Other (specify)				6. Other (specify)	
7. Total depreciation claimed				7. Total amortization claimed	

Schedule I.—SPECIAL DEDUCTIONS

1. Dividends-received: (a) 85 percent of column 2, Schedule C	
(b) 62.115 percent of column 3, Schedule C	
(c) 85 percent of dividends received from certain foreign corporations	
2. Total dividends-received deductions (sum of lines 1 (a), (b), and (c) but not to exceed 85 percent of the excess of line 28, page 1 over line 4 of this schedule). (The 85 percent limitation does not apply to a year in which a net operating loss occurs or if the corporation is a small business investment company.)	
3. Dividends paid on certain preferred stock of public utilities (see instructions in case of net operating loss)	
4. Western Hemisphere trade corporations (not allowable in year of net operating loss)	
5. Total special deductions (enter here and on line 29(b), page 1)	

TAX COMPUTATION SCHEDULE

1. Taxable income (line 30, page 1)	
2. If amount of line 1 is:	
(a) Not over \$25,000—Enter 30 percent of line 1 (32 percent if a consolidated return)	
(b) Over \$25,000—Enter 52 percent of line 1 (54 percent if a consolidated return)	
Subtract \$5,500, and enter difference	5,500.00
3. Income tax (line 2, or line 22 of separate Schedule D, whichever is lesser)	
4. Foreign tax credit (attach Form 1118)	
5. Balance (line 3 less line 4)	
6. Investment credit (attach Form 3468)	
7. Balance of income tax (line 5 less line 6)	
8. Tax under section 541 of the Internal Revenue Code (from Schedule 1120 PH)	
9. Tax from recomputing prior year investment credit (attach statement)	
10. Total tax (sum of lines 7, 8 and 9). Enter here and on line 31, page 1.	

H. Date incorporated

- I.** (1) Did the corporation at the end of the taxable year own directly or indirectly 50 percent or more of the voting stock of a domestic corporation? Yes No
- (2) Did any corporation, individual, partnership, trust, or association at the end of the taxable year own directly or indirectly 50 percent or more of the corporation's voting stock? Yes No
(For rules of attribution, see section 267 (c).)
- If the answer to (1) or (2) is "Yes," attach separate schedule showing:
(a) name, address, and employer identification no.;
(b) percentage owned;
(c) date acquired; and
(d) the District Director's office in which the income tax return of such organization for the last taxable year was filed.
- If the answer to (1) above is "Yes," include the income (or loss) from line 30, page 1, Form 1120 of such corporation for the taxable year ending with or within your taxable year.
- If the answer to (2) above is "Yes," include (a) the amount of cash or stock dividends paid to such individual or organization and (b) identify form of organization.

- J.** Were Forms 1096 and 1099 filed for the calendar year 1963 in connection with:
Taxable dividends Yes No
Other payments Yes No

- K.** Did you have any contracts or subcontracts subject to the Renegotiation Act of 1951. Yes No

If "Yes," see Inst. K. Enter amount here

- L.** Did you at any time during the year own directly or indirectly any stock of a foreign corporation? Yes No
If "Yes," attach statement as required by Instruction N.

- M.** Amount of income (or deficit) for: 1960.
1961. 1962.

- N.** If a cooperative association, check type:
(1) farmers' purchasing or marketing; (2) consumers', or (3) other.

- O.** Did you claim a deduction for expenses connected with: (If answer to any question is "Yes," check applicable boxes within that question.)

- (1) A hunting lodge , working ranch or farm , fishing camp , resort property , pleasure boat or yacht , or other similar facility ? (Other than where the operation of the facility was the principal business.) Yes No

- (2) The leasing, renting, or ownership of a hotel room or suite , apartment , or other dwelling , which was used by customers or employees or members of their families? (Other than use by employees while in business travel status.) Yes No

- (3) The attendance of your employees' families at conventions or business meetings? Yes No

- (4) Vacations for employees or members of their families? (Other than vacation pay reported on Form W-2.) Yes No

- P.** Refer to instructions and state the:
Principal business activity

Principal product or service

Instructions for Form 1120—1963

U. S. Corporation Income Tax Return

(References are to the Internal Revenue Code.)

GENERAL INSTRUCTIONS

- A. Taxpayers required to file Form 1120.—**
1. Domestic corporations, whether or not having any taxable income, unless exempt under section 501.
 2. Real estate investment trusts defined under section 856.
 3. Regulated investment companies defined under section 851.
 4. Partnerships and proprietorships electing to be taxed as domestic corporations. (See section 1361.)
- B. Returns required of certain organizations.—**
1. Foreign corporations other than life and mutual insurance companies required to file Forms 1120L and 1120M—file Form 1120F.
 2. Life insurance companies subject to tax imposed by section 802—file Form 1120L.
 3. Mutual insurance companies subject to tax imposed by section 821—file Form 1120M.
 4. Exempt farmers cooperatives subject to tax under section 1381—file Form 990-C.
 5. Exempt organizations subject to tax imposed by section 511 on income derived from an unrelated trade or business—file Form 990-T.
 6. Small business corporations which qualify and elect under section 1372(a) to have their taxable income taxed directly to shareholders—file Form 1120-S.
- C. Information returns and other forms which may be required in addition to Form 1120 include the following.—**
1. *Forms 1096 and 1099.*—Information returns to be filed concerning certain salaries, fees, compensation, interest, rents, royalties, annuities, pensions, dividends, and foreign items.
 2. *Forms 966 and 1099L.*—Information returns regarding dissolution or liquidation, and distributions in liquidation.
 3. *Form 2952.*—Information return to be filed by a domestic corporation with respect to certain controlled foreign corporations.
 4. *Form 1118.*—Statement in support of credit claimed by a domestic corporation for taxes paid or accrued to foreign countries or possessions of the United States.
 5. *Form 2950.*—Statement in support of deductions for payments to an employees' pension, profit-sharing, stock bonus trust or annuity plan and compensation under a deferred payment plan.
 6. *Form 3468.*—Computation of investment credit.
 7. *Form 3646.*—Computation of amount includible by shareholder of controlled foreign corporation.
 8. *Schedule PH (Form 1120).*—Computation of U. S. personal holding company tax.
- D. Period to be covered by return.—**Returns shall be filed for the calendar year 1963 or fiscal year beginning in 1963 and ending in 1964. For the procedure to follow in changing an established accounting period, see Section 1.442-1, Income Tax Regulations. In cases where prior approval must be obtained, file Form 1128, Application for Change in Accounting Period.
- E. Accounting methods.—**Taxable income shall be computed in accordance with the method of accounting regularly used by the taxpayer in maintaining its books and records. In all cases the method adopted should clearly reflect taxable income. (See section 446.) Except in those cases where the law specifically permits it, a taxpayer may not change the method of accounting upon the basis of which it has reported its income in prior years (for its income as a whole or with respect to any separate trade or business) without first securing consent on Form 3115, Application for Change in Accounting Method.
- Rounding off to whole-dollar amounts.—**The money items on your return and accompanying schedules may be shown as whole-dollar amounts. Eliminate any amount less than 50 cents, and increase any amount from 50 cents through 99 cents to the next highest dollar.
- F. Filing of return and payment of tax.—**In general returns of corporations must be filed on or before the 15th day of the third month following the close of the taxable year with the District

Director of Internal Revenue for the district in which the corporation's principal place of business or principal office or agency is located. (Section 6072.)

Request for automatic extension of 3 months for filing of return must be made on Form 7004. (Section 6081 (b).)

The balance of tax due must be paid in full when the return is filed or in two installments, 50 percent on or before the 15th day of the third month and 50 percent on or before the 15th day of the sixth month following the close of the taxable year.

The tax may be paid in cash or by check or money order drawn to the order of "Internal Revenue Service." Cash payment should be made only in person at the District Director's office.

G. Declaration of estimated tax (Form 1120-ES).—A declaration of estimated tax must be filed by every corporation if its income tax for the taxable year can reasonably be expected to exceed \$100,000 plus the amount of any estimated credits against the tax. Affiliated corporations filing a consolidated return, see regulations under section 1502. Underpayment of installments of estimated tax will result in additional charges to the tax. If you have an underpayment of estimated tax and believe the additional charge should not be asserted due to the applicability of any of the "relief provisions" of section 6655 (d), attach Form 2220 to your return.

H. Failure to file, etc.—Substantial additions to the tax are imposed for failure to file a return, for late filing, and for filing a false or fraudulent return.

I. Signature and verification.—The return must be signed either by the president, vice president, treasurer, assistant treasurer or chief accounting officer, or by any other corporate officer (such as tax officer) who is authorized to sign. A receiver, trustee, or assignee must sign any return which he is required to file on behalf of a corporation.

J. Domestic corporations entitled to benefits of section 931.—Domestic corporations within the possessions of the United States (except the Virgin Islands) may report as gross income only gross income from sources within the United States, provided (a) 80 percent or more of the gross income for the 3-year period immediately preceding the close of the taxable year (or such part thereof as may be applicable) was derived from sources within a possession of the United States, and (b) 50 percent or more of the gross income for such period or such part thereof was derived from the active conduct of a trade or business within a possession of the United States.

K. Information regarding renegotiable contracts.—Every corporation which held, during the taxable year, contracts or subcontracts which were subject to the Renegotiation Act of 1951 shall, in answer to question K, page 3, state the actual or, if not accurately determinable, its best estimate of the aggregate gross dollar amount billed during the current taxable year under all contracts and/or subcontracts.

L. Consolidated returns.—Subject to the provisions of sections 1501 through 1552 and the regulations, an affiliated group of corporations may make a consolidated income tax return in lieu of separate returns. The making of a consolidated return shall be upon the condition that all corporations which at any time during the taxable year have been members of the affiliated group consent to all the consolidated return regulations prescribed under section 1502 prior to the last day prescribed by law for the filing of such return. The common parent corporation, when filing a consolidated return, shall attach thereto a schedule showing the names and addresses of all the corporations included in the return. Form 851, Affiliations Schedule, should be obtained from the District Director of Internal Revenue and filed as a part of the return. Each subsidiary must prepare two signed copies of Form 1122 authorizing the making of the return on its behalf. One such form shall be attached to the consolidated return as a part thereof, and the other shall be filed, at or before the time the consolidated return is filed, in the office of the District Director for the subsidiary's district.

Supporting schedules shall be filed with the consolidated return. These schedules shall be prepared in columnar form, one column being provided for each corporation included in the consolidation, showing in detail the items of gross income and deductions and the computation of taxable income; one column for a total of like

Instructions—Form 1120 (1963)

PAGE 2

items before adjustments are made; one column for intercompany eliminations and adjustments; and one column for a total of like items after giving effect to the eliminations and adjustments. The items included in the column for eliminations and adjustments should be symbolized to identify contra items affected, and suitable explanations appended, if necessary. Similar schedules shall also contain in columnar form a reconciliation of surplus for each corporation, together with a reconciliation of the consolidated surplus. A schedule which sets forth the basis of property transferred to or received from an affiliated, subsidiary, or parent corporation must also be attached.

Consolidated balance sheets as of the beginning and close of the taxable year of the group shall accompany the consolidated return in a form similar to that required for reconciliation of surplus.

M. Tax on improperly accumulated earnings.—In order to prevent accumulation of earnings and profits for the purpose of enabling shareholders to avoid the tax on individuals, section 531 provides an additional tax upon the accumulated taxable income of corporations formed or availed of for the purpose of such tax avoidance.

N. Stock ownership in foreign corporations.—In addition to the information to be shown in Schedule C of the return, a corporation owning directly or indirectly any stock of a foreign corporation must attach a statement showing the name and address of each company and the total number of shares of each class of outstanding stock owned during the taxable year. If the corporation owned 5 percent or more in value of the outstanding stock of a foreign personal holding company, attach a statement setting forth in complete detail the information required by section 551 (d).

O. Balance sheets.—The balance sheets, Schedule L, should agree with the books of account or any differences should be reconciled. The balance sheets for a consolidated return of affiliated

corporations should be furnished in accordance with Instruction L. All corporations reporting to the Interstate Commerce Commission or to any National, State, municipal, or other public officer, may submit, in lieu of Schedule L, copies of their balance sheets prescribed by such authorities as at the beginning and end of the taxable year.

Line 10, Schedule L, should show land less any accumulated amortization of the land as an emergency facility under the authority of section 168.

P. Forms other than prescribed by return.—Banks, insurance companies, and other corporations required to submit substantially similar statements of income and expenses to any National, State, municipal, or other public officer may submit with the return a statement of income and expenses in the form furnished to such officer, in lieu of the information requested in lines 1 to 30, page 1, except that a railroad company may submit with the return a statement on Form 1090. In such cases the taxable income will be reconciled by means of Schedule M-1 with the net profits shown by the income and expense statement submitted, and should be entered as line 30, page 1.

Q. Attachments.—Attachments may be used in the preparation of your return if the lines on the form schedules are not sufficient for your needs. The attachment must contain all required information, follow the format of the official schedules and must be attached to the return in the same sequence as the schedules appear on the official forms. If an attachment is used in place of a schedule having a summary line on page 1 of the form the total need not be entered on the schedule, but must be entered on page 1.

R. Total assets.—Enter the total assets as of the end of the taxable year as shown on line 13, Schedule L. In the event there are no assets at the end of the taxable year, show the total assets as of the beginning of the taxable year.

SPECIFIC INSTRUCTIONS (Numbered to correspond with the line numbers on page 1)

1. Gross receipts.—Enter gross receipts or sales from all business operations except those required to be reported in lines 4 through 9.

2. Cost of goods sold.—If the production, manufacture, purchase, or sale of merchandise is an income-determining factor in the trade or business, inventories of merchandise on hand should be taken at the beginning and end of the taxable year, and may be valued at cost, or at cost or market, whichever is lower, or by any other permissible method.

An inventory method once properly adopted is controlling until permission to change is obtained from the Commissioner. Application for permission to change an inventory method must be made on Form 3115 and filed with the Commissioner within 90 days after the beginning of the taxable year in which it is desired to effect a change. In case the inventories reported do not agree with the balance sheet, attach a statement explaining the difference.

A corporation electing to use the last-in, first-out method of valuing inventory provided for in section 472 must file Form 970 with the return for the first year of the election. Thereafter, attach separate schedule showing: (1) a summary of all inventories; (2) with respect to any inventories computed under section 472, the computation of the quantities and cost by acquisition levels.

Cost of operations (where inventories are not an income-determining factor).—If the amount entered on line 2 includes an amount applicable to cost of operations, attach a schedule showing: (1) Salaries and wages; and (2) other costs in detail.

5. Interest on U.S. obligations.—Enter the amount of interest on obligations of the United States and U.S. instrumentalities.

Dealers in securities.—For special rules applicable to dealers in securities, with respect to premium attributable to certain tax-exempt securities, see section 75.

Non-interest-bearing obligations issued at a discount.—Taxpayers on the cash basis may elect, as to all non-interest-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 of such obligations occurring between the date of acquisition and the end of the year must be included. Attach statement listing obligations owned and computation of the increase. (Section 454.)

6. Other interest.—Enter on line 6, the amount of interest on loans, notes, mortgages, bonds, bank deposits, corporate bonds, etc. The term "corporate bonds" includes bonds, debentures, notes, certificates of indebtedness, or other evidences of indebt-

edness issued by any corporation and bearing interest, with interest coupons or in registered form. For provisions relating to amortizable bond premium, see section 171.

7. Rents.—Enter the gross amount received for the rent of property. Any expenses, including repairs, interest, taxes, and depreciation should be included in the proper lines for deductions. In the case of a lease entered into prior to January 1, 1954, if both lessor and lessee are corporations and if under the lease the lessee is obligated to pay any part of the lessor's income tax on the rental payment, this tax is excluded from lessor's gross income and may not be deducted by lessee. (Section 110.)

8. Royalties.—Enter the gross amount received as royalties. If a deduction is claimed for depletion, it must be reported on line 23.

9. Gains and losses from sales or exchanges of capital assets and other property.—The computation of gains and losses from sales or exchanges of capital assets and property other than capital assets should be made on separate Schedule D and filed with Form 1120. Every sale or exchange of property, even though no gain or loss is indicated, must be reported in detail. If for any taxable year the net long-term capital gain exceeds the net short-term capital loss, or in case of only a net long-term capital gain, a computation of the alternative tax should be made on separate Schedule D.

10. Other income.—Enter total amount of other income not reported elsewhere in the return and attach schedule showing details. Include recoveries of bad debts deducted in prior years under the specific chargeoff method. Refunds of taxes deducted in prior years should be reported here and not offset against current year's taxes.

14. Repairs.—Enter the cost of incidental repairs, including labor, supplies, and other items, which do not add to the value or appreciably prolong the life of the property. Expenditures for new buildings, machinery, equipment, or for permanent improvements or betterments which increase the value of the property are chargeable to capital account.

15. Bad debts.—Bad debts may be treated in either of two ways—(1) by a deduction from income in respect of debts which become worthless in whole or in part, or (2) by a deduction from income of a reasonable addition to a reserve for bad debts. (Section 166.)

A taxpayer filing a first return of income may select either of the two methods, and that method must be followed for subsequent years, unless permission is granted by the Commissioner to change to the other method. Application for permission to change the method must be made on Form 3115 within 90 days after the beginning of the taxable year for which it is desired to effect the change.

Worthless debts arising from unpaid rents, and similar items of taxable income, will not be allowed as a deduction unless the income such items represents has been included in the return of income for the year for which the bad debt deduction is claimed, or for a previous year.

For treatment of bad debts of a mutual savings bank not having capital stock represented by shares, a domestic building and loan association, and a cooperative bank without capital stock organized and operated for mutual purposes and without profit, see section 593 and the regulations thereunder.

16. Rents.—Enter rent paid or accrued for business property in which the corporation has no equity. With respect to leases entered into prior to January 1, 1954, see instruction No. 7.

17. Taxes.—Enter taxes paid or accrued during the taxable year and attach a schedule showing the type and amount of tax. Do not include Federal income, war-profits, and excess-profits taxes; estate, inheritance, legacy, succession, and gift taxes; foreign or United States possession income taxes if any credit is claimed in line 4 (Tax Computation); Federal taxes paid on bonds containing a tax-free covenant, nor taxes not imposed upon the taxpayer. See section 164 (d) regarding apportionment of taxes on real property between seller and purchaser.

18. Interest.—Enter interest paid or accrued on business indebtedness. Do not include interest on indebtedness incurred or continued to purchase or carry obligations the interest on which is wholly exempt from income tax. (Section 265.)

See section 267 for limitation on deductions for unpaid expenses and interest in the case of transactions between related taxpayers.

19. Contributions or gifts paid.—Enter contributions or gifts actually paid within the taxable year to or for the use of (1) a State, a possession of the United States, or any political subdivision of Columbia for exclusively public purposes; (2) a corporation, trust, or community chest, fund, or foundation, created or organized in the United States or in any possession thereof or under the law of the United States, or of any State, or of the District of Columbia, or of any possession of the United States, organized and operated exclusively for religious, charitable, scientific, literary, or educational purposes or the prevention of cruelty to children or animals (but in the case of contributions or gifts to a trust, chest, fund, or foundation* only if such contributions or gifts are to be used within the United States or any of its possessions exclusively for such purposes), 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; (3) posts or organizations of war veterans, or auxiliary units of, or trusts or foundations for, any such posts or organizations, if such posts, organizations, units, trusts, or foundations are organized in the United States or any of its possessions, and if no part of their net earnings inures to the benefit of any private shareholder or individual; or (4) nonprofit cemetery or burial companies. The amount claimed shall not exceed 5 percent of the corporation's taxable income computed without regard to (1) this deduction, (2) the "special deductions" in line 29 (b), and (3) any net operating loss carry-back to the taxable year under section 172.

In the case of a corporation on the accrual basis, any contribution or gift will, at the election of the taxpayer made at the time the return is filed, be considered as paid during the taxable year if payment is actually made on or before the fifteenth day of the third month following the close of the taxable year, and if the contribution or gift has during the taxable year been authorized by the board of directors of the corporation. A copy of such authorization must be attached to the return.

Do not deduct as a business expense charitable contributions which come within the above description, but which are unallowable in whole or in part because of the limitation contained in section 170. (Section 162 (b).)

Any contributions paid during the taxable year in excess of the amount deductible may be carried over and deducted in the two succeeding taxable years subject to the 5 percent limitation provided in section 170 (b) (2). In a taxable year to which there is a net operating loss carryover and charitable contributions in excess of the amount deductible (or a charitable contribution carryover from a preceding taxable year), see section 170 (b) (3).

Attach a schedule showing the name and address of each organization and the amount paid. If there is included a contribution carryover, show the amount and how the carryover was determined.

For each gift of property other than cash attach a statement setting forth a description of the property, the date of the gift, and method of valuation for all gifts except securities.

Special rule for contribution of depreciable property as defined in section 1245 (a) (3).—The amount to be taken into account for such purposes shall not exceed the fair market value of the property less the amount which would constitute ordinary income under section 1245 (a).

20. Losses by fire, storm, shipwreck, or other casualty, or theft.—Enter losses sustained during the year, arising from fire, storm, shipwreck, or other casualty. For determination of the amount deductible, see section 165 (b). Theft losses are deductible only in the year in which discovered.

21. Amortization.—If a deduction is claimed for amortization, attach a schedule showing: (1) A description of the facilities or expenditures being amortized; (2) date acquired, completed, or expended; (3) amount being amortized; (4) amortization deducted in prior years; (5) amortization period (number of months); (6) amortization for this year; and (7) the total amount of amortization less the amount claimed in Schedule A and elsewhere on the return. A summary of the total amortization for each facility or expenditure must be shown in Schedule H.

The law makes special provisions for amortization of the following kinds of assets and expenditures:

- (a) *Emergency facilities.*—Section 168;
- (b) *Research and experimental expenditures.*—Section 174;
- (c) *Exploration expenditures.*—Section 615;
- (d) *Development expenditures.*—Section 616;
- (e) *Organizational expenses.*—Section 248; and
- (f) *Trade-mark and trade-name expenditures.*—Section 177.

For details concerning the information which must be furnished in the statements of election required by these sections, consult your District Director.

22. Depreciation.—If a deduction is claimed for depreciation, fill in Schedule G. A reasonable allowance for the exhaustion, wear and tear, and obsolescence of property used in the trade or business or of property held by the taxpayer for the production of income shall be allowed as a depreciation deduction. (Section 167.) The allowance does not apply to inventories or stock-in-trade nor to land apart from the improvements or physical developments added to it. Depreciation on leasehold improvements, patents and copyrights shall be included in Schedule G.

Adjustments to basis of property: (a) *Investment credit.*—The cost or other basis of property which qualifies for the investment credit shall be reduced by an amount equal to 7 percent (3 percent for public utilities) of the qualified investment.

(b) *Additional first-year depreciation.*—If a taxpayer elects to claim the additional first-year allowance under section 179, the basis of the property must be adjusted for the amount of the deduction so claimed.

(c) *Salvage value.*—Salvage value must be taken into account in determining the depreciation deduction (except under declining balance method) either by a reduction of the amount subject to depreciation, or by a reduction in the rate of depreciation, but in no event shall an asset (or an account) be depreciated below a reasonable salvage value. In computing the basis on which depreciation may be taken for personal property, other than livestock, salvage value need not be taken into account, if it does not exceed 10 percent of the cost or other basis of the property. If salvage value exceeds 10 percent, only the excess need be taken into account. These provisions apply to property with a useful life of 3 years or more which was acquired after October 16, 1962.

Alternative Depreciation Guidelines and Rules

Revenue Procedure 62-21 dated July 12, 1962, sets forth alternative standards and procedures for determining depreciation. The guideline lives for guideline classes (broad categories not item-by-item) are in most cases substantially shorter than those used prior to the Revenue Procedure. Taxpayers who wish to use these provisions must use them for all assets in a particular guideline class.

The depreciation schedule provided on the return is to be used for reporting depreciation under both Revenue Procedure 62-21 and previously prescribed rules and standards.

Revenue Procedure 62-21 is contained in IRS Publication No. 456 (9-62). Additional information is contained in IRS Publication No. 457. These publications may be obtained from the Superintendent of Documents, Government Printing Office, Washington, D. C., 20402, for 25 cents and 15 cents, respectively.

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DEPRECIATION METHODS

Following is a brief description of the various methods of depreciation which may be used under either Revenue Procedure 62-21 or other prescribed rules and standards:

(a) *Straight line method.*—To compute the deduction, add the cost of improvements to the cost (or other basis) of the property and deduct the total depreciation allowed or allowable. Divide the result by the number of years of useful life remaining to the asset—the quotient is the depreciation deduction.

(b) *Declining balance method.*—A uniform rate is applied each year to the remaining cost or other basis of property determined at the beginning of such year. For property acquired before January 1, 1954, or used property whenever acquired, the rate of depreciation under this method may not exceed one and one-half times the applicable straight-line rate.

(c) *Special rules for new assets acquired after December 31, 1953.*—The cost or other basis of an asset acquired after December 31, 1953, may be depreciated under methods proper in the past; or, it may be depreciated under any of the following methods provided (1) that the asset is tangible, (2) that it has an estimated useful life of three years or more to the taxpayer, and (3) that the original use of the asset commenced with the taxpayer and commenced after December 31, 1953.

(1) *Declining balance method.*—This method may be used with a rate not in excess of twice the applicable straight-line rate.

(2) *Sum of the years-digits method.*—The deduction for each year is computed by multiplying the cost or other basis of the asset by the number of years of useful life remaining (including the year for which the deduction is computed) and dividing the product by the sum of all the digits corresponding to the years of the estimated useful life of the asset. In the case of a 5-year life this sum would be 15 or (5+4+3+2+1). For the first year five-fifteenths of the cost would be allowable, for the second year four-fifteenths, etc.

(3) *Other methods.*—A taxpayer may use any consistent method which does not result in accumulated allowances at the end of any year greater than the total of the accumulated allowances which would have resulted from the use of the declining balance method. This limitation applies only during the first two-thirds of the useful life of the property.

(d) *Section 179—Additional first-year depreciation allowance.*—Corporations may elect to write off 20 percent of the cost (before adjustment for the investment credit or salvage value) of tangible personal property, but only to the extent of an aggregate cost of \$10,000, for the first taxable year for which a deduction is allowable under section 167. The cost of property does not include so much of the basis of such property as is determined by reference to the basis of other property held at any time by the person acquiring such property. This additional depreciation is limited to property with a remaining useful life of 6 years or more and which is not acquired from an affiliated corporation (as defined in section 1504, except that "more than 50 percent" stock ownership is substituted for "at least 80 percent" wherever it appears in section 1504 (a)). All members of the affiliated group will be treated as one taxpayer, and the \$10,000 limitation will be apportioned among the members in the manner prescribed by regulations. Further, for this allowance to apply in any case, the basis of the property must not be determined in whole or in part by reference to the transferor's basis. Depreciation on the remaining cost of the property may be taken under any of the methods indicated above. The additional first-year depreciation of an asset should be shown on a separate line of the depreciation schedule rather than included on the line used to show the regular depreciation of the asset.

A summary of the total depreciation for each method must be shown in Schedule H.

Change in method of depreciation.—Taxpayers, who may desire to follow more conservative depreciation policies because ordinary income treatment will be applied to the gain (to the extent of the depreciation taken after December 31, 1961) from the sale or exchange of depreciable property defined in section 1245 (a) (3), may elect to change their method of depreciation with respect to such property from the declining balance or sum of the years-digits to the straight line method on or before the due date of the return for the first taxable year ending after December 31, 1962. To make this election attach a statement to your return identifying the assets to which the election applies.

23. *Depletion.*—If a deduction is claimed for depletion, Form M (mines and other natural deposits), Form O (oil and gas), or Form T (timber) should be submitted with your return. If complete valuation data have been filed with questionnaire in previous years, then file with your return information necessary to bring your depletion schedule up to date, setting forth in full a statement of all transactions bearing on deductions from or additions to value of physical assets during the taxable year with explanation of how depletion deduction for the taxable year has been determined. (Sections 611, 612, and 613.) Expenditures to be deferred and deducted ratably under the election provided in sections 616 (b), relating to certain expenditures in the development of mines, and 615 (b), relating to deductions for mine exploration, are not to be taken into account in determining the adjusted basis for property for the purpose of computing a deduction for depletion under section 611.

For details concerning the information which must be furnished in the election to aggregate separate operating mineral interests under section 614 (b), consult your District Director.

24. *Advertising.*—Enter the total amount paid or incurred during the year for advertising. Expenditures for advertising, to be deductible, must be ordinary and necessary and bear a reasonable relation to the business activities in which the corporation is engaged.

25 (a). *File Form 2950 to substantiate the deduction claimed for amounts contributed to pension, profit-sharing, stock bonus, and annuity plans under section 404.* Form 2950 must be filed for years other than the first year a deduction is claimed and may be used for the first year instead of submitting the information required by Section 1.404 (a)-2 (a), Income Tax Regulations.

25 (b). *Other employee benefit plans.*—Enter deductions for contributions to employee benefit plans other than those claimed on line 25 (a), such as insurance, health, or welfare plans. Submit with the return a schedule for each plan showing (1) the nature of benefits, i.e., group term life insurance, group permanent life insurance, noninsured death benefit, hospitalization, surgical, medical, sickness, accident, major medical expense, unemployment benefit, or other welfare benefits; (2) method of financing, i.e., insured, industry or areawide fund, self-insured fund, or direct benefit payments; (3) the amount of deduction; (4) the amount of employee contributions; (5) the number of employees covered; and (6) if a self-insured plan, the amount of benefits paid during the taxable year. Also show the number of employees employed by the corporation.

26. *Other deductions authorized by law.*—Enter any other authorized deductions for which no space is provided on the return. Any deduction claimed should be explained in an attached schedule.

No deduction is allowable for the amount of any item or part thereof allocable to a class of exempt income. Items directly attributable to wholly 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. A taxpayer receiving any such exempt income, or holding any property or engaging in any activity the income from which is exempt shall submit with its return as a part thereof an itemized statement, in detail, showing (1) the amount of each class of exempt income, and (2) the amount of expense items allocated to each such class (the amount allocated by apportionment being shown separately).

In the case of mutual savings banks, cooperative banks, and domestic building and loan associations, any amounts paid or credited to the accounts of depositors or holders of accounts as dividends on their deposits or withdrawable accounts, if such amounts may be withdrawn on demand subject only to customary notice of intention to withdraw, are allowable deductions in computing taxable income. (Section 591.)

Under section 592 a special deduction in computing taxable income is allowed a mutual savings bank not having capital stock represented by shares, a domestic building and loan association, or a cooperative bank without capital stock organized and operated for mutual purposes and without profit, for repayment during the taxable year of loans made before September 1, 1951, by the United States or its wholly owned agencies, or by a mutual fund established under the authority of State law.

29. (a) Net operating loss deduction.—The “net operating loss deduction” is the sum of the net operating loss carryovers and carrybacks to the taxable year. (Section 172 (a).) A net operating loss may be carried back 3 years and carried over 5 years. The net operating loss must first be carried to the earliest of the 8 taxable years to which it may be carried, then to the next earliest year, etc. The portion of such loss which shall be carried to each of the other 7 taxable years shall be the excess, if any, of the amount of such loss over the sum of the taxable income for each of the prior taxable years to which such loss may be carried. (Section 172 (b).)

The term “net operating loss” means the excess of allowable deductions over gross income, computed with the following modifications:

(a) No net operating loss deduction is allowed.

(b) The special deduction provided in section 922 (Western Hemisphere trade corporations) is not allowed.

(c) The special deductions allowed by section 243 (dividends received by corporations), section 244 (dividends received on certain preferred stock of public utilities), and section 245 (dividends received from certain foreign corporations) are computed without regard to the 85-percent limitation provided in section 246 (b). See section 1.172-2 of the regulations.

(d) The special deduction allowed by section 247 (dividends paid on certain preferred stock of public utilities) is computed without regard to the provisions of subsection (a) (1) (B) of such section. (Section 172 (d).)

As stated, the net operating loss deduction is the sum of the carryovers and carrybacks. However, the following modifications must be taken into account in determining the taxable income for any year which must be subtracted from a net operating loss

to determine the portion of such loss which will still be available to carry to a subsequent year:

(a) The special deductions provided in sections 242 (partially tax-exempt interest) and 922 (Western Hemisphere trade corporations) are not allowed.

(b) The amount of the net operating loss deduction is determined without regard to the net operating loss for the loss year or any taxable year thereafter.

If the corporation desires prompt adjustment for an overpayment attributable to a net operating loss carryback, an application for a tentative adjustment should be filed on Form 1139 within 12 months after the close of the taxable year in which the net operating loss is sustained. (Section 6411.)

For treatment of net operating loss carryovers in certain corporate acquisitions, see section 381.

For special limitation on net operating loss carryovers in case of a corporate change of ownership, see section 382.

Sections 852 (b) (2) and 857 (b) (2) provide that no net operating loss deduction shall be allowed in the case of a regulated investment company or a real estate investment trust.

Attach a schedule showing your computation.

29. (b) Special deductions.—See the instructions for Schedule I.

32. Credits.—Enter all payments and credits except the credit allowed for income taxes paid to a foreign country or U.S. possession and the investment credit (lines 4 and 6, Tax Computation Schedule).

35. If you elect to have all or part of the overpayment applied to your estimated tax, no interest shall be allowed on such portion of the overpayment credited.

EXPENSE ACCOUNT ALLOWANCES—SCHEDULE E, COLUMN 7

Expense account allowance means: (1) amounts, other than compensation, received as advances or reimbursements; and (2) amounts paid by or for the corporation, for expenses incurred by or on behalf of an officer including all amounts charged through any type of credit card.

However, this term does not include amounts paid for: (a) the purchase of goods for resale or use in your business; (b) incidental expenses, such as the purchase of office supplies for the corporation or local transportation in connection with an errand; and (c) such fringe benefits as hospitalization insurance, approved pension trust funds and unemployment insurance.

Column 7 of Schedule E is to be completed for your 25 highest paid officers. To determine the highest paid officers for this purpose all allowances including expense account allowances as described above must be added to each officer's compensation. Column 7 need not be completed for any officer for which the combined amount is less than \$10,000.

The information is to be submitted by each member of an affiliated group which files a consolidated return.

For this purpose an officer is a person who is elected or appointed to office or who is designated as such in the corporation's charter or bylaws such as regular officers, chairman of the board, etc.

SCHEDULE I—SPECIAL DEDUCTIONS

1. Dividends-received deductions.—(a) *Dividends received from a domestic corporation.*—Enter an amount equal to 85 percent of the amount received as dividends (except dividends on certain preferred stock of public utilities) from a domestic corporation subject to income tax. Amounts received as dividends from mutual savings banks, cooperative banks, and domestic building and loan associations and allowed as a deduction to such banks or building and loan associations shall not be treated as dividends. In the case of dividends received from a regulated investment company, see section 854 regarding limitations on amount deductible. Any dividend received from a real estate investment trust which, for the taxable year of the trust in which the dividend is paid, qualifies under sections 856-858 shall not be treated as a dividend. For taxable years beginning after September 2, 1958, a small business investment company operating under the Small Business Investment Act of 1958 can take as a deduction an amount equal to 100 percent of the dividends received.

(b) *Dividends received on certain preferred stock of public utilities.*—Enter 62.115 percent of the amount received as dividends on the preferred stock of a public utility which is subject to income tax and is allowed a deduction, as provided in section 247, for dividends paid.

(c) *Dividends received from certain foreign corporations.*—Enter 85 percent of dividends received from certain foreign corporations. See sections 243 (d) and 245 for qualifications and limitations on the amount of this deduction.

In general, no dividend-received deduction will be allowed on any share of stock (A) which is sold or otherwise disposed of in any case in which the corporation has held such share for 15 days

or less, or (B) to the extent the corporation is under an obligation to make corresponding payments with respect to substantially identical stock or securities. Where the stock has preference in dividends, the holding period is 90 days instead of 15 if the corporation receives dividends with respect to such stock which are attributable to a period or periods aggregating in excess of 366 days.

2. Total dividends-received deductions.—In a year in which a net operating loss occurs, sections 172 (d) and 246 (b) provide that the 85-percent limitation on the amount of these special deductions shall not apply. In the case of a small business investment company, the dividends-received deduction of 100 percent reported on line 2 is not subject to the overall 85-percent limitation.

3. Deduction for dividends paid on certain preferred stock of public utilities.—In the case of a public utility there is allowed in accordance with section 247, an amount equal to 26.923 percent of the lesser of (1) the amount of dividends paid on its preferred stock during the taxable year, or (2) the taxable income for the taxable year computed without regard to the deduction provided in section 247. In a year in which a net operating loss occurs, section 172 (d) provides that this special deduction shall be computed without regard to section 247 (a) (1) (B).

4. Deductions for Western Hemisphere trade corporations.—In the case of a Western Hemisphere trade corporation, as defined in section 921, there is allowed under section 922, a deduction equal to 26.923 percent of the taxable income of such corporation computed without regard to the deduction provided in section 922. Under the provisions of section 172 (d), this special deduction is not allowed in a year in which a net operating loss occurs.

TAX COMPUTATION INSTRUCTIONS

1. Normal tax.—Section 11 provides a normal tax for taxable years beginning before July 1, 1964, equal to 30 percent of taxable income. In the case of a taxable year beginning after June 30, 1964, the normal tax is equal to 25 percent of taxable income.

2. Surtax.—Section 11 provides a surtax equal to 22 percent of the amount by which the taxable income exceeds \$25,000.

3. Exceptions.—The tax imposed by section 11 shall not apply to a corporation subject to a tax imposed by—(1) section 594 (relating to mutual savings banks conducting life insurance business), (2) subchapter L (section 801 and following, relating to insurance companies), (3) subchapter M (section 851 and following, relating to regulated investment companies and real estate investment trusts), or (4) section 881 (a) (relating to foreign corporations not engaged in business in United States).

4. Change in accounting period.—Under the provisions of section 443 (b) (1) if a corporation changes its accounting period, the taxable income for the short period beginning on the day after the close of the former taxable year and ending at the close of the day before the day designated as the first day of the new taxable year shall be placed on an annual basis by multiplying the amount thereof by 12 and dividing by the number of months in the short period. The tax shall be that same part of the tax computed on the annual basis which the number of months in the short period is of 12 months.

However, taxpayers may elect to compute the tax for the short period according to the method described below if an application to do so is filed not later than the date when (giving effect to any extensions granted) the return for the first full taxable year after the beginning of the short period must be filed. (Section 443 (b) (2).) For details concerning the form and content of such an application, consult your District Director.

If a proper application is filed, the taxpayer may elect to pay whichever tax under the following two methods is greater, in place of the short period tax under section 443 (b) (1): (1) Establish the actual taxable income for the 12 months beginning with the first day of the short period; then compute the tax on that income. Then determine as a short period tax that part of the tax so computed which bears the same proportion to the total tax so computed as the taxable income of the short period bears to the taxable income of the 12 months. However, a taxpayer which distributes substantially all its assets before the end of the 12-month period described above, shall employ in the above computation the 12-month period ending with the last day of the short period. (2) Compute a tax on the taxable income of the short period as if the short period were a full taxable year.

In annualizing income of a short period consisting of 7 days or more, but less than 359 days, by reason of a change to a 52-53-week fiscal year, the annualization is made on a daily basis as provided in section 441 (f) (2) (B) (iii).

5. Consolidated returns.—Section 1503 provides that the tax imposed under section 11 (c) or section 831 shall be increased for any taxable year for which an affiliated group of includible corporations makes or is required to make a consolidated return by 2 percent of the consolidated taxable income. If the affiliated group includes one or more Western Hemisphere trade corporations or one or more regulated public utilities, the increase of 2 percent shall be applied only on the amount by which the consolidated taxable income of the affiliated group exceeds the portion (if any) of the consolidated taxable income attributable to the Western Hemisphere trade corporations and regulated public utilities included in such group.

6. Insurance companies other than life or mutual.—All insurance companies (other than life or mutual insurance companies subject to tax imposed by sections 802 and 821) are subject to the taxes imposed by section 11. The taxable income of such insurance companies is defined in section 832 and differs from the taxable income of other corporations. This paragraph does not ap-

ply to foreign insurance companies not carrying on an insurance business within the United States. (Section 831.)

7. Life insurance departments of mutual savings banks.—A mutual savings bank not having capital stock represented by shares, authorized under State law to conduct a life insurance business and which conducts such business in a separate department the accounts of which are maintained separately from the accounts of other departments of the bank is taxable under section 594 provided the life insurance department would, if it were treated as a separate corporation, qualify as a life insurance company under section 801.

The tax consists of the sum of—(1) a partial tax computed under section 11 upon the taxable income of the bank determined without regard to any items of gross income or deductions properly allocable to the business of the life insurance department; and (2) a partial tax upon the taxable income (computed as provided in section 802) of the life insurance department determined without regard to any items of gross income or deductions not properly allocable to such department, at the rates and in the manner provided in subchapter L with respect to life insurance companies.

Tax computation.—For the purpose of computing the first partial tax, a mutual savings bank should use Form 1120, filling in all applicable items (except lines 3 and 7) and schedules. The first partial tax should be computed by using lines 1 and 2. For the purpose of computing the second partial tax Form 1120L should be used. The first partial tax should be added to the second partial tax and the sum thereof entered on line 3 as the total income tax. Subtract from line 3 the sum of any credits on lines 4 and 6 and enter on line 7 the balance of income tax. Form 1120L properly filled in should be attached to and made a part of Form 1120 and properly identified as an accompanying schedule. However, any Form 1120L so used need not be separately executed under the penalty of perjury.

8. Credit for taxes.—If, in accordance with section 901, a credit is claimed by a domestic corporation on line 4 (Tax Computation), page 3, on account of income, war profits and excess profits taxes paid or accrued to a foreign country or a possession of the United States, Form 1118 should be submitted with the return. In case credit is sought for taxes accrued but not paid, the District Director may require a bond on Form 1117 as a condition precedent to the allowance of the credit. For carryback and carryover of a foreign tax credit, see sections 904 (d) and 904 (e).

9. Tax from recomputing prior year investment credit.—Where property is disposed of prior to the life used in computing the investment credit, the tax for the year in which the property is so disposed of must be increased by the difference between the credit taken on such property and the credit which would have been allowed had the actual life been used. (Section 47.)

10. Regulated investment companies.—For provisions relating to the method of taxation of regulated investment companies, see sections 851 through 855.

11. Real estate investment trusts.—For provisions relating to the method of taxation of real estate investment trusts, see sections 856 through 858.

12. Personal holding companies.—Section 541 imposes a tax upon the undistributed personal holding company income (as defined in section 545) of corporations classified as personal holding companies. Every personal holding company must file a schedule 1120PH with its return on Form 1120.

Under the provisions of section 542, a corporation is a "personal holding company" if at least 80 percent of its gross income for the taxable year is personal holding company income as defined in section 543, and if at any time during the last half of the taxable year more than 50 percent in value of its outstanding stock is owned, directly or indirectly, by or for not more than five individuals. (Sections 541-547.)

CODES FOR PRINCIPAL BUSINESS ACTIVITY AND PRINCIPAL PRODUCT OR SERVICE PAGE 7

These industry titles and definitions are based on the Standard Enterprise Classification system developed by the Bureau of the Budget, Executive Office of the President to classify enterprises by type of activity in which engaged. The system follows closely the Standard Industrial Classification used to classify establishments.

Using the list below, enter on page 1, under D, the code for the specific industry group from which the largest percentage of "total receipts" is derived. "Total receipts" means gross receipts (line 1, page 1) plus all other income (lines 4 through 10, page 1). On page 3, under P, state the principal business activity and principal product or service which account for the largest percentage of total receipts. For example, if the principal business activity is "Other special trade contractors," the principal product or service may be "structural steel erection."

AGRICULTURE, FORESTRY, and FISHERIES
 Code
 0100 Farms.
 0120 Agricultural services and hunting and trapping.
 0130 Forestry and forestry services.
 0140 Fisheries.

MINING
 Metal mining:
 1010 Iron ores.
 1020 Copper, lead and zinc, gold and silver ores.
 1088 Miscellaneous metal mining.
 1100 Anthracite and bituminous coal and lignite mining.
 Crude petroleum and natural gas:
 1310 Crude petroleum, natural gas, and natural gas liquids.
 1380 Oil and gas field services.
 Nonmetallic minerals (except fuels) mining:
 1410 Stone, sand, and gravel.
 1498 Miscellaneous nonmetallic minerals, except fuels.

CONTRACT CONSTRUCTION
 General contractors:
 1510 Building construction.
 1520 Highway and street construction, and other heavy construction.
 Special trade contractors:
 1531 Plumbing, heating, and air conditioning.
 1532 Electrical work.
 1538 Special trade contractors, not elsewhere classified.

MANUFACTURING
 Food and kindred products:
 2010 Meat products.
 2020 Dairy products.
 2030 Canning and preserving fruits, vegetables, and sea foods.
 2040 Grain mill products.
 2050 Bakery products.
 2060 Sugar.
 2070 Confectionery and related products.
 2082 Malt liquors and malt.
 2084 Wines, brandy, and brandy spirits.
 2085 Distilled, rectified, and blended liquors.
 2086 Soft drinks, flavoring extracts, and syrups.
 2091 Vegetable oil mills, and animal, marine, and edible fats and oils.
 2098 Food and kindred products, not elsewhere classified.
 2100 Tobacco manufactures.

Textile mill products:
 2211 Broad woven fabric mills, cotton.
 2212 Broad woven fabric mills, man-made fiber and silk.
 2213 Dyeing and finishing, except wool and knit goods.
 2220 Broad woven fabric mills, wool: including dyeing and finishing.
 2250 Knitting mills.
 2270 Carpets and rugs.
 2280 Yarn and thread mills.
 2291 Narrow fabrics.
 2298 Textile mill products, not elsewhere classified.

Apparel and other fabricated textile products:
 2310 Men's and boys' clothing.
 2330 Women's, children's, and infants' clothing.
 2380 Hats, caps, millinery, fur goods, and other apparel and accessories.
 2398 Miscellaneous fabricated textile products.

Lumber and wood products, except furniture:
 2410 Logging camps and logging contractors, sawmills, and planing mills.
 2430 Millwork, veneers, plywood, and prefabricated structural wood products.
 2498 Wooden containers and miscellaneous wood products.

Furniture and fixtures:
 2510 Household furniture.
 2590 Furniture and fixtures, except household furniture.

Paper and allied products:
 2611 Pulp mills.
 2614 Paper, paperboard, building paper, and building board mills.
 2640 Converted paper and paperboard products, except containers.
 2650 Paperboard boxes and containers.

Printing, publishing, and allied industries:
 2711 Newspapers: publishing, publishing and printing.
 2712 Periodicals: publishing, publishing and printing.

Code
 2715 Books: publishing, publishing and printing; and miscellaneous publishing.
 2720 Commercial printing, including book printing, manifold business forms, and greeting cards.
 2780 Bookbinding, related industries, and printing trade services.

Chemicals and allied products:
 2811 Industrial inorganic and organic chemicals.
 2812 Plastics materials, synthetic resins, synthetic rubber, and man-made fibers, except glass.
 2830 Drugs.
 2841 Soaps, detergents, and cleaning preparations.
 2842 Perfumes, cosmetics, and other toilet preparations.
 2850 Paints and allied products, including gum and wood chemicals.
 2870 Fertilizers and other agricultural chemicals.
 2898 Miscellaneous chemical products.

Petroleum refining and related industries:
 2911 Petroleum refining without extraction.
 2912 Integrated petroleum refining and extraction.
 2998 Paving and roofing materials, and other products of petroleum and coal.

Rubber and miscellaneous plastics products:
 3010 Tires and inner tubes.
 3020 Rubber footwear, reclaimed rubber, and other fabricated rubber products.
 3098 Miscellaneous plastics products.

Leather and leather products:
 3140 Footwear, except rubber.
 3198 Leather tanning and finishing, and leather products, not elsewhere classified.

Stone, clay, and glass products:
 3210 Glass and glass products.
 3240 Cement, hydraulic.
 3250 Structural clay products.
 3290 Pottery and related products.
 3270 Concrete, gypsum, and plaster products.
 3298 Cut stone and stone products, and abrasive, asbestos, and miscellaneous nonmetallic mineral products.

Primary metal industries:
 3310 Blast furnaces, steel works, and iron and steel foundries and forgings.
 3330 Nonferrous metals: smelting, refining, rolling, drawing, and alloying, including foundries and forgings.
 3398 Miscellaneous primary metal industries.

Fabricated metal products, except machinery and transportation equipment:
 3410 Metal cans.
 3420 Cutlery, hand tools, and general hardware.
 3430 Heating apparatus (except electric) and plumbing fixtures.
 3440 Fabricated structural metal products.
 3450 Screw machine products, and bolts, nuts, screws, rivets, and washers.
 3461 Metal stampings.
 3482 Metal coating and engraving.
 3498 Fabricated wire products and miscellaneous fabricated metal products.

Machinery, except electric:
 3510 Engines and turbines.
 3520 Farm machinery and equipment.
 3530 Construction, mining, and materials handling machinery and equipment.
 3540 Metalworking machinery and equipment.
 3550 Special industry machinery and equipment, except metalworking.
 3560 General industrial machinery and equipment.
 3570 Office, computing, and accounting machines.
 3580 Service industry machines.
 3598 Miscellaneous machinery, except electrical.

Electrical machinery, equipment, and supplies:
 3611 Electrical transmission and distribution equipment.
 3612 Electrical industrial apparatus.
 3630 Household appliances.
 3650 Radio and television receiving sets, except communication types.
 3661 Communication equipment.
 3662 Electronic components and accessories.

Code
 3691 Electric lighting and wiring equipment, except insulated wire.
 3698 Electrical machinery, equipment, and supplies, not elsewhere classified.

Transportation equipment:
 3711 Motor vehicles; passenger car, truck, and bus bodies; and truck trailers.
 3714 Motor vehicle parts and accessories.
 3721 Aircraft, and complete guided missiles and space vehicles.
 3722 Aircraft parts, and guided missile and space vehicle subassemblies.
 3730 Ship and boat building and repair.
 3791 Railroad equipment, including street cars.
 3798 Motorcycles, bicycles, and parts, and transportation equipment, not elsewhere classified.

Scientific instruments; photographic equipment; watches and clocks:
 3810 Scientific and mechanical measuring instruments.
 3830 Optical, medical, and ophthalmic goods.
 3860 Photographic equipment and supplies.
 3870 Watches and clocks.

Miscellaneous manufacturing industries, including ordnance and accessories:
 3910 Jewelry, silverware, and plated ware.
 3920 Toys and sporting goods.
 3930 Ordnance, except guided missiles.
 3991 Costume jewelry.
 3998 Musical instruments, office and artists' materials, and manufacturing industries, not elsewhere classified.

TRANSPORTATION, COMMUNICATION, ELECTRIC, GAS, and SANITARY SERVICES
 Transportation:
 4011 Railroad transportation, terminals, and related services.
 4020 Local, suburban, and intercity passenger transportation, including taxicabs and school buses.
 4030 Motor freight transportation and warehousing.
 4040 Water transportation.
 4050 Air transportation.
 4060 Pipe line transportation.
 4098 Miscellaneous transportation services.

Communication services:
 4810 Telephone communications (wire or radio).
 4820 Telegraph communications (wire or radio).
 4830 Radio and television broadcasting.
 4898 Communication services, not elsewhere classified.

Electric, gas, and sanitary services:
 4910 Electric companies and systems (95 percent or more).
 4920 Gas companies and systems (95 percent or more).
 4930 Combination companies and systems—gas, electric, or other services.
 4940 Water supply and other sanitary services.

WHOLESALE TRADE
 6010 Motor vehicles and automotive equipment.
 6020 Drugs, chemicals, and paints.
 6030 Dry goods and apparel.
 6047 Meat and meat products.
 6048 Poultry and poultry products, fish and sea foods, and other groceries and related products.
 6050 Farm products—raw materials.
 6060 Electrical goods.
 6070 Hardware, and plumbing and heating equipment and supplies.
 6080 Machinery, equipment, and supplies.
 6091 Metals and minerals, except petroleum products and scrap.
 6092 Petroleum bulk stations and terminals.
 6095 Beer, wine, and distilled alcoholic beverages.
 6096 Paper and its products.
 6097 Lumber and construction materials.
 6098 Other wholesale trade.

RETAIL TRADE
 Building materials, hardware, and farm equipment:
 5211 Building materials.
 5215 Hardware stores.
 5216 Farm equipment dealers.
 General merchandise stores:
 5221 Department stores.

Code
 5222 Variety stores.
 5223 Mail order houses.
 5228 General merchandise stores, not elsewhere classified.
 5230 Food stores.

Automotive dealers and gasoline service stations:
 5241 Automobile and truck dealers.
 5243 Gasoline service stations.
 5248 Tire, battery, and accessory dealers, and miscellaneous aircraft, marine, and automotive dealers.

Other retail stores:
 5250 Apparel and accessories.
 5260 Furniture, home furnishings, and equipment stores.
 5270 Eating and drinking places.
 5291 Drug stores and proprietary stores.
 5292 Liquor stores.
 5293 Jewelry stores.
 5298 Sporting goods and secondhand stores, farm and garden supply, fuel and ice dealers, and other retail stores.

FINANCE, INSURANCE, and REAL ESTATE
 Banks and trust companies:
 6011 Mutual savings banks.
 6012 Banks and trust companies, except mutual savings banks.
 Credit agencies other than banks:
 6021 Savings and loan, building and loan associations.
 6022 Personal credit agencies.
 6025 Business credit agencies.
 6028 Loan correspondents and brokers, and other credit agencies.
 6030 Security and commodity brokers, dealers, exchanges and services.

Holding and other investment companies:
 6042 Regulated investment companies.
 6043 Real estate investment trusts, 1960 Act.
 6044 Small business investment companies, 1958 Act.
 6048 Other holding and investment co.

Insurance companies:
 6055 Life insurance.
 6056 Mutual insurance, except life, or marine, and certain fire or flood insurance companies.
 6057 Insurance agents, brokers, and service.
 6068 Other insurance companies.

Real estate:
 6510 Real estate operators (except developers) and lessors of buildings.
 6521 Lessors of mining, oil, and similar property.
 6522 Lessors of railroad property.
 6528 Lessors of real property other than buildings, not elsewhere classified.
 6550 Subdividers, developers, and operative builders.
 6591 Agents, brokers, and managers.
 6592 Title abstract companies.
 6593 Combinations of real estate, insurance, loans, and law offices.

SERVICES
 7000 Hotels, rooming houses, camps, and other lodging places:
 Personal services:
 7210 Laundries, laundry services, cleaning and dyeing plants.
 7220 Photographic studios, including commercial photography.
 7298 Beauty, barber, shoe repair, and pressing shops, funeral, and other personal services.

Business services:
 7310 Advertising.
 7398 Credit reporting and employment agencies, news syndicates, duplicating, mailing, stenographic, building, and other business services.

Automobile and other repair services:
 7510 Automobile parking, repair, and services.
 7550 Repair services, except automobile.

Motion pictures:
 7810 Motion picture production, distribution, and related services.
 7830 Motion picture theaters.
 7900 Amusement and recreational services, except motion pictures.

Miscellaneous services:
 8010 Medical services.
 8020 Educational services.
 8030 Legal services.
 8098 Services, not elsewhere classified.

EXPENSES FOR TRAVEL, ENTERTAINMENT, AND GIFTS

Regulations issued under the Revenue Act of 1962 added new rules, effective January 1, 1963, for determining the amount of travel, entertainment, and gift expenses allowable as a deduction for employers and employees. Before such an expense will be allowable it must meet the prior law test of being ordinary and necessary to the business, and in addition must meet the requirements of the new rules under Section 274 of the Internal Revenue Code.

Recordkeeping Rules.—Under the new rules, a taxpayer who claims a deduction for travel, entertainment, or gift expenses should prove the expenses with adequate records which set forth:

- (1) the amount;
- (2) the time and place;
- (3) the business purpose; and
- (4) the business relationship of the persons entertained or receiving a gift.

No deduction will be allowed for estimates. Records should be backed up by receipts, paid bills, or similar documentary evidence for expenditures of \$25 or more and for lodging while traveling away from home, regardless of amount. An explanation of the recordkeeping rules, including the exception for the employee who adequately accounts to his employer, may be found in Internal Revenue Bulletin 1963-4.

Travel Expenses.—The new rules disallow deductions to employees for a portion of travel expenses in certain cases when business trips are combined with personal vacations. However, this new rule does not apply to travel away from home which does not exceed one week, or if the trip exceeds one week unless the personal or vacation time amounts to 25 percent or more of the total time on the trip. In addition, if the travel expense qualifies as an

ordinary and necessary business expense, none of it will be disallowed (1) if the employee did not have substantial control over arranging the business trip or (2) if a personal vacation was not a major consideration in determining whether the trip should be made.

Entertainment Expenses.—To deduct entertainment expense under the new rules a taxpayer must show that the expense is (1) "directly related" to the active conduct of his business, or (2) "associated" with the active conduct of his business and that the entertainment occurred directly before or after a substantial and bona fide business discussion, or (3) covered by one of the following exceptions:

- (a) business meals,
- (b) food and beverages for employees,
- (c) expenses treated as compensation,
- (d) reimbursed expenses of employees and independent contractors,
- (e) recreational expenses for employees,
- (f) employee or stockholder business meetings,
- (g) meetings of business leagues,
- (h) items available to the public, and
- (i) entertainment sold to customers.

Business Gifts.—Business gifts may be deducted up to \$25 annually for each recipient. If the total cost of all of your business gifts to one individual during the taxable year exceeds \$25, you may only deduct \$25. Promotional material and certain awards to employees are excepted from this rule.

A more detailed explanation of the new rules relating to travel, entertainment, and gift expenses may be found in Internal Revenue Bulletin 1963-30.

These rules are also set forth in Publication No. 463, which is available at any Internal Revenue Service office.

Statistics of Income

PUBLICATIONS IN PREPARATION

Corporation Income Tax Returns with accounting periods ended July 1963-June 1964

Balance sheets, income statements, and distributions to stockholders; profits, income subject to tax, income tax, and foreign tax and investment credits. Also, book income, gain or loss on sales of business property, guideline depreciation, inventories, and 50 percent or more ownership of corporations by type of principal stockholder. Classifications include industry group and size of total assets, business receipts, net income, income taxed at normal tax and surtax rates, income tax, and return on equity ratio. Statistics for all returns, returns with net income, consolidated returns, and for Small Business Corporations and Personal Holding Companies. Historical summary, 1954-1963.

Foreign Tax Credit claimed on Corporation Income Tax Returns with accounting periods ended July 1961-June 1962

Taxable income from foreign sources, foreign dividends received, foreign income tax paid or deemed paid, net income, income subject to tax, U. S. income tax, and foreign tax credit against the U. S. income tax. Classifications by industrial group and foreign country or area. Size classifications by total assets, net income, and U. S. income tax. Foreign tax credit and other information reported on Western Hemisphere trade corporation returns. Historical summary.

U. S. Business Tax Returns for 1964, Preliminary

SOLE PROPRIETORSHIPS AND PARTNERSHIPS: Number of businesses, receipts, depreciation, profits, and inventories for more than one hundred industries. Complete income statements and cost of goods sold schedules for more than sixty industry groupings. A comparison between the 1963 and 1964 number of businesses, receipts and profits by industrial division is also included.

Individual Income Tax Returns for 1964

Sources of income, adjusted gross income, exemptions, taxable income, income tax, tax credits, self-employment tax, income tax generated at each tax rate, tax withheld, tax payments and overpayments, by size of

adjusted gross income. Specially featured are: sick pay exclusion, employee moving expense, income averaging, dividend exclusion, retirement income credit, age exemptions, itemized personal deductions, self-employed pension deductions. Also available: selected sources of income and tax items for States and historical tables.

Fiduciary, Gift, and Estate Tax Returns Filed During 1966

FIDUCIARY INCOME TAX RETURNS FOR 1965: Sources of income and loss, deductions (including administrative expenses), income tax, credits, and payments. Distributions from estates and trusts to individuals and to other estates and trusts. Classifications by inter vivos and testamentary trusts, size of total income, accounting period, year of origin (date of death for estates), tax rate, tax status, and State. Historical data 1952-1965.

GIFT TAX RETURNS: Total gifts by type of donee (spouse, charity and all other), by type of interest given (present or future) and by type of property. Exclusions, deductions, taxable gifts and gift tax. Classifications by consent status and by size of total gifts. Historical data 1959-1966.

ESTATE TAX RETURNS: Total estate by type of property, lifetime transfers, deductions, tax credits and estate tax. Classifications by size of total estate, gross estate, economic estate, distributable estate (spouse, charity and all other), and year and method of valuation. Historical data 1954-1966.

Estate Tax Wealth based on Estate Tax Returns filed during 1963

Number and wealth of individuals living in 1962 whose estates would have been subject to the Federal estate tax if they had died in that year, estimated by multiplying data from each estate tax return by the inverse of a mortality rate. Classifications by type of property, age, sex, and marital status of decedent, and State. Historical summary, 1944 through 1962.

RECENT PUBLICATIONS

Corporation Income Tax Returns with accounting periods ended July 1963-June 1964, Preliminary (38 pp., 30¢)

U. S. Business Tax Returns with accounting periods ended July 1963-June 1964

Depletion Allowances for Mineral Production reported on U. S. Tax Returns for 1960 (62 pp., 40¢)

Individual Income Tax Returns for 1964, Preliminary (31 pp., 25¢)

Sales of Capital Assets reported on Individual Income Tax Returns for 1962 (153 pp., \$1.00)

Fiduciary, Gift, and Estate Tax Returns filed during 1963 (108 pp., 65¢)

