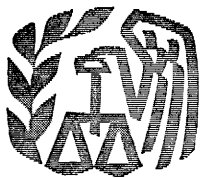


Internal Revenue Service



1968

# Form 1040 Instructions

## for preparing your Federal Income Tax Return

### Important Things to Remember

Write your social security number in the upper right-hand box. If married, give numbers of both husband and wife.

Be careful to check correct filing (marital) status (line 1) and allowable exemptions (line 4 and Part I on page 2).

Double check all your income and deduction items to make sure they are accurate. If you itemize deductions, note the special line for medical insurance premiums in Part IV on page 2.

Note the new tax surcharge (line 12b). The tax surcharge is an addition to the regular income tax on line 12a. Generally, for the calendar year 1968, it will be 7.5 percent of line 12a. See instructions on page 4 and Tax Surcharge Tables on page 10.

Attach Forms W-2 received from your employers.

Be sure you sign your return (if a joint return, both husband and wife must sign).

Please file early—as soon as possible after January 1—not later than April 15.

Commissioner of Internal Revenue

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## Use of Form 1040A

You may use Form 1040A, if: (1) Your income was less than \$10,000, AND (2) it consisted of wages subject to withholding tax and not more than \$200 total of other wages, interest, and dividends, AND (3) Instead of itemizing deductions, you wish to use the Tax Table or take the standard deduction.

The instructions for Form 1040A provide further information about its use.

## Use of Form 1040

Generally, if your income was entirely from salary, wages, interest, dividends, and sources other than those for which schedules (B, C, D, and F) are required, you will need only Form 1040. You can use it whether you take the standard deduction or itemize your deductions.

Schedules and forms which may be required in addition to Form 1040 include:

Schedule B for income from pensions, annuities, rents, royalties, partnerships, estates, trusts, etc.;

Schedule C for income from a personally owned business;

Schedule D for income from the sale or exchange of property;

Schedule F for income from farming;

Schedule G for income averaging;

Form 1310, Statement of Claimant to Refund Due—Deceased Taxpayer;

Form 2106, Statement of Employee Business Expenses;

Form 2120, Multiple Support Declaration;

Form 2210, Statement Relating to Underpayment of Estimated Tax by Individuals;

Form 2440, Statement to Support Exclusion of Sick Pay;

Form 2441, Statement of Expenses for Care of Children and Certain Other Dependents;

Form 3903, Moving Expense Adjustment;

Form 4136, Computation of Credit for Federal Tax on Gasoline and Lubricating Oil; and

Form 4137, Computation of Social Security Tax on Unreported Tip Income.

Obtain these schedules and forms, as well as other supporting schedules, from the District Director.

**Who Must File a Tax Return.**—Every citizen or resident of the United States—whether an adult or minor—who had \$600 or more income must file; except

that if you are 65 or over, you must file if you had income of \$1,200 or more.

If you had income of less than these amounts, you should file a return to get a refund if tax was withheld. Generally, a married person with income less than her (his) personal exemption will be subject to the smaller tax or get the larger refund by filing a joint return.

You must also file a return and pay any tax due if you have net earnings from self-employment of \$400 or more. See separate Schedules C-3 and F-1.

**Earned Income From Sources Outside the United States.**—To determine whether an income tax return must be filed, you must compute income without regard to the exclusion provided for income earned from sources outside the United States. If you received such income and believe it is excludable for income tax purposes, attach Form 2555 to your return.

**Social Security Number.**—Be sure to enter your number in the space provided, exactly as shown on your card if incorrect or not shown on the label. If you are married, be sure to enter the number of your wife (husband).

If you need a number, file application Form SS-5 with the local office of the Social Security Administration. File the application early to make certain you receive your card before the deadline for filing your return. If you file an application but do not receive your card by that date, file your return and enter "Applied for" in the space provided for the number.

**Members of Armed Forces.**—A member of the Armed Forces should give his name, social security number, permanent home address and serial number.

**When and Where to File.**—Please file as early as possible with one of the addresses shown in the mailing instructions on page 9. File your return on or after January 1, 1969, but not later than April 15, 1969.

U.S. citizens with foreign addresses, except A.P.O. and F.P.O. addresses, and all U.S. citizens excluding income under section 911 (earned income from sources without the United States) or 931 (income from sources within possessions of the United States) should file with the Director of International Operations, Internal Revenue Service, Washington, D.C. 20225.

Taxpayers with Puerto Rico addresses and all taxpayers excluding income under section 933 (income from sources within Puerto Rico) should file with the Director of International Operations, U.S. Internal Revenue Service, Ponce de Leon Avenue and Bolivia Street, Hato Rey, Puerto Rico 00917.

**How to Pay.**—The balance of tax shown to be due on Form 1040, page 1, line 22, must be paid in full with your return if it amounts to \$1 or more. Make checks or money orders payable to "Internal Revenue Service." Please write your social security number on your check or money order.

**Tax Due or Refund Under \$1.**—Balances due of less than \$1 need not be paid, and overpayments of less than \$1 will be refunded only upon separate application.

**Rounding Off to Whole Dollars.**—The money items on your return and schedules may be shown in whole dollars. This means that you eliminate any amount less than 50 cents, and increase any amount from 50 cents through 99 cents to the next higher dollar.

**Deceased Taxpayers.**—Where a person died in 1968, or in 1969 before filing a return for 1968, the executor, administrator, or surviving wife (husband) must file a return for the decedent. An executor or administrator may elect to file a joint return with the surviving wife (husband). If an executor or administrator has not been appointed, the survivor may file a joint return and indicate that she (he) is filing as surviving wife (husband) in the signature area of the return.

Enter the date of death in the name and address area of the return. If a refund is due, attach Form 1310, Statement of Claimant to Refund Due—Deceased Taxpayer.

**Where to Get Forms.**—As far as practical, the forms are mailed directly to taxpayers. Additional forms may be obtained from an Internal Revenue Service office, and also at many banks and post offices.

**Attachments to the Return.**—All applicable items of income, adjustments, tax computation and deductions should be filled in on the official return forms and schedules. If more space is needed attach statements following the format of the official forms and attach them in the same order. The totals indicated on the supporting statements should also be entered on the proper lines of the official forms.

The computations of social security self-employment tax and earnings must be submitted on the official forms, Schedules C-3 and F-1. The computation of employee F.I.C.A. tax on unreported tips must be submitted on the official Form 4137.

**Form W-2 Missing or Incorrect.**—Only your employer can issue or correct a Form W-2. If you have not received a Form W-2 from your employer by January 31, or the Form W-2 he gave you is incorrect, contact him as soon as possible.

## Married Persons—Joint or Separate Returns

**Advantages of a Joint Return.**—Generally, it is advantageous for a married couple to file a joint return. There are benefits in figuring the tax on a joint return, which often result in a lower tax than would result from separate returns.

**How To Prepare a Joint Return.**—You must include all income, exemptions and deductions of both husband and wife. In the return heading, list both names, including middle initials. (For example: "John F. and Mary L. Doe.") Both must sign the return unless the husband is a serviceman in the Vietnam combat zone. In this instance, the wife should write in the space provided for her husband's signature that he is in the military service in Vietnam.

A husband and wife may file a joint return even though one of them had no income. A joint return may not be filed if either husband or wife was a nonresident alien at any time during the taxable year.

When a joint return is filed, each assumes full legal responsibility for the entire tax, and if one fails to pay, the other must pay it.

**How To Prepare a Separate Return.**—Separate returns may be filed by husband and wife where each has income of his own. In such case each should report his or her own income, exemptions, and deductions in separate returns. Only the name of the filer should be entered in the name and address area of the return. Check the box "Married filing separately," page 1, line 1c of the return, write wife's (husband's) first name in space provided, and enter both social security numbers in spaces to right of name and address area. When filing separate returns, the husband and wife should each claim the allowable deductions paid with his or her own funds. (In community property States, deductions resulting from payments made out of funds belonging jointly to husband and wife may be divided half and half. See Publication 555, Community Property and the Federal Income Tax, available at the District Director's office.)

If one itemizes and claims actual deductions, then both must do so. If one uses the 10 percent standard deduction, the other may not use the minimum standard deduction which for a separate

return is \$100 plus \$100 for each exemption claimed on page 1, line 4.

A separate return may also be filed where only the husband or wife had income. Enter only the name of the one having income in the name and address area. Check the box "Married filing separately," page 1, line 1c of the return. To claim the exemption for your wife or husband, check the boxes on page 1, line 2.

**Changes in Marital Status.**—If you are married at the end of your taxable year, you are considered married for the entire year. If you are divorced (and not remarried) or legally separated on or before the end of your taxable year, you are considered single for the entire year.

If your wife or husband died during the year, you are considered married for the entire year. Generally in such a case, a joint return may be filed for the year. You may also be entitled to the benefits of a joint return for the 2 years following the death of your husband or wife. (See "Widows and Widowers," under "Special Computations," below.)

## Special Computations

**Unmarried Head of Household.**—The law provides special tax rates for any individual who qualifies as a "Head of Household." (See Schedule III, page 11, and Tax Table B, page 13.) Only the following persons may qualify: (a) one who is unmarried (or legally separated) at the end of the taxable year, or (b) one who is married at the end of the year to an individual who was a nonresident alien at any time during the taxable year. In addition, you must have furnished over half of the cost of maintaining as your home a household which during the entire year, except for temporary absence, was occupied as the principal place of

abode and as a member of such household by (1) any related person other than your unmarried child or stepchild (see list on page 4) for whom you are entitled to a deduction for an exemption, unless the deduction arises from a multiple support agreement, or (2) your unmarried child, grandchild, or stepchild, even though such child is not a dependent.

The home you maintain for your father and mother need not be your residence.

**Widows and Widowers.**—Under certain conditions, a taxpayer whose husband (or wife) has died during either of her two preceding taxable years may compute her

tax by including only her income, exemptions, and deductions, but otherwise computing the tax as if a joint return were being filed. (See Schedule II, page 11, and Tax Table B, page 13.) However, the exemption for the decedent may be claimed only for the year of death.

The conditions are that the taxpayer (a) must not have remarried, (b) must maintain as her home a household which is the principal place of abode of her child or stepchild for whom she is entitled to a deduction for an exemption, and (c) must have been entitled to file a joint return with her husband (or his wife) for the year of death.

## Reporting Your Income

All income in whatever form received which is not specifically exempt must be included in your income tax return, even though it may be offset by adjustments or deductions. Examples are given below.

### Examples of Income Which Must Be Reported

Wages, salaries, bonuses, commissions, fees, tips, and gratuities.

Dividends.

Earnings (interest) from savings and loan associations, mutual savings banks, credit unions, etc.

Interest on tax refunds.

Interest on bank deposits, bonds, notes.

Interest on U.S. Savings Bonds.

Profits from business or profession.

Your share of partnership profits.

Supplemental annuities under Railroad Retirement Act (but not regular Railroad Retirement Act benefits).

Profits from sales or exchanges of real estate, securities, or other property.

Pensions, annuities, endowments.

Rents and royalties.

Your share of estate or trust income.

Employer unemployment benefits (S.U.B.).

Alimony, separate maintenance or support payments received from (and deductible by) your husband (or wife).

Prizes and awards (contests, raffles, etc.).

Refunds of State and local taxes (principal amounts) if deducted in a prior year and resulted in tax benefits.

### Examples of Income Which Should

#### Not Be Reported

Disability retirement payments and other benefits paid by the Veterans Administration.

Dividends on veterans' insurance.

Life insurance proceeds upon death.

Workmen's compensation, insurance, damages, etc., for injury or sickness.

Interest on State and municipal bonds.

Federal Social Security benefits.

Gifts, inheritances, bequests.

## Instructions for Page 1 of Form 1040

### Exemptions (\$600 for Each Allowable Exemption)

#### Line 2—You and Wife

**For You.**—You, as the taxpayer, are always entitled to at least one exemption. If, at the end of your taxable year, you were either blind or 65 or over, you get two exemptions. If you were both blind

and 65 or over, you get three exemptions. Be sure to check the appropriate boxes. Age and blindness are determined as of December 31, 1968. Your age is determined on the day before your actual birthday. Thus, if your 65th birthday was on January 1, 1969, you get the additional exemption for age on your return for 1968.

**For Your Wife.**—An exemption is allowed for your wife (or husband) if you and she are filing a joint return. If you file a separate return, you may claim her exemptions only if she had no income and was not the dependent of another taxpayer. You are not entitled to an exemp-

tion for your wife on your return if she files a separate return for any reason. (For example, to obtain a refund of tax withheld where her income is less than \$600.) Otherwise, your wife's exemptions are like your own—one, if she was neither blind nor 65 or over; two, if she was neither blind or 65 or over; three, if she was both blind and 65 or over.

**In Case of Death.**—If your wife or husband died during 1968, the number of her or his exemptions is determined as of the date of death.

**Proof of Blindness.**—If totally blind, a statement to that effect must be attached to the return. If partially blind, attach a statement from a qualified physician or a registered optometrist that (a) central visual acuity did not exceed 20/200 in the better eye with correcting lenses, or (b) that the widest diameter of the visual field subtends an angle no greater than 20°.

**Line 3—Children, Other Dependents**

Enter on line 3a the first names and the total number of your dependent children who lived with you during 1968.

Enter on line 3b the total number of dependents from page 2, Part I, line 3 of your return.

Each child, stepchild and other dependent claimed must meet all of the following tests:

1. **Income.**—Received less than \$600 income. (If the child was under 19 or was a student, this limitation does not apply.)
2. **Support.**—Received more than half of his or her support from you (or from husband or wife if a joint return is filed). (See definition of support on this page.)
3. **Married Dependents.**—Did not file a joint return with her husband (or his wife).
4. **Nationality.**—Was either a citizen or resident of the United States or a resident of Canada, Mexico, the Republic of Panama or the Canal Zone; or was an alien child adopted by and living with a United States citizen abroad.
5. **Relationship.**—EITHER (a) for your entire taxable year had your home as his principal place of abode and was a member of your household; OR (b) was related to you (or to husband or wife if a joint return is filed) in one of the following ways:

Child*	Stepbrother	Son-in-law
Stepchild	Stepsister	Daughter-in-law
Mother	Stepmother	The following if re-
Father	Stepfather	lated by blood:
Grand-	Mother-in-law	Uncle
parent	Father-in-law	Aunt
Brother	Brother-in-law	Nephew
Sister	Sister-in-law	Niece
Grandchild		

\*Includes a child who is a member of your household if placed with you by an authorized placement agency for legal adoption.

**Definition of Support.**—Support includes food, shelter, clothing, medical and dental care, education, and the like. Generally, the amount of an item of support will be the amount of expense incurred by the one furnishing such item. If the item of support furnished by an individual is in the form of property or lodging, it will be necessary to measure the amount of such item of support in terms of its fair market value. In computing the amount of support include amounts contributed by the dependent for his own support including also amounts ordinarily excludable from income. (For example, social security benefits.)

In figuring whether you provide more than half of the support of your child who is a student, you may disregard amounts received by him as scholarships.

**Student Dependency and Exemption.**—For rules on student dependents and exemptions see Publication 532, Tax Information for Students and Parents, which is available at the District Director's office.

**Divorced or Separated Parents.**—For rules on dependency exemptions for your children if you are divorced or separated see Publication 501, Your Exemptions and Exemptions for Dependents, which is available at the District Director's office.

**Birth or Death of Dependent.**—You can claim a full \$600 exemption for a dependent who was born or died during the year if the tests for claiming an exemption for such dependent are met for the part of the year during which he was alive.

**Support by More Than One Taxpayer.**—If two or more persons contributed toward the support of an individual, see Form 2120, Multiple Support Declaration.

**Line 5—Wages, Salaries, Tips, etc.**—Report the full amount of wages, salaries, fees, commissions, tips, bonuses and other payments for your personal serv-

ices received from your employer, even though taxes and other amounts have been withheld. If an amount appears on Form W-2 in the box captioned "Other compensation paid in 1968," add this amount to the amount shown in the box captioned "Wages paid subject to withholding in 1968," and include the total with other payments reported on this line. Also include wages for which you did not receive a Form W-2. (See page 6 for treatment of reimbursed employee business expenses.)

Tips reported to your employer are included as wages on Form W-2. Tips not reported to your employer are to be included with other amounts on this line. (See Form 4137.)

**Payment in Merchandise, etc.**—If you are paid in whole or in part in merchandise, services, stock, or other things of value, determine the fair market value of such items and include it in your wages.

**Meals and Living Quarters.**—Employees who, as a matter of choice, receive meals and lodging from their employers, whether or not designated as wages, must include the fair market value in income.

However, if, for the convenience of your employer, your meals are furnished at your place of employment or you are required to accept lodging at your place of employment as a condition of your employment, do not report the value of the meals or lodging.

**Exclusions for Military Combat Pay.**—An enlisted man may exclude all service compensation for each month for which he served in a combat zone and each month for which he was hospitalized as a result of such service. For this purpose, service for any part of a month is considered a full month. A commissioned officer may exclude up to \$500 a month of such compensation. Forms W-2 issued for 1968 by the Armed Forces ordinarily do not include these payments. If there is any doubt as to whether the amount shown on your Form W-2 includes the nontaxable amount, contact the pay office which issued the form. If the nontaxable portion was included on Form W-2, you will be issued a corrected Form W-2 or a certificate to support exclusion. If you get a certificate, deduct the amount shown on the certificate from the wages shown on Form W-2, include the difference in line 5, and attach the certificate to your return. If you are issued a corrected Form W-2, include the amount shown on that form in line 5.

**Tax—Credits—Payments—Balance Due or Refund**

**Line 10—Find Your Tax From Tax Tables.**—The Tax Tables are provided by law and save you from having to itemize deductions and figure your tax before surcharge. The tables allow \$600 for each exemption claimed on your return and also provide for the standard deduction.

**Line 11—Figure Your Tax Using Tax Rate Schedules.**—The Tax Rate Schedules on page 11 are to be used to figure your tax before surcharge, if the tax tables are not used. Be sure to use the right schedule. (See page 3, "Special Computations.")

**Line 12a—Tax.**—If your income has increased substantially this year, it may be to your advantage to figure your tax before surcharge under the "averaging

method." Obtain Schedule G from any Internal Revenue Service office for full details.

**Line 12b—Tax Surcharge.**—The tax surcharge is 10 percent figured on an annual basis for the period April 1, 1968 through June 30, 1969. Since it was effective for only 9 months of 1968, the rate for the calendar year 1968 is 7.5 percent. The tax surcharge is an addition to the regular income tax. See the Tax Surcharge Tables on page 10.

**Line 13—Total Credits.**—Enter total credits from page 2, Part V, line 4 of your return. To claim tax-free covenant bonds credit, enter the amount of credit above line 1, Part V, and write "covenant bonds" to left of the entry. You may

claim this credit only if you itemize deductions.

**Line 14b—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. Attach computation.

**Line 15—Self-Employment Tax.**—Enter amount shown on line 13, Schedule C-3 or line 10, Schedule F-1. Railroad employees and railroad employee representatives see Form 4469, Computation of Overpayment of Hospital Insurance Benefits Tax.

**Line 17—Federal Income Tax Withheld.**—Include the total income tax withheld as reflected on Forms W-2 on this line.

**Line 18—Excess F.I.C.A. Tax Withheld—Two or More Employers.**—If in 1968 you worked for more than one employer and you received F.I.C.A. (social security) wages totaling more than \$7,800, you are entitled to claim the excess social security tax withheld as a credit against your income tax. If a joint return, separate computations must be made for you and your wife. Compute the credit as follows:

- (a) Add the social security (F.I.C.A.) wages received from all your employers.
- (b) Subtract \$7,800.
- (c) Multiply balance by .044 and enter the result on this line.

**Overpayment of hospital insurance benefits tax by railroad employees and railroad employee representatives.**—If in 1968 you received taxable R.R.T.A. compensation (exclusive of taxable compensation earned or deemed earned in a year prior to 1968) and you also received F.I.C.A. (social security) wages and the total of the R.R.T.A. compensation and F.I.C.A. wages is more than \$7,800, you are entitled to claim the excess hospital insurance tax paid on this line. To compute the overpayment see Form 4469.

**Line 19.**—Include any amounts from the following sources on this line and check box(es) to indicate credit.

**Credit for Federal Taxes on Gasoline and Lubricating Oil.**—If you are entitled to a tax credit for (a) gasoline used (1) on a farm for farming purposes, (2) other than as fuel in a highway vehicle, and (3) in vehicles while engaged in furnishing certain public passenger land transportation service; and (b) lubricating oil used other than in a highway motor vehicle, include the credit on this line. Attach Form 4136. To obtain this credit your return

must be timely filed (including any extensions).

**Credit for Taxes Paid by Regulated Investment Companies.**—Include the credit on this line. Attach Copy B of Form 2439.

**Line 20—Estimated Tax Payments.**—Enter the total of the estimated tax paid for the year including the amounts of any credit carryover from 1967. Married persons must show both social security numbers on their return(s) whether they filed a separate or joint declaration.

**Additional Charge for Underpaying Your Tax During the Year.**—If the total of lines 17, 18, and 20 is less than 80 percent (66 $\frac{2}{3}$  percent for farmers and fishermen) of an amount equal to the total tax on line 16 less any credit for Federal tax on nonhighway gasoline and lubricating oil (from Form 4136), you may be liable for an additional charge unless you satisfy one or more of the specific exceptions as explained on Form 2210. Attach this form or a statement to your return to support your computation of the additional charge or to describe the specific exceptions you believe apply.

If the additional charge is in order, show the amount in the bottom margin on Form 1040, page 1, as "additional charge" and increase line 22 or decrease line 23 accordingly.

**Line 21.**—If you are a beneficiary of a trust and are entitled to a tax credit because of the "throwback" rule, write "throwback credit" and show the amount of credit in space to left of entry line.

**Lines 22 and 23—Social Security or Railroad Retirement Tax On Tip Income.**—If you failed to report tips to your employer, or if your wages were insufficient for him to withhold social security (F.I.C.A.) or

railroad retirement (R.R.T.A.) tax, you must pay these taxes with your income tax return. If any such taxes are due on tips which have been reported to your employer, he will show you the amount due on Form W-2. If the tips were not reported, fill out and attach Form 4137 in the case of tips subject to social security tax. For tips taxable under railroad retirement, contact the nearest Railroad Retirement Board office. This tax should be added to your "Balance Due" (line 22), or subtracted from your "Overpayment" (line 23). On the bottom margin of page 1, write the amount and the words "tax on tips," and the initials F.I.C.A. or R.R.T.A., whichever are applicable. For income tax purposes, be sure all of your tips are included in line 5.

**Line 25—Purchase of U.S. Savings Bonds.**—If you are entitled to a refund, you may apply it to the purchase of Series E United States Savings Bonds by checking the first box on page 1, line 25. You will be issued as many bonds as your refund will buy providing it does not leave a balance of less than \$1 to be paid by check. The excess will automatically be refunded to you. If you make this election, do not check the second box on line 25. For example, if your refund is \$40 you will receive a \$50 face value bond and a check for \$2.50. Bonds will be issued in the name used in filing your return. If you file a joint return the bonds will be issued only to husband and wife as co-owners.

**Declarations of Estimated Tax.**—If you expect that your income and self-employment tax for 1969 will exceed by \$40 or more the tax to be withheld from your wages, you may be required to file a declaration. For further details, see your District Director.

## Instructions for Page 2 of Form 1040

### Part II

**Line 1a—Gross Dividends and Other Distributions on Stock.**—If you own stock, any payments you receive out of the company's earnings and profits are dividends which you must report in your tax return. Usually dividends are paid in cash, but if paid in merchandise or other property they are taxable at their fair market value.

Enter on line 1a the gross amount of dividends and other distributions you receive as a stockholder, including capital gain dividends and nontaxable distributions, either directly or through a nominee or other intermediary, as a member of a partnership or as a beneficiary of an estate or trust. If you receive dividends through a nominee or other intermediary, list the name of such person.

Dividends from mutual insurance companies which are a reduction of premiums are not to be included. So-called "dividends" paid by savings and loan associations, mutual savings banks, cooperative banks, and credit unions on deposits or withdrawable accounts are earnings (interest) and should be reported as interest.

There are special rules applicable to stock dividends, liquidations, stock rights, conversions and redemptions. All of these are discussed in Publication 550, Tax Information on Investment Income and Expenses, available at the District Director's office.

**Line 1b—Exclusion.**—You may exclude from your income up to \$100 of dividends received from qualifying domestic corporations.

If a joint return is filed and both husband and wife have dividend income, each one may exclude \$100 of dividends received from qualifying corporations, but may not use any portion of the \$100 exclusion not used by the other. For example, if the husband had \$300 in dividends, and the wife had \$20, only \$120 may be excluded on a joint return.

Taxable dividends from the following corporations do not qualify for the dividends received exclusion:

- (a) Foreign corporations, including your share from a controlled foreign corporation.
- (b) So-called exempt organizations (charitable, fraternal, etc.) and exempt farmers' cooperative organizations.
- (c) Regulated investment companies except to the extent designated by the company to be taken into account as a dividend for these purposes.
- (d) Real estate investment trusts.
- (e) China Trade Act corporations.
- (f) Corporations deriving 80 percent or more of their income from U.S. possessions and 50 percent or more of their income from the active conduct of a business therein.

**Line 1c—Capital Gain Distributions.**—Enter on this line all capital gain dividends. Also include any amounts received as return of capital which exceed the cost

(or other basis) of your stock, even though such amounts are designated as nontaxable distributions by the paying corporations. The amounts included on this line must also be included in line 1a and reported on the appropriate lines of Schedule D (Form 1040).

**Note.**—If you received capital gain dividends and Schedule D is not needed to report any other gains or losses or to compute the alternative tax, you need not file Schedule D. Instead, enter 50 percent of capital gain dividends on page 2, Part II, under "Miscellaneous Income, and identify the source as "50% of cap. gain div."

**Line 1d—Nontaxable Distributions.**—Enter on this line the total of nontaxable distributions (return of capital) not included in line 1c. Amounts reported here cannot exceed the cost (or other basis) of your stock in paying corporations since amounts received in excess of cost (or other basis) are taxable as gains and must be reported on Schedule D (Form 1040) as indicated in line 1c, above. Any amount entered on line 1d must also be included in line 1a.

**Line 2—Interest.**—You must include in your return any interest you received or which was credited to your account (whether entered in your passbook or not) and which you can withdraw. Interest on bonds, debentures, notes, savings accounts, or loans is taxable, except on State and municipal bonds and securi-

**ties. Interest received on tax refunds is taxable and must be included in your return.**

If you own United States Savings or War bonds, the gradual increase in value of each bond is considered interest, but you need not report this interest until you cash the bond or until the year of final maturity, whichever is earlier. You may at any time elect to report each year the annual increase in value. However, if you do so, you must report in the first year the entire increase to date on all such bonds, and must continue to report the annual increase each year.

Interest on industrial development bonds are tax-exempt if the bonds are part of an issue of \$1,000,000 or less and where substantially all the proceeds are used (1) to acquire, construct, reconstruct or improve land or depreciable property or (2) to redeem all or part of a prior bond issue, that was issued to acquire, construct, reconstruct or improve land or depreciable property.

**Line 3—Pensions and annuities, rents and royalties, partnerships, estates or trusts, etc.—**See pages B-1, B-2, and B-3 for instructions for Schedule B (Form 1040).

**Line 4—Business income or loss (Schedule C).**—The law taxes the profits from a business or profession—not its total receipts. Use separate Schedule C (Form 1040) to figure your profit or loss from business operations. Enter on this line the amount shown on Schedule C (Form 1040), page 1, line 27. Use Schedule C-3 to figure self-employment tax.

**Line 5—Sale or exchange of property (Schedule D).**—If you sell your house, securities, or any other kind of property, use Schedule D (Form 1040) to figure your gains or losses. Enter on this line the amount shown on Schedule D (Form 1040), page 2, Part IV, line 4.

**Line 6—Farm income or loss (Schedule F).**—For the assistance of farmers, a separate Schedule F (Form 1040) is provided to report farm income for *income and self-employment tax purposes*.

**Line 7—Miscellaneous Income.**—If you cannot find a specific place on your return or related schedules to list certain types of income, report it here. The source of income reported here must be identified. Report here amounts received as alimony, separate maintenance, prizes and awards; also, recoveries of bad debts and other items which reduced your tax in a prior year. A refund of State income tax should be entered here. The general rule is that a refund of State income tax is income to the taxpayer if a deduction was taken for a prior year which resulted in a Federal tax benefit. Taxpayers using the cash basis report the refund in the year received; taxpayers using the accrual basis report when the claim is allowed. If no claim is filed, report when the taxing authority notifies you of the overpayment.

**Net Operating Loss.**—If, in 1968, your business or profession lost money, or you had a casualty loss, or a loss from the sale or other disposition of depreciable property or real property used in your trade or business, you can apply the losses against your 1968 income. If the losses exceed your income, the excess is a "net operating loss" which generally may be used to offset your income for the

3 years prior to and the 5 years following this year. The loss must be carried back to the third prior year and any remaining balance brought forward to each succeeding year. If a "carryback" entitles you to a refund of prior year taxes, ask the District Director for **Form 1045** to claim a quick refund.

If you had a loss in a prior year which may be carried over to 1968, it should be entered as a "minus" figure under "Miscellaneous income." Attach a statement showing the computation.

## Part III

**Line 1—Sick Pay Exclusion.**—You should exclude from income amounts received under a wage continuation plan for the period during which you were absent from work on account of personal injuries or sickness. If both you and your employer contribute to the plan, any benefits attributable to your own contributions are excludable without limit, but there are certain limitations on the exclusion of the benefits attributable to your employer's contributions.

To figure your sick pay exclusion you must first determine whether your "sick pay" was over 75 percent of your regular weekly rate of pay.

### (a) Over 75 percent—

If you received over 75 percent of your weekly rate of wages for periods of absence from work because of illness or injury, there is a 30-calendar day waiting period before you qualify for the exclusion. The waiting period applies even though you were injured or hospitalized. The amount to be excluded thereafter is limited to a rate not to exceed \$100 a week.

### (b) 75 percent or less—

If you received 75 percent or less of your weekly rate of wages, the waiting period is 7 calendar days, and the exclusion is limited to a rate not to exceed \$75 a week. There is no exclusion for the waiting period, regardless of whether you were sick or injured, unless you were hospitalized at least 1 day during the period of absence. After 30 calendar days the weekly rate of exclusion is increased to an amount not to exceed \$100.

Where the exclusion is limited to a weekly rate of \$100, and the payments exceed this rate, the exclusion is figured by multiplying the amount received by 100, and dividing the result by the weekly rate of payment.

Where the exclusion is limited to a weekly rate of \$75, and the payments exceed this rate, the exclusion is figured by multiplying the amount received by 75, and dividing the result by the weekly rate of payment.

See **Form 2440** for additional information. Attach this form or a statement showing your computation, and indicating the period or periods of absence, regular weekly rate of pay, and whether hospitalized.

**Line 2—Moving Expenses.**—Except as noted, employees, including new employees, can deduct certain moving expenses (transportation of household goods, personal effects and members of the household, and meals and lodging while in transit). The deduction is allowed only if (a) the change in job location would have added at least 20 miles to the distance to work if the taxpayer

had not moved to a new residence, or, (b) he had no former principal place of work, and his new place of work is at least 20 miles from his former residence, and (c) during the 12-month period immediately following his arrival in the general location of his new principal place of work the taxpayer is a full-time employee in such general location during at least 39 weeks.

See **Form 3903** for full details. Attach the form or a statement which includes the amount of your reimbursement and the amount of the deductible expenses. Enter any excess reimbursement on page 2, Part II, under "Miscellaneous income," and enter any excess expenses on page 2, Part III, line 2 of your return. However, if your employer included the reimbursement on Form W-2, and the reimbursement is included on page 1, line 5, of your return, merely attach a list of your deductible expenses and enter the total on page 2, Part III, line 2.

If the employer for whom you were already working paid your moving expenses to a new location and the reimbursement equaled the allowable expenses, you should not report the reimbursement or the expenses.

## Line 3—Employee Business Expenses and Employer Payments

**Deductible Expenses and Excess Payments.**—You may deduct the expenses shown below to the extent they are not paid by your employer. If employer payments exceed the expenses, the excess must be reported as income on your return.

(a) *Travel and transportation.*—Bus, taxi, plane, train, etc., fares or the cost of operating an automobile in connection with your duties as an employee.

(b) *Meals and lodging.*—If you are temporarily away on business, at least overnight from the city, town, or other general area which constitutes your principal or regular business location. You may not deduct the cost of meals incurred on daily trips that do not require sleep or rest.

(c) *Outside salesmen.*—If you are an "outside salesman," you may generally deduct other expenses which are ordinary and necessary in performing your duties, such as selling expenses, stationery, and postage. An "outside salesman" is one who is engaged in full-time solicitation of business for his employer away from the employer's place of business. It does not include a person whose principal activities consist of service and delivery as, for example, a milk driver-salesman.

(d) *Other business expenses.*—If you itemize deductions on page 2, Part IV of your return, you may also deduct (under the heading "Miscellaneous deductions") business expenses other than those described above. Examples of such expenses are professional and union dues, and the cost of tools, materials, etc., not paid for by your employer. **Additional Information.**—If you claim a deduction for these employee business expenses you must submit the following information with your return. You may use **Form 2106** for this purpose.

(a) The total of all amounts received from or charged to your employer for business expenses,

(b) The amount of your business expenses broken down into broad categories, and



(c) The number of days away from home on business.

If you do not claim a deduction, you must attach the information unless you were required to and did make an adequate accounting for your expenses to your employer. You have made the equivalent of an adequate accounting, if you received an allowance not in excess of \$25 a day, instead of subsistence, or a mileage allowance not in excess of 15 cents a mile, and established time, place, and business purpose of the travel. For higher rates in special cases, such as foreign travel, consult your District Director.

If you operate your own automobile for business purposes, you may figure the cost of operating your automobile at a standard mileage rate of 10 cents a mile for the first 15,000 miles of business use, and 7 cents a mile for such use in excess

of 15,000 miles, rather than deducting the actual expenses. Use of this method is optional on a yearly basis. Actual expenses include gasoline, oil, repairs, license tags, insurance and depreciation.

This simplified method cannot be used if depreciation has been claimed using a method other than straight line, or where additional first-year depreciation has been claimed.

Whether or not you are required to submit the additional information described above, check the box for expense accounts on Form 1040, page 2. See "Note".

**Reporting Deductions and Excess Payments.**—The expenses and payments are to be reported as follows:

(a) If the employer payments exceed the expenses, report the excess on page 2, Part II, under "Miscellaneous income."

(b) If the expenses exceed the payments, the excess expenses for travel and transportation, meals and lodging, and "Outside Salesman," may be deducted on page 2, Part III, line 3. If you itemize deductions, the unreimbursed portion of *Other business expenses* may be deducted on page 2, Part IV, under "Miscellaneous deductions."

(c) If the expenses equaled the payments, no further entry is required on the form.

**Note.**—If, however, the reimbursement was included on Form W-2 by your employer, and the reimbursement is included on page 1, line 5, of your return, attach a statement containing the information set forth under the caption "Additional Information" on page 6, and enter the total expense on page 2, Part III, line 3.

## Part IV—Itemized Deductions—If you do not use Tax Table or Standard Deduction

**Medical and Dental Expenses.**—If you itemize deductions, you can deduct, within the limits described, the amounts you paid during the year (not compensated by hospital, health or accident insurance, or otherwise) for medical or dental expenses for yourself, your wife, or any dependent who received over half of his support from you whether or not the dependent had \$600 or more income. List on the attachment the name and amount paid to each person or institution.

You can deduct amounts paid for the prevention, cure, correction, or treatment of a physical or mental defect or illness. If you pay someone for both nursing and domestic duties, you can deduct only the nursing cost.

You can deduct amounts paid for transportation primarily for and essential to medical care, but not for any other travel expense, even if it benefits your health. Meals and lodging while you are away from home receiving medical treatment may not be treated as medical expense unless they are part of a hospital bill or are included in the cost of care in a similar institution.

### Subject to the Limitations Set Forth Below, You CAN Deduct as Medical Expenses Payments To or For

- Physicians, dentists, nurses, and other professional practitioners
- Drugs or medicines
- Hospitals
- Transportation necessary to get medical care
- Eyeglasses, artificial teeth, medical or surgical appliances, braces, etc.
- X-ray examinations or treatment
- Premiums on hospital or medical insurance
- You CANNOT Deduct Payments For**
- Funeral expenses and cemetery plot
- Illegal operations or drugs
- Travel ordered or suggested by your doctor for rest or change
- Premiums on life insurance
- Cosmetics

### Figuring the Deduction

(1) **Medical Care Insurance.**—You can deduct an amount equal to one-half of the insurance premiums paid for medical care for yourself, your wife, and dependents. The maximum amount deductible is \$150. The other one-half, plus any excess over the \$150 limit, is deductible subject to the 3 percent limitation described in

(3) below. The \$4 (\$3 before April 1, 1968) monthly payments for supplementary medical insurance under "Medicare" are deductible, but the hospital insurance benefits tax which is included as part of the social security tax and withheld from wages or paid on self-employment income is not deductible.

(2) **Medicine and Drugs.**—The total amount paid for medicine and drugs for yourself, your wife and your dependents must be reduced by 1 percent of line 9, page 1, Form 1040.

(3) **Medical and Dental Expenses.**—You can deduct that portion of your medical and dental expenses which exceeds 3 percent of line 9, page 1, Form 1040 and which was paid for persons described in (1) and (2).

The 1 percent and 3 percent limitations apply in all cases, regardless of your age, or the age of your wife or other dependents.

**Contributions.**—If you itemize deductions, you can deduct gifts to:

(a) Religious, charitable, educational, scientific or literary organizations, and organizations for the prevention of cruelty to children or animals, unless the organization is operated for personal profit, or a substantial part of its activities is the carrying on of propaganda or otherwise attempting to influence legislation.

(b) Fraternal organizations if they are to be used for charitable, religious, etc., purposes.

(c) Certain veterans' organizations.

(d) Governmental agencies which will use the gifts exclusively for public purposes, including civil defense.

Civil defense volunteers may deduct unreimbursed expenses paid for gasoline and other expenses of participation in official civil defense activities.

The law does not allow deductions for gifts to individuals or foreign organizations.

A contribution may be made in cash (checks, money orders, etc.) or property (not services). If in property, attach a description of the property, date of gift, and method of valuation except for securities. In addition, for each gift valued at more than \$200, set forth any conditions attached to gift; manner of acquisition and cost or other basis if owned by you

less than 5 years; and attach a signed copy of appraisal, if any. **Publication 561**, Valuation of Donated Property, furnishes information and guidelines relative to appraisals of contributed property. It can be obtained from the District Director's office. A special rule is provided to determine the amount deductible in the case of a gift of depreciable property described in sections 1245 and 1250 of the Internal Revenue Code. (See instructions for Schedule D for definition of sections 1245 and 1250 property.) Generally, a charitable deduction for a transfer of a future interest in tangible personal property is not allowed until the entire interest has been transferred.

Generally, the deduction for contributions may not exceed 20 percent of line 9, page 1. An additional 10 percent is allowable for contributions to churches, a convention or association of churches, tax-exempt educational institutions, tax-exempt hospitals, certain medical research organizations, certain college or university endowment associations; and organizations referred to in paragraph (a) which are "publicly supported" as well as organizations referred to in paragraph (d). Attach computation.

If your contributions exceed 30 percent of line 9, page 1, consult an Internal Revenue Service office for a possible carryover deduction. If you have contributions carried over from a prior year or years, enter them on line 12 and attach computation.

If you supported a student in your home under a written agreement with a charitable or educational institution, you may be entitled to deduct as a contribution a part or all of the amounts you spent to maintain such a student.

### You CAN Deduct Gifts To

- Churches, including assessments paid
- Salvation Army, Red Cross, CARE
- United Funds and Community Chests
- Nonprofit schools and hospitals
- Certain veterans' organizations
- Boy Scouts, Girl Scouts, and other similar organizations

Nonprofit organizations primarily engaged in research or education for the alleviation and cure of diseases and disabilities such as asthma, cancer, cerebral palsy, cystic fibrosis, diseases of the heart, diabetes,

hemophilia, mental illness and mental retardation, multiple sclerosis, muscular dystrophy, poliomyelitis, tuberculosis, etc.

**You CANNOT Deduct Gifts To**

- Relatives, friends, other individuals
- Political organizations or candidates
- Social clubs
- Labor unions
- Chambers of commerce
- Propaganda organizations

**Interest.**—If you itemize deductions, you can deduct interest you paid on your personal debts, such as bank loans or home mortgages. Interest paid on business debts should be reported in the separate schedule in which your business income is reported. Do not deduct interest paid on money borrowed to buy tax-exempt securities or single-premium life insurance. Do not include as interest such items as carrying charges and insurance, which are not deductible, and taxes which may be deductible but which should be itemized separately.

If interest charges are not stated separately on installment purchases of personal property (such as automobiles, televisions, etc.), you may deduct an amount equal to 6 percent of the average unpaid monthly balance. See **Publication 545, Income Tax Deduction for Interest Expense**, available at the District Director's office.

**You CAN Deduct Interest On**

- Your personal note to a bank or an individual
- A mortgage on your home
- A life insurance loan, if you pay the interest in cash
- Delinquent taxes

**You CANNOT Deduct Interest On**

- Indebtedness of another person when you are not legally liable for payment of the interest
- A gambling debt or other nonenforceable obligation
- A life insurance loan, if interest is added to the loan and you report on the cash basis

**Taxes.**—If you itemize deductions, you can deduct general State or local retail sales taxes if they are imposed directly upon the consumer, or if they are imposed on the retailer (or wholesaler in case of gasoline taxes) and the amount of the tax is separately stated by the retailer. In certain cases, you may also deduct State or local selective sales or excise taxes, even though not part of a general sales tax (or tax similar to a general sales tax), if imposed at the general rate of that tax. Average general sales tax tables are provided in these instructions.

If part or all of the cost of your automobile tags was based on the value of your automobile, then such amount is deductible as personal property tax.

If you had any other deductible tax which does not fall in one of the five categories shown, describe the tax and enter

amount on the line below "Personal property."

In general, you cannot deduct taxes assessed for pavements or other improvements, including front-foot benefits, which tend to increase the value of your property.

Deduct business Federal taxes, or any taxes paid in connection with a business or profession in Part II of Schedule B, or Schedule C or F.

**You CAN Deduct**

- Real estate taxes
- State and local gasoline taxes
- General sales taxes
- State and local income taxes
- Personal property taxes

**You CANNOT Deduct**

- Any Federal excise taxes on your personal expenditures, such as taxes on transportation, telephone, gasoline, etc.
- Federal social security taxes
- Hunting licenses, dog licenses
- Auto inspection fees, tags, drivers licenses
- Water taxes
- Taxes you paid for another person
- Alcoholic beverage, cigarette, and tobacco taxes
- Selective sales or excise taxes (such as those on admissions, room occupancy, etc.) even if they are separately stated or imposed on the purchaser, unless imposed at the same rate as the general sales tax

**STATE GASOLINE TAX TABLE**

You may figure the deduction for State tax on gasoline used in your car by using the following table which is based on information available as of August 15, 1968. If all or part of your mileage was driven in a four-cylinder (or less) car, the deduction for that mileage should be one-half of the table amount.

If you can establish that you paid a larger amount, you are entitled to deduct that amount.

Find the rate of gasoline tax for your State in the list below. Where the rate of gasoline tax changed in 1968, find the deduction for mileage driven at each rate, and add the two amounts.

Alabama 7¢	Dist. of Col. 7¢	Kansas 5¢	Mississippi 7¢	New Mexico 7¢	Pennsylvania 7¢	Vermont 6.5¢
Alaska 8¢	Florida 7¢	Kentucky 7¢	Missouri 5¢	New York 6¢	Rhode Island 7¢	after April 30, 8¢
Arizona 7¢	Georgia 6.5¢	Louisiana 7¢	Montana 6.5¢	after May 31, 7¢	after June 30, 8¢	Virginia 7¢
Arkansas 7.5¢	Hawaii 5¢	Maine 7¢	Nebraska 7.5¢	North Carolina 7¢	South Carolina 7¢	Washington 9¢
California 7¢	Idaho 7¢	Maryland 7¢	Nevada 6¢	North Dakota 6¢	South Dakota 6¢	West Virginia 7¢
Colorado 5¢	Illinois 6¢	Massachusetts 6.5¢	New Hampshire 7¢	Ohio 7¢	Tennessee 7¢	Wisconsin 7¢



band is incapable of self-support because he is mentally or physically defective.

In case of a husband whose wife is incapacitated, the deduction is allowed if he files a joint return with his wife. Then, the deduction is reduced by the amount (if any) by which their combined income on page 1, line 9, exceeds \$6,000. This limitation does not apply to expenses incurred while the wife is institutionalized if she is institutionalized for at least 90 consecutive days or a shorter period if she dies.

Do not deduct any child care payments to a person for whom you claim an exemption.

If the person who receives the payment performs duties not related to dependent care, only that part of the payment which is for dependent care may be deducted.

Attach Form 2441, or a statement setting forth all pertinent information.

**Casualty Losses and Thefts.**—If you itemize deductions, you can deduct a net loss resulting from the destruction of your property in a fire, storm, automobile accident, shipwreck, or other losses caused by natural forces, limited to the amount in excess of \$100 for each loss. Damage to your car by collision or accident can be deducted if due merely to faulty driving, but cannot be deducted if due to your willful act or willful negligence. You can also deduct losses due to theft, but not losses due to mislaying or losing articles.

The amount of loss to be deducted is measured by the fair market value of the property just before the casualty, less its fair market value immediately after the casualty (but not more than the cost or other adjusted basis of the property), reduced by any insurance or compensation received and the \$100 limitation. Attach

an explanation showing details of each casualty.

**You CAN Deduct Losses On**

- Property such as your home, clothing, or automobile destroyed or damaged by fire
- Property, including cash, which is stolen from you
- Loss or damage of property by flood, lightning, storm, explosion, or freezing

**You CANNOT Deduct Losses On**

- Personal injury to yourself or another person
- Accidental loss by you of cash or other personal property
- Property lost in storage or in transit
- Damage by rust, gradual erosion or deterioration
- Animals or plants damaged or destroyed by disease

**Expenses for Education.**—You may deduct expenses for education if they are not personal expenditures or do not constitute an inseparable aggregate of personal and capital expenditures and are for education which:

- (a) Maintains or improves skills required in your employment or other trade or business, or
- (b) Meets the express requirements of your employer, or the requirements of applicable law or regulations, imposed as a condition to the retention of your established salary, status, or employment.

Expenses incurred for education which: (a) is required in order to meet the minimum educational requirements for qualification in an employment or other trade or business; or (b) is part of a program of study being pursued which will lead to qualifying for a new trade or business, are personal expenses or constitute an inseparable aggregate of personal and capital expenditures, and, therefore, are not deductible.

The rules for reporting deductible education expenses are the same as those shown on page 6 for employee business expenses. (See Publication 508, Tax Information on Educational Expenses, available at the District Director's office.)

**Other.**—If you itemize deductions, you can deduct several other types of expenses under "Miscellaneous deductions."

If you work for wages or a salary, you can deduct your ordinary and necessary employee business expenses which have not been claimed on page 2, Part III.

You can deduct all ordinary and necessary expenses connected with the production or collection of income, or for the management or protection of property held for the production of income.

If you are divorced or legally separated and are making periodic payments of alimony or separate maintenance under a court decree, you can deduct these amounts. Periodic payments made under either (a) a written separation agreement entered into after August 16, 1954, or (b) a decree for support entered after March 1, 1954, are also deductible. Such payments must be included in the wife's income. You cannot deduct any voluntary payments not made under a court order or a written separation agreement, lump-sum settlements, or specific maintenance payments for support of minor children.

You may deduct gambling losses only to the extent of gambling winnings.

**You CAN Deduct Cost Of**

- Safety equipment, tools and supplies, used in your job
- Dues to unions or professional societies
- Business entertainment
- Fees to employment agencies

**You CANNOT Deduct Cost Of**

- Travel to and from work
- Entertaining friends

## Addresses of Internal Revenue Offices

If you are located in:	Use enclosed envelope or this address	If you are located in:	Use this address
Delaware, District of Columbia, Maryland, New Jersey, Pennsylvania, Virginia	Internal Revenue Service Center 11601 Roosevelt Boulevard Philadelphia, Pa. 19155	Panama Canal Zone, American Samoa, Guam	Director of International Operations Internal Revenue Service Washington, D.C. 20225
Alabama, Florida, Georgia, Mississippi, North Carolina, South Carolina, Tennessee	Internal Revenue Service Center 4800 Buford Highway Chamblee, Georgia 30006	Puerto Rico (or if excluding income under section 933)	Director of International Operations U.S. Internal Revenue Service Ponce de Leon Ave. and Bolivia St. Hato Rey, Puerto Rico 00917
Indiana, Kentucky, Michigan, Ohio, West Virginia	Internal Revenue Service Center Cincinnati, Ohio 45298	Virgin Islands: Permanent residents (For income taxes):	Department of Finance, Tax Division Charlotte Amalie St. Thomas, Virgin Islands 00801
Arkansas, Colorado, Kansas, Louisiana, New Mexico, Oklahoma, Texas, Wyoming	Internal Revenue Service Center 3651 Interregional Highway Austin, Texas 78740	Permanent residents (For self-employment taxes) and other residents (For income and self-employment taxes) file with Puerto Rico address above.	
Alaska, Arizona, California, Hawaii, Idaho, Montana, Nevada, Oregon, Utah, Washington	Internal Revenue Service Center 1160 West 1200 South Street Ogden, Utah 84405	U.S. citizens with foreign addresses, except A.P.O. and F.P.O., and those excluding income under sec. 911 or 931: file with Director of International Operations, Internal Revenue Service, Washington, D.C. 20225.	

Use this address if you are DUE a refund	If you are located in:	Use this address if you are NOT DUE a refund
Internal Revenue Service Center 310 Lowell Street Andover, Mass. 01812	CONNECTICUT MAINE MASSACHUSETTS NEW HAMPSHIRE NEW YORK RHODE ISLAND VERMONT	Hartford, Conn. 06115 Augusta, Maine 04330 Boston, Mass. 02203 Portsmouth, N.H. 03801 Albany, N.Y. 12210; 35 Tillary St., Brooklyn, N.Y. 11201; Buffalo, N.Y. 14202; Manhattan District—120 Church St., New York, N.Y. 10007.* Providence, R.I. 02907 Burlington, Vt. 05401
Internal Revenue Service Center 2306 E. Bannister Road Kansas City, Mo. 64170	ILLINOIS IOWA MINNESOTA MISSOURI NEBRASKA NORTH DAKOTA SOUTH DAKOTA WISCONSIN	Chicago, Ill. 60602; Springfield, Ill. 62704* Des Moines, Iowa 50309 St. Paul, Minn. 55101 St. Louis, Mo. 63101 Omaha, Nebr. 68102 Fargo, N. Dak. 58102 Aberdeen, S. Dak. 57401 Milwaukee, Wis. 53202

\*If not sure which address to use, ask your Postmaster.

**1968 Tax Surcharge Tables (If you claim retirement income credit, see "Note" below tables.)**

**TABLE 1.—  
Single person  
(other than head  
of household)  
and married  
person filing  
separate return**

If line 12a is:			If line 12a is:			If line 12a is:			If line 12a is:			If line 12a is:		
At least	But less than	Enter on line 12b	At least	But less than	Enter on line 12b	At least	But less than	Enter on line 12b	At least	But less than	Enter on line 12b	At least	But less than	Enter on line 12b
\$0	\$148	\$0	\$222	\$228	\$12	\$313	\$327	\$24	\$473	\$487	\$36	\$633	\$647	\$48
148	155	1	228	235	13	327	340	25	487	500	37	647	660	49
155	162	2	235	242	14	340	353	26	500	513	38	660	673	50
162	168	3	242	248	15	353	367	27	513	527	39	673	687	51
168	175	4	248	255	16	367	380	28	527	540	40	687	700	52
175	182	5	255	262	17	380	393	29	540	553	41	700	713	53
182	188	6	262	268	18	393	407	30	553	567	42	713	727	54
188	195	7	268	275	19	407	420	31	567	580	43	727	734	55
195	202	8	275	282	20	420	433	32	580	593	44	734 and over, multiply amount on line 12a by .075 and enter result on line 12b.		
202	208	9	282	288	21	433	447	33	593	607	45			
208	215	10	288	298	22	447	460	34	607	620	46			
215	222	11	298	313	23	460	473	35	620	633	47			

**TABLE 2.—  
Head of household**

If line 12a is:			If line 12a is:			If line 12a is:			If line 12a is:			If line 12a is:		
At least	But less than	Enter on line 12b	At least	But less than	Enter on line 12b	At least	But less than	Enter on line 12b	At least	But less than	Enter on line 12b	At least	But less than	Enter on line 12b
\$0	\$223	\$0	\$297	\$303	\$12	\$377	\$383	\$24	\$473	\$487	\$36	\$633	\$647	\$48
223	230	1	303	310	13	383	390	25	487	500	37	647	660	49
230	237	2	310	317	14	390	397	26	500	513	38	660	673	50
237	243	3	317	323	15	397	403	27	513	527	39	673	687	51
243	250	4	323	330	16	403	410	28	527	540	40	687	700	52
250	257	5	330	337	17	410	417	29	540	553	41	700	713	53
257	263	6	337	343	18	417	423	30	553	567	42	713	727	54
263	270	7	343	350	19	423	430	31	567	580	43	727	734	55
270	277	8	350	357	20	430	437	32	580	593	44	734 and over, multiply amount on line 12a by .075 and enter result on line 12b.		
277	283	9	357	363	21	437	447	33	593	607	45			
283	290	10	363	370	22	447	460	34	607	620	46			
290	297	11	370	377	23	460	473	35	620	633	47			

**TABLE 3.—  
Married persons  
or surviving  
spouse filing  
joint return**

If line 12a is:			If line 12a is:			If line 12a is:			If line 12a is:			If line 12a is:		
At least	But less than	Enter on line 12b	At least	But less than	Enter on line 12b	At least	But less than	Enter on line 12b	At least	But less than	Enter on line 12b	At least	But less than	Enter on line 12b
\$0	\$293	\$0	\$367	\$373	\$12	\$447	\$453	\$24	\$527	\$533	\$36	\$633	\$647	\$48
293	300	1	373	380	13	453	460	25	533	540	37	647	660	49
300	307	2	380	387	14	460	467	26	540	547	38	660	673	50
307	313	3	387	393	15	467	473	27	547	553	39	673	687	51
313	320	4	393	400	16	473	480	28	553	560	40	687	700	52
320	327	5	400	407	17	480	487	29	560	567	41	700	713	53
327	333	6	407	413	18	487	493	30	567	573	42	713	727	54
333	340	7	413	420	19	493	500	31	573	580	43	727	734	55
340	347	8	420	427	20	500	507	32	580	593	44	734 and over, multiply amount on line 12a by .075 and enter result on line 12b.		
347	353	9	427	433	21	507	513	33	593	607	45			
353	360	10	433	440	22	513	520	34	607	620	46			
360	367	11	440	447	23	520	527	35	620	633	47			

**Note.**—Since the line numbers in the tables refer to page 1 of Form 1040, you must make the following changes if you claim the retirement income credit: change line 12a to line 13, Part V, Schedule B (Form 1040) and change line 12b to line 14, Part V, Schedule B (Form 1040).

**10**

**CUT ALONG THIS LINE**

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U.S. GOVERNMENT PRINTING OFFICE

**OFFICIAL BUSINESS**

RETURN AFTER 5 DAYS

**YF**

**TG**

Name -----

Street address -----

City and State ----- ZIP Code -----



# 1968 Tax Rate Schedules

If you do not use one of the Tax Tables, then figure your tax on the amount on line 11d, page 1 of your return by using the appropriate Tax Rate Schedule on this page. Enter tax on line 12a. Also see page 10 for tax surcharge to be entered on line 12b.

## Schedule I

**Single Taxpayers not qualifying for rates in Schedules II and III, and Married Persons Filing Separate Returns**

If the amount on line 11d, page 1, is: Enter on line 12a, page 1:

Not over \$500 . . . . . 14% of the amount on line 11d.

Over—	But not over—		of excess over—
\$500	— \$1,000 . . .	\$70, plus 15%	— \$500
\$1,000	— \$1,500 . . .	\$145, plus 16%	— \$1,000
\$1,500	— \$2,000 . . .	\$225, plus 17%	— \$1,500
\$2,000	— \$4,000 . . .	\$310, plus 19%	— \$2,000
\$4,000	— \$6,000 . . .	\$690, plus 22%	— \$4,000
\$6,000	— \$8,000 . . .	\$1,130, plus 25%	— \$6,000
\$8,000	— \$10,000 . . .	\$1,630, plus 28%	— \$8,000
\$10,000	— \$12,000 . . .	\$2,190, plus 32%	— \$10,000
\$12,000	— \$14,000 . . .	\$2,830, plus 36%	— \$12,000
\$14,000	— \$16,000 . . .	\$3,550, plus 39%	— \$14,000
\$16,000	— \$18,000 . . .	\$4,330, plus 42%	— \$16,000
\$18,000	— \$20,000 . . .	\$5,170, plus 45%	— \$18,000
\$20,000	— \$22,000 . . .	\$6,070, plus 48%	— \$20,000
\$22,000	— \$26,000 . . .	\$7,030, plus 50%	— \$22,000
\$26,000	— \$32,000 . . .	\$9,030, plus 53%	— \$26,000
\$32,000	— \$38,000 . . .	\$12,210, plus 55%	— \$32,000
\$38,000	— \$44,000 . . .	\$15,510, plus 58%	— \$38,000
\$44,000	— \$50,000 . . .	\$18,990, plus 60%	— \$44,000
\$50,000	— \$60,000 . . .	\$22,590, plus 62%	— \$50,000
\$60,000	— \$70,000 . . .	\$28,790, plus 64%	— \$60,000
\$70,000	— \$80,000 . . .	\$35,190, plus 66%	— \$70,000
\$80,000	— \$90,000 . . .	\$41,790, plus 68%	— \$80,000
\$90,000	— \$100,000 . . .	\$48,590, plus 69%	— \$90,000
\$100,000	.....	\$55,490, plus 70%	— \$100,000

## Schedule II

**Married Taxpayers Filing Joint Returns and Certain Widows and Widowers**

(See page 3)

If the amount on line 11d, page 1, is: Enter on line 12a, page 1:

Not over \$1,000 . . . . . 14% of the amount on line 11d.

Over—	But not over—		of excess over—
\$1,000	— \$2,000 . . .	\$140, plus 15%	— \$1,000
\$2,000	— \$3,000 . . .	\$290, plus 16%	— \$2,000
\$3,000	— \$4,000 . . .	\$450, plus 17%	— \$3,000
\$4,000	— \$8,000 . . .	\$620, plus 19%	— \$4,000
\$8,000	— \$12,000 . . .	\$1,380, plus 22%	— \$8,000
\$12,000	— \$16,000 . . .	\$2,260, plus 25%	— \$12,000
\$16,000	— \$20,000 . . .	\$3,260, plus 28%	— \$16,000
\$20,000	— \$24,000 . . .	\$4,380, plus 32%	— \$20,000
\$24,000	— \$28,000 . . .	\$5,660, plus 36%	— \$24,000
\$28,000	— \$32,000 . . .	\$7,100, plus 39%	— \$28,000
\$32,000	— \$36,000 . . .	\$8,660, plus 42%	— \$32,000
\$36,000	— \$40,000 . . .	\$10,340, plus 45%	— \$36,000
\$40,000	— \$44,000 . . .	\$12,140, plus 48%	— \$40,000
\$44,000	— \$52,000 . . .	\$14,060, plus 50%	— \$44,000
\$52,000	— \$64,000 . . .	\$18,060, plus 53%	— \$52,000
\$64,000	— \$76,000 . . .	\$24,420, plus 55%	— \$64,000
\$76,000	— \$88,000 . . .	\$31,020, plus 58%	— \$76,000
\$88,000	— \$100,000 . . .	\$37,980, plus 60%	— \$88,000
\$100,000	— \$120,000 . . .	\$45,180, plus 62%	— \$100,000
\$120,000	— \$140,000 . . .	\$57,580, plus 64%	— \$120,000
\$140,000	— \$160,000 . . .	\$70,380, plus 66%	— \$140,000
\$160,000	— \$180,000 . . .	\$83,580, plus 68%	— \$160,000
\$180,000	— \$200,000 . . .	\$97,180, plus 69%	— \$180,000
\$200,000	.....	\$110,980, plus 70%	— \$200,000

## Schedule III

**Unmarried (or legally separated) Taxpayers Who Qualify as Heads of Household**

(See page 3)

If the amount on line 11d, page 1, is: Enter on line 12a, page 1:

Not over \$1,000 . . . . . 14% of the amount on line 11d.

Over—	But not over—		of excess over—
\$1,000	— \$2,000 . . .	\$140, plus 16%	— \$1,000
\$2,000	— \$4,000 . . .	\$300, plus 18%	— \$2,000
\$4,000	— \$6,000 . . .	\$660, plus 20%	— \$4,000
\$6,000	— \$8,000 . . .	\$1,060, plus 22%	— \$6,000
\$8,000	— \$10,000 . . .	\$1,500, plus 25%	— \$8,000
\$10,000	— \$12,000 . . .	\$2,000, plus 27%	— \$10,000
\$12,000	— \$14,000 . . .	\$2,540, plus 31%	— \$12,000
\$14,000	— \$16,000 . . .	\$3,160, plus 32%	— \$14,000
\$16,000	— \$18,000 . . .	\$3,800, plus 35%	— \$16,000
\$18,000	— \$20,000 . . .	\$4,500, plus 36%	— \$18,000
\$20,000	— \$22,000 . . .	\$5,220, plus 40%	— \$20,000
\$22,000	— \$24,000 . . .	\$6,020, plus 41%	— \$22,000
\$24,000	— \$26,000 . . .	\$6,840, plus 43%	— \$24,000
\$26,000	— \$28,000 . . .	\$7,700, plus 45%	— \$26,000
\$28,000	— \$32,000 . . .	\$8,600, plus 46%	— \$28,000
\$32,000	— \$36,000 . . .	\$10,440, plus 48%	— \$32,000
\$36,000	— \$38,000 . . .	\$12,360, plus 50%	— \$36,000
\$38,000	— \$40,000 . . .	\$13,360, plus 52%	— \$38,000
\$40,000	— \$44,000 . . .	\$14,400, plus 53%	— \$40,000
\$44,000	— \$50,000 . . .	\$16,520, plus 55%	— \$44,000
\$50,000	— \$52,000 . . .	\$19,820, plus 56%	— \$50,000
\$52,000	— \$64,000 . . .	\$20,940, plus 58%	— \$52,000
\$64,000	— \$70,000 . . .	\$27,900, plus 59%	— \$64,000
\$70,000	— \$76,000 . . .	\$31,440, plus 61%	— \$70,000
\$76,000	— \$80,000 . . .	\$35,100, plus 62%	— \$76,000
\$80,000	— \$88,000 . . .	\$37,580, plus 63%	— \$80,000
\$88,000	— \$100,000 . . .	\$42,620, plus 64%	— \$88,000
\$100,000	— \$120,000 . . .	\$50,300, plus 66%	— \$100,000
\$120,000	— \$140,000 . . .	\$63,500, plus 67%	— \$120,000
\$140,000	— \$160,000 . . .	\$76,900, plus 68%	— \$140,000
\$160,000	— \$180,000 . . .	\$90,500, plus 69%	— \$160,000
\$180,000	.....	\$104,300, plus 70%	— \$180,000

# Tax Tables for Persons With Incomes Under \$5,000

WHO DO NOT ITEMIZE DEDUCTIONS ON THEIR RETURNS

If you checked as your filing status on page 1, Form 1040

Line 1a use → TAX TABLE A—For Single Persons

Line 1b, 1d, or 1e use → TAX TABLE B—For Married Persons Filing Joint Returns or Unmarried Heads of Household

Line 1c use → TAX TABLE C—For Married Persons Filing Separate Returns

Tables A and B reflect the lowest tax after considering both the 10 percent standard deduction and the minimum standard deduction. Table C shows the tax based on either the 10 percent or the minimum standard deduction.

## 1968 TAX TABLE A— For Single Persons

Read down the income columns below until you find the line covering the total income (page 1, line 9, Form 1040). Then read across to the appropriate column headed by the number corresponding to the number of your exemptions. This is your tax. Enter tax on line 12a. Also see page 10 for tax surcharge to be entered on line 12b.

If your total income is—		And the number of exemptions is—			If your total income is—		And the number of exemptions is—					
At least	But less than	1	2	3	At least	But less than	1	2	3	4	5	6
				If 4 or more there is no tax								If 7 or more there is no tax
Your tax (before surcharge) is—					Your tax (before surcharge) is—							
\$0	\$900	\$0	\$0	\$0	\$2,450	\$2,475	\$236	\$124	\$23	\$0	\$0	\$0
900	925	2	0	0	2,475	2,500	240	128	26	0	0	0
925	950	5	0	0	2,500	2,525	244	132	30	0	0	0
950	975	9	0	0	2,525	2,550	248	136	33	0	0	0
975	1,000	12	0	0	2,550	2,575	253	139	37	0	0	0
1,000	1,025	16	0	0	2,575	2,600	257	143	40	0	0	0
1,025	1,050	19	0	0	2,600	2,625	261	147	44	0	0	0
1,050	1,075	23	0	0	2,625	2,650	265	151	47	0	0	0
1,075	1,100	26	0	0	2,650	2,675	270	155	51	0	0	0
1,100	1,125	30	0	0	2,675	2,700	274	159	54	0	0	0
1,125	1,150	33	0	0	2,700	2,725	278	163	58	0	0	0
1,150	1,175	37	0	0	2,725	2,750	282	167	61	0	0	0
1,175	1,200	40	0	0	2,750	2,775	287	171	65	0	0	0
1,200	1,225	44	0	0	2,775	2,800	291	175	68	0	0	0
1,225	1,250	47	0	0	2,800	2,825	295	179	72	0	0	0
1,250	1,275	51	0	0	2,825	2,850	299	183	76	0	0	0
1,275	1,300	54	0	0	2,850	2,875	304	187	79	0	0	0
1,300	1,325	58	0	0	2,875	2,900	308	191	83	0	0	0
1,325	1,350	61	0	0	2,900	2,925	312	195	87	0	0	0
1,350	1,375	65	0	0	2,925	2,950	317	199	91	0	0	0
1,375	1,400	68	0	0	2,950	2,975	322	203	94	0	0	0
1,400	1,425	72	0	0	2,975	3,000	327	207	98	0	0	0
1,425	1,450	76	0	0	3,000	3,050	333	213	104	4	0	0
1,450	1,475	79	0	0	3,050	3,100	342	221	111	11	0	0
1,475	1,500	83	0	0	3,100	3,150	350	229	119	18	0	0
1,500	1,525	87	0	0	3,150	3,200	359	238	126	25	0	0
1,525	1,550	91	0	0	3,200	3,250	367	246	134	32	0	0
1,550	1,575	94	0	0	3,250	3,300	376	255	141	39	0	0
1,575	1,600	98	0	0	3,300	3,350	385	263	149	46	0	0
1,600	1,625	102	2	0	3,350	3,400	393	272	157	53	0	0
1,625	1,650	106	5	0	3,400	3,450	402	280	165	60	0	0
1,650	1,675	109	9	0	3,450	3,500	410	289	173	67	0	0
1,675	1,700	113	12	0	3,500	3,550	419	297	181	74	0	0
1,700	1,725	117	16	0	3,550	3,600	427	306	189	81	0	0
1,725	1,750	121	19	0	3,600	3,650	436	315	197	89	0	0
1,750	1,775	124	23	0	3,650	3,700	444	324	205	96	0	0
1,775	1,800	128	26	0	3,700	3,750	453	334	213	104	0	0
1,800	1,825	132	30	0	3,750	3,800	462	343	221	111	11	0
1,825	1,850	136	33	0	3,800	3,850	470	353	229	119	18	0
1,850	1,875	139	37	0	3,850	3,900	479	362	238	126	25	0
1,875	1,900	143	40	0	3,900	3,950	487	372	246	134	32	0
1,900	1,925	147	44	0	3,950	4,000	496	381	255	141	39	0
1,925	1,950	151	47	0	4,000	4,050	504	390	263	149	46	0
1,950	1,975	155	51	0	4,050	4,100	513	399	272	157	53	0
1,975	2,000	159	54	0	4,100	4,150	521	407	280	165	60	0
2,000	2,025	163	58	0	4,150	4,200	530	416	289	173	67	0
2,025	2,050	167	61	0	4,200	4,250	538	424	297	181	74	0
2,050	2,075	171	65	0	4,250	4,300	547	433	306	189	81	0
2,075	2,100	175	68	0	4,300	4,350	556	442	315	197	89	0
2,100	2,125	179	72	0	4,350	4,400	564	450	324	205	96	0
2,125	2,150	183	76	0	4,400	4,450	573	459	334	213	104	4
2,150	2,175	187	79	0	4,450	4,500	581	467	343	221	111	11
2,175	2,200	191	83	0	4,500	4,550	590	476	353	229	119	18
2,200	2,225	195	87	0	4,550	4,600	598	484	362	238	126	25
2,225	2,250	199	91	0	4,600	4,650	607	493	372	246	134	32
2,250	2,275	203	94	0	4,650	4,700	615	501	381	255	141	39
2,275	2,300	207	98	0	4,700	4,750	624	510	391	263	149	46
2,300	2,325	211	102	2	4,750	4,800	633	519	400	272	157	53
2,325	2,350	215	106	5	4,800	4,850	641	527	410	280	165	60
2,350	2,375	219	109	9	4,850	4,900	650	536	419	289	173	67
2,375	2,400	223	113	12	4,900	4,950	658	544	429	297	181	74
2,400	2,425	227	117	16	4,950	5,000	667	553	438	306	189	81
2,425	2,450	231	121	19								



**1968 TAX TABLE B—Married Filing Jointly \*  
or Unmarried Heads of Household**

Read down the income columns below until you find the line covering the total income (page 1, line 9, Form 1040). Then read across to the appropriate column headed by the number corresponding to the number of your exemptions. This is your tax. Enter tax on line 12a. Also see page 10 for tax surcharge to be entered on line 12b.

If your total income is—		And the number of exemptions is—			If your total income is—		And the number of exemptions is—									
At least	But less than	1	2	3 If 4 or more there is no tax	At least	But less than	1	2 And you are—		3 And you are—		4 And you are—		5 And you are—		6 If 7 or more there is no tax
								An un-married head of a household	A married couple filing jointly	An un-married head of a household	A married couple filing jointly	An un-married head of a household	A married couple filing jointly	An un-married head of a household	A married couple filing jointly	
		Your tax (before surcharge) is—					Your tax (before surcharge) is—									
\$0	\$900	\$0	\$0	\$0	\$2,450	\$2,475	\$230	\$121	\$121	\$23	\$23	\$0	\$0	\$0	\$0	\$0
900	925	2	0	0	2,475	2,500	234	124	124	26	26	0	0	0	0	0
925	950	5	0	0	2,500	2,525	238	128	128	30	30	0	0	0	0	0
950	975	9	0	0	2,525	2,550	242	131	131	33	33	0	0	0	0	0
975	1,000	12	0	0	2,550	2,575	246	135	135	37	37	0	0	0	0	0
1,000	1,025	16	0	0	2,575	2,600	250	138	138	40	40	0	0	0	0	0
1,025	1,050	19	0	0	2,600	2,625	254	142	142	44	44	0	0	0	0	0
1,050	1,075	23	0	0	2,625	2,650	258	146	146	47	47	0	0	0	0	0
1,075	1,100	26	0	0	2,650	2,675	262	150	149	51	51	0	0	0	0	0
1,100	1,125	30	0	0	2,675	2,700	266	154	153	54	54	0	0	0	0	0
1,125	1,150	33	0	0	2,700	2,725	270	158	157	58	58	0	0	0	0	0
1,150	1,175	37	0	0	2,725	2,750	274	162	161	61	61	0	0	0	0	0
1,175	1,200	40	0	0	2,750	2,775	278	166	164	65	65	0	0	0	0	0
1,200	1,225	44	0	0	2,775	2,800	282	170	168	68	68	0	0	0	0	0
1,225	1,250	47	0	0	2,800	2,825	286	174	172	72	72	0	0	0	0	0
1,250	1,275	51	0	0	2,825	2,850	290	178	176	75	75	0	0	0	0	0
1,275	1,300	54	0	0	2,850	2,875	294	182	179	79	79	0	0	0	0	0
1,300	1,325	58	0	0	2,875	2,900	298	186	183	82	82	0	0	0	0	0
1,325	1,350	61	0	0	2,900	2,925	302	190	187	86	86	0	0	0	0	0
1,350	1,375	65	0	0	2,925	2,950	307	194	191	89	89	0	0	0	0	0
1,375	1,400	68	0	0	2,950	2,975	311	198	194	93	93	0	0	0	0	0
1,400	1,425	72	0	0	2,975	3,000	316	202	198	96	96	0	0	0	0	0
1,425	1,450	75	0	0	3,000	3,050	322	208	204	102	102	4	4	0	0	0
1,450	1,475	79	0	0	3,050	3,100	330	216	211	109	109	11	11	0	0	0
1,475	1,500	82	0	0	3,100	3,150	338	224	219	116	116	18	18	0	0	0
1,500	1,525	86	0	0	3,150	3,200	346	232	226	123	123	25	25	0	0	0
1,525	1,550	89	0	0	3,200	3,250	354	240	234	130	130	32	32	0	0	0
1,550	1,575	93	0	0	3,250	3,300	363	248	241	137	137	39	39	0	0	0
1,575	1,600	96	0	0	3,300	3,350	371	256	249	144	144	46	46	0	0	0
1,600	1,625	100	2	0	3,350	3,400	379	264	256	152	151	53	53	0	0	0
1,625	1,650	103	5	0	3,400	3,450	387	272	264	160	159	60	60	0	0	0
1,650	1,675	107	9	0	3,450	3,500	395	280	271	168	166	67	67	0	0	0
1,675	1,700	110	12	0	3,500	3,550	403	288	279	176	174	74	74	0	0	0
1,700	1,725	114	16	0	3,550	3,600	411	296	286	184	181	81	81	0	0	0
1,725	1,750	117	19	0	3,600	3,650	419	305	294	192	189	88	88	0	0	0
1,750	1,775	121	23	0	3,650	3,700	427	314	302	200	196	95	95	0	0	0
1,775	1,800	124	26	0	3,700	3,750	435	323	310	208	204	102	102	4	4	0
1,800	1,825	128	30	0	3,750	3,800	444	332	318	216	211	109	109	11	11	0
1,825	1,850	131	33	0	3,800	3,850	452	341	326	224	219	116	116	18	18	0
1,850	1,875	135	37	0	3,850	3,900	460	350	334	232	226	123	123	25	25	0
1,875	1,900	138	40	0	3,900	3,950	468	359	342	240	234	130	130	32	32	0
1,900	1,925	142	44	0	3,950	4,000	476	368	350	248	241	137	137	39	39	0
1,925	1,950	146	47	0	4,000	4,050	484	376	358	256	249	144	144	46	46	0
1,950	1,975	150	51	0	4,050	4,100	492	384	365	264	256	152	151	53	53	0
1,975	2,000	154	54	0	4,100	4,150	500	392	372	272	264	160	159	60	60	0
2,000	2,025	158	58	0	4,150	4,200	508	400	379	280	271	168	166	67	67	0
2,025	2,050	162	61	0	4,200	4,250	516	408	386	288	279	176	174	74	74	0
2,050	2,075	166	65	0	4,250	4,300	525	417	394	296	286	184	181	81	81	0
2,075	2,100	170	68	0	4,300	4,350	533	425	401	305	294	192	189	88	88	0
2,100	2,125	174	72	0	4,350	4,400	541	433	408	314	302	200	196	95	95	0
2,125	2,150	178	75	0	4,400	4,450	549	441	415	323	310	208	204	102	102	4
2,150	2,175	182	79	0	4,450	4,500	557	449	422	332	318	216	211	109	109	11
2,175	2,200	186	82	0	4,500	4,550	565	457	430	341	326	224	219	116	116	18
2,200	2,225	190	86	0	4,550	4,600	573	465	437	350	334	232	226	123	123	25
2,225	2,250	194	89	0	4,600	4,650	581	473	444	359	342	240	234	130	130	32
2,250	2,275	198	93	0	4,650	4,700	589	481	451	368	350	248	241	137	137	39
2,275	2,300	202	96	0	4,700	4,750	597	489	459	377	358	256	249	144	144	46
2,300	2,325	206	100	2	4,750	4,800	606	498	467	386	366	264	256	152	151	53
2,325	2,350	210	103	5	4,800	4,850	614	506	474	395	374	272	264	160	159	60
2,350	2,375	214	107	9	4,850	4,900	622	514	482	404	382	280	271	168	166	67
2,375	2,400	218	110	12	4,900	4,950	630	522	490	413	390	288	279	176	174	74
2,400	2,425	222	114	16	4,950	5,000	638	530	497	422	398	296	286	184	181	81
2,425	2,450	226	117	19												

\*This table may also be used by certain widows or widowers who qualify for special tax rates.

# 1968 TAX TABLE C—

## For Married Persons Filing Separate Returns

This table is designed to enable married persons filing separate returns to figure their tax choosing either the 10% or minimum standard deduction. However, if one uses the 10% deduction, then both must use it. Read down the income columns below until you find the line covering the total income (page 1, line 9, Form 1040). Then read across to the appropriate column headed by the number corresponding to the number of your exemptions. This is your tax. Enter tax on line 12a. Also see page 10 for tax surcharge to be entered on line 12b.

If your total income is—		And the number of exemptions is—						If your total income is—		And the number of exemptions is—														
At least	But less than	1		2		3		At least	But less than	1		2		3		4		5		6		7		
		10%	Minimum	10%	Minimum	If 4 or more there is no tax				10%	Minimum	10%	Minimum	10%	Minimum	10%	Minimum	10%	Minimum	10%	Minimum	If 8 or more there is no tax		
								Your tax (before surcharge) is—																
		\$0	\$0	\$0	\$0	\$0	\$0	\$2,325	\$2,350	\$226	\$231	\$131	\$121	\$43	\$19	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
		3	0	0	0	0	0	2,350	2,375	229	236	134	124	46	23	0	0	0	0	0	0	0	0	
	\$0																							
	\$675																							
	\$700																							
	\$725																							
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	\$2,275																							
	\$2,300																							
	\$2,325																							
	\$2,350																							







# Instructions for Declarations of Estimated Tax by Individuals

A taxpayer who appears to meet the requirements for filing a declaration of estimated tax, will be mailed a preprinted form showing his name, address and social security number as recorded on the master file of the Service. Use of the preprinted form will assure accurate posting of estimated tax payments to the taxpayer's account, and lessen the possibility of any errors or delays during the processing of the taxpayer's individual income tax return. However, if the requirements explained below are met and the form is not received, it may be obtained from any District Director's office.

**1. Purpose of declaration.**—The purpose of the declaration is to provide a basis for paying currently any **income tax (including the tax surcharge) and self-employment tax** due in excess of the tax withheld. Therefore, declarations are required only from individuals whose wages or other income exceed the amounts specified in Instruction 2. In general, the definitions of income, deductions, exemptions, etc., are the same as those on Form 1040.

**2. Who must make a declaration.**—Every citizen of the United States or resident of the United States, Puerto Rico, Virgin Islands, Guam, and American Samoa shall make a declaration of his estimated tax if his total estimated **income tax (including the tax surcharge) and self-employment tax** exceeds his withholding (if any) by \$40 or more and he:

- (a) can reasonably expect gross income exceeding—
  - (1) \$10,000 for a head of household or a widow or widower entitled to the special tax rates;
  - (2) \$5,000 for other single individuals;
  - (3) \$5,000 for a married individual not entitled to file a joint declaration;
  - (4) \$5,000 for a married individual entitled to file a joint declaration, and the combined income of both husband and wife can reasonably be expected to exceed \$10,000; OR
- (b) can reasonably expect to receive more than \$200 from sources other than wages subject to withholding.

A nonresident alien who is required to file a declaration of estimated income tax must use Form 1040-ES (OIO).

**3. When and where to file declaration.**—Your declaration must be filed on or before April 15, 1969, or such later date as is specified in Instructions 5 and 6.

If your legal residence is in either the State of Connecticut, Illinois, Iowa, Maine, Massachusetts, Minnesota, Missouri, Nebraska, New Hampshire, New York, North Dakota, Rhode Island, South Dakota, Wisconsin, or Vermont, file with the District Director of the district in which your legal residence is located. Otherwise,

If your legal residence is in this State

Use this mailing address

Alabama, Florida, Georgia, Mississippi, North Carolina, South Carolina, Tennessee	Internal Revenue Service Center 4800 Buford Highway Chamblee, Ga. 30006
Delaware, District of Columbia, Maryland, New Jersey, Pennsylvania, Virginia	Internal Revenue Service Center 11601 Roosevelt Boulevard Philadelphia, Pa. 19155
Indiana, Kentucky, Michigan, Ohio, West Virginia	Internal Revenue Service Center Cincinnati, Ohio 45298
Arkansas, Colorado, Kansas, Louisiana, New Mexico, Oklahoma, Texas, Wyoming	Internal Revenue Service Center 3651 Interregional Highway Austin, Tex. 78740
Alaska, Arizona, California, Hawaii, Idaho, Montana, Nevada, Oregon, Utah, Washington	Internal Revenue Service Center 1160 West 1200 South St. Ogden, Utah 84405

U.S. citizens with foreign addresses, except A.P.O. and F.P.O. addresses, and all U.S. citizens who expect to exclude income under section 911 (earned income from sources without the United States) or 931 (income from sources

within possessions of the United States) must file Form 1040-ES with the Director of International Operations, Internal Revenue Service, Washington, D.C. 20225. Taxpayers with Puerto Rico addresses and all taxpayers who expect to exclude income under section 933 (income from sources within Puerto Rico), must file with Director of International Operations, U.S. Internal Revenue Service, Ponce de Leon Avenue and Bolivia Street, Hato Rey, Puerto Rico 00917.

**4. Payment of estimated tax.**—Your estimated tax may be paid in full with the declaration, or in equal installments on or before April 15, 1969, June 15, 1969, September 15, 1969, and January 15, 1970. The first installment must accompany the declaration. Make checks or money orders payable to "Internal Revenue Service." Please write your social security number on your check or money order.

**5. Farmers and fishermen.**—If at least two-thirds of your gross income is from farming or fishing, you may file the declaration on or before January 15, 1970, instead of April 15, 1969. If you wait until January 15, 1970, you must then pay the entire amount of the estimated tax. However, if you file your final tax return on or before February 15, 1970, and pay the total tax at that time, you need not file a declaration for 1969.

**6. Changes in income, exemptions, etc.**—Even though your situation on April 15 is such that you are not required to file, your circumstances may change so that you will be required to file a declaration later. In such case the time for filing is as follows: June 15, if the change occurs after April 1 and before June 2; September 15, if the change occurs after June 1 and before September 2; January 15, 1970, if the change occurs after September 1. The estimated tax may be paid in equal installments on the remaining payment dates.

If by January 31, 1970, you file your 1969 income tax return and pay in full the balance of tax due, then on or before January 15, 1970, you need not—(a) file any required amended declaration; (b) file an original declaration which would be due for the first time on January 15, 1970; or (c) pay the last installment of estimated tax.

**7. Fiscal year.**—If your return is not on a calendar year basis, change all dates to correspond with your fiscal year. Use Form 1040-FY 1969-70 as a guide to estimate your surcharge.

**8. Additional charge for failure to pay estimated income and self-employment tax.**—An additional charge of 6% a year is imposed by law for underpayment of installments of estimated tax except in certain situations. The charge does not apply if each installment is paid on time and (a) is at least 80 percent (66⅔% for farmers and fishermen) of the amount due, or (b) is based on a tax (including surcharge) computed by using your income for last year and this year's tax rates and exemptions. For additional exceptions in unusual cases see Form 2210.

# Instructions for Schedule B (Form 1040)

Pensions • Annuities • Rents • Royalties • Partnerships • Small Business Corporations • Estates • Trusts • Retirement Income Credit

## Part I

### PENSIONS AND ANNUITIES

**Noncontributory Annuities.**—If you did not contribute to the cost and were not subject to tax on your employer's contributions, the full amount of your annuity or pension must be included in income.

**Other Annuities.**—Amounts received from other annuities, pensions, endowments, or life insurance contracts, whether paid for a fixed number of years or for life, may have a portion of the payment excluded from income. The following types come under this rule: (a) pensions where the employee has either contributed to its cost or has been taxed on his employer's contributions, and (b) amounts paid for a reason other than the death of the insured under an annuity, endowment, or life insurance contract.

Part I is provided for reporting the taxable portion of the annuity. If you are receiving payments on more than one pension or annuity, fill out a separate Part I for each one.

**General Rule for Annuities.**—Generally, amounts received from annuities and pensions are included in income in an amount which is figured upon your life expectancy. This computation and your life expectancy multiple can be found in the regulations covering annuities and pensions. Once you have obtained the multiple it remains unchanged and it will not be necessary to recompute your excludable portion each year. In making this computation you can get help from the Internal Revenue Service as well as from some employers and insurance companies.

**Special Rule for Certain Types of Employees' Annuities.**—There is a special rule provided for amounts received as employees' annuities where part of the cost is contributed by the employer and the amount contributed by the employee will be returned within 3 years from the date of the first payment received under the contract. If both of these conditions are met, then all the payments received under the contract during the first 3 years are to be excluded from income until the employee recovers his cost (the amount contributed by him, plus the contributions made by the employer on which the employee was previously taxed), thereafter, all amounts received are fully taxable. This method of computing taxable income also applies to the employ-

ee's beneficiary if the employee died before receiving any annuity or pension payments.

*Example:* An employee received \$200 a month from an annuity. While he worked, he contributed \$4,925 toward the cost of the annuity. His employer also made contributions toward the cost of the annuity for which the employee was not taxed. The retired employee would be paid \$7,200 during the first 3 years, which amount exceeds his contribution of \$4,925. He would exclude from income all the payments received from the annuity until he has received \$4,925. All payments received thereafter are fully taxable.

**Death Benefit Exclusion.**—If you receive pension or annuity payments as a beneficiary of a deceased employee, and the employee had received no retirement pension or annuity payments, you may be entitled to a death benefit exclusion of up to \$5,000. (For details see Publication 524, Retirement Income and Retirement Income Credit, which may be obtained from the District Director.)

## Part II

### RENTS

If you are not engaged in selling real estate to customers, but receive rent from property you own or control report the total amount in column 2. If you received property other than money as rent, report its fair market value.

In the case of buildings you can deduct depreciation, as explained on page B-2. You can also deduct all ordinary and necessary expenditures on the property, such as taxes, interest, repairs, insurance, agent's commissions, maintenance, and similar items. However, you cannot deduct capital investments or improvements, but must add them to the basis of the property for the purpose of depreciation. For example, a landlord can deduct the cost of minor repairs, but not the cost of major improvements such as a new roof or remodeling. You cannot deduct the value of your own labor.

**If You Rent Part of Your House.**—If you rent out only part of your property, you can deduct only that portion of your expenses which relates to the rented part. If you cannot determine these expenses exactly, you may figure them on a proportionate basis. For example, if you rent out half of your home and live in the other half, you can deduct only half of the depreciation and other expenses.

Room rent and other space rentals received should be reported as business income in separate Schedule C (Form 1040) if services are rendered to the occupant; otherwise, report such income in this part. If you are engaged in the business of selling real estate, you should report rentals received in separate Schedule C.

### ROYALTIES

Report in column 3 royalties from oil, gas or mineral properties, and royalties from copyrights and patents. However, if you hold an operating oil, gas, or mineral interest, report gross income and expenses on separate Schedule C, Form 1040. Under certain circumstances, amounts received on the disposal of coal and iron ore may be treated as the sale of a capital asset. (See Publication 544, Sales and Exchanges of Assets, available at the District Director's office.)

If State or local taxes were withheld from oil or gas payments you received, report in column 3 the gross amount of royalty, and show such taxes withheld by the producer in column 6, other expenses.

## Part III

### PARTNERSHIPS, ESTATES OR TRUSTS, ETC.

**Partnerships.**—If you are a member of a partnership, joint venture, or the like, include in Part III your share of the ordinary income (whether actually received by you or not), or the net loss for the taxable year which ends within or with the year covered by your return. However, losses will only be allowed to the extent of the adjusted basis of your partnership interest at the end of the partnership year in which the losses occurred.

Items of income, deductions, etc., to be carried to your individual return are shown in Schedule K of the partnership return. Your share of income from the following sources should be entered on the appropriate lines and schedules of your return:

- Dividends from qualifying domestic corporations.
- Salaries and interest paid by the partnership.
- Gains from the sale or exchange of capital assets and certain other property.

Also, include your share of the specially allocated income and deduction items. (See instructions on page B-2 for limitations on additional first-year depreciation.)

The individual partner must include his distributive share of partnership income (or loss) from the operation of a trade or business in his net earnings from self-employment. The partner's share of such partnership income (or loss) which constitutes net earnings from self-employment should be entered on line 5(b), separate Schedule C-3. Members of farm partnerships should use Schedule F-1 to figure self-employment tax. For further details see **Publication 541**, Tax Information on Partnership Income and Losses, which may be obtained from the District Director.

**Small Business Corporations.**—If you are a shareholder in a small business corporation which elects to have its current taxable income taxed to its stockholders, you should report your share of both the distributed and undistributed current taxable income as ordinary income in this part, except that portion which is reportable as a long-term capital gain in separate Schedule D. Neither type of income is eligible for the dividends exclusion. Shareholders claiming a deduction for a net operating loss must attach to their return a computation of the adjusted basis of their stock in the corporation and the adjusted basis of any indebtedness of the corporation to the shareholders. See sections 1374 and 1376 and the regulations thereunder for limitation on deduction and required adjustments.

**Estates and Trusts.**—If you are a beneficiary of an estate or trust, report your taxable portion of its income, whether you receive it or not. Your share of income of the following classes should be entered on the appropriate lines and schedules of your return:

Dividends from qualifying domestic corporations.

Gains from the sale or exchange of capital assets and certain other property.

All other taxable income from estates and trusts should be included in this part. Any depreciation which is allowable to you on estate or trust property may be subtracted from estate or trust income so that only the net income received will be included in your return. Information regarding these items may be obtained from the fiduciary.

## Part IV

### 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 tax-

payer 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.

The cost (or other basis) to be recovered should be charged off over the expected useful life of the property. Similar assets may be grouped together as one item for reporting purposes.

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% of the cost or other basis of the property. If the salvage value exceeds 10%, 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 (supplemented by Revenue Procedure 65-13), gives 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 Revenue Procedure 62-21. These guideline lives and rules are applicable to all depreciable property, including existing assets as well as new acquisitions; however, they do not supersede existing rules and procedures for any taxpayer who wishes to continue to use them. 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 Revenue Procedures 62-21, 65-13, and previously prescribed rules and standards.

**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.

**Straight-Line Method.**—To compute the deduction, determine 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 answer is the depreciation deduction.

**Declining Balance Method.**—A uniform rate is applied each year to the remaining cost or other basis of property (without adjustment for salvage value) determined at the beginning of such year, but depreciation must stop when

the unrecovered cost is reduced to salvage value. The rate of depreciation for used property under this method may not exceed 1½ times the applicable straight-line rate.

**Special Rules for New Assets.**—The cost or other basis of a new asset may also be depreciated under any of the following methods, provided that (a) the asset is tangible, (b) it has an estimated useful life of 3 years or more to the taxpayer, and (c) the original use of the asset commenced with the taxpayer.

(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 property (reduced by estimated salvage value) 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 (5+4+3+2+1). For the first year five-fifteenths of the cost reduced by estimated salvage value would be allowable; for the second year, four-fifteenths, etc.

(3) *Other methods.*— A taxpayer may use any consistent method which does not result at the end of any year in accumulated allowances greater than the total of the accumulated allowances which would have resulted from the use of the 200% declining balance method. This limitation applies only during the first two-thirds of the property's useful life.

**Change in Method.**—If you wish to change your method of computing depreciation, the tax treatment of salvage recoveries on sale, exchange, or other disposition of business property, or the tax treatment of additions or retirements from multiple asset accounts, you should file Form 3115 with the District Director's office, but you must file within the first 90 days of the taxable year to which the change relates.

**Additional First-Year Depreciation.**— You may elect to write off in the year assets are first subject to depreciation, 20 percent of the cost (before adjustment for salvage value) of the assets if they are tangible personal property (e.g., equipment, machinery, etc.) acquired by purchase for use in a trade or business or to be held for the production of income. If the aggregate cost of these assets exceeds \$10,000

(\$20,000 for joint return), the additional depreciation is limited to \$2,000 (\$4,000 for joint return).

The additional depreciation is limited to property with a remaining useful life of 6 years or more and which was not acquired from a person (other than a brother or sister) whose relationship to the taxpayer would result in the disallowance of losses. Normal depreciation may also be taken on the cost of the asset, reduced by the first-year depreciation.

The total additional first-year depreciation for the year should be entered on the line provided in the depreciation schedule. It is not to be included on the line used to show the regular depreciation of an asset.

## Part V

### RETIREMENT INCOME CREDIT

You may qualify for this credit, which is generally 15 percent of retirement income, if you received earned income in excess of \$600 in each of any 10 calendar years—not necessarily consecutive—before the beginning of your taxable year.

The term "earned income" means wages, salaries, professional fees, etc., received as compensation for personal services actually rendered. It does not include any amount received as an annuity or pension. If you were engaged in a trade or business in which both personal services and capital were material income-producing factors, a rea-

sonable allowance as compensation for the personal services you rendered, not in excess of 30 percent of your share of the net profits of such business, shall be considered as earned income.

If you are a surviving widow (widower) and have not remarried, you may use the earned income of your deceased husband (wife), or you may combine such income with your earned income for the purpose of determining whether you qualify. If a husband and wife both qualify, and each has retirement income, each is entitled to the credit.

Retirement income for the purpose of the credit means—

(a) In the case of an individual who is not 65 before the end of his taxable year, only that income received from pensions and annuities under a public retirement system (one established by the Federal Government, a State, county, city, etc.) which is included in income in his return.

(b) In the case of an individual who is 65 or over before the end of his taxable year, income from pensions, annuities, interest, rents and dividends which are included in gross income in his return. (Gross income from rents for this purpose means gross receipts from rents without reduction for depreciation or any other expenses. Royalties are not considered rents for this purpose.)

Except as provided in the "Alternative computation," the amount of the retirement income used for the credit computation may not exceed \$1,524 reduced by (a) Any amount received and excluded from income as a pension or annuity under the Social Security Act and Railroad Retirement Acts and other tax-exempt pensions or annuities. Line 3(a), General Rule and Alternative Computation, must reflect the gross amount of social security benefits before deduction of any amounts withheld to pay Medicare insurance premiums. This reduction does not include (1) that part of a pension or annuity which is excluded from income because it represents, in effect, a return of capital or tax-free proceeds of a like nature, or (2) amounts excluded from income received as compensation for injury or sickness or under accident or health plans. (b) Certain adjustments for earned income.

**Alternative Computation.**—The maximum amount of retirement income to be used in figuring the credit for retirement income is \$2,286 for taxpayers who file joint returns (both 65 years of age or over) but who would otherwise be limited to \$1,524 because either the husband or wife did not have earned income in excess of \$600 in each of any 10 prior calendar years.

If you meet these requirements, also complete the Alternative Computation to determine which computation results in the larger credit.