

(o) In the case of mutual insurance companies (including interinsurers and reciprocal underwriters, but not including mutual life or mutual marine insurance companies) requiring their members to make premium deposits to provide for losses and expenses, the amount of premium deposits returned to their policyholders and the amount of premium deposits retained for the payment of losses, expenses, and reinsurance reserves.

1939, ch. 277, sec. 218.

225. (Items Not Deductible.) No deductions shall be allowed in respect of the following items:

(a) Capital losses sustained from the sale, exchange or other disposition of property held by a taxpayer (whether or not connected with his trade or business) other than stock in trade of the taxpayer or other property of a kind that would properly be included in the inventory of the taxpayer if on hand at the close of the taxable year, or property held by the taxpayer primarily for sale to customers in the ordinary course of his trade or business.

(b) Personal, living or family expenses;

(c) Any amount paid out for new buildings or new machinery, for permanent improvements or betterments, or for any other capital outlay made to increase the value of any property or estate;

(d) Any amount expended in restoring property or in making good the exhaustion thereof for which an allowance is or has been made;

(e) Any amount expended or reserved for repairs to or maintenance of residence property occupied by its owner, or for depreciation thereof;

(f) Premiums paid on any life insurance policy covering the life of any officer or employee, or of any person financially interested in any trade or business carried on by the taxpayer, when the taxpayer is directly or indirectly a beneficiary under such policy;

(g) Local improvement assessments.

1939, ch. 277, sec. 219.

226. (Accounting Basis, Period and Changes Therein.) (a) The income of the taxpayer shall be computed upon the basis of the taxpayer's annual accounting period (fiscal year or calendar year, as the case may be) in accordance with the method of accounting regularly employed in keeping the books of such taxpayer, but if no such method of accounting has been employed or if the method employed does not clearly reflect the true income of the taxpayer, computation shall be made upon the basis and in such manner, as in the opinion of the Comptroller does clearly reflect the true income. If the taxpayer's annual accounting period is other than a fiscal year, as defined in this sub-title, or if the taxpayer has no annual accounting period, or does not keep books, the income shall be computed on the basis of the calendar year.

(b) Unless otherwise required by this sub-title or by regulations of the Comptroller, taxpayers reporting their income on a cash basis shall account only for amounts actually or constructively received and actually expended and taxpayers reporting their income on an accrual basis shall account for amounts earned, whether received or not, and liabilities incurred, whether paid or not.

(c) If the taxpayer files a Federal income tax return, his income shall be computed for the purposes of this sub-title on the same basis (cash or