

(m) Losses from lawful wagering transactions, but only to the extent of gains derived therefrom.

(n) All ordinary and necessary expenses (not otherwise herein provided for) paid or incurred during the taxable year for the acquisition of income or the care of income producing property.

(o) Net additions to legal reserves for the taxable year, as required by law, in the case of life insurance companies.

218. DEDUCTIONS NOT ALLOWED. In computing net income no deductions shall be allowed in any case in respect of:

(a) Personal, living or family expenses;

(b) 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;

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

(d) 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;

(e) Local improvement assessments.

219. NET INCOME. The term "net income" means the gross income of a taxpayer less the deductions allowed by this sub-title.

220. GAINS OR LOSSES FROM SALE OF ASSETS. Gains or losses from the sale or other disposition of property, real or personal, or mixed, shall be treated for purposes of this sub-title as all other income or loss if such property be disposed of within two (2) years from the time acquired, as provided in Section 216 hereof. The basis for computing such gain or loss shall be the cost or, if acquired by some means other than purchase, the fair market value thereof at the time acquired.

221. EXCHANGES. Where property is exchanged for other property, the property received in exchange for the purpose of determining the gain or loss shall be treated as the equivalent of cash to the amount of its fair market value; but when in connection with the reorganization, merger or con-