

under this sub-title, ascertained to be *partially* worthless and *to the extent* charged off within the taxable year *and debts which become totally worthless within the taxable year, regardless of the year in which they are charged off*, to the extent that the same had been previously reported as income under this sub-title, or in the case of a debt existing on January 1st, 1937, to the extent of its fair market value on that date. In the case of taxpayers who keep regular books of account on an accrual basis and according to standard accounting practice, there may be deducted, in lieu of the foregoing, additions to reserve for bad debts, under such rules as the Comptroller may prescribe. If the Comptroller at any time shall deem the reserve excessive, he may restore such excess to the income either in a subsequent year or as a part of the income of the taxable year in which deducted.

(j) (1) A reasonable allowance for exhaustion, wear and tear of property used in trade or business, *or held for the production of income*, including a reasonable allowance for obsolescence, *but such allowance shall only be allowed on property which is considered depreciable under federal standards*, and in the case of natural resources, allowance for depletion, as permitted by rules and regulations of the Comptroller; (2) With respect to any emergency facility as defined by the Federal Revenue Act applicable to the taxable period, provided that the taxpayer has included in gross income any payments by way of reimbursements for the cost of such emergency facility, an allowance under subparagraph (1) hereof, or, at the election of the taxpayer, an allowance for amortization deduction as permitted by rules and regulations of the Comptroller.

(m) 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, which expenses shall be allowed as a deduction from~~ PROPERTY. TO THE EXTENT TO WHICH SUCH EXPENSES ARE PAID OR INCURRED OUTSIDE TRADE OR BUSINESS BUT FOR THE ACQUISITION OF INVESTMENT INCOME OR FOR THE CARE OF INVESTMENT INCOME PRODUCING PROPERTY, THEY SHALL BE ALLOWED AS A DEDUCTION FROM *investment income*. *If such expense exceeds* EXPENSES EXCEED the amount of taxable investment income, such excess ~~expense~~ EXPENSES shall be allowed as a deduction from ordinary income.

227. Net Income. Net income means the gross income of a taxpayer as defined in Section 223 hereof, less the deductions