for each tax year?

claration specifically stated that

GENERAL DEDUCTIONS

### That Should Be Carefully Preserved By Everyone Who Renders an Income Tax Return.

The third instalment of the "Incor Tax Primer" is published below. The e advantage of the opportunity will distributed in stock dividends or oththeir 1919 income Tax Blanks, as the distribution of earnings and propossible questions that could arise fits accrued since March 1, 1913, has

id price, wage, or salary, and plus account and capitalized same, or a something other than money that it capitalized its good will, and sideration be given the trans: then issued the new stock to its share. the dend be subject to tax?

terrane of moreovals the the valthat value in to be report

there is no stipulation as to timated to have occurred in the valbe returned as income

DIVIDENDS. net earnings of the corpor. stood however that when any of the which I held stock in the year stock reselved in payment of such a ings were carried to surplus and will be subject to both the normal

a dividend

earned during 1917 and carried to nur 59 What constitutes an item allow plus on the day the dividend was de able as a deduction under the head in to cultivate the good will of his "" clared and it will be subject to the "Business expenses?" additional tax at the rates prescribed. All amounts of expenses actually trade they may be a claimed by the act of September 8 1916 and paid during the tax year in the colalmo, at the rates prescribed to the duct of a business trade or profes war revenue act of October 2 1917 shop

tion had declared a dividend of \$100. paring his land for a crop and the cul rooms, assistants, advertising, etc.

ing this dividend in cash a corpora- machinery, etc., the cost of materials claimed as a business expense? tion had capitalized the same amount for immediate use and farm tools. No, as such amounts are held as of surplus as was distributed in cash, which are used up in the course of a items of personal expense. to its shareholders as a dividend, stock powders, pitchforks, spades, curred and paid by me during the cal-Would this dividend be taxable?

been paid in cah 58. A corporation began business to be used for breeding purposes are repairs to fences, farm buildings, etc.,

January 1, 1912. Its cornings were held to represent investment of capi allowable as deductions? as follows: Jan. 1, 1912, to Mar. 1, 1913 \$10,766 tions. Mar. 1, 1913, to Jan. 1, 1914 For the Year 1914 For the Year 1916 For the Year 1916

Amount of surplus on hand

Jan. 1, to Dec. 31, 1917

Dec. 31, 1917 The corporation never paid a divi- pairs to same. which date it declared and said a di- sale is not to be claimed as a deduc- tions. vidend of \$77,032. How will this divi- tion, as a credit for that cost may be | 66. An individual or a partnership dend be taxed?

represents the distribution of 1917 to the thirty-fifth question. net carnings, or \$27,400, will be sub. A physicians may claim as deduc miums said for such insurance be conject to the additional tax at the rates tions the cost of medicines and medi- sidered a business expense and claimprescribed in the act of September 8. | cal supplies used by him in the prac- of as a deduction? 1916, and also in the war revenue act | tice of his profession, expenses paid | No. However, should of October 3, 1917; and that portion in the operation and repair of an au- become due and payable, the individwhich represents 1916 carnings, or tomobile used in making professional usl or partnership should deduct the \$15,300, at the rates prescribed in the calls, dues to medical societies and aggregate amount of premiums paid net of September 8, 1916, only; that subscriptions to medical journals, the from the proceeds of the policy and which represents earnings expenses of attending medical con- return the balance as income. states accreed from March 1, 1912, to ventions, the rent paid for office rooms | 60. A tenant, under the terms of a \$10,765, is exempt from tax under that cost of fuel, light, water, telephone, cash costs and portion of section 31 (b) which states etc., used in such office rooms. Am assists the

Items of personal expenses or items connected in any way with the support, maintenance, and well-being o a family are not allowed; neither are the amounts paid for tools, implement, vehicles, machinery or surgical instruments which are more or less to advise himself what proportion of a dividend received by him is properof medical law or other professional; ly chargeable, under section 31 (b), books nor amounts expended in makact of September 8, 1916, as amended, ing permanent improvements or bet the corporate earnings or profits terments of any kind whatsoever. lowable as deductions These latter items are held to be investment capital upon which depreciation may

> operating my farm and a woman to assist about the house. Is the compensation paid to each allowable as a deduction?

holders as a dividend, would this divipaid to the male employee, but a line Only such dividends as represent must be drawn as to the amount paid distribution of earnings or profits acto the female employee If her time | .... rued since March 1, 1913, are subject is employed entirely in taking care to the additional tax when received by of mall or creams preduced for male its shareholders. As appreciation es in the production of butter chees etc. the care of milk cane and churns. ue of the assets held and good will do or if a segurate table is maintained not represent actual earnings, profits for laborers employed on the farm income a dividend based upon a and her services are used entirely in magetallamation of may make a treature to the preparation and serving of the not subject to tax when received by memale furnished the laborers and Its sharebolders It should be under caring for their resigns the companies there punded beer correctfulted and allers able deduction if however she is employed to ment in caring for the farmer a own household no deduction :

or trade and I pay a salary or wages for such assistance, may I claim the amount as a deduction

62 Can a taxpayer claim as deduc

tion for his own remuneration

may be entered on Form 1040, revised January, 1918, for excess-profits tax.

in rendering a personal return purposes.) 63 Can the amounts expended by a business man in entertaining out of town customers or prospective cus tomers, be claimed as deductions tomerous and security an increase in

64 Can a salesman working on a commission basis claim as deductions the amounts expended from his own 51. Suppose that instead of declar. This includes all amounts actually funds for railroad fare. excess has ing a dividend of \$50,000, this corpora- paid by the farmer for labor to pre gage, taxicab or street car fare, show

tivation harvesting and marketing Yes if he is not reimbursed for If such had been the case the en of the crop the cost of the seed and such expenditures by his firm be tire amount of net earnings carried tertilizer used the amounts expended should report under "Gross income" to surplus on December 31 1917 for labor used in caring for live stock the total amount of commission rewould have been subject to additional and the cost of the feed, the cost of ceived and he may then claim such tax at the same rates as the dividend the stock purchased for the purpose expenses as were actually incurred mentioned in your inquiry, next above, of resale (it should be understood, and paid in the earning of those com-

ings, and would have been subject to received upon a sale of the stock in has his home in a suburb. He pays ! additional tax only at the rates pre to be returned as income). The am car fare between his home and place scribed in the act of September 8, ounts actually paid in making repairs of employment and takes his noon; to farm buildings, but not the dwel lunch in the city. Can the amounts 52. Assuming that instead of pay- ling house; repairs to fences, farm expended for car fare and lunch b

etc ; and the amount of rent paid for ender year in connection with a farm Yes; just the same as though it had the farm may also be claimed. The which I lease to snother on a cash amounts paid for live stock which is or crop-share rental basis, such at

> tal and are not allowable as deduc-67. Can the amount of life incur-5,220 A merchant may claim as deduc- ance promiums and promiums paid 7.347 tions the amounts paid for advertis for insurance on my

11,000 ing, hire of clerks, and other em claimed as deductions? 15.300 ployees; the cost of the light, fuel. No. as these are held to be items 27,400 water, telephones, etc., used in or at of personal expense. If, however, you his place of business; drayage and pay premiums on insurance policies treight bills; the cost of operating covering farm buildings, other than 677,032 delivery wagons, trucks, and the re- your dwelling house, or on any property used for business purposes, these December 31, 1917, on The cost of goods purchased for repremiums are allowable as deduc-

obtained by following the method of to pretest his or its business interests. That portion of the dividend which computation outlined in the answer incurse the life of one or more of its employees or members. Can the pre-

1. 1916. The remainder, or and the hire of office essistants, the bease, is obligated to pay a cortain

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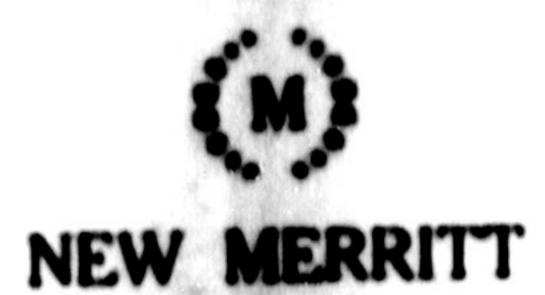
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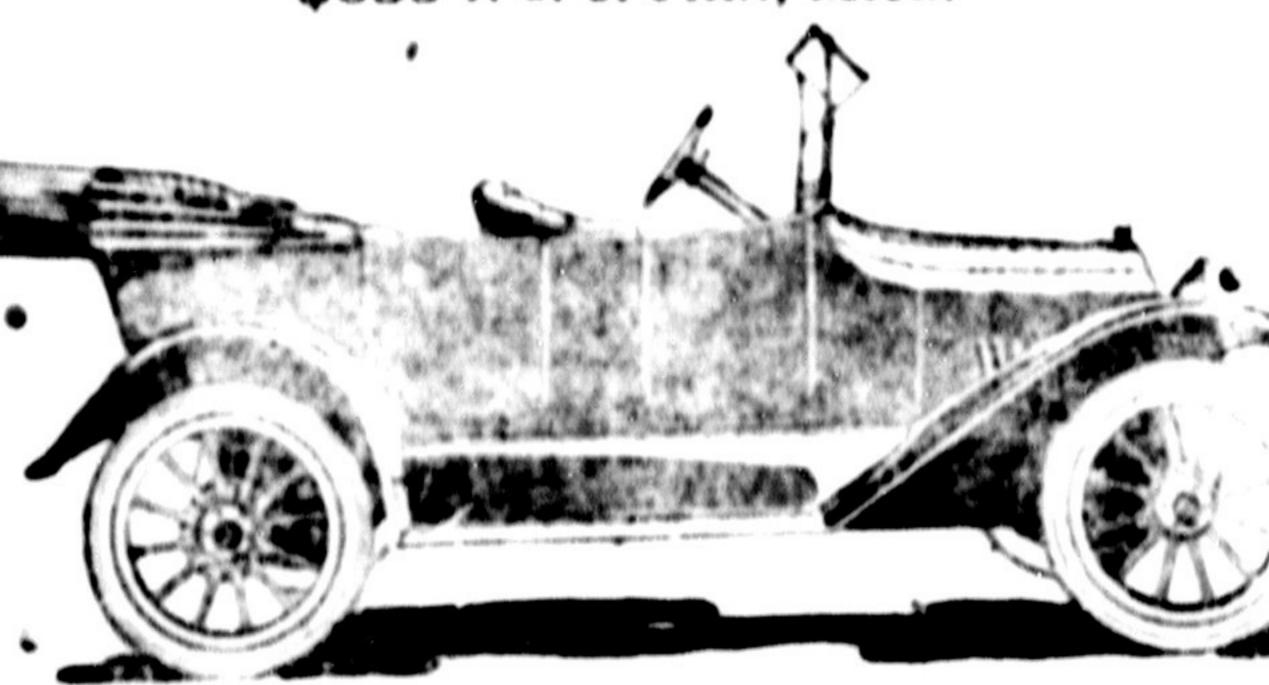
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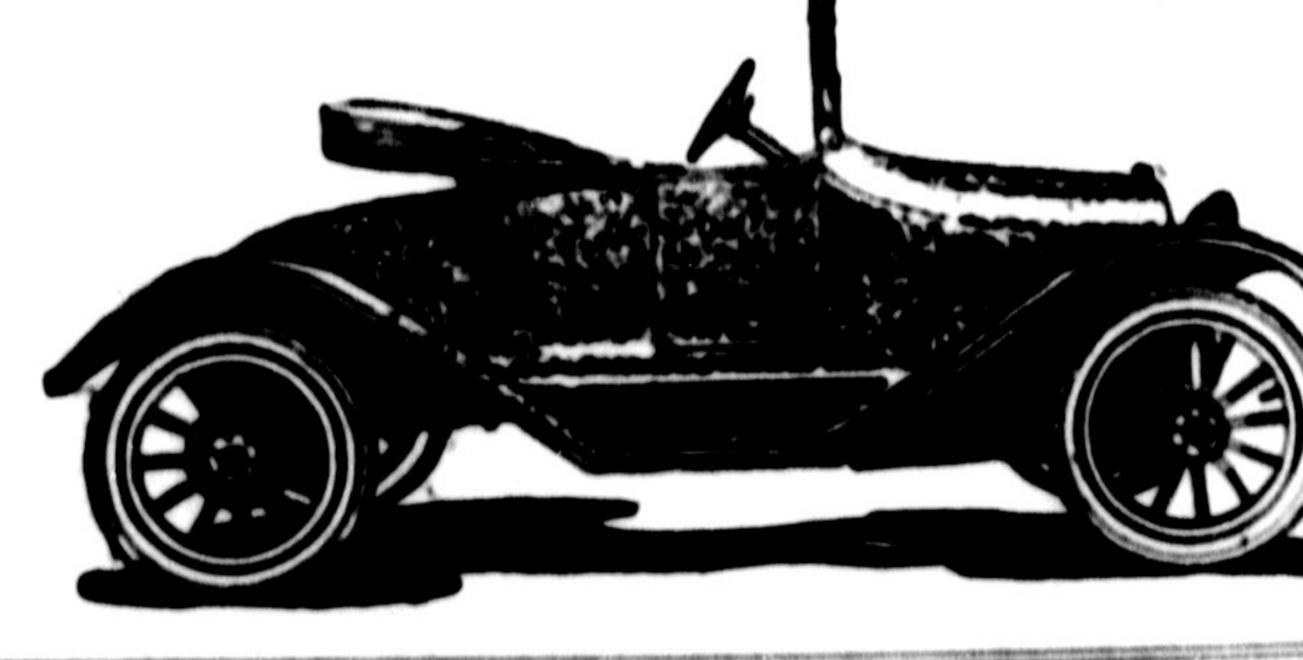


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