

No. _____
(FOR WASHINGTON USE ONLY)

Form 707
TREASURY DEPARTMENT
INTERNAL REVENUE SERVICE

1938 RETURN

OF

CAPITAL-STOCK TAX

For Year Ending June 30, 1938

DOMESTIC CORPORATIONS

(Sec. 601, Revenue Act of 1938)

This return must be filed, in triplicate, and received with remittance by the Collector for your district on or before July 31, 1938. (See instruction 7, page 8.)

(Collection district)
Assessment List, Form 23A

(Month) (Year)

(Page) (Line)
(FOR WASHINGTON USE ONLY)

To be stamped above by collector, showing district and date received

- Name _____
(Print name of corporation, joint-stock company, or association)
- Address _____
(The address must be that of the principal place of business. Give "street and number," "city or town," and "State")
- Incorporated or organized in State of _____ Month _____ Day _____ Year _____
- Was a 1937 capital-stock tax return filed? _____ Name under which filed. (If different, attach statement explaining fully.) _____
(District _____)
- Date of close of last income-tax year ended prior to July 1, 1938 _____ Was an income-tax return filed for that year? _____ Name under which filed _____ (District _____)
If the corporation is newly organized and has not established an income-tax year, state date of organization _____
- Nature of business in detail _____
- Name of parent company, if any _____ (District _____)
- Name of subsidiary, if any _____ No. shares held _____ (District _____)
(If more than one, attach list and state number of shares held by parent; also districts where filed)

9. **DECLARED VALUE OF ENTIRE CAPITAL STOCK** \$ _____
(The value declared must be definite and unqualified. A value must be declared in every case regardless of whether exemption is claimed. See instructions 1 and 2)

10. **EXEMPTIONS.**—The Act provides for exemption from the tax only on the grounds indicated below. Corporations claiming exemption must (1) declare a value for the capital stock under item 9, (2) check the appropriate block under item 10 showing the basis of the claim, and (3) submit with the return a full statement of the evidence specified under the block checked.
- Corporation exempt from income tax under section 101, Revenue Act of 1938. (1) State under which subsection of section 101 _____ (2) Furnish information required by instruction 4.
- Insurance company subject to tax under section 201, 204, or 207, Revenue Act of 1938. State which section _____
- Corporation not doing business. (1) Furnish information required by instruction 6. (2) Declare value of capital stock in item 9 above.

COMPUTATION OF TAX	FOR USE OF TAXPAYER				FOR USE OF DEPARTMENT			
	\$				\$			
11. Declared value (must be identical figure entered in item 9).....	\$				\$			
12. Tax at rate of \$1 for each full \$1,000 in item 9.....								
13. Penalty of _____ percent for delinquency in filing return.....								
14. Interest at 6 percent per annum beginning Aug. 1, 1938.....								
15. Total tax, penalty, and interest.....	\$				\$			

16. State amounts of outstanding capital stock and surplus as of date of the close of income-tax taxable year reported in item 5 above. (If nonstock organization, so indicate and attach statement of net worth.)

	NUMBER OF SHARES	PAR (STATED) VALUE PER SHARE	TOTALS
Capital stock: Preferred.....			
Common.....			
Capital or paid-in surplus.....	X X X X X X X X X X	X X X X X X X X X X	
Surplus reserves.....	X X X X X X X X X X	X X X X X X X X X X	
Surplus and undivided profits.....	X X X X X X X X X X	X X X X X X X X X X	

DUPLICATE

No. _____
(FOR WASHINGTON USE ONLY)

Form 707
TREASURY DEPARTMENT
INTERNAL REVENUE SERVICE

1938 RETURN

OF
CAPITAL-STOCK TAX
For Year Ending June 30, 1938

(Collection district)
Assessment List, Form 23A

(Month) _____ (Year) _____

(Page) _____ (Line) _____

(FOR WASHINGTON USE ONLY)

DOMESTIC CORPORATIONS

(Sec. 601, Revenue Act of 1938)

This return must be filed, in triplicate, and received with remittance by the Collector for your district on or before July 31, 1938. (See instruction 7, page 8.)

To be stamped above by collector, showing district and date received

1. Name _____
(Print name of corporation, joint-stock company, or association)
2. Address _____
(The address must be that of the principal place of business. Give "street and number," "city or town," and "State.")
3. Incorporated or organized in State of _____ Month _____ Day _____ Year _____
4. Was a 1937 capital-stock tax return filed? _____ Name under which filed. (If different, attach statement explaining fully.) _____
(District _____)
5. Date of close of last income-tax year ended prior to July 1, 1938 _____ Was an income-tax return filed for that year? _____ Name under which filed _____ (District _____)
If the corporation is newly organized and has not established an income-tax year, state date of organization _____
6. Nature of business in detail _____
7. Name of parent company, if any _____ (District _____)
8. Name of subsidiary, if any _____ No. shares held _____ (District _____)
(If more than one, attach list and state number of shares held by parent; also districts where filed)

9. **DECLARED VALUE OF ENTIRE CAPITAL STOCK \$_____**
(The value declared must be definite and unqualified. A value must be declared in every case regardless of whether exemption is claimed. See instructions 1 and 2)

10. **EXEMPTIONS.**—The Act provides for exemption from the tax only on the grounds indicated below. Corporations claiming exemption must (1) declare a value for the capital stock under item 9, (2) check the appropriate block under item 10 showing the basis of the claim, and (3) submit with the return a full statement of the evidence specified under the block checked.
- Corporation exempt from income tax under section 101, Revenue Act of 1938. (1) State under which subsection of section 101 _____ (2) Furnish information required by instruction 4.
- Insurance company subject to tax under section 201, 204, or 207, Revenue Act of 1938. State which section _____
- Corporation not doing business. (1) Furnish information required by instruction 6. (2) **Declare value of capital stock in item 9 above.**

COMPUTATION OF TAX	FOR USE OF TAXPAYER				FOR USE OF DEPARTMENT			
11. Declared value (must be identical figure entered in item 9)....	\$_____				\$_____			
12. Tax at rate of \$1 for each full \$1,000 in item 9.....								
13. Penalty of _____ percent for delinquency in filing return.....								
14. Interest at 6 percent per annum beginning Aug. 1, 1938.....								
15. Total tax, penalty, and interest.....	\$_____				\$_____			

16. State amounts of outstanding capital stock and surplus as of date of the close of income-tax taxable year reported in item 5 above. (If nonstock organization, so indicate and attach statement of net worth.)

	NUMBER OF SHARES	PAR (STATED) VALUE PER SHARE	TOTALS
Capital stock: Preferred.....			
Common.....			
Capital or paid-in surplus.....	x x x x x x x x x x	x x x x x x x x x x	
Surplus reserves.....	x x x x x x x x x x	x x x x x x x x x x	
Surplus and undivided profits.....	x x x x x x x x x x	x x x x x x x x x x	

COLLECTOR'S COPY

SECTION 601, REVENUE ACT OF 1938

(a) For each year ending June 30, beginning with the year ending June 30, 1938, there is hereby imposed upon every domestic corporation with respect to carrying on or doing business for any part of such year an excise tax of \$1 for each \$1,000 of the adjusted declared value of its capital stock.

(b) * * * * *

(c) The taxes imposed by this section shall not apply—

- (1) to any corporation enumerated in section 101 of this Act;
- (2) to any insurance company subject to the tax imposed by section 201, 204, or 207 of this Act.

(d) Every corporation liable for tax under this section shall make a return under oath within one month after the close of the year with respect to which such tax is imposed to the collector for the district in which is located its principal place of business or, if it has no principal place of business in the United States, then to the collector at Baltimore, Maryland. Such return shall contain such information and be made in such manner as the Commissioner with the approval of the Secretary may by regulations prescribe. The tax shall, without assessment by the Commissioner or notice from the collector, be due and payable to the collector before the expiration of the period for filing the return. If the tax is not paid when due, there shall be added as part of the tax interest at the rate of 6 per centum per annum from the time when the tax became due until paid. All provisions of law (including penalties) applicable in respect of the taxes imposed by section 600 of the Revenue Act of 1926 shall, insofar as not inconsistent with this section, be applicable in respect of the taxes imposed by this section. The Commissioner may extend the time for making the returns and paying the taxes imposed by this section, under such rules and regulations as he may prescribe with the approval of the Secretary, but no such extension shall be for more than 60 days.

(e) Returns required to be filed for the purpose of the tax imposed by this section shall be open to inspection in the same manner, to the same extent, and subject to the same provisions of law, including penalties, as returns made under Title II of the Revenue Act of 1926.

(f) (1) The adjusted declared value shall be determined with respect to 3-year periods beginning with the year ending June 30, 1938, and each third year thereafter. The first year of each such 3-year period, or, in case of a corporation not subject for such year to the tax imposed by this section, the first year of such 3-year period for which the corporation is subject to the tax, shall constitute a "declaration year."

(2) For each declaration year the adjusted declared value shall be the value, as declared by the corporation in its return for such declaration year (which declaration of value cannot be amended), as of the close of its last income-tax taxable year ending with or prior to the close of such declaration year (or as of the date of organization in the case of a corporation having no income-tax taxable year ending with or prior to the close of such declaration year).

(3) For each year of any 3-year period subsequent to the declaration year, the adjusted declared value in the case of a domestic corporation shall be the value declared in the return for the declaration year plus—

- (A) the cash, and the fair market value of property, paid in for stock or shares,
- (B) paid-in surplus and contributions to capital,
- (C) its net income,
- (D) its income wholly exempt from Federal income tax, and
- (E) the amount, if any, by which the deduction for depletion exceeds the amount which would be allowable if com-

puted without regard to discovery value or to percentage depletion, under section 114 (b) (2), (3), or (4) of this Act or a corresponding section of a later Revenue Act;

and minus—

- (i) the cash, and the fair market value of property, distributed to shareholders,
- (ii) the amount disallowed as a deduction by section 24 (a) (5) of this Act or a corresponding provision of a later Revenue Act, and
- (iii) the excess of the deductions allowable for income tax purposes over its gross income.

(4) The adjustments provided in paragraph (3) shall be made for each income-tax taxable year included in the 3-year period from the date as of which the value was declared in the return for the declaration year to the close of the last income-tax taxable year ending with or prior to the close of the year for which the tax is imposed by this section. The amount of such adjustment for each such year shall be computed (on the basis of a separate return) according to the income-tax law applicable to such year.

(5) * * * * *

(6) The capital-stock tax year beginning with or within an income-tax taxable year within which bankruptcy or receivership, due to insolvency, of a domestic corporation, is terminated shall constitute a declaration year. In such case the adjusted declared value for any subsequent year of the 3-year period shall be determined on the basis of the value declared in the return for such declaration year.

(g) * * * * *

(h) The capital-stock tax imposed by section 105 of the Revenue Act of 1935, as amended, shall not apply to any taxpayer with respect to any year after the year ending June 30, 1937.

SECTION 602, EXCESS-PROFITS TAX

(a) If any corporation is taxable under section 601 with respect to any year ending June 30, there is hereby imposed upon its net income for the income-tax taxable year ending after the close of such year, an excess-profits tax equal to the sum of the following:

6 per centum of such portion of its net income for such income-tax taxable year as is in excess of 10 per centum and not in excess of 15 per centum of the adjusted declared value;

12 per centum of such portion of its net income for such income-tax taxable year as is in excess of 15 per centum of the adjusted declared value.

(b) The adjusted declared value shall be determined as provided in section 601 as of the close of the preceding income-tax taxable year (or as of the date of organization if it had no preceding income-tax taxable year). If the income-tax taxable year in respect of which the tax under this section is imposed is a period of less than 12 months, such adjusted declared value shall be reduced to an amount which bears the same ratio thereto as the number of months in the period bears to 12 months. For the purposes of this section the net income shall be the same as the net income for income-tax purposes for the year in respect of which the tax under this section is imposed, computed without the deduction of the tax imposed by this section, but with a credit against net income equal to the credit for dividends received provided in section 26 (b) of this Act.

(c) All provisions of law (including penalties) applicable in respect of the taxes imposed by Title I of this Act shall, insofar as not inconsistent with this section, be applicable in respect of the tax imposed by this section, except that the provisions of section 131 of that title shall not be applicable.

(d) The excess-profits tax imposed by section 106 of the Revenue Act of 1935, as amended, shall not apply to any taxpayer with respect to any income-tax taxable year ending after June 30, 1938.

No. _____
 (FOR WASHINGTON USE ONLY)

Form 707
 TREASURY DEPARTMENT
 INTERNAL REVENUE SERVICE

To be stamped above by collector,
 showing district and date received

1938 RETURN

OF
CAPITAL-STOCK TAX
 For Year Ending June 30, 1938

(Collection district)
 Assessment List, Form 93A

(Month) _____ (Year) _____

(Page) _____ (Line) _____

(FOR WASHINGTON USE ONLY)

DOMESTIC CORPORATIONS

(Sec. 601, Revenue Act of 1938)

This return must be filed, in triplicate, and received with remittance by the Collector for your district on or before July 31, 1938. (See instruction 7, page 8.)

1. Name _____
 (Print name of corporation, joint-stock company, or association)
2. Address _____
 (The address must be that of the principal place of business. Give "street and number," "city or town," and "State")
3. Incorporated or organized in State of _____ Month _____ Day _____ Year _____
4. Was a 1937 capital-stock tax return filed? _____ Name under which filed. (If different, attach statement explaining fully.) _____
 (District _____)
5. Date of close of last income-tax year ended prior to July 1, 1938 _____ Was an income-tax return filed for that year? _____ Name under which filed _____ (District _____)
 If the corporation is newly organized and has not established an income-tax year, state date of organization _____
6. Nature of business in detail _____
7. Name of parent company, if any _____ (District _____)
8. Name of subsidiary, if any _____ No. shares held _____ (District _____)
 (If more than one, attach list and state number of shares held by parent; also districts where filed)

9. **DECLARED VALUE OF ENTIRE CAPITAL STOCK \$ _____**
 (The value declared must be definite and unqualified. A value must be declared in every case regardless of whether exemption is claimed. See instructions 1 and 2)

10. **EXEMPTIONS.**—The Act provides for exemption from the tax only on the grounds indicated below. Corporations claiming exemption must (1) declare a value for the capital stock under item 9, (2) check the appropriate block under item 10 showing the basis of the claim, and (3) submit with the return a full statement of the evidence specified under the block checked.
- Corporation exempt from income tax under section 101, Revenue Act of 1938. (1) State under which subsection of section 101 _____ (2) Furnish information required by instruction 4.
- Insurance company subject to tax under section 201, 204, or 207, Revenue Act of 1938. State which section _____
- Corporation not doing business. (1) Furnish information required by instruction 6. (2) Declare value of capital stock in item 9 above.

COMPUTATION OF TAX	FOR USE OF TAXPAYER				FOR USE OF DEPARTMENT			
11. Declared value (must be identical figure entered in item 9).....	\$	_____	_____	_____	\$	_____	_____	_____
12. Tax at rate of \$1 for each full \$1,000 in item 9.....		_____	_____	_____		_____	_____	_____
13. Penalty of _____ percent for delinquency in filing return.....		_____	_____	_____		_____	_____	_____
14. Interest at 6 percent per annum beginning Aug. 1, 1938.....		_____	_____	_____		_____	_____	_____
15. Total tax, penalty, and interest.....	\$	_____	_____	_____	\$	_____	_____	_____

16. State amounts of outstanding capital stock and surplus as of date of the close of income-tax taxable year reported in item 5 above. (If nonstock organization, so indicate and attach statement of net worth.)

	NUMBER OF SHARES	PAR (STATED) VALUE PER SHARE	TOTALS
Capital stock: Preferred.....			
• Common.....			
Capital or paid-in surplus.....	x x x x x x x x x x	x x x x x x x x x x	
Surplus reserves.....	x x x x x x x x x x	x x x x x x x x x x	
Surplus and undivided profits.....	x x x x x x x x x x	x x x x x x x x x x	

TAXPAYER'S COPY

Unless otherwise stated, the sections of the law mentioned throughout these instructions refer to sections of the Revenue Act of 1938.

1. Filing return.—Every domestic corporation (including an association, common-law trust, and any organization by whatever name known which acts or does business in an organized capacity, whether created under and pursuant to State law, agreement, declaration of trust, or otherwise, the net income of which is distributable among the members on the basis of their proportionate interests in the capital invested in the business or in the property of the organization), which was in existence during the period July 1, 1937, to June 30, 1938, or any fractional part thereof, must, unless specifically exempted, file a capital-stock tax return in triplicate with the collector for the district in which is located its principal place of business. The return must be *complete* in every respect. So-called parent and subsidiary corporations must each render a separate return and make a separate declaration of value.

2. Declared value.—(a) In making the declaration of value upon this return a corporation is not bound by any value declared upon a return for a prior year, but may exercise unrestricted judgment and discretion in determining the value to be declared. In making such determination, consideration should be given to the earning power and to the net worth of the organization. Whether it is a stock or a nonstock corporation, an association, or other entity taxable as a corporation, net worth includes: (A) The capital paid in for stock, or as capital surplus, or otherwise; (B) surplus, surplus reserves and undivided profits; and (C) all other values, tangible and intangible, which enter into the net worth of the organization. However, the declared value is not limited to the net worth but may be any amount greater or less than the net worth, which the corporation in its judgment may elect to declare.

(b) Extreme care should be exercised in making the declared value, since under the provisions of the Revenue Act of 1938: (A) the value declared for a declaration year cannot be changed, amended, or corrected after the close of the period for filing the return; (B) the value is the base for computing the capital-stock tax for this taxable year and for computing the adjusted declared value of the capital stock for the years ending June 30, 1939, and June 30, 1940; and (C) the value is a prime factor in determining the excess-profits tax liability under section 602 of the Revenue Act of 1938, quoted on page 6 of this return.

(c) The declared value must be definite and unqualified and must be stated as an amount in United States dollars, or as "Zero" in the event it is intended to make a declaration of no value. Statements such as "None," "No value," "Deficit," and similar expressions, or specific amounts stated as deficits, will be construed as declarations of "Zero." The value must be declared as of the close of the income-tax taxable year ended subsequent to June 30, 1937, and on or prior to June 30, 1938. Thus, if the income-tax return is made on a calendar year basis, the value must be declared as of December 31, 1937, or if the income-tax return is made on the basis of a fiscal year ended with any other month from July 1937 to and including June 1938, the value must be declared as of the end of such fiscal year. In the case of a newly organized corporation which does not have an income-tax taxable year ended on or prior to June 30, 1938, the value must be declared as of the date of organization.

3. Corporations claiming exemption from the capital-stock tax.—Three classes of corporations (or organizations) are entitled to exemption from the capital-stock tax: (1) Corporations enumerated in section 101; (2) insurance companies subject to income tax under section 201, 204, or 207; and (3) corporations not carrying on or doing business at any time during the period July 1, 1937, to June 30, 1938.

4. Exemption as a corporation enumerated in section 101 of the Revenue Act of 1938.—The exemption from the capital-stock tax under section 601 (c) (1) as a corporation enumerated in section 101 must be established by an official ruling. For that purpose a capital-stock tax return must be filed, complete in all respects, including a definite and unqualified declaration of value for the capital stock (see instructions 1 and 2) and specifying the subsection of section 101 under which exemption is claimed. The return must be accompanied by evidence that the corporation is, in fact, within the exempted class specified. As a part of such evidence, the corporation must file with the return a statement setting forth (1) the character of the organization, (2) the purpose for which it was organized, (3) its actual activities, (4) the sources of its income and the disposition thereof, (5) whether or not any of its income is credited to surplus or may inure to the benefit of any private shareholder or individual, and (6) in general all facts relating to its operations which affect its right to exemption. There must also be attached to the return a

copy of (1) the charter or articles of incorporation, (2) the bylaws of the corporation, and (3) the latest financial statement showing the assets, liabilities, receipts, and disbursements, properly itemized. Original documents, such as leases, charters, bylaws, etc., should not be submitted as all evidence becomes a part of the records of the Bureau and, under the rules of the Department, may not be returned. The corporation, if a farmers' cooperative association, should also submit Questionnaire Form 1028 or, if a domestic building and loan association, Questionnaire Form 1027, and furnish all of the information required therein. Copies of the proper form may be secured from the collector. Since exemption from the capital-stock tax is dependent upon exemption from filing Federal income-tax returns, reference is made to the pertinent provisions of the Regulations relating to the income tax for more detailed information in regard to the evidence required in such cases. If, however, the corporation has received a letter from the Commissioner exempting it from filing Federal income-tax returns, submit a copy of such letter in lieu of the foregoing evidence.

5. Exemption as an insurance company.—Exemption from the capital-stock tax under section 601 (c) (2) as an insurance company subject to the tax imposed by section 201, 204, or 207 must be established by an official ruling. For that purpose a capital-stock tax return, complete in all respects, including a definite and unqualified declaration of value for the capital stock (see instructions 1 and 2), must be filed. The return must state the section under which the corporation is subject to income tax.

6. Exemption as not doing business.—A corporation which claims exemption on the ground that it was not carrying on or doing business at any time during the year ended June 30, 1938, must file a return, complete in all respects, including a definite and unqualified declaration of value for its capital stock (see instructions 1 and 2); *even though exemption was allowed for the previous taxable year*. In every instance, the claim for exemption must be supported by an affidavit of one of the responsible officers having knowledge of the facts, in which the following information must be set forth:

- (a) A general statement of the operations prior to July 1, 1937, and a detailed statement of the operations for the period July 1, 1937, to June 30, 1938. The latter statement must be complete and show all transactions such as—purchases, orders, commitments, sales, agreements, contracts (including contracts of employment), acquisitions of property for stock of the corporation, etc.
- (b) A detailed statement of the receipts and disbursements for the period July 1, 1937, to June 30, 1938, and of all exchanges of assets, if any.
- (c) A comparative detailed statement of the assets and liabilities as of June 30, 1937, and June 30, 1938, respectively, with a full explanation of the changes reflected by the comparative statement.
- (d) Copies of the minutes of all meetings of the stockholders and of the board of directors held during the year ended June 30, 1938, and of all reports made by an executive or other standing committee, or any governing body.
- (e) If exemption is claimed as a new corporation which did not engage in business activities prior to July 1, 1938, submit the information required under (a), (b), and (d) for the period between date of incorporation and June 30, 1938, and in addition furnish (1) an excerpt from the charter, setting forth the corporate powers, and (2) a statement of assets and liabilities as of June 30, 1938.

Originals of such documents as leases, charters, bylaws, etc., should not be submitted as evidence to support a claim for exemption since all evidence becomes a part of the records of the Bureau and, under the rules of the Department, may not be returned.

7. Penalties and interest.—Failure to file a return in time to be received by the collector on or before July 31, 1938 (or before the expiration of a period of extension), causes to accrue the following graduated scale of penalties: 5 percent of the amount of the tax if the failure is for not more than 30 days, with an additional 5 percent for each additional 30 days, or fraction thereof, during which failure continued. Such penalties may not, however, exceed 25 percent in the aggregate. Regardless of whether extension is granted, failure to pay the tax on or before July 31, 1938, causes to accrue interest at the rate of 6 percent per annum beginning August 1, 1938, until paid. Failure to pay within 10 days after the issuance of notice and demand based on assessment approved by the Commissioner, causes to accrue a penalty of 5 percent of the total assessment and interest at the rate of 6 percent per annum on the entire assessment from the date of issuance of notice and demand until date of payment. Severe penalties for willful failure to pay tax, keep records, file returns, or for false or fraudulent returns, are imposed by law.

8. Signatures and verification.—The return must be signed and verified under oath or affirmation by at least one of the responsible officers of the corporation. Execution by two officers, the president, vice president, or other executive officer, and the treasurer, assistant treasurer, or chief accounting officer, is, however, preferred. If a receiver or trustee in bankruptcy is operating the property or business of the corporation and the corporation does not file the return, such officer shall execute the return for such corporation, attaching thereto a dated copy of the court order appointing him and a statement disclosing whether his custody has been continuous since that date.