

Department of the Treasury  
**Internal Revenue Service**



general  
description

**1971  
Tax  
Model**

**Individual  
Income Tax  
Returns**

Statistics  
Division  
December 1973

1971 Individual Tax Model/General Description

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## INTRODUCTION

The Individual Tax Model consists of a file of 99,137 Federal tax returns subsampled from the Statistics of Income sample of over 269,000 Forms 1040 filed for 1971. This file is used in conjunction with (1) a generalized manipulation program designed to select, compute, compare, arrange, and recode the data in the input file, and (2) a table generator program that will select, weight, and tabulate specified items in the manipulated input file and provide for stub and column identification in a flexible print format.

The Tax Model file, which is designed to simulate the administrative and revenue impact of tax law changes (as well as to provide general statistical tables), can be used by government or private researchers in two ways:

(1) The user can specify in writing the types of manipulations to be made and outline the format of the tabulations measuring these changes. If the Service determines that the specifications can be handled using the Model's programs, the IRS will prepare tables on a reimbursable basis insofar as the job does not interfere with the regular statistical processing.

(2) The user may purchase the Model file and develop his own programs to manipulate the data and/or produce the desired tabulations.

This general description provides an explanation of the codes and items, the file layout, sample counts and weights, technical specifications concerning the tapes (for those who wish to purchase the file), and facsimiles of Federal tax return forms for a reference to the line items which were abstracted for the 1971 program. Certain codes and fields are designated

INTRODUCTION--Cont.d

"for Statistics Division use only" in the explanations that follow. For those who purchase copies of this file, this means that either (1) the item has little or no value to the user because it was computed for a special internal purpose or (2) the item has been deleted to prevent disclosure of the individual taxpayer.

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34	35	36	37	38	39	40	41	42	43	44	45	46	47	48	49	50	51	52	53	54	55	56	57	58	59	60																																																																																																				
Age Exemption	Employer Exemption	Other Exemption	Total Exemptions	Other Exemptions	Dependent Exemption	Field 7	Field 8	Field 9	Field 10	Salary and wages	Adjusted Gross Income	Adjusted Gross Excess	Dividends, Interest Income	Dividend Exclusion	Dividends Exclusion	Interest Received	Total Income Tax	Total Deductions	Taxable Income	Minimum Tax After Adjustments	Income Tax After Credits	Tax Surcharge	Exemption Amount	Long-Term Capital Gain, In Excess of Short-Term Capital Gain	Royalty Depletion	Income Tax	Income Tax Withheld	Excess FICA Withheld	Total Ordinary Loss	1971 Estimated Tax Payments	Balance Due	Earned Taxable Income	Other Taxable Income	Net Operating Loss Credit	Taxable 1970 Earnings	Overpayment Credited on 1970 Estimate	Overpayment Refunded	Self-Employment Tax	Capital Gains Offset	Earned Taxable Income	Net Tentative Tax for Tax Preference	Net Short-Term Gain After Carryover	Net Short-Term Loss After Carryover	Net Long-Term Gain After Carryover	Net Long-Term Loss After Carryover	Net Capital Gain	Net Capital Loss	Net Loss Before Limitation	One-Half Excess Long-Term Gain	Tax Carryover From Prior Year	Total Ordinary Gain	State Income Tax Refunds	Alimony	Other Income	Other Loss	Income Tax Deducted	Business or Profession Net Profit	Business or Profession Net Loss	Rent Net Income	Rent Net Loss	Royalties Net Income	Royalties Net Loss	Partnerships Net Income	Partnerships Net Loss	Estate and Trust Net Income	Estate and Trust Net Loss	Small Business Corporation Net Income	Small Business Corporation Net Loss	Farm Net Profit	Farm Net Loss	Pre-1970 Short-Term Loss Carryover	Post-1969 Short-Term Loss Carryover	Income Subject to Tax	Capital Gains Taxed at Upper Rate	Field 76	Excess Investment Interest	Other Tax Credits	Investment Income Tax Credits	Foreign Tax Credits	Retirement Income Taxable	Field 82	Dividends and Distributions			Depreciation	Capital Gains Taxed at 50 Percent	Field 88	Pre-1970 Long-Term Loss Carryover	Post-1969 Long-Term Loss Carryover	Pensions and Annuities Taxable Preference	Field 92	1971 Net Operating Loss Carryover	Minimum Tax Deferred From Prior Year	Unused Retirement Income Credit	Earned Net Income	Taxable Income				Income Tax	Tax Preference Items in Excess \$20,000	80 Percent of AGI Earned Taxable Income	Recomputed Tax	Additional Tax	Tax on Tip Income	Earned Taxable Income		Other Taxable Income		Earned Taxable Income at Regular Rate	Before Credits Generated	Other Taxable Income at Regular Rate	Total at Regular Rate	Recomputed Tax Preference Income	Tentative Tax on Preferences	Tentative Tax on Tax Pref. Before Credit	No Benefit Deduction Claimed	Lower Base for Other Taxable Income	Recomputed Prior Year Tax Deducted	Field 119	Total Tax Preference Income	Income Subject to Tax	Tax Preference Less Exclusion	Tentative Tax After Credits	Tax Preference Exclusion	Capital Gain Tax Preference	Long-Term Gain From Installment Sales	Credit for Federal Tax on Gasoline	Total Other Payments	Field 129	Field 130	Other Tax Payments	Total Tax Liability	Capital Gains Tax Generated	At 50 Percent Rate	At Upper Rate	Rental Housing Accelerated Depreciation	Other Real Property Accelerated Depreciation	Personal Property Accelerated Depreciation	Certified Pollution Control Amortization	Railroad Rolling Stock Amortization	Stock Options	Reserves for Bad Debts	Field 142	Strike Pay	Moving Expense	Employee Business Expense	Payments to a Retirement Plan	Field 147	Field 148	Field 149	Field 150	Minor Joint Field	Intermediate Joint Field	Minor Joint Field	Return Identification Number	Field 155	National Weight	District Weight

## Explanation of Codes in Tape File

Code 0, columns 0, 1--RECODED DISTRICT - Internal Revenue District in which return was filed (original district codes appearing to the right of the District name are in Code 4, columns 4 and 5), for Statistics Division use only.

Central Region

01 - Cincinnati, Ohio.....	31
02 - Cleveland, Ohio.....	34
03 - Detroit, Michigan.....	38
04 - Indianapolis, Indiana.....	35
05 - Louisville, Kentucky.....	61
06 - Parkersburg, West Virginia.....	55

Mid-Atlantic Region

07 - Baltimore, Maryland.....	52
08 - Washington, D. C. ....	53
09 - Newark, New Jersey.....	22
10 - Philadelphia, Pennsylvania.....	23
11 - Pittsburgh, Pennsylvania.....	25
12 - Richmond, Virginia.....	54
13 - Wilmington, Delaware.....	51

Midwest Region

14 - Aberdeen, South Dakota.....	46
15 - Chicago, Illinois.....	32
16 - Des Moines, Iowa.....	42
17 - Fargo, North Dakota.....	45
18 - Milwaukee, Wisconsin.....	39
19 - Omaha, Nebraska.....	47
20 - St. Louis, Missouri.....	43
21 - St. Paul, Minnesota.....	41
22 - Springfield, Illinois.....	37

North Atlantic Region

23 - Albany, New York.....	14
24 - Augusta, Maine.....	01
25 - Boston, Massachusetts.....	04
26 - Brooklyn, New York.....	11
27 - Buffalo, New York.....	16
28 - Burlington, Vermont.....	03
29 - Hartford, Connecticut.....	06
30 - Manhattan, New York.....	13
31 - Portsmouth, New Hampshire.....	02
32 - Providence, Rhode Island.....	05

Southeast Region

33 - Atlanta, Georgia.....	58
34 - Birmingham, Alabama.....	63
35 - Columbia, South Carolina.....	57
36 - Greensboro, North Carolina.....	56
37 - Jackson, Mississippi.....	64
38 - Jacksonville, Florida.....	59
39 - Nashville, Tennessee.....	62

Southwest Region

40 - Albuquerque, New Mexico.....	85
41 - Austin, Texas.....	74
42 - Cheyenne, Wyoming.....	83
43 - Dallas, Texas.....	75
44 - Denver, Colorado.....	84
45 - Little Rock, Arkansas.....	71
46 - New Orleans, Louisiana.....	72
47 - Oklahoma City, Oklahoma.....	73
48 - Wichita, Kansas.....	48

Western Region

49 - Anchorage, Alaska.....	92
50 - Boise, Idaho.....	82
51 - Helena, Montana.....	81
52 - Honolulu, Hawaii.....	99
53 - Los Angeles, California.....	95
54 - Phoenix, Arizona.....	86
55 - Portland, Oregon.....	93
56 - Reno, Nevada.....	88
57 - Salt Lake City, Utah.....	87
58 - San Francisco, California.....	94
59 - Seattle, Washington.....	91

Office of International Operations

60 - OIO <sup>1</sup> .....	98
61 - Puerto Rico <sup>2</sup> .....	66

<sup>1/</sup> Returns of U. S. citizens residing abroad, in the Virgin Islands, and in the Panama Canal Zone.

<sup>2/</sup> Returns of U. S. citizens residing in Puerto Rico.

## Explanation of Codes in Tape File--Cont.d

Code 2, columns 2, 3--SAMPLE - Stratum in which return was classified prior to selection in the sample.

## Sample Weight for 1971 Individual Tax Model

Sample Code	Sample Stratum <sup>1/</sup>	Population Minus Reject Codes 1&2	Tax Model Sample	Weight
	Nonbusiness Returns			
11	AGI under 10,000	42,793,953	5,353	7,994.39
12	10,000 under 15,000	12,922,337	4,863	2,657.28
13	15,000 under 20,000	5,794,197	4,289	1,350.94
14	20,000 under 50,000	3,657,952	7,237	505.45
15	50,000 under 100,000	273,661	10,968	24.95
16	100,000 under 200,000	51,995	9,007	5.77
17	200,000 or more	13,721	13,721	1.00
	Business Returns (Schedule C/F attached)			
21	AGI under 10,000	3,986,563	2,347	1,698.58
22	10,000 under 15,000	2,362,690	2,770	852.96
23	15,000 under 20,000	1,216,316	3,054	398.27
24	20,000 under 30,000	879,818	2,910	302.34
25	30,000 under 50,000	403,339	3,604	111.91
26	50,000 under 100,000	168,386	3,380	49.82
27	100,000 under 200,000	34,586	8,628	4.01
28	200,000 or more	16,797	16,797	1.00
30	Minimum tax \$17,000 or more	209	209	1.00
	TOTAL	74,576,520	99,137	

<sup>1/</sup> In some cases, returns are stratified by the largest single income item rather than by the size of adjusted gross income.

## Explanation of Codes in Tape File--Cont.d

Code 4, columns 4, 5--ORIGINAL INTERNAL REVENUE DISTRICTS - See code values listed to the right of District names in the explanation of Code 0; columns 0, 1, for Statistics Division use only.

Code 6, columns 6, 7--STATE - Coded for taxpayer's address as appearing on the top of page 1 of Form 1040, for Statistics Division use only.

<u>STATE</u>	<u>STATE CODE</u>
Alabama	01
Alaska	02
Arizona	03
Arkansas	04
California	05
Colorado	06
Connecticut	07
Delaware	08
District of Columbia	09
Florida	10
Georgia	11
Hawaii	12
Idaho	13
Illinois	14
Indiana	15
Iowa	16
Kansas	17
Kentucky	18
Louisiana	19
Maine	20
Maryland	21
Massachusetts	22
Michigan	23
Minnesota	24
Mississippi	25
Missouri	26
Montana	27
Nebraska	28
Nevada	29
New Hampshire	30
New Jersey	31
New Mexico	32



## Explanation of Codes in Tape File--Cont.d

<u>STATE</u>	<u>STATE CODE</u>
New York	33
North Carolina	34
North Dakota	35
Ohio	36
Oklahoma	37
Oregon	38
Pennsylvania	39
Rhode Island	40
South Carolina	41
South Dakota	42
Tennessee	43
Texas	44
Utah	45
Vermont	46
Virginia	47
Washington	48
West Virginia	49
Wisconsin	50
Wyoming	51
Puerto Rico	53
CP:IO	52 + 54
U.S. citizens residing abroad reporting U.S. addresses	52
U.S. citizens residing abroad reporting foreign addresses	54

## Explanation of Codes in Tape File---Cont.d

- Code 8, columns 8, 9---NATIONAL SELECT CODE - for Statistics Division use only.
- Code 10, columns 10, 11---DISTRICT SELECT CODE - for Statistics Division use only.
- Code 12, columns 12, 13---Blank.
- Code 14, columns 14, 15---SIZE OF TAXABLE INCOME BY TAX RATE - for Statistics Division use only.
- Code 16, columns 16, 17---Blank
- Code 18, columns 18, 19---EXEMPTIONS OTHER THAN AGE OR BLINDNESS - total exemptions line 11, Form 1040 minus age exemptions and blindness exemptions, lines 7 and 8, Form 1040.
- Exemptions other than age or blindness.....01-99
- Code 20, columns 20, 21---DEPENDENT EXEMPTIONS - total exemptions line 11, Form 1040 minus taxpayer, age, and blindness exemptions, lines 7 and 8, Form 1040.
- Dependent exemptions.....00-99
- Code 22, columns 22, 23---OTHER TAXABLE INCOME TAX RATE - for Statistics Division use only.
- Code 24, columns 24, 25---TOTAL EXEMPTIONS - coded from number of exemptions, as shown on page 1, line 11 of Form 1040.
- Total exemptions.....01-99
- Code 26, column 26---MARITAL STATUS - coded from "Filing Status," page 1, lines 1-6 of Form 1040.
- Marital Status
- Single returns.....1
- Joint returns.....2
- Separate returns (spouse filing).....3
- Head of household returns.....4
- Surviving spouse returns.....5
- Separate returns (spouse not filing).....6

## Explanation of Codes in Tape File--Cont.d

Code 27, column 27--TAX STATUS - indicates type of tax computation used.

## Tax Status

Non-computes with taxable income.....	1
No taxable income.....	2
Normal tax (regular).....	3
Income averaging.....	4
Alternative tax (regular).....	5
Maximum tax.....	6
Alternative tax and maximum tax.....	7
Minimum tax.....	8
Non-taxable non-computes.....	9

Code 28, column 28--TAXPAYER SEX - sex of taxpayer and type of return coded from page 1, lines 1-8 of Form 1040.

## Taxpayer Sex

## Joint returns:

Both 65 and over or both under 65.....	1
Husband under 65, and wife 65 or over.....	2
Husband 65 or over, and wife under 65.....	3

## Other than joint returns:

Male return.....	4
Female return.....	5

Code 29, column 29--SCHEDULE - indicates type of tax schedule a taxpayer is eligible to use.

## Schedule

Single.....	1(X)
Joint and surviving.....	2(Y1)
Separate.....	3(Y2)
Head of household.....	4(Z)

Code 30, column 30--FILING PERIOD - coded for full or part year as shown on top lines of page 1 of Form 1040.

## Explanation of Codes in Tape File--Cont.d

## Filing Period (FLPD)

Filing period tax years <u>beginning</u>	
Before May 1, 67.....	1
May 1, 67 thru Dec. 31, 69.....	2
Jan 1 thru June 30, 70.....	3
July 1 thru Dec. 31, 70.....	4
On Jan. 1, 71.....	5
After Jan. 1, 71.....	6

Code 31, column 31--FORM OF DEDUCTION - coded according to type of deduction used in computation of taxable income.

## Form of Deduction (FDED)

Itemized.....	1
10 percent standard (pre-1971).....	2
13 percent standard (1971).....	3
No adjusted gross income.....	4
Current year low income allowance.....	5
Prior year low income allowance.....	6

Code 32, column 32--REGION - indicates Internal Revenue Region in which return was filed; for Statistics Division use only.

Code 33, column 33--TAXPAYER EXEMPTIONS - coded from "Regular" page 1, lines 7 and 8 of Form 1040.

## Taxpayer's Exemption (TXPYR)

One exemption.....	1
Two exemptions.....	2

Code 34, column 34--AGE EXEMPTIONS - coded from "65 or more," page 1, lines 7 and 8 of Form 1040.

## Age Exemption

No age exemption.....	0
One age exemption.....	1
Two age exemptions.....	2

Code 35, column 35--BLIND EXEMPTIONS - coded from "Blind," page 1, lines 7 and 8 of Form 1040.

## Explanation of Codes in Tape File--Cont.d

## Blind Exemptions

No exemption.....	0
One exemption.....	1
Two exemptions.....	2

Code 36, column 36--TAXABLE-NONTAXABLE - coded according to presence or absence of an amount in either (Field 22) income tax after credits, or (Field 104) additional tax.

## Taxable/Nontaxable

Taxable returns.....	1
Nontaxable returns.....	2

Code 37, column 37--Blank.

Code 38, column 38--ANSWERS TO FOREIGN BANK ACCOUNT QUESTIONS

## Answers to Foreign Bank Account Questions

"Yes" checked-Form 4683 attached.....	1
"Yes" checked-Form 4683 <u>not</u> attached.....	2
"No" checked-Form 4683 attached.....	3
"No" checked-Form 4683 <u>not</u> attached.....	4
"Yes" and "No" checked-Form 4683 attached.....	5
"Yes" and "No" checked-Form 4683 <u>not</u> attached.....	6
<u>Neither</u> checked-Form 4683 attached.....	7
<u>Neither</u> checked-Form 4683 <u>not</u> attached.....	8

Codes 40-49, columns 40, 49--Blank.

DOCUMENT LOCATOR NUMBER, columns 50-55--Blank, for Statistics Division use only.

SOCIAL SECURITY NUMBER, columns 56-60--Blank, for Statistics Division use only.

## Explanation of Fields in Tape File

Field

- 1 AGE EXEMPTION - line 7 and 8, "65 and over," page 1 of Form 1040.
- 2 TAXPAYER EXEMPTION - line 7 and 8, "Regular," page 1 of Form 1040.
- 3 BLIND EXEMPTION - line 7 and 8, "Blind," page 1 of Form 1040.
- 4 TOTAL EXEMPTIONS - line 11. page 1 of Form 1040.
- 5 EXEMPTIONS OTHER THAN AGE OR BLINDNESS - a computed number equal to total exemptions (Field 4) minus age exemption (Field 1) minus blind exemption (Field 3).
- 6 DEPENDENT EXEMPTIONS - a computed number equal to line 11, total exemptions (Field 4) minus age exemption (Field 1) minus taxpayer exemption (Field 2) minus blind exemption (Field 3).
- 7 FIELD 7 - blank.
- 8 FIELD 8 - blank.
- 9 FIELD 9 - blank.
- 10 FIELD 10 - blank.
- 11 SALARIES AND WAGES - line 12, page 1 of Form 1040.
- 12 ADJUSTED GROSS INCOME - line 18, if positive, page 1 of Form 1040.
- 13 ADJUSTED GROSS DEFICIT - line 18, if negative, page 1 of Form 1040.
- 14 DIVIDENDS IN AGI - line 13c, page 1 of Form 1040.
- 15 DIVIDEND EXCLUSION - line 13b, page 1 of Form 1040.
- 16 DIVIDENDS BEFORE EXCLUSION - line 13a, page 1 of Form 1040.
- 17 INTEREST RECEIVED - line 14, page 1 of Form 1040.

## Explanation of Fields in Tape—Cont.d

Field

- 18 TOTAL INCOME TAX - a computed amount equal to minimum tax after adjustment (Field 21) plus **income tax** after credits (Field 22).
- 19 TOTAL DEDUCTIONS - line 47, page 2 of Form 1040.
- 20 TAXABLE INCOME - line 50, page 2 of Form 1040.
- 21 MINIMUM TAX AFTER ADJUSTMENTS - line 21, page 1 of Form 4625.
- 22 INCOME TAX AFTER CREDITS - line 21, page 1 of Form 1040.
- 23 TAX SURCHARGE - line 20, page 1 of 1970 Form 1040.
- 24 EXEMPTION AMOUNT - line 49, page 2 of Form 1040.
- 25 LONG-TERM CAPITAL GAIN IN EXCESS OF SHORT-TERM CAPITAL LOSS - a computed amount equal to (Field 45) net long-term gain after carryover minus (Field 44) net short-term loss after carryover.
- 26 ROYALTY DEPLETION - column d, Part II, Schedule E of Form 1040.
- 27 INCOME TAX BEFORE CREDITS - line 19, page 1 of Form 1040.
- 28 INCOME TAX WITHHELD - line 24, page 1 of Form 1040.
- 29 EXCESS FICA WITHHELD - line 61, page 2 of Form 1040.
- 30 TOTAL ORDINARY LOSS - line 36, if negative, page 2 of Form 1040.
- 31 1971 ESTIMATED TAX PAYMENTS - line 25, page 1 of Form 1040.
- 32 BALANCE DUE - line 28, page 1 of Form 1040.
- 33 EARNED TAXABLE INCOME - line 9, of Form 4726.
- 34 OTHER TAXABLE INCOME - if taxpayer uses regular maximum tax or alternative-maximum tax this equals taxable income (Field 20) minus earned taxable income (Field 33).
- 35 NET OPERATING LOSS CREDIT - lesser of line 10 or 12 of Form 4625.

## Explanation of Fields in Tape File--Cont.d

Field

- 36 TAX PAID WITH RETURN - amount of the check or money order submitted with the return.
- 37 OVERPAYMENT CREDITED - line 29, page 1 of Form 1040.
- 38 OVERPAYMENT REFUNDED - line 29, page 1 of Form 1040.
- 39 SELF-EMPLOYMENT TAX - line 55, page 2 of Form 1040.
- 40 CAPITAL GAINS OFFSET - a computed amount equal to earned taxable income (Field 33) minus taxable income (Field 20) minus one-half excess long-term gain (Field 50).
- 41 UNEARNED TAXABLE INCOME - a computed amount equal to other taxable income (Field 34) minus tax preference items in excess of \$30,000 (Field 101) minus capital gains offset (Field 40).
- 42 NET TENTATIVE TAX FOR TAX PREFERENCE - line 14, of Form 4625.
- 43 NET SHORT-TERM GAIN AFTER CARRYOVER - line 5, if positive, Part I, Schedule D of Form 1040.
- 44 NET SHORT-TERM LOSS AFTER CARRYOVER - line 5, if negative, Part I, Schedule D of Form 1040.
- 45 NET LONG-TERM GAIN AFTER CARRYOVER - line 13, if positive, Part I, Schedule D of Form 1040.
- 46 NET LONG-TERM LOSS AFTER CARRYOVER - line 13, if negative, Part I, Schedule D of Form 1040.
- 47 NET CAPITAL GAIN - line 15b, if positive, Part I, Schedule D of Form 1040.
- 48 NET CAPITAL LOSS - line 16b, if negative, Part I or line 33, Part IV, Schedule D of Form 1040.
- 49 NET LOSS BEFORE LIMITATION - line 14, if negative, Part I Schedule D of Form 1040.



## Explanation of Fields in Tape File--Cont.d

Field

- 50 ONE-HALF EXCESS LONG-TERM GAIN - line 15a, Part I, Schedule D of Form 1040.
- 51 TAX CARRYOVER FROM PRIOR YEAR - line 7, of Form 4025.
- 52 TOTAL ORDINARY GAIN - line 36, if positive, page 2, of Form 1040.
- 53 STATE INCOME TAX REFUNDS - line 39c, page 2, of Form 1040.
- 54 ALIMONY - line 39d, page 2, of Form 1040.
- 55 OTHER INCOME - line 39e, if positive, of Form 1040.
- 56 OTHER LOSS - line 39e, if negative, of Form 1040.
- 57 INCOME TAX DEDUCTED - a computed amount equal to income tax after credits (Field 22), limited to tax preference less exclusion (Field 122).
- 58 BUSINESS OR PROFESSION NET PROFIT - line 34, if positive, page 2, of Form 1040.
- 59 BUSINESS OR PROFESSION NET LOSS - line 34, if negative, page 2, of Form 1040.
- 60 RENT NET INCOME - line 1b, if positive, Part II, Schedule E of Form 1040.
- 61 RENT NET LOSS - line 1b, if negative, Part II, Schedule E of Form 1040.
- 62 ROYALTIES NET INCOME - line 1c, if positive, Part II, Schedule E of Form 1040.
- 63 ROYALTIES NET LOSS - line 1c, if negative, Part II, Schedule E of Form 1040.
- 64 PARTNERSHIP NET PROFIT - edited as designated from Part III, Schedule E of Form 1040.

## Explanation of Fields in Tape File--Cont.d

<u>Field</u>	
65	PARTNERSHIP NET LOSS - edited as designated from Part III, Schedule E of Form 1040.
66	ESTATE AND TRUST NET INCOME - edited as designated from Part III, Schedule E of Form 1040.
67	ESTATE AND TRUST NET LOSS - edited as designated from Part III, Schedule E of Form 1040.
68	SMALL BUSINESS CORPORATION NET PROFIT - edited as designated from Part III, Schedule E of Form 1040.
69	SMALL BUSINESS CORPORATION NET LOSS - edited as designated from Part III, Schedule E of Form 1040.
70	FARM NET PROFIT - line 38, if positive, page 2 of Form 1040.
71	FARM NET LOSS - line 38, if negative, page 2 of Form 1040.
72	PRE-1970 SHORT-TERM LOSS CARRYOVER - line 4a, page 1, Schedule D of Form 1040.
73	POST-1969-SHORT-TERM LOSS CARRYOVER - line 4b, page 1, Schedule D of Form 1040.
74	INCOME SUBJECT TO TAX - under regular tax computation, this equalled taxable income. When the alternative tax computation was used this equalled the larger of one-half excess long-term gain or taxable income. In cases where income averaging was used, this equalled the amount of income which would generate the same amount of tax under regular computation as was generated under income averaging.
75	CAPITAL GAINS TAXED AT UPPER RATE - a computed amount equal to one-half excess long-term gain (Field 50) minus capital gains taxed at 50 percent (Field 8).
76	Field 76 - blank.
77	EXCESS INVESTMENT INTEREST - line 1a, Form 4625.
78	OTHER TAX CREDITS - computed amount equal to total credits minus investment credit (Field 79), foreign tax credits (Field 80), and retirement income credits (Field 81).

## Explanation of Fields in Tape File--Cont.d

Field

- 79 INVESTMENT CREDITS - line 52, page 2 of Form 1040.
- 80 FOREIGN TAX CREDITS - line 53, page 2 of Form 1040.
- 81 RETIREMENT INCOME CREDITS - line 51, page 2 of Form 1040.
- 82 FIELD 82 - blank.
- 83 TOTAL DIVIDENDS AND DISTRIBUTIONS - line 4, Part I, Schedule B of Form 1040 or line 13a of Form 1040 (if Schedule B not present).
- 84 NONTAXABLE DIVIDENDS AND DISTRIBUTIONS - line 4, Part I, Schedule B of Form 1040.
- 85 CAPITAL GAINS DISTRIBUTIONS - line 3, Part I, Schedule B of Form 1040.
- 86 DEPLETION - line 1h, Form 4625.
- 87 CAPITAL GAINS TAXED AT 50 PERCENT - a computed amount equal to either (Field 50) one-half excess long-term capital gains when that amount is \$25,000 or less (\$12,500 for marital status codes 3 and 6) or the larger of \$25,000 (\$12,500 for marital status codes 3 and 6) or one-half Field 126 (long-term gains from installment sales) when (Field 50) one-half excess long-term capital gains is greater than \$25,000 (\$12,500 for marital status codes 3 and 6).
- 88 FIELD 88 - blank.
- 89 PRE-1970 LONG-TERM LOSS CARRYOVER - line 12a, Schedule D of Form 1040.
- 90 POST-1969 LONG-TERM LOSS CARRYOVER - line 12b, Schedule D of Form 1040.
- 91 PENSIONS AND ANNUITIES TAXABLE PORTION - a computed amount equal to line 39a, page 2, of Form 1040 plus line 5, Part I, Schedule E of Form 1040.
- 92 FIELD 92 - blank.

## Explanation of Fields in Tape File--Cont.d

<u>Field</u>	
93	1971 NET OPERATING LOSS CARRYOVER - line 11, Form 4625.
94	MINIMUM TAX DEFERRED FROM PRIOR YEAR - line 15, of Form 4625.
95	UNUSED RETIREMENT INCOME CREDIT - line 19, of Form 4625.
96	EARNED NET INCOME - line 3, of Form 4726.
97	1970 TAXABLE INCOME - line 1b, page 1, Schedule G of Form 1040.
98	1969 TAXABLE INCOME - line 1c, page 1, Schedule G of Form 1040.
99	1968 TAXABLE INCOME - line 1d, page 1, Schedule G of Form 1040.
100	1967 TAXABLE INCOME - line 1e, page 1, Schedule G of Form 1040.
101	TAX PREFERENCE ITEMS IN EXCESS \$30,000 - line 8, of Form 4726.
102	60 PERCENT OF ADJUSTED EARNED TAXABLE INCOME - a computed amount equal to earned taxable income (Field 33) times .60.
103	RECOMPUTED TAX - line 56, page 2 of Form 1040.
104	ADDITIONAL TAX - line 57, page 2 of Form 1040.
105	TAX ON TIP INCOME - computed amount equal to sum of line 58 plus line 59, on page 2 of Form 1040.
106	EARNED TAXABLE INCOME SUBJECT TO REGULAR RATE - line 10, of Form 4726.
107	EARNED TAXABLE INCOME SUBJECT TO MAXIMUM RATE - a computed amount equal to (Field 33) earned taxable income minus (Field 106) earned taxable income subject to regular rate.
108	OTHER TAXABLE INCOME SUBJECT TO REGULAR RATE - if taxpayer uses regular maximum tax (line 17, Form 4726) then equals other

## Explanation of Fields in Tape File--Cont.d

Field

- taxable income (Field 34); if taxpayer uses alternative-maximum tax (line 37, Form 4726) then equals other taxable income (Field 34) minus other taxable income subject to alternative rate (Field 109).
- 109 OTHER TAXABLE INCOME SUBJECT TO ALTERNATIVE RATE - if taxpayer uses alternative-maximum tax then equals one-half excess long-term gain (Field 50).
- 110 INCOME TAX BEFORE CREDITS ON EARNED TAXABLE INCOME AT REGULAR RATE - line 16, of Form 4726.
- 111 INCOME TAX BEFORE CREDITS ON OTHER TAXABLE INCOME AT REGULAR RATE - line 15, of Form 4726.
- 112 TOTAL INCOME TAX BEFORE CREDITS GENERATED AT REGULAR RATE - income tax before credits on earned taxable income at regular rate (Field 110) plus income tax before credits on other taxable income at regular rate (Field 111).
- 113 RECOMPUTED TAX PREFERENCE INCOME - a computed amount comparable to line 2, of Form 4625 minus no benefit deductions claimed (Field 116).
- 114 TENTATIVE TAX ON PREFERENCES - a computed amount comparable to line 10, of Form 4625 (takes account of no benefit deductions claimed).
- 115 TENTATIVE TAX ON TAX PREFERENCE BEFORE CREDIT - a computed amount comparable to line 16, of Form 4625 (takes account of no benefit deductions claimed).
- 116 NO BENEFIT DEDUCTION CLAIMED - this may occur whenever a taxpayer had so many deductions and exemptions that, even had he not enjoyed certain tax preferences he would still have been nontaxable under the regular tax computation method. Since the "no benefit exclusion" is a proposed regulation, it does not appear as a line item on Form 4625 and taxpayers take advantage of it at different places in their tax computation. In this report the convention has been to subtract it out of total tax preferences and show the result as recomputed tax preference income (Field 113).

## Explanation of Fields in Tape File—Cont.d

<u>Field</u>	
117	LOWER BASE FOR OTHER TAXABLE INCOME - the difference between earned taxable income (Field 33) and the next higher amount which is a break in the appropriate tax rate schedule.
118	RECOMPUTED PRIOR YEAR TAX DEDUCTED - line 56, page 2, of Form 1040.
119	FIELD 119 - blank.
120	TOTAL TAX PREFERENCE INCOME - a computed amount equal to the sum of lines 1a through 11 of Form 4625.
121	TAX PREFERENCE INCOME SUBJECT TO TAX - line 9 of Form 4625.
122	TAX PREFERENCE LESS EXCLUSION - a computed amount equal to line 4 of Form 4625 minus no benefit deduction claimed (Field 116).
123	TENTATIVE TAX AFTER CREDITS - a computed amount comparable to line 19 of Form 4625 (takes account of no benefit deduction claimed).
124	TAX PREFERENCE EXCLUSION - line 3 of Form 4625.
125	CAPITAL GAINS TAX PREFERENCE - line 1i of Form 4625.
126	LONG-TERM GAINS FROM INSTALLMENT SALES - line 47, Part IV, Schedule D of Form 1040.
127	CREDIT FOR FEDERAL TAX ON GASOLINE - line 62, Part VI of Form 1040.
128	TOTAL OTHER PAYMENTS - line 64, Part VII of Form 1040.
129	FIELD 129 - blank.
130	FIELD 130 - blank.
131	OTHER TAX PRE-PAYMENTS - a computed amount equal to total other payments (Field 128) minus the sum of excess FICA withheld (Field 29) and credit for Federal tax on gasoline (Field 127).

## Explanation of Fields in Tape File—Cont.d

Field

- 132 TOTAL TAX LIABILITY - a computed amount equal to the sum of income tax after credits (Field 22), self-employment tax (Field 39), recomputed tax (Field 103), additional tax (Field 104) and tax on tip income (Field 105).
- 133 CAPITAL GAINS TAX GENERATED AT 50 PERCENT RATE - a computed amount equal to capital gains taxed at 50 percent rate (Field 87) times .50.
- 134 CAPITAL GAINS TAX GENERATED AT UPPER RATE - a computed amount equal to capital gains taxed at upper rate (Field 75) time .65.
- 135 RENTAL HOUSING ACCELERATED DEPRECIATION - line 1b (1) of Form 4625.
- 136 OTHER REAL PROPERTY ACCELERATED DEPRECIATION - line 1b (2) of Form 4625.
- 137 PERSONAL PROPERTY ACCELERATED DEPRECIATION - line 1c of Form 4625.
- 138 CERTIFIED POLLUTION CONTROL AMORTIZATION - line 1d of Form 4625.
- 139 RAILROAD ROLLING STOCK AMORTIZATION - line 1e of Form 4625.
- 140 STOCK OPTIONS - line 1f of Form 4625.
- 141 FINANCIAL INSTITUTIONS BAD DEBT RESERVE - line 1g of Form 4625.
- 142 FIELD 142 - blank.
- 143 SICK PAY ADJUSTMENT - line 41, page 2 of Form 1040.
- 144 MOVING EXPENSE ADJUSTMENT - line 42, page 2 of Form 1040.
- 145 EMPLOYEE BUSINESS EXPENSE - line 43, page 2 of Form 1040.
- 146 PAYMENTS TO A RETIREMENT PLAN - line 44, page 2 of Form 1040.
- 147 FIELD 147 - blank.

## Explanation of Fields in Tape File—Cont.d

Field

148	FIELD 148 - blank.
149	FIELD 149 - blank.
150	FIELD 150 - blank.
151-153	SORT FIELDS - blank, for Statistics Division use.
154	RETURN IDENTIFICATION NUMBER - blank, for Statistics Division use.
155	FIELD 155 - blank.
156	NATIONAL WEIGHT - contains national sample weight appropriate to the return.
157	FIELD 157 - blank.



## SAMPLE DESCRIPTION

The 1971 Individual Tax Model file is a random subsample of 99,137 returns selected from the Statistics of Income sample of over 269,000 Forms 1040 filed for 1971. Sample counts and weighting factors for the Tax Model file are shown on page 5. The sample code identifies the stratum from which a return was selected and indicates the weight factor to be applied to that return.

Since the Tax Model sample is about one-third the size of the full sample, the relative sampling variability of estimates derived from the Tax Model can be expected to be somewhat less than twice that of similar estimates produced from the larger sample. The following two tables give some indication of the reliability of Tax Model estimates. It should be noted however, that these tables assume that returns are only stratified by adjusted gross income when in fact they may be stratified by any of a number of different criteria.

A description of the Statistics of Income sample, as well as measures of sampling variability for selected estimates, are shown in the complete report, Statistics of Income--1971, Individual Income Tax Returns.

Statement on Sampling Variability For

1971 Individual Tax Model

This is a general guide based on sample weight factors for the 1971 Individual Tax Model. Frequency estimates (and corresponding dollar amounts) below the levels in the following guide should not be considered reliable.

Sample Code	AGI Class (000's)	Number of Returns
	<b>Non-Business Returns</b>	
11	AGI under 10	71,956
12	10 " 15	23,923
13	15 " 20	12,160
14	20 " 50	4,555
15	50 " 100	226
16	100 " 200	55
17	200 or More	0
	<b>Business Returns (Schedule C/F attached)</b>	
21	AGI under 10	15,292
22	10 " 15	7,678
23	15 " 20	3,592
24	20 " 30	2,728
25	30 " 50	1,009
26	50 " 100	451
27	100 " 200	46
28	200 or More	0

THE UPPER LIMIT COEFFICIENT OF VARIATION FOR THE

ESTIMATED NUMBER OF RETURNS, 1971 TAX MODEL

Estimated Number of Returns	RETURNS WITH ADJUSTED GROSS INCOME OR DEFICIT (PERCENT)							No Sampling Variability
	Under \$10,000	\$10,000 under \$15,000	\$15,000 under \$20,000	\$20,000 under \$50,000	\$50,000 under \$100,000	\$100,000 under \$200,000	\$200,000 and over	
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	
30	(1)	(1)	(1)	(1)	(1)	39.87		
100	(1)	(1)	(1)	(1)	48.94	21.84		
300	(1)	(1)	(1)	(1)	28.25	12.61		
500	(1)	(1)	(1)	(1)	21.89	9.75		
1000	(1)	(1)	(1)	(1)	15.49	6.93		
3000	(1)	(1)	(1)	41.01	8.94	4.00		
5000	(1)	(1)	(1)	31.76	6.93	3.16		
10,000	(1)	(1)	36.74	22.45	4.90	2.24		
15,000	(1)	(1)	30.00	18.33	4.00	1.73		
20,000	(1)	36.44	25.98	15.87	3.46	1.41		
25,000	(1)	32.60	23.24	14.21	3.16	1.41		
50,000	39.99	23.04	16.43	10.05	2.24	1.00		
100,000	28.27	16.31	11.62	7.07	1.41	(2)		
300,000	16.31	9.43	6.71	4.12	1.00	(2)		
500,000	12.65	7.28	5.20	3.16	(2)	(2)		
1,000,000	8.94	5.20	3.61	2.24	(2)	(2)		
1,000,000	5.20	3.00	2.00	1.41	(2)	(2)		
1,000,000	2.83	1.73	(2)	(2)	(2)	(2)		

Note: The Coefficients of Variation were derived by an "Upper Limit" formula and are expressed as a percent for the frequency estimates. Amount estimates generally have Coefficients of Variation somewhat greater than those of their associated frequencies. For Frequencies not classified by Adjusted Gross Income, Column (2) of the table should be used.

- (1) Sample too small to yield reliable estimate of sampling variability.
- (2) Not applicable since number of returns in Column (1) exceeds range of possible frequency estimates.

Each "data record" in the file, representing one tax return, is composed of 846 bytes. Logical tape records are made up of 5 data records and are separated by a 3/4 inch "inter record gap" (IRG). There is no special indication of the end of a logical tape record other than the IRG, and no indication of the end of a data record.

Tape characters are recorded in EBCDIC (extended binary coded decimal interchange) on standard 2,400 1/2 inch, nine-track tape, at a density of 1600 bpi (bytes per inch) in the PE (phase encoding) mode. In this mode a 1-bit and a 0-bit are recorded as signals of opposite polarity in ODD parity (a parity bit is set to 1 or 0 so that there is always an ODD number of 1-bits in a nine-bit character).

Each code and data field is numeric and defined as packed decimal. In the packed decimal format, each byte contains two decimal digits, except the byte containing the units digit. This byte contains the unit digit and the sign of the field. Each code and field, except document locator number and social security number, is defined as being signed and contains the bit configuration for the plus sign (C, binary 1100). DLN and SSN are unsigned and contains the bit configuration for the plus sign (F, binary 1111).

Codes are defined as 1 or 2 bytes in length. The one-byte codes contain a decimal digit from 0 thru 9. The two-byte codes contain three decimal digits in the range 000 thru 099. The largest decimal value is 99. The six-byte DLN contains 11 decimal digits and the

five-byte SSN contains 9 decimal digits. The remaining fields in the file are five-bytes in length and contain 9 decimal digits with leading zeroes. The first 10 fields are number fields and contain decimal values in the range of 0 thru 99. Fields 11 thru 150 have a maximum of eight significant digits. The district weight field contains zeroes. The national weight field contains an integer weight value.

The file is a single data set on multiple volumes and uses IBM 360 Standard labels. A standard set of 360 labels consists of a volume label, two header labels and two trailer labels. All labels are 80 characters in length, recorded in EBCDIC, in ODD parity.

The IBM Standard value label (VOL1) is used to identify the tape volume and its owner. It is always the first record on an IBM Standard labeled tape.

The volume label is followed by data set label 1 (HDR1). The HDR1 label contains such information as "HDR1", the data set name, expiration date and block count.

Data set label 2 (HDR2) follows data set label 1. The HDR2 label contains such information as "HDR2", the record format, ie; fixed, variable or underfined length, record length, block length, and other attributes of the data set.

The HDR2 label is followed by a tape mark, the data set or part of the data set for multiple volumes, a tape mark, a data set label 1 (EOV1 or EOF1) containing the same information as the "HDR1" label, a

data set label 2 (EOV2 or EOF2) containing the same information as the "HDR2" label. An EOV2 label is followed by a tape mark. An EOF2 label is followed by two tape marks which indicate the end of the data set.

## Format of IBM Standard Volume Label (VOL1)

<u>Position</u>	<u>Number of Bytes</u>	<u>Field Number and Name</u>	<u>Contents</u>
1 - 3	3	1 - Label Identifier	VOL
4	1	2 - Label Number	1
5 - 10	6	3 - Volume Serial Number	
11	1	4 - Reserved	0
12 - 21	10	5 - VTOC Pointer (Direct access only)	blanks
22 - 31	10	6 - Reserved	blanks
32 - 41	10	7 - Reserved	blanks
42 - 51	10	8 - Owners Name	
52 - 80	29	9 - Reserved	blanks

## Format of IBM Standard Data Set Label 1

<u>Position</u>	<u>Number of Bytes</u>	<u>Field Number and Name</u>	<u>Contents</u>
1 - 3	3	1 - Label Identifier	HDR -- for a header label (at the beginning of a data set).  EOV -- for a trailer label (at the end of a tape volume, when the data set continues on another volume).  EOF -- for a trailer label (at the end of a data set).
4	1	2 - Label Number	1
5 - 21	17	3 - Data Set Identifier	TAPE.SMIO04A4
22 - 27	6	4 - Data Set Serial Number	TAPE serial number of the first volume of the data set.
28 - 31	4	5 - Volume Sequence Number	Sequence number of the volume in the data set. The number is in the range 0001 - 9999
32 - 35	4	6 - Data Set Sequence Number	1
36 - 39	4	7 - Generation Number	blanks
40 - 41	2	8 - Version Number	blanks
42 - 47	6	9 - Creation Date	In the format byydd
48 - 53	6	10 - Expiration Date	In the format byydd
54	1	11 - Data Set Security	0 -- no security protection



## Format of IBM Standard Data Set Label 1 (cont'd)

<u>Position</u>	<u>Number of Bytes</u>	<u>Field Number and Name</u>	<u>Contents</u>
55 - 60	6	12 - Block Count	Zeroes for a header and block count for a trailer.
61 - 73	13	13 - System Code	
74 - 80	7	14 - Reserved	blanks

## Format of IBM Standard Data Set Label 2

<u>Position</u>	<u>Number of Bytes</u>	<u>Field Number and Name</u>	<u>Contents</u>
1 - 3	3	1 - Label Identifier	HDR -- for a header label (at the beginning) of a data set  EOV -- for a trailer label (at the end of a tape volume, when the data set continues on another volume).  EOF -- for a trailer label (at the end of a data set).
4	1	2 - Label Number	Always 2
5	1	3 - Record Format	F -- Fixed Length
6 - 10	5	4 - Block Length	04230
11 - 15	5	5 - Record Length	00846
16	1	6 - Tape Density	3 - for 1600 bpi
17	1	7 - Data Set Position	0 - for first volume  1 - for other volumes of data set
18 - 34	17	8 - Job/Job step Identification	
35 - 36	2	9 - Tape Recording Technique	blank
37	1	10 - Printer Control Character	blank
38	1	11 - Reserved	blank
39	1	12 - Block Attribute	B -- blocked records
40 - 80	41	13 - Reserved	

Comments on IBM Standard Labels used with the 360 Version of the Tax Model

The information provided on header labels for the 7074 Tax Model runs were Data Center conventions and may not have been useful to other users. The format of the IBM Standard Labels are standard; however, most of the information is not used and will vary each time we create a file.

There are three types of labels and a total of five labels on each reel. Most of the information will vary from reel to reel and is not used by the operating system.

A narrative description of each type of label as defined in the IBM Publication is included because a regular format is difficult to lay out.

A regular IBM-360 user needs the following information:

1. Volume serial number - on outside of reel.
2. Data set name (DSN or DSNAME) - as requested.
3. Record length - 846 bytes.
4. Record format - FB for fixed block.

Non-360 users would need the tape density, blocksize and recording mode.

For your information and as a reference for any user, a layout of the three types of labels may be found in the IBM Publication - "IBM System/360 Operating System, Tape Labels, Order Number GC 28-6680-3".

VOL1 is figure 5 on page 32, Data Set Label 1 is figure 6 on page 36 and Data Set Label 2 is figure 7 on page 42.

For the year January 1-December 31, 1971, or other taxable year beginning 1971, ending 1971, ending 1971

Please print or type

First name and initial (If joint return, use first names and middle initials of both) Last name Your social security number

Present home address (Number and street, including apartment number, or rural route) Spouse's social security number

City, town or post office, State and ZIP code Occupation Yours Spouse's

Filing Status—check only one: 1 Single, 2 Married filing jointly, 3 Married filing separately and spouse is also filing, 4 Unmarried Head of Household, 5 Surviving widow(er) with dependent child, 6 Married filing separately and spouse is not filing. Exemptions: 7 Yourself, 8 Spouse, 9 First names of your dependent children who lived with you, 10 Number of other dependents (from line 33), 11 Total exemptions claimed.

Please attach Copy B of Form W-2 to back

Income section: 12 Wages, salaries, tips, etc. (Attach Forms W-2 to back. If unavailable, attach explanation), 13a Dividends, 13b Less exclusion, 14 Interest, 15 Income other than wages, dividends, and interest (from line 40), 16 Total (add lines 12, 13c, 14 and 15), 17 Adjustments to income (such as "sick pay," moving expense, etc. from line 45), 18 Adjusted gross income (subtract line 17 from line 16).

- See page 3 of instructions for rules under which the IRS will figure your tax. If you do not itemize deductions and line 18 is under \$10,000, find tax in Tables and enter on line 19. If you itemize deductions or line 18 is \$10,000 or more, go to line 46 to figure tax.

Tax, Payments and Credits section: 19 Tax (Check if from: Tax Tables 1-13, Tax Rate Sch. X, Y, or Z, Sch. D, Sch. G or Form 4726), 20 Total credits (from line 54), 21 Income tax (subtract line 20 from line 19), 22 Other taxes (from line 60), 23 Total (add lines 21 and 22), 24 Total Federal income tax withheld (attach Forms W-2 or W-2P to back), 25 1971 Estimated tax payments (include 1970 overpayment allowed as a credit), 26 Other payments (from line 64), 27 Total (add lines 24, 25, and 26).

Bal. Due or Refund section: 28 If line 23 is larger than line 27, enter BALANCE DUE Pay in full with return. Make check or money order payable to Internal Revenue Service, 29 If line 27 is larger than line 23, enter OVERPAYMENT, 30 Line 29 to be: (a) REFUNDED Allow at least six weeks for your refund check, (b) Credited on 1972 estimated tax.

Foreign Accounts section: 31 Did you, at any time during the taxable year, have any interest in or signature or other authority over a bank, securities, or other financial account in a foreign country (except in a U.S. military banking facility operated by a U.S. financial institution)? If "Yes," attach Form 4683. (For definitions, see Form 4683.) Yes No

Write soc. sec. no. on Check or Money Order. Attach here

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief it is true, correct, and complete.

Sign here: Your signature, Date, Signature of preparer other than taxpayer, based on all information of which he has any knowledge, Date, Spouse's signature (if filing jointly, BOTH must sign even if only one had income), Address.

**PART I.—Additional Exemptions (Complete only for other dependents claimed on line 10)**

32 (a) NAME	(b) Relationship	(c) Months lived in your home. If born or died during year, write B or D.	(d) Did dependent have income of \$675 or more?	(e) Amount YOU furnished for dependent's support. If 100% write ALL.	(f) Amount furnished by OTHERS including dependent.
				\$	\$

33 Total number of dependents listed above. Enter here and on line 10

**PART II.—Income other than Wages, Dividends, and Interest**

34 Business income or (loss) (attach Schedule C)	34	
35 Net gain or (loss) from sale or exchange of capital assets (attach Schedule D)	35	
36 Net gain or (loss) from Supplemental Schedule of Gains and Losses (attach Form 4797)	36	
37 Pensions and annuities, rents and royalties, partnerships, estates or trusts, etc. (attach Schedule E)	37	
38 Farm income or (loss) (attach Schedule F)	38	
39 Miscellaneous income		
(a) Fully taxable pensions and annuities <small>not reported on Schedule E—see instructions on page 7</small>		
(b) 50% of capital gain distributions (not reported on Schedule D)		
(c) State income tax refunds (caution—see instructions on page 7)		
(d) Alimony		
(e) Other (state nature and source)		
(f) Total miscellaneous income (add lines 39(a), (b), (c), (d) and (e))	39	
40 Total (add lines 34, 35, 36, 37, 38, and 39). Enter here and on line 15	40	

**PART III.—Adjustments to Income**

41 "Sick pay" if included in line 12 (attach Form 2440 or other required statement)	41	
42 Moving expense (attach Form 3903)	42	
43 Employee business expense (attach Form 2106 or other statement)	43	
44 Payments as a self-employed person to a retirement plan, etc. (attach Form 2950SE)	44	
45 Total adjustments (add lines 41, 42, 43, and 44). Enter here and on line 17	45	

**PART IV.—Tax Computation (Do not use this part if you use Tax Tables 1-13 to find your tax.)**

46 Adjusted gross income (from line 18)	46	
47 (a) If you itemize deductions, enter total from Schedule A, line 32 and attach Schedule A (b) If you do not itemize deductions, and line 46 is: (1) \$10,000 or more but less than \$11,538.43, enter 13% of line 46 (2) \$11,538.43 or more, enter \$1,500. Note: deduction under (1) or (2) is limited to \$750 if married and filing separately.	47	
48 Subtract line 47 from line 46	48	
49 Multiply total number of exemptions claimed on line 11, by \$675	49	
50 Taxable income. Subtract line 49 from line 48	50	

(Figure your tax on the amount on line 50 by using Tax Rate Schedule X, Y or Z, or if applicable, the alternative tax from Schedule D, income averaging from Schedule G, or maximum tax from Form 4726.) Enter tax on line 19.

**PART V.—Credits**

51 Retirement income credit (attach Schedule R)	51	
52 Investment credit (attach Form 3468)	52	
53 Foreign tax credit (attach Form 1116)	53	
54 Total credits (add lines 51, 52, and 53). Enter here and on line 20	54	

**PART VI.—Other Taxes**

55 Self-employment tax (attach Schedule SE)	55	
56 Tax from recomputing prior-year investment credit (attach Form 4255)	56	
57 Minimum tax (see instructions on page 8). Check here <input type="checkbox"/> , if Form 4625 is attached	57	
58 Social security tax on unreported tip income (attach Form 4137)	58	
59 Uncollected employee social security tax on tips (from Forms W-2)	59	
60 Total (add lines 55, 56, 57, 58, and 59). Enter here and on line 22	60	

**PART VII.—Other Payments**

61 Excess FICA tax withheld (two or more employers—see instructions on page 8)	61	
62 Credit for Federal tax on special fuels, nonhighway gasoline and lubricating oil (attach Form 4136)	62	
63 Regulated Investment Company Credit (attach Form 2439)	63	
64 Total (add lines 61, 62, and 63). Enter here and on line 26	64	

# Schedules A&B—Itemized Deductions AND Dividend and Interest Income

# 1971

Department of the Treasury  
Internal Revenue Service

▶ Attach to Form 1040.

Your social security number

Name(s) as shown on Form 1040

## Schedule A—Itemized Deductions (Schedule B on back)

<p>Medical and dental expenses (not compensated by insurance or otherwise) for medicine and drugs, doctors, dentists, nurses, hospital care, insurance premiums for medical care, etc.</p>	<p>Contributions.—Cash—including checks, money orders, etc. (Itemize—see instructions on page 10 for examples)</p>
<p>1 One half (but not more than \$150) of insurance premiums for medical care. (Be sure to include in line 10 below)</p>	
<p>2 Medicine and drugs</p>	
<p>3 Enter 1% of line 18, Form 1040</p>	
<p>4 Subtract line 3 from line 2. Enter difference (if less than zero, enter zero)</p>	
<p>5 Enter balance of insurance premiums for medical care not entered on line 1</p>	
<p>6 Itemize other medical and dental expenses. Include hearing aids, dentures, eyeglasses, transportation, etc.</p>	
<p>7 Total (add lines 4, 5, and 6)</p>	<p>18 Total cash contributions</p>
<p>8 Enter 3% of line 18, Form 1040</p>	<p>19 Other than cash (see instructions on page 10 for required statement). Enter total for such items here</p>
<p>9 Subtract line 8 from line 7. Enter difference (if less than zero, enter zero)</p>	<p>20 Carryover from prior years</p>
<p>10 Total deductible medical and dental expenses (Add lines 1 and 9. Enter here and on line 27, below.) ▶</p>	<p>21 Total contributions (Add lines 18, 19, and 20. Enter here and on line 29, below.)</p>
<p>Taxes.</p>	<p>Interest expense.</p>
<p>11 Real estate</p>	<p>22 Home mortgage</p>
<p>12 State and local gasoline (see gas tax tables)</p>	<p>23 Installment purchases</p>
<p>13 General sales (see sales tax tables)</p>	<p>24 Other (itemize)</p>
<p>14 State and local income</p>	<p>25 Total interest expense (Add lines 22, 23, and 24. Enter here and on line 30, below.) ▶</p>
<p>15 Personal property</p>	<p>Miscellaneous deductions for child care, alimony, union dues, casualty losses, etc. (see instructions on page 10).</p>
<p>16 Other</p>	
<p>17 Total taxes (Add lines 11 through 16. Enter here and on line 28, below.) ▶</p>	<p>26 Total miscellaneous deductions (Enter here and on line 31, below.) ▶</p>

### Summary of Itemized Deductions

**A**

<p>27 Total deductible medical and dental expenses (from line 10)</p>	
<p>28 Total taxes (from line 17)</p>	
<p>29 Total contributions (from line 21)</p>	
<p>30 Total interest expense (from line 25)</p>	
<p>31 Total miscellaneous deductions (from line 26)</p>	
<p>32 TOTAL ITEMIZED DEDUCTIONS. (Add lines 27 through 31. Enter here and on Form 1040, line 47.) ▶</p>	

Schedule B—Dividend and Interest Income

Name(s) as shown on Form 1040 (Do not enter name and social security number if shown on other side)

Your social security number

Part I Dividend Income

Note: If gross dividends (including capital gain distributions) and other distributions on stock are \$100 or less, do not complete this part. But enter gross dividends less the sum of capital gain distributions and non-taxable distributions, if any, on Form 1040, line 13a. (see note below)

1 Gross dividends (including capital gain distributions) and other distributions on stock. (List payers and amounts—write (H), (W), (J), for stock held by husband, wife, or jointly)

Table with multiple columns for listing dividend payers and amounts. The table is mostly empty.

2 Total of line 1

3 Capital gain distributions (see instructions on page 11. Enter here and on Schedule D, line 7.) See note below

4 Nontaxable distributions (see instructions on page 11)

5 Total (add lines 3 and 4)

6 Dividends before exclusion (subtract line 5 from line 2). Enter here and on Form 1040, line 13a

Part II Interest Income

Note: If interest is \$100 or less, do not complete this part. But enter amount of interest received on Form 1040, line 14.

7 Interest includes earnings from savings and loan associations, mutual savings banks, cooperative banks, and credit unions as well as interest on bank deposits, bonds, tax refunds, etc. Interest also includes original issue discount on bonds and other evidences of indebtedness (see instructions on page 11). (List payers and amounts)

Table with multiple columns for listing interest payers and amounts. The table is mostly empty.

8 Total interest income. Enter here and on Form 1040, line 14

Note: If you received capital gain distributions and do not need Schedule D to report any other gains or losses or to compute the alternative tax, do not file that schedule. Instead, enter 50 percent of capital gain distributions on Form 1040, line 39(b).

B

SCHEDULE D (Form 1040)

Department of the Treasury Internal Revenue Service

Capital Gains and Losses

Attach to Form 1040. Examples of property to be reported on this Schedule are gains and losses on stocks, bonds, and similar investments, and gains (but not losses) on personal assets such as a home or jewelry.

1971

Name(s) as shown on Form 1040

Social security number

Part I Short-term Capital Gains and Losses—Assets Held Not More Than 6 Months

D

Table with 6 columns: a. Kind of property and description, b. How acquired, c. Mo., day, yr., d. Gross sales price, e. Cost or other basis, f. Gain or (loss). Includes summary rows 2-5.

Part II Long-term Capital Gains and Losses—Assets Held More Than 6 Months

Table with 6 columns: a. Kind of property and description, b. How acquired, c. Mo., day, yr., d. Gross sales price, e. Cost or other basis, f. Gain or (loss). Includes summary rows 7-13.

Part III Summary of Parts I and II

Summary table with 3 columns: Description, 14, 15(a), 15(b), 16(a), 16(b). Includes instructions for net gain/loss calculation.



**Part IV Capital Loss Limitation—Where Losses are Shown on Lines 12(a) AND 13**

17	Enter loss from line 5; if line 5 is zero or a gain, enter a zero	17
18	Enter loss from line 13	18
19	Enter gain, if any, from line 5; if line 5 is zero or a loss, enter a zero	19
20	Reduce loss on line 18 to the extent of the gain, if any, on line 19	20
21	Combine lines 3 and 11 and if gain, enter gain; if zero or a loss, enter a zero <b>NOTE:</b> If the entry on line 21 is zero, OMIT lines 22 through 28, and enter on line 29 the loss shown on line 12(a).	21
22	Enter gain, if any, from line 11	22
23	Enter smaller of amount on line 21 or line 22	23
24	Enter excess of gain on line 21 over amount on line 23	24
25	Enter loss from line 4(a); if line 4(a) is blank, enter a zero	25
26	Reduce gain, if any, on line 24 to the extent of loss, if any, on line 25	26
27	Enter loss from line 12(a)	27
28	Add the gain(s) on line(s) 23 and 26	28
29	Reduce the loss on line 27 to the extent of the gain, if any, on line 28	29
30	Subtract amount on line 29 from the loss on line 20	30
31	Enter 50% of the amount on line 30	31
32	Add lines 17, 29, and 31	32
33	Enter here and on line 35, Form 1040, the smaller of: (a) Amount on line 32; (b) Taxable Income, as adjusted (see Instruction J); or, (c) \$1,000 (\$500 if married and filing a separate return—see Instruction K for a higher limit not to exceed \$1,000)	33

**Part V Complete Part V if Losses are Shown on Lines 4(a), 5, AND 14 (See Instruction L)**

34	Combine lines 3 and 11 and if gain, enter gain; if zero or a loss, enter a zero <b>NOTE:</b> If the entry on line 34 is zero, OMIT lines 35 through 41, and enter on line 42 the loss shown on line 4(a).	34
35	Enter gain, if any, from line 3	35
36	Enter smaller of amount on line 34 or line 35	36
37	Enter excess of gain on line 34 over amount on line 36	37
38	Enter loss from line 12(a); if line 12(a) is blank, enter a zero	38
39	Reduce the gain, if any, on line 37 to the extent of the loss, if any, on line 38	39
40	Enter loss from line 4(a)	40
41	Add the gain(s) on line(s) 36 and 39	41
42	Reduce the loss on line 40 to the extent of the gain, if any, on line 41	42

**Part VI Computation of Alternative Tax (See Instruction T to See if the Alternative Tax Will Benefit You)**

43	Enter amount from line 50, Form 1040	43
44	Enter amount from line 15(a)	44
45	Subtract amount on line 44 from amount on line 43	45
46	Enter smaller of amount on line 13 or line 14 If line 46 does not exceed \$50,000 (\$25,000 if married filing separately), check this block <input type="checkbox"/> and omit lines 47 through 56.	46
47	Enter long-term gains from certain binding contracts, distributions, and installment sales (referred to as "certain subsection d gains"—see Instruction T)	47
48	Enter amount from line 47 or \$50,000 (\$25,000 if married filing separately), whichever is larger If line 48 is equal to or greater than line 46, check this block <input type="checkbox"/> and omit lines 49 through 56.	48
49	Multiply amount on line 48 by 50%	49
50	Add amounts on lines 45 and 49	50
51	Subtract amount on line 48 from amount on line 46	51
52	Tax on line 43 or 44, whichever is greater (use Tax Rate Schedule in instructions)	52
53	Tax on the amount on line 50 (use Tax Rate Schedule in instructions)	53
54	Subtract amount on line 53 from amount on line 52	54
55	Multiply amount on line 51 by 32½%	55
56	Enter smaller of amount on line 54 or 55	56
57	Tax on the amount on line 45 (use Tax Rate Schedule in instructions)	57
58	If the block on line 46 or 48 is checked, enter 50% of line 44; otherwise enter 25% of line 48	58
59	Alternative Tax—add amounts on lines 56 (if applicable), 57, and 58. If smaller than the tax figured on the amount on line 50, Form 1040, enter this alternative tax on line 19, Form 1040	59



Schedule R—Retirement Income Credit Computation

Name(s) as shown on Form 1040 (Do not enter name and social security number if shown on other side)

Your social security number

If you received earned income in excess of \$600 in each of any 10 calendar years before 1971, you may be entitled to a retirement income credit. If you elect to have the Service compute your tax (see page 3 of Form 1040 instructions), answer the question for columns A and B below and fill in lines 2 and 5. The Service will figure your retirement income credit and allow it in computing your tax. Be sure to attach Schedule R and write "RIC" on line 20 of Form 1040. If you compute your own tax, fill out all applicable lines of this schedule.

Joint return filers use column A for wife and column B for husband. All other filers use column B only.

Did you receive earned income in excess of \$600 in each of any 10 calendar years before 1971? (Widows or widowers see instructions.) If "Yes" in either column, furnish all information below in that column. Also furnish the combined information called for in column C for both husband and wife if joint return, both 65 or over, even if only one answered "Yes" in column A or B.

	A		B		C Alternative Computation (Combined information of husband and wife if joint return and both 65 or over)
	<input type="checkbox"/> Yes	<input type="checkbox"/> No	<input type="checkbox"/> Yes	<input type="checkbox"/> No	
	\$1,524	00	\$1,524	00	\$2,286 00
<b>1</b> Maximum amount of retirement income for credit computation . . . . .					
<b>2 Deduct:</b>					
(a) Amounts received as pensions or annuities under the Social Security Act, the Railroad Retirement Acts (but not supplemental annuities), and certain other exclusions from gross income . . . . .					<b>R</b>
(b) Earned income received (does not apply to persons 72 or over):					
(1) If you are under 62, enter amount in excess of \$900 . . . . .					
(2) If you are 62 or over but under 72, enter amount determined as follows:					
if \$1,200 or less, enter zero . . . . .					
if over \$1,200 but not over \$1,700, enter 1/2 of amount over \$1,200; or if over \$1,700, enter excess over \$1,450 . . . . .					
<b>3</b> Total of lines 2(a) and 2(b) . . . . .					
<b>4</b> Balance (subtract line 3 from line 1) . . . . . If column A, B, or C is more than zero, complete this schedule. If all of these columns are zero or less, do not file this schedule.					
<b>5 Retirement income:</b>					
(a) If you are under 65: Enter only income received from pensions and annuities under public retirement systems (e.g. Fed., State Govts., etc.) included on Form 1040, line 18 . . . . .					
(b) If you are 65 or older: Enter total of pensions and annuities, interest and dividends included on Form 1040, line 18, and gross rents from Schedule E, Part II, column (b). Also include your share of gross rents from partnerships and your proportionate share of taxable rents from estates and trusts . . . . .					
<b>6</b> Line 4 or line 5, whichever is smaller . . . . .					
<b>7 (a)</b> Total (add amounts on line 6, columns A and B) . . . . .					
(b) Amount from line 6, column C, if applicable . . . . .					
<b>8</b> Tentative credit. Enter 15% of line 7(a) or 15% of line 7(b), whichever is greater . . . . .					
<b>9</b> Amount of tax shown on Form 1040, line 19 . . . . .					
<b>10 Retirement income credit.</b> Enter here and on Form 1040, line 51, the amount on line 8 or line 9, whichever is smaller. Note: If you claim credit for foreign taxes or tax free covenant bonds, skip line 10 and complete lines 11, 12, and 13, below . . . . .					
<b>11</b> Credit for foreign taxes or tax free covenant bonds . . . . .					
<b>12</b> Subtract line 11 from line 9 (if less than zero, enter zero) . . . . .					
<b>13 Retirement income credit.</b> Enter here and on Form 1040, line 51, the amount on line 8 or line 12 whichever is smaller . . . . .					

**SCHEDULE G**  
**(Form 1040)**  
Department of the Treasury  
Internal Revenue Service

**Income Averaging**  
▶ See instructions on pages 3 and 4.  
▶ Attach to Form 1040.

**1971**

Name(s) as shown on Form 1040

Your social security number

**Taxable Income and Adjustments**

	(a) Computation year 1971	(b) 1st preceding base period year 1970	(c) 2d preceding base period year 1969	(d) 3d preceding base period year 1968	(e) 4th preceding base period year 1967
1 Taxable income (see instruction 1) . . . . .					
2 Income earned outside of the United States or within U.S. possessions and excluded under sections 911 and 931 . . . . .					
3 Excess community income and certain amounts received by owner-employees subject to a penalty under section 72(m)(5). See instruction 3 . . . . .					
4 Accumulation distributions subject to section 668(a) . . . . .					
5 Adjusted taxable income or base period income. (Line 1 plus line 2, less lines 3 and 4). If less than zero, enter zero . . . . .					

**Computation of Averagable Income**

- 6 Adjusted taxable income from line 5, column (a) . . . . .
- 7 30% of the sum of line 5, columns (b), (c), (d), and (e) . . . . .
- 8 Averagable income (line 6 less line 7) . . . . .

Complete the remaining parts of this form only if line 8 is more than \$3,000. If \$3,000 or less, you do not qualify for income averaging. Do not fill in rest of form.



**Computation of Tax**

- 9 Amount from line 7 . . . . .
- 10 20% of line 8 . . . . .
- 11 Total (add lines 9 and 10) . . . . .
- 12 Amount from line 3, column (a), less any income subject to a penalty under section 72(m)(5) which was included in line 3 . . . . .
- 13 Total (add lines 11 and 12) . . . . .
- 14 Tax on amount on line 13 . . . . .
- 15 Tax on amount on line 11 . . . . .
- 16 Tax on amount on line 9 . . . . .
- 17 Difference (line 15 less line 16) . . . . .
- 18 Multiply the amount on line 17 by 4 . . . . .
- 19 Total (add lines 14 and 18) . . . . .
- 20 Tax on income subject to the penalty under section 72(m)(5) which was included in line 3 . . . . .
- 21 Tax on accumulation distributions subject to section 668(a) . . . . .
- 22 Tax (add lines 19, 20 and 21). Enter here and on Form 1040, line 19. Also check Schedule G box on Form 1040, line 19 . . . . .

Computations on this page are not needed unless line 18, Form 1040 for 1971 is under \$10,000 or you used the optional tax tables for 1970, 1969, 1968 or 1967.

**Computation of Standard Deduction for 1971 if Adjusted Gross Income is Under \$10,000**

1 Enter 13% of line 18, Form 1040 (limited to \$750 if married filing separately) . . . . .	
2 Enter \$1,050 (\$525 if married filing separately) . . . . .	
3 Standard deduction. Enter line 1 or 2 whichever is greater. (If married filing separately choose either line 1 or line 2. Note: If one spouse uses the percentage standard deduction (line 1) both must use it.) . . . . .	

**Computation of Standard Deduction for 1970 if You Used the Optional Tax Tables**

1 Enter 10% of line 18, Form 1040 (1970), but not more than \$500 if you were married and filed separately. . . . . (If you were married and filed separately, complete only line 2 or line 3, whichever is applicable. All other filers complete only lines 4 through 14.)			
2 If you used the low income allowance, enter the sum of \$100 plus \$100 for each exemption claimed on line 11, Form 1040 (1970), but not more than \$500. 1970 standard deduction . . . . .			
3 If you used the percentage standard deduction, enter amount from line 1. 1970 standard deduction . . . . .			
4 Basic allowance. Enter the sum of \$200 plus \$100 for each exemption claimed on line 11, Form 1040 (1970), but not more than \$1,000 . . . . .			
<b>Computation of additional allowance:</b>			
5 Limitation. . . . .		\$900.00	
6 Enter \$100 for each exemption claimed on line 11, Form 1040 (1970) . . . . .			
7 Enter amount from line 18, Form 1040 (1970) . . . . .			
8 Enter the sum of \$1,100 plus \$625 for each exemption claimed on line 11, Form 1040 (1970) . . . . .			
9 Subtract line 8 from line 7. If less than zero, enter zero . . . . .			
10 Enter one-half of amount on line 9 . . . . .			
11 Add lines 6 and 10 . . . . .			
12 Additional allowance. Subtract line 11 from line 5. If less than zero, enter zero . . . . .			
13 Low income allowance. Add lines 4 and 12 . . . . .			
14 Standard deduction. Enter amount from line 1 or line 13, whichever is greater . . . . .			

**Computation of Standard Deduction for a Base Year Prior to 1970 if You Used the Optional Tax Tables**

If you were married and filed a separate return, complete only line 4 or line 5, whichever is applicable. All other filers complete only lines 1, 2, and 3.

1 Enter 10% of adjusted gross income . . . . .	
2 Enter \$200 plus \$100 for each exemption claimed but not more than \$1,000. . . . .	
3 Standard deduction. Enter amount on line 1 or line 2 whichever is greater. . . . .	
<b>Married persons who filed separate returns:</b>	
4 Standard deduction if you used the 10 percent standard deduction. Enter 10% of adjusted gross income. . . . .	
5 Standard deduction if you used the minimum standard deduction. Enter \$100 plus \$100 for each exemption claimed but not more than \$500 . . . . .	

Use this space for additional information such as determining base period income in accordance with General Instruction C or itemizing of line 3, page 1, etc.

This schedule must be attached to your Form 1040 to choose the benefits of income averaging. Only individuals who are citizens or residents of the United States throughout 1971 are eligible for averaging. Corporations, estates and trusts do not qualify.

The income averaging method of computing tax may be to your advantage if your income has increased substantially this year. Under this method your 1971 income which exceeds 30 percent of the sum of your four prior years (1967-1970) income is taxed, in effect, by averaging that excess over the five-year period (1967-1971). Basically, the taxable income for each year is the figure utilized. However, since accumulation distributions subject to section 668(a) and certain other items of income described in instruction 3 are not subject to averaging, adjustments to the taxable income, as it appears on Form 1040 for each year, are necessary.

**A. WHO MAY FILE.**—Generally, you may choose the provisions of income averaging for 1971, by filing Schedule G with your Form 1040 if you meet the requirements of (1) citizenship or residence, and (2) support. On a joint return both husband and wife must meet the requirements.

(1) **Citizenship or residence requirement.**—You must have been a citizen or resident of the United States throughout 1971. A nonresident alien at any time during the five taxable year period ending with 1971 is not eligible.

(2) **Support requirement.**—You must have furnished at least 50 percent of your own support for each of the years 1967 through 1970. In a year in which you were married it is only necessary that you together with your wife provided at least 50 percent of the support of both of you. For definition of support see page 5 of the Form 1040 Instructions.

**Exceptions.** The support requirement is waived if—

(1) You were age 25 or more before the end of 1971 and you were not a full-time student during at least any four of your taxable years beginning after you have attained the age of 21. Thus, generally, if you are age 25 or over and have been out of school for 4 years since age 21, you are eligible for averaging. You are a student for a taxable year if during 5 calendar months of that year you were a full-time student at an educational institution or were pursuing a full-time course of institutional on-farm training under the supervision of an accredited agent of an educational institution or of a State or political subdivision of a State.

(2) More than 50 percent of your adjusted taxable income for 1971 (line 5, column (a)) is attributable to work performed by you in substantial part during two or more of the four taxable years preceding 1971, or

(3) You file a joint return for 1971 and not more than 25 percent of the aggregate adjusted gross income (Form 1040, line 18) is attributable to you.

**B. PROVISIONS INAPPLICABLE.**—If you file Schedule G you may not—

(1) Exclude from income any part of your earned income from sources without the United States (see section 911 and Form 2555) or any income from sources within possessions of the United States (see sections 931-934 and Form 4563).

(2) Use tax tables 1-13 in the Form 1040 instructions. You may, however, use the standard deduction.

(3) Avail yourself of the limitation on tax under section 72(n)(2) for income resulting from certain distributions from an employees' trust.

(4) Avail yourself of the advantages of alternative tax on capital gain under section 1201(b).

(5) Avail yourself of the advantages of the maximum tax rate on earned income.

**C. BASE PERIOD INCOME RULES.**—Your base period income for each of your base period years (1967-1970)

must be determined in a manner consistent with your return for 1971. If you make a separate return for 1971, you must determine your separate base period income for each of your base period years. If a husband and wife make a joint return for 1971, they must determine the sum of their separate base period incomes for each base period year. Thus, if you and your wife make a joint return for 1971 and were married and made joint returns with each other for any base period year, your base period income for each such year is to be figured on the basis of your aggregate taxable income for that year. If you make a return for 1971 as a surviving widow(er) (under section 2(a)), your base period income for each of the base period years (1967-1970) is the sum of your base period income and that of your deceased husband (wife) for each such year. If a husband and wife married in 1971 and make a joint return for 1971, and neither person was married from 1967 through 1970, their base period incomes for each of those years is the sum of the husband's separate base period income and that of his wife for each such year.

In some cases the computation of your separate base period income for a base period year may require as many as three computations. The facts in each case determine how many computations are necessary. For instance, if you were married for 1971 and made a joint return with your wife (husband), but had a different wife (husband) for 1971 than for a base period year, two computations are necessary. In such case, your separate base period income for the year in question is the larger of the following amounts:

(1) The amount of your adjusted separate income and deductions for the base period year.

(2) One-half the total amount of base period income resulting from adding your adjusted separate income and deductions to the adjusted separate income and deductions of your wife (husband) for that base period year.

However, if you and your wife file separate returns for 1971, a third computation is necessary. Your separate base period income will be the largest of the amounts determined under (1) and (2) above and:

(3) One-half the total amount of the base period income resulting from adding your adjusted separate income and deductions to the adjusted separate income and deductions of your wife (husband) for 1971 for that base period year.

The amount of your separate income and deductions for a base period year is the excess of your gross income for that year over your allowable deductions. Your separate deductions for any base period year for which you made a separate return are the deductions allowable on that return. If you made a joint return for a base period year, your separate deductions are (1) in the case of deductions allowable in computing your adjusted gross income, the sum of such deductions attributable to your gross income, and (2) in the case of deductions allowable in computing taxable income (exemptions and itemized deductions), the amount resulting from multiplying the amount of such deductions allowable on the joint return by a fraction whose numerator is your adjusted gross income and whose denominator is the aggregate

gate adjusted gross income on the joint return. However, if 85 percent or more of the aggregate adjusted gross income of a husband and wife is attributable to either one, all of the deductions allowable in computing taxable income are allowable to the one to whom such income is attributable. See specific instruction 1 on adjusted gross income.

In computing your separate base period income when community property laws are applicable, you must take into account all of the earned income you earned, without regard to the community property laws, or your share of the community earned income under the community property laws, whichever is greater.

If you must determine your separate base period income for any of the base period years, show the computation and give names under which the returns were filed in the space provided on page 2. If additional space is needed show your computation on an attachment. An example illustrating such computation follows:

A & W (Joint Return)	A	W	H
Salary . . . . .	\$16,000	\$11,500	\$3,000
Dividends . . . . .	2,000	500	1,000
Adjusted Gross Income . . . . .	\$18,000	\$12,000	\$4,000
Total of itemized deductions and personal exemptions . . . . .	3,600	2,400	1,600
Taxable Income (Separate Income and Deductions) . . . . .	\$14,400	\$9,600	\$2,400

H and W are calendar year taxpayers who were married and otherwise eligible to choose the benefits of income averaging for the taxable year 1971 for which they made a joint return. W, however, was married to and made a joint return with A for the taxable year 1967. H was unmarried for 1967. H and W compute their base period income for 1967 in the following manner:

Salary . . . . .  
Dividends . . . . .  
Adjusted Gross Income . . . . .  
Total of itemized deductions and personal exemptions . . . . .  
Taxable Income (Separate Income and Deductions) . . . . .

(1)  $\frac{6000 \text{ (W's separate adjusted gross income)}}{18000 \text{ (A and W's adjusted gross income from joint return)}} \times 3600 \text{ (Total of itemized deductions and personal exemptions on A \& W's joint return)} = 1200$

**Method No. 1** — W's separate income and deductions . . . . . \$4,800  
**Method No. 2** — W and A's taxable income from joint return, \$14,400 × 50 percent . . . . . \$7,200  
 W's separate base period income is \$7,200, the larger of the two methods. H and W's base period income (since there are no adjustments) for 1967 is \$9,600 (H's separate base period income of \$2,400 (unmarried in 1967) plus W's separate base period income of \$7,200).

**SPECIFIC INSTRUCTIONS**

The following instructions are numbered to correspond with the line numbers on the form.

**Taxable Income and Adjustments**

- 1 Except as noted below, enter on this line the amount (never less than zero) from—  
 (a) Form 1040 (1970-71)—line 50  
 (b) Schedule T (1969)—line 5  
 (c) Form 1040 (1967-68)—line 11d, page 1  
 (d) Form 1040A (1967-68)—line 5, page 4 { Tax Computation  
 Schedule Form  
 1040A Instructions

For any year for which you use the tax tables to compute your tax, you may arrive at the amount to be entered in line 1, by subtracting from your adjusted gross income (see below), the standard deduction and \$600 (\$625 for 1970—\$675 for 1971) multiplied by the number of exemptions. Adjusted gross income is—

- (a) Form 1040 (1970-71)—line 18  
 (b) Form 1040 (1969)—line 15c  
 (c) Form 1040 (1967-68)—line 9, page 1  
 (d) Form 1040A (1967-68)—item 7, page 1

See page 2 for computation schedules you can use to figure the standard deduction if line 18, Form 1040 for 1971 is under \$10,000 or if you used the optional tax tables for 1970, 1969, 1968, or 1967.

**NOTE:** If you were not married to and did not file a joint return with the same wife (husband) for every year after 1966, or were not single for all those years, it will be necessary to determine the amount to be entered in columns (b), (c), (d), and (e) in accordance with General Instruction C.

2 Enter on this line for each base period year the net amount of income previously excluded from income because it was earned income derived from sources without the United States or from income within its possessions (sections 911 and 931-934). For 1971 you may not exclude such amounts from gross income and they will therefore be reflected in taxable income.

3 Include income attributable to the following sources in the total to be entered on this line (show itemization in space provided on page 2):

(a) Excess Community Income. If you are married, a resident of a community property state, and file a separate return for 1971, you must include in this line the excess of the community earned income reportable by you over the amount of such income attributable to your services. No adjustment need be made where the community earned income attributable to your services exceeds 50 percent of the aggregate community earned income. The following example illustrates this.—

Community Earned Income	Attributable to Service of		Total
	H	W	
\$40,000	\$20,000	\$60,000	

(1) H filing a separate return has no adjustment since the amount of earned income attributable to his services (\$40,000) exceeds 50 percent of the aggregate community earned income (\$30,000).

(2) W filing a separate return must include in the total for this line \$10,000, the excess of the community earned income reportable by her (\$30,000) over the amount of community earned income attributable to her services (\$20,000).

(b) Certain amounts received by owner-employees. The amount of income resulting from a premature or excessive distribution from a qualified employees' pension plan or trust to an employee who is (or was) also an owner of the business. The amount of such income is the amount subject to a penalty under section 72(m)(5).

**Computation of Tax**

To figure your tax use tax rate schedule X, Y, or Z in the instruction booklet for Form 1040.

# Computation of Minimum Tax

▶ Attach to Form 1040

For the year January 1–December 31, 1971, or other taxable year

beginning ..... 1971, ending ..... 19.....

Your social security number

Name(s) as shown on Form 1040

**1 Items of Tax Preference.** File this form if the total items of tax preference (line 2) is more than \$15,000 even though there is no minimum tax due. If short period return, see instructions for line 3. **Caution:** See "Limitations on amounts treated as items of tax preference in certain cases" in instructions.

- (a) Excess investment interest
- (b) Accelerated depreciation on real property:
  - (1) Low-income rental housing under sec. 167(k)
  - (2) Other real property
- (c) Accelerated depreciation on personal property subject to a net lease
- (d) Amortization of certified pollution control facilities
- (e) Amortization of railroad rolling stock
- (f) Stock options
- (g) Reserves for losses on bad debts of financial institutions
- (h) Depletion
- (i) Capital gains

**2 Total items of tax preference** (add lines 1(a) through 1(i))

**3 Exclusion.** Enter \$30,000. If married filing separately or "certain married individuals living apart," enter \$15,000

**4 Subtract line 3 from line 2**

**5 Amount from Form 1040, line 21**

**6 Amount from Form 1040, line 56**

**7 Tax carryover from prior year(s)**

**8 Add lines 5, 6 and 7**

**9 Subtract line 8 from line 4**

**10 Multiply amount on line 9 by .10 and enter result**

**11 Enter amount of 1971 net operating loss which is a carryover to 1972, if any (attach statement showing computation)**

**12 Multiply amount on line 11 by .10 and enter result**

**13 Deferred minimum tax—enter amount from line 10 or line 12, whichever is smaller**

**14 Minimum Tax.** Subtract line 13 from line 10

**15 Enter minimum tax deferred from prior year(s) until this year (attach statement showing computation)**

**16 Total minimum tax.** Add lines 14 and 15

If you had no retirement income (see Schedule R, lines 5(a) and 5(b)), omit lines 17 through 20. Enter amount from line 16 above on line 21 below.

**17 Amount from Schedule R, line 8**

**18 Amount from Schedule R, line 10 or from line 13, whichever is applicable**

**19 Subtract line 18 from line 17**

**20 Enter amount from line 19 or line 16, whichever is smaller**

**21 Subtract line 20 from line 16. Enter here and on Form 1040, line 57**



## Instructions

**Who Must File.**—Individuals with items of tax preference in excess of \$15,000 must file this form even though there is no minimum tax due. If short period return, see note in instructions for line 3.

### Line 1—Items of Tax Preference

#### (a) Excess investment interest

Subtract net investment income from investment interest expense and enter balance.

Investment interest expense means interest paid or accrued on indebtedness incurred or continued to purchase or carry property held for investment. However, interest paid or accrued on indebtedness incurred or continued in connection with the construction of property to be used in a trade or business is not to be treated as an investment interest expense.

Property subject to a net lease entered into after October 9, 1969 is property held for investment. Property is considered subject to a net lease if

(1) the sum of the deductions allowable solely by reason of sec. 162 is less than 15 percent of the rental income produced by the property, or

(2) the lessor is either guaranteed a specified return or is guaranteed in whole or in part against loss of income.

**Net investment income** means the excess of investment income over investment expenses.

**Investment income** consists of the gross income from interest, dividends, rents, and royalties, net short-term capital gain from investment property, and sec. 1245 and sec. 1250 gain if such income, gains, and profits are not derived from the conduct of a trade or business.

**Investment expense** consists of real property taxes (State and local, foreign), personal property taxes (State and local), bad debts, depreciation (actual deduction unless straight-line method chosen), amortizable bond premium, expenses for production of income, and depletion (actual deduction unless cost depletion chosen) directly connected with the production of investment income.

#### (b) Accelerated depreciation on real property

(1) Low income rental housing under sec. 167(k)

(2) Other real property

Enter on the appropriate line(s) the excess of depreciation allowable over the depreciation that would have been allowable if the straight-line method had been used. This excess must be computed on a property by property basis. **Note:** If you amortized certain rehabilitation expendi-

tures for sec. 1250 property over a 5-year period, enter on line (b)(1) the amount by which this amortization exceeds straight-line depreciation over the normal useful life of the improvements.

#### (c) Accelerated depreciation on personal property subject to a net lease

Enter the excess of depreciation allowable over the depreciation that would have been allowable if the straight-line method had been used. This excess must be computed on a property by property basis.

#### (d) Amortization of certified pollution control facilities, and

#### (e) Amortization of railroad rolling stock

For items (d) and (e) with respect to each certified pollution control facility and each unit of railroad rolling stock, enter the amount by which the amortization allowable exceeds the depreciation deduction otherwise allowable.

#### (f) Stock options

If you received stock subject to qualified or restricted stock options, enter amount by which the fair market value of the shares at the time of exercise exceeds the option price.

#### (g) Reserves for losses on bad debts of financial institutions

Enter your share of the excess of the addition to reserve for bad debts over the reasonable addition to the reserve for bad debts that would have been allowable if the bad debt reserve had been maintained for all taxable years on the basis of actual experience. See sec. 57(a)(7).

#### (h) Depletion

Determine any excess of deduction for depletion allowable under sec. 611 over the adjusted basis of the property at the end of the year (determined without regard to depletion deduction for the taxable year). Enter that amount here. This excess must be computed on a property by property basis.

#### (i) Capital gains

Enter one-half of the amount by which the net long-term capital gain exceeds the net short-term capital loss for the taxable year. (Amount from Schedule D, line 15(a). However, if capital gain distributions are reported on Form 1040, line 39(b), enter amount included on line 39(b) here.)

#### Limitations on amounts treated as items of tax preference in certain cases

See Income Tax Regulations sec. 1.57-4 for limitations on amounts treated as items of tax preference in certain cases. If limitations apply, attach schedule showing computation.

#### Partners, beneficiaries of estates and trusts, etc.

Each partner must take into account separately his distributive share of items

of income and deductions which enter into the computation of items of tax preferences. If you are a partner and have elected the optional adjustment to basis (see sec. 743), adjust the applicable items of tax preference to reflect the election.

If you are a:

beneficiary of an estate or trust, see sec. 53(c);

shareholder of an electing small business corporation, see sec. 58(d);

participant in a common trust fund, see sec. 58(e);

shareholder or holder of beneficial interest in a regulated investment company or a real estate investment trust, see sec. 58(f).

If you have tax preferences attributable to foreign sources, see sec. 58(g).

### Line 3—Adjustment in Exclusion for Computing Minimum Tax for Tax Preferences for Short Period Returns

If this return is for a short period, enter your adjusted exclusion on line 3 computed by using this formula:

$$\$30,000 \times \frac{\text{number of days in taxable year}}{365}$$

However, if you are married filing separately or "certain married individuals living apart," substitute \$15,000 for the \$30,000.

**Note:** If line 2 is more than either the adjusted exclusion or \$15,000, file this form even though there is no minimum tax due.

**Line 7—Tax Carryover from Prior Year(s).**—If in 1970, the total amount shown on line 7, Form 4625, was more than the amount shown on line 4, Form 4625, enter the excess of line 7 over line 4 on this line. See section 56(c).

### Line 11—1971 Net Operating Loss Carryover to 1972

Under certain conditions, part or all of the amount shown on line 10 may be deferred to a subsequent year. See sec. 56(b).

### Line 15—Minimum Tax deferred from Prior Year(s)

Enter amount of minimum tax deferred from prior years, if any (10 percent of the amount by which the net operating loss carryforward from a taxable year ending after December 31, 1969 reduced taxable income this year). See section 56(b). In computing the amount of minimum tax deferred from fiscal year 1969-70 which is imposed in a subsequent taxable year, the same proration rule applies to the subsequent computation that applied to the computation of the initial minimum tax liability in fiscal year 1969-70. See sec. 301(c) of Public Law 91-172 (Tax Reform Act of 1969).

# Maximum Tax on Earned Income

▶ Attach to Form 1040 (or Form 1041).  
 ▶ See instructions on back.

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**1971**

Name(s) as shown on Form 1040 (or Form 1041)

Identifying number...

**Do not complete this form if—**(a) Earned taxable income is:  
 \$50,000 or less, and you checked line 1, Form 1040,  
 \$100,000 or less, and you checked line 2 or line 5, Form 1040,  
 \$70,000 or less, and you checked line 4, Form 1040,  
 \$50,000 or less and this is an Estate or Trust return (Form 1041)  
 (b) You elected income averaging; or  
 (c) You checked line 3 or line 6, Form 1040.

1	Earned income (see instructions)	1	
2	Deductions (see instructions)	2	
3	Earned net income. Subtract line 2 from line 1	3	
4	Enter your adjusted gross income	4	
5	Divide the amount on line 3 by the amount on line 4. Enter percentage result here, but not more than 100%	5	
6	Enter your taxable income	6	
7	Multiply the amount on line 6 by the percentage on line 5	7	
8	Sum of 1971 items of tax preference in excess of \$30,000 (or an amount equal to the excess of one-half of the sum of your items of tax preference for 1970 and 1971 over \$30,000, if greater)	8	
9	Earned taxable income. Subtract line 8 from line 7 (see instructions)	9	
10	If: you checked line 1, Form 1040, enter \$50,000 you checked line 2 or 5, Form 1040, enter \$100,000 you checked line 4, Form 1040, enter \$70,000 Estate or trust, enter \$50,000	10	
11	Subtract line 10 from line 9 (if zero or less, do not complete rest of form)	11	
12	Enter 60% of line 11	12	
13	Tax on amount on line 6 (use Tax Rate Schedule in Form 1040 (or Form 1041) Instr.)	13	
14	Tax on amount on line 9 (use Tax Rate Schedule in Form 1040 (or Form 1041) Instr.)	14	
15	Subtract line 14 from line 13	15	
16	If the amount on line 10 is: \$50,000, enter \$20,190 (\$22,590 if estate or trust) \$100,000, enter \$45,180 \$70,000, enter \$30,260	16	
17	Add lines 12, 15, and 16. This is your maximum tax. Enter here and on line 19, Form 1040 (or line 24, Form 1041); however, if you had net long-term capital gain in excess of net short-term capital loss, complete Computation of Alternative Tax below	17	
<b>Computation of Alternative Tax</b>			
18	Amount from line 6	18	
19	Amount from Schedule D (Form 1040), line 15(a) (or line 20, Form 1041)	19	
20	Subtract line 19 from line 18 (Caution: Line 9 cannot exceed this amount.)	20	
21	Enter smaller of amount on Sch. D (Form 1040), line 13 or 14 (or enter amount from Sch. D (Form 1041), line 17(e)). If line 21 does not exceed \$50,000, check this block <input type="checkbox"/> and omit lines 22 through 31.	21	
22	Enter long-term gains from certain binding contracts, distributions, and installment sales (referred to as "certain subsection d gains"—see Sch. D (Form 1040) or Sch. D (Form 1041) instructions).	22	
23	Amount from line 22 or \$50,000, whichever is larger. If line 23 is equal to or greater than line 21, check this block <input type="checkbox"/> and omit lines 24 through 31.	23	
24	Enter 50% of line 23	24	
25	Add lines 20 and 24	25	
26	Subtract line 23 from line 21	26	
27	Enter amount from line 13	27	
28	Tax on amount on line 25 (use Tax Rate Schedule in Form 1040 (or 1041) Instructions)	28	
29	Subtract line 28 from line 27	29	
30	Enter 32½% of line 26	30	
31	Amount on line 29 or 30, whichever is smaller	31	
32	Tax on amount on line 20 (use Tax Rate Schedule in Form 1040 (or 1041) Instructions)	32	
33	Subtract line 32 from line 13	33	
34	Subtract line 33 from line 17	34	
35	If the block on line 21 or 23 is checked, enter 50% of line 19; otherwise, enter 25% of line 23	35	
36	Alternative tax, add lines 31 (if applicable), 34, and 35	36	
37	Enter here and on line 19, Form 1040, (or line 24 or 25, whichever is applicable, Form 1041) the amount on line 17 or line 36, whichever is smaller	37	

## Instructions

The following instructions are numbered to correspond with the line numbers on the form

**Line 1—Earned income.**—“Earned income” generally means wages, salaries, professional fees, bonuses, commissions on sales or on insurance premiums, tips, and other amounts received as compensation for personal services actually rendered. It includes prizes and awards (other than gambling gains) and group-term life insurance purchased for employees that are includible in gross income.

If you perform personal services for a corporation, “earned income” means only that portion of income received from the corporation that represents a reasonable allowance for salaries and other compensation for personal services actually rendered. It also includes gains (other than capital gains) and net earnings derived from the sale or other disposition of, the transfer of any interest in, or the licensing of the use of property (other than goodwill) if your personal efforts created such property.

The entire amount you receive for the performance of professional services, such as services performed by a doctor, dentist, lawyer, architect, or accountant, will be treated as earned income if you are individually and personally responsible for the services performed, even though you employ assistants to perform all or part of such services.

If you are engaged in a noncorporate trade or business in which both personal services and capital are material income-producing factors, a reasonable allowance (but not more than 30% of your share of net profits of such trade or business) will be considered to be earned income. See Income Tax Regulations section 1.1348-3(a)(3) for rules on earned income from business in which capital is material.

For rules relating to income in respect of a decedent, see Income Tax Regulations section 1.1348-3(a)(4).

If you are a *nonresident alien*, “earned income” includes only income from sources within the United States that is effectively connected with the conduct of a trade or business in the United States.

“Earned income” does not include such income as dividends (including amounts treated as dividends by reason of section 1373(b) of the Internal Revenue Code and Income Tax Regulations section 1.1373-1), other distributions of corporate earnings and profits, gambling gains, or gains treated as capital gains under chapter 1 of the Internal Revenue Code.

“Earned income” does not include any distribution to which sections 72(m)(5), 72(n), 402(a)(2), or 403(a)(2)(A) of the Internal Revenue Code apply, or any deferred compensation within the meaning of section 404. “Deferred compensation” for this purpose does not include any amount received before the end of the taxable year following the first taxable year of the recipient in which his right to receive such amount is not subject to a substantial risk of forfeiture.

Section 72(m)(5) deals with premature or excessive distributions from a qualified employees’ pension plan or trust to an employee who is (or was) also an owner of the business.

Sections 72(n), 402(a)(2), or 403(a)(2)(A) deal with certain lump-sum distributions from other qualified plans that

are treated as capital gains or are subject to special averaging rules.

See Income Tax Regulations section 1.1348-3(a)(5) for exceptions to definition of earned income.

See Income Tax Regulations section 1.1348-3(b) for definition and examples of deferred compensation.

If you are a nonresident alien, “earned income” does not include salaries, wages, compensations, remunerations, emoluments, and other fixed or determinable annual or periodic gains, profits and income subject to tax at the rate of 30 percent (or lower treaty rate) under section 871(a)(1)(A) of the Internal Revenue Code.

**Line 2—Deductions.**—Include on this line any deductions that are required to be taken into account under section 62 of the Internal Revenue Code in determining adjusted gross income and are properly allocable to or chargeable against earned income. Such deductions include:

- (1) deductions attributable to a trade or business from which earned income is or may be derived,
- (2) expenses paid or incurred in connection with the performance of services as an employee,
- (3) deductions allowable by sections 404 (employer contributions to an employer’s trust or annuity plan) and 405(c) (employer contributions to qualified bond purchase plans) of the Internal Revenue Code,
- (4) deductions allowable by section 217 (moving expense) of the Internal Revenue Code,
- (5) deductions allowable by section 1379(b)(3) (employer contributions to qualified pension, etc., plans) of the Internal Revenue Code, and,
- (6) a net operating loss deduction to the extent that the net operating losses carried to the taxable year are properly allocable to or chargeable against earned income. See Income Tax Regulations section 1.1348-2(d)(2)(vi) for more information on net operating loss deduction.

**Line 8—Tax preference Offset.**—See Income Tax Regulations section 1.1348-2(d)(3) for detailed information concerning items of tax preference to be taken into account to determine the tax preference offset.

**Line 9—Earned taxable income.**—“Earned taxable income” means the excess of the portion of taxable income attributable to earned net income over the tax preference offset. **Earned taxable income (line 9) may not exceed the excess of taxable income over 50 percent of the net section 1201 of the Internal Revenue Code gain (line 20).**

See Income Tax Regulations section 1.1348-2(d)(4) for illustrations showing computation of earned taxable income.

**NOTE:** If short period return, see Income Tax Regulations section 1.1348-2(c).