

Department of the Treasury  
**Internal Revenue Service**



general  
description

# **1968 Tax Model**

**Individual  
Income Tax  
Returns**

Statistics  
Division  
October 1970

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## INTRODUCTION

The Individual Tax Model consists of file of 91,484 Federal tax returns subsampled from the Statistics of Income sample of over 250,000 Forms 1040 and 1040A filed for 1968. 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 1968 program.

0 District	1 Sample	2 Form of Dvd. - Tax Status	3 Foreign - Tax Status	4 Medical Seal - Status	5 Taxpayer Ex. - Amount	6 Blind Ex. - Amount	7 Dependent Ex. - Amount	8 Total Ex. - Amount	9 Total Ex. - Amount	10 Total Ex. - Amount	11 Total Ex. - Amount	12 Total Ex. - Amount	13 Total Ex. - Amount	14 Total Ex. - Amount	15 Total Ex. - Amount	16 Total Ex. - Amount	17 Total Ex. - Amount	18 Total Ex. - Amount	19 Total Ex. - Amount	20 Total Ex. - Amount	21 Total Ex. - Amount	22 Total Ex. - Amount	23 Total Ex. - Amount	24 Total Ex. - Amount	25 Total Ex. - Amount	26 Total Ex. - Amount	27 Total Ex. - Amount	28 Total Ex. - Amount	29 Total Ex. - Amount	30 Total Ex. - Amount	31 Total Ex. - Amount	32 Total Ex. - Amount	33 Total Ex. - Amount	34 Total Ex. - Amount	35 Total Ex. - Amount	36 Total Ex. - Amount	37 Total Ex. - Amount	38 Total Ex. - Amount	39 Total Ex. - Amount	40 Total Ex. - Amount	41 Total Ex. - Amount	42 Total Ex. - Amount	43 Total Ex. - Amount	44 Total Ex. - Amount	45 Total Ex. - Amount	46 Total Ex. - Amount	47 Total Ex. - Amount	48 Total Ex. - Amount	49 Total Ex. - Amount	50 Total Ex. - Amount	51 Total Ex. - Amount	52 Total Ex. - Amount	53 Total Ex. - Amount	54 Total Ex. - Amount	55 Total Ex. - Amount	56 Total Ex. - Amount	57 Total Ex. - Amount	58 Total Ex. - Amount	59 Total Ex. - Amount	60 Total Ex. - Amount	61 Total Ex. - Amount	62 Total Ex. - Amount	63 Total Ex. - Amount	64 Total Ex. - Amount	65 Total Ex. - Amount	66 Total Ex. - Amount	67 Total Ex. - Amount	68 Total Ex. - Amount	69 Total Ex. - Amount	70 Total Ex. - Amount	71 Total Ex. - Amount	72 Total Ex. - Amount	73 Total Ex. - Amount	74 Total Ex. - Amount	75 Total Ex. - Amount	76 Total Ex. - Amount	77 Total Ex. - Amount	78 Total Ex. - Amount	79 Total Ex. - Amount	80 Total Ex. - Amount	81 Total Ex. - Amount	82 Total Ex. - Amount	83 Total Ex. - Amount	84 Total Ex. - Amount	85 Total Ex. - Amount	86 Total Ex. - Amount	87 Total Ex. - Amount	88 Total Ex. - Amount	89 Total Ex. - Amount	90 Total Ex. - Amount	91 Total Ex. - Amount	92 Total Ex. - Amount	93 Total Ex. - Amount	94 Total Ex. - Amount	95 Total Ex. - Amount	96 Total Ex. - Amount	97 Total Ex. - Amount	98 Total Ex. - Amount	99 Total Ex. - Amount	100 Total Ex. - Amount	101 Total Ex. - Amount	102 Total Ex. - Amount	103 Total Ex. - Amount	104 Total Ex. - Amount	105 Total Ex. - Amount	106 Total Ex. - Amount	107 Total Ex. - Amount	108 Total Ex. - Amount	109 Total Ex. - Amount	110 Total Ex. - Amount	111 Total Ex. - Amount	112 Total Ex. - Amount	113 Total Ex. - Amount	114 Total Ex. - Amount	115 Total Ex. - Amount	116 Total Ex. - Amount	117 Total Ex. - Amount	118 Total Ex. - Amount	119 Total Ex. - Amount																																																																																
Taxpayer(s) Exemption																				Age Exemption																				Blind Exemption																				Dependent Exemption																				Salaries and Wages																				Total Income (AGI+)																				Total Loss (AGI-)																																																																															
Total Deductions																				Taxable Income																				Tax Before Income Averaging																				Tax Savings Income Averaging																				Income Tax Before Credits																				Reported Surcharge																				Income Tax After Credits																				Recomputed Tax Investment Credit																				Self-Employment Tax																				Income Tax Withheld																			
1968 Estimated Tax Payments and Credits																				Excess FICA Withheld																				1/2 Excess Net Long-Term Gain																				Balance for Partial Tax																				Refundable Credits																				Balance Due																				Tax Paid With Return																				Total Overpayment																				Overpayment Credit to 1968 Est. Tax																				Overpayment Refunded in Cash or Bonds																			
Total Domestic and Foreign Dividends																				Total Dividends and Distribution																				Dividend Exclusion																				Capital Gain and Nontaxable Distribution																				Dividends in Total Income																				Total Interest Income																				Pensions & Annuities Taxable Portion																				Rent and Royalty Net Income																				Rent and Royalty Net Loss																				Partnership and SBC Net Profit																			
Partnership and SBC Net Loss																				Estate and Trust Net Income																				Estate and Trust Net Loss																				Non-Farm Net Profit																				Non-Farm Net Loss																				Farm Net Profit																				Farm Net Loss																				Other Property Net Gain																				Other Property Net Loss																				Income Not Allocated																			
Loss Not Allocated																				Short-Term Capital Loss Carryover																				Net Short-Term Gain After Carryover																				Net Short-Term Loss After Carryover																				Long-Term Capital Loss Carryover																				Net Long-Term Gain After Carryover																				Net Long-Term Loss After Carryover																				Net Loss Before Limitation																				Ordinary Gain																				Net Capital Gain in AGI																			
Net Capital Loss in AGI																				Other Sources Net Income																				Other Sources Net Loss																				Payments of Self-Employed Pension Deduction																				Total Adjustments (Statutory)																				One-Half Insurance Premium																				Medicine and Drugs in Excess of 1%																				Medical and Dental in Excess of 1%																				Total Medical and Dental Expenses																				Total Contributions																			
Real Estate Taxes																				Gasoline Taxes																				General Sales Taxes																				State and Local Income Taxes																				Personal Property Taxes																				Total Taxes																				Interest on Home Mortgage																				Interest on Installment Purchases																				Total Interest Expense																				Casualty and Theft Losses																			
Employee Business Expenses																				Total Miscellaneous Deductions																				Retirement Income Credit																				Investment Credit																				Foreign Tax Credit																				All Other Tax Credits																				Marginal Tax Rate																				Computed Surcharge																				Computed Taxable Income																				Tax Increase Due to Surcharge																			
Increase in Tax Credits Due to Surcharge																				Other Taxes Paid																				Other Interest Paid																				Other Miscellaneous Deductions																				Covered Employees Compensation S-E Pens. Ded.																				Excluded Employees Compensation S-E Pens. Ded.																				Employer Contribution S-E Pens. Ded.																				Earned Income S-E Pens. Ded.																				Pensions & Annuities Contribution To Plan																				Pensions & Annuities Recovery Of Cost																			
P. and A. Amount Excludable																				P. and A. Received This Year																				Tax Preference Loss																				LTCG in Excess of STCL																				Marginal Tax Base																				AGI Adjustment (+)																				AGI Adjustment (-)																																																																															
																																								Number of Excluded Employees S-E Pens. Ded.																				Number of Covered Employees S-E Pens. Ded.																				Exemptions Other Than Age or Blind																				Total Exemptions																				Weight Word																																																																															

1968 Individual Tax Model/General Description

EXPLANATION OF CODES IN TAPE FILE

Field 0, Columns 0, 1--DISTRICT - Internal Revenue District in which return was filed (resequenced codes appearing to the right of the District name are in field 2, columns 8, 9).

Central Region

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

Mid-Atlantic Region

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

Midwest Region

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

North Atlantic Region

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

Southeast Region

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

Southwest Region

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

Western Region

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

Office of International Operations

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

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

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

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 1968 Individual Tax Model/General Description
 

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## EXPLANATION OF CODES IN TAPE FILE-continued

Field 0, Columns 2, 3--SAMPLE - Stratum in which return was classified prior to selection in the sample. See page 16 for code values and description of strata.

Field 0, Column 4--FORM OF DEDUCTION - Indicates type of deduction claimed. See page for the explanation of field 10.

- 1.....Itemized deduction return with supporting schedule.
- 2.....Standard deduction return with deduction equal to 10 percent of adjusted gross income.
- 3.....Itemized deduction return with no supporting schedule. Deductions are in total field (#10) only.
- 4.....Return with no adjusted gross income and therefore no deductions.
- 5.....Return with the minimum standard deduction.

Field 0, Column 5--TAX STATUS - Indicates type of tax computation used and whether return was taxable or nontaxable (presence or absence of field 16).

- 1.....Taxable return, normal tax and surtax computation.
- 2.....Taxable return, normal tax and surtax computation and income averaging.
- 3.....Taxable return, alternative tax computation.
- 4.....Taxable return, alternative tax computation and income averaging.
- 5.....Return with no taxable income (nontaxable).
- 6.....Nontaxable return, normal tax and surtax computation.
- 7.....Nontaxable return, normal tax and surtax computation and inc. averaging.
- 8.....Nontaxable return, alternative tax computation.
- 9.....Nontaxable return, alternative tax computation and income averaging.

Field 0, Column 6--REGION - Indicates Internal Revenue Region in which return was filed (see field 0, columns 0, 1).

- 1.....Central Region
- 2.....Mid-Atlantic Region
- 3.....Midwest Region
- 4.....North Atlantic Region
- 5.....Southeast Region
- 6.....Southwest Region
- 7.....Western Region
- 8.....Office of International Operations

Field 0, Column 7--MARITAL STATUS - Coded from items 1a through 1e, Form 1040, and items 4a through 4c, Form 1040A.

- 1.....Return of single person not head of household or surviving spouse.
- 2.....Joint return of husband and wife.
- 3.....Separate return of husband or wife.
- 4.....Return of head of household.
- 5.....Return of surviving spouse.

## EXPLANATION OF CODES IN TAPE FILE-continued

Field 0, Column 8--SELECT - A code, which ranges from 0 to 9, which divides the file into 10 mutually exclusive random subsamples of equal size.

Field 0, Column 9--Blank

Field 1, Column 0--TAXPAYER EXEMPTION(S) - See explanation of field 3.

- 1.....One exemption claimed.
- 2.....Two exemptions claimed.

Field 1, Column 1--AGE EXEMPTION(S) - See explanation of field 4.

- 1.....One exemption claimed.
- 2.....Two exemptions claimed.

Field 1, Column 2--BLIND EXEMPTION(S) - See explanation of field 5.

- 1.....One exemption claimed.
- 2.....Two exemptions claimed.

Field 1, Columns 3, 4--DEPENDENT EXEMPTION(S) - See explanation of field 6.

- 1.....One exemption claimed.
- through
- 99.....Ninety nine exemptions claimed.

Field 1, Columns 5, 6--TOTAL EXEMPTIONS - See explanation of field 115.

- 1.....One exemption claimed.
- through
- 99.....Ninety nine exemptions claimed.

Field 1, Column 7--FORM 2950SE - Indication of whether this form was attached to Form 1040.

- 0.....No form attached.
- 1.....Form 2950SE attached.

Field 1, Column 8--SELF-EMPLOYED PENSION DEDUCTION, TYPE OF PLAN - Coded from item 3, Form 2950SE.

- 1.....Neither plan checked.
- 2.....Pension or annuity plan checked.
- 3.....Profit-sharing plan checked.
- 4.....Both plans checked.

## EXPLANATION OF CODES IN TAPE FILE-continued

Field 1, Column 9--SELF-EMPLOYED PENSION DEDUCTION, METHOD OF FUNDING - Coded from item 7, Form 2950SE.

- 0.....Not specified.
- 1.....Trust, insurance.
- 2.....Trust, general investments or other.
- 3.....Custodial account, mutual funds.
- 4.....Custodial account, insurance.
- 5.....Insured, group or individual contract.
- 6.....U.S. Government Retirement Plan Bonds.
- 7.....Other.

Field 2, Column 0--OCCUPATIONAL GROUP - Coded either from the industry code assigned to the business (Schedule C or F) or from the occupation reported by the taxpayer on page 1, Form 1040. This code applies only to those returns with a Form 2950SE attached. All other returns will have a code "0".

- 1.....Agricultural.
- 2.....Manufacturing, public utilities, retail and wholesale trade.
- 3.....Finance, insurance, and real estate.
- 4.....Physicians, surgeons, nurses, and other medical services.
- 5.....Dentists and dental surgeons.
- 6.....Legal services.
- 7.....Accounting and audit services.
- 8.....Ministers and teachers.
- 9.....All other.

Field 2, Column 1--SELF-EMPLOYED PENSION DEDUCTION, TYPE OF ENTITY - Coded from identification information and item 1b of Form 2950SE.

One taxpayer, or a joint return where only one taxpayer's name appears on one or more Forms 2950SE:

- 1.....Neither type of entity checked.
- 2.....Sole proprietorship checked.
- 3.....Partnership checked.
- 4.....Both sole proprietorship and partnership checked.

Joint return, where each spouse's name appears on one or more Forms 2950SE:

- 1.....No boxes checked.
- 2.....Both sole proprietorships.
- 3.....One sole proprietorship, the other partnership.
- 4.....Both partnerships.



## EXPLANATION OF CODES IN TAPE FILE-continued

Field 2, Columns 2, 3--EXEMPTION(S) OTHER THAN AGE OR BLINDNESS - See explanation of field 114.

1.....One exemption.  
through  
99.....Ninety nine exemptions.

Field 2, Columns 4, 5--SELF-EMPLOYED PENSION DEDUCTION, PERSONS COVERED - See explanation of field 113.

1.....One person covered.  
through  
99.....Ninety nine persons covered.

Field 2, Columns 6, 7--SELF-EMPLOYED PENSION DEDUCTION, PERSONS EXCLUDED - See explanation of field 112.

1.....One person excluded.  
through  
99.....Ninety nine persons excluded.

Field 2, Columns 8, 9--RECODED INTERNAL REVENUE DISTRICTS - See code values listed to the right of District names in explanation of field 0, columns 0, 1.

## EXPLANATION OF FIELDS IN TAPE FILE

<u>Field</u>	<u>Explanation</u>
0-2	Code fields--as previously described.
3	Taxpayer(s) exemption code--lines 2a and 2b, "Regular," page 1 of Form 1040; item 12 of Form 1040A.
4	Age exemption code--lines 2a and 2b, "65 or more," page 1 of Form 1040; item 12 of Form 1040A.
5	Blind exemption code--lines 2a and 2b, "Blind," page 1 of Form 1040; item 12 of Form 1040A.
6	Dependent exemption code--lines 3a and 3b, page 1 of Form 1040; item 13 and item 14 of Form 1040A.
7	Salaries and wages--line 5, Form 1040 and Form 1040A.
8	Total income (AGI+)--line 9, Form 1040; line 7, Form 1040A.
9	Total loss (AGI-)--line 9, Form 1040.
10	Total deductions--in conjunction with the "Form of deduction" code (field 0, column 4), this figure is: line 11a of Form 1040 returns with adjusted gross income \$5,000 or more; or the amount computed based on the tax reported, for all Forms 1040A and Forms 1040 with adjusted gross income under \$5,000 where the taxpayer used the "Tax Table." The amount of total deductions on many nontaxable returns exceeds adjusted gross income reduced by the amount of exemptions. A few separate returns (marital status code 3) are coded as itemized deduction returns yet they have no total deductions reported. In such cases, it is assumed that the other spouse itemized and claimed all the deductions.
11	Taxable income--for itemized deduction returns, line 11d of Form 1040. For Form 1040 returns with adjusted gross income \$5,000 or more and with the standard deduction, line 11d. For all other Form 1040 returns, and all Form 1040A returns, taxable income was computed based on the appropriate marital status and type of standard deduction (minimum or 10 percent).
12	Tax before income averaging--for returns with tax computed using income averaging (tax status codes 2, 4, 7, and 9), this is the amount of tax which would have resulted if income averaging was not used.
13	Tax savings, income averaging--for returns with tax computed using income averaging, this is the difference between field 14 and field 12.

## EXPLANATION OF FIELDS IN TAPE FILE---continued

<u>Field</u>	<u>Explanation</u>
14	Income tax before credits--line 12a, Form 1040; line 8a, Form 1040A. For Forms 1040, the tax was the result of (1) the regular tax computation (tax status codes 1 and 6), (2) the alternative tax computation (tax status codes 3 and 8), (3) income averaging (tax status codes 2, 4, 7, and 9), or (4) application of rates in effect prior to 1965 on certain prior-year delinquent returns (sample codes 09 and 19). The tax reported by the taxpayer computed under (1) and (2) above was accepted if within a tolerance of $\pm$ 5 percent of actual. If the reported tax was outside the tolerance, the tax was recomputed, and if necessary the tax status and/or marital status codes were changed. The tax reported by the taxpayer computed under (3) and (4) above was generally accepted without change.
15	Reported surcharge--line 12b, Form 1040; line 8b, Form 1040A.
16	Income tax after credits--line 14a, Form 1040; line 8c, Form 1040A.
17	Recomputed tax, investment credit--line 14b, Form 1040.
18	Self-employment tax--line 15, Form 1040.
19	Income tax withheld--line 17, Form 1040; line 9, Form 1040A.
20	1968 Estimated tax payments and credits--line 20, Form 1040.
21	Excess FICA withheld--line 18, Form 1040.
22	$\frac{1}{2}$ Excess net long-term gain--One-half of field 103.
23	Balance for partial tax--For returns with alternative tax computation (tax status codes 3 and 8), line 3, Part IV, Schedule D, Form 1040.
24	Refundable credits--line 19, Form 1040.
25	Balance due--line 22, Form 1040; line 10, Form 1040A.
26	Tax paid with return--the amount of check or money order submitted with return.
27	Total overpayment--line 23, Form 1040; line 11, Form 1040A.
28	Overpayment credited to 1968 estimated tax--line 24, Form 1040.
29	Overpayment refunded in cash or bonds--line 25, Form 1040; line 11, Form 1040A.

## EXPLANATION OF FIELDS IN TAPE FILE---continued

<u>Field</u>	<u>Explanation</u>
30	Total domestic and foreign dividends--field 31 minus field 33.
31	Total dividends and distributions--line 1a, Part II, Form 1040; line 6b, "before," Form 1040A.
32	Dividend exclusion--line 1b, Part II, Form 1040; and difference between "before" and "after" on line 6b, Form 1040A.
33	Capital gain and nontaxable distributions--lines 1c and 1d, Part II, Form 1040.
34	Dividends in total income--line 1f, Part II, Form 1040; line 6b, "after," Form 1040A.
35	Total interest income--line 2, Part II, Form 1040; line 6a, Form 1040A.
36	Pensions and annuities, taxable portion--line 3, Part I, Schedule B, Form 1040.
37	Rent and royalty net income--line 2, Part II, Schedule B, Form 1040.
38	Rent and royalty net loss--line 2, Part II, Schedule B, Form 1040.
39	Partnership and SBC net profit--line 1, Part III, Schedule B, Form 1040, for partnership and Small Business Corporation entries.
40	Partnership and SBC net loss--line 1, Part III, Schedule B, Form 1040, for partnership and Small Business Corporation entries.
41	Estate and trust net income--line 1, Part III, Schedule B, Form 1040, for estate and trust entries.
42	Estate and trust net loss--line 1, Part III, Schedule B, Form 1040, for estate and trust entries.
43	Nonfarm net profit--line 4, Part II, Form 1040.
44	Nonfarm net loss--line 4, Part II, Form 1040.
45	Farm net profit--line 6, Part II, Form 1040.
46	Farm net loss--line 6, Part II, Form 1040.

## EXPLANATION OF FIELDS IN TAPE FILE---continued

<u>Field</u>	<u>Explanation</u>
47	Other property, net gain--line 3, Part IV, Schedule D, Form 1040.
48	Other property, net loss--line 3, Part IV, Schedule D, Form 1040.
49	Income not allocated--the net income from Part III, Schedule B, not specified as partnership, estate and trust, or Small Business Corporation.
50	Loss not allocated--the net loss from Part III, Schedule B, not specified as partnership, estate and trust, or Small Business Corporation.
51	Short-term capital loss carryover--line 3, Part I, Schedule D, Form 1040.
52	Net short-term gain after carryover--line 4, Part I, Schedule D, Form 1040.
53	Net short-term loss after carryover--line 4, Part I, Schedule D, Form 1040.
54	Long-term capital loss carryover--line 7, Part I, Schedule D, Form 1040.
55	Net long-term gain after carryover--line 9, Part I, Schedule D, Form 1040.
56	Net long-term loss after carryover--line 9, Part I, Schedule D, Form 1040.
57	Net loss before limitation--line 10, Part I, Schedule D, Form 1040.
58	Ordinary gain--line 2, Part IV, Schedule D, Form 1040.
59	Net capital gain in AGI--line 1, Part IV, Schedule D, Form 1040.
60	Net capital loss in AGI--line 1, Part IV, Schedule D, Form 1040.
61	Other sources, net income--line 7, Part II, Form 1040. <sup>1</sup>
62	Other sources, net loss--line 7, Part II, Form 1040. <sup>1</sup>

<sup>1</sup>/ Includes any adjustment necessary to balance the return. See explanation of fields 105 and 106.

## EXPLANATION OF FIELDS IN TAPE FILE---continued

<u>Field</u>	<u>Explanation</u>
63	Payments of self-employed pension deduction--line 4, Part III, Form 1040.
64	Total adjustments (statutory)--line 5, Part III, Form 1040.
65	One-half insurance premium--line 1, Part IV, Form 1040.
66	Medicine and drugs in excess of 1 percent--line 4, Part IV, Form 1040.
67	Medical and dental in excess of 3 percent--line 8, Part IV, Form 1040.
68	Total medical and dental expenses--line 9, Part IV, Form 1040.
69	Total contributions--line 13, Part IV, Form 1040.
70	Real estate taxes--
71	Gasoline taxes--
72	General sales taxes--
73	State and local income taxes--
74	Personal property taxes--
	} Separate lines making up line 14, Part IV, Form 1040.
75	Total taxes--line 14, Part IV, Form 1040.
76	Interest on home mortgage--
77	Interest on installment purchases--
	} Separate lines making up line 15, Part IV, Form 1040.
78	Total interest expense--line 15, Part IV, Form 1040.
79	Casualty and theft losses--losses included in line 16, Part IV, Form 1040, identified as casualty and theft.
80	Employee business expenses--deductions included in line 16, Part IV, Form 1040, identified as employee business expenses.
81	Total miscellaneous expenses--line 16, Part IV, Form 1040.
82	Retirement income credit--line 1, Part V, Form 1040.
83	Investment credit--line 2, Part V, Form 1040.
84	Foreign tax credit--line 3, Part V, Form 1040.
85	All other tax credits--line 13, Form 1040, minus fields 82-84.

## EXPLANATION OF FIELDS IN TAPE FILE---continued

<u>Field</u>	<u>Explanation</u>
86	Marginal tax rate--this is the highest rate of tax applicable to computed taxable income (field 88) or balance for partial tax (field 23) if the alternative tax computation is used. All special computations (e.g., income averaging) were disregarded.
87	Computed surcharge--tax surcharge computed based on tax before credits (field 14).
88	Computed taxable income--for returns with income averaging (tax status codes 2, 4, 7, and 9), this is the amount of taxable income (under ordinary circumstances) necessary to generate the reported tax before credits. For all other returns, this is the same as field 11.
89	Tax increase due to surcharge--the increase in tax due to surcharge less any tax credit increase due to that increase in tax.
90	Increase in tax credits due to surcharge--the increase in tax credits due to the tax surcharge.
91	Other taxes paid--field 75 minus fields 70-74.
92	Other interest paid--field 78 minus fields 76-77.
93	Other miscellaneous deductions--field 81 minus fields 79-80.
94	Covered employees compensation--line 9a, column 2, Form 2950SE.
95	Excluded employees compensation--line 9b, column 2, Form 2950SE.
96	Employer contribution--line 11c, Form 2950SE.
97	Earned income--line 12b, Form 2950SE.
98	Pensions and annuities, contributions to plan--Part I, Schedule B, Form 1040.
99	Pensions and annuities, recovery of cost--Part I, Schedule B, Form 1040.
100	Pensions and annuities, amount excludable--line 2, Part I, Schedule B, Form 1040.
101	Pensions and annuities received this year--line 1, Part I, Schedule B, Form 1040.

## EXPLANATION OF FIELDS IN TAPE FILE---continued

<u>Field</u>	<u>Explanation</u>
102	Tax preference loss--the sum of all losses in adjusted gross income: fields 38 + 40 + 42 + 44 + 46 + 48 + 50 + 60 + 62.
103	Long-term capital gain in excess of short-term capital loss--field 55 minus field 53.
104	Marginal tax base--the portion of computed taxable income (field 88) or balance for partial tax (field 23) taxed at the highest rate.
105	AGI adjustment (+)--the positive amount necessary to balance sources of income and loss (reduced by statutory adjustments--field 64) to total income or loss, fields 8 or 9. This amount is included in field 61 or 62, "other sources, net income or loss."
106	AGI adjustment (-)--the negative counterpart to field 105.
107-111	Blank fields.
112	Number of excluded employees, self-employed pension deduction--line 8, column 2, "Persons excluded....", Form 2950SE.
113	Number of covered employees, self-employed pension deduction--line 8, column 2, "Total persons covered," Form 2950SE.
114	Exemptions other than age or blindness--field 3 plus field 6.
115	Total exemptions--line 4, Form 1040; line 15, Form 1040A.
116	Sort field--Blank, for Statistics Division use.
117	Weight word--contains the sample weight appropriate to the return. The weights are shown on page
118	Social Security Number--Blank, for Statistics Division use.
119	Document Locator Number--Blank, for Statistics Division use.



## SAMPLE DESCRIPTION

The 1968 Individual Tax Model file is a random subsample of 91,484 returns selected from the Statistics of Income sample of over 250,000 Forms 1040 and 1040A for 1968. Since the Model sample is about one-third the size of the full sample, the relative sampling variability of estimates derived from the Model can be expected to be somewhat less than twice that of similar estimates produced from the larger sample. 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--1968, Individual Income Tax Returns.

The Model sample was designed to produce National estimates. Although it is possible to identify returns for each State by use of the IRS District code, we do not recommend that the Tax Model file be used to provide sub-national data. The number of returns (in the sample) for each State are insufficient to provide reliable estimates for most items; therefore, no separate sample weights were calculated for each State (or District).

Sample counts and weighting factors for the Model file are shown on the next page. The sample code identifies the stratum from which a return was selected and indicates the weight factor to be applied to that return. Because of the way returns are processed prior to sampling, there are a few cases where the adjusted gross income is outside the range for the sample code assigned. Similarly, a few returns with business schedules (Schedules C or F) are classified in nonbusiness sample codes, and vice versa. However, in all cases, the sample code assigned to the return is governing and should not be changed.

1968 Individual Tax Model/General Description

SAMPLE COUNTS AND WEIGHTS

<u>Sample code</u>	<u>Sample stratum</u>	<u>Estimated U.S. population</u>	<u>Sample count</u>	<u>Weighting factor</u>
NONBUSINESS RETURNS				
00	All Forms 1040A	17,598,278	3,972	4,430.58
11	AGI <sup>1</sup> under \$10,000	31,302,868	7,110	4,402.65
12	AGI \$10,000 under \$15,000	10,750,793	5,409	1,987.57
13	AGI \$15,000 under \$20,000	3,242,810	4,842	669.73
14	AGI \$20,000 under \$50,000	1,820,891	4,861	374.59
15	AGI \$50,000 under \$100,000	199,630	5,934	33.64
16	AGI \$100,000 under \$200,000	42,563	8,250	5.16
17	AGI \$200,000 or more	14,215	14,215	1.00
BUSINESS RETURNS (Schedule C and/or F attached)				
21	AGI under \$10,000	4,693,149	2,792	1,680.93
22	AGI \$10,000 under \$15,000	2,023,617	2,422	835.51
23	AGI \$15,000 under \$20,000	903,665	2,345	385.36
24	AGI \$20,000 under \$30,000	637,581	2,424	263.03
25	AGI \$30,000 under \$50,000	308,611	2,752	112.14
26	AGI \$50,000 under \$100,000	129,095	2,572	50.19
27	AGI \$100,000 under \$200,000	27,741	6,840	4.06
28	AGI \$200,000 or more	14,644	14,644	1.00
PRIOR YEAR DELINQUENT RETURNS				
09	AGI under \$50,000	18,563	32	580.09
19	AGI \$50,000 or more	68	68	1.00
	Total.....	73,728,782	91,484	---

1/ AGI = Adjusted gross income

## TECHNICAL DESCRIPTION OF THE FILE

Each "data record" in the file, representing one tax return, is composed of one hundred twenty (120) 10 digit, fixed point, numeric words. "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.

Data are recorded at a density of 800 bits per inch on standard 2,400 1/2 inch, 7 channel, mylar tape in Binary Coded Decimal (BCD) notation with both horizontal and vertical even parity. Each logical tape record is preceded by a Delta (CB8421 in BCD). Numeric words are 10 or fewer characters because zero suppression eliminates up to 5 non-significant high order zeroes per word. The end of a data word is recognized by the zone bits in the units position.

Header and trailer labels are 80 alphameric characters in length. Alpha words are 5 characters in tape. No deltas precede tape labels. The last reel of the file carries an end-of-file (EOF) indication in the second, third, and fourth characters of the trailer label. All other reels carry an end-of-reel (EOR) indication in the same positions.

The file was created using IBM 729-V Tape Drives.



**Form 1040A U.S. Individual Income Tax Return** **1968**

If item 7 is \$10,000 or more, or if total income from interest, dividends, and nonwithheld wages is over \$200, use Form 1040.

**1** Name (If joint return, use first names and middle initials of both) \_\_\_\_\_

**2** Your social security number \_\_\_\_\_

**3** Spouse's social security number \_\_\_\_\_

**4. Check one:**  
 a. Single;  
 b. Married filing joint return (even if only one had income);  
 c. Married filing separately—if spouse is also filing a return, enter her (his) social security number in item 3 and give first name here ▶

Home address (Number and street or rural route) \_\_\_\_\_

City, town or post office, State and ZIP code \_\_\_\_\_

Enter below name and address used on your return for 1967. (If same as above, write "Same.") If none filed, give reason. If changing from separate to joint or joint to separate returns, enter 1967 names and addresses.

**5** Enter total wages, salaries, tips, etc. Enclose Forms W-2, Copy B. If not shown on enclosed Forms W-2 attach explanation.

**6a** Interest

**6b** Dividends: Yours—before exclusion \$ \_\_\_\_\_ After (See instr.) Spouse's—before exclusion \$ \_\_\_\_\_ After

**7** Total income (add items 5, 6a, and 6b)

**8** a. Tax \$ + b. Surcharge \$ c. Total

**9** Total Federal income tax withheld (from Forms W-2)

**10** If item 8c is larger than item 9, enter Balance due

**11** If item 9 is larger than item 8c, enter Refund

Apply refund to:  U.S. Savings Bonds, & excess refunded; or  Refund only.

**LIST YOUR EXEMPTIONS AND SIGN ON OTHER SIDE.**

**12** EXEMPTIONS FOR YOURSELF—AND SPOUSE (only if all her (his) income is included in this return, or she (he) had no income)

Check boxes which apply

Regular	65 or over	Blind
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Yourselves  Spouse

Enter number of boxes checked \_\_\_\_\_

**13** First names of your dependent children who lived with you

DEPENDENTS OTHER THAN THOSE CLAIMED IN ITEM 13.	(a) NAME ▶ Enter figure 1 in the last column to right for each name listed (if more space is needed, attach schedule)	(b) Relationship	(c) Months lived in your home. If born or died during year also write "B" or "D"	(d) Did dependent have income of \$600 or more?	(e) Amount YOU furnished for dependent's support. If 100% write "ALL"	(f) Amount furnished by OTHERS including dependent. See instruction 14
					\$	\$

**15. TOTAL EXEMPTIONS FROM ITEMS 12, 13, AND 14 ABOVE** \_\_\_\_\_

Your present employer and address \_\_\_\_\_

If you had an expense allowance or charged expenses to your employer, see instructions for "Reimbursed Expenses" and check here  if appropriate.

Under penalties of perjury, I declare that to the best of my knowledge and belief this is a true, correct, and complete return.

**Sign here** ▶ Your signature \_\_\_\_\_ Date \_\_\_\_\_

Spouse's signature (If filing jointly, BOTH must sign even if only one had income) \_\_\_\_\_ Date \_\_\_\_\_

**Tax Computation Schedule** (Use only if total income, item 7 of Form 1040A, is \$5,000 or more)

- 1 Enter total income from item 7 of Form 1040A . . . . . \$ \_\_\_\_\_
  - 2 Enter the standard deduction which is explained on page 2 of the instructions (married person filing a separate return cannot claim more than \$500) . . . . . \_\_\_\_\_
  - 3 Subtract line 2 from line 1 . . . . . \_\_\_\_\_
  - 4 Multiply \$600 by total number of exemptions claimed in item 15 of Form 1040A . . . . . \_\_\_\_\_
  - 5 Subtract line 4 from line 3 . . . . . \_\_\_\_\_
  - 6 Tax on amount on line 5. Use appropriate tax rate schedule below. Enter here and in item 8a of Form 1040A . . . . . \$ \_\_\_\_\_
- Also see page 8 for surcharge to be entered in item 8b. (Do not attach this schedule to Form 1040A)**

▶ If you are a single taxpayer or a married taxpayer filing a separate return, use this tax rate schedule			▶ If you are married taxpayers filing a joint return, use this tax rate schedule		
If the amount on line 5 of Tax Computation Schedule is:			If the amount on line 5 of Tax Computation Schedule is:		
Over	But not over	Enter on line 6:	Over	But not over	Enter on line 6:
\$0	\$500	14% of the amount on line 5	\$0	\$1,000	14% of the amount on line 5
\$500	\$1,000	\$70, plus 15% of excess over \$500	\$1,000	\$2,000	\$140, plus 15% of excess over \$1,000
\$1,000	\$1,500	\$145, plus 16% of excess over \$1,000	\$2,000	\$3,000	\$290, plus 16% of excess over \$2,000
\$1,500	\$2,000	\$225, plus 17% of excess over \$1,500	\$3,000	\$4,000	\$450, plus 17% of excess over \$3,000
\$2,000	\$4,000	\$310, plus 19% of excess over \$2,000	\$4,000	\$8,000	\$620, plus 19% of excess over \$4,000
\$4,000	\$6,000	\$690, plus 22% of excess over \$4,000	\$8,000	\$9,999.99	\$1,380, plus 22% of excess over \$8,000
\$6,000	\$8,000	\$1,130, plus 25% of excess over \$6,000			
\$8,000	\$9,999.99	\$1,630, plus 28% of excess over \$8,000			



or other taxable year beginning ....., 1968, ending ....., 19.....

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

Home address (Number and street or rural route) Your occupation

City, town or post office, and State ZIP code Spouse's social security number

Enter below name and address used on your return for 1967 (if same as above, write "Same"). If none filed, give reason. If changing from separate to joint or joint to separate returns, enter 1967 names and addresses. Spouse's occupation

Your present employer and address

Your Filing Status—check only one: 1a Single, 1b Married filing joint return, 1c Married filing separately, 1d Unmarried Head of Household, 1e Surviving widow(er) with dependent child. Your Exemptions Regular 65 or over Blind: 2a Yourself, 2b Spouse, 3a First names of your dependent children, 3b Number of other dependents, 4 Total exemptions claimed.

Please attach Copy B of Form W-2 here

Income: 5 Wages, salaries, tips, etc. If not shown on attached Forms W-2 attach explanation; 6 Other income; 7 Total; 8 Adjustments to income; 9 Total income ("adjusted gross income").

Find tax from table OR 10 If you do not itemize deductions and line 9 is under \$5,000, find tax in tables on pages 12-14 of instructions. Enter tax on line 12a.

11a If you itemize deductions, enter total from page 2, Part IV, line 17. If you do not itemize deductions, and line 9 is \$5,000 or more enter the larger of: (1) 10 percent of line 9; OR (2) \$200 (\$100 if married and filing separate return) plus \$100 for each exemption claimed on line 4, above. Deduction under (1) or (2) limited to \$1,000 (\$500 if married and filing separately).

11b Subtract line 11a from line 9. Enter balance on this line

11c Multiply total number of exemptions on line 4, above, by \$600

11d Subtract line 11c from line 11b. Enter balance on this line. (Figure your tax on this amount by using tax rate schedule on page 11 of instructions.) Enter tax on line 12a.

12a Tax (Check if from: Tax Table, Tax Rate Schedule, Sch. D, or Sch. G)

12b Tax surcharge. If line 12a is less than \$734, find surcharge from tables on page 10 of instructions. If line 12a is \$734 or more, multiply amount on line 12a by .075 and enter result. (If you claim retirement income credit, use Schedule B (Form 1040) to figure surcharge.)

12c Total (add lines 12a and 12b)

13 Total credits (from page 2, Part V, line 4)

14a Income tax (subtract line 13 from line 12c)

14b Tax from recomputing prior year investment credit (attach statement)

15 Self-employment tax (Schedule C-3 or F-1)

16 Total tax (add lines 14a, 14b, and 15)

17 Total Federal income tax withheld (attach Forms W-2)

18 Excess F.I.C.A. tax withheld (two or more employers—see page 5 of instr.)

19 Nonhighway Federal gasoline tax—Form 4136, Reg. Inv.—Form 2439

20 1968 Estimated tax payments (include 1967 overpayment allowed as a credit)

21 Total (add lines 17, 18, 19, and 20)

22 If payments (line 21) are less than tax (line 16), enter Balance Due. Pay in full with this return

23 If payments (line 21) are larger than tax (line 16), enter Overpayment

24 Amount of line 23 you wish credited to 1969 Estimated Tax

25 Subtract line 24 from 23. Apply to: U.S. Savings Bonds, with excess refunded or Refund only

Make check or money order payable to Internal Revenue Service.

Please attach Check or Money Order here Your Tax, Credits, and Payments Balance Due or Refund

Sign here

Your signature Date Spouse's signature (if filing jointly, BOTH must sign even if only one had income)

Signature of preparer other than taxpayer Date Address

**Part I Exemptions** Complete only for dependents claimed on line 3b, page 1

(a) NAME (if more space is needed attach schedule)	(b) Relationship	(c) Months lived in your home. If born or died during year write "B" or "D"	(d) Did dependent have income of \$600 or more?	(e) Amount YOU furnished for dependent's support. If 100% write "ALL"	(f) Amount furnished by OTHERS including dependent.
1				\$	\$
2					
3 Total number of dependents listed above. Enter here and on page 1, line 3b					

**Part II Income from sources other than wages, etc.**

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

1b Exclusion (see instructions).

1c Capital gain distributions (see page 5 of instructions).

1d Nontaxable distributions (see page 5 of instructions).

1e Total (add lines 1b, 1c, and 1d) . . . . .

1f Taxable dividends (line 1a less line 1e— not less than zero) . . . . .

Interest (list payers and amounts below)

Earnings from savings and loan assoc. and credit unions.

Other interest (on bank deposits, bonds, tax refunds, etc.).....

2 Total interest income . . . . .

3 Pensions and annuities, rents and royalties, partnerships, estates or trusts, etc. (attach Sch. B) .

4 Business income or loss (attach Schedule C) . .

5 Sale or exchange of property (attach Schedule D) .

6 Farm income or loss (attach Schedule F) . . .

Miscellaneous income (state nature and source) .....

7 Total miscellaneous income . . . . .

8 TOTAL (add lines 1f, 2, 3, 4, 5, 6, and 7) . Enter here and on page 1, line 6 . . . . .

**Part III Adjustments to income**

1 "Sick pay" if included in line 5, page 1 (attach Form 2440 or other required statement) .

2 Moving expenses (attach Form 3903) . . . . .

3 Employee business expense (attach Form 2106 or other statement) . . . . .

4 Payments by self-employed persons to retirement plans, etc. (attach Form 2950SE) .

5 TOTAL ADJUSTMENTS (lines 1 through 4). Enter here and on page 1, line 8 . . . . .

**Part IV Itemized deductions—Use only if you do not use tax table or standard deduction.**

Medical and dental expense (not compensated by insurance or otherwise)—Attach itemized list.

1 One-half of insurance premiums for medical care (but not more than \$150) . . . . .

2 Total cost of medicine and drugs . . . . .

3 Enter 1% of line 9, page 1 . . . . .

4 Subtract line 3 from line 2 (not less than zero)

5 Other medical, dental expenses (include balance of insurance premiums for medical care not deductible on line 1) . . . . .

6 Total (add lines 4 and 5) . . . . .

7 Enter 3% of line 9, page 1 . . . . .

8 Subtract line 7 from line 6 (not less than zero)

9 Total (add lines 1 and 8) . . . . .

Contributions.—Cash—including checks, money orders, etc. (itemize) .....

10 Total cash contributions . . . . .

11 Other than cash (see instructions for required statement). Enter total of such items here .

12 Carryover from prior years (see page 7 of instr.)

13 Total contributions (add lines 10, 11, and 12—see instructions for limitation) ▶

Taxes.—Real estate . . . . .

State and local gasoline . . . . .

General sales (see page 15 of instructions) .

State and local income . . . . .

Personal property . . . . .

14 Total taxes . . . . .

Interest expense.—Home Mortgage . . . . .

Installment purchases . . . . .

Other (itemize) .....

15 Total interest expense . . . . .

Miscellaneous deductions.—(see page 8 of instructions) .....

16 Total miscellaneous . . . . .

17 TOTAL DEDUCTIONS (add lines 9, 13, 14, 15, and 16). Enter here and on page 1, line 11a. ▶

**Part V Credits**

1 Retirement income credit (Schedule B) .

2 Investment credit (Form 3468) . . . . .

3 Foreign tax credit (Form 1116) . . . . .

4 TOTAL CREDITS (for page 1, line 13) . ▶

EXPENSE ACCOUNTS—If you had an expense allowance or charged expenses to your employer, check here  and see page 6 of instructions.

1968

SCHEDULE B (Form 1040)

Supplemental Schedule of Income and Retirement Income Credit

(From pensions and annuities, rents and royalties, partnerships, and estates or trusts)

U.S. Treasury Department Internal Revenue Service

Attach this schedule to your income tax return, Form 1040

Name as shown on page 1 of Form 1040

Social Security Number

Part I.—PENSION AND ANNUITY INCOME

AMOUNT

Name of payer Did your employer contribute part of the cost and is your contribution recoverable (or was recovered) tax-free within 3 years? Yes No

If "Yes" enter the amount you contributed \$ and amount recovered tax-free in past years \$

- 1 Amount received this year
2 Amount excludable. Enter zero if you did not contribute to the cost
3 Taxable portion (excess of line 1 over line 2)

Part II.—RENT AND ROYALTY INCOME

Table with 6 columns: 1. Kind and location of property, 2. Total amount of rents, 3. Total amount of royalties, 4. Depreciation, 5. Repairs, 6. Other expenses

- 1 Totals
2 Net income (or loss) from rents and royalties (column 2 plus column 3 less columns 4, 5, and 6)

Part III.—INCOME OR LOSSES FROM PARTNERSHIPS, ESTATES OR TRUSTS, AND SMALL BUSINESS CORPORATIONS

Table with 4 main columns: (a) Name and address, (b) Check applicable box (Partnership, Estate or Trust, Small Bus. Corp.), (c) Employer identification number, (d) Income or loss

1 Income (or loss). Total of column (d)

TOTAL OF PARTS I, II, AND III (Enter here and on Form 1040, page 2, Part II, line 3)

Part IV.—SCHEDULE FOR DEPRECIATION CLAIMED IN PART II ABOVE—Where double headings appear use the first heading for depreciation under Revenue Procedures 62-21 and 65-13 and the second heading for other authorized practices.

Table with 8 columns: 1. Group and guideline class, 2. Cost or other basis, 3. Asset additions in year, 4. Asset retirements in year, 5. Depreciation allowed or allowable, 6. Method of computing depreciation, 7. Class life, 8. Depreciation for this year

SUMMARY OF DEPRECIATION

Summary table with 7 columns: Straight line, Declining balance, Sum of the years-digits, Units of production, Additional first year, Other (specify), Total



SCHEDULE D (Form 1040)

U.S. Treasury Department Internal Revenue Service

Gains and Losses From Sales or Exchanges of Property

Attach this schedule to your income tax return, Form 1040

1968

Name as shown on page 1 of Form 1040

Social Security Number

Part I—CAPITAL ASSETS—Short-term capital gains and losses—assets held not more than 6 months

Table with 9 columns: a. Kind of property, b. Description, c. How acquired, d. Date acquired, e. Date sold, f. Gross sales price, g. Depreciation allowed, h. Cost or other basis, i. Gain or loss. Includes instructions for lines 2, 3, and 4.

Long-term capital gains and losses—assets held more than 6 months (12 months or more for certain livestock)

Table with 9 columns: a. Kind of property, b. Description, c. How acquired, d. Date acquired, e. Date sold, f. Gross sales price, g. Depreciation allowed, h. Cost or other basis, i. Gain or loss. Includes instructions for lines 5 through 13.

Part II—GAIN FROM DISPOSITION OF DEPRECIABLE PROPERTY UNDER SECTIONS 1245 AND 1250—assets held more than 6 months (see instructions for definitions)

D

Where double headings appear, use the first heading for section 1245 and the second heading for section 1250.

Table with 5 main columns: a. Kind of property and how acquired, b. Date acquired, c. Date sold, d. Gross sales price, e. Cost or other basis. Includes sub-columns for depreciation and adjusted basis, and instructions for lines 2 and 3.

Part III—PROPERTY OTHER THAN CAPITAL ASSETS

Table with 7 columns: a. Kind of property and how acquired, b. Date acquired, c. Date sold, d. Gross sales price, e. Depreciation allowed, f. Cost or other basis, g. Gain or loss. Includes lines 1 and 2 for reporting gains and losses.

Part IV—TOTAL GAINS OR LOSSES FROM SALE OR EXCHANGE OF PROPERTY

Table with 4 lines for summarizing gains and losses from Part I, II, and III.

COMPUTATION OF ALTERNATIVE TAX—It will usually be to your advantage to use the alternative tax if the net long-term capital gain exceeds the net short-term capital loss, or if there is a net long-term capital gain only, and you are filing (a) a separate return with taxable income exceeding \$26,000, or (b) a joint return, or as a surviving husband or wife, with taxable income exceeding \$52,000, or (c) as a head of household with taxable income exceeding \$38,000.

Table for computing alternative tax with 6 lines detailing the calculation from Form 1040.

INSTRUCTIONS (Continued from reverse side of original)

Column i of Part II, section 1250 property only.—If held for more than 6 months, but not more than 1 year, enter the smaller of (1) column h, or (2) column f-2.

If held for more than 1 year, enter the result of multiplying the smaller of (1) column h, or (2) column f-2 less the amount of depreciation computed for the same period using the straight line method,

by the percentage obtained by subtracting from 100%, one percentage point for each full month held in excess of 20 months.

Where substantial improvements have been made within the preceding 10 years, see section 1250(f).

Basis.—In determining gain or loss use cost, except as specially provided. The basis of property acquired by gift after December 31, 1920, is the cost or other basis to the donor in the event of gain, but, in the event of loss, it is the lower of either such donor's basis or the fair market value on date of gift.

Installment sales.—If you sold personal property for more than \$1,000 or real property regardless of amount, you may be eligible to report any gain under the installment plan if (1) there is no payment in the year of sale, or (2) the payments in the year of sale do not exceed 30 percent of the selling price.

For treatment of a portion of payments as "unstated interest" on deferred payment sales, see section 483.

Sale of personal residence.—Tax on a portion or all of the gain from the sale of your principal residence may be deferred if:

- (a) within 1 year after (or before) the sale, you purchase another residence and use it as your principal residence; or
(b) within 1 year after (or before) the sale, you begin construction of a new residence and use it as your principal residence not later than 18 months after the sale.

If you sold property for \$20,000 or less on or after your 65th birthday which was owned and used by you as your principal residence for at least 5 of the last 8 years any gain on the sale need not be included in income. If the property was sold for more than \$20,000 part of the gain must be taken into income. Publication 523,

Tax Information on Selling Your Home, is available at the District Director's office.

Nonbusiness debts.—If a debt, such as a personal loan, becomes totally worthless within the taxable year, the loss resulting therefrom shall be considered a loss from the sale or exchange, during the taxable year, of a capital asset held for not more than 6 months. Enter such loss in column (i) and describe in column (b), Part I. This does not apply to: (a) a debt evidenced by a corporate security with interest coupons or in registered form and (b) a debt acquired in your trade or business.

Limitation on allowable capital losses.—If line 10, Part I, shows a net loss, the loss shall be allowed as a deduction, only to the extent of the smaller of (1) line 11b (or line 9 if tax table is used), page 1, Form 1040 computed without capital gains (losses), or (2) \$1,000. The excess of such allowable loss over the lesser of items (1) and (2) above is called "capital loss carryover." Any such carryover loss may be carried forward indefinitely. Capital losses retain their character as either short-term or long-term when carried over to the succeeding year. To the extent the net capital losses are deducted from ordinary income, the net short-term capital loss must be considered as deducted first.

Losses in transactions between certain persons.—No deduction is allowable for losses from sales or exchanges of property directly or indirectly between (a) members of a family, (b) a corporation and an individual (or a fiduciary) owning more than 50 percent of the corporation's stock (liquidations excepted), (c) a grantor and fiduciary of any trust, (d) a fiduciary and a beneficiary of the same trust, (e) a fiduciary and a fiduciary or beneficiary of another trust created by the same grantor, or (f) an individual and a tax-exempt organization controlled by the individual or his family. Partners and partnerships see section 707(b).

Long-term capital gains from regulated investment companies.—Include in income as a long-term capital gain the amount you are notified on Form 2439 which constitutes your share of the undistributed capital gains of a regulated investment company. Include the tax paid by the company as shown on the Form 2439 with the amount claimed on Form 1040, page 1, line 19. Add to the basis of your stock, the excess of the amount included in income over the credit.

Losses on small business stock.—If you had a loss on section 1244 stock which would (but for that section) be treated as a loss from the sale or exchange of a capital asset, it shall be treated as a loss from the sale or exchange of an asset which is not a capital asset to the extent provided in that section.