FORM 1120 L
U. S. Treasury Department
Internal Revenue Service

U. S. LIFE INSURANCE COMPANY INCOME TAX RETURN
FOR CALENDAR YEAR 1954

1954

Do not write in space b

Serial No.

PLEASE TYPE OR PRINT PLAINLY

Name

Number and Street | City or town, postal zone number, State

Date incorporated | Place incorporated

Item and Instruction No. GROSS INCOME	1. Interest Received	2. Accrual of Discount	3. Amortization of Premium	4. Total (In Case of Item 1, Column Column 2 Less Column
1. Interest on:				
(a) Wholly exempt obligations. **(Attach schedule)**	$	$	$	$
(b) United States Savings Bonds and Treasury Bonds owned in excess of the principal amount of $5,000 issued prior to March 1, 1941				
(c) Obligations of instrumentalities of the United States issued prior to March 1, 1941				
(d) Obligations issued on or after March 1, 1941, by the United States or any agency or instrumentality thereof. **(Attach schedule)**				
(e) Loans, notes, mortgages, bank deposits, bonds, debentures, etc.				
Totals	$	$	$	$

2. Dividends on stock of:
(a) Domestic corporations subject to taxation under Subtitle A of the Internal Revenue Code of 1954. (See Specific Instruction 2)
(b) Public utility corporations subject to taxation under Subtitle A of the Internal Revenue Code of 1954
(c) Foreign corporations
(d) Other corporations
3. Rents. **(Attach schedule)**
4. Total income in items 1 to 3 $

DEDUCTIONS

5. Interest wholly exempt from tax (item 1 (a), column 4) $
6. Investment expenses. **(Attach schedule)**
7. Taxes
8. Real estate expenses
9. Depreciation. **(Attach schedule)**
10. Total deductions in items 5 to 9
11. Taxable income before special deductions for partially tax-exempt interest and dividends received (item 4 minus item 10) $
12. Taxable income before special deductions (item 11) $
13. Less: Interest partially exempt from tax (item 1 (b) and (c), column 4)
14. Item 12 less item 13 $
15. Less: Dividends received deductions—
(a) Enter 85 percent of item 2 (a) $
(b) Enter 62.115 percent of item 2 (b)
(c) Enter 85 percent of dividends received from certain foreign corporations
(d) Total dividends received deductions. Enter sum of (a), (b), and (c) but not to exceed 85 percent of item 14
16. Taxable income $
17. Adjustment for certain non-life insurance reserves (applicable only to contracts other than life insurance or annuity contracts)—
(a) 3¼ percent of mean of unearned premiums and unpaid losses on such other contracts at beginning and end of year $
(b) 3¼ percent of 25 percent of net premiums on such other contracts written during year $
(c) 3¼ percent of mean of unpaid losses on such other contracts at beginning and end of year
(d) Item (b) plus item (c) $
(e) Item (a) or (d), whichever is greater $
(f) Item (e) multiplied by 8
18. Sum of items 16 and 17 (f) $
19. Less: Reserve interest credit (from line 6, Schedule C)
20. 1954 life insurance company taxable income $

COMPUTATION OF TAX

21. Tax. If amount in item 20 is:
Not over $200,000, enter 3¾ percent of item 20
Over $200,000, enter $7,500 plus 6½ percent of excess over $200,000 $
22. Less: Credit for income taxes paid to a foreign country or United States possession allowed a domestic corporation. **(Attach Form 1118)**
23. Total income tax due $

Did the corporation pay anyone other than an employee for assistance in the preparation of this return? ☐ Yes ☐ No
If answer is "Yes," enter his name and address.

SIGNATURE AND VERIFICATION (See Instruction E)

I, the undersigned, president, vice president, treasurer, assistant treasurer, chief accounting officer (or other duly authorized officer) of the corporati which this return is made, declare under the penalties of perjury that this return (including any accompanying schedules and statements) has been exan by me and is, to the best of my knowledge and belief, a true, correct, and complete return, made in good faith, for the taxable year stated, pursuant Internal Revenue Code and the regulations issued thereunder.

CORPORA SEAL

(Date) (Signature of officer) (Title)

I declare under the penalties of perjury that I prepared this return for the person named herein; and that this return (including any accompanying sche and statements) is, to the best of my knowledge and belief, a true, correct, and complete return based on all the information relating to the matters req to be reported in this return of which I have any knowledge.

(Date) (Individual or firm signature) (Address)

16—7134

Schedule A.—DATA FOR RESERVE AND OTHER POLICY LIABILITY CREDIT FOR THE SUCCEEDING TAXABLE YEAR (See Instruction for Schedule A)

	1. Nature of Reserve (Life, Annuity, Etc.)	2. Assumed Morbidity or Mortality Table	3. Assumed Interest Rate	4. Method of Computation (Illinois Standard, Etc.)	5. Amount of Adjusted Reserve at Beginning of Taxable Year*	6. Amount of Adjusted Reserve at End of Taxable Year*	7. Mean of Columns (5) and (6)	8. Column (3) Ti[mes] Column (7)
1.					$	$	$	$
2.								
3.								
4.								
5.	Totals						$	$

6.	Average rate of interest assumed in computing life insurance reserves (total of column 8 above divided by total of column 7 above)	
7.	35 percent of line 6	
8.	2.1125 percent (65 percent of 3¼ percent)	2.11
9.	Reserve earnings rate (line 7 above plus line 8 above)	
10.	Total of column 7 multiplied by line 9 above	$
11.	2 percent of the reserve held for deferred dividends	
12.	Interest paid or accrued	
13.	Total of lines 10, 11, and 12 above	$
14.	Taxable income before special deductions for partially tax-exempt interest and dividends received (item 11, page 1)	$
15.	Interest wholly exempt from tax (item 5, page 1)	$
16.	Adjustment for unearned premiums and unpaid losses on non-life insurance reserves (item 17 (e), page 1)	$

* In the case of reserves computed on a preliminary term basis, 107% of the amount of the reserve.

Schedule B.—INVESTED ASSETS BOOK VALUES (See Instruction 6)

(Schedule B need not be filled in if no deduction is claimed for any general expenses that are allocated to investment income)

		1. Beginning of taxable year	2. End of taxable year
1.	Real estate	$	$
2.	Mortgage loans		
3.	Collateral loans		
4.	Policy loans, including premium notes		
5.	Bonds of domestic corporations		
6.	Stocks of domestic corporations		
7.	Government obligations, etc. **(Submit detailed schedule)**		
8.	Bank deposits bearing interest		
9.	Other interest-bearing assets **(Attach statement)**		
10.	Totals of lines 1 to 9	$	$
11.	Total of columns 1 and 2, line 10		$
12.	Mean of the invested assets for the taxable year (one-half of line 11)		$
13.	One-fourth of 1 percent of the mean of the invested assets		$
14.	Income base (item 4, page 1, minus the sum of items 7, 8, and 9, page 1)		$
15.	3¾ percent of line 12		
16.	Excess (if any) of line 14 over line 15		$
17.	One-fourth of line 16		$
18.	Limit on deduction for investment expenses (line 13 plus line 17)		$

Schedule C.—RESERVE INTEREST CREDIT (See Instruction 19)

1.	Sum of items 5 and 11, page 1		$
2.	50 percent of item 17 (e), page 1		
3.	Adjusted taxable income (line 1 minus line 2)		$
4.	Required interest—		
	(a) Total of column 8 (line 5), Schedule A	$	
	(b) 2 percent of reserve for deferred dividends		
	(c) Interest paid		
	(d) Sum of lines (a), (b), and (c)		$
5.	Line 3 divided by line 4 (d). Enter percentage	____%	
6.	Reserve interest credit—If percentage on line 5 is:		
	105 or more, enter zero		$
	100 or less, enter 50 percent of item 16, page 1		
	more than 100 but less than 105, enter * ____% of item 16, page 1		

* Multiply by 10 the difference between 105 percent and percentage on line 5 and enter percentage thus obtained.

ADDITIONAL INFORMATION REQUIRED

1. Was a return filed under the same name for the preceding taxable year? ☐ Yes ☐ No
2. State amount of deferred dividend funds at end of taxable year, exclusive of any amount held for payments in following taxable year $____
3. Is this a consolidated return? ☐ Yes ☐ No

   If "Yes," procure from the District Director of Internal Revenue for your district Form 851, Affiliations Schedule, which shall be filled in and filed as a part of this return.
4. If this is not a consolidated return—

   (a) did the company at any time during the taxable year own 50 percent or more of the voting stock of another corporation either domestic or foreign? ☐ Yes ☐ No

   (b) did any corporation, individual, partnership, trust, or association at any time during the taxable year own 50 percent or more of your voting stock? ☐ Yes ☐ No

   If either answer is "Yes," attach separate schedule showing: (1) Name and address; (2) percentage of stock owned; (3) date stock was acquired; and (4) the District Director's office in which the income tax return of such corporation, individual, partnership, trust, or association for the last taxable year was filed.
5. Did the company make a return of information on Forms 1096 and 1099 or Form W–2 for the calendar year 1954 (See General Instruction H)? ☐ Yes ☐ No
6. Did the company at any time during the taxable year own directly or indirectly any stock of a foreign corporation? ☐ Yes ☐

   If answer is "Yes," attach statement required by General Instruction J.
7. Did the company file with the District Director of Internal Revenue a copy of the annual statement for the preceding year as required by General Instruction K? ☐ Yes ☐

   If answer is "Yes," state District Director's office in which statement was filed.

   ____
8. If a copy of the annual statement required by General Instruction K not accompany this return, state reason why the statement attached.

   ____

   ____
9. If the company is a burial or funeral benefit insurance company, whether it is engaged directly in the manufacture of funeral su or in the performance of funeral services.

   ____

INSTRUCTIONS FOR FORM 1120 L
U. S. LIFE INSURANCE COMPANY INCOME TAX RETURN

(References are to the Internal Revenue Code of 1954 unless otherwise noted)

Taxpayers will find it helpful to read the General Instructions A to L before commencing to fill in their returns

GENERAL INSTRUCTIONS

A. Companies required to file a return.—Every domestic life insurance company and every foreign life insurance company carrying on an insurance business within the United States (if with respect to its United States business it would qualify as a life insurance company), which is engaged in the business of issuing life insurance and annuity contracts (either separately or combined with health and accident insurance) or noncancellable contracts of health and accident insurance and of which the life insurance reserves, plus unearned premiums and unpaid losses on noncancellable life, health, or accident policies not included in life insurance reserves, comprise more than 50 percent of its total reserves, shall file a return on this form. (See section 801.)

If a receiver, trustee in dissolution, trustee in bankruptcy, or assignee has possession of or holds title to all or substantially all the property or business of a corporation, whether or not the property or business is being operated, he must make a return of income for the corporation in the same manner and form required of other corporations. (See section 6012.)

B. Period covered.—The return shall be for the calendar year ended December 31, 1954, and the taxable income computed on the calendar year basis in accordance with the State laws regulating insurance companies.

C. Accounting Methods.—A return on this form shall be filed using the cash or accrual method of accounting, except that whichever method is adopted in filing the company's first return must be followed until the consent of the Commissioner is received to change the method.

D. Time and place for filing.—The return must be sent to the District Director of Internal Revenue for the district in which the company's principal place of business or principal office or agency is located, on or before March 15, 1955.

E. Signature and verification.—The return must be signed either by the president, vice-president, treasurer, assistant treasurer or chief accounting officer, or by any other corporate officer authorized to sign. A receiver, trustee, or assignee must sign any return which he is required to file on behalf of a corporation. The statement at the bottom of page 1 of the return is required to be signed by any person, firm, or corporation who prepared the taxpayer's return. If the return is prepared by a firm or corporation, it should be signed in the name of the firm or corporation. The statement is not required if the return is prepared by a regular, full-time employee.

F. Payment of tax.—The tax must be paid in full when the return is filed or in two installments, 50 percent on or before the 15th day of the third month and 50 percent on or before the 15th day of the sixth month following the close of the taxable year.

If any installment is not paid on or before the date fixed for its payment, the whole amount of the tax unpaid shall be paid upon notice and demand by the District Director. The tax may be paid in cash or by check or money order drawn to the order of "District Director, I. R. S." Cash payment should be made only in person at the District Director's office.

G. Penalties.—Failure to file, etc.—Substantial additions to the tax are imposed for failing to file a return, for late filing, and for filing a false or fr ulent return.

H. Information at source.—Every insurance company making paym in the course of its trade or business of (1) interest, rents, commissions, or c fixed or determinable income of $600 or more during the calendar year to an individual, a partnership, or a fiduciary, or (2) salaries or wages of or more shall make returns on Forms 1096 and 1099, except that the ma of such return will not be required with respect to salary or wage paym included on Form W–2, provided copies of withholding statements on W–2 are furnished. If a portion of such salary or wage payments was repo on a Withholding Statement (Form W–2), only the remainder must be repo on Form 1099.

The returns on Forms 1096 and 1099 shall also include dividend paym totaling $10 or more during the calendar year 1954 to each shareholder is an individual (citizen or resident of the United States), a resident fiduc or a resident partnership any member of which is a citizen or resident.

I. Information by corporations—1. Contemplated dissolution liquidation.—Every corporation shall, within 30 days after the adoptio the corporation of a resolution or plan for the dissolution of the corporatio for the liquidation of the whole or any part of its capital stock, render a co return on Form 966 setting forth the terms of such resolution or plan. section 6043.)

2. Distribution in liquidation.—Every corporation making distributio liquidation of the whole or any part of its capital stock shall also make ret on Forms 1096 and 1099L, as required by instructions on Form 1096, fo calendar year 1954.

J. Stock ownership in foreign corporations.—In addition to the sche required by Specific Instruction 2, a corporation owning any stock of a for corporation must attach a statement showing the name and addres each company and the total number of shares of each class of outstan stock owned during the taxable year. If the corporation owned 5 percer more in value of the outstanding stock of a foreign personal holding comp attach a statement setting forth in complete detail the information requ by section 551 (d).

K. Annual statement.—A copy of the annual statement for life insur companies adopted by the National Convention of Insurance Commissio for the year 1954, as filed with the Insurance Department of the State, T tory, or District of Columbia, which shows the reserves used in computing net income reported on the return, together with copies of Schedule A estate) and Schedule D (bonds and stocks), must accompany the return. ilar copies for the preceding year must also be furnished, if not filed for year. In the case of a foreign life insurance company carrying on a lif surance business within the United States, the copies submitted shall be t relating to the United States business of the company.

L. List of attached schedules.—Attach a list of the schedules ac panying the return, giving for each a brief title and the schedule num Place name and address of company on each schedule.

SPECIFIC INSTRUCTIONS

The following instructions are numbered to correspond with item numbers on the first page of the return

1. Interest.—Enter interest received or accrued from all sources during the taxable year. The gross amount of interest reported as gross income shall be decreased by the amortization of premium and increased by the accrual of discount attributable to the taxable year on bonds, notes, debentures, or other evidences of indebtedness, determined (1) in accordance with the method regularly employed, if reasonable, or (2) in accordance with regulations prescribed by the Secretary or his delegate. (Attach statement showing method and computation.)

2. Dividends.—Enter as item 2 (a) the amount received or accrued as dividends from a domestic corporation which is subject to taxation under Subtitle A, except dividends on certain preferred stock of a public utility, dividends received from a corporation entitled to the benefits of section 931, and from a corporation organized under the China Trade Act, 1922. Enter as item 2 (b) dividends received on certain preferred stock of a public utility which is subject to taxation under Subtitle A. Enter as item 2 (c) dividends from foreign corporations. Enter as item 2 (d) dividends from all other corporations, including dividends on share accounts in Federal savings and loan associations issued on or after March 28, 1942. Enter in item 1 (c) dividends on share accounts in Federal savings and loan associations issued prior to March 28, 1942. Submit schedule, itemizing all dividends received during the year, stating the names and addresses of the corporations declaring the dividends and amounts received from each.

3. Rents.—Enter rents received or accrued from tenants.

5. Interest wholly exempt from tax.—Enter the amount of interest which is wholly exempt from taxation under the provisions of section 103.

6. Investment expenses.—Enter expenses paid or incurred which are properly chargeable to investment expenses, the total amount of which, if there be any allocation of general expenses to investment expenses, should not exceed one-fourth of 1 percent of the mean of the invested assets reported on line 12, Schedule B, plus, in cases where the taxable income computed without any deduction for (1) investment expenses and (2) tax-free interest, exceeds 3¾ percent of the book value of such mean of the invested assets, one-fourth of such excess. Submit a schedule showing the nature and amount of the items included herein, the minor items being grouped in one amount. (See section 803 (g) (2).)

7. Taxes.—Enter taxes paid or accrued exclusively upon real estate ov by the company and taxes assessed against individual shareholders and by the company without reimbursement as provided in section 803 (g) Do not include taxes assessed against local benefits of a kind tending t crease the value of the property assessed, as for paving, sewers, etc. limitation on deduction, see Instruction 10 (b).)

8. Real estate expenses.—Enter all ordinary and necessary buil expenses, such as fire insurance, heat, light, labor, etc., and the co incidental repairs which neither materially add to the value of the pro nor appreciably prolong its life, but keep it in an ordinarily efficient op ing condition. Do not include any amount paid out for new buildings o permanent improvements or betterments made to increase the value of property or any amount expended on foreclosed property before such pro is held forth for rental purposes. (For limitation on deduction, see Instru 10 (b).)

9. Depreciation.—The amount deductible on account of depreciation i amount reasonably measuring a portion of the investment in depreci property which, by reason of exhaustion, wear and tear, or obsolescenc properly chargeable against the operations of the year. In any event deduction is limited to the depreciation on the property that is used, and t extent used, for the purpose of producing the income specified in section 80 The amount of depreciation should be determined upon the basis of the orig cost (not replacement cost) of the property, and the probable number of y remaining of its expected useful life.

(a) **Straight line method.**—The most common method of computing dep ation is the "straight line" method. It allows for the recovery of cost in e annual amounts over the life of the property, with only salvage value remai at the end of its useful life. To compute the deduction, add the cost of impr ments to the cost (or other basis) of the asset and deduct both the estim salvage value and the total depreciation allowed or allowable in past y Divide the result by the number of years of useful life remaining to the c the quotient in the depreciation deduction.

(b) **Declining balance method.**—Under this method a uniform ra applied each year to the remaining cost or other basis of property (wi adjustment for salvage value) determined at the beginning of such year.

property acquired before January 1, 1954, or used property whenever acquired, the rate of depreciation under this method may not exceed one and one-half times the applicable straight line rate.

(c) **Special rules for new assets acquired after December 31, 1953.**—The cost or other basis of an asset acquired after December 31, 1953, may be depreciated under methods proper in the past; or, it may be depreciated under any of the following methods provided (1) that the asset is tangible, (2) that it has an estimated useful life of three years or more, and (3) that the original use of the asset commenced with the taxpayer and commenced after December 31, 1953. If an asset is constructed, reconstructed, or erected by the taxpayer, so much of the basis of the asset as is attributable to construction, reconstruction or erection after December 31, 1953, may be depreciated under methods proper in the past; or, it may be depreciated under any of the following methods provided the asset meets qualifications (1) and (2) above.

(1) **Declining balance method.**—This method may be used with a rate not in excess of twice the applicable straight line rate.

(2) **Sum of the years-digits method.**—Under this method annual allowances for depreciation are computed by applying changing fractions to the taxpayer's cost or other basis of property (reduced by estimated salvage value). A deduction for each year is computed by multiplying the cost or other basis of the asset (reduced by estimated salvage value) by the number of years of useful life remaining (including the year for which the deduction is computed) and dividing the product by the sum of all the digits corresponding to the years of the estimated useful life of the asset. In the case of a five-year life this sum would be 15 (5 plus 4 plus 3 plus 2 plus 1). For the first year 5–15th of the cost reduced by estimated salvage value would be allowable, for the second year 4–15th, etc.

(3) **Other methods.**—A taxpayer may use any consistent method which does not result in accumulated allowances at the end of any year greater than the total of the accumulated allowances which would have resulted from the use of the declining balance method. This limitation applies only during the first two-thirds of the useful life of the property.

If a deduction is claimed on account of depreciation, a schedule should be filed with the return showing: (1) description of the property; (2) date of acquisition of the property; (3) the cost or other basis of the asset; (4) the amount of depreciation allowed and allowable in prior years; (5) the method under which the depreciation allowance is being claimed; (6) rate of depreciation, and expected useful life; and (7) depreciation allowance this year. In case obsolescence is included, state separately amount claimed and basis upon which it is computed. Cost or value of land is not subject to depreciation, and when land and building were purchased for a lump sum the cost of the buildings subject to depreciation must be established.

The adjusted property accounts and the accumulated depreciation shown in the schedule should be reconciled with those accounts as reflected on the books of the taxpayer. For limitation on deduction, see Instruction 10 (b) below.

10. Total deductions.—(a) Enter the total of items 5 to 9, inclusive.

(b) **Limitation on deductions relating to real estate owned and occupied.**—The deduction included in items 7 to 9 on account of real estate owned and occupied in whole or in part by the company shall be limited to an amount which bears the same ratio to such deduction (computed without regard to section 803 (h)) as the rental value of the space not so occupied bears to the rental value of the entire property. (Submit detailed schedule.)

(c) **Items not deductible.**—No deduction is allowable for the amount of any item or part thereof allocable to a class of exempt income, other than interest. Items directly attributable to such exempt income shall be allocated thereto, and items directly attributable to any class of taxable income shall be allocated to such taxable income. If an item is indirectly attributable to both taxable income and exempt income, a reasonable proportion thereof, determined in the light of all the facts and circumstances in each case, shall be allocated to each. Apportionments must in all cases be reasonable. A taxpayer receiving any exempt income, other than interest, or holding any property or engaging in any activity the income from which is exempt shall submit with its return as a part thereof an itemized statement, in detail, showing (1) the amount of each class of exempt income, and (2) the amount of items allocated to each such class (the amount allocated by apportionment being shown separately).

12 through 23. Computation of tax.—In general.—All life insurance companies (including foreign life insurance companies carrying on a life insurance business within the United States) are subject to the tax imposed by section 802. For taxable years beginning in 1954, section 802 (b) provides for a tax equal to 3¾ percent of the first $200,000 of 1954 life insurance company taxable income and 6½ percent of the amount in excess of $200,000. No consideration is to be given in the computation of the tax to any amount of the reserve and other policy liability deduction provided in section 804. The term "1954 life insurance company taxable income" is defined as the taxable income plus 8 times the amount of the adjustment for certain non-life insurance reserves provided in section 806 and minus the reserve interest credit, if any, as defined in section 805 (b). The taxable income of a foreign life insurance company carrying on a life insurance business within the United States consists of that portion of its taxable income from the United States business (shown on the form approved for life insurance companies by the National Association of Insurance Commissioners) computed under the provisions of section 807.

15. Dividends received deductions.—The deductions provided in line 15 are as follows: (a) 85 percent of the amount received as dividends (except dividends on certain preferred stock of public utilities) from a domestic corporation subject to income tax. Amounts received as dividends from mutual savings banks, cooperative banks, and domestic building and loan associations and allowed as a deduction to such banks or building and loan associations shall not be treated as dividends. In the case of dividends received from a regulated investment company, see section 854 regarding limitations on amount deductible; (b) 62.115 percent of the amount received as divi on the preferred stock of a public utility which is subject to income tax a allowed a deduction, as provided in section 247, for dividends paid; ar 85 percent of dividends received from certain foreign corporations. section 245 for qualifications and limitations on the amount of this dedu

Dividends received from a corporation described in section 246 (a) (C Trade Act Corporation, etc.) should be entered in Item 2 (d).

17. Adjustment for certain non-life insurance reserves.—For panies writing contracts other than life insurance or annuity contracts (separately or combined with noncancellable health and accident insurc add to the taxable income 3¼ percent of the unearned premiums and u losses on such other contracts which are not included in life insurance rese but not less than 3¼ percent of unpaid losses plus 3¼ percent of 25 pe of the net premiums written during the taxable year on such other cont Section 805 (a) provides that there shall be added to normal-tax net in an amount equal to eight times the amount of the adjustment for certa serves provided in section 806.

19. Reserve interest credit.—Schedule C on page 2 should be us compute the amount of the reserve interest credit. The reserve interest is allowed in instances in which the relationship between adjusted ta income and required interest is such that the adjusted taxable income i than 105 percent of the required interest. The term "adjusted taxab come" is defined as the taxable income computed without any deductio tax-free interest or without the benefit of the special deductions provide sections 242 through 245, minus 50 percent of the amount of the adjus for certain non-life insurance reserves. The term "required interest" n the total of—

(1) The sum of amounts obtained by multiplying (a) each rate of interest assumed i puting the life insurance reserves by (b) the means of the amounts of the adjusted re computed at that rate at the beginning and end of the taxable year;

(2) Two percent of the reserve for deferred dividends, and

(3) Interest paid.

If the adjusted taxable income is 105 percent or more of the required int the reserve interest credit is stated as zero. If the adjusted taxable inco 100 percent or less of the required interest, the reserve interest credit is mined as an amount equal to 50 percent of the taxable income. If th justed taxable income is more than 100 percent but less than 105 pe of the required interest, the reserve interest credit is computed by multip the taxable income by ten times the difference between 105 percent an actual percentage established. The percentage established by comp adjusted taxable income to the required interest should be carried to at the nearest one-tenth of a percentage point with the result that the multi tion by ten of the difference between 105 percent and such percentage w productive of a more accurately graduated figure than would be po were no such fractional percentage to be allowed.

22. Credit for income taxes paid to a foreign country or United S possession.—If, in accordance with section 901, a credit is claimed domestic corporation in item 22, on account of income, war-profits and e profits taxes paid or accrued to a foreign country or a possession of the U States, Form 1118 should be submitted with the return, together with th ceipt for each such tax payment. In case credit is sought for taxes ac but not paid, the form must have attached to it a certified copy of the r on which each such accrued tax was based, and the District Director m quire a bond on Form 1119 as a condition precedent to the allowance credit for such accrued taxes. A foreign company is not entitled to clai credit.

SCHEDULE A.—DATA FOR RESERVE AND OTHER POLICY BILITY CREDIT FOR THE SUCCEEDING TAXABLE YEAR

Data for succeeding taxable year.—The following data shall b nished in Schedule A by every life insurance company for the compu of the figure, for the succeeding year, to be proclaimed by the Secret determine the reserve and other policy liability credit:

(1) **Reserves (lines 1 to 5, inclusive).**—List data pertaining to life insurance re Describe fully the nature of the reserve, the method of computation, the interest rate use the amount of each such reserve at the beginning and end of the taxable year. Includ tality and morbidity reserves on noncancellable life, health, or accident contracts. include pro rata unearned premiums or unpaid losses on cancellable accident and contracts. For reserves computed on a modified basis, such as Illinois Standard, or Sele Ultimate, list 107 percent of the amount of such reserves. (For definition of life insura serves, see section 803 and the regulations thereunder.) (For reserves computed on a m basis, see section 803 and the regulations thereunder.)

(2) **Reserve earnings rate (line 9).**—Reserve earnings rate means a rate computed by 2.1125 percent (65 percent of 3¼ percent) and 35 percent of the average rate of inter sumed in computing life insurance reserves.

(3) **Reserve for deferred dividends (line 11).**—Enter an amount equal to 2 percent reserve held at the end of the taxable year for deferred dividends the payment of w deferred for a period of not less than 5 years from the date of the policy contract. Do not i in such reserve dividends payable during the following taxable year.

(4) **Interest paid or accrued (line 12).**—Enter the amount of interest paid or a during the taxable year on the company's indebtedness, except on indebtedness incur continued to purchase or carry obligations (other than obligations of the United States after September 24, 1917, and originally subscribed for by the taxpayer) the interes which is wholly exempt from taxation, and all amounts in the nature of interest, whether guaranteed, paid or accrued within the taxable year on insurance contracts (or co arising out of insurance contracts) which do not involve, at the time of payment, life, l or accident contingencies. Interest on dividends held on deposit and surrendered duri taxable year should be included in this item. Do not include any interest on deferred div which were included under (3) above.

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