SCHEDULE D (Form 1120 L)
U.S. Treasury Department
Internal Revenue Service

U.S. LIFE INSURANCE COMPANY SCHEDULE OF GAINS AND LOSSES FROM SALES OR EXCHANGES OF PROPERTY

FOR CALENDAR YEAR **1959**

Name and address

PART I.—CAPITAL ASSETS

a. Description of Property	b. Date Acquired Mo. Day Yr.	c. Date Sold Mo. Day Yr.	d. Gross Sales Price (Contract price)	e. Depreciation Allowed (or allowable) Since Acquisition or March 1, 1913 (Attach schedule)	f. Cost or Other Basis and Cost of Improvements Subsequent to Acquisition or March 1, 1913	g. Expense of Sale	h. Gain or Loss (Column d plus column e less the sum of columns f and g)	i. F.M.V. as of December 31, 1958	j. Adjusted basis as of December 31, 1958	k. Excess of column i over column j, if any	l. Gain (Excess of column h over k, but not less than zero)
Short-Term Capital Gains.—Assets Held on December 31, 1958, Where the F.M.V. Exceeded the Adjusted Basis on That Date											
1.											
2. Total											
Other Short-Term Capital Gains/Losses											
3.											
4. Total (column h)											
5. Net short-term capital gain (Total of lines 2 and 4). Enter here and on line 13, below											
6. Net short-term capital loss (Total of lines 2 and 4). Enter here and on line 17, below											
Long-Term Capitol Gains.—Assets Held on December 31, 1958, Where the F.M.V. Exceeded the Adjusted Basis on that Date											
7.											
8. Total											
Other Long-Term Capitol Gains/Losses											
9.											
10. Total (column h)											
11. Net long-term capital gain (Total of lines 8 and 10). Enter here and on line 16, below											
12. Net long-term capital loss (Total of lines 8 and 10). Enter here and on line 14, below											

Short-Term Capital Gain

13. Net short-term capital gain (line 5, above)	
14. Net long-term capital loss (line 12, above)	
15. Excess of line 13 over line 14 (Enter here and on line 6, Schedule A, Form 1120 L)	

TAX COMPUTATION

16. Net long-term capital gain (line 11, above)	
17. Less: Net short-term capital loss (line 6, above)	
18. Excess of line 16 over line 17	
19. 25 percent of line 18 (Enter here and on line 6, page 1, Form 1120 L)	

PART II.—PROPERTY OTHER THAN CAPITAL ASSETS

a. Description of Property	b. Date Acquired Mo. Day Yr.	c. Date Sold Mo. Day Yr.	d. Gross Sales Price (Contract price)	e. Depreciation Allowed (or allowable or sustained) Since Acquisition or March 1, 1913 (Attach schedule)	f. Cost or Other Basis and Cost of Improvements Subsequent to Acquisition or March 1, 1913	g. Expense of Sale	h. Gain or Loss (Column d plus column e less the sum of columns f and g)	i. F.M.V. as of December 31, 1958	j. Adjusted basis as of December 31, 1958	k. Excess of column i over column j, if any	l. Gain (Excess of column h over k, but not less than zero)
Assets Held on December 31, 1958, Where the F.M.V. Exceeded the Adjusted Basis on That Date											
1.											
2. Total gain											
OTHER ASSETS											
3.											
4. Total gain/loss (column h)											
5. Total net gain/loss (Total of lines 2 and 4). Enter here and include in total of line 11, Schedule E											

State with respect to each item of property reported in Schedule D (I) and (II):

(1) How property was acquired ______

(2) Whether at time of sale or exchange—(Check appropriate block(s))

☐ (a) purchaser owned directly or indirectly more than 50 percent in value of your outstanding stock.

☐ (b) where purchaser was a corporation, more than 50 percent in value of its capital stock and 50 percent in value of your capital stock was owned directly or indirectly by or for the same individual or his family, and

☐ (c) where purchaser was a corporation, more than 50 percent in value of its capital stock was owned directly or indirectly by you.

Name and address of purchaser

Detach before filing

INSTRUCTIONS

(References are to the Internal Revenue Code)

A. General.—Report sales or exchanges of capital assets and sales or exchanges of property other than capital assets in Schedule D. Every sale or exchange of property, even though no gain or loss may be indicated, must be reported in detail.

B. Definition of capital assets.—The term "capital assets" means property held by the taxpayer (whether or not connected with its trade or business), but does not include (1) stock in trade of the taxpayer or other property of a kind which would properly be included in the inventory of the taxpayer if on hand at the close of the taxable year, or property held by the taxpayer primarily for sale to customers in the ordinary course of its trade or business; or (2) property used in the trade or business, of a character which is subject to the allowance for depreciation provided in section 167, or real property used in the trade or business of the taxpayer (see below); or (3) certain copyrights, literary, musical, or artistic compositions, or similar properties; or (4) accounts or notes receivable acquired in the ordinary course of trade or business for services rendered or from the sale of property described in (1) above; or (5) an obligation of the United States or any of its possessions, or of a State or Territory, or any political subdivision thereof, or of the District of Columbia, issued on or after March 1, 1941, on a discount basis and payable without interest at a fixed maturity date not exceeding 1 year from the date of issue. (Sec. 1221.)

The above definition is modified in the case of life insurance companies in that the exclusion of item 2 (property used in a trade or business, etc.) relates only to property used in carrying on an insurance business. (Sec. 817(a)(2).)

The term "property used in carrying on an insurance business" means those assets used in the operation of the insurance trade or business. These assets include such items as the home office building, branch offices, office equipment, and furniture and fixtures. These assets do not include the investment assets from which interest, rents, dividends, and royalties are derived. Thus, the gains or losses from the sale or exchange of depreciable assets attributable to any trade or business (other than an insurance business) carried on by the life insurance company, such as renting various pieces of real estate, or operating a radio station, a housing development, or a farm, will be treated as gains or losses from the sales or exchanges of capital assets.

C. Gains and losses from involuntary conversion and from the sale or exchange of certain property used in the trade or business.—Section 1231 of the Code provides in part that where the gains from the sale or exchange of property used in the trade or business and held for more than 6 months exceed the losses, each gain and loss is treated as though it was from the sale or exchange of a long-term capital asset. Where the losses exceed the gains, then each gain or loss is considered as not being from the sale or exchange of a capital asset, with the result that ordinary gain or loss is realized.

Section 817(a) provides that in applying section 1231(a), the term "property used in the trade or business" shall be treated as including only (1) property used in carrying on an insurance business, of a character which is subject to the allowance for depreciation provided in section 167, held for more than 6 months, and real property used in carrying on an insurance business, held for more than 6 months, which is not described in section 1231(b)(1)(A) (relating to property includible in inventory), section 1231(b)(1)(B) (relating to property held for sale to customers), or section 1231(b)(1)(C) (relating to a copyright, a literary, musical, or artistic composition etc.); and (2) to timber and coal to which section 631 applies. See instruction B.

D. Basis.—The "basis" for certain property is not subject to the same rule for reporting gains as for losses.

1(a). Gain on property held on December 31, 1958—Section 817(b)(1)—in effect, limits the amount of gain that is to be recognized on the sale or other disposition of certain property held by the company on December 31, 1958. This is accomplished by treating the gain on the sale or other disposition of such property as an amount (but not less than zero) equal to the amount by which the gain (determined without regard to 817(b)(1)) exceeds the difference between the fair market value on December 31, 1958, and the adjusted basis (as provided in sec. 1016(a) of the Code) for determining gain as of such date. This limitation on the amount of gain recognized applies only if (1) the property was held by a life insurance company on December 31, 1958, (2) the fair market value of the property on December 31, 1958, is greater than the adjusted basis for determining gain as of that date, and (3) the taxpayer has been a life insurance company at all times on and after December 31, 1958, until the date of sale or other disposition of the property.

Example: Life insurance company I owned property X on December 31, 1958, at which time its adjusted basis was $1,000 and its fair market value was $1,800. On January 31, 1960, in a transaction to which section 1031 (Exchanges of property held for productive use or investment) applies, I receives property Y having a fair market value of $1,700 plus $300 in cash in exchange for property X. Assuming no adjustment to the basis for the period since December 31, 1958, the gain on the transaction without regard to section 817(b) is $1,000 (the amount received $2,000 [F.M.V. of property Y of $1,700 plus cash of $300] less the adjusted basis of $1,000). Under section 817(b) the gain is treated as $200 (the amount by which the gain [determined without regard to 817(b)] of $1,000 exceeds $800 [the difference between the F.M.V. of $1,800 on December 31, 1958, and the adjusted basis for determining gain as of such date of $1,000]). All of this $200 is recognized gain since under section 1031, $300 of the $1,000 gain would be recognized.

(b). Certain substituted property acquired after December 31, 1958—Section 817(b)(2)—provides certain rules for property acquired after December 31, 1958, and having a substituted basis within the meaning of section 1016(b). Subparagraph (A) of section 817(b)(2) provides, for purposes of section 817(b)(1), that such property shall be deemed as having been held continuously by the taxpayer since the beginning of the holding period of the property, determined in accord with section 1223. Subparagraph (B) provides, for purposes of section 817(b)(1), that the fair market value and the adjusted basis shall be that of that property for which the holding period taken into account includes December 31, 1958. Subparagraph (C) provides that section 817(b)(1) shall apply only if the property or properties the holding period of which are taken into account were held only by life insurance companies after December 31, 1958, during the holding periods so taken into account. Subparagraph D provides that the difference between the fair market value and the adjusted basis referred to in 817(b)(1) shall be reduced (but not below zero) by the excess of (i) the gain that would have been recognized but for section 817(b) on all prior sales or dispositions after December 31, 1958, of properties referred to in section 817(b)(2)(C), over (ii) the gain that was recognized on such sales or other dispositions. Subparagraph (E) provides that the basis of such property shall be determined as if the gain which would have been recognized but for section 817(b), were recognized gain.

Example: The basis of property Y to I (see example in (a)) is determined as if the $300 cash received had been recognized gain. Thus the basis of property Y under section 1031 is $1,000 (the basis of property X) minus $300 (the amount of money received) plus $300 (the gain of $200 recognized on the exchange plus $100 which would have been recognized but for section 817(b)).

If I later sells Y for $2,200 cash and its adjusted basis is $1,000, the gain is $1,200, which under section 817(b) is treated as a gain of $500. Under section 817(b)(2)(D), the difference of $800 between the F.M.V. of $1,800 and the adjusted basis of $1,000 is reduced by $100, the excess of $300, the amount which would have been recognized under section 1031 but for section 817(b), over $200, the gain recognized under section 817(b).

Section 817(b)(3) provides that the term "property" (for purposes of (a) and (b), above) does not include insurance and annuity contracts (and contracts supplementary thereto) and property described in paragraph (1) of section 1221 (relating to stock in trade or inventory-type property).

(c). Property held on December 31, 1958, and certain substituted property acquired after December 31, 1958.—In determining loss for such property (described in (a) and (b), above) the basis is cost, adjusted as provided by section 1016.

(d). Other property acquired after December 31, 1958.—Where property, other than property described in (b) above, was purchased after December 31, 1958, the basis is cost, adjusted as provided in section 1016. Where property was acquired by bequest, gift, involuntary conversion, or wash sale or stock; see sections 1014, 1015, 1033, and 1091, respectively.

E. Losses.—Losses from sales or exchanges of capital assets shall be allowed only to the extent of gains from such sales or exchanges. However, the amount of a net capital loss sustained in 1959 and subsequent years may be carried over to each of the 5 succeeding taxable years and treated in each such succeeding taxable year as a short-term capital loss to the extent not allowed as a deduction against any net capital gains of any taxable year intervening between the taxable year in which the net capital loss was sustained and the taxable year to which carried.

A net capital loss for any taxable year beginning before January 1, 1959, shall not be taken into account. (Sec. 817(c).)

1(a). Losses on securities becoming worthless.—If any securities (as defined below) become worthless within the taxable year and are capital assets, the loss resulting therefrom shall be considered as a loss from the sale or exchange, on the last day of such taxable year, of capital assets. Section 165(g)(1).

(b). Definition of security.—For the purpose of determining capital losses under section 165, the term "security" means a share of stock in a corporation; a right to subscribe for, or to receive, a share of stock in a corporation; or a bond, debenture, note or certificate, or other evidence of indebtedness, issued by a corporation or by a government or political subdivision thereof, with interest coupons or in registered form. However, securities issued by certain affiliated corporations shall not be deemed capital assets. Section 165(g)(3).

2. Losses not allowable.—No loss shall be recognized in any sale or other disposition of shares of stock or securities where there has been acquired substantially identical stock or securities, or there has been entered into a contract or option to acquire substantially identical stock or securities, within 30 days before or after the date of such sale or disposition, except in cases of dealers in stocks and securities which have sustained the loss in a transaction made in the ordinary course of business. Section 1091.

Except in the case of distributions in liquidation, no deduction shall be allowed in respect of losses from sales or exchanges of property, directly or indirectly, between an individual and a corporation in which such individual owns, directly or indirectly, more than 50 percent in value of the outstanding stock; or (except in the case of distributions in liquidation) between two corporations more than 50 percent in value of the outstanding stock of each of which is owned, directly or indirectly, by or for the same individual, if either one of such corporations, with respect to the taxable year of the corporation preceding the date of the sale or exchange was, under the law applicable to such taxable year, (1) a personal holding company, as defined in section 542, or (2) a foreign personal holding company, as defined in section 552. (For the purpose of determining the ownership of stock, in applying this paragraph, see section 267.)

F. Gain on transactions occurring prior to January 1, 1959.—Section 817(d) provides that any gain from the sale or exchange of a capital asset, and any gain considered as gain from the sale or exchange of a capital asset which results from sales or other dispositions of property prior to January 1, 1959, shall not be included. Thus, section 817(d) excludes from section 802(a)(2) (relating to the tax in case of capital gains) any gain from the sale of a capital asset consummated before 1959 where the sale was on the installment method.

G. Emergency facilities.—If emergency facilities are sold or exchanged, see section 1238.

H. Long-term capital gains from regulated investment companies.—Include in income as a long-term capital gain the amount the corporation has been notified constitutes its share of the undistributed capital gains of a regulated investment company. See Tax Computation Instructions, Form 1120 L, for method of claiming credit of tax paid on such gains.

I. Short sales of capital assets.—For rules regarding tax consequences of certain short sales of stock or other securities (including those dealt with on a "when issued" basis), and transactions in commodity futures, see section 1233.

Specific Instructions

Column (a) description.—Enter full description of each item of property sold or exchanged, even though no gain or loss may be indicated. Such description should include the following facts: (a) For real estate, location and description of land, description of improvements, details explaining depreciation; (b) for bonds or other evidences of indebtedness, name of issuing corporation, description of the particular issue, denomination, and amount; (c) for stocks, name of issuing corporation, class of stock, number of shares, and capital changes affecting basis (nontaxable stock dividends, other nontaxable distributions, stock rights, etc.).

Column (e) depreciation.—Enter in column "e" the amount of depreciation, exhaustion, wear and tear, obsolescence, amortization and depletion in respect of the property. This amount shall be the sum of the following:

(a) The amount of depreciation, exhaustion, wear and tear, obsolescence, amortization, and depletion which has been allowed (but not less than the amount allowable) in respect of such property since date of acquisition, or since February 28, 1913, if the property was acquired before that date. For any period after December 31, 1951, the amount of depreciation, etc., allowed (and which is in excess of the amount allowable) shall be disregarded to the extent that such excess does not result in a reduction for any taxable year of the taxpayer's income tax; and

(b) The amount of depreciation, exhaustion, wear and tear, obsolescence, amortization, and depletion actually sustained:

(1) Prior to March 1, 1913, if the property was acquired before that date; or

(2) Since February 28, 1913, and before January 1, 1958, with respect to property to which section 1016(a)(2) was inapplicable during such period.

Column (f) basis.—If the amount shown as the basis is other than actual cash cost of the property sold or exchanged, full details must be furnished regarding the acquisition of the property. Subsequent improvements to be entered in column "f" include expenditures for additions, improvements, renewals, and replacements made to restore the property or prolong its useful life. Do not include ordinary repairs, interest, or taxes in column "f" or elsewhere in computing gain or loss. Also, see General Instruction D.

Column (h) gain (loss).—Except where section 817 is applicable, the gain or loss is the result of column d plus column e, less the sum of columns f and g. Where section 817 is applicable, complete columns "a" through "g" and attach a schedule showing the method of computing the gain reported in column "h." See General Instruction D.

Columns (i)–(l).—These columns are to be used only in those cases where the fair market value of such property held or deemed held on December 31, 1958, exceeds the adjusted basis for determining gain as of such date.

Line 1.—Enter each short-term capital gain from assets held on December 31, 1958, where the fair market value exceeded the adjusted basis on that date. The term "short-term" applies to the category of gains and losses arising from the sale or exchange of capital assets held for 6 months or less.

Line 2.—Enter the total of the short-term capital gains described in line 1.

Line 3.—Enter each short-term capital gain (loss) that does not qualify under line 1.

Line 4.—Enter the total of the gains and losses that are shown in line 3, column h.

Line 5.—Enter your net short-term capital gain. The term "net short-term capital gain" means the excess of the total of all of the short-term capital gains over the total of the short-term capital losses. This total should also be entered on line 13.

Line 6.—Enter your net short-term capital loss. The term "net short-term capital loss" means the excess of the total of the short-term capital losses over the total of all of the short-term capital gains. This total should also be entered on line 14.

Line 7.—Enter each long-term capital gain from assets held on December 31, 1958, where the fair market value exceeded the adjusted basis on that date. The term "long-term" applies to the category of gains and losses arising from the sale or exchange of capital assets held for more than 6 months.

Line 8.—Enter the total of the long-term capital gains described in line 7.

Line 9.—Enter each long-term capital gain (loss) that does not qualify under line 7.

Line 10.—Enter the total of the gains and losses that are shown in line 8, column h.

Line 11.—Enter your net long-term capital gain. The term "net long-term capital gain" means the excess of the total of all of the long-term capital gains over the total of the long-term capital losses. This total should also be entered on line 16.

Line 12.—Enter your net long-term capital loss. The term "net long-term capital loss" means the excess of the total of the long-term capital losses over the total of all of the long-term capital gains. This total should also be entered on line 14.

Tax Computation

If the net long-term capital gain (line 11, above) exceeds the net short-term capital loss (line 6, above), a separate tax equal to 25 percent of such excess is imposed. The amount of the tax should be entered on line 19 of Schedule D and on line 6, page 1, Form 1120 L.

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