THE INCOME TAX UNDER UNITED STATES AND MASSACHUSETTS LAW

Published @ 2017 Trieste Publishing Pty Ltd

ISBN 9780649490608

The Income Tax Under United States and Massachusetts Law by Frank A. North

Edited by Trieste Publishing Pty Ltd.
Cover @ 2017

www.triestepublishing.com

FRANK A. NORTH

THE INCOME TAX UNDER UNITED STATES AND MASSACHUSETTS LAW

Trieste

THE INCOME TAX

UNDER

UNITED STATES AND MASSACHUSETTS LAW

BY

FRANK A. NORTH OF SUFFOLK BAR

PUBLISHED BY

JOHNSON & NORTH, ATTORNEYS

89 STATE STREET, BOSTON

CONTENTS

UNITED STATES INCOME TAX LAW

I. Brief History of the Law.

II. High Spots of the Law Arranged Alphabetically.

III. Text of the Law.

MASSACHUSETTS INCOME TAX LAW

IV. Brief History of the Law.

V. High Spots of the Law Arranged Alphabetically.

VI. Text of the Law.

VII. General Index.

I.

BRIEF HISTORY OF THE FEDERAL INCOME TAX LAW.

Aug. 5, 1909. The Congress enacted the Corporation Excise Tax Law which levied a tax of one per cent. on corporate net income for each calendar year, allowing an exemption of five thousand dollars.

Feb. 25, 1913. The Sixteenth Amendment to the Constitution of the United States was ratified by the States authorizing The Congress to levy taxes on the annual incomes of individuals.

Oct. 3, 1913. The Congress enacted the Federal Income Tax Law levying a tax of one per cent. on annual net income of individuals and corporations with a sur-tax applicable to individual incomes in excess of twenty thousand dollars and omitting the five thousand dollar exemption allowed corporations.

Jan. 24, 1916. The Supreme Court of the United States declared the Federal Income Tax Law of 1913 to be constitutional.

Sept. 8, 1916. The Congress enacted the present Revised Federal Income Tax Law, increasing the normal tax of individuals to two per cent. with a graduated sur-tax on incomes in excess of twenty thousand dollars and increasing the corporation tax to two per cent.

II.

HIGH SPOTS OF THE FEDERAL INCOME TAX LAW ARRANGED ALPHABETICALLY.

ACCIDENT INSURANCE.

Money received on accident policies should be returned as income in an individual Income Tax Return, less amount paid for premiums.

ADMINISTRATORS.

Administrators should make a Fiduciary Return whenever the net income payable to any beneficiary during the year is $3000 or over. He should attach to the Return the Exemption Certificate filed with him by the beneficiary.

An administrator is a Withholding Agent and should withhold at source one per cent. for 1916 and two per cent. thereafter of the net taxable income of each beneficiary. See "Fiduciaries."

ALIMONY.

Alimony received should be returned as income, but it is treated as a personal expense to the person paying it and is not an allowable deduction in his Return.

Where alimony paid in any year exceeds $3000 one per cent. should be deducted at source for 1916 and two per cent. thereafter.

ANNUITIES.

Annuities received by a person other than the one who made the original contract and payment under a life insurance, endowment or annuity contract, need not be returned as income.

ASSESSMENTS.

Assessments on corporation stock are not allowed as a deduction in the Return of an individual.

AUTOMOBILE.

The expense of an automobile used in business or used by a doctor in connection with his profession is a proper deduction, but such expense cannot be deducted in the case of an individual who uses his automobile exclusively for pleasure driving.

BAD DEBTS.

Individuals and corporations may include as a deduction bad debts which have been actually ascertained to be worthless and charged off on the books within the year. See "Deductions."

BENEFICIARIES.

Beneficiaries under a trust like all other individuals must make a Return if their net income equals $3000 or over. The fact that the Fiduciary has made a Return does not excuse the beneficiary from making one also, if his total net income amounts to $3000 or more.

BLANK FORMS.

Blank Forms for Returns of Individuals and Corporations, Fiduciary Returns, Withholding Certificates and Ownership Certificates may be obtained from the Collector of Internal Revenue, 185 Devonshire Street, Boston. They are usually sent by mail to individuals and corporations who have made a Return in previous years but the non-receipt of Blank Forms is not an excuse for failure to file Returns, as required by the Income Tax Law.

BONDS.

The income from United States, State, County and Municipal bonds is exempt under the Income Tax Law and need not be returned. See "Income."

CLUBS.

Clubs are exempt under the Income Tax Law and need not make returns provided they file an affidavit with the Collector establishing their right to exemption. See "Corporations."

COMMISSIONS.

A commission paid to a real estate agent for collecting rent or managing property is an allowable deduction. See "Salaries."

CONSERVATORS.

See "Guardians."

CORPORATIONS.

All business corporations chartered under the laws of any State, except those certified by the Collector as exempt, are required to file a Return and to pay a tax of two per cent. on their net income for each year. There is no sur-tax.

Exempt Corporations. The following corporations are not required to make Income Tax Returns other than Withholding Return provided they file an affidavit establishing their right to exemption; Labor, agricultural or horticultural associations, mutual savings banks, fraternal beneficiary societies, orders or associations operating under the lodge system, domestic building and loan associations, cemetery companies, religious, charitable, scientific and educational corporations, business leagues, chambers of commerce and boards of trade.

Returns. Corporations subject to the Income Tax are required to file Returns of net income on March first, or by permission of the Collector sixty days after the close of their fiscal year.

Payment. The tax is payable June fifteenth, except when based upon a fiscal year return, in which case it is payable one hundred and sixty-five days after the close of such fiscal year.

Gross Income. Mercantile corporations determine gross income by including the total merchandise sales during the year less the purchases increased or decreased by the gain or loss as shown by the inventories of merchandise at the beginning and end of the year for which the Return is made plus income from all other sources.

Manufacturing corporations determine gross income from the total sales of manufactured goods during the year covered by the Return, less purchases of raw material and cost of labor, increased or decreased by the gain or loss as shown by the inventories of finished or unfinished products, raw material, etc. at the beginning and end of the year, plus income from all other sources.

Miscellaneous corporations determine gross income from the total revenue derived from the op-