

or compensation upon the filing by such person with the department by which such retired pay is paid of a waiver of so much of his retired pay and allowances as is equal in amount to such pension or compensation. To prevent duplication of payments, the department with which any such waiver is filed shall notify the Veterans' Administration of the receipt of such waiver, the amount waived, and the effective date of the reduction in retired pay.

Approved May 27, 1944.

[CHAPTER 210]

AN ACT

To provide for simplification of the individual income tax.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That (a) SHORT TITLE.—This Act may be cited as the "Individual Income Tax Act of 1944".

(b) *ACT AMENDATORY OF INTERNAL REVENUE CODE.*—Except as otherwise expressly provided, wherever in this Act an amendment is expressed in terms of an amendment to a chapter, subchapter, title, supplement, section, subsection, subdivision, paragraph, subparagraph, or clause, the reference shall be considered to be made to a provision of the Internal Revenue Code.

(c) *MEANING OF TERMS USED.*—Except as otherwise expressly provided, terms used in this Act shall have the same meaning as when used in the Internal Revenue Code.

May 29, 1944
[H. R. 4646]
[Public Law 315]

Individual Income
Tax Act of 1944.

53 Stat., Part 1.
26 U. S. C.; 26 U. S.
C., Supp. III.

Part I—Amendments to Chapter 1 of the Internal Revenue Code

SEC. 2. TAXABLE YEARS TO WHICH APPLICABLE.

Except as otherwise expressly provided, the amendments made by this part shall be applicable with respect to taxable years beginning after December 31, 1943.

SEC. 3. NORMAL TAX ON INDIVIDUALS.

Section 11 (relating to the normal tax on individuals) is amended to read as follows:

53 Stat. 5.
26 U. S. C., Supp.
III, § 11.

"SEC. 11. NORMAL TAX ON INDIVIDUALS.

"There shall be levied, collected, and paid for each taxable year upon the net income of every individual a normal tax of 3 per centum of the amount of the net income in excess of the credits against net income provided in section 25 (a). For alternative tax which may be elected if adjusted gross income is less than \$5,000, see Supplement T."

53 Stat. 17.
26 U. S. C. § 25a;
Supp. III, § 25a.
Ante, p. 31; *post*, pp.
232, 233, 647.

SEC. 4. SURTAX ON INDIVIDUALS.

(a) *IMPOSITION OF TAX.*—Section 12 (b) (relating to the surtax on individuals) is amended to read as follows:

53 Stat. 5.
26 U. S. C., Supp.
III, § 12 (b).

"(b) *RATES OF SURTAX.*—There shall be levied, collected, and paid for each taxable year upon the surtax net income of every individual the surtax shown in the following table:

"If the surtax net income is:	The surtax shall be:
Not over \$2,000.....	20% of the surtax net income.
Over \$2,000 but not over \$4,000.....	\$400, plus 22% of excess over \$2,000.
Over \$4,000 but not over \$6,000.....	\$840, plus 26% of excess over \$4,000.
Over \$6,000 but not over \$8,000.....	\$1,360, plus 30% of excess over \$6,000.

"If the surtax net income is:	The surtax shall be:
Over \$8,000 but not over \$10,000....	\$1,960, plus 34% of excess over \$8,000.
Over \$10,000 but not over \$12,000....	\$2,640, plus 38% of excess over \$10,000.
Over \$12,000 but not over \$14,000....	\$3,400, plus 43% of excess over \$12,000.
Over \$14,000 but not over \$16,000....	\$4,260, plus 47% of excess over \$14,000.
Over \$16,000 but not over \$18,000....	\$5,200, plus 50% of excess over \$16,000.
Over \$18,000 but not over \$20,000....	\$6,200, plus 53% of excess over \$18,000.
Over \$20,000 but not over \$22,000....	\$7,260, plus 56% of excess over \$20,000.
Over \$22,000 but not over \$26,000....	\$8,380, plus 59% of excess over \$22,000.
Over \$26,000 but not over \$32,000....	\$10,740, plus 62% of excess over \$26,000.
Over \$32,000 but not over \$38,000....	\$14,460, plus 65% of excess over \$32,000.
Over \$38,000 but not over \$44,000....	\$18,360, plus 69% of excess over \$38,000.
Over \$44,000 but not over \$50,000....	\$22,500, plus 72% of excess over \$44,000.
Over \$50,000 but not over \$60,000....	\$26,820, plus 75% of excess over \$50,000.
Over \$60,000 but not over \$70,000....	\$34,320, plus 78% of excess over \$60,000.
Over \$70,000 but not over \$80,000....	\$42,120, plus 81% of excess over \$70,000.
Over \$80,000 but not over \$90,000....	\$50,220, plus 84% of excess over \$80,000.
Over \$90,000 but not over \$100,000..	\$58,620, plus 87% of excess over \$90,000.
Over \$100,000 but not over \$150,000..	\$67,320, plus 89% of excess over \$100,000.
Over \$150,000 but not over \$200,000..	\$111,820, plus 90% of excess over \$150,000.
Over \$200,000.....	\$156,820, plus 91% of excess over \$200,000."

55 Stat. 692.
26 U. S. C., Supp.
III, § 12 (g).

Ante, p. 231.

53 Stat. 24; 56 Stat.
593.
26 U. S. C. §§ 31, 32;
Supp. III, § 35.

Infra.

55 Stat. 689.
26 U. S. C., Supp.
III, §§ 400-404.
Ante, pp. 26, 31; *post*,
p. 647.

(b) **LIMITATION ON AGGREGATE TAX.**—Section 12 is amended by striking out subsection (g) and inserting in lieu thereof the following:

"(g) **LIMITATION ON TAX.**—The tax imposed by this section and section 11, computed without regard to the credits provided in sections 31, 32, and 35, shall in no event exceed in the aggregate 90 per centum of the net income of the taxpayer for the taxable year.

"(h) **ALTERNATIVE TAX.**—For alternative tax which may be elected if adjusted gross income is less than \$5,000, see Supplement T."

SEC. 5. ALTERNATIVE TAX ON INDIVIDUALS WITH ADJUSTED GROSS INCOME OF LESS THAN \$5,000.

(a) **IN GENERAL.**—Supplement T of Chapter 1 (relating to the alternative tax on individuals with gross income from certain sources of less than \$3,000) is amended to read as follows:

"Supplement T—Individuals with Adjusted Gross Income of Less than \$5,000

"SEC. 400. IMPOSITION OF TAX.

"In lieu of the taxes imposed by sections 11 and 12, there shall be levied, collected, and paid for each taxable year upon the net income of each individual whose adjusted gross income for such year is less than \$5,000, and who has elected to pay the tax imposed by this supplement for such year, the tax shown in the following table:

Ante, p. 231; *supra*.
53 Stat. 5.
26 U. S. C. § 12;
Supp. III, § 12.

"SEC. 401. DEFINITION OF 'SURTAX EXEMPTION'.

Ante, p. 233; *post*,
p. 647.

"As used in the table in section 400, the term 'number of surtax exemptions' means the number of the exemptions allowed under section 25 (b) as credits against net income for the purpose of the surtax imposed by section 12.

Post, p. 238
53 Stat. 5.
26 U. S. C. § 12;
Supp. III, § 12b.
Ante, pp. 231, 232.

"SEC. 402. MANNER AND EFFECT OF ELECTION.

Ante, p. 232.

"The election referred to in section 400 shall be exercised in the manner provided in regulations prescribed by the Commissioner with the approval of the Secretary. For cases in which election to take the standard deduction also constitutes an election to pay the tax imposed by this supplement, see section 23 (aa) (3) (D). For cases in which election to file a return without showing tax thereon constitutes an election to pay the tax imposed by this supplement, see section 51 (f).

Post, p. 237.

Post, p. 240.

"SEC. 403. CREDITS NOT ALLOWED.

"For credits against tax and against net income not allowed, in the case of a taxpayer who elects to pay the tax imposed by this supplement, because of the fact that such election constitutes an election to take the standard deduction, see section 23 (aa).

Post, p. 236.

Ante, p. 31.

"SEC. 404. CERTAIN TAXPAYERS INELIGIBLE.

53 Stat. 79.
26 U. S. C. § 251;
Supp. III, § 251.
Post, p. 240.

"This supplement shall not apply to a nonresident alien individual, to a citizen of the United States entitled to the benefits of section 251, to an estate or trust, or to an individual making a return for a period of less than twelve months on account of a change in the accounting period. For provisions making both husband and wife ineligible to elect to pay the tax imposed by this supplement if either does not elect to take the standard deduction, see section 23 (aa) (4)."

Post, p. 237.

55 Stat. 692.
26 U. S. C. Supp.
III, § 4 (i).

(b) **TECHNICAL AMENDMENT.**—Section 4 (relating to special classes of taxpayers) is amended by striking out subsection (1) and inserting in lieu thereof the following:

Ante, p. 232; *post*, p.
647.

"(1) Individuals with adjusted gross income of less than \$5,000, — Supplement T."

SEC. 6. REPEAL OF VICTORY TAX.

56 Stat. 884.
26 U. S. C., Supp.
III, §§ 460-476.
Ante, p. 31.

(a) **IN GENERAL.**—Subchapter D of Chapter 1 (relating to the victory tax) is repealed.

56 Stat. 892.
26 U. S. C., Supp.
III, § 3.

(b) **TECHNICAL AMENDMENTS.**—

(1) Section 3 (relating to classification of provisions) is amended by striking out the following:

"Subchapter D—Victory tax on individuals, divided into parts and sections."

56 Stat. 893.
26 U. S. C., Supp.
III, § 66 (f).

(2) Section 56 (f) (cross reference) is amended by striking out ", 144, and Part II of Subchapter D" and inserting in lieu thereof "and 144".

56 Stat. 892.
26 U. S. C., Supp.
III, § 103.

(3) Section 103 (relating to rates of tax on citizens and corporations of certain foreign countries) is amended by striking out "and 450" wherever appearing therein and inserting in lieu thereof "and 400".

Ante, p. 232; *post*, p.
647.

56 Stat. 856.
26 U. S. C., Supp.
III, § 131 (a).

(4) Section 131 (a) (relating to taxes of foreign countries and of possessions of the United States) is amended by striking out "or section 450".

56 Stat. 893.
26 U. S. C., Supp.
III, § 131 (i).
56 Stat. 893.
26 U. S. C., Supp.
III, § 35.

(5) Section 131 (i) (relating to tax withheld at source) is amended by striking out "466 (e)" and by inserting in lieu thereof "35".

56 Stat. 836.
26 U. S. C., Supp.
III, § 145 (e).

(6) Section 145 (e) (cross reference) is amended to read as follows:

“(e) For penalties for failure to file information returns with respect to foreign personal holding companies and foreign corporations, see section 340.”

(7) Section 291 (b) (cross reference) is repealed.

(8) Section 294 (d) (2) (relating to substantial underestimate of estimated tax) is amended by striking out “, 35, and 466 (e)” and inserting in lieu thereof “and 35”.

(9) Section 322 (a) (2) (relating to excessive withholding) is amended by striking out “Part II of Subchapter D or” and by striking out “or 466 (e)”.

(10) Section 322 (e) (relating to presumption as to date of payment) is amended by striking out “under Part II of Subchapter D or” and “or section 466 (e)”.

53 Stat. 98.
26 U. S. C. § 340.
56 Stat. 893.
26 U. S. C., Supp.
III, § 291 (b).
Ante, p. 33.

57 Stat. 140.
26 U. S. C., Supp.
III, § 322 (a) (2).

57 Stat. 140.
26 U. S. C., Supp.
III, § 322 (e).

SEC. 7. SERVICES OF CHILDREN.

Section 22 (relating to gross income) is amended by inserting at the end thereof the following:

“(m) SERVICES OF CHILD.—

“(1) Amounts received in respect of the services of a child shall be included in his gross income and not in the gross income of the parent, even though such amounts are not received by the child.

“(2) All expenditures by the parent or the child attributable to amounts which are includible in the gross income of the child and not of the parent solely by reason of paragraph (1) shall be deemed to have been paid or incurred by the child.

“(3) For the purposes of this subsection, the term ‘parent’ includes an individual who is entitled to the services of a child by reason of having parental rights and duties in respect of the child.

“(4) Any tax assessed against the child, to the extent attributable to amounts includible in the gross income of the child and not of the parent solely by reason of paragraph (1), shall, if not paid by the child, for all purposes be considered as having also been properly assessed against the parent.”

53 Stat. 9.
26 U. S. C. § 22;
Supp. III, § 22.
Ante, pp. 33, 34;
infra, *post*, p. 241.

SEC. 8. ADJUSTED GROSS INCOME.

(a) IN GENERAL.—Section 22 (relating to gross income) is amended by inserting at the end thereof the following:

“(n) DEFINITION OF ‘ADJUSTED GROSS INCOME’.—As used in this chapter the term ‘adjusted gross income’ means the gross income minus—

“(1) TRADE AND BUSINESS DEDUCTIONS.—The deductions allowed by section 23 which are attributable to a trade or business carried on by the taxpayer, if such trade or business does not consist of the performance of services by the taxpayer as an employee;

“(2) EXPENSES OF TRAVEL AND LODGING IN CONNECTION WITH EMPLOYMENT.—The deductions allowed by section 23 which consist of expenses of travel, meals, and lodging while away from home, paid or incurred by the taxpayer in connection with the performance by him of services as an employee;

“(3) REIMBURSED EXPENSES IN CONNECTION WITH EMPLOYMENT.—The deductions allowed by section 23 (other than expenses of travel, meals, and lodging while away from home) which consist of expenses paid or incurred by the taxpayer, in connection with the performance by him of services as an employee, under a reimbursement or other expense allowance arrangement with his employer;

Supra.

53 Stat. 12.
26 U. S. C. § 23;
Supp. III, § 23.
Ante, pp. 34-36; *post*,
p. 236.

"(4) DEDUCTIONS ATTRIBUTABLE TO RENTS AND ROYALTIES.—The deductions (other than those provided in paragraph (1), (5), or (6)) allowed by section 23 which are attributable to property held for the production of rents or royalties;

"(5) CERTAIN DEDUCTIONS OF LIFE TENANTS AND INCOME BENEFICIARIES OF PROPERTY.—The deductions (other than those provided in paragraph (1)) for depreciation and depletion, allowed by section 23 (1) and (m) to a life tenant of property or to an income beneficiary of property held in trust; and

"(6) LOSSES FROM SALES OR EXCHANGE OF PROPERTY.—The deductions (other than those provided in paragraph (1)) allowed by section 23 as losses from the sale or exchange of property."

53 Stat. 14.
26 U. S. C. § 23 (m);
Supp. III, § 23 (l).

53 Stat. 14; 56 Stat.
826.
26 U. S. C. § 23 (o);
Supp. III, § 23 (o).

56 Stat. 825.
26 U. S. C., Supp.
III, § 23 (x).

Post, p. 239.

Post, p. 238.

"Medical care."

(b) CHARITABLE CONTRIBUTIONS.—Section 23 (o) (relating to the so-called "charitable deduction") is amended by striking out "net income as computed without the benefit of this subsection or of subsection (x)" and inserting in lieu thereof "adjusted gross income".

(c) MEDICAL EXPENSE DEDUCTION.—Section 23 (x) (relating to the so-called "medical expense deduction") is amended to read as follows:

"(x) MEDICAL, DENTAL, ETC., EXPENSES.—Expenses paid during the taxable year, not compensated for by insurance or otherwise, for medical care of the taxpayer, his spouse, or a dependent specified in section 25 (b) (3), to the extent that such expenses exceed 5 per centum of the adjusted gross income. If only one surtax exemption is allowed under section 25 (b) for the taxable year, the maximum deduction for the taxable year shall be not in excess of \$1,250. If more than one surtax exemption is so allowed, the maximum deduction shall be not in excess of \$2,500. The term 'medical care', as used in this subsection, shall include amounts paid for the diagnosis, cure, mitigation, treatment, or prevention of disease, or for the purpose of affecting any structure or function of the body (including amounts paid for accident or health insurance)."

(d) CAPITAL GAINS AND LOSSES.—

(1) DEFINITION OF CAPITAL NET GAINS.—Section 117 (a) (10) (B) is amended by adding at the end thereof a new sentence to read as follows: "If the tax is to be computed under Supplement T, 'net income' as used in this subparagraph shall be read as 'adjusted gross income'."

(2) LIMITATION ON CAPITAL LOSSES.—Section 117 (d) (2) is amended by adding at the end thereof a new sentence to read as follows: "If the tax is to be computed under Supplement T, 'net income' as used in this paragraph shall be read as 'adjusted gross income'."

56 Stat. 843.
26 U. S. C., Supp.
III, § 117 (a) (10) (B).

Ante, p. 232; post, p.
647.

53 Stat. 52.
26 U. S. C., Supp.
III, § 117 (d) (2).
Ante, p. 232; post, p.
647.

SEC. 9. OPTIONAL STANDARD DEDUCTION.

(a) IN GENERAL.—Section 23 is amended by adding at the end thereof a new subsection to read as follows:

"(aa) OPTIONAL STANDARD DEDUCTION FOR INDIVIDUALS.—

(1) ALLOWANCE.—In the case of an individual, at his election a standard deduction as follows:

"(A) Adjusted Gross Income \$5,000 or More.—If his adjusted gross income is \$5,000 or more, the standard deduction shall be \$500.

"(B) Adjusted Gross Income Less Than \$5,000.—If his adjusted gross income is less than \$5,000, the standard deduction shall be an amount equal to 10 per centum of the adjusted gross income upon the basis of which the tax applicable to the adjusted gross income of the taxpayer is determined under the tax table provided in section 400.

"(2) IN LIEU OF CERTAIN DEDUCTIONS AND CREDITS.—The standard deduction shall be in lieu of: (A) all deductions other than

53 Stat. 12.
26 U. S. C. § 23;
Supp. III, § 23.
Ante, pp. 34-36;
supra.

Ante, p. 232; post, p.
647.

those which under section 22 (n) are to be subtracted from gross income in computing adjusted gross income, (B) all credits with respect to taxes of foreign countries and possessions of the United States, (C) all credits with respect to taxes withheld at the source under section 143 (a) (relating to interest on tax-free covenant bonds), and (D) all credits against net income with respect to interest on certain obligations of the United States and Government corporations of the character specified in section 25 (a) (1) and (2).

Ante, p. 235.

53 Stat. 60.
26 U. S. C. § 143 (a);
Supp. III, § 143 (a).
Post, p. 239.

53 Stat. 17.
26 U. S. C., Supp.
III, § 25 (a) (1), (2).

“(3) METHOD AND EFFECT OF ELECTION.—

“(A) If the adjusted gross income shown on the return is \$5,000 or more, the standard deduction shall be allowed only if the taxpayer so elects in his return, and the Commissioner, with the approval of the Secretary, shall by regulations prescribe the manner of signifying such election in the return.

“(B) If the adjusted gross income shown on the return is less than \$5,000, the standard deduction shall be allowed only if the taxpayer elects, in the manner provided in Supplement T, to pay the tax imposed by such supplement.

Ante, p. 232; *post*, p. 647.

“(C) If the taxpayer does not signify, in the manner provided by subparagraph (A) or (B), his election to take the standard deduction, it shall not be allowed. If he does so signify, such election shall be irrevocable.

“(D) If the adjusted gross income shown on the return is \$5,000 or more, but the correct adjusted gross income is less than \$5,000, then an election by the taxpayer under subparagraph (A) to take the standard deduction shall be considered as his election to pay the tax imposed by Supplement T; and his failure to make under subparagraph (A) an election to take the standard deduction shall be considered his election not to pay the tax imposed by Supplement T. If the adjusted gross income shown on the return is less than \$5,000, but the correct adjusted gross income is \$5,000 or more, then an election by the taxpayer under subparagraph (B) to pay the tax imposed by Supplement T shall be considered as his election to take the standard deduction; and his failure to elect under subparagraph (B) to pay the tax imposed by Supplement T shall be considered his election not to take the standard deduction.

Ante, p. 232; *post*, p. 647.

“(4) HUSBAND AND WIFE.—In the case of husband and wife living together, the standard deduction shall not be allowed to either if the net income of one of the spouses is determined without regard to the standard deduction. For the purposes of this paragraph the determination of whether an individual is married and living with his spouse shall be made as of the last day of the taxable year, unless his spouse dies during the taxable year, in which case such determination shall be made as of the date of such spouse's death.

“(5) SHORT PERIOD.—In the case of a taxable year of less than twelve months on account of a change in the accounting period, the standard deduction shall not be allowed.”

(b) ESTATES, TRUSTS, AND COMMON TRUST FUNDS.—

(1) ESTATES AND TRUSTS.—Section 162 (relating to net income of estates and trusts) is amended by inserting at the end thereof the following:

53 Stat. 66.
26 U. S. C. § 162;
Supp. III, § 162.
Ante, p. 50.

“(f) The standard deduction provided in section 23 (aa) shall not be allowed.”

Ante, p. 236.

53 Stat. 69.
26 U. S. C. § 169 (d);
Supp. III, § 169 (d).

(2) **COMMON TRUST FUNDS.**—Section 169 (d) (relating to income of common trust funds) is amended by inserting at the end thereof the following:

“(4) The standard deduction provided in section 23 (aa) shall not be allowed.”

Ante, p. 235.

53 Stat. 70.
26 U. S. C. § 183;
Supp. III, § 183.

(c) **PARTNERSHIPS.**—Section 183 (relating to partnership income) is amended—

(1) by striking out “(b) and (c)” in subsection (a) and inserting in lieu thereof “(b), (c), and (d)”;

(2) by inserting at the end thereof the following:

“(d) **STANDARD DEDUCTION.**—In computing the net income of the partnership, the standard deduction provided in section 23 (aa) shall not be allowed.”

Ante, p. 236.

53 Stat. 76.
26 U. S. C. § 213.

(d) **NONRESIDENT ALIENS.**—Section 213 (relating to deductions in computing net income of certain nonresident aliens) is amended by inserting at the end thereof the following:

“(d) **STANDARD DEDUCTION.**—The standard deduction provided in section 23 (aa) shall not be allowed.”

Ante, p. 236.

SEC. 10. CREDITS AGAINST NET INCOME.

53 Stat. 17.
26 U. S. C. § 25 (a);
Supp. III, § 25 (a).
Ante, p. 31.

(a) **FOR NORMAL TAX.**—Section 25 (a) (relating to credits against net income for the purposes of the normal tax) is amended by adding at the end thereof a new paragraph to read as follows:

“(3) **NORMAL-TAX EXEMPTION.**—A normal-tax exemption of \$500. In the case of a joint return by husband and wife under section 51, the normal-tax exemption shall be \$1,000, except that if the adjusted gross income of one spouse is less than \$500, the normal-tax exemption shall be \$500 plus the adjusted gross income of such spouse.”

53 Stat. 27.
26 U. S. C. § 51;
Supp. III, § 51.
Post, p. 240.

(b) **FOR SURTAX.**—Section 25 (b) (relating to credits for both normal tax and surtax) is amended to read as follows:

“(b) **CREDITS FOR SURTAX ONLY.**—

“(1) **CREDITS.**—There shall be allowed for the purpose of the surtax, but not for the normal tax, the following credits against net income:

“(A) A surtax exemption of \$500 for the taxpayer;

“(B) A surtax exemption of \$500 for the spouse of the taxpayer if—

“(i) a joint return is made by the taxpayer and his spouse under section 51, in which case the surtax exemption of the spouses under subparagraph (A) and this subparagraph shall be only \$1,000 in the aggregate, or

“(ii) a separate return is made by the taxpayer, and his spouse has no gross income for the calendar year in which the taxable year of the taxpayer begins and is not the dependent of another taxpayer;

“(C) A surtax exemption of \$500 for each dependent whose gross income for the calendar year in which the taxable year of the taxpayer begins is less than \$500, except that if such dependent is married the exemption in respect of such dependent shall not be allowed if such dependent has made a joint return with the other spouse under section 51 for a taxable year beginning in such calendar year.

“(2) **DETERMINATION OF STATUS.**—The determination of whether an individual is married shall be made as of the last day of the taxable year, unless his spouse dies during the taxable year, in which case such determination shall be made as of the date of his spouse's death.

53 Stat. 27.
26 U. S. C. § 51;
Supp. III, § 51.
Post, p. 240.

“(3) DEFINITION OF DEPENDENT.—As used in this chapter the term ‘dependent’ means any of the following persons over half of whose support, for the calendar year in which the taxable year of the taxpayer begins, was received from the taxpayer:

“(A) a son or daughter of the taxpayer, or a descendant of either,

“(B) a stepson or stepdaughter of the taxpayer,

“(C) a brother, sister, stepbrother, or stepsister of the taxpayer,

“(D) the father or mother of the taxpayer, or an ancestor of either,

“(E) a stepfather or stepmother of the taxpayer,

“(F) a son or daughter of a brother or sister of the taxpayer,

“(G) a brother or sister of the father or mother of the taxpayer,

“(H) a son-in-law, daughter-in-law, father-in-law, mother-in-law, brother-in-law, or sister-in-law of the taxpayer.

“As used in this paragraph, the terms ‘brother’ and ‘sister’ include a brother or sister by the half-blood. For the purposes of determining whether any of the foregoing relationships exist, a legally adopted child of a person shall be considered a child of such person by blood. The term ‘dependent’ does not include any individual who is a citizen or subject of a foreign country unless such individual is a resident of the United States or of a country contiguous to the United States. A payment to a wife which is includible under section 22 (k) or section 171 in the gross income of such wife shall not be considered a payment by her husband for the support of any dependent.”

56 Stat. 816, 817.
26 U. S. C., Supp.
III, §§ 22 (k), 171.

(c) REDUCTION OF CREDITS IN CASE OF JEOPARDY.—Section 47 (e) (relating to reduction of certain credits against net income in case of jeopardy) is amended by striking out “personal exemption and credit for dependents” and inserting in lieu thereof “normal tax exemption and surtax exemptions”; and by striking out “the full credits provided” and inserting in lieu thereof “the full normal tax exemption (in the case of the normal tax) and the full surtax exemptions (in the case of the surtax)”.

53 Stat. 26.
26 U. S. C. § 47 (e).
Ante, p. 31.

(d) CREDITS AGAINST NET INCOME IN CASE OF INTEREST ON TAX-FREE COVENANT BONDS.—Section 143 (a) (2) (relating to credits against net income in the case of interest on tax-free covenant bonds) is amended by striking out “credits provided in section 25 (b)” and inserting in lieu thereof “normal tax exemption provided in section 25 (a) (3) and the surtax exemptions provided in section 25 (b)”.

53 Stat. 61.
26 U. S. C. § 143 (a)
(2).

Ante, p. 238.

(e) CREDITS OF ESTATE OR TRUST AGAINST NET INCOME.—Section 163 (a) (1) (relating to credits of estates and trusts against net income) is amended to read as follows:

53 Stat. 67.
26 U. S. C. § 163 (a)
(1).

“(1) For the purpose of the normal tax an estate shall be allowed the same normal tax exemption as is allowed to a single person under section 25 (a) (3). For the purpose of the surtax an estate shall be allowed the same surtax exemption as is allowed to an individual under section 25 (b) (1) (A). A trust shall be allowed a credit of \$100 against net income for the purpose of the normal tax and a credit of \$100 against net income for the purpose of the surtax. Such credits shall be in lieu of the normal tax exemption under section 25 (a) (3) and the surtax exemption under section 25 (b) (1) (A).”

Ante, p. 238.

Ante, p. 238.

(f) CREDITS OF NONRESIDENT ALIENS AGAINST NET INCOME.—Section 214 (relating to credits of nonresident aliens against net income) is amended to read as follows:

53 Stat. 77.
26 U. S. C., Supp.
III, § 214.

"SEC. 214. CREDITS AGAINST NET INCOME.

"In the case of a nonresident alien individual who is not a resident of a contiguous country, the normal tax exemption allowed by section 25 (a) (3) shall be only \$500 and the surtax exemptions allowed by section 25 (b) (1) (B) and (C) shall not be allowed."

Ante, p. 238.

Ante, p. 238.

53 Stat. 77.
26 U. S. C. § 215 (b).

(g) CREDITS OF NONRESIDENT ALIEN AGAINST NET INCOME IN CASE OF TAX WITHHELD AT SOURCE.—Section 215 (b) (relating to credits of nonresident alien against net income in case of tax withheld at source) is amended by striking out "the personal exemption and credit for dependents" and inserting in lieu thereof "the normal tax exemption and the surtax exemptions".

53 Stat. 80.
26 U. S. C., Supp.
III, § 251 (f).

(h) CREDITS OF CITIZENS ENTITLED TO BENEFITS OF SECTION 251.—Section 251 (f) (relating to credits against net income in the case of citizens entitled to the benefits of section 251) is amended to read as follows:

"(f) CREDITS AGAINST NET INCOME.—A citizen of the United States entitled to the benefits of this section shall be allowed a normal tax exemption of only \$500 and shall not be allowed the surtax exemptions allowed by section 25 (b) (1) (B) and (C)."

Ante, p. 238.

56 Stat. 818.
26 U. S. C., Supp.
III, § 3797 (a) (17).

(i) DEFINITION OF HUSBAND AND WIFE.—Section 3797 (a) (17) (defining husband and wife for certain purposes) is amended by striking out "25 (b) (2) (A), and 171, and the last sentence of section 401 (a) (2)" and inserting in lieu thereof "171, and the last sentence of section 25 (b) (3)".

56 Stat. 817.
26 U. S. C., Supp.
III, § 171.
Ante, p. 239.

SEC. 11. RETURNS.

53 Stat. 27.
26 U. S. C. § 51 (b);
Supp. III, § 61 (a).
Ante, p. 31.

(a) IN GENERAL.—Section 51 (a) and (b) (relating to individual returns) is amended to read as follows:

"(a) REQUIREMENT.—Every individual having for the taxable year a gross income of \$500 or more shall make a return, which shall contain or be verified by a written declaration that it is made under the penalties of perjury. Such return shall set forth in such cases, and to such extent, and in such detail, as the Commissioner with the approval of the Secretary may by regulations prescribe, the items of gross income and the deductions and credits allowed under this chapter and such other information for the purpose of carrying out the provisions of this chapter as may be prescribed by such regulations.

"(b) HUSBAND AND WIFE.—A husband and wife may make a single return jointly. Such a return may be made even though one of the spouses has neither gross income nor deductions. If a joint return is made the tax shall be computed on the aggregate income and the liability with respect to the tax shall be joint and several. No joint return may be made if either the husband or wife is a nonresident alien or if the husband and wife have different taxable years. The status of individuals as husband and wife shall be determined as of the last day of the taxable year."

Ante, p. 31.

(b) RETURNS BY WAGE EARNERS.—Section 51 (relating to returns by individuals) is amended by striking out subsection (f) and inserting in lieu thereof the following:

"(f) TAX COMPUTED BY COLLECTOR IN CASE OF WAGE EARNERS.—

"(1) RETURN REQUIREMENTS.—An individual entitled to elect to pay the tax imposed by Supplement T whose gross income is less than \$5,000 and is entirely from one or more of the following sources: Remuneration for services performed by him as an employee, dividends, or interest; and whose gross income from sources other than wages, as defined in section 1621 (a), does not exceed \$100, shall at his election be relieved, by using the form prescribed as the form for the return for the purposes of this subsection, from showing on the return the tax imposed by

Ante, p. 232; *post*, p. 647.

57 Stat. 126.
26 U. S. C., Supp.
III, § 1621 (a).

this chapter. In such case the tax shall be computed by the collector.

“(2) **RESULT OF COMPUTATION.**—After the collector has computed the tax, he shall mail to the taxpayer a notice stating the amount determined by the collector as payable and making demand therefor.

“(3) **REGULATIONS.**—The Commissioner with the approval of the Secretary shall prescribe regulations for carrying out this subsection, and such regulations may provide for the application of the rules of this subsection to cases where the gross income includes items other than those enumerated in paragraph (1), to cases where the gross income from sources other than wages on which the tax has been withheld at the source is more than \$100 but not more than \$200, and to cases where the gross income is \$5,000 or more but not more than \$5,200. Such regulations shall provide (A) for the application of this subsection in the case of husband and wife, including provisions determining when a joint return under this subsection may be permitted or required and what constitutes a joint return, whether the liability shall be joint and several, and whether one spouse may make return under this subsection and the other without regard to this subsection, and (B) whether and the extent to which the benefits of this subsection may be availed of, in the case of taxable years beginning in the calendar year 1944, by persons required to make or making payments of estimated tax with respect to any such taxable year.

“(4) **METHOD OF ELECTION.**—The election to have the benefits of this subsection shall be made by making return on the form prescribed as the form for the return for the purposes of this subsection. An election so made shall constitute an election to pay the tax imposed by Supplement T.”

(c) **FIDUCIARY RETURNS.**—Section 142 (a) (relating to fiduciary returns) is amended by striking out paragraphs (1) to (5), inclusive, and inserting in lieu thereof the following:

“(1) Every individual having a gross income for the taxable year of \$500 or over;

“(2) Every estate the gross income of which for the taxable year is \$500 or over;

“(3) Every trust the net income of which for the taxable year is \$100 or over, or the gross income of which for the taxable year is \$500 or over, regardless of the amount of net income;

“(4) Every estate or trust of which any beneficiary is a non-resident alien.”

(d) **INFORMATION AS TO WHOLLY TAX EXEMPT INTEREST.**—The second sentence in section 22 (b) (4) is amended to read as follows: “Every person owning any of the obligations enumerated in clause (A), (B), or (C) shall, when so required by regulations prescribed by the Commissioner with the approval of the Secretary, submit in the return required by this chapter a statement showing the number and amount of such obligations owned by him and the income received therefrom, in such form and with such information as such regulations may prescribe.”

SEC. 12. PAYMENT IF TAX NOT COMPUTED BY TAXPAYER.

Section 56 (relating to payment of tax) is amended by inserting at the end thereof the following:

“(i) **PAYMENT OF TAX IF NOT COMPUTED BY TAXPAYER.**—Where under section 51 (f) a taxpayer who is an individual is permitted to file return without showing the tax thereon, and the tax is to be

Ante, p. 232; *post*, p. 647.
53 Stat. 60.
26 U. S. C., Supp. III, § 142 (a) (1)-(5).

53 Stat. 10.
26 U. S. C., Supp. III, § 22 (b) (4).

53 Stat. 31.
26 U. S. C. § 56;
Supp. III, § 56.
Ante, p. 234.

Ante, p. 240.

computed by the collector, the amount determined by the collector as payable shall be paid within thirty days after the mailing by the collector to the taxpayer of a notice stating such amount and making demand therefor."

SEC. 13. ESTIMATED TAX OF INDIVIDUALS.

57 Stat. 141,
26 U. S. C., Supp.
III, §§ 58-60.
Ante, p. 38.

(a) DECLARATIONS AND AMENDMENTS.—Sections 58, 59, and 60 (relating to declaration and payment of estimated tax), are amended to read as follows:

Post, p. 245.

"SEC. 58. DECLARATION OF ESTIMATED TAX BY INDIVIDUALS.

57 Stat. 126,
26 U. S. C., Supp.
III, § 1621 (a).

"(a) REQUIREMENT OF DECLARATION.—Every individual (other than an estate or trust and other than a nonresident alien with respect to whose wages, as defined in section 1621 (a), withholding under Subchapter D of Chapter 9 is not made applicable) shall, at the time prescribed in subsection (d), make a declaration of his estimated tax for the taxable year if—

57 Stat. 126,
26 U. S. C., Supp.
III, § 1621.
Post, p. 247.
Ante, p. 238.

"(1) his gross income from wages (as defined in section 1621) can reasonably be expected to exceed the sum of \$5,000 plus \$500 with respect to each surtax exemption (except his own) provided in section 25 (b); or

57 Stat. 126,
26 U. S. C., Supp.
III, § 1621.
Post, p. 247.

"(2) his gross income from sources other than wages (as defined in section 1621) can reasonably be expected to exceed \$100 for the taxable year and his gross income to be \$500 or more.

"(b) CONTENTS OF DECLARATION.—In the declaration required under subsection (a) the individual shall state—

53 Stat. 24; 56 Stat.
893,
26 U. S. C. § 32;
Supp. III, § 35.

"(1) the amount which he estimates as the amount of tax under this chapter for the taxable year, without regard to any credits under sections 32 and 35 for taxes withheld at source;

"(2) the amount which he estimates as the credits for the taxable year under sections 32 and 35; and

"(3) the excess of the amount estimated under paragraph (1) over the amount estimated under paragraph (2), which excess for the purposes of this chapter shall be considered the estimated tax for the taxable year.

The declaration shall also contain such other information for the purposes of carrying out the provisions of this chapter as the Commissioner, with the approval of the Secretary, may by regulations prescribe, and shall contain or be verified by a written statement that it is made under the penalties of perjury.

"(c) JOINT DECLARATION BY HUSBAND AND WIFE.—In the case of a husband and wife, a single declaration under this section may be made by them jointly, in which case the liability with respect to the estimated tax shall be joint and several. No joint declaration may be made if either the husband or wife is a nonresident alien. If a joint declaration is made but a joint return is not made for the taxable year, the estimated tax for such year may be treated as the estimated tax of either the husband or the wife, or may be divided between them.

"(d) TIME AND PLACE FOR FILING.—

Supra.

"(1) IN GENERAL.—The declaration required under subsection (a) shall be filed on or before March 15 of the taxable year, except that if the requirements of section 58 (a) are first met

"(A) after March 1 and before June 2 of the taxable year, the declaration shall be filed on or before June 15 of the taxable year, or

"(B) after June 1 and before September 2 of the taxable year, the declaration shall be filed on or before September 15 of the taxable year, or

“(C) after September 1 of the taxable year, the declaration shall be filed on or before January 15 of the succeeding taxable year.

“(2) AMENDMENT OF DECLARATION.—An individual may make amendments of a declaration filed during the taxable year under this subsection, under regulations prescribed by the Commissioner with the approval of the Secretary. If so made, such amendments may be filed on or before the fifteenth day of the last month of any quarter of the taxable year subsequent to that in which the declaration was filed and in which no previous amendment has been filed, except that in the case of an amendment filed after September 15 of the taxable year, it may be filed on or before January 15 of the succeeding taxable year. Declarations and amendments thereof shall be filed with the collector specified in section 53 (b) (1).

53 Stat. 28.
26 U. S. C. § 53 (b)
(1).

“(3) RETURN AS DECLARATION OR AMENDMENT.—If on or before January 15 of the succeeding taxable year the taxpayer files a return, for the taxable year for which the declaration is required, and pays in full the amount computed on the return as payable, then, under regulations prescribed by the Commissioner with the approval of the Secretary—

“(A) If the declaration is not required to be filed during the taxable year, but is required to be filed on or before such January 15, such return shall, for the purposes of this chapter, be considered as such declaration; and

“(B) If the tax shown on the return (reduced by the credits under sections 32 and 35) is greater than the estimated tax shown in a declaration previously made, or in the last amendment thereof, such return shall, for the purposes of this chapter, be considered as the amendment of the declaration permitted by paragraph (2) to be filed on or before such January 15.

53 Stat. 24; 56 Stat.
893.
26 U. S. C. § 32;
Supp. III, § 35.

Supra.

“(e) EXTENSION OF TIME.—The Commissioner may grant a reasonable extension of the time for filing declarations and paying the estimated tax, under such rules and regulations as he shall prescribe with the approval of the Secretary. Except in the case of taxpayers who are abroad, no such extension shall be for more than six months.

“(f) PERSONS UNDER DISABILITY.—If the taxpayer is unable to make his own declaration, the declaration shall be made by a duly authorized agent or by the guardian or other person charged with the care of the person or property of such taxpayer.

“(g) SIGNATURE PRESUMED CORRECT.—The fact that an individual's name is signed to a filed declaration shall be prima facie evidence for all purposes that the declaration was actually signed by him.

“(h) PUBLICITY OF DECLARATION.—For the purposes of section 55 (relating to publicity of returns), a declaration of estimated tax shall be held and considered a return under this chapter.

53 Stat. 29.
26 U. S. C. § 55;
Supp. III, § 55.

“SEC. 59. PAYMENT OF ESTIMATED TAX.

Post, p. 245.

“(a) IN GENERAL.—The estimated tax shall be paid as follows:

“(1) If the declaration is filed on or before March 15 of the taxable year, the estimated tax shall be paid in four equal installments. The first installment shall be paid at the time of the filing of the declaration, the second and third on June 15 and September 15, respectively, of the taxable year, and the fourth on January 15 of the succeeding taxable year.

“(2) If the declaration is filed after March 15 and not after June 15 of the taxable year, and is not required by section 58 (d) to be filed on or before March 15 of the taxable year, the esti-

Ante, p. 242.

mated tax shall be paid in three equal installments. The first installment shall be paid at the time of the filing of the declaration, the second on September 15 of the taxable year, and the third on January 15 of the succeeding taxable year.

Ante, p. 242.

“(3) If the declaration is filed after June 15 and not after September 15 of the taxable year, and is not required by section 58 (d) to be filed on or before June 15 of the taxable year, the estimated tax shall be paid in two equal installments. The first installment shall be paid at the time of the filing of the declaration, and the second on January 15 of the succeeding taxable year.

Ante, p. 242.

“(4) If the declaration is filed after September 15 of the taxable year, and is not required by section 58 (d) to be filed on or before September 15 of the taxable year, the estimated tax shall be paid in full at the time of the filing of the declaration.

Ante, pp. 242, 243.

“(5) If the declaration is filed after the time prescribed in section 58 (d) (including cases in which an extension of time for filing the declaration has been granted under section 58 (e)), paragraphs (2), (3), and (4) of this subsection shall not apply, and there shall be paid at the time of such filing all installments of estimated tax which would have been payable on or before such time if the declaration had been filed within the time prescribed in section 58 (d), and the remaining installments shall be paid at the times at which, and in the amounts in which, they would have been payable if the declaration had been so filed.

Ante, p. 242.

“(b) AMENDMENTS OF DECLARATION.—If any amendment of a declaration is filed, the remaining installments, if any, shall be ratably increased or decreased, as the case may be, to reflect the increase or decrease, as the case may be, in the estimated tax by reason of such amendment, and if any amendment is made after September 15 of the taxable year, any increase in the estimated tax by reason thereof shall be paid at the time of making such amendment.

“(c) INSTALLMENTS PAID IN ADVANCE.—At the election of the individual, any installment of the estimated tax may be paid prior to the date prescribed for its payment.

“(d) PAYMENT AS PART OF TAX FOR TAXABLE YEAR.—Payment of the estimated tax, or any installment thereof, shall be considered payment on account of the tax for the taxable year. Assessment in respect of the estimated tax shall be limited to the amount paid.

Ante, pp. 242, 243.

“SEC. 60. SPECIAL RULES FOR APPLICATION OF SECTIONS 58 AND 59.

Ante, p. 242.

“(a) FARMERS.—In the case of an individual whose estimated gross income from farming for the taxable year is at least two-thirds of the total estimated gross income from all sources for the taxable year, in lieu of the time prescribed in section 58 (d), the declaration for the taxable year may be made at any time on or before January 15 of the succeeding taxable year.

Ante, pp. 242, 243, 37, 235; *infra*.

“(b) APPLICATION TO SHORT TAXABLE YEARS.—The application of sections 58, 59, and 294 (d), and of subsection (a) of this section, to taxable years of less than twelve months shall be as prescribed in regulations prescribed by the Commissioner with the approval of the Secretary.

Ante, pp. 242, 243.

“(c) FISCAL YEARS.—In the application of sections 58 and 59, and subsection (a) of this section, to the case of a taxable year beginning on any date other than January 1, there shall be substituted, for the months specified therein, the months which correspond thereto.”

Ante, p. 37.

(b) TECHNICAL AMENDMENT TO SECTION 294 (d).—The last sentence of section 294 (d) (1) (A) (relating to additions to the tax in case of failure to file declaration of estimated tax) is amended to

read as follows: "For the purposes of this subparagraph the amount and due date of each installment shall be the same as if a declaration had been filed within the time prescribed showing an estimated tax equal to the correct tax reduced by the credits under sections 32 and 35."

(c) **EFFECTIVE DATE.**—The amendment made by subsection (a), insofar as it relates to section 58 (a) of the Internal Revenue Code, shall be applicable only with respect to taxable years beginning after December 31, 1944.

(d) **SPECIAL RULE FOR 1944.**—The provisions of sections 58 and 59 of such Code, as amended by this Act, shall be subject to the following modifications with respect to declaration and payment of estimated tax for the calendar year 1944:

(1) **TIME FOR FILING DECLARATION.**—If the requirements of section 58 (a) of such Code, without regard to its amendment by this Act, are first met before April 1, 1944, the declaration shall be filed on or before April 15, 1944, and if such requirements are first met after March 31, 1944, and before June 2, 1944, the declaration shall be filed on or before June 15, 1944.

(2) **PAYMENT OF ESTIMATED TAX.**—If the declaration is filed on or before April 15, 1944, then (even though such declaration under existing law or under paragraph (1) of this subsection was not required to be filed before June 15, 1944) the estimated tax shall be paid in four equal installments and at the times provided in section 59 (a) (1) of such Code, as amended by this Act. If the declaration is filed after April 15, 1944, and not after June 15, 1944 (and is not required by paragraph (1) to be filed on or before April 15), the estimated tax shall be paid in three equal installments and at the times provided in section 59 (a) (2) of such Code, as amended by this Act. The rule provided in section 59 (a) (5) of such Code, as amended by this Act, shall apply with respect to declarations filed after the time prescribed in paragraph (1) of this subsection.

(e) **PENALTY FOR UNDERESTIMATE FOR 1944.**—For the purposes of section 294 (d) (2) (relating to underestimate of estimated tax), in the case of a taxpayer filing a declaration for a taxable year beginning in the calendar year 1944 the term "80 per centum of the tax" as appearing in such subsection shall be taken to refer to 80 per centum of whichever of the following is the lesser: (1) a tax computed under the law applicable to such taxable year without regard to the amendments made by this Act, and (2) a tax computed under such law as amended by this Act.

SEC. 14. TECHNICAL AMENDMENT OF DEFINITION OF DEFICIENCY.

(a) **IN GENERAL.**—Section 271 (defining the term "deficiency") is amended to read as follows:

"SEC. 271. DEFINITION OF DEFICIENCY.

"(a) **IN GENERAL.**—As used in this chapter in respect of a tax imposed by this chapter, 'deficiency' means the amount by which the tax imposed by this chapter exceeds the excess of—

"(1) the sum of (A) the amount shown as the tax by the taxpayer upon his return, if a return was made by the taxpayer and an amount was shown as the tax by the taxpayer thereon, plus (B) the amounts previously assessed (or collected without assessment) as a deficiency, over—

"(2) the amount of rebates, as defined in subsection (b) (2), made.

53 Stat. 24; 56 Stat. 898.
26 U. S. C. § 32;
Supp. III, § 35.

Ante, p. 242.

Ante, pp. 242, 243.

Ante, p. 242.

Ante, p. 243.

Ante, p. 243.

Ante, p. 244.

Ante, pp. 38, 235.

53 Stat. 82.
26 U. S. C. § 271.

Post, p. 246.

“(b) RULES FOR APPLICATION OF SUBSECTION (a).—For the purposes of this section—

“(1) The tax imposed by this chapter and the tax shown on the return shall both be determined without regard to payments on account of estimated tax, without regard to the credit under section 35, and without regard to so much of the credit under section 32 as exceeds 2 per centum of the interest on obligations described in section 143 (a);

“(2) The term ‘rebate’ means so much of an abatement, credit, refund, or other repayment, as was made on the ground that the tax imposed by this chapter was less than the excess of the amount specified in subsection (a) (1) over the amount of rebates previously made; and

“(3) The computation by the collector, pursuant to section 51 (f), of the tax imposed by this chapter shall be considered as having been made by the taxpayer and the tax so computed considered as shown by the taxpayer upon his return.”

(b) AMENDMENT OF SECTIONS 3801 AND 3806.—The second sentence of section 3801 (d) (relating to ascertainment of amount of adjustment under section 3801), and the third sentence of section 3806 (b) (3) (relating to ascertainment of credit for barred year under section 3806), are respectively amended to read as follows: “The amount of the tax previously determined shall be the excess of—

“(1) the sum of (A) the amount shown as the tax by the taxpayer upon his return (determined as provided in section 271 (b) (1) and (3)), if a return was made by the taxpayer and an amount was shown as the tax by the taxpayer thereon, plus (B) the amounts previously assessed (or collected without assessment) as a deficiency, over—

“(2) the amount of rebates, as defined in section 271 (b) (2), made.”

(c) INTEREST ON DEFICIENCIES.—Section 292 (a) (relating to interest on deficiencies) is amended by inserting at the end thereof the following: “If any portion of the deficiency assessed is not to be collected by reason of a prior satisfaction, in whole or in part, of the tax, proper adjustment shall be made with respect to the interest on such portion.”

(d) OVERPAYMENT FOUND BY TAX COURT IN CASE OF DEFICIENCY.—Section 322 (d) (relating to overpayments found by Tax Court) is amended by inserting after “in respect of which the Commissioner determined the deficiency,” the following: “or finds that there is a deficiency but that the taxpayer has made an overpayment of tax in respect of such taxable year.”

(e) TAXABLE YEARS TO WHICH APPLICABLE.—The amendments made by subsections (a), (c), and (d) shall be applicable with respect to taxable years beginning after December 31, 1942. The amendment made by subsection (b) to section 3801 (d) of the Internal Revenue Code shall, for the purposes of such section and sections 124, 130, and 3807 of such Code, be applicable in the determination of a tax previously determined only if such tax is for a taxable year beginning after December 31, 1942. The amendment made by subsection (b) to section 3806 (b) (3) of such Code shall, for the purposes of such section, be applicable in the determination of a tax previously determined only if such tax is for a taxable year beginning after December 31, 1942. In the application of the amendments made by this section in the case of taxable years beginning in 1943, “section 35” in the amendment made by subsection (a) shall be read as “section 35 and section 466 (e)”.

56 Stat. 893; 53 Stat. 24.
26 U. S. C., Supp. III, § 35; 26 U. S. C. § 32.
53 Stat. 60.
26 U. S. C. § 143 (a); Supp. III, § 143 (a).
Ante, p. 230.

Ante, p. 240.

53 Stat. 473.
26 U. S. C. § 3801 (d).
Ante, p. 90.

Supra.

Supra.

53 Stat. 88; 57 Stat. 602.
26 U. S. C. § 292; Supp. III, § 292 (a).

53 Stat. 92.
26 U. S. C., Supp. III, § 322 (d).

54 Stat. 999.
26 U. S. C. § 124; Supp. III, § 124.
Ante, pp. 48, 75.

56 Stat. 893, 890.
26 U. S. C., Supp. III, §§ 35, 466 (e).

(d) WITHHOLDING EXEMPTIONS.—Section 1622 (h) (relating to withholding exemption certificates) is amended to read as follows:

“(h) WITHHOLDING EXEMPTIONS.—

“(1) IN GENERAL.—An employee receiving wages shall on any day be entitled to the following withholding exemptions:

“(A) An exemption for himself.

“(B) If the employee is married, an exemption with respect to his spouse, unless his spouse has in effect a withholding exemption certificate claiming a withholding exemption under subparagraph (A).

“(C) An exemption for each individual with respect to whom, on the basis of facts existing at the beginning of such day, there may reasonably be expected to be allowable a surtax exemption under section 25 (b) (3) for the taxable year under Chapter 1 in respect of which amounts deducted and withheld under this subchapter in the calendar year in which such day falls are allowed as a credit.

“(2) EXEMPTION CERTIFICATES.—

“(A) On Commencement of Employment.—On or before the date of the commencement of employment with an employer, the employee shall furnish the employer with a signed withholding exemption certificate relating to the number of withholding exemptions which he claims, which shall in no event exceed the number to which he is entitled.

“(B) Change of Status, Etc.—If, on any day during the calendar year, the number of withholding exemptions to which the employee is entitled is less than the number of withholding exemptions claimed by the employee on the withholding exemption certificate then in effect with respect to him, the employee shall within ten days thereafter furnish the employer with a new withholding exemption certificate relating to the number of withholding exemptions which the employee then claims, which shall in no event exceed the number to which he is entitled on such day. If, on any day during the calendar year, the number of withholding exemptions to which the employee is entitled is greater than the number of withholding exemptions claimed, the employee may furnish the employer with a new withholding exemption certificate relating to the number of withholding exemptions which the employee then claims, which shall in no event exceed the number to which he is entitled on such day.

“(C) Change of Status, Etc., Which Affects Next Calendar Year.—If on any day during the calendar year the number of withholding exemptions to which the employee will be, or may reasonably be expected to be, entitled at the beginning of his next taxable year under Chapter 1 is different from the number to which the employee is entitled on such day, the employee shall, in such cases and at such times as the Commissioner, with the approval of the Secretary, may by regulations prescribe, furnish the employer with a withholding exemption certificate relating to the number of withholding exemptions which he claims with respect to such next taxable year, which shall in no event exceed the number to which he will be, or may reasonably be expected to be, so entitled.

57 Stat. 135.
26 U. S. C., Supp.
III, § 1622 (h).
Ante, p. 53; *post*, p.
255.

Ante, p. 239.

53 Stat. 4.
26 U. S. C. §§ 1-396;
Supp. III, §§ 3-476.
Ante, pp. 26 *et seq.*,
231 *et seq.*; *post*, p. 647.

53 Stat. 4.
26 U. S. C. §§ 1-396;
Supp. III, §§ 3-476.
Ante, pp. 26 *et seq.*,
231 *et seq.*; *post*, p. 647.

“(3) WHEN CERTIFICATE TAKES EFFECT.—

“(A) First Certificate Furnished.—A withholding exemption certificate furnished the employer in cases in which no previous such certificate is in effect shall take effect as of the beginning of the first payroll period ending, or the first payment of wages made without regard to a payroll period, on or after the date on which such certificate is so furnished.

“(B) Furnished to Take Place of Existing Certificate.—A withholding exemption certificate furnished the employer in cases in which a previous such certificate is in effect shall take effect with respect to the first payment of wages made on or after the first status determination date which occurs at least thirty days from the date on which such certificate is so furnished, except that at the election of the employer such certificate may be made effective with respect to any payment of wages made on or after the date on which such certificate is so furnished; but a certificate furnished pursuant to paragraph (2) (C) shall not take effect, and may not be made effective, with respect to any payment of wages made in the calendar year in which the certificate is furnished. For the purposes of this subparagraph the term ‘status determination date’ means January 1 and July 1 of each year.

“Status determination date.”

“(4) PERIOD DURING WHICH CERTIFICATE REMAINS IN EFFECT.—A withholding exemption certificate which takes effect under this subsection shall continue in effect with respect to the employer until another such certificate takes effect under this subsection.

“(5) CONTENTS OF CERTIFICATE.—Withholding exemption certificates shall be in such form and contain such information as the Commissioner may, with the approval of the Secretary, by regulations prescribe.”

(e) NEW WITHHOLDING EXEMPTION CERTIFICATES TO BE FURNISHED.—

(1) OLD CERTIFICATES MADE INEFFECTIVE.—Certificates furnished (whether before or after the enactment of this Act) under section 1622 (h) of the Internal Revenue Code, without regard to its amendment by this Act, shall have no effect with respect to withholding to which such section, as amended by this Act, is applicable.

(2) REQUIREMENT OF FURNISHING NEW CERTIFICATE.—On or before December 1, 1944, and on or before the date of commencement of employment if such date occurs after December 1, 1944, and prior to January 1, 1945, each employee receiving wages shall furnish his employer with the withholding exemption certificate, required by section 1622 (h) of the Internal Revenue Code (as amended by this Act) in the case of commencement of employment on or after January 1, 1945, and for such purposes the number of withholding exemptions which he is entitled to claim shall be the number which he would be entitled to claim if the day on which such certificate is so furnished were January 1, 1945.

(3) WHEN NEW CERTIFICATES TAKE EFFECT.—A certificate furnished under paragraph (2) of this subsection shall take effect with respect to the first payment of wages with respect to which section 1622 of the Internal Revenue Code, as amended by this Act, is applicable. A certificate furnished under section 1622 (h) of the Internal Revenue Code, as amended by this Act, after December 1, 1944, and prior to January 1, 1945, and not furnished on or before the date of commencement of employment, shall take effect as provided in section 1622 (h) (3) (B) of such

Ante, p. 53.

Ante, p. 253; *post*, p. 255.

Ante, p. 253; *post*, p. 255.

57 Stat. 128.
26 U. S. C., Supp. III, § 1622.
Ante, pp. 247, 253; *post*, p. 255.
Ante, p. 253; *post*, p. 255.

Supra.

Code, as so amended, except that it may not be made effective with respect to any payment of wages to which section 1622 of such Code, as so amended, is not applicable. A certificate furnished under section 1622 (h) of such Code, as so amended, to an employer on or after January 1, 1945, and not furnished on or before the date of commencement of employment with such employer, shall take effect as provided in section 1622 (h) (3) (B) of such Code, as so amended, if such certificate is the first certificate so furnished and if on December 31, 1944, a certificate was in effect with respect to such employer under section 1622 (h) of such Code, without regard to such amendments.

(f) CHANGE OF STATUS AFTER JULY 1, 1944.—Effective (despite the provisions of section 21) with respect to wages paid during the calendar year 1944, section 1622 (h) (1) (relating to withholding exemption certificates furnished by reason of a change of status) is amended by striking out “, if furnished by reason of a change of status occurring on or before July 1 of the calendar year.”.

Approved May 29, 1944, 7 p. m., E. W. T.

[CHAPTER 211]

JOINT RESOLUTION

To provide for the disposition of the proceeds to accrue as a result of the interlocutory judgment of the Court of Claims in the suit brought against the United States by the Menominee Tribe of Indians, and for other purposes.

Whereas the United States Court of Claims, by interlocutory judgment of December 1, 1941, in a suit by the Menominee Tribe of Indians against the United States, Numbered 44294, brought pursuant to the provisions of the Act of September 3, 1935 (ch. 839, 49 Stat. 1085), as amended, found and held that the Menominee Indians are entitled to recover from the United States the value of timber removed from, and the present acquisition cost of, certain swamplands within the boundaries of their reservation which the United States, in violation of the provisions of the treaty of May 12, 1854 (10 Stat. 1064), failed to convey to the Menominee Indians, but reserved for further proceedings the determination of the amount of the recovery and the deduction of offsets, if any; and

Whereas said Act of September 3, 1935, provided that in the event of a judgment against the United States as aforesaid, the United States may in lieu of paying the present acquisition costs of such lands acquire and hold said lands in trust for the sole benefit and use of the Menominee Tribe of Indians, but provided no method for exercising such election: Therefore be it

Resolved by the Senate and House of Representatives of the United States of America in Congress assembled, That upon petition of the attorneys for the Menominee Tribe of Indians, the Court of Claims shall, in order to give effect to its interlocutory judgment, enter judgment in favor of the said tribe for (a) \$13,666.80, representing the amount of the recovery by reason of the timber removed since May 12, 1854, from the swamplands which the court has found the United States unlawfully failed to convey to the said tribe pursuant to the treaty of May 12, 1854; and (b) \$1,767,616.11, representing the present acquisition cost of such lands to the said tribe of Indians; and no offsets, including gratuities, shall be allowed to the United States in determining the amount of such judgment, but any such offsets which the United States may have, including gratuities, as defined in section 3 of the Act of September 3, 1935 (ch. 839, 49 Stat. 1085), as amended, may be pleaded and allowed in any other suit now pending or here-

57 Stat. 135.
26 U. S. C., Supp.
III, § 1622 (h).
Ante, p. 53.

Ante, p. 247.

Ante, p. 53.

May 29, 1944
[H. J. Res. 166]
[Public Law 316]

Menominee Tribe
of Indians.
Judgment for cer-
tain timbered swamp-
lands.

10 Stat. 1064.
Offsets.