

(prior to its amendment by such Act) with respect to such property. If the property was acquired in a taxable year beginning after December 31, 1941, in any manner described in section 372 (other than subsection (a) (2) after its amendment by such Act, the basis shall be that prescribed in such section (after its amendment by such Act) With respect to such property."

*Ante*, p. 882.

Stamp tax exemption.  
*Po.t.*, p. 961.

(i) CROSS REFERENCE.—For exemption from stamp tax on certain transactions described in this section, see section 507 of this Act.

"SEC. 172. TEMPORARY INCOME TAX ON INDIVIDUALS.

53 Stat. 4.  
26 U. S. O., ch. 1;  
Snpp. I, ch. 1.

(a) The Internal Revenue Code is amended by inserting at the end of Chapter 1 the following new subchapter:

## "SUBCHAPTER D—VICTORY TAX ON INDIVIDUALS

### "Part I Rate and Computation of Tax

"SEC. 450. IMPOSITION OF TAX.

"There shall be levied, collected, and paid for each taxable year beginning after December 31, 1942, a victory tax of 5 per centum upon the victory tax net income of every individual (other than a nonresident alien subject to the tax imposed by section 211 (a)).

53 Stat. 76.  
26 U. S. O. § 211 (a);  
Snpp. I, § 211 (a).  
*Ante*, pp. 807, 861.

"SEC. 451. VICTORY TAX NET INCOME.

"(a) DEFINITION. The term 'victory tax net income' in the case of any taxable year means (except as provided in subsection (c)) the gross income for such year (not including gain from the sale or exchange of capital assets as defined in section 117, or interest allowed as a credit against net income under section 25 (a) (1) and (2), or amounts received as compensation for injury or sickness which are included in gross income by reason of the exception contained in section 22 (b) (5) minus the sum of the following deductions:

53 Stat. 50.  
26 U. S. O. § 117;  
Bupp. I, § 117.  
*Ante*, pp. 843-847.

63 Stat. 17.  
26 U. S. C. § 25 (a)  
(2).

*Ante*, pp. 811, 825.  
53 Stat. 10.  
26 U. S. O. § 22 (b)  
(5).

*Ante*, pp. 811, 826.  
*Ante*, p. 819.

53 Stat. 12.  
26 U. S. O. § 23 (b).

53 Stat. 12.  
26 U. S. O., 8npp.  
I, § 23 (c).  
*Ante*, pp. 806, 820,  
857.

"(1) EXPENSES.—The expenses allowable as a deduction by section 23 (a) (1) and (2).

"(2) INTEREST.—Interest allowable as a deduction by section 23 (b), if the indebtedness in respect of which such interest is allowed was incurred in carrying on any trade or business, or was incurred for the production or collection of income, or for the management, conservation, or maintenance of property held for the production of income.

"(3) TUES.—Amounts allowable as a deduction by section 23 (c), to the extent such amounts are paid or incurred in connection with the carrying on of a trade or business, or in connection with property used in the trade or business, or in connection with property held for the production of income.

"(4) LOSSES.—Losses (other than losses from the sale or exchange of capital assets) allowable as a deduction under section 23 (e) (1), subject to the limitation provided in section 23 (h).

"(5) BAD DEBTS.—The amount allowable by section 23 (k) (1).

"(6) DEPRECIATION.—The amount allowable by section 23 (l).

"(7) DEPLETION.—The amount allowable by section 23 (m) and (n).

"(8) PENSION TRUSTS. The amount allowable by section 23 (p).

"(9) NET OPERATING LOSS.—The net operating loss deduction allowable by section 23 (s).

"(10) AMORTIZATION.—The amount allowable by section 23 (t).

"(11) ALIMONY.—The amount allowable by section 23 (u).

53 Stat. 13.  
26 U. S. O. § 23 (e)  
(1), (h).

*Ante*, p. 820.

*Ante*, p. 819.

53 Stat. 14.  
26 U. S. O. § 23 (m),  
(n).

*Ante*, p. 863.

53 Stat. 867.  
26 U. S. O. § 23 (8).

54 Stat. 998.  
26 U. S. C. § 23 (t).  
*Ante*, p. 817.

"(12) **SPECIAL DEDUCTION.**—The amount allowable by section 120.

53 Stat. 66.  
26 U. S. C. § 120.

"(13) **ESTATES AND TRUSTS.** In the case of an estate or trust, the amount allowable by subsection (a) of section 162 in addition to the amounts allowable by subsections (b) and (c) of such section.

53 Stat. 66, 67.  
26 U. S. C. § 162  
(a), (0).  
*Ante*, p. 809.

"(b) **ITEMS NOT DEDUCTIBLE.** The deductions allowable by subsection (a) shall be subject to the limitations contained in section 24 and Supplement J and, in the case of nonresident aliens subject to the victory tax, shall be subject to the limitations contained in Supplement H.

53 Stat. 16, 79, 75;  
26 U. S. C. §§ 24,  
251, 252, 211-219; Snpp. I,  
§§ 251, 211, 214.  
*Ante*, pp. 819, 826,  
827, 828, 860, 861, 807,  
808, 875.

"(c) **SUPPLEMENT T TAXPAYER.**—If for any taxable year a taxpayer makes his return and pays his tax under Supplement T, the term 'victory tax net income' means the gross income for such year.

55 Stat. 689.  
26 U. S. C., Snpp. I,  
§§ 400-404.  
*Ante*, pp. 803, 805.

"(d) **BASIS FOR DETERMINING LOSS.** The basis for determining the amount of deduction for losses sustained, to be allowed under paragraph (4) of subsection (a), and for bad debts, to be allowed under paragraph (5) of subsection (a), shall be the adjusted basis provided in section 113 (b) for determining the loss from the sale or other disposition of property.

54 Stat. 44.  
26 U. S. C. § 113 (b).  
*Ante*, pp. 824, 827.

"(e) **RULE APPLICABLE TO PARTICIPANTS IN A COMMON TRUST FUND.**—In the case of a participant in a common trust fund, he shall in respect of the common trust fund income include in computing his victory tax net income, whether or not distributed and whether or not distributable, only his proportionate share of the ordinary net income or the ordinary net loss of the common trust fund, computed as provided in section 16.9 (d).

54 Stat. 69.  
26 U. S. C. § 169 (d).  
*Ante*, p. 845.

"(f) **RULE APPLICABLE TO PARTNERS.** In the case of an individual carrying on business in partnership, he shall in respect of the partnership income include in computing his victory tax net income, whether or not distribution is made to him, only his distributive share of the ordinary net income or the ordinary net loss of the partnership, computed as provided in section 183 (b).

*Ante*, p. 845.

#### "SEC. 452. SPECIFIC EXEMPTION.

"In the case of every individual there shall be allowed as a credit against the victory tax net income a specific exemption of \$624. In the case of a husband and wife filing a joint return under section 51 (b), if the victory tax net income of one spouse is less than \$624, the aggregate specific exemption of both spouses shall be limited to \$624 plus the victory tax net income of such spouse.

68 Stat. 27.  
26 U. S. C. § 51 (b).

#### "SEC. 453. CREDIT AGAINST VICTORY TAX.

"(a) **ALLOWANCE OF CREDIT.**—There shall be allowed as a credit against the victory tax for each taxable year:

"(1) The amount paid by the taxpayer during the taxable year as premiums on life insurance, in force on September 1, 1942, upon his own life, or upon the life of his spouse, or upon the life of any dependent of the taxpayer specified in section 25 (b) (2) (A); and the amount paid during the taxable year as premiums on life insurance which is a renewal or conversion of such life insurance in force on September 1, 1942, to the extent that such premiums do not exceed the premiums payable on such life insurance in force on September 1, 1942.

55 Stat. 697.  
26 U. S. C., Snpp. I,  
§ 25 (b) (2) (A).  
*Ante*, pp. 818, 828.

"(2) The amount by which the smallest amount of indebtedness of the taxpayer outstanding at any time during the period beginning September 1, 1942, and ending with the close of the preceding taxable year, exceeds the amount of indebtedness of the taxpayer outstanding at the close of the taxable year.

"(3) The amount by which the amount of obligations of the United States owned by the taxpayer on the last day of the taxable year exceeds the greater of (A) the amount of such obligations owned by the taxpayer on December 31, 1942, or (B) the highest amount of such obligations owned by the taxpayer on the last day of any preceding taxable year ending after December 31, 1942. As used in this paragraph (i) the term 'owned by the taxpayer' shall include the amount of the obligations owned solely by the taxpayer and one-half of the amount of the obligations owned jointly by the taxpayer with one other person, but shall not include such obligations acquired by the taxpayer by gift, or inheritance, or otherwise than by purchase; (ii) the term 'obligations of the United States' means such obligations of the United States as the Secretary may by regulations prescribe, and as are purchased in such manner and under such terms and conditions as he may specify; and (iii) the term 'amount of obligations of the United States' means the amount paid for such obligations.

"Owned by the taxpayer."

"Obligations of the U. S."

"Amount of obligations of the U. S."

"(b) **LIMITATION ON CREDIT.** The amount of such credit for the taxable year shall not exceed the amount of the post war credit or refund allowed by section 454 for such taxable year.

*Infra.*

"**SEC. 454. POST WAR CREDIT OR REFUND OF VICTORY TAX.**

"(a) **ALLOWANCE OF CREDIT.**—As soon as practicable after date of cessation of hostilities in the present war (as defined in section 475 (b)), the following amount of the Victory tax paid for each taxable year beginning after December 31, 1942, shall be credited against any income tax or installment thereof then due from the taxpayer, and any balance shall be refunded immediately to the taxpayer:

*Post*, p. 892.

"(1) In the case of a single person or a married person not living with husband or wife, 25 per centum of the victory tax or \$500, whichever is the lesser.

"(2) In the case of the head of a family, 40 per centum of the victory tax or \$1,000, whichever is the lesser. In the case of a married person living with husband or wife where separate returns are filed by each spouse, 40 per centum of the victory tax or \$500, whichever is the lesser. In the case of a married person living with husband or wife where a separate return is filed by one spouse and no return is filed by the other spouse, or in the case of a husband and wife filing a joint return under section 51 (b), only one such credit shall be allowed and such credit shall not exceed 40 per centum of the victory tax or \$1,000, whichever is the lesser.

53 Stat. 27.  
26 U. S. O. § 51 (b).

"(3) For each dependent specified in section 25 (b), excluding as a dependent, in the case of a head of a family, one who would be excluded under section 25 (b) (2) (B), 2 per centum of the victory tax or \$100, whichever is the lesser.

53 Stat. 18; 55 Stat. 697.  
26 U. S. O. § 25 (b);  
8 Supp. I, § 25 (b).  
*Ante*, pp. 818, 827,  
828.

"(b) **CHANGE OF STATUS.** If for any taxable year the status of the taxpayer (other than a taxpayer who makes his return and pays his tax under Supplement T) with respect to his marital relationship or with respect to his dependents, changed during the taxable year, the amount of the credit or refund provided by this section for such taxable year shall be apportioned, under rules and regulations prescribed by the Commissioner with the approval of the Secretary, in accordance with the number of months before and after such change. For the purpose of such apportionment a fractional part of a month shall be disregarded unless it amounts to more than half a month in which case it shall be considered as a month.

55 Stat. 689.  
26 U. S. O., Supp. I,  
§§ 400-404.  
*Ante*, pp. 803, 805.

"(c) STATUS OF SUPPLEMENT T TAXPAYER.-H for any taxable year a taxpayer makes his return and pays his tax under Supplement T, for the purpose of the credit or refund provided by this section, his status for such year with respect to his marital relationship or with respect to his dependents shall be determined in accordance with the provisions of section 401.

55 Stat. 689.  
26 U. S. C., Supp. I,  
§§ 400-404.  
*Ante*, pp. 803, 805.

*Ante*, p. 805.

"(d) PERIOD OF LIMITATION.-No post war credit or refund of any part of the victory tax provided in this section shall be allowed or made after 7 years from the date of cessation of hostilities in the present war, unless claim for credit or refund is filed before the expiration of such date. No interest shall be allowed on such credits or refunds.

"(e) LIMITATION OF CREDIT.—The post war credit or refund allowed by this section shall be reduced by the amount of any credit allowed under section 453.

*Ante*, p. 885.

## "SEC. 455. RETURNS.

"(a) INDIVIDUAL RETURNS.-Every individual having a gross income in excess of \$624 for the taxable year, shall make, under regulations prescribed by the Commissioner with the approval of the Secretary, a return, which shall contain or be verified by a written declaration that it is made under the penalties of perjury, stating specifically the items of his gross income and the deductions and credits allowed under this subchapter.

"(b) FIDUCIARY RETURNS.-Every fiduciary (except a receiver appointed by authority of law in possession of part only of the property of an individual) shall make, under regulations prescribed by the Commissioner with the approval of the Secretary, a return under oath, for any individual, estate, or trust for which he acts, if the gross income of such individual, estate, or trust is in excess of \$624 for the taxable year, stating specifically the items of gross income and the deductions and credits allowed under this subchapter. The provisions of section 142 (b) shall be applicable with respect to any return required to be made under this subsection.

53 Stat. 60;  
26 U. S. C. § 142 (b).

## "SEC. 456. LIMITATION ON TAX.

"The tax imposed by section 450 (victory tax), computed without regard to the credits provided in sections 453, 454, and 466 (e), shall not exceed the excess of 90 per centum of the net income of the taxpayer for the taxable year over the tax imposed by sections 11 (normal tax) and 12 (surtax), computed without regard to the credits provided in sections 31, 32, and 466 (e).

*Ante*, pp. 884-886.  
*Po,t*, p. 890.

*Ante*, pp. 802, 846.  
53 Stat. 5, 24.  
26 U. S. C. §§ 12, 31,  
32; Bupp. 1, 112.  
*Po,t*, p. 890.

## "Part II Collection of Tax at Source on Wages

### "SEC. 465. DEFINITIONS.

"As used in this part-s-

"(a) PAY-ROLL PERIOD.-The term 'pay-roll period' means a period for which a payment of wages is ordinarily made to the employee by his employer.

"(b) WAGES.-The term 'wages' means all remuneration (other than fees paid to a public official) for services performed by an employee for his employer, including the cash value of all remuneration paid in any medium other than cash; except that such term shall not include remuneration paid (1) for services performed as a member of the military or naval forces of the United States, other

Services excepted.

53 Stat. 1386.  
26 U. S. C. § 1426  
(b).

53 Stat. 469.  
26 U. S. C. § 3797  
(a) (9).

*Infra.*

than pensions **and** retired pay, (2) for agricultural labor (as defined in section 1426 (h)) (3) for domestic service in a private home, local college club, or local chapter of a college fraternity or sorority, (4) for casual labor not in the course of the employer's trade or business, (5) for services as an employee of a nonresident alien individual, foreign partnership, or foreign corporation, if such individual, partnership, or corporation is not engaged in trade or business in the United States, (6) for services as an employee of a foreign government or any wholly owned instrumentality thereof, or (7) for services performed as an employee while outside the United States (as defined in section 3797 (a) (9)) unless the major part of the services performed during the calendar year by such employee for his employer are performed within the United States.

"(c) WITHHOLDING AGENT.-The term 'withholding agent' means any person required to withhold, collect, and pay the tax under section 466.

"(d) EMPLOYEE. The term 'employee' includes an officer, employee, or elected official of the United States, a State, Territory, or any political subdivision thereof, or the District of Columbia, or any agency or instrumentality of anyone or more of the foregoing. The term 'employee' also includes an officer of a corporation.

"(e) EMPLOYER.-The term 'employer' includes any person for whom an individual performs any service, of whatever nature, as the employee of such person.

"SEC. 466. TAX COLLECTED AT SOURCE.

"(a) REQUIREMENT OF WITHHOLDING. There shall be withheld, collected, and paid upon all wages of every person, to the extent that such wages are includible in gross income, a tax equal to 5 per centum of the excess of each payment of such wages over the withholding deduction allowable under this part. This subsection and subsection (c) shall not be applicable in any case provided for in section 143, except in the case of wages paid to residents of a contiguous country who enter and leave the United States at frequent intervals.

"(b) WITHHOLDING DEDUCTION.-

"(1) In computing the tax required to be withheld under subsection (a), there shall be allowed as a deduction against the wages paid for each pay-roll period an amount determined in accordance with the following schedule:

Pay-roll period	Withholding deduction
Weekly	\$12
Biweekly	24
Semimonthly	26
Monthly	52
Quarterly	156
Semiannually	312
Annually	624

If period less than one week.

"(2) If a pay-roll period in respect of any wages is less than one week, the excess of the aggregate of the wages paid during each calendar week over the deduction allowed by this subsection for a weekly pay-roll period shall be used in computing the tax required to be withheld.

Period not specifically provided for.

"(3) If a pay-roll period in respect of any wages, or any other period with respect to which wages are paid, is not otherwise specifically provided for in this subsection; the deduction allowable against each payment of such wages shall be the deduction







