

States during the term for which he has been elected, and the judges of the Supreme and inferior courts of the United States now in office, and the compensation of all officers and employees of a State, or any political subdivision thereof, except when such compensation is paid by the United States Government.

INCOME TAX.  
Judges, State officials, etc.

## DEDUCTIONS ALLOWED.

Deductions allowed.

SEC. 5. That in computing net income in the case of a citizen or resident of the United States—

Citizens or residents.

(a) For the purpose of the tax there shall be allowed as deductions—

Objects specified.

First. The necessary expenses actually paid in carrying on any business or trade, not including personal, living, or family expenses;

Business expenses.

Second. All interest paid within the year on his indebtedness;

Interest on debts.

Third. Taxes paid within the year imposed by the authority of the United States, or its Territories, or possessions, or any foreign country, or under the authority of any State, county, school district, or municipality, or other taxing subdivision of any State, not including those assessed against local benefits;

General taxes.

Fourth. Losses actually sustained during the year, incurred in his business or trade, or arising from fires, storms, shipwreck, or other casualty, and from theft, when such losses are not compensated for by insurance or otherwise: *Provided*, That for the purpose of ascertaining the loss sustained from the sale or other disposition of property, real, personal, or mixed, acquired before March first, nineteen hundred and thirteen, the fair market price or value of such property as of March first, nineteen hundred and thirteen, shall be the basis for determining the amount of such loss sustained;

Losses.

Fifth. In transactions entered into for profit but not connected with his business or trade, the losses actually sustained therein during the year to an amount not exceeding the profits arising therefrom;

*Proviso.*  
On property acquired before March 1, 1913.

Not connected with trade.

Sixth. Debts due to the taxpayer actually ascertained to be worthless and charged off within the year;

Worthless debts.

Seventh. A reasonable allowance for the exhaustion, wear and tear of property arising out of its use or employment in the business or trade;

Deterioration of property.

Eighth. (a) In the case of oil and gas wells a reasonable allowance for actual reduction in flow and production to be ascertained not by the flush flow, but by the settled production or regular flow; (b) in the case of mines a reasonable allowance for depletion thereof not to exceed the market value in the mine of the product thereof, which has been mined and sold during the year for which the return and computation are made, such reasonable allowance to be made in the case of both (a) and (b) under rules and regulations to be prescribed by the Secretary of the Treasury: *Provided*, That when the allowances authorized in (a) and (b) shall equal the capital originally invested, or in case of purchase made prior to March first, nineteen hundred and thirteen, the fair market value as of that date, no further allowance shall be made. No deduction shall be allowed for any amount paid out for new buildings, permanent improvements, or betterments, made to increase the value of any property or estate, and no deduction shall be made for any amount of expense of restoring property or making good the exhaustion thereof for which an allowance is or has been made.

Allowance for oil and gas wells.

Mine depletion.

*Proviso.*  
Acquired before March 1, 1913.

Betterments, etc., excluded.

## CREDITS ALLOWED.

Credits allowed.

(b) For the purpose of the normal tax only, the income embraced in a personal return shall be credited with the amount received as dividends upon the stock or from the net earnings of any corporation,

Incomes from corporations, etc., paying tax.