

the payment of expenses, losses, or reinsurance reserves, then such payment can not be separately deducted. The amount of premium deposits retained for the payment of expenses and losses, and the amount of such expenses and losses, may not both be deducted. A company which invests part of the premium deposits so retained by it in interest-bearing securities may nevertheless deduct such part, but not the interest received on such securities. A mutual fire insurance company which has a guaranty capital is taxed like other mutual fire insurance companies. A stock fire insurance company, operated on the mutual plan to the extent of paying dividends to certain classes of policyholders, may make a return on the same basis as a mutual fire insurance company with respect to its business conducted on the mutual plan.

**ART. 1015. Returns of insurance companies.**—Insurance companies transacting business in the United States or deriving any income from sources therein are required to file returns of income. The return shall be on Form 1120, except that life insurance companies shall make return on Form 1120 L. As an aid in auditing the returns, wherever possible a copy of the report to the State insurance department should be submitted with the return. Otherwise a copy of Schedule D, parts 1, 3, and 4, of the report should be attached to the return, showing the Federal, State, and municipal obligations from which the interest omitted from gross income was derived, and a copy of the complete report should be furnished as soon as ready for filing.

#### SUPPLEMENT H—NONRESIDENT ALIEN INDIVIDUALS

##### SEC. 211. NORMAL TAX.

(a) **General rule.**—In the case of a nonresident alien individual who is not a resident of a contiguous country, the normal tax shall be 5 per centum of the amount of the net income in excess of the credits against net income allowed to such individual.

(b) **Aliens resident in contiguous countries.**—In the case of an alien individual resident in a contiguous country, the normal tax shall be an amount equal to the sum of the following:

(1)  $1\frac{1}{2}$  per centum of the amount by which the part of the net income attributable to wages, salaries, professional fees, or other amounts received as compensation for personal services actually performed in the United States, exceeds the personal exemption and credit for dependents; but the amount taxable at such  $1\frac{1}{2}$  per centum rate shall not exceed \$4,000;

(2) 3 per centum of the amount by which such part of the net income exceeds the sum of (A) the personal exemption and credit for dependents, plus (B) \$4,000; but the amount taxable at such 3 per centum rate shall not exceed \$4,000; and

(3) 5 per centum of the amount of the net income in excess of the sum of (A) the amount taxed under paragraphs (1) and (2) of this subsection plus (B) the total credits against net income allowed to such individual.

(c) **In lieu of normal tax under section 11.**—The tax imposed by this section shall be in lieu of the normal tax imposed by section 11.

**ART. 1021. Normal tax in the case of nonresident alien individuals.**—In the case of nonresident alien individuals, residents of countries other than Canada and Mexico, the normal tax is 5 per cent of the net income in excess of the credits provided in sections 25 and 214, there being no reduction in the rate upon any part of the net income subject to tax. In the case of nonresident alien individuals, residents of Canada or Mexico, the normal tax is (1)  $1\frac{1}{2}$  per cent of that part of the net income attributable to compensation for personal services actually performed in the United States in excess of the personal exemption and credit for dependents, but not in excess of \$4,000; (2) 3 per cent of the amount by which such part of the net income exceeds the sum of (a) the personal exemption and credit for dependents plus (b) \$4,000, but the amount taxable at 3 per cent shall not exceed \$4,000; (3) 5 per cent of the amount of the net income in excess of the amounts taxed at  $1\frac{1}{2}$  per cent and 3 per cent plus the total credits provided in sections 25 and 214.

Nonresident alien individuals are subject also to the surtax imposed by section 12. (See articles 21 and 22.)

**ART. 1022. Definition.**—A “nonresident alien individual” means an individual—

(a) Whose residence is not within the United States; and

(b) Who is not a citizen of the United States.

An alien actually present in the United States who is not a mere transient or sojourner is a resident of the United States for purposes of the income tax. Whether he is a transient or not is determined by his intentions with regard to the length and nature of his stay. A mere floating intention, indefinite as to time, to return to another country is not sufficient to constitute him a transient. If he lives in the United States and has no definite intention as to his stay, he is a resident. One who comes to the United States for a definite purpose which in its nature may be promptly accomplished is a transient; but if his purpose is of such a nature that an extended stay may be necessary for its accomplishment, and to that end the alien makes his home temporarily in the United States, he becomes a resident, though it may be his intention at all times to return to his domicile abroad when the purpose for which he came has been consummated or abandoned. An alien whose stay in