September 2013

THE INCENTIVE EFFECTS OF MARGINAL TAX RATES: EVIDENCE FROM THE INTERWAR ERA

Christina D. Romer
David H. Romer

ONLINE APPENDIX

DETAILS OF DATA AND COMPUTATIONS

This appendix describes the data available in the *Statistics of Income*, and our procedures for calculating taxable income exclusive of capital gains and losses, marginal rates on non-capital-gains income, and policy-induced changes in marginal rates.

A. The Interwar *Statistics of Income*

As described in the text, the *Statistics of Income* is an annual volume that provides data about each year's tax returns. The *Statistics of Income* divides taxpayers into various ranges of net income. For each income range, there is information about the number of taxpayers with net incomes in that range, their total net income, its breakdown into various categories, and their deductions, taxes, and so on. The income ranges in the *Statistics of Income* do not change over our sample period.[1]

***Income Data*.** Figure 1 in the text reproduces a table from a typical volume of the *Statistics of Income* (the one for 1933) showing the number of taxpayers in various income ranges and their net incomes. Figure A1 reproduces a portion of the table from the same year's volume showing more detailed information about the taxpayers in each range. Income is subdivided into various categories, and there are figures for gross income (the column labeled "Total Income" in the table) and for different types of deductions and exemptions. For simplicity, we show the data just for one income range.

The information provided in the detailed breakdown does not change greatly over our sample period. The amount of detail increases gradually over time; for example, deductions are subdivided more finely in later years. In addition, the information about capital gains and losses that is reported changes as their tax treatment changes.

Part C of this appendix describes how we use the information in Table 7 of the *Statistics of Income* in each year to remove capital gains from the net income figures to obtain estimates of ordinary taxable income. And Section III.C of the paper describes how we use the information in Table 7 to find the capital, entrepreneurial, and labor income components of gross income excluding capital gains and losses. Because the breakdown of non-capital-gains income in Table 7 varies little over our sample period, that procedure changes little. For 1933 (the year shown in Figure A1), we find capital income exclusive of capital gains as the sum of the columns labeled "Rents and

[1] The only exception is that some of the ranges over $1.5 million are combined in some years for reasons of confidentiality. We therefore aggregate the taxpayers with incomes over $1.5 million into a single group. These taxpayers always represent less than 1/1000th of 1 percent of the income distribution, and thus are always all in our top percentile group.

royalties," "Dividends on stocks of domestic corporations," "Fiduciary," "Interest on Government obligations not wholly exempt from tax," and "Other taxable interest." Entrepreneurial income is the sum of the columns labeled "Business" and "Partnership." and labor income is the column labeled "Salaries, wages, commissions, fees, etc."

***Tax Code*.** The *Statistics of Income* also provides a complete description of the tax code. Starting with the 1926 volume, each volume includes tables describing how taxable income was computed and the tax rates at different levels of income from the beginning of the income tax through the year covered by the volume. These volumes also include the forms and instructions that taxpayers used—as well as the complete set of taxpayer instructions and detailed explanatory footnotes concerning both the normal tax and the surtax, which allow us to resolve any ambiguities in the tables and forms. Thus, we can determine exactly what taxes a taxpayer with given amounts of income and deductions would have paid.

Figures A2–A4 show some of this information from the 1933 *Statistics of Income*. Figure A2 shows information about the normal tax, Figure A3 shows information about the surtax, and Figure A4 shows a complete set of income tax forms for households with taxable incomes over $5000.

B. Overview of Procedures

***Income*.** Obtaining the income data we need for taxpayers in a given range of net income involves two steps. First, and most important, we need to remove capital gains and losses. Second, because we do not want to include income changes that resulted from changes in how taxable income was defined, we need to correct for changes in the definition of taxable income. Throughout our sample period, taxable non-capital-gains income was very similar to net income excluding capital gains and losses, and the definition of the non-capital-gains components of net income did not change. We therefore use net income excluding capital gains and losses—which we refer to as "ordinary taxable income"—as our income measure throughout.

***Marginal Rates*.** To find the marginal rate on non-capital gains income faced by households in a given range of net income, we need to exclude any portion of their net income that was either untaxed or taxed separately. For example, in most of the 1920s capital gains income was taxed at a separate rate, and in much of the 1930s a portion of capital gains income was excluded from taxable income. We can then find the marginal rate that applied to the relevant level of taxable income.

The personal income tax in the interwar era had two components: a "normal" tax and a "surtax." Normal tax rates were low, typically on the order of 4 percent, relatively stable, and only slightly graduated. Surtax rates, in contrast, were often very high, volatile, and extremely progressive. In all of our analysis, we look at the combined effects of the two components to measure marginal rates.

***Policy-Induced Changes*.** A key input into our analysis is the change in marginal rates that was the result of policy (rather than of economic developments changing households' incomes, and thus moving them into different tax brackets). To find the policy-induced change in marginal rates in year t, we compute marginal rates on year $t - 1$ income using the definition of taxable income and the tax rates that were in effect in year t and compare them with the marginal rates implied by the definition of taxable income and the tax rates that were in effect during year $t - 1$.

***Interpolation*.** The *Statistics of Income* reports the number of households for various ranges of net income. Those ranges, however, do not correspond exactly to the groups we want to use in our statistical work. To address this issue, we model high incomes as following a Pareto distribution. We fit a Pareto

distribution to the ranges of net income at the top of the income distribution for each year, and assume that incomes within each range follow this distribution. This allows us to find the total ordinary taxable income of each percentile group and group's weighted average log after-tax share.

C. Capital Gains Corrections

As described in the text, our focus is on taxable income exclusive of capital gains and losses. The *Statistics of Income*, however, groups taxpayers according to their total taxable income (referred to as "net income" in the *Statistics of Income*). We therefore need to subtract capital gains (and add capital losses) from the figures for total taxable income. Because both the tax code and the data on capital gains and losses in the *Statistics of Income* change over our sample period, our procedure for doing this is slightly different in different years.

1918–1921. We estimate ordinary taxable income by subtracting "Profits from sales of real estate, stock, bonds, etc." from net income. The *Statistics of Income* for these years does not report the net capital losses of taxpayers who had net losses. As a result, although taxpayers could deduct these losses in computing net income, we are unable to add them back into the net income figures. Thus, our estimates for this period correspond to ordinary taxable income minus net capital losses. In later years when data on net capital losses are available, they are only about 5 percent of net income for high-income taxpayers. Other studies of tax responsiveness also neglect net capital losses (for example, Gruber and Saez, 2002).

1922–1923. The *Statistics of Income* breaks capital gains into short-term and long-term. We subtract both from reported net income. As with 1918–1921, we are unable to add net capital losses back into the net income figures.

1924–1925. We again subtract both short-term and long-term capital gains from net income. However, the resulting concept is slightly different than in earlier years. Starting in 1924, long-term net capital losses could no longer be claimed as a deduction in computing net income, but instead could be claimed as a 12½ percent tax credit. Thus, when we subtract capital gains from net income, the result is ordinary net income less net short-term capital losses (rather than ordinary taxable income less all net capital losses), which is closer to what we want conceptually.

This change means that there is a conceptual discontinuity in our income measure from 1923 to 1924. To prevent it from affecting our results, when we compute the percentage change in income from 1923 to 1924, we use our 1924 income figures minus eight times the 12½ percent tax credit for long-term capital losses. As a result, we are finding the change in a consistent series (ordinary taxable income minus all capital losses).

1926–1933. Starting in 1926, the *Statistics of Income* includes data on net short-term capital losses (which continued to be deductible in computing net income). We therefore subtract both short-term and long-term capital gains from net income as before, and add short-term capital losses.[2] The resulting measure corresponds to taxable income excluding all capital gains and losses. This change again introduces a discontinuity in our measure. To prevent it from affecting our results, when we compute the percentage change in income from 1925 to 1926, we do not add short-term capital losses to the 1926 income figures.

[2] Consider, for example, 1933 (for which the relevant information from the *Statistics of Income* is shown in Figure A1). For this year, we compute ordinary taxable income for the taxpayers in a given income range as the net income figure in the final column of Table 7 in the *Statistics of Income*, minus the figures in the two columns under "Profits from sale of real estate, stocks, bonds, etc.," plus the figure in the column labeled "Net loss from sale of real estate …."

1934–1937. We subtract "net capital gain" from net income and add "net capital loss." As with our figures for 1926–1933, the resulting figures correspond to ordinary taxable income.

1938. Beginning in 1938, some assets were no longer classified as capital assets, and gains and losses on them were treated differently than other capital gains and losses. However, data on these gains and losses are reported in the *Statistics of Income*. We therefore subtract gains on all assets from net income and add losses on all assets (other than short-term losses on assets classified as capital assets, which could not be deducted in computing net income). Again, the resulting figures correspond to ordinary taxable income.

1939–1941. Starting in 1939, short-term losses on assets classified as capital assets from the previous year could be carried forward and deducted against the current year's capital gains. Since these losses are subtracted in the computation of net income, we add them back in. The remainder of the calculation of ordinary net income is the same as for 1938.

D. Actual and Policy-Induced Changes in Marginal Tax Rates

Knowing a household's capital gains income and its net income exclusive of capital gains is almost, but not quite, enough to know what its tax liability was, and hence the marginal rate it faced on non-capital-gains income. A household's computation of both its normal tax and its surtax began with its net income (sometimes, as described above, excluding some or all of capital gains), which equaled gross income less deductions. However, the steps from net income to tax due were slightly different for the two taxes.

For the normal tax, there were several items other than capital gains that received special treatment. A personal exemption and a credit for dependents were subtracted from net income; until 1936, dividends were excluded; and from 1934 to 1941, 10 percent of the first $14,000 of earned income was also subtracted. Finally, from 1924 to 1931, the normal tax on earned income was reduced by a credit of 25 percent of the normal tax the taxpayer would have had to pay if his or her unearned income was zero. The amount of earned income eligible for the credit varied between $10,000 and $30,000. Fortunately for our purposes, however, normal tax rates were low, and the maximum marginal normal rate was reached at relatively low levels of income. We therefore neglect these complications and assume that all taxpayers at the income levels we are considering paid the top marginal normal rate.[3]

For the surtax, the computation of the tax was simpler. The relevant taxable income was either non-capital-gains income (in the years when capital gains were taxed separately) or non-capital-gains income plus the taxable portion of capital-gains income (in years when some or all of capital gains were taxed with other income).[4]

---

[3] Note that by assuming that taxpayers paid the top marginal normal rate, we are implicitly finding the marginal rate on non-capital gains, non-dividend income. We have also computed the weighted average marginal rate on all non-capital gains income. Using this measure has almost no impact on our results. (Because dividends were a large fraction of capital income, however, in our analysis of the responsiveness of different types of income in Section III.C, we focus on the weighted average marginal rate on each category of income rather than assuming a single marginal rate applied to all categories.)

[4] Again, consider 1933 as an example. As described in the instructions for Form 1040 (1933 *Statistics of Income*, p. 230), capital gains were taxed at a flat 12.5 percent rate for taxpayers who faced a higher marginal rate on ordinary income—which was true for all the taxpayers we consider. Thus, the taxable income relevant for computing the surtax is net income minus "Profit from sale of real estate, stocks, bonds, etc.—Reported for tax on capital net gain." The marginal tax rate for a taxpayer for a given amount of income subject to the surtax was the marginal surtax rate on this level of income (shown in the table reproduced in Figure A3) plus 8 percentage points (the maximum marginal normal tax rate).

There were only two minor complications with the surtax. First, starting in 1934, the personal exemption and credit for dependents were subtracted from net income for purposes of the surtax as well as for the normal tax. We have figures on personal exemptions and credits by income range for each year, so we can subtract these from income before finding marginal rates. For high-income taxpayers, the deductions were small relative to income, and so the effects of this adjustment are minor.

Second, from 1924 to 1931, the same 25 percent tax credit on earned income up to some limit that applied to the normal tax also applied to the surtax. Because most high-income taxpayers were beyond the limit, and because the credit reduced marginal rates by no more than a few percentage points for the others, we neglect this complication.

There was also a complication with both the normal tax and the surtax in 1940. The Revenue Act of 1940 imposed a one-time "defense tax." If Y denotes a taxpayer's net income and T his or her normal tax plus surtax before the defense tax, the defense tax was $\min\{0.1T, 0.1(Y - T)\}$. Thus, for taxpayers with $Y - T > T$—that is, taxpayers whose average tax rate was less than 50 percent—the defense tax was 0.1T, and so raised their marginal rate by 10 percent. For taxpayers whose average tax rate was greater than 50 percent, their defense tax was $0.1(Y - T)$, and so their marginal rate equaled 90 percent of what it otherwise would have been plus 10 percentage points. According to the 1940 *Statistics of Income*, the only income classes where average rates (excluding the defense tax) exceeded 50 percent were those with net incomes of $250,000 and above. We therefore assume that all taxpayers earning less than $250,000 paid a defense tax of 0.1T and all earning more paid $0.1(Y - T)$. Because very few taxpayers paid $0.1(Y - T)$ (and because even fewer were close to the margin between paying 0.1T and $0.1(Y - T)$), the specifics of how we account for the fact that the defense tax was not 0.1T for all taxpayers are unimportant.

When legislation changed only tax rates and not the computation of taxable income, finding the policy-induced change in marginal rates at a given level of taxable income is straightforward: the policy-induced change is just the change in the marginal rate at that level of income. When legislation changed how taxable income was computed from year $t - 1$ to year t, the situation is slightly more complicated. Consider a household with a given level of taxable income in year $t - 1$. We need to estimate what the household's taxable income would have been using the year t definition, and then find what the marginal rate would have been at that level. We discuss each case where the definition of taxable income changed in turn.[5]

1921 to 1922. Beginning in 1922, the normal and surtax rates applied to income excluding capital gains, and capital gains were taxed separately. Thus, to know what the relevant taxable income of a 1921 taxpayer would have been under 1922 rules, we should subtract long-term capital gains from the taxpayer's 1921 income. Unfortunately, the 1921 *Statistics of Income* does not separate long-term and short-term capital gains. We therefore subtract all capital gains, times the proportion of all capital gains in 1922 that were long term for the taxpayers in the relevant income range. Because capital gains were only a few percent of income in 1921, the effects of this correction are small.

1923 to 1924. Beginning in 1924, long-term capital losses could no longer be deducted from taxable income, but instead resulted in a separate tax credit. The taxable income of a 1923 household under 1924 law therefore equaled its 1923 taxable income plus any long-term capital losses. Since we do not have data on 1923 capital losses, we assume that long-term capital losses as a share of net income for each income range were the same in 1923 as in 1924. We then add the resulting estimates of long-term capital

[5] As discussed in n. 7 in the paper, as a robustness check we also compute policy-induced changes in a way that involves finding what marginal rates on year t income would have been under the year $t - 1$ tax code. For those calculations, when there were changes in the definition of taxable income we estimate what households' taxable income would have been under the year $t - 1$ tax code analogously to the procedures described here.

losses in 1923 to the reported 1923 incomes for each range to obtain an estimate of what their taxable income would have been under 1924 law. The effects of this correction are small.

1933 to 1934. There were two changes to how taxable income was calculated in 1934. First, the treatment of long-term capital gains and losses was changed. Rather than being taxed separately, a portion of these gains and losses was included in taxable income, with the fraction varying by the holding period. In addition, the deduction for capital losses (net of any gains) was capped at $2000. In 1933, short-term capital losses and short-term gains (both of which were included in the computation of income subject to the surtax) were similar in magnitude, and long-term losses were much larger than long-term gains. In 1934, reported capital gains income and deductions for losses were similar in magnitude. That is, in both years capital gains and losses on net had little impact on income subject to the surtax. We therefore make no adjustment for the change in the treatment of gains and losses.

Second, starting in 1934 the personal exemption and credit for dependents could be deducted from income subject to the surtax. In finding the taxable incomes for the purposes of the surtax that 1933 taxpayers would have had under 1934 law, we therefore subtract their exemptions and dependent credits.

1937 to 1938. Starting in 1938, capital gains and losses on assets held more than 18 months were again taxed at a separate rate. Gains on assets held less than 18 months, however, were now entirely included in taxable income, and none of current-year net losses could be deducted in computing net income. The 1937 *Statistics of Income* does not separate capital gains income by holding period. The 1938 *Statistics of Income*, however, separates it according to whether the holding period was more or less than 18 months. To approximate the effect of the change on the relevant taxable income a 1937 taxpayer would have had under the 1938 code, we assume that this division for a given income range was the same in 1937 as in 1938. We assume that half of the long-term capital gains were already excluded in 1937 (the actual fraction varied from 20 to 70 percent depending on the holding period), and that none of the short-term gain was excluded. Since all long-term gains were taxed separately in 1938, this allows us to estimate how much lower a taxpayer's relevant taxable income would have been under the 1938 rules. We also add back in net losses, since these were no longer deductible.

1939 to 1940. The Revenue Act of 1940 lowered all personal exemptions by 20 percent. To find the taxable incomes that 1939 taxpayers would have had under 1940 law, we therefore add back in 20 percent of their personal exemptions. The effects of this adjustment are minor.

1940 to 1941. In 1941, personal exemptions were reduced by an additional 25 percent for joint filers and 6 percent for other taxpayers. 57 percent of the value of all personal exemptions in 1940 was claimed by joint filers (1940 *Statistics of Income*, p, 121). To find the taxable incomes that 1940 taxpayers would have had under 1941 rules, we therefore add back in 17 percent of their personal exemptions. The effects of this adjustment are again minor.

E. Retroactive Changes

If a change to the tax code was enacted near the end of the year or after the end of the year, our baseline measure of tax rates uses the rates that were in effect during the year, not the rates that were applied ex post. For the one case where a change was enacted after mid-year but well before year-end, we try both approaches.

There are five cases of retroactive changes enacted after mid-year. Tax bills enacted in 1919, 1924, and 1926 changed taxes for the previous year; a Congressional resolution enacted on December 16, 1929 changed 1929 taxes; and the Revenue Act of 1941, enacted on September 20, 1941, changed 1941 taxes. Our baseline measures of marginal rates and policy-induced changes in marginal rates use the tax code in

effect during 1918, 1923, 1925, and 1929, and ignore the retroactive changes. The 1941 change, however, was in effect for a non-trivial part of the year, and taxpayers likely knew before the bill was passed that tax rates were likely to be raised. Our baseline measure therefore uses the rates specified by the 1941 act in computing marginal rates. However, we also consider the effects of coding this as no change in rates in 1941. The treatment of 1941 has no important effect on our results. In addition, as described in the paper, we also consider series for marginal rates that use the rates that were applied ex post in all cases.

F. Interpolation and Aggregation to Construct Data for Percentile Groups

To construct figures for different percentile groups rather than for the income ranges in the *Statistics of Income*, we often need estimates of the breakdown of income within a given income range. To derive these estimates, we fit a Pareto distribution for each year to the income ranges at or above the range that includes the return at the 99.95th percentile of the income distribution in that year.[6] As noted in the text, the information in the *Statistics of Income* is sufficiently detailed that the specifics of the interpolation procedure are not important to the estimates.

We then use the Pareto parameters to construct the data that we need on ordinary taxable incomes by percentile group. Suppose, for example, that 40 percent of the filers in the $150,000–$200,000 range are in the top percentile group in some year, and that the estimate of the Pareto parameter for that year is 1.5. Then the assumption that incomes follow a Pareto distribution implies that 43.5 percent of the income of the filers in this range went to those in the top percentile group.

Similarly, we use the Pareto parameters to estimate each percentile group's income-weighted average log after-tax share and the policy-induced change in a group's income-weighted average log after-tax share.[7] For example, consider a case where all households in the $90,000–$100,000 range are in the second percentile group. Suppose that 5 percent of the income of the filers in this range was either untaxed or taxed separately, that one marginal rate applied to $80,000–$90,000 and a higher one to $90,000–$100,000, and that the Pareto parameter for the year is 1.5. Then our assumptions imply that 49.3 percent of the ordinary taxable income of the filers in this range was taxed at the lower marginal rate and 50.7 percent was taxed at the higher rate. This would be one part of the overall weighted average for this percentile group. Similarly, to find the policy-induced change from one year to the next, we find the marginal rate at each level of income under each year's tax code, weight using the first year's income

[6] As described above, we aggregate the taxpayers with incomes over $1.5 million into a single group.

[7] To see why the change in the log of the taxable income of a group should be related to the change in the group's income-weighted log after-tax share, suppose the taxable income of the household at percentile i of the income distribution in year t is given by $\ln y_{it} = \alpha_i + \beta_t + \gamma \ln S_{it} + \varepsilon_{it}$, where S_{it} is the household's after-tax share. Then $\ln y_{i,t+1} - \ln y_{it} = \tilde{\beta}_{t+1} + \gamma(\ln S_{i,t+1} - \ln S_{it}) + \tilde{\varepsilon}_{i,t+1}$ (where $\tilde{\beta}_{t+1} \equiv \beta_{t+1} - \beta_t, \tilde{\varepsilon}_{i,t+1} \equiv \varepsilon_{i,t+1} - \varepsilon_{it}$). This in turn implies $y_{i,t+1} - y_{it} \cong y_{it}[\tilde{\beta}_{t+1} + \gamma(\ln S_{i,t+1} - \ln S_{it}) + \tilde{\varepsilon}_{i,t+1}]$. Thus, summing over members of the percentile group being considered, and letting Y_t be the total taxable income of the group, we have:

$$\frac{\sum_i (y_{i,t+1} - y_{it})}{Y_t} \cong \sum_i \left(\frac{y_{it}}{Y_t}\right) y_{it}[\tilde{\beta}_{t+1} + \gamma(\ln S_{i,t+1} - \ln S_{it}) + \tilde{\varepsilon}_{i,t+1}]$$

$$= \gamma \sum_i \frac{y_{it}}{Y_t}(\ln S_{i,t+1} - \ln S_{it}) + \nu_{t+1},$$

where $\nu_{t+1} \equiv \tilde{\beta}_{t+1} + \sum_i \left(y_{it}/Y_t\right) \tilde{\varepsilon}_{i,t+1}$. This in turn implies the posited relationship:

$$\ln Y_{t+1} - \ln Y_t \cong \gamma\left(\sum_i \frac{y_{it}}{Y_t} \ln S_{i,t+1} - \sum_i \frac{y_{it}}{Y_t} \ln S_{it}\right) + \nu_{t+1}.$$

distribution, and find the difference.

The Pareto distribution function is

$$F(Y) = 1 - \left(\frac{k}{Y}\right)^{\theta} \quad \text{for } Y \geq k. \tag{A1}$$

Let L_i and H_i denote the bottom and top of income range i, and assume that $L_i > k$. The probability that a return falls in range i is

$$P_i = \left(\frac{k}{L_i}\right)^{\theta} - \left(\frac{k}{H_i}\right)^{\theta}. \tag{A2}$$

Thus, the likelihood function is

$$L = \left(\prod_{i=1}^{M} {P_i}^{N_i}\right) \frac{N!}{N_1!\, N_2! \ldots N_M!}, \tag{A3}$$

where M is the number of income ranges, N_i is the number of returns in range i, and N is the total number of returns in the sample we are considering. The log likelihood function is therefore

$$\ln L = K + \sum_{i}^{M} N_i \ln P_i, \tag{A4}$$

where $K \equiv \ln(N!) - \sum_{i=1}^{M} \ln(N_i!)$. Note that K does not depend on the parameters of the distribution.

We estimate the model by maximum likelihood for each year. The number of income ranges in the sample varies from 13 to 18. The estimates of θ (which is the parameter relevant to the interpolation) range from 1.41 in 1929 to 2.01 in 1920. These estimates are similar to other estimates for income distributions. The estimates are extremely precise: the standard error for the estimate of θ is always less than 0.001.

G. <u>Approximation Errors</u>

The calculations described in this appendix are clearly not exact. Most importantly, we assume that quantities that we need to subtract from net income, such as capital gains, are a constant proportion of income within each income range. To understand this assumption, consider again the example where 5 percent of the income of the taxpayers in the $80,000-$90,000 range was either untaxed our taxed separately. Our assumption would be that this 5 percent figure applied to each household in this income range.

As Barro and Sahasakul (1983) observe in a different context, the aggregates derived from this procedure will be reasonably accurate either if the quantities we need to subtract from net income do not vary greatly as a share of income among members of the group or if the log after-tax share is approximately linear in taxable income over the relevant range. In our case, because the adjustments involve only a moderate fraction of net income, and because the log after-tax share fell fairly steadily with income, the approximation errors are likely to be small. And because the actual changes in marginal rates in this period were so large, even moderate errors would have little impact on our estimates.

As a check on our calculations, we have computed the implications of our assumptions for the amount of taxes paid by the households in selected income ranges for certain years. We find that the

calculations match actual taxes paid quite well, sometimes remarkably so.[8]

REFERENCES

Barro, Robert J., and Chaipat Sahasakul. 1983. "Measuring the Average Marginal Tax Rate from the Individual Income Tax." *Journal of Business* 56 (October): 419-452.

Gruber, Jon, and Emmanuel Saez. 2002. "The Elasticity of Taxable Income: Evidence and Implications." *Journal of Public Economics* 84 (April): 1-32.

U.S. Bureau of Internal Revenue, United States Department of the Treasury. *Statistics of Income*. Various years.

[8] The largest discrepancies we have found involve the normal tax before 1936. The discrepancies appear to stem from the fact that dividends were exempt from the normal tax until 1936, and some high-income households had sufficiently high deductions and low non-dividend income that excluding only a portion of their dividend income was enough to reduce their normal tax liability to zero. Thus, our estimates appear to overstate average marginal rates for these years. But, since marginal normal tax rates were low and most high-income households paid some normal tax, the errors appear small.

Figure A1
Sample Table with Income Details from the *Statistics of Income*, 1933

TABLE 7.—*Individual returns for 1933 by net income classes, showing sources of income and deductions, and net income*

[Money figures and net income classes in thousands of dollars]

[For text defining certain items and describing methods of tabulating and estimating data, see pp. 1-5]

Net income classes	Sources of income						
	Salaries, wages, commissions, fees, etc.	Business	Partnership [1]	Profit from sale of real estate, stocks, bonds, etc.		Rents and royalties	Dividends on stock of domestic corporations
				Reported for tax on capital net gain [2]	All other		
Under 5 (est.)	5,551,709	1,009,108	201,794	----------	110,880	323,740	359,180

TABLE 7.—*Individual returns for 1933 by net income classes, showing sources of income and deductions, and net income*—Continued

[Money figures and net income classes in thousands of dollars]

Net income classes	Sources of income—Continued					Deductions	
	Fiduciary [1]	Interest on Government obligations not wholly exempt from tax [4]	Other taxable interest	Other income	Total income	Net loss from sale of real estate, stocks, bonds, etc., other than reported for tax credit on capital net loss [2]	Net loss from business
Under 5 (est.)	93,333	----------	530,001	97,541	8,286,286	212,822	35,193

TABLE 7.—*Individual returns for 1933 by net income classes, showing sources of income and deductions, and net income*—Continued

[Money figures and net income classes in thousands of dollars]

Net income classes	Deductions—Continued						Net income
	Net loss from partnership	Interest paid [5]	Taxes paid [5]	Contributions	All other	Total	
Under 5 (est.)	14,838	299,209	306,180	141,032	415,891	1,425,166	6,861,120

Figure A2
Sample Table from the *Statistics of Income*, 1933 Showing Information about the Normal Tax

A.—*Individuals required to file returns, personal exemption, credit for dependents, tax provisions of the National and normal tax rates under the Revenue Acts of 1918 to 1932, inclusive, and certain Industrial Recovery Act*

Revenue Act	Income year	Applicable to citizens and residents of the United States: Individuals required to file returns [2]: Married and living with husband or wife [4]: Net income [5]	Married and living with husband or wife [4]: Gross income regardless of amount of net income	Single, or married and not living with husband or wife: Net income [5]	Single, or married and not living with husband or wife: Gross income regardless of amount of net income	Applicable to citizens and residents of the United States: Personal exemption and credit for dependents [3]: Married and living with husband or wife, or head of family [7]	Single, or married and not living with husband or wife, and not head of family [7]	Credit for dependents [8]	Net income subject to normal tax [6]	Normal tax rate (percent)	Applicable to nonresident aliens [1]: Personal exemption: Married and living with husband or wife, or head of family [7]	Single, or married and not living with husband or wife, and not head of family [7]	Credit for dependents [8]	Normal tax rate [6] (percent)
1913 (Oct. 3, 1913)	Mar. 1, 1913, to Dec. 31, 1915.	$3,000		$3,000		$4,000	$3,000	None	All	1	None	None	None	1
1916 (Sept. 8, 1916; amended Mar. 3 and Oct. 3, 1917).	1916	3,000		3,000		4,000	3,000	None	All	2	$4,000	$3,000	None	2
1917 (Oct. 3, 1917)	1917	2,000		1,000		2,000	1,000	$200	First $2,000	2	None	None	None	2
									Balance over $2,000	4				
1918 (Feb. 24, 1919)	1918	2,000		1,000		2,000	1,000	200	First $4,000	6	(9)	(9)	(9)	12
									Balance over $4,000	12				
	1919, 1920	2,000		1,000		2,000	1,000	200	First $4,000	4	(9)	(9)	(9)	8
									Balance over $4,000	8				
1921 (Nov. 23, 1921)	1921, 1922, 1923 [10]	2,000	$5,000	1,000	$5,000	[11] 2,500	1,000	400	First $4,000	4	1,000	1,000	[12]None	[13] 8
									Balance over $4,000	8				
1924 (June 2, 1924)	1924	2,500	5,000	1,000	5,000	2,500	1,000	400	First $4,000	2	1,000	1,000	(12)	[13] 6
									Second $4,000	4				
									Balance over $8,000	6				
1926 (Feb. 26, 1926)	1925, 1926, 1927	3,500	5,000	1,500	5,000	3,500	1,500	400	First $4,000	1½	1,500	1,500	(12)	[13] 5
									Second $4,000	3				
									Balance over $8,000	5				
1928 (May 29, 1928)	1928, 1929, 1930, 1931	3,500	5,000	1,500	5,000	3,500	1,500	400	First $4,000	1½	1,500	1,500	(12)	[13] 5
									Second $4,000	3				
									Balance over $8,000	5				
1932 (June 6, 1932)	1932, 1933	2,500	5,000	1,000	5,000	2,500	1,000	400	First $4,000	4	1,000	1,000	(12)	[13] 8
									Balance over $4,000	8				

[14] 1½ / [14] 2 / [14] 4

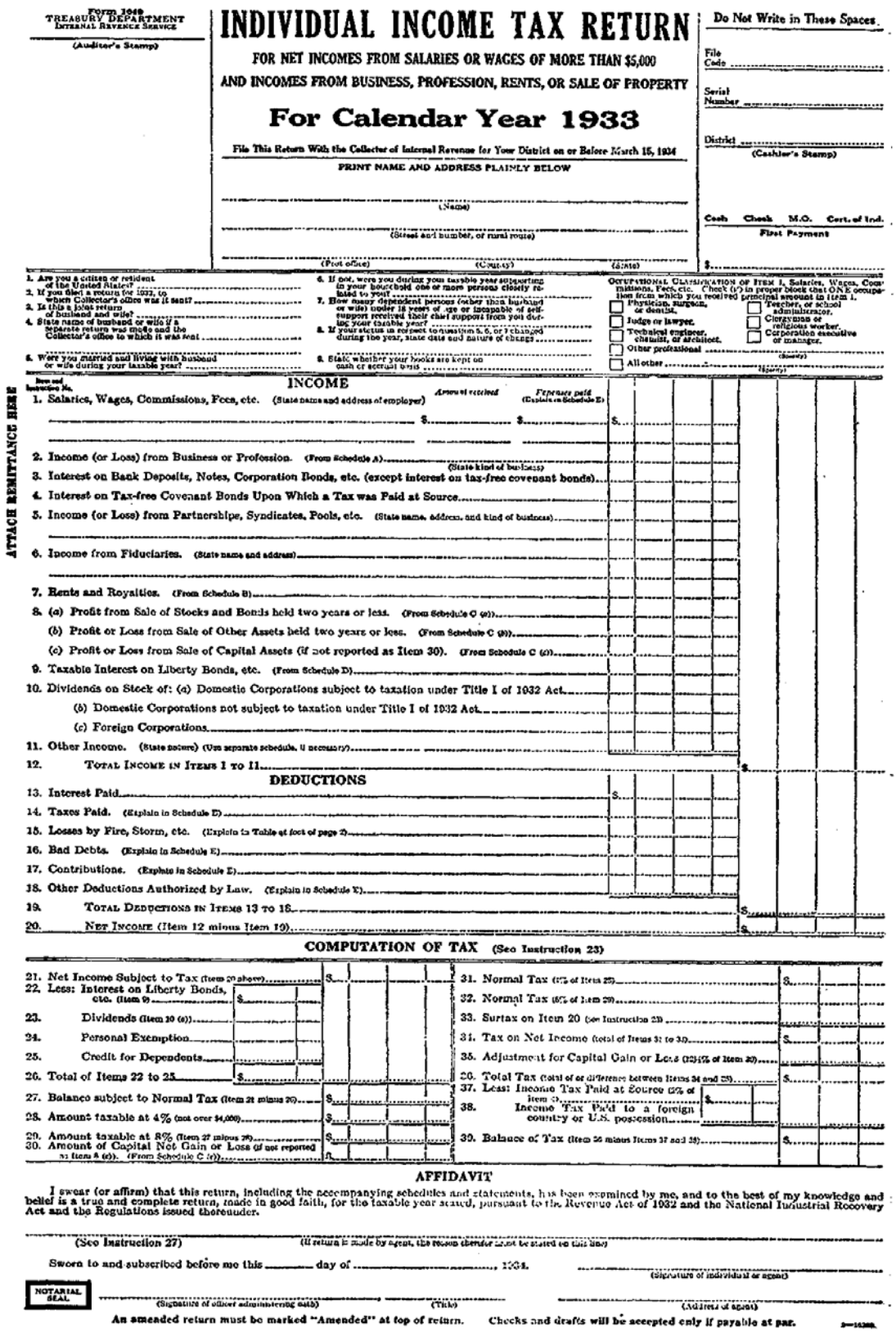
Figure A3
Sample Table from the *Statistics of Income*, 1933 Showing Information about the Surtax

B.—*Individual surtax rates under the Revenue Acts of 1913 to 1932, inclusive*

Net income		Revenue Act							
		1913		1916		1917		1918	
Exceeding	Equaling	On incomes for Mar. 1, 1913–Dec. 31, 1915		On incomes for 1916		On incomes for 1917		On incomes for 1918, 1919, and 1920, and Act of 1921 on incomes for 1921	
Thousands of dollars		*Rate (percent)*	*Total surtax*	*Rate (percent)*	*Total surtax*	*Rate (percent)*	*Total surtax*	*Rate (percent)*	*Total surtax*
5	6					1	$10	1	$10
6	7.5					1	25	2	40
7.5	8					2	35	2	50
8	10					2	75	3	110
10	12					3	135	4	190
12	12.5					3	150	5	215
12.5	13					4	170	5	240
13	14					4	210	5	290
14	15					4	250	6	350
15	16					5	300	6	410
16	18					5	400	7	550
18	20					5	500	8	710
20	22	1	$20	1	$20	8	660	9	890
22	24	1	40	1	40	8	820	10	1,090
24	26	1	60	1	60	8	980	11	1,310
26	28	1	80	1	80	8	1,140	12	1,550
28	30	1	100	1	100	8	1,300	13	1,810
30	32	1	120	1	120	8	1,460	14	2,090
32	34	1	140	1	140	8	1,620	15	2,390
34	36	1	160	1	160	8	1,780	16	2,710
36	38	1	180	1	180	8	1,940	17	3,050
38	40	1	200	1	200	8	2,100	18	3,410
40	42	1	220	2	240	12	2,340	19	3,790
42	44	1	240	2	280	12	2,580	20	4,190
44	46	1	260	2	320	12	2,820	21	4,610
46	48	1	280	2	360	12	3,060	22	5,050
48	50	1	300	2	400	12	3,300	23	5,510
50	52	2	340	2	440	12	3,540	24	5,990
52	54	2	380	2	480	12	3,780	25	6,490
54	56	2	420	2	520	12	4,020	26	7,010
56	58	2	460	2	560	12	4,260	27	7,550
58	60	2	500	2	600	12	4,500	28	8,110
60	62	2	540	3	660	17	4,840	29	8,690
62	64	2	580	3	720	17	5,180	30	9,290
64	66	2	620	3	780	17	5,520	31	9,910
66	68	2	660	3	840	17	5,860	32	10,550
68	70	2	700	3	900	17	6,200	33	11,210
70	72	2	740	3	960	17	6,540	34	11,890
72	74	2	780	3	1,020	17	6,880	35	12,590
74	75	2	800	3	1,050	17	7,050	36	12,950
75	76	3	830	3	1,080	17	7,220	36	13,310
76	78	3	890	3	1,140	17	7,560	37	14,050
78	80	3	950	3	1,200	17	7,900	38	14,810
80	82	3	1,010	4	1,280	22	8,340	39	15,590
82	84	3	1,070	4	1,360	22	8,780	40	16,390
84	86	3	1,130	4	1,440	22	9,220	41	17,210
86	88	3	1,190	4	1,520	22	9,660	42	18,050
88	90	3	1,250	4	1,600	22	10,100	43	18,910
90	92	3	1,310	4	1,680	22	10,540	44	19,790
92	94	3	1,370	4	1,760	22	10,980	45	20,690
94	96	3	1,430	4	1,840	22	11,420	46	21,610
96	98	3	1,490	4	1,920	22	11,860	47	22,550
98	100	3	1,550	4	2,000	22	12,300	48	23,510
100	150	4	3,550	5	4,500	27	25,800	52	49,510
150	200	4	5,550	6	7,500	31	41,300	56	77,510
200	250	4	7,550	7	11,000	37	59,800	60	107,510
250	300	5	10,050	8	15,000	42	80,800	60	137,510
300	400	5	15,050	9	24,000	46	126,800	63	200,510
400	500	5	20,050	9	33,000	46	172,800	63	263,510
500	750	6	35,050	10	58,000	50	297,800	64	423,510
750	1,000	6	50,050	10	83,000	55	435,300	64	583,510
1,000	1,500	6	80,050	11	138,000	61	740,300	65	908,510
1,500	2,000	6	110,050	12	198,000	62	1,050,300	65	1,233,510
2,000		6		13		63		65	

Net income		Revenue Act							
		1921		1924		1926		1932	
Exceeding	Equaling	On incomes for 1922 and 1923 [1]		On incomes for 1924		On incomes for 1925, 1926, and 1927, and Act of 1928 on incomes for 1928, 1929, 1930, and 1931		On incomes for 1932 and 1933	
Thousands of dollars		*Rate (percent)*	*Total surtax*	*Rate (percent)*	*Total surtax*	*Rate (percent)*	*Total surtax*	*Rate (percent)*	*Total surtax*
5	6							1	$15
6	7.5	1	$15					1	20
7.5	8	1	20					1	40
8	10	1	40					2	80
10	12	2	80	1	$20	1	$20	3	95
12	12.5	3	95	1	25	1	25	3	110
12.5	13	3	110	1	30	1	30	3	140
13	14	3	140	1	40	1	40	4	180
14	15	4	180	2	60	2	60	4	220
15	16	4	220	2	80	2	80	5	320
16	18	5	320	3	140	3	140	6	440
18	20	6	440	4	220	4	220	8	600
20	22	8	600	5	320	5	320	9	780
22	24	9	780	6	440	6	440	10	980
24	26	10	980	7	580	7	580	11	1,200
26	28	11	1,200	8	740	7	720	12	1,440
28	30	12	1,440	9	920	8	880	13	1,700
30	32	13	1,700	10	1,120	8	1,040	15	2,000
32	34	15	2,000	10	1,320	9	1,220	15	2,300
34	36	15	2,300	11	1,540	9	1,400	16	2,620
36	38	16	2,620	12	1,780	10	1,600	17	2,960
38	40	17	2,960	13	2,040	10	1,800	18	3,320
40	42	18	3,320	13	2,300	11	2,020	19	3,700
42	44	19	3,700	14	2,580	11	2,240	20	4,100
44	46	20	4,100	15	2,880	12	2,480	21	4,520
46	48	21	4,520	16	3,200	12	2,720	22	4,960
48	50	22	4,960	17	3,540	13	2,980	23	5,420
50	52	23	5,420	18	3,900	13	3,240	24	5,900
52	54	24	5,900	19	4,280	14	3,520	25	6,400
54	56	25	6,400	19	4,660	14	3,800	26	6,920
56	58	26	6,920	20	5,060	15	4,100	27	7,460
58	60	27	7,460	21	5,480	15	4,400	28	8,020
60	62	28	8,020	21	5,900	16	4,720	29	8,600
62	64	29	8,600	22	6,340	16	5,040	30	9,200
64	66	30	9,200	23	6,800	17	5,380	31	9,820
66	68	31	9,820	24	7,280	17	5,720	32	10,460
68	70	32	10,460	25	7,780	17	6,060	33	11,120
70	72	33	11,120	26	8,300	18	6,420	34	11,800
72	74	34	11,800	26	8,820	18	6,780	35	12,150
74	75	35	12,150	27	9,090	18	6,960	35	12,500
75	76	35	12,500	27	9,360	18	7,140	36	13,220
76	78	36	13,220	28	9,920	18	7,500	37	13,960
78	80	37	13,960	28	10,480	18	7,860	38	14,720
80	82	38	14,720	29	11,060	19	8,240	39	15,500
82	84	39	15,500	30	11,660	19	8,620	40	16,300
84	86	40	16,300	31	12,280	19	9,000	41	17,120
86	88	41	17,120	31	12,900	19	9,380	42	17,960
88	90	42	17,960	32	13,540	19	9,760	43	18,820
90	92	43	18,820	33	14,200	19	10,140	44	19,700
92	94	44	19,700	34	14,880	19	10,520	45	20,600
94	96	45	20,600	35	15,580	19	10,900	46	21,520
96	98	46	21,520	36	16,300	19	11,280	47	22,460
98	100	47	22,460	36	17,020	19	11,660	48	46,460
100	150	48	46,460	37	35,520	20	21,660	49	70,960
150	200	49	70,960	37	54,020	20	31,660	50	95,960
200	250	50	95,960	38	73,020	20	41,660	50	120,960
250	300	50	120,960	38	92,020	20	51,660	51	171,960
300	400	50	170,960	39	131,020	20	71,660	52	223,960
400	500	50	220,960	39	170,020	20	91,660	53	356,460
500	750	50	345,960	40	270,020	20	141,660	54	491,460
750	1,000	50	470,960	40	370,020	20	191,660	55	766,460
1,000	1,500	50	720,960	40	570,020	20	291,660	55	1,041,460
1,500	2,000	50	970,960	40	770,020	20	391,660	55	
2,000		50		40		20		55	

Figure A4
Income Tax Forms and Schedules from the *Statistics of Income*, 1933



Form 1040
TREASURY DEPARTMENT
INTERNAL REVENUE SERVICE

(Auditor's Stamp)

INDIVIDUAL INCOME TAX RETURN

FOR NET INCOMES FROM SALARIES OR WAGES OF MORE THAN $5,000
AND INCOMES FROM BUSINESS, PROFESSION, RENTS, OR SALE OF PROPERTY

For Calendar Year 1933

File This Return With the Collector of Internal Revenue for Your District on or Before March 15, 1934

PRINT NAME AND ADDRESS PLAINLY BELOW

(Name)

(Street and number, or rural route)

(Post office) (County) (State)

Do Not Write in These Spaces.

File Code

Serial Number

District

(Cashier's Stamp)

Cash Check M.O. Cert. of Ind.

First Payment

$

1. Are you a citizen or resident of the United States?
2. If you filed a return for 1932, to which Collector's office was it sent?
3. Is this a joint return of husband and wife?
4. State name of husband or wife if a separate return was made and the Collector's office to which it was sent
5. Were you married and living with husband or wife during your taxable year?
6. If not, were you during your taxable year supporting in your household one or more persons closely related to you?
7. How many dependent persons (other than husband or wife) under 18 years of age or incapable of self-support received their chief support from you during your taxable year?
8. If your status in respect to question 5, 6, or 7 changed during the year, state date and nature of change
9. State whether your books are kept on cash or accrual basis

Occupational Classification of Item 1, Salaries, Wages, Commissions, Fees, etc. Check (✓) in proper block that ONE occupation from which you received principal amount in Item 1.

- ☐ Physician, surgeon, or dentist
- ☐ Teacher, or school administrator
- ☐ Judge or lawyer
- ☐ Clergyman or religious worker
- ☐ Technical engineer, chemist, or architect
- ☐ Corporation executive or manager
- ☐ Other professional (Specify)
- ☐ All other (Specify)

ATTACH REMITTANCE HERE

Item and Instruction No.	INCOME	Amount received	Expenses paid (Explain on Schedule E)
1.	Salaries, Wages, Commissions, Fees, etc. (State name and address of employer)	$	$
2.	Income (or Loss) from Business or Profession. (From Schedule A) (State kind of business)		
3.	Interest on Bank Deposits, Notes, Corporation Bonds, etc. (except interest on tax-free covenant bonds)		
4.	Interest on Tax-free Covenant Bonds Upon Which a Tax was Paid at Source		
5.	Income (or Loss) from Partnerships, Syndicates, Pools, etc. (State name, address, and kind of business)		
6.	Income from Fiduciaries. (State name and address)		
7.	Rents and Royalties. (From Schedule B)		
8.	(a) Profit from Sale of Stocks and Bonds held two years or less. (From Schedule C (a))		
	(b) Profit or Loss from Sale of Other Assets held two years or less. (From Schedule C (b))		
	(c) Profit or Loss from Sale of Capital Assets (if not reported as Item 30). (From Schedule C (c))		
9.	Taxable Interest on Liberty Bonds, etc. (From Schedule D)		
10.	Dividends on Stock of: (a) Domestic Corporations subject to taxation under Title I of 1932 Act		
	(b) Domestic Corporations not subject to taxation under Title I of 1932 Act		
	(c) Foreign Corporations		
11.	Other Income. (State nature) (Use separate schedule, if necessary)		
12.	TOTAL INCOME IN ITEMS 1 TO 11		$
	DEDUCTIONS		
13.	Interest Paid	$	
14.	Taxes Paid. (Explain in Schedule D)		
15.	Losses by Fire, Storm, etc. (Explain in Table at foot of page 2)		
16.	Bad Debts. (Explain in Schedule E)		
17.	Contributions. (Explain in Schedule E)		
18.	Other Deductions Authorized by Law. (Explain in Schedule E)		
19.	TOTAL DEDUCTIONS IN ITEMS 13 TO 18		$
20.	NET INCOME (Item 12 minus Item 19)		$

COMPUTATION OF TAX (See Instruction 23)

21.	Net Income Subject to Tax (Item 20 above)		$		
22.	Less: Interest on Liberty Bonds, etc. (Item 9)	$			
23.	Dividends (Item 10 (c))				
24.	Personal Exemption				
25.	Credit for Dependents				
26.	Total of Items 22 to 25	$			
27.	Balance subject to Normal Tax (Item 21 minus 26)		$		
28.	Amount taxable at 4% (not over $4,000)		$		
29.	Amount taxable at 8% (Item 27 minus 28)		$		
30.	Amount of Capital Net Gain or Loss (if not reported as Item 8 (c)). (From Schedule C (c))		$		
31.	Normal Tax (4% of Item 28)				$
32.	Normal Tax (8% of Item 29)				
33.	Surtax on Item 20 (see Instruction 23)				
34.	Tax on Net Income (total of Items 31 to 33)				$
35.	Adjustment for Capital Gain or Loss (12½% of Item 30)				
36.	Total Tax (total of or difference between Items 34 and 35)				$
37.	Less: Income Tax Paid at Source (25% of Item 9)	$			
38.	Income Tax Paid to a foreign country or U.S. possession				
39.	Balance of Tax (Item 36 minus Items 37 and 38)				$

AFFIDAVIT

I swear (or affirm) that this return, including the accompanying schedules and statements, has been examined by me, and to the best of my knowledge and belief is a true and complete return, made in good faith, for the taxable year stated, pursuant to the Revenue Act of 1932 and the National Industrial Recovery Act and the Regulations issued thereunder.

(See Instruction 27) (If return is made by agent, the person therefor must be stated on this line)

Sworn to and subscribed before me this _____ day of _____, 1934.

(Signature of individual or agent)

NOTARIAL SEAL

(Signature of officer administering oath) (Title) (Address of agent)

An amended return must be marked "Amended" at top of return. Checks and drafts will be accepted only if payable at par.

Figure A4 (continued)

SCHEDULE A—INCOME (OR LOSS) FROM BUSINESS OR PROFESSION (See Instruction 2)

1. Total receipts from business or profession (state kind of business)..... $

Cost of Goods Sold

2. Labor..... $
3. Material and supplies.....
4. Merchandise bought for sale.....
5. Other costs (itemize below or on separate sheet).....
6. Plus inventory at beginning of year.....
7. Total (Lines 2 to 6)..... $
8. Less inventory at end of year.....
9. Net Cost of Goods Sold (Line 7 minus Line 8).. $

Enter "C", or "C or M", on Lines 6 and 8 to indicate whether inventories are valued at cost, or cost or market, whichever is lower.

Other Business Deductions

10. Salaries not included as "Labor" in Line 2 (do not deduct compensation for your services)..... $
11. Interest on business indebtedness to others.....
12. Taxes on business and business property.....
13. Losses (explain in table at foot of page).....
14. Bad debts arising from sales or services.....
15. Depreciation, obsolescence, and depletion (explain in table provided at foot of page).....
16. Rent, repairs, and other expenses (itemize below or on separate sheet).....
17. Total (Lines 10 to 16)..... $
18. Total Deductions (Line 9 plus Line 17)..... $
19. Net Profit (or Loss) (Line 1 minus Line 18) (Enter as Item 21).. $

Explanation of deductions claimed on Lines 5 and 16.....

SCHEDULE B—INCOME FROM RENTS AND ROYALTIES (See Instruction 7)

1. Kind of Property	2. Amount Received	3. Cost or Value as of March 1, 1913, Whichever Greater	4. Depreciation (Explain in table at foot of page)	5. Repairs	6. Other Expenses (Itemize below)	7. Net Profit (Enter as Item 7)
	$	$	$	$	$	$

Explanation of deductions claimed in Column 6.....

SCHEDULE C—PROFIT OR LOSS FROM SALE OF STOCKS, BONDS, REAL ESTATE, ETC. (See Instruction 8)

1. Kind of Property	2. Date Acquired	3. Date Sold	4. Amount Realized	5. Cost	6. March 1, 1913, Value if Acquired Prior to That Date	7. Cost of Improvements Subsequent to Acquisition or March 1, 1913	8. Depreciation Allowed (or Allowable) Since Acquisition or March 1, 1913	9. Net Profit or Loss
(a) Stocks and Bonds* Held Two Years or Less:	Mo. Day Year	Mo. Day Year						
			$	$	$	XXXXX XX	XXXXX XX	$
Total (a) (Transfer net profit to Item 8 (a))	XXXXX	XXXXX	$	$	$	XXXXX XX	XXXXX XX	$
(b) Other Assets Held Two Years or Less:								
			$	$	$	$	$	$
Total (b) (Transfer net profit or loss to Item 8 (b))	XXXXX	XXXXX	$	$	$	$	$	$
(c) Capital Assets:								
			$	$	$	$	$	$
Total (c) (Transfer net gain or loss to Item 8 (c) or 30)	XXXXX	XXXXX	$	$	$	$	$	$

* As defined in Section 23 (t), 1932 Act.
State how property was acquired.....

SCHEDULE D—INTEREST ON LIBERTY BONDS AND OTHER OBLIGATIONS OR SECURITIES (See Instruction 9)

1. Obligations or Securities	2. Amount Owned	3. Interest Received or Accrued	4. Principal Amount Exempt from Taxation	5. Amount Owned in Excess of Exemption	6. Interest on Amount in Excess of Exemption (Enter on Item 9)
(a) Obligations of a State, Territory, or political subdivision thereof, or the District of Columbia	$	$	All	XXXXXX XX	XXXXXX XX
(b) Securities issued under Federal Farm Loan Act, or under such Act as amended, and obligations of United States possessions			All	XXXXXX XX	XXXXXX XX
(c) Liberty 3½% Bonds and other obligations of United States issued on or before September 1, 1917			All	XXXXXX XX	XXXXXX XX
(d) Liberty 4% and 4½% Bonds and Treasury Bonds (e) Treasury Notes, Treasury Bills, and Treasury Certificates of Indebtedness			$3,000	$	$
			All	XXXXXX XX	XXXXXX XX

SCHEDULE E—EXPLANATION OF DEDUCTIONS CLAIMED IN ITEMS 1, 14, 16, 17, AND 18

EXPLANATION OF DEDUCTION FOR DEPRECIATION CLAIMED IN SCHEDULES A AND B

1. Kind of Property (If building, state material of which constructed)	2. Date Acquired	3. Age When Acquired	4. Probable Life After Acquisition	5. Cost (Exclusive of Land)	6. March 1, 1913, Value if Acquired Prior to That Date (Exclusive of Land)	7. Depreciation Allowed (or Allowable) in Prior Years	8. Depreciation Allowable This Year
				$	$	$	$

EXPLANATION OF DEDUCTION FOR LOSSES BY FIRE, STORM, ETC., CLAIMED IN SCHEDULE A AND IN ITEM 18

1. Kind of Property	2. Date Acquired	3. Cost or Value as of March 1, 1913, Whichever Greater	4. Subsequent Improvements	5. Depreciation Allowable Since Acquisition	6. Insurance and Salvage Value	7. Deductible Loss
		$	$	$	$	$