



OFFICE OF

INTERNAL REVENUE AGENT IN CHARGE.

## TREASURY DEPARTMENT

INTERNAL REVENUE SERVICE

Nashville, Tenn., Oct. 24, 1923.

\_\_\_\_\_  
DIVISION.

In re:        Mr. W. R. Walker,  
                 Athens, Ala.

Date of Report:        Oct. 13, 1923.

Years Examined:        1918.

There is transmitted herewith copy of report covering examination recently made by a representative of this office concerning your income tax liability.

It is desired that every opportunity be afforded you to present any objections or any additional information which you believe might affect the result of the final decision of the Commissioner of Internal Revenue at Washington, D. C. The original of this report will therefore be held in this office for a period not to exceed twenty days from the date of this letter in order that you may, if you so desire, present any protests, briefs or letters containing additional information. Such protests, briefs or letters should be forwarded in duplicate to this office. These papers will receive consideration before the report with all papers pertaining to the same is transmitted to Washington for final action by the Commissioner of Internal Revenue.

Respectfully,

*John R. Kirk*  
Internal Revenue Agent in Charge.

W. R. Walker

## Schedule 1

1918

## Block Adjustments

Block	Return	Additions	Corrected
A	\$15,701.42		\$15,701.42
D	1,362.50	(a) 300.00	1,662.50
E	5,583.06	(b) 500.00	6,083.06
G	370.69		370.69
H	23,017.67		23,017.67
I	15,600.09	(c) 2300.00	13,300.09
J	7,417.58		10,517.58
K-a	111.75	(d) 1070.00	1,181.75
L	7,529.33		11,699.33
Total	7,529.33	4170.00	11,699.33
Husband's net income			11,699.33

## Schedule 1-a

## Explanation of Items (Changed)

(a) Profit on sale of farm (cost \$800.00 sold for \$2000.00 profit \$1200.00) was not extended as \$1200.00. Taxpayer's written explanation on the return states that only \$1700.00 in cash was received in 1918 therefore the remaining \$300.00 of the selling price (covered by mortgage) was excluded from profit. Add to income in block D. \$300.00.

(b) Depreciation taken on brick buildings on a valuation of \$50,000.00 at 3% (\$1500.00) was considered excessive because no detail of cost of the property (buildings alone) or its March 1st, 1913 value could be had on which to base the depreciation and again 3% is high for brick buildings. In the circumstances it was considered fair to allow the valuation but limit the rate to 2% - making the allowable depreciation \$1000.00, instead of \$1500.00. Add to income in block E \$500.00

(c) In the explanations on photostat, it will be noted that taxpayer deducted in Block I, item 5, Other Deductions, an amount of \$3607.15 - which was explained as follows:

(1) Depreciation on farm buildings, value at \$8000.00 at 10%	\$ 800.00
(2) Depreciation on brick store buildings valued at \$50000.00 at 3%	1500.00
(3) Depreciation on law library, valued at 10,000.00 at 5%	500.00
(4) Insurance (fire and tornado) on rental property	<u>807.15</u>
Total claimed in item 5 block I.	\$3607.15

(1) It will be noted that depreciation on farm buildings has already been taken above in block E, as \$400.00, therefore the \$800.00 claimed in block I is disallowed, as being a double (or rather trifle) deduction; for 5% (as taken above) on the \$8000.00 value is all that is reasonable. Reduce Block I and add to income \$800.00.

## Schedule No. 1-a continued

(2) Depreciation on brick buildings was already taken above in block E as \$1500.00 Disallow as a twice claimed deduction. Reduce Block I and add to net income \$1500.00.

(3) Depreciation on law library allowed as reasonable.

(4) Insurance paid \$807.15 allowed as O.K.

(1) Disallow \$800.00

(2) " 1500.00 Net addition to income \$2300.00.

(d). The amount returned (1070.00 as item 14(b) on page 1 of photostat; as (supposedly) income from partnerships or personal service corporations, was found to be "cash dividends received" from corporations. It is therefore added to income in block K-a. (The taxpayer was not interested in any partnership)

## Schedule 2

Dec. 31, 1918

## Net Income

Net income as disclosed by return from business (block A)

\$15,701.42

As corrected

15,701.42

No records can be found of the taxpayers business in 1918.

## Schedule 3

Dec. 31, 1918

## Computation of Tax

Total net income Schedule No. 1

\$11,699.33

Less: Exemption

2,000.00

Dividends

1,181.75

Interest on U. S. Obligations, etc

3,181.75

Income subject to Normal Tax

8,517.58

Tax 6% on \$4,000.00

240.00

Tax 12% on 4,517.58

542.11

Surtax husband's income \$11,699.33

177.97

960.07

Total Tax Assessable

960.07

Tax previously assessed

483.36

Additional tax to be assessed

476.71