

The original documents are located in Box D13, folder “Reagan Candidacy (1)” of the President Ford Committee Campaign Records at the Gerald R. Ford Presidential Library.

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87,511
40,585

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Check PEG index
& see if they have
filed any reports?

No note that Bob
as of 10/23/76 in Bob
i.e. index of filings.

J. RR file



ARIZONA CITIZENS FOR REAGAN

The Grand Canyon State

CHAIRMAN
NONAVIE DYER

CO-CHAIRMAN
JACK SMITHBAKER

CO-CHAIRMAN
HOWARD BALDWIN



Dear State Committeeman:

The Arizona campaign for Ronald Reagan for President is beginning. We need your help.

Ronald Reagan is a proven leader who has firm, positive solutions to our welfare mess, rising crime, runaway taxes, crippling inflation, and bureaucratic controls.

January 1st will begin the steady drive to carry Ronald Reagan to victory in Kansas City and to the Presidency.

We are asking you to join our march to the White House!

In behalf of Mr. Reagan, we would appreciate your help in obtaining the following two items:

- #1 A list of your friends and acquaintances who support Ronald Reagan and are willing to work in his behalf.
- #2 Begin to acquire endorsements to be used in the campaign (endorsement forms enclosed), and return them to Arizona Citizens for Reagan, P.O. Box 25083, Phoenix, Arizona 85002.

With Best Wishes for the New Year,

Nonavie
Nonavie Dyer (Mrs. Lee)
Arizona Chairman

Enclosures -

Slim,

FYI -

Tun -
E-File

to: "CITIZENS
FOR
REAGAN"

12 North 20th Street
Birmingham,
Alabama 35203
324-9112



I would like to help return sanity to our government. Put me down as a volunteer worker in the ELECTION OF GOV. RONALD REAGAN to the PRESIDENCY.

Enclosed is my contribution (Make check to: "Citizens for Reagan.") (Tax deductible to \$200, joint return)

CALL - 324-9112

Name.....

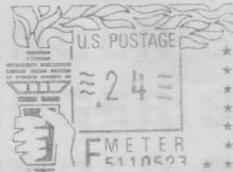
Occupation.....

Address.....

City.....

State..... Zip.....

Pd. Pol. ADV. by
"CITIZENS for REAGAN,"
Judge Guy Hunt,
STATE CHM.



for P. Kaye

Ms. Jim Ryan
Suite 250
1828 L St NW
Washington, D.C.
20036

Please remove the preaddressed label and attach it to the return filed. If the return is prepared by someone other than the taxpayer, please be sure that the preaddressed label is used.



STATE OF CALIFORNIA



1975

540

INDIVIDUAL INCOME TAX

40 PAGE BOOKLET

Contains Schedules A, B, C, D, E, F, R & DE 1964

FULL-YEAR RESIDENTS

This booklet reflects changes in the Personal Income Tax Law applicable to 1975. Read these instructions carefully before preparing your return.

IMPORTANT CHANGES INCLUDE:

- Optional tax tables increased to \$15,000. See page 8.
- Child care expenses. See instructions to Schedule A.
- Excess contribution carryover. See instructions to Schedule A.
- Forfeited interest penalty. See instructions page 5.
- Tax Preference Income. See instructions page 5.

SEE PAGE 10 FOR IMPORTANT REMINDERS AND FRANCHISE TAX BOARD OFFICES

DUE DATE APRIL 15, 1976

If you have a REFUND, mail your return to:

**FRANCHISE TAX BOARD
P.O. Box 13-540
Sacramento, CA 95813**

If you have a BALANCE DUE, mail your return and your remittance to:

**FRANCHISE TAX BOARD
Sacramento, CA 95867**

FILING REQUIREMENTS

A. Residents of California

Residents of California for the entire taxable year are required to file a return on Form 540 within 3½ months after the end of the taxable year if the following income requirements are met:

- Single**—If adjusted gross income (line 16, Form 540) exceeds \$3,250, or if total income (line 14, Form 540) exceeds \$7,000, exclusive of business expenses and losses.
- Married**—If the combined adjusted gross income (line 16, Form 540) exceeds \$6,500, or if the combined total income (line 14, Form 540) exceeds \$7,000, exclusive of business expenses and losses.
- Head of Household**—If adjusted gross income (line 16, Form 540) exceeds \$3,250, or if total income (line 14, Form 540) exceeds \$7,000, exclusive of business expenses and losses.

If you had California income tax withheld and you do not otherwise meet the filing requirements, it is necessary to file a return to get a refund.

If you and your spouse are married and living apart, you may file as single or as head of household. See the requirements on page 3 for your correct filing status.

Filing a Return for the Renter's Credit Only

If you are not required to file a return because you do not meet the filing requirements and you are filing a return only for the purpose of receiving the renter's credit, please complete the following:

- Use the preaddressed label for the name and social security number information. If the label is not available, please print or type this information in the appropriate section.
- Complete applicable filing status, lines 1 through 5, Form 540.
- Enter your adjusted gross income for the taxable year on line 16, Form 540.
- Enter your allowable Renter's Credit on lines 27 and 33 and complete Part 1 on page 2 of Form 540. See instructions below for the allowable Renter's Credit.
- Sign your return. Both spouses must sign if filing a joint return.
- Mail your return to Franchise Tax Board, P.O. Box 13-540, Sacramento, California 95813.

For additional information regarding Renter's Credit, please refer to page 5 line 27 of these instructions.

Allowable Credit:

If your adjusted gross income (line 16, Form 540) is:	The allowable credit is:
\$ -0-\$4,999	\$25
5,000- 5,999	30
6,000- 6,999	35
7,000- 7,999	40
8,000 and over	45

NOTE: All questions in Part 1 on page 2 of Form 540 must be answered for credit to be allowed.

FEDERAL PRIVACY ACT INFORMATION

Social security numbers must be included. Such numbers are used primarily to administer and enforce the Personal Income Tax and Bank and Corporation Tax Laws; to exchange income tax information with the U.S. Internal Revenue Service, other states, other tax officials of this state, and the Multi-state Tax Commission (Revenue and Taxation Code Section 19286). In addition, statutorily provided nontax uses are: (1) To provide information to the Department of Benefit Payments with respect to applicants or recipients of assistance under Division 9 of the Welfare and Institutions Code (Revenue and Taxation Code Section 19286.5); (2) to assist county welfare departments, district attorneys and probation officers for use in locating any parent who has abandoned or deserted children,

Special Low Income Tax Credit

For calendar year 1975 and fiscal years beginning in 1975, a special low income tax credit of 100 percent is provided. If you qualify for this credit, your net tax liability (line 23, Form 540) may be zero.

To qualify for this credit your adjusted gross income must be \$8,000 or less if married filing jointly, head of household or widow(er) with dependent child, or \$4,000 or less if single or married filing separately and you were a California resident at the end of your taxable year.

You may claim the special low income tax credit by completing the applicable lines 1 thru 16 and entering zero on line 23.

Although you may qualify for this credit, you may still be subject to the tax on preference income. See page 5 of instructions.

B. Part Year Residents and Nonresidents of California

If you were a part year resident or a nonresident of California, you are required to file a return on Form 540NR. A part year resident is taxable on all income, regardless of source, which accrued during the period of residency. A nonresident is taxable on any income derived from California sources. If there is a tax liability after apportioning your allowable standard deduction and exemption credits, a return must be filed on Form 540NR.

C. Deceased Taxpayer

If an individual died before filing a return for 1975, the executor, administrator or the surviving spouse must file a return for the decedent. A joint return for you and your deceased spouse may be filed by you and the executor or administrator, provided you did not remarry before the end of the year in which your spouse died. If an executor or administrator has not been appointed, you may file a joint return and indicate in the signature area that you are filing as the surviving spouse.

If the taxpayer (or your spouse) died during the year, please indicate the date of death in the name and address area. This should be done by listing the deceased individual's name and then "deceased" and the date. If a refund is due, attach Form FTB 3545, Statement of Claimant to Refund Due—Deceased Taxpayer.

D. Military Personnel

California military personnel are considered nonresidents for State income tax purposes when serving at out-of-state posts of duty under permanent military orders. If the spouse remains a California resident and the serviceperson retains California domicile, the spouse is taxable on one-half of the community income. Out-of-state military personnel serving at posts of duty in California are not subject to California tax on their military pay unless California domicile is adopted. **Any income from other than military sources earned in California is taxable.** If California domicile is adopted, California will tax the entire income received during the period of residence. Declarations filed with military service branches that show California as the state of legal residence will be treated as presumptive evidence of California residence.

Part or all military service pay may be exempt from tax. See instructions for Military Exclusion on page 5.

the enforcement of liability of absent parents, and the prosecution of any person who has fraudulently obtained aid for a child (Welfare and Institutions Code Section 11478); and (3) to offset against refunds amounts due to a state agency by a person or entity (Government Code Sections 12419.4 and 12419.5). Information furnished to other agencies or persons shall be used solely for the purpose of administering tax laws or the specific laws administered by the person having the statutory right to obtain it as indicated above. (For the Franchise Tax Board's authority to prescribe forms and to require furnishing of social security numbers, see Title 18, California Adm. Code, Ch. 3, Subchapter 2.5, Reg. 18431-18433(d).)

SPECIFIC INSTRUCTIONS

Name, Address and Social Security Number

Please use your preaddressed label if possible. Correct the name, address and social security number(s) if necessary. If label is not used, type or print your name, address and social security number(s) in the spaces provided. If filing a joint return, enter first names and middle initials of both spouses (for example: John F. and Mary L. Doe). If married and filing a separate return, enter your spouse's full name on line 3 of Form 540.

Filing Status

Enter an "X" in the box which designates your filing status. Your filing status is determined as of the last day of your taxable year. If your spouse died during the taxable year, you are considered married for the entire year.

LINE 1—Single—An individual who is unmarried, divorced (final decree or judgment of dissolution), or legally separated. If you were a "Married person living apart from your spouse" as described below, consider yourself single.

LINE 2—Married Filing Joint Return—A husband and wife may file a joint return by combining their income, deductions and exemptions. This may be done even where one spouse had no income. **However, a joint return cannot be filed if one spouse was a resident for the entire year and the other spouse was a nonresident for all or any portion of the taxable year.** This exception does not apply if the nonresident or spouse was an active member of the armed forces or any auxiliary branch thereof (other than Public Health Service) during the taxable year.

LINE 3—Separate Return of a Married Person—Separate returns may be filed by each spouse, each reporting his or her separate income and deductions plus one-half of their community income and deductions. If one spouse claims itemized deductions, the other spouse may **not** take the standard deduction or use the Tax Table, unless you were living apart from your spouse (see instructions below). Enter spouse's full name in space provided.

—Married and Living Apart from Your Spouse—Some married people can file as Single or as Head of Household and ignore the rules for married people filing separate returns. This means that if your spouse itemizes deductions, you do not have to. You can use the standard deduction if you want. Both you and your spouse can file this way if both meet the tests.

You can file as a single person and check the block on line 1 for Single, if you meet all of the following tests:

- You file a separate return.
- You paid more than half the cost to keep up your home for 1975.
- Your spouse did not live in your home at any time during 1975.
- For over six months of 1975, your home was the main home of your child or stepchild whom you can claim as a dependent.

You can check the block on line 4 for head of household if your home in test (d), above, was the child's main home for all of 1975.

LINE 4—Head of Household—To qualify you must, on the last day of your taxable year, have been single or legally separated from your spouse under a decree of separate maintenance, and you must have furnished over half the cost of maintaining a household which was occupied throughout the entire year, except for temporary absences, by:

- yourself and your qualified dependent (other than a dependent qualifying under a multiple support agreement or a dependent not related to you); or
- yourself and your unmarried child, grandchild, foster child or stepchild, even though such child is not your dependent; or
- your father or mother who is your qualified dependent.

Cost of maintaining the home includes such items as rent, property insurance, property taxes, mortgage interest, repairs, utilities and

cost of food. It does not include an individual's personal expenses, or any amount which represents value of services rendered by a member of the household or the taxpayer.

Enter the name of the individual who qualified you as head of household on line 4 of Form 540.

LINE 5—Widow(er) With Dependent Child—If your spouse died in 1973 or 1974, you can compute your tax using the joint return rates if you meet the following tests:

- You did not remarry prior to January 1, 1976.
- You could have filed a joint return with your spouse for the year your spouse died.
- You have a child or stepchild you can claim as a dependent for 1975.
- Your home was the main home of that child during 1975, except for temporary absences for vacation, school, etc.

Check the box on line 5 "Widow(er) with Dependent Child" and enter year of spouse's death in space provided.

If your spouse died in 1975 and you did not remarry during the year, you are considered married for the entire year. You may file either as married filing a joint return or married filing a separate return.

If the surviving spouse did remarry before the end of the year a return must be filed by the executor or administrator of the deceased spouse's estate. The filing status for the deceased would be a separate return of a married person.

Exemption Credits

LINE 6—Enter Your Allowable Personal Exemption

Single, or married filing a separate return.....	\$25.00
Married couple filing a joint return.....	\$50.00
Head of household.....	\$50.00
Widow(er) with dependent child.....	\$50.00

The full exemption credit is allowable to a married couple even if one spouse died during the year, provided the surviving spouse did not remarry before the end of the year. If the surviving spouse did remarry before the end of the year, the return for the deceased spouse should claim a \$25 exemption credit as married filing a separate return.

If you qualified for head of household status as of the last day of your taxable year, the following special conditions should be noted:

- No dependent credit is allowed for the dependent qualifying you as head of household.
- If the individual who qualified you as head of household died during the year, you are still entitled to head of household status, provided you meet the other requirements.
- A taxpayer who died during the taxable year will still be qualified for the head of household exemption.

LINE 7—Dependent and Student Exemption Credits

You may claim a dependent credit of \$8 for each individual (other than husband or wife) who (1) was a member of your household for your entire taxable year; or (2) was related to you in one of the following ways:

Child*	Grandparent	Brother-in-law
Stepchild	Stepbrother	Sister-in-law
Grandchild	Stepsister	If related by blood
Brother	Son-in-law	Uncle
Sister	Daughter-in-law	Aunt
Parent	Father-in-law	Nephew
Stepparent	Mother-in-law	Niece

* Includes a child who is a member of your household if placed with you by an authorized placement agency for legal adoption, or a foster child who is a member of your household for the entire year.

NOTE: No dependent credit is allowed for an individual required to qualify you as "head of household."

To qualify as a dependent, the following tests must be met:

- The dependent must have received less than \$750. (If your child was under 19 or was a student, this limitation does not apply.)
- Received more than one-half his/her support from you.
- Did not file a joint return with his/her spouse.

LINE 7—Dependent and Student Exemption Credits (Continued)

A student is one who was enrolled in full-time study at a recognized educational institution, or who attended a full-time course of institutional on-farm training under an accredited agent of an educational institution or of a state or its political subdivision for part of 5 calendar months. The calendar months need not be consecutive. A person is not a student if he is employed full time during the day and attends school at night.

You can claim the full \$8 credit for a dependent who was born or who died during the year if the above qualifications are met for that part of the year during which the dependent was alive.

If two or more persons contributed toward the support of an individual and no one person contributed more than 50 percent, the support requirement may be satisfied if a multiple support agreement (Form 540M) is completed and attached to your return.

If the parents are divorced or separated a determination must be made as to which parent is entitled to the dependent credit.

These rules apply only if the divorced or separated parents together furnish more than one-half the child's support for the calendar year and if the child is in his parents custody for more than half the calendar year.

Generally, the parent who has custody of the child for the greater part of the year is entitled to the dependent credit. However, the noncustodial parent is entitled to the dependent credit if:

1. The noncustodial parent contributed at least \$600 toward the child's support during the calendar year and the decree of divorce or separate maintenance or a written agreement between the parties specifies this parent as being entitled to the credit; or
2. The noncustodial parent provided \$1200 or more for the child's (or children's) support during the calendar year and the parent having custody does not clearly establish providing more for support.

You can claim an \$8 credit if you supported an elementary or high school student (not a dependent or relative) in your home for at least 6 months under a written agreement with a charitable organization. No reimbursement for expenses can be received and you cannot deduct the expenses as a charitable deduction.

A subject or a citizen of a foreign country may not be claimed as a dependent, unless he was a resident of the United States, Canada, Mexico, Republic of Panama or the Canal Zone at some time during the calendar year 1975.

LINE 8—Blind Exemption Credit

An additional credit may be claimed if you and/or your spouse (if filing a joint return) were blind at the end of the taxable year. If totally blind, attach a statement to that effect to your return. If partially blind, attach a statement from a qualified physician or a registered optometrist that (a) central visual acuity did not exceed 20/200 in the better eye with correcting lenses, or (b) that the widest diameter of the visual field subtends an angle no greater than 20°. If this statement was filed with a prior year return, it need not be filed again as long as your condition remains unchanged.

Your Income

All income received, unless specifically exempted, must be reported on the return even though it may be offset by adjustments and deductions. Residents who leave California for a temporary or transitory stay are considered to be residents during their absence and are taxable on all of their income.

NOTE: All amounts may be rounded off to the nearest dollar.

You need not report disability retirement and other benefits paid by the Veterans Administration; dividends on Veterans' insurance (but interest on such dividends is taxable); life insurance proceeds, upon death; workers' compensation, insurance, damages, etc., for injury or sickness; insurance reimbursements for excess of actual living expenses over normal living expenses resulting from damage to your principal residence by fire or other casualty; federal social security benefits; gifts, inheritances, bequests (but income from such property is taxable); or interest on Federal and California state and municipal bonds.

LINE 10—Wages, Salaries, Tips, Etc.

Report the full amount of wages, salaries, fees, commissions, tips, bonuses and other payments for personal services, including services performed outside California, that you received from your employer, even though taxes and other amounts have been withheld. Also include wages for which you did not receive a Form W-2.

Tips reported to your employer are included as wages on Form W-2. Include with other amounts on line 10 tips not reported to your employer.

If you were paid in whole or in part in merchandise, services, stock, or other things of value, determine the fair market value of such items and include it in your wages.

Generally, if you received compensation in the form of property, such as stock that is subject to restriction, you must report as compensation the unrestricted value of the property at the time of its receipt unless your interest is subject to a substantial risk of forfeiture and is nontransferable. This is the same as the Federal rule.

If you, as a matter of choice, received meals and lodging from your employer, whether or not designated as wages, you must include their fair market value in income.

However, if your meals were furnished at your place of employment as a convenience to your employer, or you were required to accept lodging at your place of employment as a condition of your employment, do not report the value of the meals or lodging.

Any amount received directly or indirectly from your employer as a payment for or reimbursement for moving from one residence to another is includible as compensation. See instructions for line 15, adjustments to income, to determine the allowable moving expense deduction.

Report the full amount of compensation received for military service. See instructions for Military Exclusion on page 5 for deducting the military compensation that is nontaxable.

Military mustering-out pay, terminal leave and unused leave pay and bonds, and educational benefits received under Federal and State law are not taxable and need not be reported.

Military allowances for quarters, subsistence or uniforms, and disability pension, annuity or similar allowances for personal injuries, or sickness resulting from active service in the armed forces of any country are not taxable and need not be reported.

LINE 11—Dividends

Dividends, other than liquidating dividends or dividends paid out of capital, are taxable in full as ordinary dividends. California does not allow any dividend exclusion or capital gain treatment of "capital gain dividends" received from "regulated investment companies."

Enter the total amount of taxable dividends on line 11. If the amount exceeds \$400, complete and attach Schedule B (Form 540).

LINE 12—Interest

Report all taxable interest you received or which was credited to your account. Interest on bonds, debentures, notes, loans, tax refunds and all types of savings accounts including banks, credit unions and postal savings, is taxable.

Interest which is not taxable is:

- (a) Interest on bonds of the United States, the District of Columbia, and territories of the United States.
- (b) Interest on bonds of the State of California and its political subdivisions.

Enter the total amount of taxable interest on line 12. If your interest income exceeds \$400, complete and attach Schedule B (Form 540).

LINE 13—Other Income

Pensions and annuities, rents and royalties, income from partnerships, estates and trusts, net profit (or loss) from profession, business, and/or farming, gains (or losses) from sale or exchange of capital assets, gains (or losses) from sale or exchange of property other than capital assets, and income from all other sources are to be summarized on page 2, lines 39 through 47, and the total entered on line 48 and on page 1, line 13.

Schedules C, D, D-1, E and F (Form 540) are used to report the details of the above items. These schedules may be obtained from any Franchise Tax Board office.

The requirements are generally the same under the State and Federal laws; however, the following exceptions should be noted:

- (a) Pensions and annuities with a starting date prior to January 1, 1968 are treated differently. See Schedule E (Form 540).
- (b) No deduction is allowed for a net operating loss carryover or carry-back.
- (c) No deduction is allowable from gross income which is directly derived from illegal activities, such as gambling and bookmaking, or from activities which directly tend to promote or are directly associated with such illegal activities.
- (d) The amount of gain (or loss) to be taken into account from the sale or exchange of property other than capital assets is different from the federal. See Schedules D and D-1 (Form 540).

LINE 13—Other Income (Continued)

A copy of the completed appropriate schedule must be attached to your return. Substitute schedules may be used if all information required by the official schedule is shown.

Miscellaneous Income—If you had any other income, not specifically provided for elsewhere on your return or other schedules, identify the source and enter the amount received on line 47.

The following sources of income are included under this heading:

1. Fully taxable pension and annuity payments.
2. Alimony.
3. Contest prizes and awards.
4. Recovery of a bad debt previously deducted.
5. Reimbursed medical expenses.
6. Amount of personal indebtedness which was forgiven.
7. Other items that reduced your tax liability in an earlier year.

LINE 15—Adjustments to Income

Adjustments for sick pay, moving expenses, employee business expense, military exclusion, payments as a self-employed person to a retirement plan and forfeited interest penalty are to be summarized on page 2, lines 49 through 54, and the total entered on line 55 and on page 1, line 15.

The qualifications for these items are substantially the same for California as for federal income tax purposes, with the exception of the self-employed person's retirement plan, moving expenses and the military exclusion.

NOTE: California has not adopted the 1974 Federal Law regarding the Employees Retirement Income Security Act changes. Amounts contributed to individual retirement accounts are not deductible. All earnings credited to these accounts are taxable to the individual in the year the earnings are credited to the account.

For California purposes, the deductions for contributions to self-employed plans (commonly known as Keogh or HR-10 plans) are limited to the lesser of 10% of earned income or \$2,500.

You must include on page 1, line 10, amounts received as payment for or reimbursement for moving from one residence to another that is attributable to employment or self-employment.

For an employee, these amounts should appear on the Form W-2 your employer gives you. For a self-employed individual, these amounts should be reflected in the statement of income and expenses.

If you moved into or out of California, the deduction for moving expenses is limited to the lesser of:

1. The actual expenses incurred, or
2. The amount of reimbursement.

Military Exclusion

"Extended active duty—noncombat service over 90 days"—First \$1,000 of military pay is excluded.

"Combat service and hospitalization resulting from combat"—Enlisted personnel and commissioned warrant officers—All military pay is excluded.

Commissioned officer—first \$500 per month plus \$1,000 of remainder. (Maximum exclusion \$7000.)

"Prisoner of War—Missing in Action"—All military pay, including spouse's community interest in such pay is excluded.

"Reserve pay, military pensions and retirement pay"—Reserve pay includes pay received for required drill periods, summer encampment, attendance at service school, or any formation for which Federal pay is authorized.

First \$1,000 of such pay is excluded. However, this exclusion must be reduced by 50 cents for each dollar of adjusted gross income (before exclusion) in excess of \$15,000. If married, the combined adjusted gross income of both spouses must be considered. Where both spouses are qualified to claim this exclusion, one-half of the combined adjusted gross income is attributable to each spouse.

If separate returns are filed and each spouse reports one-half of the military income, the military exclusion must be divided equally on each return.

Enter your allowable military exclusion on page 2, line 52.

Tax Computation

If your adjusted gross income on line 16 Form 540 is less than \$15,000 and you do not itemize deductions, use the Tax Table on page 8 to determine your tax. The Tax Table provides for the standard deduction. Enter the tax from the Tax Table on page 1, line 19, Form 540 and check the Tax Table box.

If your adjusted gross income on line 16 is \$15,000 or more, or you claim itemized deductions, enter on line 17 the total of your itemized deductions or the allowable standard deduction indicated below:

- \$1,000—Single, or married filing a separate return.
- \$2,000—Head of Household, widow(er) with dependent child, or married couple filing a joint return. See page 3 of instructions.

If you choose to itemize your deductions, complete and attach Schedule A (Form 540), and enter the total of each deduction on page 2, lines 56 through 61, and the total of these lines on line 62, and on page 1, line 17.

NOTE: If one spouse claims itemized deductions, the other spouse may not take the standard deduction or use the Tax Table unless married living apart from your spouse. See page 3 of instructions.

To determine your taxable income subtract line 17, deductions, from line 16, adjusted gross income.

Your taxable income is used to compute your tax using the Tax Rate Schedule on page 8. Refer to the Schedule that conforms to your filing status (single, married filing separate returns, head of household, married filing joint returns or widow(er) with dependent child). Then find the line covering your taxable income. Enter on page 1, line 19, Form 540 the tax computed for this taxable income and check the Tax Rate Schedule box.

Income Averaging—If your taxable income for the current year exceeds your average income of the previous four years by one-third and you were a California resident for all of the current year and the four preceding base period years, you may qualify for the benefits of the income averaging provisions. Refer to Schedule G (Form 540) to calculate your tax under this section. Check the Schedule G box on page 1, line 19, Form 540.

Special Averaging Methods—There are two special averaging methods that may apply to your lump-sum distributions from a qualified employees' plan. The "5-year special averaging method" applies to distributions received by self-employed individuals, or those who own a share of either the capital interest or the profits interest in a partnership. The "7-year special averaging method" applies to distributions received by employees who perform services for an employer. If you qualify, complete and attach Schedule G-1 (Form 540), obtainable from any office of the Franchise Tax Board, to your return. Enter the computed tax on page 1, line 19 of Form 540 and check the Schedule G-1 box.

NOTE: California has not adopted the new federal 10-year averaging provision.

Distributions from self-employed retirement plans and distributions of benefits from employee benefit plans attributable to post-1969 contributions and allocations do not qualify as long-term capital gains under State law.

LINE 22—Other Credits**(a) Credit for Net Income Tax Paid to Another State**

If you derived income from sources within any of the following states and paid a NET INCOME tax to that state on income which you report to California, you may claim a credit, subject to limitations explained below, against your California tax at line 63, page 2, Form 540.

Alabama, Alaska, Arkansas, Colorado, Delaware, Georgia, Hawaii, Idaho, Illinois, Iowa, Kansas, Kentucky, Louisiana, Maine, Massachusetts, Michigan, Minnesota (except personal service income), Mississippi, Missouri, Montana, Nebraska, New Mexico, New York, North Carolina, North Dakota, Ohio, Oklahoma, Oregon, Pennsylvania, Rhode Island, South Carolina, Utah, Vermont and Wisconsin.

You are not allowed a credit against your California tax for amounts paid to the following states or territories:

Arizona, District of Columbia, Guam, Indiana, Maryland, Minnesota (on personal service income), Virginia and West Virginia.

No credit may be allowed for income taxes paid to any city, the federal government, or a foreign country.

If you were a member of a partnership or if you were a beneficiary of an estate or trust which paid a net income tax to another state on income which you must report to California, you may obtain a credit against your California income tax in the same manner as though you had paid the tax yourself.

See instructions for Schedule S (Form 540) obtainable from any office of the Franchise Tax Board. If eligible, complete and attach that schedule to your return and enter your credit on page 2, line 63 of Form 540.

(b) Retirement Income Credit

See instructions for Schedule R (Form 540). If you qualify complete and attach that schedule to your return and enter your credit on page 2, line 64 of Form 540.

LINE 24—Tax on Preference Income

Schedule P (Form 540), Tax on Preference Income, must be filed if you had items of tax preference (accelerated depreciation, stock options, depletion or capital gains) in excess of \$8,000 (\$4,000 if single or married filing separately) even though there is no tax due. See instructions on Schedule P (Form 540).

LINE 27—Renter's Credit

For 1975, California allows a refundable credit to qualified renters, ranging from \$25 to \$45, depending on the individual's adjusted gross income. The credit is refundable; i.e., if the renter has no income tax liability, a refund will be made in the amount of the credit. Refer to the table on page 2 for the allowable Renter's Credit.

To Qualify for the Renter's Credit:

1. You must have been a resident of California on March 1, 1975; and
2. You must have, on March 1, 1975, rented and occupied a house or dwelling in California which was your principal place of residence. Owning and occupying a mobilehome situated on rented land satisfies this requirement.

You Do NOT Qualify for the Renter's Credit if:

1. The rented property was exempt from property taxes, unless you were required to pay property taxes on your possessory interest in such residence; or
2. You lived with another person who claimed you as a dependent for income tax purposes; or
3. You or your spouse were granted the homeowner's property tax exemption, unless the spouse granted the homeowners' property tax exemption maintained a residence separate from yours for the entire taxable year; or
4. You or your spouse received for the entire year welfare payments which included housing or shelter needs. However, one-twelfth of the allowable credit will be allowed for each full month of the taxable year you did not receive these payments.

Other Residence Rules:

An unmarried person who was not a California resident for the entire taxable year shall receive one-twelfth of the allowable credit for each full month of residence in California.

If a husband and wife lived apart for the entire taxable year, they may claim two credits, providing they qualify for the credit. The two credits can be taken if either joint or separate returns are filed. If a joint return is filed, a schedule reflecting the adjusted gross income of each spouse and a statement that they maintained separate residences for the entire year should be attached. To determine the correct amount of credit to be claimed, the adjusted gross income for each spouse must be determined.

If a husband and wife do not live apart for the entire year, they are entitled to only one credit. The credit may be taken by either spouse or divided equally between them, except in the following situations:

1. If one spouse was a resident for the entire taxable year and the other spouse was a nonresident for all or part of the year, the resident spouse will be allowed the full credit.

GENERAL INSTRUCTIONS

A. Interest and Penalties

Interest must be added to any tax due when it is not paid by the due date, even though an extension of time to file the return has been filed.

The rate of interest should be computed at 6% for the first year of delinquency and 12% thereafter.

Penalties may also be imposed for failure to file a return and/or underpayment of the tax by the original or extended due date.

B. Attachments to the Return

Attachments may be used in support of or in place of the official schedules. They must be appropriately identified. Follow the format of the official schedules and include all required information. If an attachment is substituted for an official schedule, the schedule need not be filed.

C. How to Assemble Your Return

Attach copy 2 of Form(s) W-2 and W-2P to face of Form 540. Failure to attach the Form W-2 to your return will delay any refund. If retired and receiving pension or retirement pay, attach Form W-2P only if California income tax was withheld or to substantiate exclusion of sick pay. Attach Claim for Credit or Refund of Excess State Disability Insurance Overpayment (Form DE 1964) to face of Form 540. Attach required schedules with supporting statements (if any) in alphabetical order followed by forms in numerical order to back of return. Be sure the totals on each schedule are entered on the appropriate lines of Form 540.

2. If both spouses were nonresidents for part of the taxable year, the credit shall be divided equally between them and each spouse will be allowed one-twelfth of his or her half of the credit for each full month of residence in California.

LINE 28—California Estimated Tax Payments

If you and your spouse filed a joint declaration of estimated tax for 1975 but do not file a joint income tax return for the year, the total estimated tax paid may be claimed on the separate return of either spouse, or divided between you in agreed amounts.

If you and your spouse filed separate estimated tax declarations for 1975 and you elect to file a joint income tax return for the year, enter on this line the total of the amounts paid on the separate declarations. Follow the above instructions even if one spouse has died.

If you expect your California income tax for 1976 to exceed the California income tax withheld by \$100 (\$50 or more if married and filing separately), you will be required to file a declaration of estimated tax. This does not apply if 80 percent or more of the estimated tax is to be paid through withholding.

The filing dates for the declaration and installment payments of estimated tax are April 15, June 15, September 15, 1976, and January 17, 1977—the same as for the federal program.

Forms and instructions will be supplied by the Franchise Tax Board in time for you to meet this requirement. However, failure to receive these forms by mail will not excuse you from this obligation. For further details, contact any Franchise Tax Board office.

LINE 29—California State Disability Insurance (SDI)

If you worked for two or more employers in 1975, and had California State disability insurance (SDI) in excess of \$90 deducted from your earnings, you should claim the excess deduction as a credit against your income tax. If a joint return, separate computations must be made for each spouse. Complete and attach Form DE 1964, Claim for Credit or Refund of Excess State Disability Insurance Overpayment, to the face of Form 540.

LINE 30—Total Prepayment Credits

Please be sure that:

1. The tax withheld is entered on line 26.
2. The renter's credit is entered on line 27.
3. The estimated tax payments are entered on line 28.
4. The excess SDI payments are entered on line 29.

Attach Form FTB 5805, Underpayment of Estimated Tax by Individuals, (if applicable) to the face of your return.

D. Form W-2 Missing or Incorrect

Only your employer can issue or correct a Form W-2. If you have not received a Form W-2 by January 31, or if Form W-2 is incorrect, contact your employer as soon as possible.

If you are unable to obtain a Form W-2 from an employer, complete Federal Form 4852, Employee's Substitute Wage and Tax Statement, and attach to the face of your return.

E. Where to Get Advice

Consult any of the Franchise Tax Board permanent offices. If you do not live in the vicinity of one of these offices, you may obtain assistance at one of the temporary offices located throughout the State. Advance notice of the dates and locations of these temporary offices is given through local newspapers, radio and television stations in your area.

F. Changes to Your Federal and State Returns

If your Federal return is changed by the Internal Revenue Service you are required to report the change to the Franchise Tax Board within 90 days of the Federal change.

If you have an adjustment to make on your California return, an amended return should be filed on Form 540X.

CALIFORNIA STATE GASOLINE TAX GUIDE

(7¢ a gallon)

You may figure the deduction for State tax on gasoline used in your car by using the following table. If all or part of your mileage was driven in a four-cylinder (or less) car, the deduction for that mileage should be one-half of the table amount. If you can establish that you paid a larger amount you are entitled to deduct that amount. Enter deduction on line 15 of Schedule A (Form 540).

Mileage	Tax	Mileage	Tax	Mileage	Tax
Under 3,000	\$12	7,000 to 7,499	\$42	13,000 to 13,999	\$78
3,000 to 3,499	19	7,500 to 7,999	45	14,000 to 14,999	84
3,500 to 3,999	22	8,000 to 8,499	48	15,000 to 15,999	90
4,000 to 4,499	25	8,500 to 8,999	51	16,000 to 16,999	95
4,500 to 4,999	28	9,000 to 9,499	53	17,000 to 17,999	101
5,000 to 5,499	30	9,500 to 9,999	56	18,000 to 18,999	107
5,500 to 5,999	33	10,000 to 10,999	61	19,000 to 19,999	113
6,000 to 6,499	36	11,000 to 11,999	67	20,000 miles *	116
6,500 to 6,999	39	12,000 to 12,999	72		

* For over 20,000 miles, use table amounts for total mileage driven. Example: for 25,000 miles add the deduction for 5,000 to the deduction for 20,000 miles.

CALIFORNIA SALES AND USE TAX DEDUCTION GUIDE

The amounts specified below are average payments and will be allowed as deductions on State income tax returns without requiring substantiation. Any additional amounts attributable to major purchases, e.g., an automobile, should be added to the table amount. Larger amounts claimed may require substantiation by the taxpayer. Local sales tax at 1 1/4 percent is included. If the 1/2-cent local rapid transit sales tax was paid all year, increase the table amount by 9 percent. Enter deduction on line 16 of Schedule A (Form 540).

Total of Adjusted Gross Income and Nontaxable Receipts	Size of Family			
	1-2	3-4	5	Over 5
Under \$3,000	\$51	\$61	\$68	\$68
\$3,000- 3,999	66	78	87	87
4,000- 4,999	80	93	104	104
5,000- 5,999	93	107	120	120
6,000- 6,999	106	121	135	136
7,000- 7,999	118	134	149	152
8,000- 8,999	130	147	163	167
9,000- 9,999	141	159	176	181
10,000-10,999	152	171	189	195
11,000-11,999	163	183	202	209
12,000-12,999	174	194	214	222
13,000-13,999	184	205	226	235
14,000-14,999	194	216	238	248
15,000-15,999	204	227	249	260
16,000-16,999	214	238	260	272
17,000-17,999	224	248	271	284
18,000-18,999	233	258	282	296
19,000-19,999	242	268	293	308

If your income was \$20,000 or more, compute your deduction by adding the following:

- (a) amount shown on last line of table for your family size, plus
- (b) 2% of (a) for each \$1,000 (or fraction thereof) of income \$20,000 to \$49,999, plus
- (c) 1% of (a) for each \$1,000 (or fraction thereof) of income \$50,000 to \$99,999.

If your income was \$100,000 or more your deduction is 210% of amount in (a).

CALIFORNIA MOTOR VEHICLE LICENSE FEE GUIDE

You can deduct California Motor Vehicle license fees, exclusive of the annual registration and weight fees. Subtract from the total license fee the appropriate amount listed below. The balance is deductible on line 17 of Schedule A (Form 540).

Passenger car	\$11.00	Motorcycle	\$11.00
Station wagon	\$11.00	Trailer	\$11.00

Trucks:				Trucks:			
Unladen Weight	Weight Fee	Registration	Total *	Unladen Weight	Weight Fee	Registration	Total *
—0- 2,999 lbs.	\$ 5.00	\$11.00	\$16.00	9,001-10,000 lbs.	\$146.00	\$11.00	\$157.00
3,000- 4,000 lbs.	15.00	11.00	26.00	10,001-11,000 lbs.	165.00	11.00	176.00
4,001- 5,000 lbs.	32.00	11.00	43.00	11,001-12,000 lbs.	186.00	11.00	197.00
5,001- 6,000 lbs.	62.00	11.00	73.00	12,001-13,000 lbs.	207.00	11.00	218.00
6,001- 7,000 lbs.	83.00	11.00	94.00	13,001-14,000 lbs.	228.00	11.00	239.00
7,001- 8,000 lbs.	104.00	11.00	115.00	14,001 and over	247.00	11.00	258.00
8,001- 9,000 lbs.	124.00	11.00	135.00				

* Total to be subtracted from license fee, balance deductible.

TAX TABLE AND TAX RATE SCHEDULES

The Tax Table can be used only if you were a resident for the entire year, your adjusted gross income on line 16, Form 540 is less than \$15,000 and you do NOT itemize deductions (the Tax Table provides for the allowable standard deduction). In all other cases you must use the Tax Rate Schedules.

TAX RATE SCHEDULES

Table with 2 columns: TAXABLE INCOME and TAX RATES. Section: Single Person Separate Return of a Married Person.

Table with 2 columns: TAXABLE INCOME and TAX RATES. Section: Joint Return of Married Couple (Provides for split-income benefits) Widow(er) with Dependent Child.

Table with 2 columns: TAXABLE INCOME and TAX RATES. Section: Head of Household.

Tax Table grid with columns: IF ADJUSTED GROSS INCOME AT LINE 16, PAGE 1, IS; THE TAX SHALL BE (A) Single person (not head of household) or separate return of married person; (B) Head of household; (C) Joint return of married couple or widow(er) with dependent child.

Tax Table grid with columns: IF ADJUSTED GROSS INCOME AT LINE 16, PAGE 1, IS; THE TAX SHALL BE (A) Single person (not head of household) or separate return of married person; (B) Head of household; (C) Joint return of married couple or widow(er) with dependent child.

Do not use Table if itemized deductions are claimed.

RESIDENT 540 TAXABLE YEAR 1975 INDIVIDUAL CALIFORNIA INCOME TAX

PLACE PREADDRESSED LABEL HERE, if available. (Correct name and address, if necessary) Enter social security number(s) only if incorrect or not shown on label.

NAME (If joint return, give first names and initials of both) LAST NAME PRESENT HOME ADDRESS (Number and street, including apartment number, or rural route) CITY, TOWN OR POST OFFICE, STATE AND ZIP CODE OCCUPATION

FILING STATUS—Check Only One: 1 Single, 2 Married filing joint return, 3 Separate return of married person, 4 Head of Household, 5 Widow(er) with dependent child. EXEMPTION CREDITS: 6 Personal, 7 Dependents, 8 Blind, 9 Total exemption credits.

10 Wages, salaries, tips and other employee compensation; 11 Dividends; 12 Interest; 13 Income other than wages, dividends and interest; 14 Total (add lines 10, 11, 12 and 13); 15 Adjustments to income; 16 Adjusted gross income.

17 Deductions: Itemized (from line 62) OR STANDARD (\$1,000 if line 1 or 3 checked—\$2,000 if line 2, 4 or 5 checked); 18 Taxable income; 19 Tax from (check one) Tax Table, Tax Rate Schedule, or Income Averaging Schedule; 20 Total exemption credits; 21 Tax liability; 22 Other credits; 23 Net tax liability; 24 Tax on preference income; 25 Total tax liability.

26 Total California income tax withheld; 27 Renter's credit; 28 1975 California estimated tax payments; 29 Excess California SDI tax withheld; 30 Total prepayment credits.

31 If line 25 is larger than line 30, enter BALANCE DUE. If it is equal to line 30, enter zero. Pay in full and mail with return to: FRANCHISE TAX BOARD SACRAMENTO, CA 95867. 32 If line 25 is smaller than line 30, enter amount OVERPAID. 33 Amount of line 32 to be REFUNDED TO YOU. Allow at least six weeks. Mail return to: FRANCHISE TAX BOARD P.O. BOX 13-540 SACRAMENTO, CA 95813. 34 Amount of line 32 to be credited on your 1976 ESTIMATED TAX.

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief it is true, correct and complete. SIGN HERE: Your signature, Spouse's signature, Preparer's signature, Date, Address (and Zip code).

PART I — Renter's Credit — All questions must be answered

- 35 Did you, on March 1, 1975, live in rented property which was your principal residence?
36 Was the property you rented exempt from property tax?
37 Did you live with any other person who claimed you as a dependent for income tax purposes?
38 Did you or your spouse claim the homeowners' property tax exemption or receive public assistance?

PART II — Other Income

Table with 2 columns: Description of income (e.g., Business income, Net gain, Pensions, Rents, Farm income) and Line number (39-48). Includes sub-sections 47a, 47b, 47c for miscellaneous income.

PART III — Adjustments to Income

Table with 2 columns: Description of adjustments (e.g., Sick pay, Moving expenses, Military exclusion) and Line number (49-55).

PART IV — Itemized Deductions —

Table with 2 columns: Description of deductions (e.g., Medical expenses, Taxes, Contributions) and Line number (56-62). Includes instruction to attach Schedule A(540).

PART V — Other Credits — SEE INSTRUCTIONS FOR EACH CREDIT CLAIMED BELOW.

Table with 2 columns: Description of credits (e.g., Other State net income tax credit, Retirement income credit) and Line number (63-65).

PART VI — Reconciliation to Federal Return — If adjusted gross income on Federal Return is different from line 16, page 1, explain below.

Blank lines for explaining reconciliation to Federal Return.

RESIDENT

540



INDIVIDUAL CALIFORNIA INCOME TAX

TAXABLE YEAR

1975

PLACE PREADDRESSED LABEL HERE, if available. (Correct name and address, if necessary)
Enter social security number(s) only if incorrect or not shown on label.

Check One: Calendar Year Fiscal Year Ending 1976

Form section for Name, Present Home Address, City/Town/Post Office, State and Zip Code, and Occupation.

FILING STATUS—Check Only One: 1 Single, 2 Married filing joint return, 3 Separate return of married person, 4 Head of Household, 5 Widow(er) with dependent child.
EXEMPTION CREDITS: 6 Personal, 7 Dependents, 8 Blind, 9 Total exemption credits.

10 Wages, salaries, tips and other employee compensation
11 Dividends—before federal exclusion
12 Interest
13 Income other than wages, dividends and interest (from line 48)
14 Total (add lines 10, 11, 12 and 13)
15 Adjustments to income (from line 55)
16 Adjusted gross income (subtract line 15 from line 14)

17 Deductions: Itemized (from line 62) OR STANDARD (\$1,000 if line 1 or 3 checked—\$2,000 if line 2, 4 or 5 checked)
18 Taxable income (subtract line 17 from line 16)
19 Tax from (check one) Tax Table, Tax Rate Schedule, Income Averaging Schedule (G or G-1)
20 Total exemption credits (from line 9, above)
21 Tax liability (subtract line 20 from line 19—if line 20 is greater than line 19, enter zero)
22 Other credits (from line 65)
23 Net tax liability (subtract line 22 from line 21—if line 22 is greater than line 21, enter zero)
24 Tax on preference income (see instructions—attach Schedule P(540))
25 Total tax liability (add lines 23 and 24)

26 Total California income tax withheld (attach W-2 or W-2P to face of this return)
27 Renter's credit—if you lived in rented property on March 1, 1975, complete Part I on page 2
28 1975 California estimated tax payments
29 Excess California SDI tax withheld (attach Form DE 1964 to face of this return)
30 Total prepayment credits (add lines 26 thru 29)

31 If line 25 is larger than line 30, enter BALANCE DUE. If it is equal to line 30, enter zero.
32 If line 25 is smaller than line 30, enter amount OVERPAID
33 Amount of line 32 to be REFUNDED TO YOU. Allow at least six weeks.
34 Amount of line 32 to be credited on your 1976 ESTIMATED TAX

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief it is true, correct and complete. If prepared by a person other than taxpayer, his declaration is based on all information of which he has any knowledge.

SIGN HERE: Your signature, Date, Preparer's signature (other than taxpayer), Date, Address (and Zip code), Spouse's signature—if filing a joint return, Date.

ATTACH FORM DE 1964 HERE
Write social security number on check or money order. ATTACH HERE

ATTACH COPY 2 OF FORM W-2 HERE

PART I — Renter's Credit — All questions must be answered

- 35 Did you, on March 1, 1975, live in rented property which was your principal residence?
36 Was the property you rented exempt from property tax?
37 Did you live with any other person who claimed you as a dependent for income tax purposes?
38 Did you or your spouse claim the homeowners' property tax exemption or receive public assistance?

PART II — Other Income

Table with 4 columns: Description, Line Number, and two empty columns. Rows include Business income, Net gain, Pensions, Rents, Partnerships, Estates, Farm income, and Miscellaneous income.

PART III — Adjustments to Income

Table with 4 columns: Description, Line Number, and two empty columns. Rows include Sick pay, Moving expenses, Employee business expenses, Military exclusion, Retirement plan payments, and Forfeited interest penalty.

PART IV — Itemized Deductions —

Table with 4 columns: Description, Line Number, and two empty columns. Rows include Total deductible medical and dental expenses, Total child adoption expenses, Total taxes, Total interest expense, Total contributions, Total miscellaneous deductions, and Total itemized deductions.

PART V — Other Credits — SEE INSTRUCTIONS FOR EACH CREDIT CLAIMED BELOW.

Table with 4 columns: Description, Line Number, and two empty columns. Rows include Other State net income tax credit, Retirement income credit, and TOTAL.

PART VI — Reconciliation to Federal Return — If adjusted gross income on Federal Return is different from line 16, page 1, explain below.

Series of horizontal lines for providing an explanation of the reconciliation to the federal return.

SCHEDULE A FORM 540

CALIFORNIA ITEMIZED DEDUCTIONS Attach to Form 540

TAXABLE 1975 YEAR

Name as shown on Form 540 Social Security Number

If your adjusted gross income is \$8,000 or less and your filing status is "Married, Filing Jointly," "Head of Household," or "Widow(er) With Dependent Child," or \$4,000 or less and your filing status is "Single," or "Married, Filing Separately," do not itemize, enter zero on Form 540, line 23, and check the tax table box.

USE ONLY IF YOU DO NOT USE THE TAX TABLE OR TAKE THE STANDARD DEDUCTION

Main table for itemized deductions with columns for description, amount, and total. Includes sections for Medical and dental expenses, Interest Expense, Contributions, Child Adoption Expense, Taxes, and Miscellaneous Deductions.

Schedule B on reverse

Name as shown on Form 540

Social Security Number

PART I—DIVIDEND INCOME

B

Line 1—Gross Dividends and Other Distributions on Stock—If gross dividends and other distributions (including capital gain dividends) on stock were \$400 or less, do not complete this part; but enter gross dividends (including capital gain distribu-

tions), less nontaxable portion, if any, on Form 540, page 1. Do NOT deduct the \$100 federal exclusion. "Capital gain dividends" are treated as ordinary dividends for State income tax purposes and not as capital gains as permitted under the federal law.

1. Gross dividends and other distributions on stock—List payers and amounts—Write (H), (W), (J), for stock held by husband, wife, jointly.

Table with 3 columns: Description, Amount, and Taxable Amount. Rows include Total dividends, Nontaxable distributions, and Taxable dividends.

PART II—INTEREST INCOME

Interest on bonds, debentures, loans, notes, tax refunds and all types of savings accounts including banks, credit unions and postal savings is taxable.

Interest on the following obligations is exempt from tax:

- (a) Bonds and other obligations (other than tax refunds) of the United States, the District of Columbia and territories of the United States. (Interest on Philippine Islands obligations issued on or after March 24, 1943 is not exempt.)

(b) Bonds (but not other obligations) of California and its political subdivisions issued after November 4, 1902.

(c) Interest on bonds of Alaska and Hawaii issued prior to their achieving statehood.

Note: If total taxable interest income was \$400 or less, do not complete this part; but enter the total amount of interest received on Form 540, page 1.

1. Interest income—List payers and amounts

Table with 3 columns: Description, Amount, and Taxable Amount. Rows include Total interest income.

Schedule A on reverse

Name as shown on Form 540

Social Security Number

If your adjusted gross income is \$8,000 or less and your filing status is "Married, Filing Jointly," "Head of Household," or "Widow(er) With Dependent Child," or \$4,000 or less and your filing status is "Single," or "Married, Filing Separately," do not itemize, enter zero on Form 540, line 23, and check the tax table box.

USE ONLY IF YOU DO NOT USE THE TAX TABLE OR TAKE THE STANDARD DEDUCTION

Medical and dental expenses (not compensated by insurance or otherwise) for medicine and drugs, doctors, dentists, nurses, hospital care, insurance premiums for medical care, etc.

- 1. One half (but not more than \$150) of insurance premiums for medical care
2. Medicine and drugs
3. Enter 1% of line 16, Form 540
4. Subtract line 3 from line 2. Enter difference (if less than zero, enter zero)
5. Enter balance of insurance premiums for medical care not entered on line 1
6. Other medical and dental expenses: (a) Doctors, dentists, nurses, etc. (b) Hospitals (c) Other (itemize)

- 7. Total—(Add lines 4, 5, 6a, b, and c)
8. Enter 3% of line 16, Form 540
9. Subtract line 8 from line 7. Enter difference (if less than zero, enter zero)
10. Total—(Add lines 1 and 9. Enter here and on Form 540, line 56)

Child Adoption Expense

- 11. Total expenses paid or incurred—Attach itemized list
12. Enter 3% of line 16, Form 540
13. Subtract line 12 from line 11—See instructions for maximum limitations. (Enter here and on Form 540, line 57)

Taxes

- 14. Real estate
15. State and local gasoline
16. General Sales
17. Auto license—Excess of registration and weight fees (see instructions)
18. Personal property (Boat and Aircraft)
19. Other (itemize)

20. Total taxes—(Add lines 14 thru 19. Enter here and on Form 540, line 58)

Interest Expense

- 21. Home mortgage
22. Other (itemize)
23. Total—(Add lines 21 and 22. Enter here and on Form 540, line 59)

Contributions

- 24. Cash contributions for which you have receipts, canceled checks, etc.
25. Other cash contributions. List donees and amounts
26. Other than cash.—See instructions for required statement
27. Carryover from 1974—See instructions
28. Total—(Add lines 24, 25, 26, and 27. Maximum deduction may not exceed 20% of adjusted gross income. Enter here and on Form 540, line 60)

Miscellaneous Deductions

- Casualty or Theft Loss(es)—See instructions
NOTE: If you had more than one loss, omit lines 29 through 33 and follow instructions for guidance.
29. Loss before insurance reimbursement
30. Insurance reimbursement
31. Subtract line 30 from line 29. Enter difference (if line 30 is greater than line 29, enter zero)
32. Enter \$100 or amount on line 31, whichever is smaller
33. Casualty or theft loss (line 31 less line 32)
34. Alimony paid
35. Child care—See instructions
36. Union dues
37. Employment education expense—See instructions
38. Other—(itemize)
39. Total—Add lines 33, 34, 35, 36, 37, and 38. (Enter here and on Form 540, line 61)

Schedule B on reverse

INSTRUCTIONS (Continued from reverse side)

Special rules apply for determining the amount deductible in the case of gifts of appreciated property. See Section 17216.2 of the Revenue and Taxation Code.

Generally, you cannot claim a deduction for a transfer of a future interest in tangible personal property until the entire interest has been transferred.

NOTE: Contributions made in 1974 in excess of 20 percent of your 1974 adjusted gross income may be carried forward and deducted on line 27 for 1975. Any excess may be carried over for a maximum of five years.

MISCELLANEOUS DEDUCTIONS

(1) Casualty or Theft Loss(es). If you had property that was stolen or damaged by fire, storm, car accident, shipwreck, etc., you may be able to deduct your loss or part of it. In general, Schedule A can be used to report a casualty or theft loss. On property used only for personal purposes the amount of the loss is the difference between the value of the property immediately before the casualty and its value immediately thereafter, but not more than its adjusted cost or other adjusted basis. This loss must then be reduced by any insurance or other reimbursements received plus \$100. If a husband and wife owned the property jointly but file separate returns, each must reduce his or her share of the loss by \$100.

Casualty or theft losses of trade, business, rental, royalty or other income producing properties are not subject to the \$100 reduction. These should be reported on Schedule D-1 (Form 540), Supplemental Schedule of Gains and Losses. See that form for reporting instructions.

If you had more than one casualty or theft loss, omit lines 29 through 33 of Schedule A (Form 540). On a separate sheet of paper prepare a schedule using the information on lines 29 through 33 for each loss. Total the net losses and enter this amount on line 33, Schedule A. Write in the margin to the right of line 33, "Multiple losses, see attachment."

You Cannot Deduct Losses On—Personal injury to yourself or another person; accidental loss of cash or other personal property; property lost in storage or in transit; damage by rust, gradual erosion or deterioration; or animals or plants damaged or destroyed by disease.

(2) Alimony. Periodic payments of alimony or separate maintenance made under a final decree of divorce, final judgment of dissolution of marriage, or decree of legal separation are deductible. Periodic payments made under either (a) a written separation agreement entered into after August 16, 1954; or (b) a decree for support entered into after March 1, 1954, are also deductible. Such payments must be included in the wife's income. You cannot deduct any voluntary payments not made under a court order or a written separation agreement, lump-sum settlements or specific maintenance payments for support of minor children.

(3) Child Care Expenses. If you paid someone to take care of a dependent so you (and your spouse if married) could work or find work, you may be able to deduct up to \$400 a month.

The expense must be for the following persons who lived in your home as members of your family:

- (1) Your dependent under 13 years old who can be claimed as an exemption.
- (2) A dependent who could not care for himself because of mental or physical illness. This must be a person you could claim as an exemption except for the fact that he received \$750 or more of income.
- (3) Your spouse who could not care for himself because of mental or physical illness.

(4) A nondependent child of the taxpayer who is under 13 years of age who has gross income of less than \$750 in the calendar year.

You can deduct only those expenses directly related to the care of the qualifying person. Amounts paid to close relatives or dependents do **not** qualify for the deduction.

Generally, the expense must be for services in your home, with one exception. You may deduct amounts paid for preschool, nursery school, or day care for a dependent child under 13, or a nondependent child under 13 who has gross income of less than \$750 in the calendar year. The amount you may deduct is limited to:

- (1) \$150 a month for one such individual
- (2) \$225 a month for two such individuals
- (3) \$275 a month for three or more such individuals

Educational expenses for kindergarten or above are **not** allowable.

Requirements for **married** taxpayers:

- (1) If you are married at the end of 1975, you and your spouse **MUST** file a **JOINT RETURN** for the year to claim this deduction.
- (2) If you were married during the time you paid these expenses:
 - (a) Both you and your spouse must have either worked full time or been looking for a job, or
 - (b) Your spouse must have been unable to care for himself because of mental or physical illness.

If your adjusted gross income exceeds \$12,000, the deduction will be reduced \$0.50 for each dollar of excess.

Use **Form 3805X** to figure your deduction and attach the completed form to your return. Enter your deduction on Schedule A, line 35.

(4) Employment Education Expense. This expense can be deducted if primarily for:

- (a) Maintaining or improving skills required in your employment or other trade or business; or
- (b) Meeting the express requirements of your employer, or the requirements of applicable law or regulations, imposed as a condition to the retention of your salary, status or employment.

Expenses incurred to meet minimum educational requirements to qualify for employment, a substantial advancement in position or for personal purposes are not deductible. Attach a statement setting forth all pertinent information.

(5) Other. Under "Miscellaneous Deductions" you can deduct all ordinary and necessary expenses paid or incurred for the production or collection of income, or for the management, conservation or maintenance of property held for the production of income. However, no deduction may be taken for expenses allocable to tax exempt income.

You can deduct gambling losses only to the extent of gambling winnings.

You can deduct political contributions up to \$100 a year. A married couple filing a joint return can deduct up to \$200 a year.

If you work for wages or a salary, you can deduct your ordinary and necessary employee business expenses which have not been claimed on your return under "Adjustments to Income."

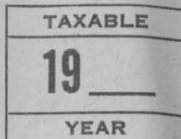
You can deduct the cost of safety equipment, tools and supplies used in your job; dues to unions, professional societies, chambers of commerce; business entertainment; and fees paid to employment agencies for securing employment.

You cannot deduct the cost of travel to and from work, entertaining friends, bribes, illegal payments, or any expenses which are for your own convenience or benefit.



CALIFORNIA

PROFIT (OR LOSS) FROM BUSINESS OR PROFESSION
(Sole Proprietorships)



Attach this schedule to your income tax return, Form 540 or 540NR Partnerships, joint ventures, etc., must file on Form 565

Name as shown on Form 540 or 540NR Social Security Number

A. Name and Address of Business B. Federal Employer I.D. No.

C. Principal business activity (i.e., retail-hardware; wholesale-tobacco; services-legal; etc.)

D. Indicate method of accounting: cash; accrual; other

E. Were Forms 591, 592, 596 and 599, for the calendar year filed (if required)? YES NO

F. Method of inventory valuation

Was there any substantial change in the manner of determining quantities, costs, or valuations between the opening and closing inventories?
 YES NO If "Yes," attach explanation.

1	Gross receipts, sales, or fees \$	Less returns and allowances \$	Balance ▶	
2	Inventory at beginning of year (if different from last year's closing inventory, attach explanation)			
3	Purchases \$	Less cost of items withdrawn for personal use \$		
4	Cost of labor (do not include salary paid to yourself)			
5	Materials and supplies			
6	Other costs (explain in Schedule C-2 or attach Schedule)			
7	Total of lines 2 thru 6			
8	Inventory at end of this year			
9	Cost of goods sold (subtract line 8 from line 7)			
10	Gross profit (subtract line 9 from line 1)			
11	Other income (attach schedule)			
12	Total Income (add lines 10 and 11)			
OTHER BUSINESS DEDUCTIONS				
13	Depreciation (explain in Schedule C-1 or attach Schedule)			
14	Taxes on business and business property (explain in Schedule C-2 or attach Schedule)			
15	Rent on business property			
16	Repairs (explain in Schedule C-2 or attach Schedule)			
17	Salaries and wages not included on line 4 (exclude any paid to yourself)			
18	Insurance			
19	Legal and professional fees			
20	Commissions			
21	Amortization (attach statement)			
22	Retirement plans, etc. (other than your share, see instructions)			
23	Interest on business indebtedness			
24	Bad debts arising from sales or services (Not applicable if reporting on cash basis)			
25	Depletion (attach schedule)			
26	Other business expenses (explain in Schedule C-2 or attach Schedule)			
27	Total of lines 13 thru 26			
28	Net profit (or loss) (subtract line 27 from line 12), Enter here and on Page 2, Form 540 or 540NR			

Schedule C-1 Depreciation Claimed on line 13.	Group and guideline class or description of property		Date Acquired	Cost or other basis	Depreciation allowed (or allowable) in prior years	Method of computing depreciation	Life or Rate	Depreciation for this year
Schedule C-2 Explanation of Lines 6, 14, 16, and 26.	LINE NO.	EXPLANATION	AMOUNT	LINE NO.	EXPLANATION	AMOUNT		



SCHEDULE OF FARM INCOME AND EXPENSES

Attach to Form 540, 540NR or Form 565



PROFIT (OR LOSS) FROM BUSINESS OR PROFESSION (Sole Proprietorships)

Name as shown on Form 540, 540NR, or 565

Social Security Number

Business Name and Address and Location of each Farm (Attach Schedule if necessary)

Federal Employer I.D. No.

Attach this schedule to your income tax return, Form 540 or 540NR

Partnerships, joint ventures, etc., must file on Form 565

Name as shown on Form 540 or 540NR

Social Security Number

Part I FARM INCOME—CASH RECEIPTS AND DISBURSEMENTS METHODS

Do not include sale of livestock held for draft, breeding, or dairy purposes; report such sales on Schedule D-1 (Form 540)

Part II FARM DEDUCTIONS—FOR CASH AND ACCRUAL METHOD TAXPAYERS

Do not include personal or living expenses not attributable to production of farm income, such as taxes, insurance, repairs, utilities, etc., on your dwelling.

Sales of Purchased Livestock and Other Items Purchased for Resale

Table with 3 columns: a. Description, b. Amount received, c. Cost or other basis. Rows include Livestock, Other items, Totals, Profit (or loss).

Items

Table with 2 columns: Items, Amount. Rows include Labor hired, Repairs, maintenance, Interest, Rent of farm, pasture, Feed purchased, Seed, plants purchased, Fertilizers, lime, Machine hire, Supplies purchased, Breeding fees, Veterinary, medicine, Gasoline, fuel, oil, Storage, warehousing, Taxes, Insurance, Utilities, Freight, trucking, Conservation expenses, Pension and profit-sharing plans, Other employee benefit programs, Other (specify).

Sales of Market Livestock and Produce Raised and Held Primarily for Sale and Other Farm Income

Table with 3 columns: Kind, Quantity, Amount. Rows include Cattle, Calves, Sheep, Swine, Poultry, Dairy products, Eggs, Wool, Cotton, Tobacco, Vegetables, Grain, Fruits and nuts, Other (specify).

OTHER FARM INCOME

Table with 2 columns: Description, Amount. Rows include Machine work, Patronage dividends, Nonpatronage distributions, Agricultural program payments, Commodity Credit loans, Federal gasoline tax credit, State gasoline tax refund, Other (specify).

Summary rows for Part II: 50 Add lines 29 thru 49, 51 Depreciation, 52 Total deductions.

Summary rows for Part I: 27 Add lines 5 through 26, 28 Gross profit, 53 Net farm profit (or loss).

Part III FARM INCOME—ACCRUAL METHOD

Table with 2 columns: Description, Amount. Rows include Inventory at end of year, Sales of livestock, crops, and products, Total receipts, Inventory at beginning of year, Cost of livestock, Gross profits, Total deductions, Net farm profit (or loss).

A. Name and Address of Business

B. Federal Employer I.D. No.

C. Principal business activity (i.e., retail—hardware; wholesale—tobacco; services—legal; etc.)

D. Indicate method of accounting: cash; accrual; other

E. Were Forms 591, 592, 596 and 599, for the calendar year filed (if required)? YES NO

F. Method of inventory valuation

Was there any substantial change in the manner of determining quantities, costs, or valuations between the opening and closing inventories?

YES NO If "Yes," attach explanation.

Table for lines 1-12: Gross receipts, sales, or fees; Inventory at beginning of year; Purchases; Cost of labor; Materials and supplies; Other costs; Total of lines 2 thru 6; Inventory at end of this year; Cost of goods sold; Gross profit; Other income; Total Income.

OTHER BUSINESS DEDUCTIONS

Table for lines 13-27: Depreciation; Taxes on business and business property; Rent on business property; Repairs; Salaries and wages; Insurance; Legal and professional fees; Commissions; Amortization; Retirement plans; Interest on business indebtedness; Bad debts; Depletion; Other business expenses; Total of lines 13 thru 26; Net profit (or loss).

Table for Schedule C-1 Depreciation: Group and guideline class, Date Acquired, Cost or other basis, Depreciation allowed, Method of computing depreciation, Life or Rate, Depreciation for this year.

Table for Schedule C-2 Explanation of Lines: LINE NO., EXPLANATION, AMOUNT.



SCHEDULE OF FARM INCOME AND EXPENSES

Attach to Form 540, 540NR or Form 565

INSTRUCTIONS FOR SCHEDULE C (FORM 540)
NET PROFIT (OR LOSS) FROM PROFESSION OR BUSINESS

References in these instructions are to the Personal Income Tax Law, codified as Part 10 of Division 2 of the Revenue and Taxation Code

Name as shown on Form 540, 540NR, or 565 _____ Social Security Number _____

Business Name and Address and Location of each Farm (Attach Schedule if necessary) _____ Federal Employer I.D. No. _____

Part I FARM INCOME—CASH RECEIPTS AND DISBURSEMENTS METHODS

Do not include sale of livestock held for draft, breeding, or dairy purposes; report such sales on Schedule D-1 (Form 540)

Sales of Purchased Livestock and Other Items Purchased for Resale

a. Description	b. Amount received	c. Cost or other basis
1 Livestock: _____	\$ _____	\$ _____
2 Other items: _____		
3 Totals _____	\$ _____	\$ _____
4 Profit (or loss), subtract line 3, column c from line 3, column b _____		\$ _____

Sales of Market Livestock and Produce Raised and Held Primarily for Sale and Other Farm Income

Kind	Quantity	Amount
5 Cattle _____		\$ _____
6 Calves _____		
7 Sheep _____		
8 Swine _____		
9 Poultry _____		
10 Dairy products _____		
11 Eggs _____		
12 Wool _____		
13 Cotton _____		
14 Tobacco _____		
15 Vegetables _____		
16 Grain _____		
17 Fruits and nuts _____		
18 Other (specify) _____		

OTHER FARM INCOME

19 Machine work _____	
20 (a) Patronage dividends _____	
(b) Per-unit retains _____	
21 Nonpatronage distributions from cooperatives _____	
22 Agricultural program payments: (1) Cash _____	
(2) Materials and services _____	
23 Commodity Credit loans under election (or forfeited) _____	
24 Federal gasoline tax credit _____	
25 State gasoline tax refund _____	
26 Other (specify): _____	

27 Add lines 5 through 26 _____	\$ _____
28 Gross profit (add lines 4 and 27) _____	\$ _____
29 Net farm profit (or loss) (subtract line 27 from line 28). Enter here and on page 2, Form 540 or 540NR, or on page 1, Form 565 _____	\$ _____

Part III FARM INCOME—ACCRUAL METHOD

54 Inventory at end of year—livestock, crops, and products _____	\$ _____
55 Sales of livestock, crops, and products _____	
56 Other receipts (see instructions) _____	
57 Total receipts (add lines 54 thru 56) _____	\$ _____
58 Inventory at beginning of year—livestock, crops, and products _____	\$ _____
59 Cost of livestock, and products purchased _____	
60 Gross profits (subtract the sum of lines 58 and 59 from line 57) _____	
61 Total deductions from line 52, Part II above _____	\$ _____
62 Net farm profit (or loss) (subtract line 61 from line 60). Enter here and on Page 2, Form 540 or 540NR, or on Page 1, Form 565 _____	\$ _____

Part II FARM DEDUCTIONS—FOR CASH AND ACCRUAL METHOD TAXPAYERS

Do not include personal or living expenses not attributable to production of farm income, such as taxes, insurance, repairs, utilities, etc., on your dwelling.

Items	Amount
29 Labor hired _____	\$ _____
30 Repairs, maintenance _____	
31 Interest _____	
32 Rent of farm, pasture _____	
33 Feed purchased _____	
34 Seed, plants purchased _____	
35 Fertilizers, lime _____	
36 Machine hire _____	
37 Supplies purchased _____	
38 Breeding fees _____	
39 Veterinary, medicine _____	
40 Gasoline, fuel, oil _____	
41 Storage, warehousing _____	
42 Taxes _____	
43 Insurance _____	
44 Utilities _____	
45 Freight, trucking _____	
46 Conservation expenses _____	
47 Pension and profit-sharing plans (see instructions) _____	
48 Other employee benefit programs (see instructions) _____	
49 Other (specify) _____	

50 Add lines 29 thru 49 _____	\$ _____
51 Depreciation (attach schedule) _____	
52 Total deductions. Add lines 50 and 51 _____	\$ _____

If you owned a business, or practiced a profession, fill in Schedule C and enter the net profit (or loss) on page 2, Form 540 or 540NR. If you had more than one business, or husband and wife had separate businesses, a separate Schedule C must be completed for each business.

If some of your expenses were part business and part personal, you can deduct the business portion but not the personal portion. For instance, a businessman who used his car half for business can deduct only half the operating expenses.

Accounting Methods and Records—Income from your business or profession ordinarily must be computed by the method of accounting which you regularly use. Two of the principal methods of accounting which may be used are the "cash method" and the "accrual method." Other methods are permissible; such as, completed contract, percentage of completion, etc. Any of these methods or a combination of methods may be used provided that the method or methods used properly reflects your income. However, unless you keep books of account your return must be on the "cash method." Enter accounting method used at Item C of Schedule C (Form 540).

Item C—Principal business activity and product—Enter the one business activity that accounts for the largest percentage of gross income included on page 1, line 1, of Schedule C. State the broad field of business activity as well as the product or service; for example, "wholesale—jewelry," "retail—apparel," etc.

Line 1—Gross receipts or gross sales—Enter gross receipts or sales from your trade or business, including finance reserve income, discounts received, sale of scrap, bad debt recoveries, interest, etc. **Returns and allowances**—Enter such items as returned sales, rebates and allowances from the sale price or service charge.

Installment sales—If you use the installment method of reporting income from sales, you must attach to your return a schedule showing separately for the taxable year and each of the three previous years the following: (a) gross sales, (b) cost of goods sold, (c) gross profits, (d) percentage of profits to gross sales, (e) amounts collected, and (f) gross profits on amounts collected.

COST OF GOODS SOLD

Lines 2-9—If you are engaged in a trade or a business in which the production, purchase or sale of merchandise is an income-producing factor, you must take inventories of merchandise and materials on hand at the beginning and end of the taxable year in order to reflect the gross profits correctly. This rule does not apply to dealers in securities, or whom the use of inventories is optional. Dealers in real estate are prohibited from using inventories. The method properly adopted for the first year in which inventory is taken must be continued unless permission to change is secured from the Franchise Tax Board. Permission to change the method of valuing inventories should be requested from the Franchise Tax Board, Sacramento, California 95867, within 90 days after the beginning of the taxable year in which it is desired to effect a change.

BUSINESS DEDUCTIONS

Normal current costs paid or incurred by you in your trade, business or profession are considered business deductions. In order that you may deduct these costs it must be shown that they are both ordinary and necessary expenses directly connected with or related to your trade, business or profession. No deductions are allowed, however, from gross income which is directly derived from illegal activities such as gambling and bookmaking; or from activities which directly tend to promote or are directly associated with illegal activities. **No deductions are allowed other than for a "net operating loss carryover" or "carryback" as permitted under federal law.**

Line 13—Depreciation and obsolescence—You may deduct a reasonable allowance for exhaustion, wear and tear, and obsolescence of property used in the trade or business.

The allowance is not allowed for stock in trade, inventories, land and personal assets.

The allowable methods for computing depreciation, including additional first-year depreciation, are the same as for Federal income tax purposes, with the following exceptions:

- (1) Salvage value rule on depreciable personal property (other than livestock) with a useful life of three years or more, is applicable to such property acquired after December 31, 1962 (October 16, 1962 for Federal).
- (2) Use of the 200 percent declining balance and sum of the years-digits methods are applicable to new property acquired after December 31, 1958 (December 31, 1953 for Federal).

If the asset guideline classes method (as specified in Federal Revenue Procedure 72-10) is used for computing allowable depreciation for State purposes, do not use the Lower Limit or the Upper Limit (ADR) Ranges.

Line 16—Repairs—You may deduct the cost of incidental repairs, including labor (but not the value of your own labor), supplies and other items, which do not add to the value or appreciably prolong the life of the property. Expenditures for restoring or replacing property are not deductible, since such expenditures are chargeable to capital accounts or to depreciation reserve depending on how depreciation is charged on your books.

Line 21—Amortization—For the election to amortize expenditures for research or experimentation, pollution control facilities, and a trademark or trade name, see Sections 17223, 17226 and 17227, respectively.

Line 22—Retirement plans, etc. (other than contributions made on your behalf). The amount contributed to a pension or profit-sharing plan for the taxable year shall constitute the deduction to be claimed on this line. If the plan includes you as a self-employed individual, enter contributions made as an employer on your behalf (but not voluntary contributions you made as an employee) on page 2, Form 540 or 540NR, Adjustments to Income. Substantiation thereof need be submitted only upon specific request of the Franchise Tax Board.

Employee benefit programs—Enter the amount of your contributions to employee benefit programs that are not an incidental part of a pension or profit-sharing plan. Contributions that are to be reported on this line include insurance, health and welfare programs.

Line 24—Bad debts arising from sales or services—Include debts, or portions thereof, arising from sales or professional services that have been included in income and definitely proven to be worthless; or such reasonable amount as has been added within the taxable year to a reserve for bad debts. A debt which is deducted as bad and which reduces your tax must, if subsequently collected, be reported as income for the year in which collected.

Line 26—Other business expenses—Include all ordinary and necessary business expenses for which no space is provided in the schedule. Do not include cost of business equipment or furniture, expenditures for replacements, or for permanent improvements to property, or personal living and family expenses.

Automobile expenses—Actual expenses include gasoline, oil, repairs, license tags, insurance, depreciation, and interest and taxes paid in connection with the purchase of the automobile. Rather than deducting the actual expenses, you may figure the cost of operation at a standard rate of 15 cents a mile for the first 15,000 miles of business use, and 10 cents a mile for such use in excess of 15,000 miles.

Use of this method is optional, on a yearly basis. However, this simplified method cannot be used if depreciation is claimed using a method other than straight line, or if additional first year depreciation is claimed. If you use the optional method, you cannot deduct interest and taxes paid in connection with the purchase of the automobile.

STATE OF CALIFORNIA—FRANCHISE TAX BOARD
INSTRUCTIONS FOR SCHEDULE F (FORM 540)
FARM INCOME AND EXPENSES

References in these instructions are to the Personal Income Tax Law, codified as Part 10 of Division 2 of the Revenue and Taxation Code

1. Method of Accounting. Farmers may compute their income on either the cash receipts and disbursements basis or the accrual basis, but the method adopted must be followed until the consent of the Franchise Tax Board is received to compute the income upon a new basis.

2. Other Farm Income — Patronage dividends — Patronage dividends received in money from cooperatives are includible in farm income in the year received.

Patronage dividends received in property other than written notices of allocation are includible in farm income to the extent of fair market value.

Noncash patronage dividends from cooperatives and mutual associations (whether paid in capital stock, revolving fund certificates, letters of advice, etc.) may be reported in either of the following ways: (1) include in gross income the face amount of the dividends in the year the noncash patronage dividends are received; or (2) include in gross income the amount realized in the year noncash patronage dividends are redeemed. The election of method (1) or (2) must be adhered to in subsequent years unless a change is approved by the Franchise Tax Board. If method (2) is elected, the face amount of noncash patronage dividends is required to be disclosed in the return for the taxable year in which such dividends are received.

Losses incurred upon the redemption of noncash patronage dividends are deductible in the year of redemption provided you include such dividends in income in the year originally received.

Losses incurred upon the redemption of qualified written notices of allocation are ordinary losses deductible in the year of redemption provided you acquired the qualified written notices of allocation in the ordinary course of your trade or business.

Patronage dividends received on purchase of capital assets or depreciable property used in farming are not includible in income, but the purchase price of such items must be reduced accordingly. Patronage dividends you received on non-business purchases are not includible in income.

Line 22 — Agriculture program payments — (1) Cash — Enter total amount of price support payments, diversion payments and cost share payments received in cash (sight drafts). (2) Materials and services — Enter total amount of materials (fertilizer, lime, etc.) and services (grading, construction of dams, etc.) paid by the Department of Agriculture to the vendor or contractor. (3) Commodity Credit Corporation loans become income when the pledged commodities are delivered or forfeited to the Corporation, unless an election is made to include these loans in income when received. If election is made, attach statement showing details of such loans.

3. Expenses and Other Deductions. A farmer is entitled to deduct from gross income all necessary amounts actually expended in carrying on the business of farming, except those which represent capital investment.

Line 29 — Labor hired — Amounts paid for regular farm labor, piece work, contract labor and other forms of hired labor are deductible. Do not deduct the value of your own labor or that of your wife or family. Only that part of the board which is purchased for hired labor can be deducted. The value of products furnished by the farm and used in the board of hired labor is not deductible. Rations purchased and furnished to laborers or sharecroppers are deductible. Do not deduct amounts paid to persons engaged in household work, except to the extent that such services are used in boarding and otherwise caring for farm laborers. Services of such employees engaged in caring for the farmer's own household are not deductible.

Line 49 — Farm expenses — Include advertising, stationery, stamps, account books, other office supplies, travel, etc. Losses of farm buildings, machinery and other farm property not included in your inventory, resulting from fire, storm or other casualty and not compensated for by insurance or otherwise are deductible on Schedule D-1 (Form 540). Losses of property included in your inventory are taken care of by the reduced

amount of the inventory at the close of the year. The loss of a prospective crop by frost, storm, flood or fire is not deductible. When reporting on the cash basis, the value of animals raised by you and lost by death is not deductible, while in the case of animals purchased and lost by death, the cost less depreciation allowed or allowable is deductible, if not compensated by insurance or otherwise, on Schedule D-1 (Form 540). Do not deduct personal losses. **No deduction may be taken for a net operating loss carryover or carryback.**

A. Planting and developing citrus or almond or other fruit or nut groves. Charge to capital account expenses attributable to the planting, cultivation, maintenance, or development of any citrus, almond or other fruit or nut grove (or part thereof), incurred before the close of the fourth taxable year beginning with the taxable year in which trees were planted. Treat the portion of a citrus or almond grove planted in one taxable year separately from the portion of the grove planted in another taxable year. Do not apply the rule for capitalization of such expenses to expenses attributable to a citrus, almond or other fruit or nut grove which was (a) replanted after having been lost or damaged by reason of freeze, disease, drought, pests or casualty; or (b) planted or replanted prior to September 16, 1970 for citrus groves, December 8, 1971 for almond groves, and September 24, 1975 for other fruit or nut groves.

Line 51 — Depreciation — You may deduct allowance for depreciation of buildings, improvements, machinery, or other farm equipment of a permanent nature. Similar assets may be grouped together as one item for reporting purposes in the depreciation schedule in Schedule F. In computing depreciation do not include the value of land. Do not claim depreciation on livestock or any other property included in your inventory. You may claim depreciation on livestock not included in your inventory of livestock purchased or raised for sale if it was acquired for work, breeding, sporting, or dairy purposes.

4. Farm Loss Recapture. If you have a farm net loss of more than \$25,000, your nonfarm adjusted gross income is more than \$50,000, and you report your income on the cash method, part of the gain on the sale or other disposition of certain property used in farming will be treated as ordinary income. (These amounts are \$25,000 and \$12,500, respectively, for a married person filing separately whose spouse also has farm income and deductions.)

You must establish and maintain an "excess deductions account" (EDA) if you meet all three of the above conditions. Add to this account your farm net loss for the year, or subtract from the balance in this account your farm net income for the year, plus any amounts necessary to adjust the account for deductions which did not result in a reduction of your tax. There is no EDA addition if your nonfarm adjusted gross income is \$50,000 or less or your farm net loss is \$25,000 or less (\$25,000 and \$12,500, respectively, if married filing separately and your spouse has nonfarm adjusted gross income). Nonfarm adjusted gross income is your adjusted gross income computed without farming income and deductions.

After making the above additions or subtractions, compare the balance in the EDA account with your gains from sales and exchanges of farm recapture property. If the EDA balance is higher, all of the gains are taxed as ordinary income. If the gains are higher, they are treated as ordinary income only to the extent of the EDA balance. The EDA balance is then further reduced by any recapture before carrying it over to the next year.

Farm recapture property includes:

- (1) Depreciable personal property;
- (2) Cattle or horses held for two years or more and other livestock held for one year or more for draft, breeding, dairy or sporting purposes;
- (3) Land held for more than one year; and
- (4) Unharvested crops growing on land which has been held for more than one year.



CALIFORNIA

CAPITAL GAINS AND LOSSES

Attach to Form 540 or 540NR

SCHEDULE
D
 FORM 540

TAXABLE
1975
 YEAR

Use this schedule to report gains and losses on stocks, bonds and similar investments, and gains (but not losses) on personal assets such as a home or jewelry.

Name as shown on Form 540 or 540NR _____ Social Security Number _____

PART I—Assets Held One Year or Less

a. Kind of property and description (Example, 100 shares of "Z" Co.)	b. Date acquired (mo., day, yr.)	c. Date sold (mo., day, yr.)	d. Gross sales price	e. Cost or other basis as adjusted, cost of subsequent improvements (if not purchased, attach explanation) and expense of sale	f. Gain or loss (d. less e.)
1. _____	_____	_____	_____	_____	_____
2. Enter gain (or loss), if applicable, from line 18 Schedule D-1 (540) (attach copy)					_____
3. Enter your share of net gain or loss from partnerships and fiduciaries					_____
4. Net gain or loss, combine lines 1, 2 and 3					_____

PART II—Assets Held More Than One Year But Not More Than Five Years

5. _____	_____	_____	_____	_____	_____
6. Enter gain (or loss), if applicable, from line 20 Schedule D-1 (540) (attach copy)					_____
7. Enter your share of net gain or loss from partnerships and fiduciaries					_____
8. Net gain or loss, combine lines 5, 6 and 7					_____

PART III—Assets Held More Than Five Years

9. _____	_____	_____	_____	_____	_____
10. Enter gain (or loss), if applicable, from line 22 Schedule D-1 (540) (attach copy)					_____
11. Enter your share of net gain or loss from partnerships and fiduciaries					_____
12. Net gain or loss, combine lines 9, 10 and 11					_____

PART IV—Summary of Capital Gains and Losses

13. Enter amount from line 4	_____
14. Enter 65% of the amount on line 8	_____
15. Enter 50% of the amount on line 12	_____
16. Enter unused capital loss carryover from preceding taxable years see instruction (G)	_____
17. Combine the amounts shown on lines 13, 14, 15 and 16	_____
18. If line 17 shows a gain, enter here and on page 2, Part II of Form 540 or 540NR	_____
19. If line 17 shows a loss, enter here and on page 2, Part II of Form 540 or 540NR the smallest of: (a) amount on lines 17; (b) the taxable income for the taxable year (computed without regard to gains or losses from sale or exchange of capital assets); or (c) \$1,000 (\$500 in the case of a husband or wife filing a separate return)	_____

INSTRUCTIONS FOR SCHEDULE D (FORM 540)

(References are to the California Personal Income Tax Law, Codified as Part 10 of Division 2 of the Revenue and Taxation Code)

A. Who May File. Use Schedule D (Form 540) to report the sale or exchange of a capital asset, as defined in Instruction B. Do not use Schedule D (Form 540), but use Schedule D-1 (Form 540), Supplemental Schedule of Gains and Losses, to report (1) the sale, exchange, or involuntary conversion of trade or business property, and depreciable or amortizable property; or (2) the involuntary conversion (i.e., a casualty or theft) of a capital asset; and (3) the disposition of other noncapital assets not mentioned in (1).

B. What is a Capital Asset. In general, all property you own and use for personal purposes, pleasure or investment is a capital asset. Examples include (a) stocks or bonds held in your personal account; (b) a dwelling owned and occupied by an individual and his family; (c) household furnishings used by an individual and his family; and (d) an automobile used for pleasure.

A capital asset as defined by law is any piece of property held by the taxpayer, except:

- (1) stock in trade;
- (2) real or personal property includible in inventory;
- (3) real or personal property held for sale to customers;
- (4) accounts or notes receivable acquired in the ordinary course of a trade or business for services rendered, or from the sale of any of the properties described above, or for services rendered as an employee;
- (5) depreciable property used in your trade or business (even though fully depreciated);
- (6) real property used in your trade or business;
- (7) a copyright, a literary, musical or artistic composition, a letter or memorandum, or similar property—(a) created by your personal efforts; (b) prepared or produced, in the case of a letter, memorandum, or similar property, for you; or (c) acquired from a person described in (a) or (b) under circumstances entitling you to his basis (for example, by gift).

C. Sale or Exchange of Certain Capital Assets at a Loss. Property held for personal use is a capital asset. Gain from the sale or exchange of such property is a capital gain and must be reported. However, losses from sales and exchanges (but not necessarily involuntary conversions—i.e., casualty or theft) of personal assets are not deductible, and should not be reported on this or any other schedule or form.

D. Cost or Other Basis, as Adjusted. In general, this means cost (or other basis as explained in the next paragraph), less, if applicable, depreciation (allowed or allowable), amortization, depletion, etc. (see Section 18041).

If property was acquired by bequest, gift, tax-free exchange, involuntary conversion, or wash sale of stock, a basis, other than cost, might be applicable. Attach an explanation if the basis used is other than actual cash cost of the property.

If a charitable contribution deduction is allowed by reason of a sale of property to a charitable organization after December 31, 1970, the adjusted basis for determining gain from the sale is an amount which is in the same ratio to the adjusted basis as the amount realized is to the fair market value of the property.

E. Recognized Gain or Loss. The following percentages of the gain or loss realized upon the sale or exchange of a capital asset shall be taken into account in computing taxable income:

- (1) One hundred percent if the capital asset was held for one year or less.
- (2) Sixty-five percent if the capital asset was held for more than one year but not more than five years.
- (3) Fifty percent if the capital asset was held for more than five years.

F. Holding Period. The holding period generally begins on the day after you acquired the property and ends on the day you disposed of the property. In the case of a sale of stock or bond on a stock exchange by a cash basis taxpayer, the date of disposition is: (a) the "trade date" if sold at a loss, or (b) the "settlement date" if sold at a gain. Other special rules follow:

Nontaxable Exchanges—If you acquire an asset in an exchange for another asset and your basis for the new asset is determined, in whole or part, by reference to your basis in the old property, then the first day of the holding period of the new property is the day following the date you acquired the old property.

If you receive a gift of property, and if your basis is determined by reference to the basis in the hands of the donor, the first day of your holding period is the same date the donor used in computing his holding period.

Real Property Purchased—To determine how long real property that is under unconditional contract of sale has been held, begin counting on the day following that on which title passes, or on the day following that on which delivery of possession is made and the burdens and privileges of ownership are assumed by the purchaser, whichever occurs first.

If you acquired property from a decedent by inheritance or through a bequest or devise and the decedent died before January 1, 1971, the holding period begins with the date of the decedent's death. If the decedent died after December 31, 1970 and such property is sold or disposed of (in a taxable year beginning in 1972 or thereafter) within five years after the

decedent's death, the property shall be treated as being held for more than one year but not more than five years. In community property states, such as California, the holding period of the surviving spouse's half of community property begins with the date the property was originally acquired, even though its basis is computed at the date of death.

If property is involuntarily converted into money or other property and you acquire replacement property, it is considered to have been acquired on the same date as the property which was involuntarily converted, if its basis is determined by reference to such property.

A nonbusiness bad debt is usually treated as a loss from the sale or exchange of a capital asset held for not more than one year. This does not apply to (1) a debt evidenced by a corporate security with interest coupons or in registered form or (2) a debt acquired in your trade or business.

G. Capital Loss Carryover. Computation of the capital loss carryover should be attached to Schedule D. The computation should provide a summary of Schedule D for the previous years starting with the initial year of loss and the effect to each subsequent tax year.

H. Capital Loss Limitation. If line 17 results in a capital loss, such loss is limited to the smallest of the following amounts:

- (1) The amount on line 17;
- (2) The taxable income for the taxable year (computed without regard to gains or losses from the sale or exchange of capital assets—use a side computation to determine this amount); or
- (3) \$1,000 (\$500 in the case of a husband or wife filing a separate return).

Unused capital losses for the current year (if any) are carried forward to Schedule D(540) for the subsequent year.

I. Installment Sales. If you sold personal property for more than \$1,000 or real property for any amount, you may be eligible to report any gain realized under the installment plan if:

- (1) there was no payment in the year of sale; or
- (2) the payments in the year of sale did not exceed 30 percent of the selling price.

Such sales must provide for two or more payments in two or more taxable years. The election must be made in the year of sale even though no payment was received in that year. (See Sections 17577-80.5).

Payments received in 1975 on installment sales made in prior years are reportable at the recognized percentages in effect at the time such payments are received.

For treatment of a portion of payments as "unstated interest" on deferred payments sales, see Section 17617.

J. Special Rules. The following items may require special treatment: (1) transactions by a securities dealer (Section 18196); (2) wash sales of stock or securities (Sections 18141-42); (3) bonds and other evidence of indebtedness if original issue discount is a factor (Sections 18183-85); (4) certain real property subdivided for sale may be considered a capital asset (Sections 18197-99); (5) distributions received attributable to an employee pension, profit-sharing, or bonus plan (Sections 17501-29); (6) gain on sale of depreciable property between husband and wife or between shareholder and a "controlled corporation" treated as ordinary gain (Section 18201).

K. Sale of Personal Residence. Tax on a portion or all of the gain from the sale of your principal residence may be deferred, to the extent that the cost of the new residence exceeds the adjusted sales price of the old residence, if:

- (1) within 18 months after (or before) the date of sale, you purchase another residence and use it as your principal residence; or
- (2) within 18 months after (or before) the date of sale, you begin construction of a new residence and use it as your principal residence not later than 2 years after the date of sale.
- (3) Military personnel may have different time periods. For details contact the nearest office of the Franchise Tax Board.

The basis (cost) of the new residence must be reduced by the deferred gain realized on the sale of the old residence. (See Sections 18091-100.)

If you sold property for \$30,000 or less on or after your 65th birthday which was owned and used by you as your principal residence for at least five of the last eight years, any gain on the sale need not be included in income. If the property was sold for more than \$30,000, part of the gain may be taken into income. (See Section 17154.)

L. Losses in Transactions Between Certain Persons. No deduction is allowable for losses from sales or exchanges of property directly or indirectly between (1) members of a family, (2) a corporation and an individual or a fiduciary owning more than 50 percent of the corporation's stock (liquidations excepted), (3) a grantor and fiduciary of any trust, (4) a fiduciary and a beneficiary of the same trust, (5) a fiduciary and a fiduciary or beneficiary of another trust created by the same grantor, or (6) an individual and a tax-exempt organization controlled by the individual or his family. Partners and partnerships see Section 17865.

M. Capital Gains from Regulated Investment Companies. Report total amount received as ordinary dividend income on page 1 of Form 540 or 540NR.

SCHEDULE
D
FORM 540



CALIFORNIA

CAPITAL GAINS AND LOSSES

Attach to Form 540 or 540NR

TAXABLE
1975
YEAR

Use this schedule to report gains and losses on stocks, bonds and similar investments, and gains (but not losses) on personal assets such as a home or jewelry.

Name as shown on Form 540 or 540NR _____ Social Security Number _____

PART I—Assets Held One Year or Less

a. Kind of property and description (Example, 100 shares of "Z" Co.)	b. Date acquired (mo., day, yr.)	c. Date sold (mo., day, yr.)	d. Gross sales price	e. Cost or other basis as adjusted, cost of subsequent improvements (if not purchased, attach explanation) and expense of sale	f. Gain or loss (d. less e.)
1. _____	_____	_____	_____	_____	_____
2. Enter gain (or loss), if applicable, from line 18 Schedule D-1 (540) (attach copy)					_____
3. Enter your share of net gain or loss from partnerships and fiduciaries					_____
4. Net gain or loss, combine lines 1, 2 and 3					_____

PART II—Assets Held More Than One Year But Not More Than Five Years

5. _____	_____	_____	_____	_____	_____
6. Enter gain (or loss), if applicable, from line 20 Schedule D-1 (540) (attach copy)					_____
7. Enter your share of net gain or loss from partnerships and fiduciaries					_____
8. Net gain or loss, combine lines 5, 6 and 7					_____

PART III—Assets Held More Than Five Years

9. _____	_____	_____	_____	_____	_____
10. Enter gain (or loss), if applicable, from line 22 Schedule D-1 (540) (attach copy)					_____
11. Enter your share of net gain or loss from partnerships and fiduciaries					_____
12. Net gain or loss, combine lines 9, 10 and 11					_____

PART IV—Summary of Capital Gains and Losses

13. Enter amount from line 4	_____
14. Enter 65% of the amount on line 8	_____
15. Enter 50% of the amount on line 12	_____
16. Enter unused capital loss carryover from preceding taxable years see instruction (G)	_____
17. Combine the amounts shown on lines 13, 14, 15 and 16	_____
18. If line 17 shows a gain, enter here and on page 2, Part II of Form 540 or 540NR	_____
19. If line 17 shows a loss, enter here and on page 2, Part II of Form 540 or 540NR the smallest of: (a) amount on lines 17; (b) the taxable income for the taxable year (computed without regard to gains or losses from sale or exchange of capital assets); or (c) \$1,000 (\$500 in the case of a husband or wife filing a separate return)	_____

INSTRUCTIONS FOR SCHEDULE D (FORM 540)

(References are to the California Personal Income Tax Law, Codified as Part 10 of Division 2 of the Revenue and Taxation Code)

A. Who May File. Use Schedule D (Form 540) to report the sale or exchange of a capital asset, as defined in Instruction B. Do not use Schedule D (Form 540), but use Schedule D-1 (Form 540), Supplemental Schedule of Gains and Losses, to report (1) the sale, exchange, or involuntary conversion of trade or business property, and depreciable or amortizable property; or (2) the involuntary conversion (i.e., a casualty or theft) of a capital asset; and (3) the disposition of other noncapital assets not mentioned in (1).

B. What is a Capital Asset. In general, all property you own and use for personal purposes, pleasure or investment is a capital asset. Examples include (a) stocks or bonds held in your personal account; (b) a dwelling owned and occupied by an individual and his family; (c) household furnishings used by an individual and his family; and (d) an automobile used for pleasure.

A capital asset as defined by law is any piece of property held by the taxpayer, except:

- (1) stock in trade; (2) real or personal property includible in inventory; (3) real or personal property held for sale to customers; (4) accounts or notes receivable acquired in the ordinary course of a trade or business for services rendered, or from the sale of any of the properties described above, or for services rendered as an employee; (5) depreciable property used in your trade or business (even though fully depreciated); (6) real property used in your trade or business; (7) a copyright, a literary, musical or artistic composition, a letter or memorandum, or similar property—(a) created by your personal efforts; (b) prepared or produced, in the case of a letter, memorandum, or similar property, for you; or (c) acquired from a person described in (a) or (b) under circumstances entitling you to his basis (for example, by gift).

C. Sale or Exchange of Certain Capital Assets at a Loss. Property held for personal use is a capital asset. Gain from the sale or exchange of such property is a capital gain and must be reported. However, losses from sales and exchanges (but not necessarily involuntary conversions—i.e., casualty or theft) of personal assets are not deductible, and should not be reported on this or any other schedule or form.

D. Cost or Other Basis, as Adjusted. In general, this means cost (or other basis as explained in the next paragraph), less, if applicable, depreciation (allowed or allowable), amortization, depletion, etc. (see Section 18041).

If property was acquired by bequest, gift, tax-free exchange, involuntary conversion, or wash sale of stock, a basis, other than cost, might be applicable. Attach an explanation if the basis used is other than actual cash cost of the property.

If a charitable contribution deduction is allowed by reason of a sale of property to a charitable organization after December 31, 1970, the adjusted basis for determining gain from the sale is an amount which is in the same ratio to the adjusted basis as the amount realized is to the fair market value of the property.

E. Recognized Gain or Loss. The following percentages of the gain or loss realized upon the sale or exchange of a capital asset shall be taken into account in computing taxable income:

- (1) One hundred percent if the capital asset was held for one year or less. (2) Sixty-five percent if the capital asset was held for more than one year but not more than five years. (3) Fifty percent if the capital asset was held for more than five years.

F. Holding Period. The holding period generally begins on the day after you acquired the property and ends on the day you disposed of the property. In the case of a sale of stock or bond on a stock exchange by a cash basis taxpayer, the date of disposition is: (a) the "trade date" if sold at a loss, or (b) the "settlement date" if sold at a gain. Other special rules follow:

Nontaxable Exchanges—If you acquire an asset in an exchange for another asset and your basis for the new asset is determined, in whole or part, by reference to your basis in the old property, then the first day of the holding period of the new property is the day following the date you acquired the old property.

If you receive a gift of property, and if your basis is determined by reference to the basis in the hands of the donor, the first day of your holding period is the same date the donor used in computing his holding period.

Real Property Purchased—To determine how long real property that is under unconditional contract of sale has been held, begin counting on the day following that on which title passes, or on the day following that on which delivery of possession is made and the burdens and privileges of ownership are assumed by the purchaser, whichever occurs first.

If you acquired property from a decedent by inheritance or through a bequest or devise and the decedent died before January 1, 1971, the holding period begins with the date of the decedent's death. If the decedent died after December 31, 1970 and such property is sold or disposed of (in a taxable year beginning in 1972 or thereafter) within five years after the

decedent's death, the property shall be treated as being held for more than one year but not more than five years. In community property states, such as California, the holding period of the surviving spouse's half of community property begins with the date the property was originally acquired, even though its basis is computed at the date of death.

If property is involuntarily converted into money or other property and you acquire replacement property, it is considered to have been acquired on the same date as the property which was involuntarily converted, if its basis is determined by reference to such property.

A nonbusiness bad debt is usually treated as a loss from the sale or exchange of a capital asset held for not more than one year. This does not apply to (1) a debt evidenced by a corporate security with interest coupons or in registered form or (2) a debt acquired in your trade or business.

G. Capital Loss Carryover. Computation of the capital loss carryover should be attached to Schedule D. The computation should provide a summary of Schedule D for the previous years starting with the initial year of loss and the effect to each subsequent tax year.

H. Capital Loss Limitation. If line 17 results in a capital loss, such loss is limited to the smallest of the following amounts:

- (1) The amount on line 17; (2) The taxable income for the taxable year (computed without regard to gains or losses from the sale or exchange of capital assets—use a side computation to determine this amount); or (3) \$1,000 (\$500 in the case of a husband or wife filing a separate return).

Unused capital losses for the current year (if any) are carried forward to Schedule D(540) for the subsequent year.

I. Installment Sales. If you sold personal property for more than \$1,000 or real property for any amount, you may be eligible to report any gain realized under the installment plan if:

- (1) there was no payment in the year of sale; or (2) the payments in the year of sale did not exceed 30 percent of the selling price.

Such sales must provide for two or more payments in two or more taxable years. The election must be made in the year of sale even though no payment was received in that year. (See Sections 17577-80.5).

Payments received in 1975 on installment sales made in prior years are reportable at the recognized percentages in effect at the time such payments are received.

For treatment of a portion of payments as "unstated interest" on deferred payments sales, see Section 17617.

J. Special Rules. The following items may require special treatment: (1) transactions by a securities dealer (Section 18196); (2) wash sales of stock or securities (Sections 18141-42); (3) bonds and other evidence of indebtedness if original issue discount is a factor (Sections 18183-85); (4) certain real property subdivided for sale may be considered a capital asset (Sections 18197-99); (5) distributions received attributable to an employee pension, profit-sharing, or bonus plan (Sections 17501-29); (6) gain on sale of depreciable property between husband and wife or between shareholder and a "controlled corporation" treated as ordinary gain (Section 18201).

K. Sale of Personal Residence. Tax on a portion or all of the gain from the sale of your principal residence may be deferred, to the extent that the cost of the new residence exceeds the adjusted sales price of the old residence, if:

- (1) within 18 months after (or before) the date of sale, you purchase another residence and use it as your principal residence; or (2) within 18 months after (or before) the date of sale, you begin construction of a new residence and use it as your principal residence not later than 2 years after the date of sale. (3) Military personnel may have different time periods. For details contact the nearest office of the Franchise Tax Board.

The basis (cost) of the new residence must be reduced by the deferred gain realized on the sale of the old residence. (See Sections 18091-100.)

If you sold property for \$30,000 or less on or after your 65th birthday which was owned and used by you as your principal residence for at least five of the last eight years, any gain on the sale need not be included in income. If the property was sold for more than \$30,000, part of the gain may be taken into income. (See Section 17154.)

L. Losses in Transactions Between Certain Persons. No deduction is allowable for losses from sales or exchanges of property directly or indirectly between (1) members of a family, (2) a corporation and an individual or a fiduciary owning more than 50 percent of the corporation's stock (liquidations excepted), (3) a grantor and fiduciary of any trust, (4) a fiduciary and a beneficiary of the same trust, (5) a fiduciary and a fiduciary or beneficiary of another trust created by the same grantor, or (6) an individual and a tax-exempt organization controlled by the individual or his family. Partners and partnerships see Section 17865.

M. Capital Gains from Regulated Investment Companies. Report total amount received as ordinary dividend income on page 1 of Form 540 or 540NR.

SCHEDULE E FORM 540

CALIFORNIA SUPPLEMENTAL INCOME Attach to Form 540 or 540NR

TAXABLE 19 YEAR

Name as shown on Form 540 or 540NR Social Security Number

Part I.—PENSION AND ANNUITY INCOME. If fully taxable, do not complete this part. Enter amount on page 2 of Form 540 or 540NR, under Miscellaneous Income. For each pension or annuity not fully taxable, attach a separate Part I and enter combined total of taxable portions on line 4. If first payment was received PRIOR to 1968, see Schedule E Instructions for amount of taxable income to be reported.

Name of payer: Date first payment received: Did your employer contribute part of the cost? If "YES," is your contribution recoverable within 3 years of the annuity starting date? If "YES," show: Your contribution \$, Your contribution recovered in prior years \$

Part II.—RENT AND ROYALTY INCOME. If you need more space, you may use Federal Form 4831. Note: If you are reporting farm rental income here that is based on crops or livestock produced by a tenant farmer but you did not materially participate in the operation of the farm, see Schedule E Instructions, to determine if you should also file Federal Form 4835.

Table with 5 columns: (a) Kind and location of property, (b) Total amount of rents, (c) Total amount of royalties, (d) Depreciation (explain in Part V) or depletion (attach computation), (e) Other expenses (explain in Part IV). Totals and Net income (or loss) (col. (b) plus col. (c), less cols. (d) and (e)).

Part III.—INCOME OR LOSSES FROM PARTNERSHIPS AND ESTATES OR TRUSTS. If any of the partnership, estate or trust income reported below is from farming, see Schedule E Instructions, to determine if you should also file Federal Form 4835.

Table with 5 columns: (a) Name and address, (b) Federal employer number, (c) Partnerships principal business activity, (d) Partnerships income, (e) Estates or trusts. Totals—(Enter total of each column on Form 540 or 540NR in spaces provided)

Part IV.—EXPLANATION OF COLUMN (e), PART II. Table with 2 columns: Item, Amount.

Part V.—SCHEDULE FOR DEPRECIATION CLAIMED IN PART II ABOVE. Note: Depreciation may be computed by using the Asset Guideline Classes specified in Federal Revenue Procedure 72-10, regardless of when the assets were placed in service. If this method is used, do NOT use the Lower Limit or the Upper Limit (ADR) Ranges. Attach detailed statement of depreciation computation.

Table with 7 columns: (a) Group and guideline class or description of property, (b) Date acquired, (c) Cost or other basis, (d) Depreciation allowed or allowable in prior years, (e) Method of computing depreciation, (f) Life or rate, (g) Depreciation for this year. Total additional first-year depreciation (do not include in items below) Asset Guideline Class System (See note above) Other depreciation Totals

Name as shown on Form 540 Social Security Number

Allowable only if a California resident throughout the entire taxable year

If separate return, use column B only. If joint return, use column A for wife and column B for husband.

All community income must be divided equally between husband and wife (see instructions).

Enter your age as of last day of taxable year

Did you receive earned income in excess of \$600 in each of any 10 previous calendar years? (Widows or widowers see instructions)

If answer above is "Yes" in either column, furnish all information below in that column. Also furnish the combined information called for in column C for both husband and wife if joint return, both 65 or over, even if only one answered "Yes" in column A or B.

- 1. Maximum amount of retirement income for credit computation
2. Deduct (Community income must be divided equally between spouses):
(a) Amounts received as pensions or annuities under the Social Security Act...
(b) Earned income received (does not apply to persons 72 years of age or over):
(1) If you are under 62 years of age, enter amount in excess of \$900
(2) If you are 62 or over but under 72, enter amount determined as follows:
If \$1,200 or less, enter zero
If over \$1,200 but not over \$1,700, enter 1/2 of amount over \$1,200
If over \$1,700, enter excess over \$1,450
3. Total of lines 2(a) and 2(b)
4. Balance (subtract line 3 from line 1. If line 3 is greater than line 1, enter zero)
5. Retirement income (Community income must be divided equally between spouses):
(a) If you are under 65 years of age:
Enter only income received from pensions and annuities under public retirement systems...
(b) If you are 65 years of age or older:
Enter total of pensions, annuities, interest and dividends included on page 1, Form 540; gross rents included in Part II, column (b) of Schedule E (Form 540); and your share of gross rents from partnerships and your proportionate share of taxable rents from estates and trusts
6. Line 4 or line 5, whichever is smaller
7. (a) Total (add amounts on line 6, columns A and B)
If line 7(a) is less than \$2,286 and this is a joint return and both husband and wife are age 65 or over, the Alternative Computation in column C may result in a larger credit.
(b) Amount from line 6, column C, if applicable
8. Tentative credit. Enter 1% of line 7(a) or 1% of line 7(b), whichever is greater
9. Tax liability shown on page 1, Form 540 (Tax, less exemption credits)
10. Less: Credit for net income taxes paid to other states (Page 2, Form 540)
11. Subtract line 10 from line 9. (If line 10 is greater than line 9, enter zero)
12. Retirement income credit. Enter here and on page 2, Form 540, the amount on line 8 or the amount on line 11, whichever is smaller

Table with columns A, B, and C. Column C is labeled 'ALTERNATIVE COMPUTATION (Combined information of husband and wife if joint return and both 65 or over)'. Row 1 shows values 1,524 00, 1,524 00, and 2,286 00.

Name as shown on Form 540 or 540NR Social Security Number

Part I.-PENSION AND ANNUITY INCOME. If fully taxable, do not complete this part. Enter amount on page 2 of Form 540 or 540NR, under Miscellaneous Income. For each pension or annuity not fully taxable, attach a separate Part I and enter combined total of taxable portions on line 4. If first payment was received PRIOR to 1968, see Schedule E Instructions for amount of taxable income to be reported.

Name of payer: Date first payment received:

- 1. Did your employer contribute part of the cost?
If "YES," is your contribution recoverable within 3 years of the annuity starting date?
If "YES," show: Your contribution \$, Your contribution recovered in prior years \$
2. Amount received this year
3. Amount excludable this year
4. Taxable portion (subtract line 3 from line 2). Enter on Form 540 or Form 540NR in space provided

Part II.-RENT AND ROYALTY INCOME. If you need more space, you may use Federal Form 4831. Note: If you are reporting farm rental income here that is based on crops or livestock produced by a tenant farmer but you did not materially participate in the operation of the farm, see Schedule E Instructions, to determine if you should also file Federal Form 4835.

Table with columns: (a) Kind and location of property, (b) Total amount of rents, (c) Total amount of royalties, (d) Depreciation (explain in Part V) or depletion (attach computation), (e) Other expenses (explain in Part IV). Includes rows for 1. Totals and 2. Net income (or loss).

Part III.-INCOME OR LOSSES FROM PARTNERSHIPS AND ESTATES OR TRUSTS. If any of the partnership, estate or trust income reported below is from farming, see Schedule E Instructions, to determine if you should also file Federal Form 4835.

Table with columns: (a) Name and address, (b) Federal employer number, (c) Partnerships principal business activity, (d) Partnerships income, (e) Estates or trusts. Includes a Totals row.

Part IV.-EXPLANATION OF COLUMN (e), PART II. Table with columns: Item, Amount, Item, Amount.

Part V.-SCHEDULE FOR DEPRECIATION CLAIMED IN PART II ABOVE. Note: Depreciation may be computed by using the Asset Guideline Classes specified in Federal Revenue Procedure 72-10, regardless of when the assets were placed in service. If this method is used, do NOT use the Lower Limit or the Upper Limit (ADR) Ranges. Attach detailed statement of depreciation computation.

Table with columns: (a) Group and guideline class or description of property, (b) Date acquired, (c) Cost or other basis, (d) Depreciation allowed or allowable in prior years, (e) Method of computing depreciation, (f) Life or rate, (g) Depreciation for this year. Includes rows for 1. Total additional first-year depreciation, 2. Asset Guideline Class System, 3. Other depreciation, and 4. Totals.

Name as shown on Form 540 _____ Social Security Number _____

Allowable only if a California resident throughout the entire taxable year **R**

If separate return, use column B only. If joint return, use column A for wife and column B for husband.

All community income must be divided equally between husband and wife (see instructions).

Enter your age as of last day of taxable year

Did you receive earned income in excess of \$600 in each of any 10 previous calendar years? (Widows or widowers see instructions)

If answer above is "Yes" in either column, furnish all information below in that column. Also furnish the combined information called for in column C for both husband and wife if joint return, both 65 or over, even if only one answered "Yes" in column A or B.

	A	B	C
			ALTERNATIVE COMPUTATION <small>(Combined information of husband and wife if joint return and both 65 or over)</small>
	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No	
1. Maximum amount of retirement income for credit computation	1,524 00	1,524 00	2,286 00
2. Deduct (Community income must be divided equally between spouses):			
(a) Amounts received as pensions or annuities under the Social Security Act, the Railroad Retirement Act (including supplemental annuities), and certain other exclusions from gross income			
(b) Earned income received (does not apply to persons 72 years of age or over):			
(1) If you are under 62 years of age, enter amount in excess of \$900			
(2) If you are 62 or over but under 72, enter amount determined as follows:			
If \$1,200 or less, enter zero			
If over \$1,200 but not over \$1,700, enter 1/2 of amount over \$1,200			
If over \$1,700, enter excess over \$1,450			
3. Total of lines 2(a) and 2(b)			
4. Balance (subtract line 3 from line 1. If line 3 is greater than line 1, enter zero)			
If line 4, column A, B or C, is more than zero, complete this schedule. If all of these columns are zero, do not file this schedule —you are not entitled to any retirement income credit.			
5. Retirement income (Community income must be divided equally between spouses):			
(a) If you are under 65 years of age: Enter only income received from pensions and annuities under public retirement systems (e.g., federal, state, county, city governments, etc.) included on Page 1, Form 540			
(b) If you are 65 years of age or older: Enter total of pensions, annuities, interest and dividends included on page 1, Form 540; gross rents included in Part II, column (b) of Schedule E (Form 540); and your share of gross rents from partnerships and your proportionate share of taxable rents from estates and trusts			
6. Line 4 or line 5, whichever is smaller			
7. (a) Total (add amounts on line 6, columns A and B)			
If line 7(a) is less than \$2,286 and this is a joint return and both husband and wife are age 65 or over, the Alternative Computation in column C may result in a larger credit.			
(b) Amount from line 6, column C, if applicable			
8. Tentative credit. Enter 1% of line 7(a) or 1% of line 7(b), whichever is greater			
9. Tax liability shown on page 1, Form 540 (Tax, less exemption credits)			
10. Less: Credit for net income taxes paid to other states (Page 2, Form 540)			
11. Subtract line 10 from line 9. (If line 10 is greater than line 9, enter zero)			
12. Retirement income credit. Enter here and on page 2, Form 540, the amount on line 8 or the amount on line 11, whichever is smaller			

INSTRUCTIONS FOR SCHEDULE E (FORM 540)

PART I—PENSIONS AND ANNUITIES

General Rule for Annuities. The amount of an annuity, pension, endowment or similar payment includible in taxable income depends on whether you contributed to its cost and the date you received your first payment. If you did not contribute to the cost and were not subject to tax on your employer's contributions, or you have recovered your entire cost before the beginning of the taxable year, report the amount received on Form 540 or 540NR, page 2, as a fully taxable pension or annuity, rather than on Schedule E.

If you paid part or all of the cost and your first payment was received **before 1968**, you must report as income each year 3 percent of the total amount you paid. (If you received less than 3 percent of your cost, you report only the actual amount received.) The difference between the amount received and 3 percent of your cost is excluded from income until your full cost has been recovered, after which the entire amount received must be included in income.

If your first annuity, pension, etc., payment was received **after 1967**, the federal rules for reporting such income are to be followed. If both you and your employer contributed to the cost and your contributions will be recovered within 3 years, then all payments received are to be excluded from income until your cost (the amount you contributed, plus the contributions made by your employer on which you were previously taxed) is recovered. Thereafter, all amounts you receive are fully taxable. This method of computing taxable income also applies to the employee's beneficiary if the employee died before receiving any annuity or pension payments. If your cost will not be recovered within 3 years, the federal life expectancy rule must be followed. The computation and life expectancy multiple can be found in the Income Tax Regulations covering annuities and pensions. Once you determine the yearly excludable amount, it remains the same for each year thereafter. In making this computation, you can get help from the Franchise Tax Board as well as the payer of the annuity or pension.

Death Benefit Exclusion. If you receive pension or annuity payments as a beneficiary of a deceased employee, and the employee had received no retirement pension or annuity payments, you may be entitled to a death benefit exclusion of up to \$5,000. Contact the Franchise Tax Board for more information.

Form W-2P. If you received a Form W-2P, report in Part I, Schedule E, the gross amount of pension or annuity payments you received. If you are retired on disability and are under normal retirement age and your Form W-2P shows an amount as "Gross amount reportable as wages or salary," report that amount on Form 540 or 540NR, page 2, as a fully taxable pension or annuity. Also show on Form 540 or 540NR, page 2, Adjustments to Income, the "amount excludable as sick pay."

If you received retirement plan or profit sharing distributions, report the taxable amount paid as: (1) capital gain (amount from column b of Form W-2P) on Schedule D (Form 540); and (2) ordinary income (amount from column c of Form W-2P) on Form 540 or 540NR, page 2, as a fully taxable pension or annuity.

PART II—RENTS AND ROYALTIES

Rents. If you were not engaged in selling real estate to customers, but received rent from property owned or controlled by you, report the total amount received in this part. If property other than money was received as rent, its fair market value should be reported.

If you received rental income based upon farm production or if you received crop shares based on the renting of all or part of your crop land on a crop share basis, but you did not materially participate in the operation of the farm, and two-

thirds of your gross income was from farming, complete and attach Federal Form 4835, Farm Rental Income and Expenses, and enter the totals of income and expenses in Part II, Schedule E. Report crop shares received only for the year in which they are reduced to money or its equivalent.

In the case of buildings you can deduct depreciation. You can also deduct all ordinary and necessary expenditures on the property such as taxes, interest, repairs, insurance, agent's commissions, maintenance and similar items. However, you cannot deduct capital investments or improvements but must add them to the basis of the property for the purpose of depreciation. For example, you can deduct the cost of minor repairs but not the value of your own labor or the cost of major improvements such as a new roof or remodeling.

If You Rent Part of Your House. If you rent out only part of your property, you can deduct only that portion of your expenses which relates to the rented portion. If you cannot determine these expenses exactly, you may figure them on a proportionate basis. For example, if you rent out half of your home, and live in the other half, you can deduct only half of the total depreciation and other expenses incurred.

Room rent and other space rentals should be reported as business income on separate Schedule C (Form 540) if services are rendered to the occupant; otherwise, report such income in this part. If you are engaged in the business of selling real estate, you should report rentals received in separate Schedule C (Form 540).

Royalties. Report royalties from oil, gas, mineral properties, copyrights and patents. However, if you hold an operating oil, gas or mineral interest, report gross income and expenses in separate Schedule C (Form 540).

PART III—PARTNERSHIPS, AND ESTATES OR TRUSTS

Partnerships. A partnership does not pay income tax. It does, however, file an information return on Form 565. Only one Form 565 need be filed for each partnership. Each partner must report his share of the partnership's income. Include in this part your share of the ordinary income (whether actually received by you or not) or the net loss (loss allowable only to the extent of the adjusted basis of partner's interest in the partnership) for the taxable year which ends within or with the year covered by your return. Other items of income, deductions, etc., to be carried to the appropriate schedule of your individual return are shown in Schedule K of the partnership return. Report your share of dividends, interest income, gains and losses from the sale or exchange of capital assets and other property, and tax preference income items on the appropriate lines and schedules of your individual return.

In Part III, Column (c), enter the principal business activity of the partnership (i.e. farming, real estate, retail, etc.).

Estates and Trusts. If you are a beneficiary of an estate or trust, report your share of dividends, interest income, gains and losses from the sale or exchange of capital assets and other property, and tax preference income items on the appropriate lines and schedules of your individual return.

All other taxable income from estates and trusts should be included in Part III, Column (e). Any depreciation (on estate or trust property) allocable to you may be subtracted from estate or trust income so that only the net income received will be included in your return. Information regarding these items may be obtained from the fiduciary.

Small Business Corporations. There are no provisions in the California law, similar to those enacted in the federal law, whereby the shareholders of certain "small business corporations" may elect to report the current corporate income (or loss) as though they earned it individually. Report as dividends on page 1 of Form 540 or 540NR any income distributed to you from this type of corporation.

INSTRUCTIONS FOR SCHEDULE R (FORM 540)

If you are retired or are 65 or older, you may be able to take a credit against your income tax of up to 1 percent of your retirement income.

To qualify for the credit you must meet the following three tests. Both husband and wife can take the credit if both meet these tests.

In determining the amount of prior earned income (Test 2) and retirement income (Test 3), married taxpayers must divide community income equally; that is, one-half to each spouse. Separate income, however, is to be reported only by the spouse who received it.

Test 1. Residence—You must have been a California resident throughout the entire taxable year.

Test 2. Prior Earned Income—You must have received over \$600 of earned income during each of any 10 calendar years—not necessarily consecutive—before the beginning of your taxable year.

Remember, if you were married and lived in a community property state, all community income earned by either you or your spouse must be divided equally to determine whether you meet this test. All separate income must be reported by the spouse to whom the separate income belongs.

The term "earned income" means wages, salaries, professional fees or other amounts you received as payments for your work or services. An annuity or pension is not earned income.

If you were in a trade or business in which both personal services and capital were major income-producing factors, you can consider a reasonable amount (but not over 30 percent of your net profits) as earned income.

If you are a surviving widow or widower and have not remarried, you can use the earned income of your deceased spouse in figuring whether you meet this test, even if you had no earned income. You can also add his (her) earned income to yours to figure whether you qualify.

Test 3. Retirement Income—You must have received retirement income during the taxable year.

The term "retirement income" means:

(a) If you were under 65 on the last day of the taxable year, retirement income includes only the amount received during the taxable year from a pension or annuity under a public retirement system, which you reported as income on your return. A public retirement system is one established by the federal government, or a state, county, city, etc.

If you are retired on disability and are under normal retirement age, no part of your disability annuity is retirement income for this purpose. Once you reach normal retirement age, your annuity is then retirement income.

(b) If you were 65 or older on the last day of the taxable year, retirement income includes the amounts received during the taxable year from pensions, annuities, interest, rents and dividends which you reported as income on your return. It does not include royalties. For this purpose, income from rents means the full amount paid you before subtracting depreciation or any other expenses.

Remember, all community income must be divided equally between husband and wife in determining the amount of retirement income to be used in the credit computation. All separate income must be reported by the spouse to whom the separate income belongs.

Figuring the Credit—A married couple filing jointly should use column A for wife and column B for husband. If both you and your spouse are 65 or older and are filing jointly, add the line amounts for columns A and B and compare the combined totals with the total of column C to see which method will give you the larger credit. All others should use column B.

The maximum amount of retirement income on which you can take the credit is \$1,524 (\$2,286 if you and your spouse are both 65 or older and are filing jointly, or \$3,048 if you are filing jointly and both husband and wife show \$1,524 on line 6, columns A and B.) From this amount you may have to subtract a part of your earned income received in the taxable year, and must subtract certain exempt pensions and annuities (lines 2(a) and (b)).

The maximum amounts allowed as a credit are shown below, but the credit cannot be more than the amount of the tax liability shown on your return reduced by the credit (if any) for income tax paid to another state.

\$30.48 (1% of \$3,048) on a joint return where both husband and wife show \$1,524 on line 6, columns A and B.

\$22.86 (1% of \$2,286) on a joint return where both husband and wife are over 65 (even if one had no prior earned income to meet test 2, above).

\$15.24 (1% of \$1,524) for all others.

Figure your credit as follows:

Line 2(a)—Show the following pensions and annuities received during the taxable year:

(a) Pensions and annuities received under the Social Security Act or Railroad Retirement Acts. For social security pensions show the gross amount before deduction of any amount withheld to pay medicare insurance premiums.

(b) Any other pensions and annuities that are not taxed. Do not include any amount treated as a return of your cost, or amounts you received under accident or health insurance plans or as compensation for injury or sickness.

Line 2(b)—Show earned income received during the taxable year on line (1) or (2), depending on your age. If you were 72 or older on the last day of the taxable year, skip this line.

Line 5—If you are under 65, enter your retirement income on line (a). See test 3, paragraph (a), above, for what income to enter.

If you are 65 or older, enter your retirement income on line (b). See test 3, paragraph (b), above, for what income to enter.

Lines 6 through 12—Complete these lines as instructed on the schedule.

INSTRUCTIONS FOR CLAIM FOR CREDIT OR REFUND OF CALIFORNIA STATE DISABILITY INSURANCE OVERPAYMENT ON YOUR CALIFORNIA INDIVIDUAL INCOME TAX RETURN

CREDIT OR REFUND CAN BE CLAIMED IF:

- a. You worked for two or more employers.
- b. Deductions for disability insurance were made from your wages, and
- c. Such deductions TOTALED more than \$90 for the Calendar Year 1975.

CREDIT OR REFUND CANNOT BE CLAIMED IF:

- a. More than \$90 was deducted from your pay by only ONE employer. You must claim your refund directly from that employer.
- b. You worked for a business which had a change of ownership during the year. The combined deductions made by both owners should not total more than \$90. If more than \$90 was deducted from your pay by the two employers, claim your refund directly from the last employer.

WHERE TO FILE CLAIM:

Claim must be attached to the face of your California Individual Income Tax Return, Form 540 or 540NR. CLAIM WILL BE DISALLOWED IF THIS FORM IS NOT ATTACHED TO THE FACE OF YOUR RETURN. The Department of Benefit Payments will accept original claims **only** if claimant certifies to exemption from California State Income Tax. (Check box below to complete such certification and attach statement as to reason for exemption.)

WHEN TO FILE CLAIM:

Claims must be filed on a California Income Tax Return for the year in which the wages were received, but not later than three years after the due date without regard to any extensions. If not required to file a California Income Tax Return, claim Form DE 1964 must be filed with the Department of Benefit Payments within three years after the end of the calendar year in which the wages were received.

APPEALS:

If the Franchise Tax Board disallows your claim for overpayment of disability insurance, you may file a protest in writing with the Director of the Department of Benefit Payments, P.O. Box 1685, Sacramento, CA 95808. This protest must be filed within 30 days of the date of mailing of the disallowance notice.

(INSTRUCTIONS CONTINUED ON PAGE 2)

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ATTACH TO THE LOWER PORTION OF YOUR CALIFORNIA INDIVIDUAL INCOME TAX RETURN

CLAIM FOR CREDIT OR REFUND OF CALIFORNIA STATE DISABILITY INSURANCE OVERPAYMENT ON YOUR CALIFORNIA INDIVIDUAL INCOME TAX RETURN

PLEASE TYPE OR PRINT	FIRST NAME AND INITIAL	LAST NAME	SOCIAL SECURITY NUMBER	
	PRESENT HOME ADDRESS (NUMBER AND STREET, INCLUDING APARTMENT NUMBER, OR RURAL ROUTE)			
	CITY, TOWN OR POST OFFICE, STATE AND ZIP CODE			
			DOLLARS	CENTS
1.	Total wages of above claimant (from line 6, page 2)	1		
2.	Total of deductions for California State Disability Insurance for above claimant (from line 7, page 2)	2		
3.	Required contributions on \$9,000 taxable wages	3	90	00
4.	Credit or refund claimed (subtract line 3 from line 2). Enter this amount on your California Individual Income Tax Return, Form 540, page 1, or Form 540NR, page 1. If husband and wife both qualify and are filing a joint return, complete a Form DE 1964 for each spouse and enter the total of both claims on your income tax return	4		

I Certify that I am exempt from California State Income Tax and therefore am filing this claim directly with the Department of Benefit Payments. (See attached statement for basis of exemption.)

I Certify under penalties of perjury that the statement of wages paid to me and contributions deducted, as shown hereon, are true and correct to the best of my knowledge and belief.

SIGNATURE

DATE

(INSTRUCTIONS CONTINUED FROM PAGE 1)

INFORMATION FOR COMPLETING WAGE SUMMARY SCHEDULE:

- a. Disability insurance deductions are shown on check stubs or deduction slips (not on your forms W-2).
- b. Enter below only those wages from which California Disability Insurance deductions were actually made.
- c. Most Federal, State and local government agencies and religious organizations are not required to deduct California Disability Insurance. Do not include these wages in your claim unless disability insurance deductions were actually made.
- d. Do NOT include in your claim:
 - (1) Deductions made from wages paid to your spouse or dependents. A separate claim must be filed by each individual even though you may be filing a joint income tax return with your spouse.
 - (2) Deductions made from your wages for Federal Old Age, Survivors and Disability Insurance (Social Security-Medicare Tax) or Federal and State income tax withheld from your wages.
 - (3) Deductions made from wages earned in states other than California unless such wages were reported to the State of California.
 - (4) Seamen's wages that come under the jurisdiction of states other than California.
- e. Self-employed Persons—Enter in column (a) "Covered under California Insurance Code Sections 708 or 708.5," and complete column (b). Failure to enter this information will result in rejection of your claim on initial review.

ASSISTANCE:

If you need assistance in completing this claim, contact the nearest office of the Department of Benefit Payments.

AMENDED CLAIMS:

Amended claims must be so marked, (if not, they will be returned to claimant) and forwarded to the Department of Benefit Payments, P.O. Box 1685, Sacramento, CA 95808.

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ATTACH TO THE LOWER PORTION OF YOUR CALIFORNIA INDIVIDUAL INCOME TAX RETURN Page 2

Wage Summary—Complete schedule below if over \$90 was deducted for California State Disability Insurance during 1975 by two or more employers.

L I N E	EMPLOYER'S BUSINESS NAME AND CITY AS SHOWN ON W-2 FORM List in Alphabetical Order		Period employed during 1975		Wages paid to you during 1975 Do not show more than \$9,000 for any one employer		Actual deduction for Disability Insurance. Not to exceed 1% of wages shown in column (c). Do not list FICA deductions	
	Column (a)		Column (b)		Column (c)		Column (d)	
	NAME	LOCATION	FROM (MONTH)	TO (MONTH)	DOLLARS	CENTS	DOLLARS	CENTS
5.								
6.	Total (also enter this amount on page 1, line 1) →							
7.	Total of actual deductions for California State Disability Insurance (also enter this amount on page 1, line 2) →							

INSTRUCTIONS FOR CLAIM FOR CREDIT OR REFUND OF CALIFORNIA STATE DISABILITY INSURANCE OVERPAYMENT ON YOUR CALIFORNIA INDIVIDUAL INCOME TAX RETURN

CREDIT OR REFUND CAN BE CLAIMED IF:

- a. You worked for two or more employers.
- b. Deductions for disability insurance were made from your wages, and
- c. Such deductions TOTALED more than \$90 for the Calendar Year 1975.

CREDIT OR REFUND CANNOT BE CLAIMED IF:

- a. More than \$90 was deducted from your pay by only ONE employer. You must claim your refund directly from that employer.
- b. You worked for a business which had a change of ownership during the year. The combined deductions made by both owners should not total more than \$90. If more than \$90 was deducted from your pay by the two employers, claim your refund directly from the last employer.

WHERE TO FILE CLAIM:

Claim must be attached to the face of your California Individual Income Tax Return, Form 540 or 540NR. CLAIM WILL BE DISALLOWED IF THIS FORM IS NOT ATTACHED TO THE FACE OF YOUR RETURN. The Department of Benefit Payments will accept original claims **only** if claimant certifies to exemption from California State Income Tax. (Check box below to complete such certification and attach statement as to reason for exemption.)

WHEN TO FILE CLAIM:

Claims must be filed on a California Income Tax Return for the year in which the wages were received, but not later than three years after the due date without regard to any extensions. If not required to file a California Income Tax Return, claim Form DE 1964 must be filed with the Department of Benefit Payments within three years after the end of the calendar year in which the wages were received.

APPEALS:

If the Franchise Tax Board disallows your claim for overpayment of disability insurance, you may file a protest in writing with the Director of the Department of Benefit Payments, P.O. Box 1685, Sacramento, CA 95808. This protest must be filed within 30 days of the date of mailing of the disallowance notice.

(INSTRUCTIONS CONTINUED ON PAGE 2)

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ATTACH TO THE LOWER PORTION OF YOUR CALIFORNIA INDIVIDUAL INCOME TAX RETURN

CLAIM FOR CREDIT OR REFUND OF CALIFORNIA STATE DISABILITY INSURANCE OVERPAYMENT ON YOUR CALIFORNIA INDIVIDUAL INCOME TAX RETURN

PLEASE TYPE OR PRINT	FIRST NAME AND INITIAL	LAST NAME	SOCIAL SECURITY NUMBER	
	PRESENT HOME ADDRESS (NUMBER AND STREET, INCLUDING APARTMENT NUMBER, OR RURAL ROUTE)			
	CITY, TOWN OR POST OFFICE, STATE AND ZIP CODE			

		DOLLARS	CENTS
1.	Total wages of above claimant (from line 6, page 2)		
2.	Total of deductions for California State Disability Insurance for above claimant (from line 7, page 2)		
3.	Required contributions on \$9,000 taxable wages	90	00
4.	Credit or refund claimed (subtract line 3 from line 2). Enter this amount on your California Individual Income Tax Return, Form 540, page 1, or Form 540NR, page 1. If husband and wife both qualify and are filing a joint return, complete a Form DE 1964 for each spouse and enter the total of both claims on your income tax return		

I Certify that I am exempt from California State Income Tax and therefore am filing this claim directly with the Department of Benefit Payments. (See attached statement for basis of exemption.)

I Certify under penalties of perjury that the statement of wages paid to me and contributions deducted, as shown hereon, are true and correct to the best of my knowledge and belief.

SIGNATURE DATE

(INSTRUCTIONS CONTINUED FROM PAGE 1)

INFORMATION FOR COMPLETING WAGE SUMMARY SCHEDULE:

- a. Disability insurance deductions are shown on check stubs or deduction slips (not on your forms W-2).
- b. Enter below only those wages from which California Disability Insurance deductions were actually made.
- c. Most Federal, State and local government agencies and religious organizations are not required to deduct California Disability Insurance. Do not include these wages in your claim unless disability insurance deductions were actually made.
- d. Do NOT include in your claim:
 - (1) Deductions made from wages paid to your spouse or dependents. A separate claim must be filed by each individual even though you may be filing a joint income tax return with your spouse.
 - (2) Deductions made from your wages for Federal Old Age, Survivors and Disability Insurance (Social Security-Medicare Tax) or Federal and State income tax withheld from your wages.
 - (3) Deductions made from wages earned in states other than California unless such wages were reported to the State of California.
 - (4) Seamen's wages that come under the jurisdiction of states other than California.
- e. Self-employed Persons—Enter in column (a) "Covered under California Insurance Code Sections 708 or 708.5," and complete column (b). Failure to enter this information will result in rejection of your claim on initial review.

ASSISTANCE:

If you need assistance in completing this claim, contact the nearest office of the Department of Benefit Payments.

AMENDED CLAIMS:

Amended claims must be so marked, (if not, they will be returned to claimant) and forwarded to the Department of Benefit Payments, P.O. Box 1685, Sacramento, CA 95808.

CUT HERE

ATTACH TO THE LOWER PORTION OF YOUR CALIFORNIA INDIVIDUAL INCOME TAX RETURN Page 2

Wage Summary—Complete schedule below if over \$90 was deducted for California State Disability Insurance during 1975 by two or more employers.

L I N E	EMPLOYER'S BUSINESS NAME AND CITY AS SHOWN ON W-2 FORM List in Alphabetical Order		Period employed during 1975		Wages paid to you during 1975 Do not show more than \$9,000 for any one employer		Actual deduction for Disability Insurance. Not to exceed 1% of wages shown in column (c). Do not list FICA deductions	
	Column (a)		Column (b)		Column (c)		Column (d)	
	NAME	LOCATION	FROM (MONTH)	TO (MONTH)	DOLLARS	CENTS	DOLLARS	CENTS
5.								
6.	Total (also enter this amount on page 1, line 1) →							
7.	Total of actual deductions for California State Disability Insurance (also enter this amount on page 1, line 2) →							

TAX PREPARERS ACT

Under a 1974 California law (Business and Professions Code Section 9891.1, et seq) all tax preparers (except California CPA's and PA's, members of the California Bar, bank and trust companies, or persons authorized to practice before the Internal Revenue Service) must be registered with the State Department of Consumer Affairs. This law requires all tax preparers, who prepare state or federal income tax returns or state bank and corporation franchise tax returns for a fee, to file an application form, pay registration fees, and post a \$1,000 bond.

For information, contact the California Department of Consumer Affairs, Tax Preparer Program, 1021 O Street, Sacramento, California 95814, telephone (916) 322-3590.

TAX FORMS DESCRIPTION

- Schedule A(540)—If you itemize deductions.
- Schedule B(540)—If you had dividend income over \$400, or interest income over \$400.
- Schedule CF(540)—If you had income or loss from a business or profession or income and expenses from a farm.
- Schedule D(540)—If you had sales or exchanges of capital assets.
- Schedule D-1(540)—If you had sales or exchanges of other property; or an involuntary conversion of property.
- Schedule E(540)—If you had income from pensions, annuities, rents, royalties, partnerships, estates, or trusts.
- Schedule G(540)—If you claim the benefit of income averaging.
- Schedule G-1(5-40)—If you claim the benefit of either the "5-year special averaging method" or the "7-year special averaging method."
- Schedule P(540)—If you had items of tax preference in excess of \$8,000 (\$4,000 if single or married filing separately).
- Schedule R(540)—If you claim the retirement income credit.
- Schedule S(540)—If you claim credit for taxes paid to another state.
- Form DE 1964—If you worked for two or more employers and had more than \$90 State Disability Insurance deducted from your earnings.

ORDER BLANK FOR REQUESTING FORMS—Instructions will be included with each form listed below. Cut along the dotted line and enclose this order blank with your name and address printed on the reverse side and mail to: The Franchise Tax Board, Tax Forms Request Unit, Sacramento, California 95867.

CIRCLE DESIRED FORMS		Multiple Support 540M	Annuity Data 3805h	Sick Pay Exclusion 3805t
540 with instructions	Schedule G with instructions	Amended Return 540X	Residence Sale/Exchange 3805j	Moving Expenses Adjustment 3805u
Schedule A & B with instructions	Schedule G-1 with instructions	540NR with instructions	Bad Debts Data 3805k	Care of Dependents 3805x
Schedule C/F with instructions	Schedule P with instructions	Extension Request 3501	Alimony Substantiation 3805m	Education Expenses 3805y
Schedule D with instructions	Schedule R with instructions	Refund Due Dec'd Taxpayer 3545	Employee Business Expen. 3805n	
Schedule D-1 with instructions	Schedule S with instructions	Property Sales 3805f	Rents & Royalties 3805r	
Schedule E with instructions	Schedule DE1964 with instructions	Subdivided Property 3805g	Depreciation Deduction 3805s	

IMPORTANT REMINDERS

If you have a REFUND, mail your return to:
FRANCHISE TAX BOARD
 P.O. Box 13-540
 Sacramento, CA 95813

If you have a BALANCE DUE, mail your return
 and remittance to:
FRANCHISE TAX BOARD
 Sacramento, CA 95867

USE NAME AND ADDRESS LABEL. Peel off label from booklet and place it on your return (correct any errors). If you do not use the label, clearly print your name, address and social security number(s) on your return.

Check proper Filing Status and correctly determine your exemption credits.

Type or clearly print all entries and be sure they are legible.

It is preferred that money amounts be shown in whole dollars.

Use the appropriate Tax Rate Schedule on page 8 to compute your tax.

Sign and date the return. If a joint return is filed, both spouses must sign the return.

Attach all required schedules and enter totals on appropriate lines of Form 540. Attach "Underpayment of Estimate Tax" (if applicable) to the face of the return.

Attach Form(s) W-2, Form DE 1964 (if used) and your check or money order for the balance due (if any) to the FRONT of your return. Enter your social security number on the face of your payment. Do NOT mail cash.

Additional forms and schedules are obtainable from all Franchise Tax Board offices. File your return as soon as you can after January 1, but not later than April 15, 1976.

FRANCHISE TAX BOARD OFFICES

	Address	Zip Code	Telephone		Address	Zip Code	Telephone
Bakersfield	1031 Seventeenth Street	93301	(805) 322-0540	San Diego	1350 Front Street	92101	(714) 236-7540
	Tax Forms Request		(805) 322-8655		Tax Forms Request		(714) 236-7678
El Monte	9660 Flair Drive	91731	(213) 575-6600	San Francisco	345 Larkin Street	94102	(415) 557-0540
	Tax Forms Request		(213) 575-6660		Tax Forms Request		(415) 557-2357
Fresno	2550 Mariposa Street	93721	(800) 852-7050	San Jose	555 N. First Street	95112	(800) 852-7050
	Tax Forms Request		(800) 852-7100		Tax Forms Request		(800) 852-7100
Long Beach	3530 Atlantic Avenue	90807	(213) 595-5406	Santa Ana	28 Civic Center Plaza	92701	(714) 558-4540
	Tax Forms Request		(213) 424-1619		Tax Forms Request		(714) 835-8411
Los Angeles	3200 Wilshire Boulevard	90010	(213) 620-5400	Santa Barbara	41 Hitchcock Way	93105	(805) 682-2696
	Tax Forms Request		(213) 620-5300		Tax Forms Request		(805) 687-1780
Oakland	1916 Broadway	94612	(415) 464-0540	Santa Rosa	447 College Avenue	95403	(800) 852-7050
	Tax Forms Request		(415) 464-1053		Tax Forms Request		(800) 852-7100
Sacramento	920 Twenty-Third Street	95816	(916) 445-9540	Stockton	31 E. Channel Street	95202	(800) 852-7050
	Tax Forms Request		(916) 441-5990		Tax Forms Request		(800) 852-7100
Outside Sacramento Metropolitan Area, see white pages of your local telephone directory.				Van Nuys	8155 Van Nuys Boulevard	91402	(213) 786-9540
San Bernardino	303 W. Third Street	92401	(714) 383-4201		Tax Forms Request		(213) 994-9431
	Redlands-Riverside exchanges only		(714) 825-4050				
	Tax Forms Request		(714) 383-4781				

Enter your name and address on this label. It will be used to speed your order for forms to you.



NAME
NUMBER AND STREET
CITY OR TOWN, STATE AND ZIP CODE



Ford-Reagan split threatens state candidates

Reagan

By JAMES FLOYD
Globe-Democrat Staff Writer

With Missouri Democrats already convinced they can hold the U.S. Senate seat being surrendered by Stuart Symington and even retake the governor's mansion from Republican Christopher S. Bond on the coattails of Jimmy Carter, a party-splitting break between the Ford and Reagan factions of the Missouri GOP has widened dangerously.



Curtis

Former U.S. Rep. Thomas B. Curtis has charged that tactics are being used to give President Ford unfair and illegal advantages at next month's Republican National Convention. In a tough response Sunday, Don L. Wolfsberger, Mr. Ford's Missouri finance chairman, accused Curtis of engaging in "the most arrogant and harmful campaign I have seen in years."

"CURTIS' TACTICS and recent charges are merely a smokescreen for the divisive strategy of the Reagan camp led by Curtis in Missouri," Wolfsberger said. "At a time when the Republican Party should be united behind Bond, (Lt. Gov. William C.) Phelps and Jack



Wolfsberger

Danforth (Attorney General John C. Danforth, candidate for the GOP Senate nomination) . . . Tom Curtis is trying to reverse progress and lead the Republican Party into darkness and defeat with the most divisive campaign since the Bull Moose break more than half a century ago."

In 1912, former President Theodore Roosevelt broke with his handpicked successor, President William Howard Taft, and ran as the Bull Moose Party candidate for president, splitting the GOP vote and making Democrat Woodrow Wilson president.

In a recent Washington, D.C., press conference, Curtis charged that preferential treatment was being given to Mr. Ford by convention managers and the Republican National Committee and made an open threat of a party split in November.

"If these kinds of tactics persist, it will be very difficult for Reagan to go along," Curtis warned.

A Ford appointee as head of the Federal Election Commission, Curtis backs former California Gov. Ronald Reagan and was elected a Reagan delegate at the GOP national convention.

"WHY IS TOM Curtis trying to undo the progress (in Missouri) of the last eight years? Could it have anything to do with his own personal defeats while our

present leaders were winning?" Wolfsberger asked. "Instead of learning from their wins and his losses, he has engaged in the most arrogant and harmful campaign I have seen in years."

Curtis lost Senate races to Thomas F. Eagleton in 1968 and 1974.

Wolfsberger called Bond, Phelps and Danforth "dynamic new leaders of integrity and ability . . . who have evaluated the situation and the candidates and have made a judgment that a continuation of the Ford administration is best for Missouri and the rest of country."

The Missouri delegation to the Republican convention is split, with 30 delegates backing Reagan, 16 backing Mr. Ford and three uncommitted.

At the state GOP convention last month, Reagan forces won 18 of the 19 delegates up for grabs. The Reagan camp defeated Phelps and Danforth as delegates and allowed Bond to be elected by a narrow margin in a bow to party unity.

"While Curtis calls for unity, he has already led the campaign which dumped our lieutenant governor (Phelps) and our next senator (Danforth) from the Missouri delegation and he nearly succeeded in preventing our first Republican governor in many years from attending the Republican National Convention held in his own state (Kansas City)," Wolfsberger said. "If this is the unity that Curtis wants, I don't want any part of it. It will mean disaster in November."



REAGAN

for President

CITIZENS FOR REAGAN

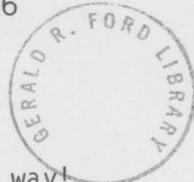
2021 L Street, N.W. • Suite 340
Washington, D.C. 20036

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PAUL D. LAXALT,
United States Senator

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Former Governor,
State of Kentucky
Mrs. STANHOPE C. RING,
Former Republican National
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State of California



Dear Fellow American,

The Reagan for President campaign is under way!

Millions of Americans have been anxiously waiting to hear this great news. They know that Ronald Reagan is the one American statesman who can set the nation on the path to peace, prosperity, and freedom.

He has firm and definite solutions to our welfare mess, to rising crime, runaway taxes, crippling inflation, and our out-of-control federal bureaucracy.

Ronald Reagan believes in the wisdom of our founding fathers...limited constitutional government, maximum freedom for the individual, and a healthy, growing, unfettered free enterprise system.

He wants to restore our weakened military posture, and he is determined to stand up to the threat of Communist imperialism.

Ronald Reagan is proud to be an American. You will be proud to have Ronald Reagan as your President.

Now is the time. Today. Join the march for America. Help put Ronald Reagan in the White House!

Make no mistake about it...liberal candidates have already amassed huge war chests for their 1976 Presidential drive. They plan to spend whatever is necessary to continue the policies of big spending, high taxes and increasing government control. Of course, they are aided in their efforts by liberal members of the news media.

This is our chance! Today...send your absolute maximum contribution to the Reagan campaign. Consider what your contribution will mean to the future of our nation. \$10, \$100, or \$1,000--we need your check immediately!

We urgently need hundreds of thousands of dollars to pay for printing, postage, staff salaries, TV & radio, rent, etc.

The future of freedom in America rests in our hands. Don't lay this letter aside! Send your generous contribution today.

Sincerely,

Paul Laxalt, U.S.S.

P.S. With your help, we are going to win!



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for President

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If so, please indicate and note your political position _____

Individual political contributions are tax-deductible up to a total of \$25.00 per year.

I want to help the "Citizens for Reagan" committee put Ronald Reagan in the
White House.

My contribution is enclosed:

\$1,000 \$500 \$100 \$50 \$25 \$_____ Other

*Make all checks payable to Citizens for Reagan and return in this pre-paid
envelope.*

In accordance with federal legislation, we are not able to accept either (a) any corporate checks
whatever, or (b) any personal contributions over \$1,000. A copy of our report will be filed with
the Federal Election Commission and will be available for purchase from that office in Wash-
ington, D C.

This federal statute requires us to request the following information from you:

OCCUPATION _____

BUSINESS ADDRESS _____

CITY _____ STATE _____ ZIP _____

From the desk of

DEAN BURCH

Bo Callaway

FYI

DB

RONALD REAGAN

SUITE 812
10960 WILSHIRE BOULEVARD
LOS ANGELES, CALIFORNIA 90024
213 / 477-8231

July 14, 1975

The Honorable Paul Laxalt
Member, United States Senate
Senate Office Building
Washington, D. C. 20500

Dear Paul:

I am writing this letter in response to your decision to chair the "Citizens for Reagan" committee. I deeply appreciate your action, but I want to inform you that I have not made up my mind whether to become an active Presidential candidate. I expect to make this decision before the end of the year.

Meanwhile, I recognize that due to the technical requirements of the law (including the requirement for the designation of a principal campaign committee), the committee must file with the Federal Elections Commission as working on my behalf. I trust this letter will suffice as my consent for purposes of allowing you to do so.

Sincerely,



RONALD REAGAN



2-21

The President Ford Committee

☆☆☆☆☆☆☆☆☆☆☆☆☆☆☆☆☆☆☆☆☆☆☆☆☆☆☆☆☆☆☆☆

1200 Eighteenth Street, N.W.
Suite 916
Washington, D. C. 20036
(202) 833-8920

July 21, 1975

MEMORANDUM TO: BOB VISSER

FROM: BO CALLAWAY

Bob, I was talking to Dean Burch today and he suggested that as soon as you come on board, you get a copy of all of the campaign filings with the Federal Election Commission. We are of course most interested right now, in the one filed on behalf of Reagan by Laxalt and his group. We are particularly interested in whether or not Governor Reagan has designated this committee as his principle committee. ||

bc/mdt

HC

*I believe John Duffey
may have some info
on this. rja*



For President

RNC - an independent
organization

Sen. Paul Laxalt
Chairman

John P. Sears
Exec. Vice Ch.

George Cook

H. R. Gross

Louie B. Nunn

Mrs. Stanhope C. Ring

Henry Buchanan
Treasurer

October 14, 1975

Federal Election Commission
Office of the General Counsel
Advisory Opinion Comment
1325 K Street, N.W.
Washington, D.C. 20463



Dear Sirs:

We respectfully submit the following comments on AOR-1975-72.
We hope this will be helpful to the Commission.

AOR 1975-72 raises the question of whether the Republican National Committee (RNC) can legitimately provide funds, in light of the recent federal election law amendments, for political travel by President Ford while he is a candidate for his party's presidential nomination. And further, whether these expenditures count against candidate Ford's campaign expenditure limitations under 18 U.S.C. section 608(c). It appears to our committee that several facts must be considered before a conclusion on the RNC's request can be reached.

First, President Ford is an announced and declared candidate for his party's nomination. He has, as of this date, made campaign trips and authorized a committee which has made campaign expenditures on behalf of his campaign. He indicated on a nationally televised news conference (October 9, 1975) that he hoped his political trips made on behalf of the RNC would help his election. He has made the decision to actively campaign at an earlier date than has been the customary political practice of past incumbent Presidents.

Second, Gerald R. Ford was the first individual appointed to the Vice Presidency under the provisions of the recently enacted 25th Amendment. Following the resignation of Richard M. Nixon as President, Gerald R. Ford succeeded to that office. His Vice President, Nelson A. Rockefeller, also became such by the operation of the 25th Amendment, after having been rejected for the Republican presidential nomination by the Republican National Conventions of 1964 and 1968. These facts are quite important in providing some political perspective to the relationship of the Presidency, its current occupant, and the Republican Party.

Third, there is an active political committee in existence, authorized by Governor Reagan, and registered with the Federal Election Commission, that has raised significant amounts of money from many thousands of persons in every state. This committee is actively promoting the candidacy of Governor Ronald Reagan for the Republican Party's presidential nomination.

Fourth, one of the basic purposes of the 1974 amendments to the body of federal election law is to insure that no candidate, regardless of his position or financial means, could "buy" the Presidency by means of excessive financial expenditures. To this end, the key provision of the 1974 Act is 18 U.S.C. section 608. This section imposes strict expenditure limitations on all candidates for federal office. The purpose of these limitations is, in part, to provide every candidate with an equal opportunity to present his campaign to the electorate.

Fifth, a key criticism of the new election law is that it favors incumbents in that it protects them against challengers. This is so, many feel, because a challenger can only overcome the multiple advantages of incumbency by greater campaign spending than the incumbent. It is certainly true that an incumbent President enjoys great political advantages by virtue of his official position, advantages such as government-paid travel around the country to "non-political events" and the national forum of the televised Presidential press conference (recently exempted from equal time by the Federal Communications Commission). Does he also, in a primary campaign situation, enjoy the official mantle of the party and use of its funds merely by virtue of his title?

October 14, 1975

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With these basic factual referents in mind we submit the following analysis of the RNC's request:

Traditionally an incumbent President seeking reelection has been considered unchallengable within his own political party for his party's nomination. No incumbent President in this century has been denied renomination by his party. In fact, so strong is the traditional role of the incumbent President that only twice in this century has one been defeated in a general election. In 1975 and 1976 the situation in this country is and will be unique politically. The incumbent President and Vice President of the Republican Party have never faced the national electorate or, in the case of President Ford, the Republican Party membership as expressed through its national party convention. Thus, President Ford is clearly not in the same position as former Republican Party presidents were. In fact, it is clear that one of the important factors in the 1976 nomination contest is the current lack of a nationally chosen or mandated Republican Party "leader" in the traditional sense. The Republican Party's only elected national spokesman is its chairman, Mrs. Mary Louise Smith. →

• Thus, while Gerald R. Ford is legally and constitutionally the Chief Executive, with all the President's powers and privileges, and entitled to all the traditional support and respect due our Head of State, he does not stand in the traditional role an incumbent President has had as the titular leader of the Republican Party. Further, actions that tend not only to place him in such a role but also to emphasize it directly benefit his campaign for the party's nomination for President. In fact, a key selling point of the President's campaign has been his incumbency. To argue that his campaign for the nomination should not be hindered because of his activities as "party leader," is very like the boy, who having killed his parents, says he should not be punished because he is an orphan. C

Only the 1976 nominee of the Republican National Convention will be the party's chosen leader. →

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for the candidates of parties in general elections. Further, the law embodies a very expansive and comprehensive definition of contributions and expenditures so as to close nearly every potential loophole left in past legislative attempts at regulation. This legislative plan clearly manifests the intent of Congress, as ratified by President Ford in signing the law, to establish a system of electoral regulation that would control, limit and disclose all expenditures that promote and influence a federal campaign. It cannot be seriously argued that political trips made by a declared candidate, as "leader" of a political party, directed at those very individuals who will ultimately choose the party's nominee, does not directly benefit and influence and promote such candidate's campaign. If President Ford's campaign is not charged with the cost of trips made as the "leader" of the Republican Party under these circumstances then section 608 is not the comprehensive expenditure limitation section it clearly was intended to be.

If the Commission's interpretation of this new law is not to favor incumbents over other candidates and if the traditional relationship of the Presidency to its own political party is not to become a vehicle for allowing the new election law to be gravely distorted then the RNC's planned actions must be modified. It would certainly be divisive within the Republican Party if the RNC were to bestow a non-reportable and uncontrolled election benefit on only one candidate for the party's nomination. This would raise constitutional questions of whether 18 U.S.C. section 608's effect, if not its purpose, is to stifle legitimate political challenges to incumbents from within their own parties.

If the party provided truly equal treatment to all candidates for its nomination then few serious objections could be raised. Then, the party would not be promoting a campaign but would be providing its national membership with a better opportunity for seeing all its candidates. It would be performing a legitimate informational function by helping members to make more intelligent choices among the candidates. While a TV appearance by one candidate benefits his campaign, a program presenting all of the candidates equally benefits the electorate. Of course, a fair and equitable mechanism would have to be worked out to determine who the individuals are who are legitimately entitled to such consideration. But this should not be difficult. A simple criterion, like qualification for federal matching funds, would provide an adequate method for discriminating between bona fide candidates and others.

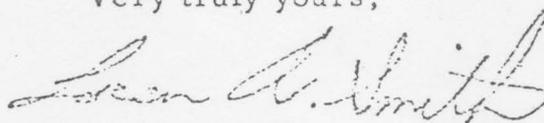
October 14, 1975

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Very truly yours,



Loren A. Smith
General Counsel

LAS:jf

cc: Hon. Thomas B. Curtis
Hon. Neil Staebler
Hon. Joan Aikens
Hon. Thomas E. Harris
Hon. Vernon W. Thomson
Hon. Robert O. Tiernan
Hon. Benton L. Becker
Hon. Mary Louise Smith

19 Oct.

Bob - They are ^{also} playing hard ball.
What options do we have for contesting Reagan's trips around the country, paid for by his Radio - Column Committee and thus excluded from his ^{Speeches} limitation.

Bo

For President

A0-1575-72

Sen. Paul Laxalt
Chairman

John P. Sears
Exec. Vice Ch.

George Cook

H. R. Gross

Louie B. Nunn

Mrs. Stanhope C. Ring

Henry Buchanan
Treasurer

October 14, 1975

Federal Election Commission
Office of the General Counsel
Advisory Opinion Comment
1325 K Street, N.W.
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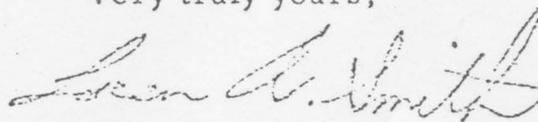
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Hon. Mary Louise Smith

Reagan in Race Would Turn the Heat on Ford

By ANDREW GLASS

Journal-Constitution Washington Bureau

WASHINGTON — On Nov. 20 or thereabouts, former California Gov. Ronald Reagan is expected to make it official that he'll run for the Republican nomination for president.

And when he does, he is sure to turn up the heat on President Ford.

While Reagan still maintains that he hasn't decided whether to run, a detailed battle plan is already being forged. Reagan says it calls for injecting "a little excitement" into the New Hampshire primary, which will be decided on Feb. 24, and into the Florida primary, which falls just two weeks later.

The Reagan forces are rapidly organizing themselves down to the precinct level in both of these primary states while, by all accounts, the Ford campaign staff has focused on winning the allegiance of party leaders.

Reagan, of course, is not ignoring the GOP leadership. He intends for example, to confer with key Florida GOP officials in Boca Raton and in St. Petersburg in early November.

When it comes, the assault on Ford is likely to be somewhat oblique in its style and diffused on the issues. "I've never compiled a laundry list of where we differ," Reagan says mildly. "But I'm sure there would be different approaches that we have to things."

Reagan would much prefer to avoid a straightforward attack on Ford's policies, just as he prefers to deal in his speeches with generalities rather than with specific stands.

"At last, our people seem to be aware of how they are picking up the tab for all we spend," Reagan told the New York Conservative party amid cheers last week at a \$100-a-dish fund-raising dinner. "Government," Reagan went on to say, "is not the solution to the problem. Government is the problem."

The following evening, Reagan made the same point to the Yale Political Union, a less enthusiastic and more skeptical audience. "I think

it's every American's right to be stupid," he told the undergraduates.

Yet, in New Haven or elsewhere, Reagan rarely ducks a question on the issues, although he usually digs a channel in which he can retreat if pressed too hard. The only question he avoids nowadays are those that deal with his plans to run against Ford. His sense of political timing, he says, tells him that it is still premature to deal with these matters.

No such qualms arise to check Reagan's pronouncements in the foreign policy field, where he is seeking to shore up his lagging reputation.

"Never again should we recognize or participate in bodies that expel our friends and allies without cause," he told the Philadelphia World Affairs Council last Tuesday in a speech that he had carefully scheduled last April. But that didn't mean, he quickly added, that he thought the United States should pull out of the United Nations at this time.

Reagan views détente with the Soviets as a fine concept, but adds that it has become too much a one-way street and that Washington should be taking a more hard-nosed approach toward Moscow.

He professed to be alarmed by the various congressional investigations of the Central Intelligence Agency. The agency, he says, is being "destroyed by the current atmosphere" as "hundreds of counter-intelligence sources dry up."

One area where he breaks cleanly and firmly with the Ford administration is over the Panama Canal. The State Department is seeking to renegotiate the Canal Zone treaty, which requires congressional approval.

"We built that canal," Reagan said last week. "We paid for it. It is the property of the United States and they (the Panamanian government officials) are pro-Communists. I think we would be damned fools to turn the sovereignty of the canal over to them."

It is precisely that kind of attack from conservatives on Congress and elsewhere that convinced the Ford administration the canal treaty is too volatile an issue to deal with in an election year. A high administration official acknowledged privately Friday that the negotiations will be stalled until after November 1976.

On the domestic front, Reagan contends that the federal government has no business bailing out New York City, whose problem, he says, is one of "mismanagement." On the other hand, he adds, "I don't want to see any little bondholders hurt by this."

While Reagan is against "paving over our country in the name of progress," he has nothing good to say about the environmentalists who "wouldn't let you build a home unless it looked like a bird's nest."

According to Reagan, welfare payments should be localized rather than federalized, although some federal standards might have to be retained. Federal outlays should be slashed by \$90 billion, he says, which would balance the budget, create a \$5 billion surplus as a downpayment on the national debt and cut the average American's income tax by 23 per cent.

"What I propose," Reagan said rather grandly, last week, "is nothing less than a systematic transfer of authority and resources to the states — a program of creative federalism for America's third century."

Reagan's program might be dismissed as that of an unrealistic ideologue if not for the fact that he served as governor of California now the nation's largest state, for eight years, and left office, in the words of an aide, "with his hide pretty much intact."

The former governor loses no opportunity to tell "the California story." He stressed the \$500 million surplus he bequeathed to the Democrats. He notes that there were 400,000 fewer Californians on the

welfare rolls when he left office in January 1975 than when he took over, "although grants to the truly needy were up by 43 per cent."

Reagan also makes much of the fact that Ford had named him to the commission that investigated CIA wrongdoing. National security issues, his advisers admit, is a Reagan weakness, and he is doing all he can to compensate for it.

Reagan's cameo appearances on television belie the fact that his wit is not particularly sharp, that his private banter is weak and punctuated by clichés.

Occasionally, these weaknesses show through. In Philadelphia, for example, Reagan was clearly unfamiliar with his text, which dealt with America's relationship with the non-aligned Third World. Eight times while reading the speech, Reagan spoke of the "Third World War" until he realized what he was doing and apologized for his "Freudian slip."

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Nevertheless, Reagan continues to demonstrate a great appeal to GOP audiences — the only constituency he needs to capture the presidential nomination. They see his polished and poised performance, his stamina in shaking hands and signing autographs, his orange-brown hair, his blue-tinted contact lenses and his rosy cheeks.

"Isn't he youthful," a Long Island matron said of Reagan while the spotlights beamed on his face at the Suffolk County's annual GOP fund-raising dinner.



Citizens for Reagan For President

October 21, 1975

Sen. Paul Laxalt
Chairman

John P. Sears
Exec. Vice Ch.

George Cook

H. R. Gross

Louie B. Nunn

Mrs. Stanhope C. Ring

Henry Buchanan
Treasurer

Summary of Testimony of Loren A. Smith
General Counsel, Citizens for Reagan.
(Before the Federal Election Commission
on Hearings into Proposed Disclosure
Regulation Published September 29, 1975
in the Federal Register.)

General Comments:

Our committee believes that when deciding upon the proper regulations for Title 2 of the United States Code sections of the act, three points must be firmly kept in mind.

1. Political practices are far less institutionalized and far less organized than business practices. The majority of individuals performing election functions are volunteers. Therefore, regulations should not be geared just to the on-going professional organization, but rather to citizen participation. While the regulated corporation, engaged over years in a business, can be expected to deal with and have the expertise to deal with comprehensive and technical regulations it will only create a class of campaign bureaucrats if the election law regulations become too technical. It is fundamentally unfair to require a volunteer "industry" to respond to complex regulatory practice. Further, while commercial business can write-off the costs of complying with government regulation as both a tax deduction and cost of doing business, the FEC recently (AO 27) ruled a federal campaign cannot do likewise.

2. Regulations should be simple and as clear as possible. Enforceability is not nearly as important a criteria as comprehensibility.



For a thousand years the basic presumption of the Anglo-Saxon common law has been that people obey the law. Our tax codes, our criminal codes and virtually all our law are based on this notion. Individuals should never be required to do things simply because they might violate a law. It is more important to let individuals know what the rule is than to create an elaborate and ambiguous regulation merely to reduce the possibility of successful violation. Laws and regulations should not be created with the "master criminal," in mind who might think up an ingenious evasion. Rather, the focus should be on the average citizen who will obey the law, if only it is understandable and not grossly burdensome.

3. The object of a free society is to encourage citizen volunteer participation in politics and government. Anything that discourages open participation in the political process must be looked at very closely, and suspiciously.

Specific Comments: (Page cites to Federal Register)

Reg. 100.2 (p. 44698) - Candidate

This regulation overly broadens the statute by imposing a "reason to know" requirement on the candidate. It also imposes an unreasonable affirmative obligation on an individual requiring a brief time to repudiate or affirm efforts on the individual's behalf. This is unfair. The language after the first sentence of 100.2(b) should be stricken.

Reg. 100.4 (P. 44698) - Contribution

There is no such office as a "vice-presidential elector" though 2 U.S.C. section 431(f) uses the term.

Cost, not fair market value, should be the only measure of an object's value. Further, an individual or a corporation, is not required to make a profit. As long as an object is furnished at above cost

an individual should not be deemed by the regulations to have made a contribution to a federal candidacy. Many campaign objects have no clearly ascertainable fair market value. Under 100.4(a)(1)(ii) the language and test "absent evidence to the contrary" should not be used.

Only items that directly benefit a candidate should be treated as contributions. The language in 100.4(a)(1)(ii) seems to confuse indirect source which directly benefits a candidate with indirect benefits. Further, the language "before the commencement of political activities" in this section should be eliminated. Only a candidate can be benefited by a campaign contribution. Any relation back theory is both unfair and illogical.

Reg. 100.4(b)(2)(ii) (p. 44699) - Contribution

This section should be stricken. Its enforcement (even in theory) invades privacy. Further, partial use of the vast majority of residential premises for political purposes has no fair market rental value.

Reg. 100.5 (p. 44699) - Earmark

This regulation casts verbiage rather than light upon the statute. It explains a simple term with a complex one. It fails to address the real issue: namely what indicia or actions constitute earmarking. Further, all earmarking is direct in the sense that to be earmarking it needs a certain degree of direction! Since political committee's have no expenditure limitations "political committee" in the last line of this regulation is meaningless.

Reg. 100.7 (p. 44699) - Expenditure

In 100.7(a)(1)(i)(A)(1) it is unfair to treat a loan repayment as an expenditure. If this is done then by borrowing a \$1,000 and using it to buy something and then repaying the loan a campaign has expended \$2,000!

This is double limitation. Further, a loan should only be a contribution to the extent it is not paid back. When paid it is no longer a loan. This is made explicit when a loan guarantee is discussed under the statute. Certainly, refundable deposits should not be treated as expenditures at all. Only when not refunded do they become such.

Reg. 100.7 (pp. 44699-700) - Expenditure

In-kind contributions should only be treated as expenditures to the extent they are made under the candidate's control and direction. The burden should not be placed on the candidate to prove control did not exist. When an in-kind contribution is sold then only the difference between the initial value (at the contributor's cost) and the sale price obtained should be treated as an expenditure, if any part is to be so treated.

Reg. 100.7 (p. 44700) - Expenditure

Section 100.7(a)(2) should be modified to prevent the double reporting of expenditures, once when contracted and once when actually paid. A campaign should have the option of being a cash or an accrual accounting basis.

Reg. 100.7 (p. 44700) - Expenditure

Section 100.7(a)(3), as presently written, would bar national campaigns from giving funds to their local subdivisions. The funds should be treated as expenditures only when ultimately spent or the expenditure should be washed out from the amount toward state limits at some point.

Reg. 100.7 (p. 44700) - Expenditure

Does 100.7(b)(1)(i) eliminate the cost of a candidate making himself available for a bona fide news show? Such costs would be flying to an interview on "Meet the Press" in another city.

Reg. 100.7 (p. 44700) - Expenditure

Section 100.7(b)(6) makes no sense.

Reg. 100.10 (p. 44700) - Identification

The requirement of NMI for an individual without a middle initial would be very burdensome for a direct mail fundraising system via computer. The law itself makes such a fundraising system almost mandatory, however.

Reg. 100.11 and 100.12 (p. 44700) - Occupation and Principal Place of Business

These regulations should spell out the affirmative duty, if any, on the part of a candidate or political committee to obtain missing data that has been requested but not supplied.

Reg. 100.14 (pp. 44700-701) - Political Committee

Section 100.14(a)(3) is not a very useful definition since most individuals (in the media) have used it synonymously with a committee able to contribute \$5,000. The committee described herein may or may not be able to do this. Under section 100.14(b) a committee "constructively" authorized by a candidate, but not in writing, would be both authorized and unauthorized at the same time.

Section 100.14(c) is very confusing. The language "subordinate" should be substituted for "affiliated."

Section 100.14(d) should be defined in greater detail. It seems to deal with the 434(e) and 608(e) areas, but its parameter is not clear.

Reg. 102.2 (p. 44702) Forms and Filing

Section 102.2(a)(5) should be clarified. Who is a "principal officer?" Who is a member of a "finance committee?" What constitutes a "finance committee?"

Section 102.2(a)(11) should specify "by regulation properly made."

Reg. 103.3 (pp. 44702-703) - Account of Contributions and Expenditures

The Commission should allow candidates to treat "sales" of campaign material with no intrinsic value (buttons, bumper strips, car tops, etc.) as a pure donation. This is a more realistic view of what the real nature of the transaction is. The Commission intimated it might allow this during its discussion of Governor Wallace's Advisory Opinion request on the watches. As presently written 103.3(d) would be very burdensome to the sale of small low cost items.

Reg. 103.4 (p. 44703) - Photocopies of Checks

This regulation is very burdensome and serves no real purpose. The Commission is already requiring photocopying of all checks for matching funds. These must be turned over to the Commission so that this regulation would require another set of copies. When hundreds of checks a week or even a day may be involved this requirement is an unfair burden.

Reg. 105.2 (p. 44704) Form and Contents of Reports

Section 104.2(b)(7) should make it clear that refunds either deducted from expenditures or refundable deposits are not expenditures.

MEMORANDUM

November 3, 1975

TO: Harry Bandouveris
Peter Maye

FROM: Bob Visser

RE: Ronald Reagan

Attached hereto is a news article regarding Mr. Reagan which may be of some interest.



Reagan

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Reagan in Race Would Turn Heat on Ford

By ANDREW GLASS
Journal-Constitution Washington Bureau

WASHINGTON — On Nov. 20 or thereabouts, former California Gov. Ronald Reagan is expected to make it official that he'll run for the Republican nomination for president.

And when he does, he is sure to turn up the heat on President Ford.

While Reagan still maintains that he hasn't decided whether to run, a detailed battle plan is already being forged. Reagan says it calls for injecting "a little excitement" into the New Hampshire primary, which will be decided on Feb. 24, and into the Florida primary, which falls just two weeks later.

The Reagan forces are rapidly organizing themselves down to the precinct level in both of these primary states while, by all accounts, the Ford campaign staff has focused on winning the allegiance of party leaders.

Reagan, of course, is not ignoring the GOP leadership. He intends, for example, to confer with key Florida GOP officials in Boca Raton and in St. Petersburg in early November.

When it comes, the assault on Ford is likely to be somewhat oblique in its style and diffused on the issues. "I've never compiled a laundry list of where we differ," Reagan says mildly. "But I'm sure there would be different approaches that we have to things."

Reagan would much prefer to avoid a straightforward attack on Ford's policies, just as he prefers to deal in his speeches with generalities rather than with specific stands.

"At last, our people seem to be aware of how they are picking up the tab for all we spend," Reagan told the New York Conservative party amid cheers last week at a \$100-a-dish fund-raising dinner. "Government," Reagan went on to say, "is not the solution to the problem. Government is the problem."

The following evening, Reagan made the same point to the Yale Political Union, a less enthusiastic and more skeptical audience. "I think

it's every American's right to be stupid," he told the undergraduates.

Yet, in New Haven or elsewhere, Reagan rarely ducks a question on the issues, although he usually digs a channel in which he can retreat if pressed too hard. The only question he avoids nowadays are those that deal with his plans to run against Ford. His sense of political timing, he says, tells him that it is still premature to deal with these matters.

No such qualms arise to check Reagan's pronouncements in the foreign policy field, where he is seeking to shore up his lagging reputation.

"Never again should we recognize or participate in bodies that expel our friends and allies without cause," he told the Philadelphia World Affairs Council last Tuesday in a speech that he had carefully scheduled last April. But that didn't mean, he quickly added, that he thought the United States should pull out of the United Nations at this time.

Reagan views détente with the Soviets as a fine concept, but adds that it has become too much a one-way street and that Washington should be taking a more hard-nosed approach toward Moscow.

He professed to be alarmed by the various congressional investigations of the Central Intelligence Agency. The agency, he says, is being "destroyed by the current atmosphere" as "hundreds of counter-intelligence sources dry up."

One area where he breaks cleanly and firmly with the Ford administration is over the Panama Canal. The State Department is seeking to renegotiate the Canal Zone treaty, which requires congressional approval.

"We built that canal," Reagan said last week. "We paid for it. It is the property of the United States and they (the Panamanian government officials) are pro-Communists. I think we would be damned fools to turn the sovereignty of the canal over to them."

It is precisely that kind of attack from conservatives on Congress and elsewhere that convinced the Ford administration the canal treaty is too volatile an issue to deal with in an election year. A high administration official acknowledged privately Friday that the negotiations will be stalled until after November 1976.

On the domestic front, Reagan contends that the federal government has no business bailing out New York City, whose problem, he says, is one of "mismanagement." On the other hand, he adds, "I don't want to see any little bondholders hurt by this."

While Reagan is against "paving over our country in the name of progress," he has nothing good to say about the environmentalists who "wouldn't let you build a home unless it looked like a bird's nest."

According to Reagan, welfare payments should be localized rather than federalized, although some federal standards might have to be retained. Federal outlays should be slashed by \$90 billion, he says, which would balance the budget, create a \$5 billion surplus as a downpayment on the national debt and cut the average American's income tax by 23 per cent.

"What I propose," Reagan said rather grandly, last week, "is nothing less than a systematic transfer of authority and resources to the states — a program of creative federalism for America's third century."

Reagan's program might be dismissed as that of a unrealistic ideologue if not for the fact that he served as governor of California now the nation's largest state, for eight years, and left office, in the words of an aide, "with his hide pretty much intact."

The former governor loses no opportunity to tell "the California story." He stressed the \$500 million surplus he bequeathed to the Democrats. He notes that there were 400,000 fewer Californians on the

welfare rolls when he left office in January 1975 than when he took over, "although grants to the truly needy were up by 43 per cent."

Reagan also makes much of the fact that Ford had named him to the commission that investigated CIA wrongdoing. National security issues, his advisers admit, is a Reagan weakness, and he is doing all he can to compensate for it.

Reagan's cameo appearances on television belie the fact that his wit is not particularly sharp, that his private banter is weak and punctuated by clichés.

Occasionally, these weaknesses show through. In Philadelphia, for example, Reagan was clearly unfamiliar with his text, which dealt with America's relationship with the non-aligned Third World. Eight times while reading the speech, Reagan spoke of the "Third World War" until he realized what he was doing and apologized for his "Friedman slip."

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RE: IOWA REGAN ACTIVITY

On 11/10/75, I discussed with Tom Stoner, the Republican Party Chairman for the State of Iowa, the activity of local Conservative Coalition Activists and the local YR'S.

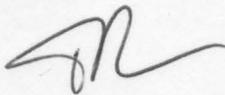
Mr. Stoner indicated that certain individuals, specifically, Wendall Harms, State Chairman of YR'S and Leroy Corey, may be working for the Regan Campaign in that State under the guise of the Conservative Coalition and the YR'S. Mr. Stoner will contact me in the near future regarding such activity.



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MEMORANDUM

November 16, 1975

TO: Peter Kaye
FROM: Bob Visser *REV*
RE: Ronald Reagan Candidacy

Sections 431(b), Title 2, United States Code and 591(b), Title 18, United States Code, both define "candidate" as follows:

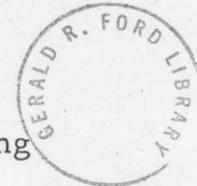
"(b) 'candidate' means an individual who seeks nomination for election, or election, to Federal office, whether or not such individual is elected, and, for purposes of this paragraph, an individual shall be deemed to seek nomination for election, or election, if he has --

(1) taken the action necessary under the law of a State to qualify himself for nomination for election, or election, to Federal office; or

(2) received contributions or made expenditures, or has given his consent for any other person to receive contributions or make expenditures, with a view to bringing about his nomination for election, or election, to such office;

In an Opinion of Counsel (OC 1975-28) which was noted by the Federal Election Commission without objection on Thursday, November 13, John G. Murphy, Jr., the FEC's General Counsel, concluded:

"Under 2 U.S.C. §431(b) and 18 U.S.C. §591(b), a "candidate" is an individual who seeks nomination for election or election to Federal office, whether or not a public declaration of candidacy is made. One may become a candidate by (1) taking



the necessary action under State law to qualify for nomination or election; or (2) by receiving contributions or making expenditures or consenting to others receiving contributions or making expenditures with a view toward bringing about one's nomination or election to Federal office. If any of the activities outlined above give rise to any expenditure for the purpose of influencing your nomination or election, then you would be regarded as a candidate and required to take those steps prescribed by the Act, 2 U.S.C. §431 et seq. You would also at that point be subject to the relevant provisions of Title 18, United States Code, including 18 U.S.C. §608." (emphasis added)

In a letter, dated July 14, 1975, Governor Reagan authorized the "Citizens for Reagan" committee to work on his behalf and consented to the filing of reports by that committee with the Federal Election Commission (see attached). Although, Governor Reagan attempted to distinguish between his becoming an "active Presidential candidate" from being a technical candidate under the Act, it is now apparent that he has authorized a committee to collect and expend funds on his behalf in connection with his seeking the nomination for the Presidency and is a "candidate" for purposes of the Act.

As a candidate, pursuant to Section 434, Title 2, United States Code, he is required to file Reports of Receipts and Expenditures with the Commission. This provision sets out various reporting dates, including the requirement of filing a quarterly report following the close of any calendar quarter in which the candidate or political committee concerned received contributions or made expenditures in excess of \$1,000. Any person who knowingly violates any provision of this chapter shall be fined not more than \$1,000 or imprisoned not more than 1 year, or both. 2 U.S.C. §431(a). It is also interesting to note that subparagraph (b) of this section provides that in case of any conviction under this chapter "where the punishment inflicted does not include imprisonment" such conviction shall be deemed a misdemeanor conviction only.

In view of the above, I believe it would be appropriate to raise the following questions with regard to Mr. Reagan's "candidacy":

(1) Are you a "registered" candidate under the new Federal Election Campaign Laws?

(2) Have you authorized a committee to expend or collect funds on your behalf in connection with your seeking the nomination for the Presidency of the United States?

(3) Have you met all of the filing and disclosure requirements of the Federal Election Campaign Laws? In particular have you filed a candidate's Report pursuant to Section 431(b)? If not, why not?

(4) Are you aware that the statute provides criminal penalties for any knowing violation of its provisions?

If the response indicates that a different construction is placed upon the statutory language, the following questions should be asked:

(a) How can you maintain that the statute requires a "public announcement" of your candidacy when the FEC has issued an Opinion of Counsel that public announcements do not matter and that the strict terms of the act define a "candidate".

(b) If you now intend to file a report on your behalf, for what period will it relate back in terms of your activities for seeking the nomination?

(c) Have you been advised by counsel with regard to any of these matters?

(d) Would you care to discuss the alleged complaint that has been filed against you with regard to your radio and TV programs? As we understand it, the complaint is that you are actively collecting and expending monies without reporting such activities to the FEC in violation of the Federal Election Campaign Laws.

(e) Are you aware that a request for an Advisory Opinion has been filed inquiring as to your status as a candidate? As you know, corporate contributions to Federal candidates are illegal pursuant to Section 610, Title 18, United States Code.

(f) Do your activities and your refusal to file a candidate's Report of Contributions and Expenditures place any corporately funded group sponsoring you in jeopardy of being in violation of the Federal Election Campaign Laws?

The above questions are merely illustrative of the type of inquiry that may appropriately be raised in this matter. Please let me know if you have any further questions regarding this matter.

cc: Bo Callaway
Bob Moot
Stu Spencer

RONALD REAGAN

SUITE 812
10960 WILSHIRE BOULEVARD
LOS ANGELES, CALIFORNIA 90024
213 / 477-8231

July 14, 1975

The Honorable Paul Laxalt
Member, United States Senate
Senate Office Building
Washington, D. C. 20500

Dear Paul:

I am writing this letter in response to your decision to chair the "Citizens for Reagan" committee. I deeply appreciate your action, but I want to inform you that I have not made up my mind whether to become an active Presidential candidate. I expect to make this decision before the end of the year.

Meanwhile, I recognize that due to the technical requirements of the law (including the requirement for the designation of a principal campaign committee), the committee must file with the Federal Elections Commission as working on my behalf. I trust this letter will suffice as my consent for purposes of allowing you to do so.

Sincerely,



RONALD REAGAN

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FROM: Bob Visser
RE: Ronald Reggan Candidacy

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cc: Bo Callaway
Bob Moot
Stu Spencer

November 19, 1975

MEMORANDUM

TO: ALL STAFF *PK*
FROM: PETER KAYE

To date, these are television appearances we have arranged in connection with the Reagan announcement.

CBS MORNING NEWS Mel Laird	Friday, November 21, 7:40 a.m.
NBC TODAY SHOW Bo Callaway	Monday, November 24, 7:30 a.m.
PBS MARTIN AGRONSKY Bo Callaway	Monday, November 24, 7:30 p.m.
PANORAMA Bo Callaway	Tuesday, November 25, 12:30 p.m.



THE PRESIDENT FORD COMMITTEE'S REACTION TO R. REAGAN ANNOUNCEMENT

November 20, 1975 E-File

Despite how well Ronald Reagan does or does not do in the early primaries, the simple political fact is that he cannot defeat any candidate the Democrats put up. Reagan's constituency is much too narrow, even within the Republican Party.

Now that he has finally ended his indecision and declared his candidacy, it does nothing to change our plans to run an aggressive, grassroots campaign for President Ford.

Although former Governor Reagan's announcement was not unexpected, it is disappointing to many Republicans. While not unmindful of his ability, he does not have the critical national and international experience that President Ford has gained through 25 years of public service, first in the House of Representatives, then as Vice-President and as President.

We have an incumbent president who is doing an effective job in dealing with the tough problems confronting our nation. I am confident that Republicans throughout the entire nation recognize this fact and overwhelmingly support the President.

The President Ford Committee is a broad-based group working for President Ford's nomination. We want a united party going into the General Election. Any motion against unity is counter-productive and damaging to our prospects next November.



MEMORANDUM

November 24, 1975

TO: Bo Callaway
Stu Spencer

FROM: Bob Visser

RE: Reagan Candidacy

Now that Ronald Reagan has formally announced his candidacy for the Presidency, we will check with the FEC and obtain a copy of any and all reports he files with the Commission. I anticipate that he will not list any expenditures prior to the date of his announcement and would appreciate any information we may have collected with regard to expenditures in connection with his radio-TV program and newspaper column. As soon as the report has been filed and this information is available, we will prepare a memorandum outlining possible legal approaches to this situation.



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Reagan

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Peter Kaye

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Attached hereto is a copy of the Wall Street Journal editorial of this date which may be of interest to you.



REVIEW & OUTLOOK

Mr. Reagan's Success

Despite Ronald Reagan's startling success in the Gallup Poll, it remains to be seen how he will acquit himself in a full-fledged presidential campaign. But we are totally unimpressed by the arguments being used against him by, among others, President Ford's campaign manager.

Despite eight years as governor of the nation's largest state, Mr. Reagan enters the presidential lists with only vaguely defined views on many crucial issues. As governor he has had no reason to deal with foreign policy, or for that matter with management of the economy. Obviously his instinct in such fields is conservative, but in the coming campaign he will have to convey the impression that he can master the complexities with which a President must deal.

In conveying such an impression, and particularly in reaching for votes beyond an ideological faction, it makes a great deal of difference how issues are articulated. To take one example, you can express the same policy as making an initial payment on the national debt, or as running a government surplus to promote capital formation and jobs. Expressed the first way, which has been Mr. Reagan's way so far, the idea attracts only the Coolidge voters. Expressed the other way, it is an argument powerful enough to command an endorsement, albeit a rather grudging one, from the liberal economists at the Brookings Institution.

If ever there were a conservative candidate who could forgo the old incantations and explain the same principles in a modern context, he would be a powerful candidate appealing to a broad section of the electorate. Of course, it is a lot to ask of any politician.

Indeed, a good deal of Mr. Reagan's progress toward the nomination results from President Ford's own difficulties in articulating a consistent set of principles for the administration and the nation. The spurt that put Mr. Reagan ahead of the President in the polls shortly followed the dismissal of James Schlesinger as Secretary of Defense—which, especially as explained by the President himself, seemed the

latest and largest of a series of capricious decisions by a President unsure of his own directions and interests.

This damage to the President's cause can only be compounded by the attitude his camp is taking toward Mr. Reagan. At the Southern Republican Conference over the weekend, both Ford campaign manager Howard H. Callaway and Vice President Rockefeller went on the attack. Mr. Callaway excoriated Mr. Reagan's record as governor of California, while Mr. Rockefeller said that conservatives who had forced him off the ticket should now be loyal to President Ford. The cry of sour grapes is always bad enough, but never worse than when coming from the people who actually occupy the White House.

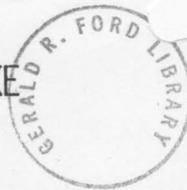
We are particularly puzzled by the attack on Mr. Reagan's governorship. It is of course true that during his term taxes did rise, and that he himself often exaggerates his success in curbing the growth of government. But on balance, to liberals crying "extremism" he can reply that he served for eight years and California is still California. And to Mr. Callaway and the like he can reply that given the public temper of those eight years it could have been much worse. At least Mr. Reagan's state is solvent, unlike Mr. Rockefeller's.

More than that, Mr. Reagan's state may have undergone something of a political transformation. At least, it is currently run by a Democratic governor who has won vast popularity by continuing Mr. Reagan's budget-cutting image. It is hard not to conclude that Mr. Reagan's governorship changed the political spectrum of the state, that in a sense he can claim Jerry Brown as one of his accomplishments.

It is of course still a long way to the election, or even the nominating convention. Mr. Ford still has an incumbent President's power to shape events, and his challenger may falter under more intense scrutiny. But certainly Mr. Reagan has established himself as someone whose views and record need to be carefully weighed, not impatiently brushed aside.

The Harris Survey

REAGAN'S BIG MISTAKE



APR 30 1976

For Release: April 19, 1976

By Louis Harris

There is mounting evidence that former California Gov. Ronald Reagan made a wrong political move when he drew the line between himself and President Ford over the issue of U.S. cooperation with the Soviet Union.

In the latest Harris Survey, conducted among a cross section of 1,512 adults nationwide, public backing for detente continues to be high at a 59-23 per cent level, only slightly down from the 62-15% majority who favored it back in December. Among Republicans, support for detente stands at 60-28%. Even conservative voters are in favor of further cooperation with Russia by a 57-28% majority.

These results suggest that conservative spokesmen have vastly overestimated the depth of opposition to Kissinger-Nixon-Ford policies of trying to cooperate with the Soviets.

Indeed, when a cross section of Republicans and independents was recently asked who could do a better job on a variety of foreign policy issues, President Ford's lead over challenger Reagan ran from 18 to 19%:

- On working for peace in the world, President Ford holds a commanding 46-27% lead over Reagan.
- On handling relations with Russia, Ford leads by 46-28%.
- On handling relations with China, Ford leads by 44-26%.

Significantly, on each of these overall foreign policy pairings, the Ford margin over Reagan runs close to three to two. The foreign-policy issue surely must be viewed as working decisively for the President, and not for Reagan.

In a direct Ford-Reagan confrontation, the detente issue appears to be in the President's favor. Nevertheless, there are certain negative elements in Mr. Ford's ratings on foreign-policy matters.

When he is judged on his own achievement, the President receives poor marks on the following issues:

- On working for peace in the world, he comes up with a negative rating of 50-47%.
- On handling the Middle East crisis, he is given 55-34% negative marks.
- On handling relations with Russia, Mr. Ford's latest standing is 58-31% negative.
- On handling relations with allies in western Europe, the President does no better than 54-33% negative.
- On handling relations with China, Mr. Ford's standing is 54-34% negative.

Earlier in the year, the President received even lower ratings on foreign policy, but since Reagan began to attack him, his standing has improved. Nevertheless, Mr. Ford is still highly vulnerable on the foreign-policy issue.

However, the main reason for the President's relatively weak showing on foreign policy is that he has devoted most of his attention to domestic affairs. He inherited the foreign policy of ex-President Richard Nixon and Secretary of State Henry Kissinger, and the public does not yet associate President Ford with foreign policy. Indeed, a majority still view it as the area in which he is least experienced.

Ironically, by attacking the President on foreign policy, especially the detente issue, Reagan may be doing him an enormous political favor. Until the Californian defeated Mr. Ford in the North Carolina primary and then leveled a broadside attack on him in a nationwide television appearance, President Ford had been notably silent on the foreign-policy issue in his campaigning.

Since then, a major strand of Ford rhetoric on the campaign trail has been to take up the Reagan challenge on foreign policy. The odds heavily favor the President in the debate. There is little doubt that public opinion strongly favors detente, and this is likely to help Gerald Ford far more than Ronald Reagan in determining the outcome of the GOP nomination for President.

TABLE

In March, the Harris Survey asked a cross section of 1,512 adults nationwide: "Do you favor or oppose further detente between the U.S. and Russia--that is, closer cooperation and more agreement between the two countries?"

PUBLIC ATTITUDES ON DETENTE

	March 1976	December 1975
	%	%
Favor	59	62
Oppose	23	15
Not Sure	18	23

DRAFT
TTR: jr
12/22/75

TO: Bo Callaway
Stu Spencer
Skip Watts
Jack Stiles

FROM: Tim Ryan

RE: Regan Activity - Delegate Selection

It has recently come to our attention that the Regan lawyers continue to seek proportional delegate representation in States where we have our greatest strength. It is our opinion that all field coordinators and local political chairmen should be notified of this attempt by the Regan people. Moreover, any attempt to switch State delegate selection procedures from "winner-take-all" to proportional should be immediately reported to this office. In this manner, we can best challenge any such attempt.



Bob Viner -
See attached -
#s 4 + 7 : comments?
Skip

Office of the Treasury
Department
of the Treasury
Office of
Assistant Secretary
for Economic
Policy and
Analysis
of the Treasury

WEEKLY REPORT

Dave Liggett

December 15, 1975

California

1. Ronald Reagan report.

We still have not picked up any overt movement to organize the state. The phoning that has been done that we have heard about is on a very limited basis. I have a report that they have tried to hire a Republican Central Committee staffer, Don Willett, for a position in the campaign to organize I.D. and voter turn-out for the primary. Don turned it down and is remaining with the State Committee. That is the only intelligence I have as to how they are moving organizationally.

2. Regarding Bo Callaway's remarks in Houston over the weekend. Comments have been generally negative from our people. I am forwarding to you under separate cover some newspaper clippings conveying those events.

3. Budget has been sent to you under separate cover to you today. The budget was approved December 10th at the Steering Committee meeting. You will see the figures representing essentially a voter I. D. and turn-out program with additional emphasis on press and the use of the telephone for volunteer recruiting and traditional conversion and re-enforcement campaign approach.

④ Delegation

At the request of the Steering Committee, I am requesting that they be dully authorized to begin a delegate selection program here in California. It is my understanding that technically they need authorization from the campaign or the President to begin such activities. The Steering Committee would like to send a letter to Republican Legislators and Republican Executive Committee and all Republican County Chairmen informing them of the being of the program to elect a delegation and inquiring of their interest. If the Steering Committee needs an authorization to begin such efforts please forward same or let me know.

5. In a separate communication, I am sending Peter Kaye a proposed press release regarding the 11th commandant. Attached to that release are some comments by Jim Halley he made when he was State Chairman. The spokesman for the release has not been filled in, and I want to coordinate with Peter Kaye and get his input.

6. No organizational report. I have little to add in addition to report of last week. Certainly, I feel that our organization momentum has been considerable slowed down due to recent events and to the offset of the Christmas season. However, I am using this time to try to get a few things going in some of our counties where we are essentially weak. Mailings are presently being planned for Orange County, Riverside, San Bernadino and San Diego County. I would anticipate that those mailings would be going into the mail primarily in January with the exception of San Diego, we may get into the mail prior to Christmas.

7) Regarding equal time provisions.

I have been contacted by KHJ TV here in California, who ran a Ronald Reagan movie over the weekend providing the Ford Committee with an appropriate amount of equal time. They have requested that I send them a letter formalizing the request. I will certainly do so, however, I wish to inquire to Bob Visser and the legal council there as to whether in the future I should be initiating such letters and requests or they prefer to do it there in Washington.

8. I repeat my earlier request for information on any special Committee that you might be organizing at the national level. Such input would be valuable since we are beginning organization of some special committee here in California.

9. Fund Raising in California.

Nita attended the California Finance Committee's initial meeting for the March Fund Raising luncheon for the President. Her comments regarding that meeting were that she felt the finance people certainly were naive to the political situation and were approaching it rather calmly. Apparently, they decided on a \$500 a plate luncheon in San Francisco. My only comment is that that certainly will not be adequate to get the job done here.

nat 12/16/75



MEMORANDUM

December 22, 1975

TO: Bo Callaway
Stu Spencer
Skip Wattz
Jack Stiles

FROM: Tim Ryan

RE: Reagan Activity - Delegate Selection

It has recently come to our attention that Reagan's lawyer continues to seek proportional delegate representation in States where we have our greatest strength. It is our opinion that all field coordinators and local Political Chairmen should be notified of this attempt by the Reagan people. Moreover, any attempt to switch State delegate selection procedures from "winner-take-all" to proportional should be immediately reported to this office. In this manner, we can best challenge any such attempt by Reagan to undermine our support.



HHC

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Stu Spencer
Skip Watts
Jack Stiles

FROM: Tim Ryan *TR*

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The President Ford Committee

☆☆☆☆☆☆☆☆☆☆☆☆☆☆☆☆☆☆☆☆☆☆☆☆☆☆☆☆☆☆☆☆

December 23, 1975

Earl Adams
Clifford B. Anderson
Assemblyman
Dixon Arnett
Mrs. Nita Ashcraft
Charles Bakaly
Dr. William S. Banowsky
Robert S. Barnes
Robert F. Beaver
Dr. Arnold Beckman
Mrs. Marsha Bents
Mrs. Margaret Brock
Mrs. Elsie Buchenau
Asa Call
Roy Crocker
Stuart Davis
John V. Diepenbrock
Kim Fletcher
John P. Guerin, Jr.
Paul Haerle
James Halley
Bruce Hazard
David B. Holland
John H. Holoman
Norman Houston
David James
Louis Johnson
Robert C. Kirkwood
C. Douglas Kranwinkle
Assemblyman
Jerry Lewis
Putnam Livermore
Mrs. Katie Martinez
Robert Mayer
Peter McAndrews
Arch Monson, Jr.
Assemblyman
Frank Murphy
David Packard
Leon Parma
Charles Reed
Henry Salvatori
Taft Schreiber
Waller Taylor
Charles Thomas
Congressman
Bob Wilson
Attorney General
Evelle Younger

MEMORANDUM

TO: Stu Spencer
Bob Visser ✓
Skip Watts

FROM: Dave Liggett

Jim Horwitz, who you know Stu, contacted me regarding a complaint to the FEC. Attached is the correspondence regarding this complaint.

Without making any commitment to Jim I said I would nose around. I will wait for your recommendation for action.

cp

Enclosures

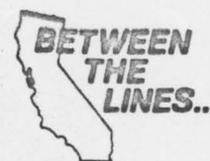


Valley Publication, Inc.

4816 W. MAGNOLIA BLVD.

BURBANK, CALIFORNIA, 91505

(213) 877-5643



Dedicated to
"INDEPENDENT INQUIRY
AND
INVESTIGATIVE REPORTING"

July 28, 1975

Commission Chairman Thomas B. Curtis
Federal Election Commission
1325 "K" Street, N.W.
Washington D.C., 20005

Dear Mr. Curtis:

As a Los Angeles County Election Commissioner and a private citizen, I have studied the Federal Election Campaign Act in relation to Ronald Reagan, his radio commentary on 320 stations, and the sponsors of his commentary. In that regard, I file the following complaints:

He is in violation of not filing his "Off Year" contributions received and expenditures, due April 10th and July 10, 1975. He has legally qualified July 24, 1975 by his committee registering with your commission; but according to Title 2, Chapter 14, Section 431 (b) (2), "Candidate means an individual who seeks nomination for election.....if he has.....made expenditures, or has given his consent for any other person to.....make expenditures, with a view to bringing about his nomination for election, to such office." His daily radio commentary has been used as such a tool since the first of this year. (Chapter 14, Section 431 (f)(1)(A), regarding 'expenditure', would also apply)

The banks, labor organizations or corporations that are sponsoring his program, such as Joseph Coors, are in violation of Title 18, Chapter 29, Section 610. "It is unlawful for any national bank, or any corporation..... to make a contribution or expenditure in connection with any election....." "Every Corporation....which makes any contribution or an expenditure in violation of this section shall be fined not more than \$25,000....." If you rule that Reagan has been a candidate since Jan. 1, 1975, the corporations and banks have been in violations since then. If you don't agree, then they have been breaking the law since July 24th.

Any non-corporation business or individual that spends more than \$1,000 this year as a sponsor of his program is in violation of Title 18, Chapter 29, Section 608 (b)(1).

Every sponsor of Reagan's Commentary and/or every radio station that carries it, that hasn't filed reports is in violation, per Title 2, Chapter 14, Section 437a, "Any person who expends any funds.....for the purpose of influencing the outcome of an election, or who publishes or broadcasts to the public any material.....setting forth the candidates position on

Commission Chairman Thomas B. Curtis
Federal Election Commission
July 28, 1975
Page 2

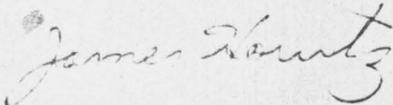
any public issue,.....shall file reports with the Commission as if such person were a political committee....."

Furthermore, I request that you rule that the total amount expended by sponsors for his commentary be accumulated against his allowable \$10 million, nationwide, if he enters any primaries. (Title 18, Chapter 29, Section 608 (c)(1)(A)) Under the same section, the amount expended in each state for his program should be accumulated against the amount allowed in each state.

In most political campaigns, candidates or their agents buy advertising time directly from radio stations. In this case, the stations have been buying the commentary from O'Connor Creative Services, Los Angeles; then the stations sell it to sponsors. It might very well call for the FCC to examine this rather unusual action with each station involved.

Mr. Curtis, in the first year of existence for most of these campaign reform laws, it would be a travesty if you don't concur that Ronald Reagan is breaking part of the letter of the law, and is totally breaking the spirit of the law. No one will ever adhere to campaign laws if your commission doesn't start right off with tough enforcement.

Yours truly,



James Horwitz
President

cc: FCC
KABC
L.A. Registrar-Recorder
Calif. Sec. of State
Ronald Reagan
Joseph Coors Co.

HJH/et

FEDERAL ELECTION COMMISSION

WASHINGTON, DC 20463

September 3, 1975

Certified Mail
Return Receipt Requested

Mr. James Horwitz, President
Valley Publication, Inc.
4616 West Magnolia Boulevard
Burbank, California 91505

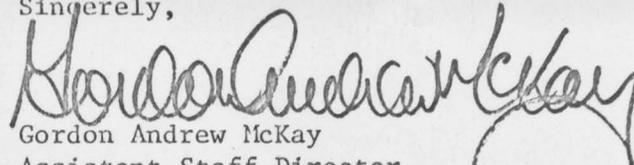
Dear Mr. Horwitz:

This will acknowledge receipt of your complaint filed under the Federal Election Campaign Act, as amended, alleging violations of the Act by the Citizens for Reagan Committee, and Sections 608(b)(1) and 610 of Title 18, United States Code by sponsors of Mr. Reagan's radio commentaries.

A copy of your complaint has been forwarded to Mr. Reagan and Mr. Henry Buchanan, Treasurer of the Citizens for Reagan Committee. They have been requested to respond to the matters raised in your complaint within ten days after the receipt of their copy of your complaint. You will be supplied with copies of any responses they may make, and invited to make further comments if you desire.

In keeping with the provisions of Title 2, United States Code, Section 437g(a)(3) of the Act and our interim complaint procedure guideline, the complaint will not be made available for public inspection and no announcements will be made by this Office concerning the status of any inquiry or investigation which might ensue without the written consent of the person with respect to whom such inquiry or investigation is made.

Sincerely,


Gordon Andrew McKay
Assistant Staff Director
for Disclosure and Compliance

GAM:vlf

cc: Ronald Reagan
Henry Buchanan

Valley Publication, Inc.

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BURBANK, CALIFORNIA, 91505

(213) 781-5440



Dedicated to
"INDEPENDENT INQUIRY
AND
INVESTIGATIVE REPORTING"

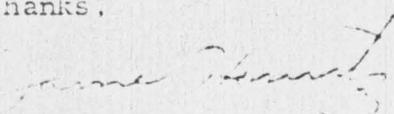
October 10, 1975

Gordon Andrew McKay
Assistant Staff Director
For Disclosure and Compliance
Federal Election Commission
Washington, DC 20463

Dear Mr. McKay:

In regard to your response (copy enclosed) to my complaint, you stated Mr. Reagan and Mr. Buchanan had ten days to answer, and they received their copy of the complaint. It is now over 40 days. Could you please respond.

Thanks,


James Horwitz, President
Valley Publications, Inc.

HJH/ge