

Chief of Action, Western City

Office of Finance

11117/1 - 1964 Covert Income Tax Return

WASH-6036

1. Based on the copy of Subject's covert 1964 Federal income tax return forwarded with reference, Headquarters has prepared Subject's 1964 covert return. The covert return is identical to the overt return with the following exceptions:

- A. Income on line 6 has been increased by \$5,000, Subject's covert compensation paid to him during 1964. This income is reported on Schedule C.
- B. Since it was more advantageous to Subject to claim his foreign income taxes as an itemized deduction instead of claiming a foreign tax credit, the total itemized deductions have been increased from \$172.00 to \$2,017.00.

2. It is requested that Subject review, sign and return the attached return to Headquarters as soon as possible together with his remittance of the tax due, \$497.00 plus statutory interest computed at the rate of 4% of 1% per month from 15 April 1965 to date of payment. Personal checks in payment of covert tax liabilities must be made payable to a fictitious payee.

3. In reviewing Subject's overt tax return it has been noted that Subject claims a foreign tax carryover on his Form 1115 according to the difference between the total foreign tax paid and that allowed as a foreign tax credit. This is not correct. The carryover is limited to the difference between the limitation (Column 12) and the allowable credit (Column 13). Therefore, Subject has no foreign tax carryover for any of the years involved.

Attachment:
1964 Covert Return

DATA B. FERRER

Distribution:
3 - Addressee/x/attach.

WASH - 4571

24 February 1966

8-E-C-D-E-F

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3 - CFB/CTB
2 - Division
1 - CF Reg.
1 - RI/DE

CF/CTB/CTB

WJ/ST

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C/TA/SS

1/25