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English history relates that the fiduciary of the court of chancery was the accountant. An examination of the returns on file in the New York state income-tax bureau will reveal that he continues to act as a trustee toward the state, because a goodly portion of the 800,000 returns filed in 1920 was prepared by the man skilled in accounts and to him should be accredited a share of the gratitude expressed by the bureau for the splendid response to the enactment of the statute.

With a few exceptions the original law remains unchanged. Therefore, a brief discussion will be given of the more important amendments in the order in which they appear in the several sections.

Subdivision 7 of section 385 presents a revision tending to clear up the technical interpretations of the word "resident." The change definitely declares that a resident for the purpose of determining liability to the tax imposed by the statute is "a person who shall at any time during the last six months of the calendar year" reside in the state of New York. This test of residence should be applied with reference to the income of any taxable year commencing with the year 1919.

Sections 351-a and 351-b provide for the re-imposition of the tax on non-residents. Following the decision of the United States supreme court, non-residents are allowed personal exemptions in the same amounts as residents.

Gross income as defined by section 359 now includes income to beneficiaries derived through estates or trusts whether as distributed or *distributable* shares. Care should be taken to include interest from investments upon which the investment tax (sec. 331—tax law) has been paid since May 14, 1919. In addition it must be remembered that pursuant to an opinion by the attorney-general, all income from investments upon which secured debt tax or mortgage tax was paid is subject to income tax. The investment-tax law was repealed by chapter 646 of the laws of 1920.

The amendment to section 360, sponsored by the income-tax

bureau, allowing the deduction of *all* interest paid or accrued during the taxable year on indebtedness, has met with general approval. Sub-divisions 5 and 6 state that the losses deductible by non-residents are limited to transactions in real property or tangible personal property having an actual situs within the state.

Broader scope is permitted in deductions for contributions. Under the present statute, a resident is entitled to deduct 15 per cent of his net income for contributions made to certain organizations regardless of their location or where organized. Non-residents, however, are limited generally to contributions made to organizations existing by virtue of New York laws.

Statements to the effect that the personal exemptions have been changed are not true. The law coincides with the federal statute permitting (a) $1,000 to a single person, (b) $2,000 to a married person and to the head of a family and (d) $200 for dependents. But to maintain the tranquillity of the home, the exemption must be equally divided between a husband and a wife making returns.

The rule in relation to credit for taxes in case of taxpayers other than residents of the state has been amended virtually to exempt income to non-residents derived from sources in this state, providing this income is taxed by the state or country where they reside, if the laws of such state or country exempt income to residents of this state from sources in the other state or country. No credit will be allowed non-residents on any income exempt from taxation under the laws of the other state or country if the income is taxable under the laws of New York.

The duty of deducting and withholding is imposed on employers with reference to fixed or determinable annual or periodical compensation paid to non-resident employees. The amount of personal exemption allowed the employee is set-off against the net income and the tax is imposed on amounts over and above such exemption.

Certificates of residence (form 101) and certificates of non-residence (form 102-revised) must be filed by the taxpayer with the withholding agent. A certificate showing the employee to be a resident of Massachusetts relieves the employer of the duty of deducting and withholding. In any case, if the employee left the service of the withholding agent prior to April 14, 1920, and was fully paid prior to that date, no obligation in respect to such pay-

ments rests on the withholding agent unless the status of employer and employee is again created during 1920 and further payments of compensation for personal service are made or credited in 1920.

Certificates filed with the employer by residents (form 101) should be retained by him and kept available for one year for examination by representatives of the comptroller's office. Forms 102-revised are to be used by non-residents for the purpose of claiming personal exemption. These are to be forwarded to the income-tax bureau by the withholding agent, with the return of tax withheld on form 103 and accompanied by payment of the tax withheld.

Returns of information (form 105) should be made for the calendar year and filed with the income-tax bureau on or before April 15th next. In cases in which actual withholding and report thereof is made, no return of information is necessary.

Probably the most important change is stated in section 371, providing that a return of income must be made on or before the 15th day of the fourth month following the close of the taxpayer's taxable year, if the return is made on the basis of a fiscal year, or, if the return is made on the basis of the calendar year, on or before the 15th day of April in the year following the close of the taxpayer's taxable year.

Accountants, no doubt, are interested in the ruling relating to valuation of inventories in 1920. Coincident with the federal treasury decision and cognizant of a declining market the comptroller's regulations permit merchants to value their 1920 inventories at "cost or market, whichever is lower," regardless of previous practice and without applying for permission to change. If this rule is adopted, the fact must be stated on the return. The change is limited to 1920 inventories, whether the end of the period is based on a fiscal year or a calendar year. Inventories taken on January 31, 1921, must be taken by the same method as previous inventories unless an amended return is filed for the period ended in 1920 or permission is granted for the later period ending in 1921.