

November 1, 1940

Collector of Internal Revenue
Wichita, Kansas

Gentlemen:

Re: IT:OA:EWP

This is in answer to your October 29th letter requesting additional information on the 1939 Federal income tax return for Mr. and Mrs. Dolph Simons of Lawrence, Kansas. I shall attempt to answer your three questions in order.

1. J. C. Gafford, a Kansas cattle and grain man failed several years ago. The creditors got together and under authorization of the District Court at Minneapolis, Kansas their claims were placed in the hands of William Docking of Lawrence as trustee. One of the claimants was the Minneapolis, Kansas National Bank. This bank failed and at the time of the liquidation of assets, I purchased from James G. Hammond, receiver, the claim of the bank, paying him \$2,502.50. Shortly thereafter, I sold one-half interest to L. A. McNalley of Minneapolis, Kansas for \$1,250.00. Including payments for an appraisal and expenses for examination of the property, the net cost of my half interest was \$1,386.50.

Principal assets of the Gafford Estate were pieces of land and the latter part of 1939 the trustee, Mr. Docking, sold sufficient acreage for cash to justify a dividend. My dividend for one-half interest in this claim amounted to \$2,429.72. Subtract from this my investment of \$1,386.54 and it leaves me a net profit to date on the transaction of \$1,043.22, the amount reported in my income tax return. I am hopeful that I will receive additional dividends when further property is sold and I trust the income to date has been reported correctly. Since filing the return, I read some interpretation of the income tax law which indicated I might have reported this as a long term capital gain, thereby saving a substantial amount in income tax payment.

2. I did not receive any rental income during the year 1939. Taxes paid in Douglas County were for my home. Taxes paid in Ellis County, Kansas were for farm land which did not return any income during the year. Taxes paid in Cass County, Minnesota were for my summer cottage which does not show any rental return.