

Itemizing Tax Deductions Before January 1 May Offer Tax-Saving Opportunity

(This is the second in a series of four articles on federal income taxes. The articles are based on information provided by the American Institute of Certified Public Accountants and the Oregon Society of Certified Public Accountants.)

By waiting until after the first of the year to decide whether to itemize your deductions or take the standard 10 per cent deduction, you run the risk of losing your greatest tax-saving opportunity.

When you are forced to take the standard deduction because your deductible expenses are less than 10 per cent of your adjusted gross income, you literally "waste" your expenses for tax purposes. Don't let this happen to you every year. Plan your expense outlays so that you go over the optional 10 per cent deduction occasionally. This can be done by pyramiding two years of actual expenses into one.

For example, assume that you expect to have an adjusted gross income of \$7,000 for this year and actual deductible expenses of about \$600 — or \$100 less than what you would be entitled to deduct if you took the standard 10 per cent deduction. Not included in your actual expense estimate, however, is \$250 in state taxes and \$100 in home-loan interest charges that will have to be paid early in 1958 but which can be paid in advance.

If you act quickly and pay these expenses before Dec. 31, you can bring your total allowable deductions for 1957 up to \$850. By itemizing deductions this year and taking the standard deduction next year — when your actual expenses should be somewhat less because of what you have prepaid — your total deductions for both years will be approximately \$1,650. Had you taken the standard 10 per cent deduction in both years, the total would be only about \$1,400.

A salaried worker who has difficulty finding enough deductions to make itemization worthwhile might consider carrying the pyramid plan one step further. He could set up a system of "lending" and "borrowing" year-end items that would make it possible for him to throw three years of deductible expenses into one.

A Three-Year Pyramid
You can begin your own three-year pyramid by postponing payment on as much 1957 deductible expense as possible and planning to take the standard deduction on this year's tax return. The expenses you have postponed — or "loaned" — will increase your 1958 deductions, and in the final months of 1958 you can "borrow" from 1959 by speeding-up the payment of deductible items.

As a result of your pyramiding, you maximize your expenses for 1958 (when you should be able to

beat the standard deduction by itemizing), and minimize your deductible items for 1957 and 1958 (when you will take the standard deduction and waste your actual expenses). The general rule to follow when you are trying to make the most of your actual expenses is: Keep outlays as low as possible in the years in which you take the standard deduction and pyramid them as much as

possible in the years in which you itemize expenses.

Pyramid Medical Expenses

Most taxpayers need look no further than their family medical bills to find a deductible expense that can be pyramided to gain a welcomed tax advantage. The section of the tax law governing the deductibility of medical expenses states that unless you or your wife will be 65 years old by Jan. 1, 1958, you may deduct only those medical expenses for 1957 in excess of 3 per cent of your gross income.

This means that medical expenses paid during the year can be completely wasted taxwise if they don't exceed the 3 per cent minimum requirement. A taxpayer with a \$6,000 income whose medical expenses average just below \$180 each year can never claim a tax deduction for this expense. However, every dollar of this medical expense which he can move from 1958 to 1957 — or defer from 1958 to 1957 — can be itemized and deducted on his tax return to the extent they total more than \$180.

Speeding-up Medical Care

If you find that you are near or over the 3 per cent minimum and you are going to itemize de-

ductions this year, you should pay as many of your medical bills as possible before Dec. 31. And since medical expenses can be deducted only in the year paid (but cannot be prepaid), you might even consider speeding-up and paying for dental work, eye examinations and general physical check-ups your family will otherwise be having in the early part of 1958.

Taxpayers who had low medical expenses for 1957 should reverse this procedure, postponing the payment of their year-end medical bills until after the first of the year. In this way, they may be able to exceed the minimum requirement in 1958 and to gain a benefit from a payment that would otherwise be lost on their 1957 return.

Plan Premium Payments

The premiums you pay on your health, accident and hospital insurance policies can be deducted as a medical expense — so plan to give your greater flexibility in the shifting of medical deductions from one year to the next, you might arrange to have these premiums fall due in January.

Here is a good point to remember when you are trying to decide how to handle your year-end medical expenses: once you are over the 3 per cent minimum re-

quirement, the government, in effect, will pay from 20 to 91 per cent of your excess medical bills, depending upon which tax bracket you are in for the year.
(Next article: More tax-saving deductions and how to time them.)

Highway Traffic Delays Reported

SALEM — The Oregon Highway Commission's weekly road report listed the following restrictions because of construction:
John Day Highway—Heavy construction between 8 and 14 miles south of Fossil; possible 5-minute delay.
Columbia River Highway—Construction Tide Creek to Goble; some minor delays.
Umpqua Highway—Heavy construction 8 miles east of Reedsport; some minor delays along 4 miles of widening.
Sherman Highway—Construction for 6 miles south of Grass Valley; possible minor delay.
Pacific Highway—Slide removal 13 miles south of Cottage Grove; 4-lane traffic channeled to 2 lanes but no delay.
Siletz Secondary Highway—Short detour around slide 1/2 mile south of Siletz.

Lower Tax Urged For Small Business

WASHINGTON — Sen. Clark (D-Pa.) Wednesday urged lower taxes on small business as a means of reducing small business failures.

Clark said he is confident that some action will be taken in the coming session of Congress to provide small business relief.

The senator's remarks were made in a statement submitted to a hearing before the House Select Committee on Small Business.

Clark now is vacationing in Italy. Upon his return to the United States Dec. 4, Clark will begin Senate subcommittee hearings on housing in Portland, Maine, Philadelphia and Pittsburgh.

Clark's statement Wednesday noted that the federal tax rate in business now is 30 per cent of all taxable income and another 22 per cent of income in excess of \$25,000.

"This seems to me to be backward," he said. "I would like to see the lower portions of income taxed at the lower rate, with adjustments in the upper bracket or brackets of the graduated scale as may be necessary to avoid loss of federal revenue."

Congress took no action on similar proposals at the last session. Clark said that in addition, small business must have access to new channels of credit and

capital. But he emphasized that although credit of all kinds is necessary, "loans can never take the place of earnings as a source for business expansion."

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BIRTHS

Douglas Community Hospital

PROUDFIT — To Mr. and Mrs. C. E. Proudfit, 633 NE Winchester, Roseburg, Nov. 10, a daughter, Nancy Kay; weight 5 pounds 10 1/2 ounces.

PETERSON — To Mr. and Mrs. G. W. Peterson, 1307 Walnut, Roseburg, Nov. 10, a son, David Richard; weight 2 pounds 9 1/2 ounces.

ADAMS — To Mr. and Mrs. R. E. Adams, 475 NE Houseley St., Roseburg, Nov. 10, a daughter, Ruth Ann; weight 6 pounds 12 ounces.

GILKISON — To Mr. and Mrs. J. B. Gilkison, Rt. 1 Box 465, Sutherlin, Nov. 12, a son, Jack Allen; weight 8 pounds 1 ounce.

POOLE — To Mr. and Mrs. D. E. Poole, 3010 NE Johnson St., Roseburg, Nov. 12, a daughter, Teresa Gay; weight 3 pounds 3 ounces.

STOVALL — To Mr. and Mrs. N. L. Stovall, PO Box 621, Sutherlin, Nov. 12, a son, David Norman; weight 6 pounds 13 ounces.

McBRIDE — To Mr. and Mrs. J. N. McBride, 948 W. Elaine Dr., Roseburg, Nov. 13, a son, James Christopher; weight 7 pounds 1 1/2 ounces.

DAVIS — To Mr. and Mrs. R. E. Davis, 1483 Fairmont, Roseburg, Nov. 15, a son, Marvin Elton; weight 6 pounds 3 ounces.

REIN — To Mr. and Mrs. B. E. Rein, 1243 NE Klamath St., Roseburg, Nov. 15, a son, Jeffrey Bruce; weight 5 pounds 9 1/2 ounces.

HALL — To Mr. and Mrs. C. F. Hall, Rt. 4 Box 238A, Roseburg, Nov. 15, a son, Michael James; weight 7 pounds 1 1/2 ounces.

ROBINSON — To Mr. and Mrs. H. W. Robinson, Tennille, Nov. 17, a daughter, Linda Marie; weight 6 pounds 8 1/2 ounces.

JOHNSON — To Mr. and Mrs. J. E. Johnson, 853 SE Mosher, Nov. 17, a son, Jack Lee Jr.; weight 7 pounds 6 ounces.

HYRE — To Mr. and Mrs. P. E. Hyre, 244 NE Rifle Range Rd., Roseburg, Nov. 17, a son, Stephen Leroy; weight 7 pounds 8 ounces.

SPRAGUE — To Mr. and Mrs. O. N. Sprague, 2446 SW Lander Ave., Roseburg, Nov. 17, a daughter, Cheryl Ann; weight 7 pounds 5 1/2 ounces.

PRESTON — To Mr. and Mrs. W. W. Preston, Box 77, Dillard, Nov. 17, a daughter, Betty Louise; weight 7 pounds 4 1/2 ounces.

ANDERSON — To Mr. and Mrs. J. A. Anderson, PO Box 814, Oakland, Nov. 18, a daughter, Jill Marie; weight 7 pounds 1 ounce.

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- Slice at left is made of twisted dough... texture cells are completely sealed off. Ordinary slice at right permits drying air to pass through the unsealed texture cells.

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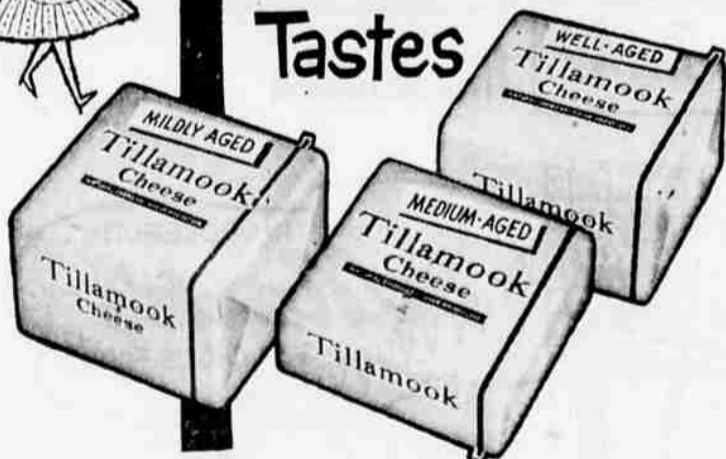
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