

Income Tax Tips

Article No. 6 — Your Home — A Bonanza of Deductions

(Editor's Note: Tax savings possible for home owners are treated in this article prepared by the tax information committee of the Oregon Association of Public Accountants and presented by the Pilot as a public service.)

Are you a home owner or in the process of buying? If so, this is the time of year that you have the edge on your rent-paying friends since many expenses involved in home ownership can be deducted in computing income taxes.

Because details often slip from memory and since proof will be needed if the return is challenged, now is a good time to start a file of cancelled checks and other necessary papers for next year.

For most home owners, the biggest deduction will be the amount of interest paid on the mortgage during 1956. Other major allowable items are property taxes and casualty losses.

Naturally, ordinary costs of run-

ning and maintaining the household are not deductible. So don't claim redecoration items, light bills, insurance and other personal expenses.

Home purchasers in the early stages of a mortgage will find it especially important to check out their deductible costs. For about the first quarter of the life of the mortgage, interest payments exceed the amount of the principal every month. Then, as the home owner builds up his equity over the years, the amount of his income tax savings from interest dwindles accordingly.

On a \$16,000 mortgage financed at 5 per cent for 30 years, the annual interest during the first few years will average \$800.

Some banks itemize each payment to show amount of interest, principal, taxes or other charges. If the amount of interest is not itemized, ask the bank for a statement showing it.

Don't forget to include any interest paid on home repair loans or (renters, take note, too) on furniture and home appliances purchased on credit.

When you claim property taxes, be sure to list only the taxes.

Many municipalities include in the tax bill special fees for non-deductible expenses such as sewerage and street pavement.

In a casualty loss, the allowable deduction is the difference between the damage and the insurance reimbursement. A casualty is any loss to personal property as a result of fire, storm, flood, earthquake or other unexpected and unusual causes.

Be prepared to substantiate a casualty claim if it is challenged. Before-and-after pictures, repair bills and written offers to buy will help support an official appraisal. When large amounts are involved, it may be wise to get expert appraisal immediately after the casualty occurs.

Another important tax benefit that may accrue to the home owner is the capital gains allowance on home sale and purchase.

If a home purchased in 1940 for \$10,000 is sold for \$15,000, and the \$5,000 "profit" is not taxable if the full \$15,000 sales price is applied to the purchase of another home within one year. If another home is acquired for \$14,000, taxes must be paid on \$1,000. As an alternative, you can start

Break Truck Makes Roil

A tragedy was narrowly averted last Thursday when a Morning fresh bread truck, driven by Gene Baker of Gold Beach, slid down a 300 foot embankment near Carpenterville.

Baker went about halfway down with the truck when he managed to get out, and suffered only a few broken ribs and bruises. The accident happened at about 3 p.m. Thursday, when the truck slid on a muddy stretch of highway 101.

The truck was pulled out subsequently with the body and hood extensively damaged.

construction of a home within a year and occupy it within 18 months after the sale of your old home. It the new home costs as much as you received for your old one (with allowances for sell-and "fixing up" expenses), you are not taxed on the gains. If your new home costs less, the gain is taxable to the extent of the difference. In any event, you must submit pertinent information concerning any sale of your home, wether there is a taxable gain or not.

Deductible home expenses that you claim should be itemized on Page 2 of form 1040, along with other allowable outlays like charity donations and medical expenses.

If you use a portion of your home for business purposes, you may be entitled to additional deductions, such as depreciation and a portion of the operating costs, as business expenses.

Consultation with your public accountant will provide further specific information relative to tax problems arising from your home transactions.

John Pyne Participates In Amphibious Landings

John A. Pyne, machinist's mate first class, USN, son of Mr. and Mrs. G. A. Pyne of Brookings, serving aboard the attack transport USS Okanogan, participated in the combined air-sea amphibious landing operations by Navy and Marine Corps units off the Southern California coast during November and early December.

The exercise, simulating actual combat landings, was conducted for training purposes and to test the readiness of amphibious forces.

Ships of the Pacific Amphibious Fleet and the 5th Marine Regiment from Camp Pendleton, California, tested the latest concepts in amphibious warfare and modern tactics.

Educational institutions and book and music publishers are heavy users of advertising.



A boy was born on February 6, Wednesday, to Ralph and Charlotte Fowler at Seaside hospital in Crescent City. Dr. Paul Ronniger was in attendance.

Watch Shop Here To Close Soon

Dan Styers, operator of Dan's Watch and Clock Shop, located in Palmers, announced that he was going to close his shop, effective Friday. Styers has lived in Brookings for about two years, coming here from Weed, California. His future plans are indefinite, Styers said.

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