

FARMER'S INCOME SUBJECT TO TAX

Gains for 1919 Must Be Figured Under U. S. Law—Returns Due March 15.

LAND SALE PROFITS TAXABLE.

Necessary Farm Expenses May Be Deducted—Special Form for Farm Income—Cash or Accrual Basis for Computing.

A farmer, shopkeeper, or tradesman must figure up his net income for 1919; and if the farm or business income plus his other income was sufficient to require an income tax return a complete return must be filed with the collector of internal revenue by March 15.

A farmer should ascertain the gross income of his farm by computing all gains derived from the sale or exchange of his products, whether produced on the farm or purchased and resold.

Farm Expenses.

From his gross income a farmer is allowed to charge off all of his necessary expenses in the conduct of the farm during the year. These include costs of planting, cultivating, harvesting and marketing. In addition to these costs he may deduct money spent for ordinary farm tools of short life bought during the year, such as shovels, rakes, etc. Also, the cost of feed purchased for his live stock may be treated as an expense in so far as this cost represents actual outlay, but the value of his own products fed to animals is not a deductible item.

Other farm expenses allowable are the cost of minor repairs on buildings (but not the dwelling house), on fences, wagons and farm machinery; also bills paid for horseshoeing, stock powders, rock salt, services of veterinary, insurance (except on dwelling house), gasoline for operating power and sundry other expenses which were paid for in cash.

As to hired help, all the productive labor is a deductible expense; but the wages of household servants, or help hired to improve the farm, as in tree

planting, ditching, etc., cannot be claimed against earnings. A farmer is not allowed to claim a salary for himself or members of his family who work on the farm.

Wear and Tear.

Purchase of farm machinery, wagons, work animals, etc., also the cost of construction or extension of buildings, silos, fencing, etc., should be considered additional investments in the farm and are not proper deductions against income.

A reasonable allowance may be claimed for wear and tear on farm buildings (except the farmhouse), fences, machinery, work animals, wagons, tanks, windmills and other farm equipment which is used in the conduct of the farm.

As to autos and tractors, the cost of these is not an expense, although the cost of their upkeep is an allowable deduction, if the machines are used exclusively for farm purposes and not for pleasure. Also, in such cases, a deduction for wear and tear is allowed.

Farm Losses.

The loss of a growing crop is not a proper deduction from income, inasmuch as the value of the crop had not been taken into gross income. The loss of a building or of machinery through storm, lightning, flood, etc., is an allowable deduction, but care should be used to ascertain the correct loss sustained, as restricted by income tax regulations.

No deduction is allowed in the case of loss of animals raised on the farm, but a loss is deductible from gross income if the animals had been purchased for draft or breeding purposes.

Shrinkage in weight or value of farm products held for favorable market prices cannot be deducted as a loss, for the reason that when such products are sold the shrinkage will be reflected in the selling price.

Sale of Farms and Land.

The value of agricultural lands has been jumping during the past few years, and during 1919 many owners sold out part or all of their lands at big profits. All such gains constitute income and must be taken into the net income for the year.

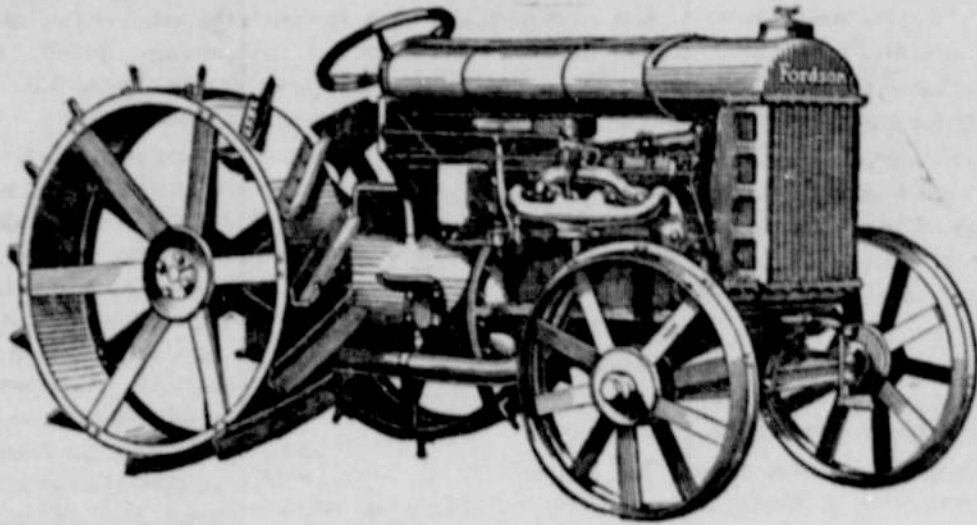
Any person who sold part of a farm or ranch, or part of a parcel of land, must also show any gains realized by the sale.

The method of figuring gains and losses on such transactions is prescribed in the Income Tax regulations, copies of which may be secured from Internal Revenue Collectors.

Forms for Returns.

The Internal Revenue Bureau has

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|-------------|----------------|----------------|----------------|---------------|---------------|
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| Usual Color | 20.00 to 16.00 | 15.00 to 12.00 | 10.00 to 8.50 | 8.00 to 6.50 | 8.00 to 5.00 |
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| | | | | | |
|--------|--------------|--------------|--------------|--------------|--------------|
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OREGON NEWS NOTES OF GENERAL INTEREST

Principal Events of the Week Briefly Sketched for Information of Our Readers.

A letter received by the tax department of Douglas county from the acting auditor of the United States treasury stated that Douglas county's claim for back taxes on the Coos Bay wagon road grant lands in the sum of \$55,979.27 had been allowed and that a treasury warrant for the amount had been forwarded to the county treasurer.

A stock growers' association has been organized at Gold Beach, Curry county, for the protection of farm animals from predatory animals and to secure better prices for stock.

Because of increased business in the inheritance tax department of the state treasurers' office, an additional auditor has been added in the person of R. A. Reid of Portland.

The market outlook for all kinds of commercial berries in Marion county is quite satisfactory from the standpoint of the grower, and it is predicted that the demand for these products during the year 1920 will greatly exceed the supply.

That the English people do not fear prohibition will strike their little island and stop the manufacture of beer for a few years at least is evidenced by the filing at Eugene of hop contracts wherein a big English firm agrees to buy the crop of three Lane county growers for four consecutive years, beginning this year. The contracts call for the payment of a total of \$230,000.

Organization of a new political party to be known as the land and labor league of Oregon, elimination of those features of the tentative platform declared objectionable to the grange, and the adoption of resolutions designed to cover operations of the body in a future effort to gain governmental supremacy, marked the closing session of the convention at Salem, made up of delegates from the various labor unions of the state, farmers' organizations and individuals in sympathy with the proposed movement.