Top Tax Official Helps Prepare Returns

Editor's Note: This is the first of a special series of five dispatches by the top federal tax official to help taxpayers make out their 1954 returns.

By T. COLEMAN ANDREWS
Commissioner of Internal Revenue
Written For United Press

Washington — (U.P.) — It is time for millions of U. S. citizens and residents to file a federal income tax return for 1954!

This year there are new benefits for almost everyone, enacted by Congress when it gave the federal tax code a complete overhaul.

The Internal Revenue Service has compiled a list of questions that taxpayers are asking about the law as it stands now, with particular emphasis on the changes which have been made since tax time last spring.

By answering the most-asked questions here, I hope to save many of you the trouble of waiting in line to have your problems solved by our staff of taxpayer assistants.

Without doubt, the most frequently asked question is: "When do I get my refund?"

That is one thing the new law did not change. The answer is: Just as soon as we can check your return and mail your check; it may take a few weeks; but sometimes it can be a matter of months.

File Return Early

The best advice, if you want your refund in a hurry, is to file your tax return early. The Internal Revenue Service is handling almost 60,000,000 personal income tax returns this spring, plus more than twice that amount on other taxes, so the later you file, the bigger the pile of returns to be processed ahead of yours. It's "first come, first served."

Before we get to the other questions, I would like to mention the most conspicuous change in the new law: the deadline April 15, or one month later than in past years. It is still better for us, and for you if you file early, however.

The basic fact of who must file a return is unchanged from last year. If you are a citizen or resident of the United States, under 65 years old, and your gross income was $600 or more in 1954, you must file. For most wage and salary workers, gross income is the same as the total of their wages and salaries.

If you are 65 or older on Dec. 31, you are not required to file a return unless your gross income was $1,200 or more.

Even though you are not required to file a return under the rules outlined above, it is in your interest to file if you had income from which your employer withheld taxes during the year. You may be eligible for a refund.

Most Frequent Questions

The questions we hear most frequently on the new law involve allowances for sickness and injury, for children who earn money on their own, for child care expenses, for dividends, for retirement income, and for the new "head of household" and surviving widow or widower classifications.

Old questions which reappear most often are those which pertain to the rules for husband and wife filing their returns jointly or separately, and the relative advantages of each method; exemptions allowed for dependents; deductions allowed for such things as insurance and union or club dues; and property losses in storms, such as last year's hurricanes, Carol, Edna and Hazel.

I shall answer the questions on major new changes in the law first and then the recurring questions.

At this point, it might be well to handle one more constant inquiry: which tax form should I use?"

There are three to choose from; Form 1040A, short Form 1040 and long Form 1040.

One taxpayer asks: "When will we get a return the ordinary taxpayer can make out without help from others?"

The new Form 1040A is our answer. It is a seven-by-three inch card-check size—which is brief and relatively simple to fill out. Almost half the individual income tax returns filed this year will be 1040As.

Standard Deduction Benefit

You may use 1040A if your income last year was less than $5,000 and if it was in the form of wages and salary from which your employer or employers withheld income taxes each payday, except that the total amount may include not more than $100 in other wages, or dividends or interest, from which taxes have not been withheld.

A husband and wife may file a joint return on Form 1040A if their combined incomes are less than $5,000, and if not more than $100 or this is income which had no tax withheld from it.

Use of 1040A means you are getting the benefit of the standard deduction of approximately 10 per cent of your income for charitable contributions, medical expenses, union dues, taxes, interest and other deductible items. Unless these items were extraordinary (such as the expenses of owning a house or having a baby) you probably will fare better with the standard deduction.

When you file a 1040A with your district director of Internal Revenue, please send the card itself, not the yellow instruction sheet.

And don't send your tax payment. The director will compute your tax and send you a bill if you owe more than was withheld, or a refund if too much was withheld.

To file the short Form 1040 you use page 1, and maybe pages 2 or 4, of Form 1040.

The Short 1040

The short 1040 is for persons or couples with less than $5,000 adjusted gross income—that is, gross income minus certain expenses of earning it—and who have more than $100 from which taxes have not been withheld, but who do not want to list the deductions such as contributions and other items which may be claimed on the long Form 1040. Using short Form 1040, the taxpayer must ascertain his tax liability from a table, and submit with his return a tax payment, if he owes anything.

The standard deduction applies for taxpayers using the short 1040 as it does for those using 1040A, and allowance for this deduction, as well as for the personal exemptions, is made in the tax table.

The long Form 1040 is a must for the small number of taxpayers to whom the 1040A or the short 1040 does not apply for one reason or another. Specifically, you must use the long Form 1040 if your income is $5,000 or more, and you must use it if you choose to list your deductions item by item.

Tuesday: The new rules about exemptions for dependents.

Internal Revenue Head Wants Payers To Receive Breaks

Washington — (U.P.) — T. Coleman Andrews, commissioner of internal revenue, wants every taxpayer to get all the advantages he is fairly entitled to under the revised law passed last year.

And he wants to make it as easy as possible for taxpayers to make out the 1954 returns which must be filed by April 15.

He had the Internal Revenue Service keep track of the questions most frequently posed by early-bird taxpayers who already have been seeking advice from revenue offices. Those questions and others are answered by Andrews in a special series of five articles he has written for United Press, which begin today.

T. (for Thomas) Coleman Andrews became the nation's 30th commissiioner of internal revenue two years and one month ago.

He came to Washington from Richmond, Va., where he had practiced accounting for 35 years —working on taxpayers' problems from the start.

During his years as commissioner, Andrews has reorganized the Internal Revenue service and renamed it (it used to be the bureau of . . . .). Taxpayer problems are now settled at the local level; no longer in Washington. The average time it takes to settle such problems has been shortened. Auditing of tax returns has been increased.

Andrews directed a crackdown on unjustifiable claims for expense account deductions and pressed for development of a simplified tax form.

He is one of Washington's most traveling officials because he wants to discuss administrative matters with the staff which conducts operations in the field, and tax matters with taxpayers, large and small. He has also set up a nine-man committee of lawyers, accountants and tax officials of corporations to advise him regularly on tax affairs.