

Amount Paid as Wages During Sickness Or Injury Explained by Income Tax Man

Editor's Note: This is the fifth and last dispatch by the commissioner of internal revenue on problems arising from the filing of income tax returns. Today's dispatch tells how to report income from dividends and income received when sick or retired.

By RUSSELL C. HARRINGTON
Commissioner of Internal Revenue

Written For The United Press
Washington — (U.P.) — Income when you are sick or injured, income from dividends, and retirement or annuity income are all subjects which continue to give taxpayers trouble in filing their returns.

On the basis of questions which taxpayers have been asking at Internal Revenue Service offices in all parts of the country, I shall try to set the picture straight.

Sickness and Injury
Accident or health insurance payments and amounts you receive as compensation for your injury or sickness, are exempt from tax.

The new law also permits you to exclude from your income up to \$100 a week of pay you received under a wage continuation plan while you were sick or injured, if it causes you to be absent from work. But there is a special rule for sickness. The pay you receive for the first week of absence from work cannot be deducted unless you were hospitalized at least one day of the absence. The hospitalization does not have to fall within the first week of sickness; just sometime within the period of absence from work. This first week proviso does not apply in the case of absence due to injury.

The amount you may exclude from your income is limited to the amount of wages, or payments in lieu of wages, which you received for your absent time, but in no case may you exclude more than \$100 per week.

A Few Examples
If you are sick at home for seven days or less, the pay you receive is fully taxable. If you are sick at home for more than seven days, the pay you receive for the time after the first week has run out may be excluded from your income—one-fifth of your weekly pay (but not more than \$20) for each day missed, if you're on a five-day week; one-sixth (but not more than \$16.67) if you're on a six-day week.

If you are hospitalized at least one day of your sickness, you may exclude from income the pay you receive for the entire period of sickness, up to the \$100 per week limit.

If you are absent from work because of injury, your pay for the entire time may be excluded from your income; again, up to the \$100 per week limit.

If you make any exclusion from your income for sickness or injury, be sure to attach a statement to your return explaining the circumstances.

Dividends
The 1954 law cut taxes on your income from dividends in two ways. It allows you to exclude the first \$50 of dividends you received during the year, and it allows you a credit against your tax, up to 4 per cent of the amount of dividends above \$50.

Generally speaking, this liberalization applies to dividends paid on the capital stock of U.S. corporations.

It does not include so-called "dividends" paid on withdrawable savings accounts at savings and loan associations. They are treated as interest income. Dividends paid by mutual life insurance companies on their policies and by the Veterans Administration on GI life insurance policies are nothing more than reductions of premiums paid and are not considered income for tax purposes.

A Few Examples
A stockholder received \$40 qualifying dividends last year. He reports this but need not pay tax on it, because the law lets him exclude up to \$50 of dividends. A stockholder received \$100 of dividends last year. He reports the \$100, excludes \$50 and pays tax on the other \$50. On the \$50 included in taxable income, he can take 4 per cent of it as credit against his final tax liability.

A man received \$60 in dividends and his wife received \$40. He reports \$60, excludes \$50 and pays tax on \$10, and takes the 4 per cent credit on the taxed amount. She reports and excludes her entire \$40. She

may not apply her unused exclusion of \$10 to her husband's \$10, even though they file a joint return.

Retirement Pay and Annuities
Provisions for this type of income are somewhat like those for dividends; you need not pay tax on part of it, and you may be able to claim a tax credit for some of the amount you do pay tax on.

You need not be retired to enjoy these tax benefits, but in some cases you must be 65 or older.

Generally speaking, any contributions you made towards a pension through the years comes back to you tax-free.

On the other hand, if your employer footed the bills, you are probably taxable for the payments as you receive them now. However, if you paid taxes on the contributions he was making to your pension fund, or if you otherwise paid part of the cost, you may now receive tax-free the share you paid in.

Those are the general rules for pension or annuity income for which you are not taxable. The law also provides rules for the amounts on which you do pay tax.

Under certain conditions, it

allows you a credit against your tax. The credit is 20 per cent of your retirement income, up to a maximum of \$240 per person.

To be eligible for this credit, you must have reached 65 by the end of the year (unless you were a civilian employee of the federal, or a state or local government, and are receiving income under a public retirement system).

Includes Pension
If you are 65 or older, retirement income, for the purpose of computing your tax credit, includes pensions, annuities, interest, dividends and rent. If you are under 65 and are a retired government worker, your only retirement income on which you can get a credit is that which you receive under a public retirement system. In neither case does retirement income include money you are earning now, and it may be necessary to deduct part of your current earnings in figuring out your retirement credit.

One further qualification: You or your deceased husband or wife must have earned more than \$600 in each of any ten years before 1955. The ten years do not have to have been consecu-

tive.

To end this series, which I hope has been helpful to you, I would like to repeat several several points.

First, file your return as early as you can. It works better for you and us. Second, our job is to collect every cent of tax due the government, but nothing more. Be sure you have figured your tax correctly and have explored thoroughly the various sections of the law which may apply to you and through which you are entitled to seek relief.

Collecting taxes isn't a popular job. But, we've got to do it. Don't wait until the deadline—and I want to repeat that it's

April 16 at midnight—and fill out your form carefully. Errors or filing late can make you liable for payment of interest or penalties.

Don't wait until the deadline—and I want to repeat that it's



INTRODUCING HERSELF at Los Angeles Democratic meeting, Singer Pat Mowry, 23, third cousin of Adlai Stevenson, meets presidential candidate. She is former Miss New Hampshire and was a Miss Universe contestant. (International)

On The Side

By E. V. Durling

(Distributed by King Features Syndicate, Inc.)

My distinguished colleague, Louis Sobol, has bitterly complained that my astrological dissertations have a tendency to cause dissension between him and his beautiful and well-streamlined matrimonial mate. Sobol threatens violence if I do not cease reporting disparaging claims made by astrologers as to the character of females born under Scorpio. I view this situation with alarm. Already innumerable Scorpions have threatened to slap my face. Now if I meet a Scorpion and her husband, she is likely to slap my face and her spouse will add to my injury and discomfort by giving me a kick in the pants. However, such are the dangers those embarking on a journalistic career must be prepared to face. I will not be intimidated. The column must go on! Still I could try to square myself. Therefore I call attention to the fact that I have on many occasions stated that Scorpio women are rated the "It girls of the Zodiac." For confirmation of this claim, see Grace Kelly, Mrs. Louis Sobol, Vivian Leigh and Hedy Lamarr. Their virtues more than compensate for their faults. They are sincere. When a Scorpio girl calls her husband, "darling," she really means it. When she grows affectionate, she puts her heart and soul into it. When the poet said, "Each kiss an earthquake," he was undoubtedly referring to a Scorpio girl. On the other hand, when a Scorpio grows angry, she puts her heart and soul into that, too. When she throws things at her husband, she doesn't miss. Still, rage is brief. She is soon in the mood to kiss and make up. Kissing and making up with a Scorpio girl is a touch of paradise. Or so say the stargazers.

Asides
The first Hollywood "double ring" ceremony was that of the wedding of George Jessel and Norma Talmadge. . . . More cigars are manufactured in Pennsylvania than in any other state. . . . What are your wife's measurements? Are they by any

chance bust, 36; waist 23 and hips, 36? If so, she rates the classification of "three-dimensional girl."

Asking
Queries from clients. Q. Did Jack Benny ever team up with Nora Bayes in vaudeville? If so, when? A. Jack played in a vaudeville sketch with Nora Bayes. That was about 39 years ago. . . . Q. Was Portia, the heroine of "The Merchant of Venice," a blonde or a brunette. A. She was a blonde. Shakespeare said of Portia, "Her sunny locks hang on her temples like a golden fleece."

Passing By
Dan Arnsiein, Taxicab tycoon and deep student of transportation and traffic. During World War II Dan was assigned by the United States government to straighten out the traffic on the Burma Road. . . . Fred Caposella Jr., son of the New York race caller, who describes the running of the races in impeccable English and with a slight touch of a Harvard accent. Fred Jr. is a "ham" radio operator. Such a competent one that he has a record of contacting 100 different countries.

Please Note
It is frequently claimed the wage earning career of the average film star is comparatively short. Let's look at the record. All the stars voted the 10 best box office attractions of 1942, just about 15 years ago, are still drawing paychecks. The 10 best of 1942 were: 1—Abbott and Costello. 2—Clark Gable. 3—Gary Cooper. 4—Mickey Rooney. 5—Bob Hope. 6—James Cagney. 7—Gene Autry. 8—Betty Grable. 9—Greer Garson. 10—Spencer Tracy.

Jealous Mate Holds Three as Hostages

Sinton, Tex.—(U.P.)—A "crazy jealous" husband, who held his pregnant bride and two other persons hostage for two hours in a barn surrounded by officers, faced kidnaping, robbery, burglary and car theft charges today.

A funeral director and a police chief got him to release two of his hostages—a brother and sister—by making up a phony story that their mother was dying of a heart attack and wanted to see them.

The police chief, F. N. Turnbow lives next door to the brother and sister, who with their mother were kidnaped from their homes yesterday by Leonard Rollins.

Rollins, 24, later told Turnbow that he had been in asylums twice and in reformatories twice.

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Black Jeans, 29-44	2.98
Hickory Striped Shirts, 14½-17	1.98
Canvas Work Gloves	5 pr. 1.00
Cotton Underwear, 36-46	1.79
Men's Garters	59c
Cotton-Nylon Work Sock	3 pr. 1.00
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Wool Felt Hats	2.49

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