

Deductions on Federal Income Tax Return Long Form 1040 Explained

Editor's note: This is the fourth of five articles by Russell C. Harrington explaining the making out of their federal income tax returns.

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Written for United Press

Washington—(U.P.)—May a taxpayer deduct from his income the \$5 he gave to Hungarian refugees relief? May he deduct a political contribution?

Those are two of the kind of special questions which are popping up this year. Last year, people were asking about deductions for hurricane and flood damage. Every year we are asked about deductions for medical expenses, for payments to a nursery school for taking care of the youngster while mother works and for interest payments on installment buying.

As the law allows you certain tax-free \$600 exemptions for yourself and your dependents, so it allows you certain amounts for such things as contributions, interest payments, state and local taxes, medical expenses, child care, some losses—even if you had none of them during the year.

In claiming the deduction, you deduct a certain amount from your income, thereby reducing the amount which is taxed.

Everyone is entitled to at least the standard deduction, which allows you approximately 10 per cent of your income for deductible outlays, even if you spent less than that or nothing at all. If you claim the standard deduction, you cannot claim it for more than \$1,000. In most cases it comes to less than that.

Standard Deduction. Taxpayers who file their return on the card form 1040A and those who figure their tax from the tax table in the official instructions take the standard deduction. It is automatically calculated in the tax these people owe.

Taxpayers who compute their own tax may take either a standard or an itemized deduction.

If your contributions and other deductible expenses come to more than the standard deduction allows, your best bet may be to list them all, in the spaces provided on page 2 of Form 1040. Listing each deduction item-by-item removes you from the percentage and dollar limits of the standard deduction.

The rest of this article is devoted to deductions which may be claimed if you itemize your deductions. It may be worth your while to add up your deductible outlays on a separate sheet first, to see if they give you a bigger deduction than the standard allowance.

Contributions are deductible if they go to religious, charitable, educational, scientific or literary organizations, so long as the organization is not operated for personal profit and does not carry on propaganda or try to influence legislation.

This means contributions to qualified Hungarian relief

groups, such as the American Red Cross and others, are deductible.

Contributions to the 1956 election campaign, to candidates or parties, are not deductible.

Child Care: You are not permitted to deduct for baby sitters fees when you go to the movies. Deductions for child care are designed primarily for mothers who are working or actively looking for work, or for a man who is divorced or legally separated or a widower.

Women and these eligible men may deduct up to \$600 a year, if it costs that much to have someone look after the child while they are at work or seeking work. The child must be the taxpayer's own child, step-child or legally adopted child under 12 or any other dependent who is physically or mentally incapable of caring for him-

self. Regardless of the number of children being cared for, the taxpayer may not deduct more than \$600, and may not deduct that much if the care actually costs less.

A working wife may claim the deduction only if she files a joint return with her husband. If their combined income is more than \$4,500 the deduction they may claim is reduced by the amount of any income over \$4,500. For example (\$100 higher than \$4,500) and their child care costs were \$400, they could deduct only \$300 (\$100 less than \$400).

You may not deduct amounts paid to one of your children to take care of another, or paid to some other dependent to care for your child. If you have a maid or housekeeper who looks after the child and also does something like cooking, clean-

ing or laundering, you may deduct only that part of her pay which represents the time she spends caring for the child.

Medical Expenses: Basically, you are allowed to deduct medical and dental expenses if they run higher than three per cent of your income. You do not deduct that first three per cent portion, but you do deduct the amount above that. If you are 65 or older, you may deduct all your own medical expenses.

There are ceilings in all cases. For instance, a single person claiming only the one exemption for himself is limited to a \$2,500 medical-dental deduction in one year; married couples filing a joint return are limited to \$5,000 if they have no dependent, \$7,500 with one dependent, \$10,000 if they have two or more dependents. You may deduct payments to

physicians, surgeons, dentists, optometrists, qualified psychologists and Christian Science practitioners. Also the expenses of diagnosis, treatment or prevention of a disease; hospital bills, nursing, laboratory services; eyeglasses, hearing aids, drugs (any amount spent for drugs over one per cent of your income), medical and dental supplies (including false teeth and artificial limbs), ambulance hire and health insurance plans which cover the cost of medical care.

Note: If you receive payments from a health insurance plan, or are otherwise repaid for your medical or dental expenses, your deduction is reduced accordingly.

Storm Losses: Generally, the deduction you may claim for storm, flood or other casualty

damage to your property is the difference between the value of your whole property immediately afterwards (before you clean it up). This applies whether you lose a bush or a house.

You may not deduct the cost of repair or replacement; just the lost value. Sentimental value does not count. The loss you claim may not be greater than what you paid for the property.

Interest: The interest you pay on a mortgage or a personal loan or bank taxes may be deducted. It is clearly designated and easily reported.

On many installment purchases, there may be no interest fee as such, but a carrying charge which includes the interest. The law tells you how to figure the interest: Calculate how much you owed on your purchase at the start of each month; add these amounts, di-

vide by 12, take six per cent of the answer and report it as interest. The deduction may not exceed the total carrying charge for the whole year.

Taxes: As a general rule, you can deduct most state and local taxes imposed directly on you, such as income, real estate and personal property and sales taxes. You may not deduct: Federal sales or excise taxes, federal social security taxes, hunting or dog licenses, water taxes or auto inspection fees.

Let me repeat: You may not claim any of these deductible items unless you list all your deductions one-by-one; you may not claim them if you take the standard deduction.

Friday: Deductions for sickness or injury; tax benefits for persons with pensions or annuities.

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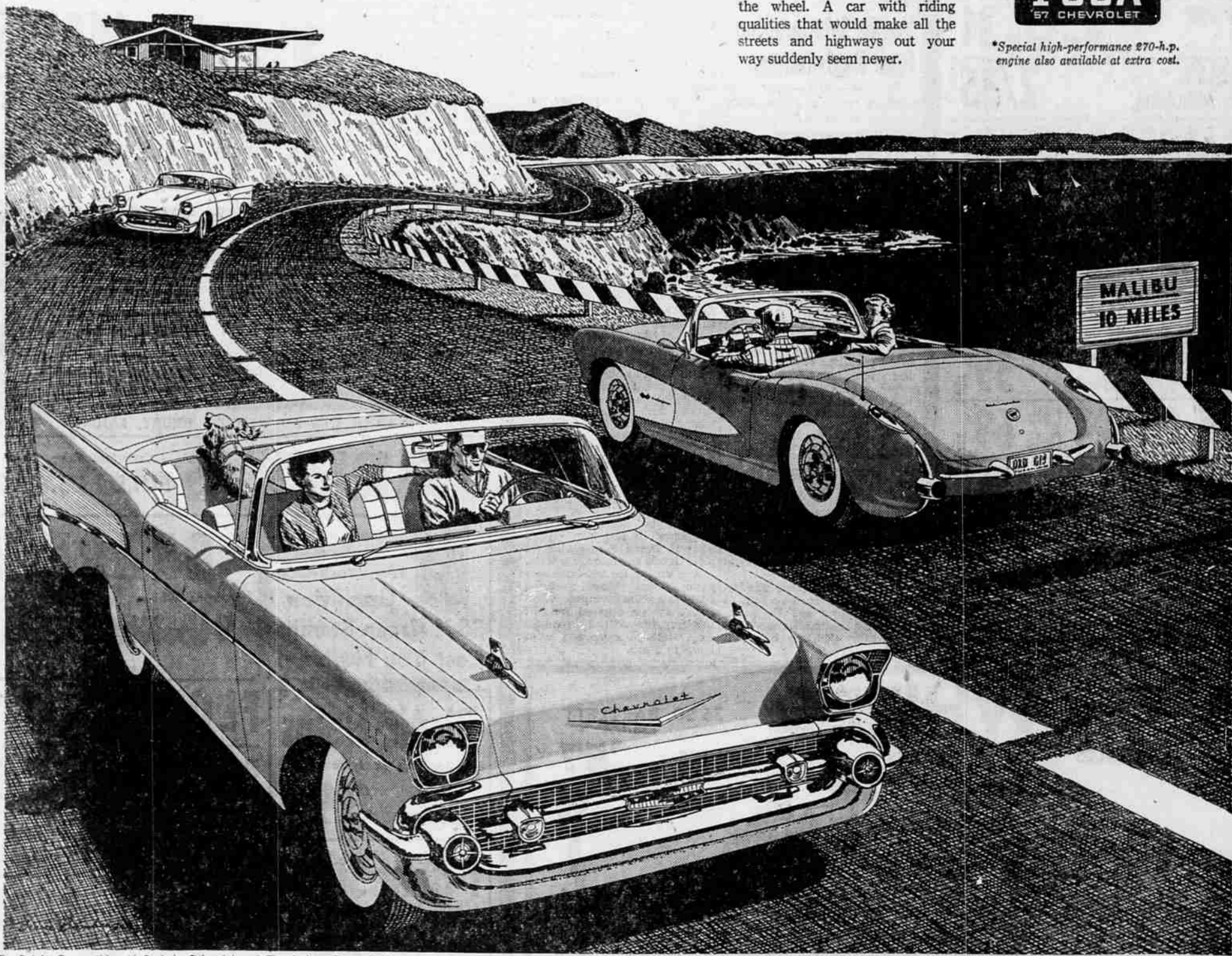
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The Bel Air Convertible with Body by Fisher (above). The dashing Chevrolet Corvette (at right).

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Klamath Welfare Probe Ordered

Salem—(U.P.)—Investigation of complaints against the operation of the Klamath County Welfare Commission has been ordered by State Welfare Administrator Jean Jewett, Gov. Robert D. Holmes announced today.

Gov. Holmes said a petition with 76 signatures had been received by his office charging the Klamath county agency with "unequal and shameful treatment of welfare cases" and blaming it with the situation leading to a shooting incident there last month.

One commissioner was killed and two persons injured in the shooting.

Miss Jewett said she was ordering a full scale investigation into the charges and that the commission's assistant attorney general would go to Klamath county next week to take testimony from the signers.

Seamen Quit Work in Tribute to Lundeberg

San Francisco—(U.P.)—Thousands of seamen aboard ships in American and Canadian ports quit work today in tribute to the memory of maritime leader Harry Lundeberg.

Funeral services for Lundeberg were scheduled this afternoon with interment to follow at Olivet Memorial park in nearby Colma.

Lundeberg died Monday of a heart attack. He was secretary-treasurer of the Sailors Union of the Pacific; president of the Seafarers International Union of North America; head of the AFL-CIO Maritime Trades Department; and belonged to several international trade union groups.

FIRE TOLL REACHES 10
New Haven, Conn.—(U.P.)—The death toll in last Thursday's garment factory fire rose to 10 Wednesday night with the death of Mrs. Teresa Sulo, 43. The other nine victims were burned to death during the fire which swept a four-story loft building.

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