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Choice of Methods Given To Claim Deductions on Income Tax Returns

Editor's note: Following is the fourth in a series of five articles designed to help taxpayers in filling out and filing their 1958 income tax forms. The series was prepared especially for United Press by Russell C. Harrington, commissioner of internal revenue.

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(Written for United Press)

Washington—UP—Some of the money you spent last year is deductible from your income when you are filling out your tax return.

The law permits taxpayers to subtract certain amounts for doctor and other medical bills, state and local taxes and some child care and losses. It also gives you a choice of methods to claim these expenses.

The effect of the deductions on your tax is the same as with the $600 exemption you are allowed for yourself and each of your dependents—that is, it reduces the amount of income on which you pay tax.

The first method for taking your deductions is to use the "standard deduction." This gives you a deduction equal to 10 per cent of your income. You may take it even if your expenses didn't come to that. However, you can't deduct more than $1,000 with the standard deduction.

Worked Into Tables

If you file your return on the card form 1040A, or use only the first page of Form 1040 and the tax table included in the instructions you are automatically claiming the standard deduction. It was worked into the tables.

If you decide to figure out your own tax, you may either use the standard deduction or make an item-by-item list of your deductible expenses. The best way to decide whether to use the standard deduction is to make your own list of these expenses and compare the total to what the standard deduction would give you.

Should you decide to submit the itemized list, the deductions go on Page 2 of Form 1040.

To help you compute which of your expenses are deductible, here is a rundown of the items that may be included:

Contributions —Deductible if they go to religious, charitable, educational, scienfic or literary organizations. However, the organizations must not be operated for personal profit nor carry on propaganda or lobbying in congress or other lawmaking bodies. Political contributions, whether to parties or individual candidates, may not be deducted.

Child Care Deductions

Child Care—Deductible if paid for care while the mother is working or looking for a job, or by men who are divorced, legally separated or widowers. The deduction may be as much as $600 a year. It may be applied only against care for your own child, a legally adopted child or stepchild younger than 12, or any other dependent physically or mentally unable to care for himself.

Regardless of the number of children being cared for, you cannot deduct more than $600, or even that much if the care costs less. The deduction can be claimed by the working wfe only on a joint return with her husband.

If the couple together earns $4,500 or more, the deduction must be reduced by the amount over $4,500. That is, if their income was $4,700 and the child care expenses were $500, they could claim only $300 on the tax return.

Some child-care payments you may not deduct are for baby-sitters when you go to the movies or for money paid one or more of your children or dependents for caring for your other children. If you have a maid who does general housework as well as caring for your children, you may deduct only for the part of her pay that represents the time spent looking after the youngsters. If you claim a child-care deduction, you must submit details either on Form 2441, new this year, or on a separate statement.

Medical Expenses

Medical Expenses—Basically, you may deduct medical and dental expenses which amount to more than 3 per cent of your income. The first 3 per cent portion of medical bills may not be deducted unless you are 65 or older. Taxpayers in that age group may deduct their total medical expenses.

In addition to the 3 per cent rule, there are ceilings on the amount of money you may deduct for medical expenses. Taxpayers claiming only themselves as exemptions cannot deduct more than $2,500 for one year's medical-dental expenses. Married couples with no dependents are limited to $5,000 on a joint return; with one dependent the ceiling is $7,500 and with two or more dependents $10,000.

The list of deductible medical items includes payments to physicians, surgeons, dentists, optometrists, qualified psychologists and Christian Science practitioners. Also deductible are the expenses for diagnosis, treatment or prevention of disease; hospital bills, nursing, laboratory services; eyeglasses, hearing aids, drugs—the amount paid for drugs over 1 per cent of income only—medical and dental supplies, including false teeth and artifical limbs, ambulance charges and health insurance plans covering medical care. Your deduction for medical expenses must be reduced by the benefits you received under health plans during the year.

Storm Losses — Generally, the deduction allowed for storm, flood or other damages to your property is the difference between the property value just before the damage and its worth after the storm or other event (before you make repairs). The rule applies on loss of anything from a bush to the whole house. The cost of repairs or replacement may not be deducted—just the loss in value. You may not claim a loss greater than your original cost for the property and sentimental value does not count.

Interest Deductible

Interest Payments — Your interest on a mortgage, personal loan or back taxes may be deducted. These are usually clearly marked on your bills.

When you have an installment purchase on which interest fees take the form of carrying charges, the law provides a formula for computing interest. First, find how much you owed on the purchase at the beginning of each month. Add these amounts, divide by 12 and compute 6 per cent of that figure. The final answer is your interest, which cannot be more than the total carrying charge for the year.

Taxes—Most state and local taxes directly levied on you may be deducted. These include income, real estate, personal property and sales taxes. They do not take in federal sales and excise taxes; federal social security or income taxes; hunting or dog licenses, water assessments or automobile inspection fees.

Finally, remember that you need worry about what expenses are deductible only if you decide to itemize your deductions. If you take the standard deduction, you may not claim other single items of expenses.

INCOME TAX TIPS

Washington — UP — The government wants you to know that you cannot deduct from your income taxes the money you gave Junior for cutting the grass.

It seems a little black-and-white illustration in "Your Federal Income Tax," an official guide, has given some parents the wrong impression on this point.

The illustration shows a youngster pushing a lawnmower. Beneath it was the rule that parents may deduct as a business expense wages paid to their children.

It should have said that to be deductible the wages must be for work that is part of the parent's regular business.

The Internal Revenue Service has received several hundred inquiries about deducting lawnmowing and similar "chore wages" paid to children.

If you're not in the lawnmowing business, you can't do it.

Medford Students Win Recognition

Corvallis — Karl Douglas Cummings and Kenneth Ralph Arnold of Medford have won recognition for outstanding scholarship at Oregon State college.

They are among 32 students who will be initiated Feb. 20 into Phi Eta Sigma, national scholastic honor society for freshmen. Membership in Phi Eta Sigma is the highest scholastic honor open to freshmen at OSC.

Cummings is majoring in engineering. He is the son of Mr. and Mrs. C. E. Cummings of 1900 Cherry Heights.

Arnold, also majoring in engineering, is the son of Mrs. Edith H. Arnold of 912 West Eleventh st.

Both are 1957 graduates of Medford High school.

Disabled Vets May Get Tax Exemption

Disabled war veterans and their widows should apply for state property tax exemption by April 1, Ray Schumacher, Jackson county assessor, has reminded residents.

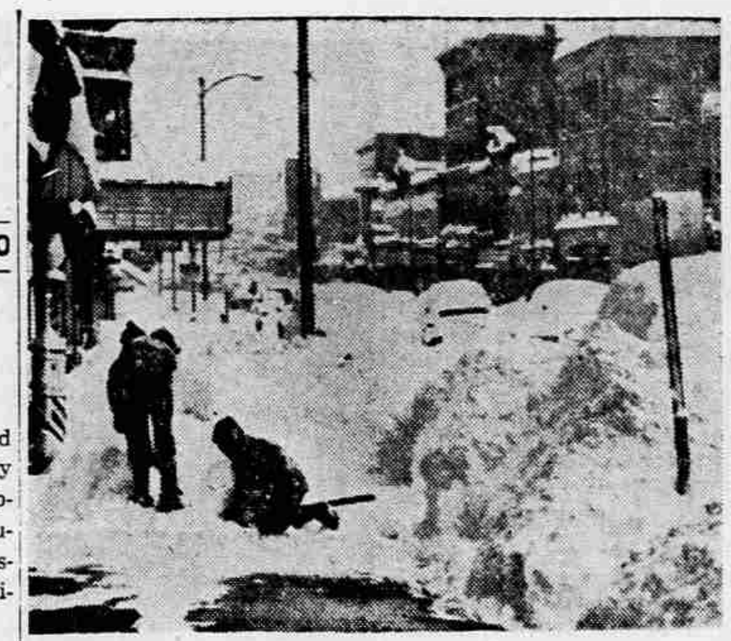
"Application for tax exemption for $7,500 true cash value of the property must be filed with the county assessor on or before April 1 of each year," Schumacher said.

Those entitled include war veterans with 40 per cent disability or more as certified by the Veterans administration or the armed forces, regardless of the amount of income, unremarried widows regardless of income. Pensioned widows of Spanish American War veterans and veterans who get an extra $500 exemption regardless of disability or income, the assessor said.

Veterans with 40 per cent disability who are so certified by private physician or county health officer rather than by the Veterans administration or armed forces are also entitled. However, in these cases they must not have received more than $2,500 total gross income in the past year, Schumacher said.

Additional information is available from the county assessor, or the county service officer of the department of veterans affairs, he said.

Average yield of corn on U.S. land is 33 bushels to an acre, but yields of 140 bushels to the acre are not uncommon and there are reports of yields as high as 225 bushels an acre.



DIGGING OUT—Residents of Michigan City, in northern Indiana, are digging out of snowstorms which isolated the area for several hours, as four to five feet of snow fell. Drifts up to 18 feet high have accumulated in some places. The weatherman says there is new threat of additional snow in the area.

Nine Apartments Sold in Manor

Mel Hogan, president of Rogue Valley Manor, has reported that nine additional apartments had been sold within the past week to residents of the Rogue valley bringing the total sold to date to 85. Another 57 apartments must be sold before actual building can begin.

Hogan announced the sales at a meeting of volunteer workers who meet each morning. The meetings began last week and will continue until the first quota of 142 apartments are sold, he said.

George Flanagan, trustee-treasurer, noted that retirement home enterprises are slow in gathering momentum, and especially until half the apartments are sold and building starts.

Walter Higgins, executive director, reported the new philosophy of the Manor management concerning the sales effort. To date, he said, the majority of the apartments have been sold to Oregonians.