

Troublesome Questions About Taxes On Certain Kinds of Income Answered

Editor's note: This is the last of five articles designed to assist in filling out and filing federal income tax forms. The series was prepared especially for United Press by Russell C. Harrington, commissioner of internal revenue.

By RUSSELL C. HARRINGTON
Commissioner of Internal Revenue

(Written for United Press)
Washington — In the fifth and final article in this series, I shall try to answer some often troublesome questions about taxes on certain special forms of income.

Broadly speaking, there are special rules affecting taxes on pay while you are sick, dividends you receive and money from annuities and pensions.

Sickness and Injury
Exempt from tax is money received as compensation for your injury or sickness.

Sick Pay
If you are protected by a plan financed by your employer which continues your wages while you are absent from work because of injury or illness, you may exclude from your income up to \$100 a week of such payments.

There are several special rules governing sick pay allowances that can be best explained with several examples.

If you are sick at home for seven days or less, the pay you receive may not be excluded from your income. It is fully taxable unless you are hospitalized at least one day of your sickness.

If you are hospitalized for at least one day, you may exclude the entire amount of pay you receive during your period of sickness, up to the limit of \$100 per week, whether you are sick for less than a week or for many weeks.

If you are sick at home for more than a week without ever being hospitalized, the pay you receive after the first week may be excluded from your income — one-fifth of your weekly pay (but not more than \$20) for each day missed if you are on a five-day week; one-sixth (but not

more than \$16.67) if you are on a six-day week.

You may deduct your pay (again up to \$100 a week) for the entire time you are absent from work if the absence is caused by injury — received on the job or elsewhere.

If you make any claims under these provisions, be sure to attach a statement or our new Form 2440 to your return to support the claim.

Dividends
You may deduct the first \$50 of dividends you received during the year. You also may take a credit against your tax up to 4 per cent of the amount of dividends above \$50.

Generally speaking, these rules apply to dividends paid on the common and preferred

stock of U. S. corporations. They do not apply to so-called "dividends" paid on withdrawable savings accounts at savings and loan associations, mutual savings banks and the like.

Another stockholder received \$110 of dividends. He reports the \$110, excludes the first \$50 and pays tax on the other \$60. Of the \$60 included in taxable income, he may take a 4 per cent (or \$2.40) as a credit against the final amount of tax he owes. That is, he may subtract the \$2.40 from his tax liability and pay the remainder.

Next, consider a man and

his wife, he with \$60 of dividends and she with \$40. He reports \$60, pays tax on only \$10, and takes 4 per cent of the \$10 as a credit against his total tax. She reports and excludes her entire \$40. She may not apply her unused allowance of \$10 to her husband's excess, even though they file a joint return.

For persons with investments in certain regulated investment companies—mainly mutual funds—there is a new credit allowed this year in-

volving undistributed capital gains. You must file Form 2439, which your investment company will send you. It contains instructions on how to fill it out.

U. S. Savings Bonds
If you report your income on the cash basis you do not have to pay tax on the interest until you receive it. In the case of E Bonds, that is not until you cash them in. Then you list the interest with the rest of your income and pay the tax due on the total. Note:

On an E Bond, the interest is the difference between the purchase price and the value of the bond at the time of redemption, whether you hold the bond to full maturity or not.

Retirement Pay and Annuities
You owe no federal income tax at all, and need not report, social security benefits, railroad retirement act pensions, veterans pensions, benefits to families of veterans, or payments for injury or sickness to military person-

nel disabled in active service. Provisions for other kinds of retirement 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 during the years you were working come back to you tax free. On the other hand, if your employer footed the bills, you are taxable for the payments as you receive them now. However, if you paid taxes on the contributions as he was making them to your pension fund, or if you paid part of the cost, you may now receive tax free the portion you paid in or paid taxes on.

These 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 \$240 per person.

To be eligible for this credit, you must have reached 65 by the end of 1957, unless you were a civilian employee of federal, state or local government, or a member of the armed forces, and are receiving income under a public retirement system.

Retirement Income
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 either case does retirement income include money you are now earning, 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 10 years prior to 1957. The 10 years do not have to have

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Intelligent Persons Choose When To Play Their Hunches

By DELOS SMITH
United Press Science Editor

New York — Although you may want to argue about it, scientific experimentation has shown that more intelligent persons choose when to play their hunches while less intelligent persons play their hunches. Psychologists



Delos Smith

have been striving to understand the so-called gambling "instinct." They have found that people generally like to risk a loss in order to obtain a gain, even when they could have had the gain without risking the loss. They've also found that poor odds-figures are poor odds-gamblers. This has been shown by a number of experiments in which sizeable groups were asked to figure the probability of a personally desirable thing happening.

Used Statistical Rules

These persons figured the probability was higher than it was actually when figured according to strict statistical rules, which explains why betting on long shots and trying to fill straights from the inside are popular pastimes.

Now comes H. C. A. Dale, of the British Research Council who undertook to find out what all this has to do with intelligence or lack of it.

He gave to 40 persons the task of finding an object which might be in a number of places. There are two ways of going about such a task. You can go about it systematically and move from possible place to possible place in some kind of orderly manner, say, from left to right.

This way you're certain to find the object although if your luck is bad, it will be in the very last of the places where it could have been. Or you can go about it on a hunch basis. This way you flit about at random. With luck, you find it quickly. Without luck, you may never find it because of the risk of forgetting where you've looked and of overlooking

places where the object could be.

Measured Intelligence
Of Dale's 40 persons, 22 played the game the hunch way which, when you think about it, doesn't make much sense. Dale then measured the intelligence of these 22 by psychological testing, and found that they were less in-

White to Address Farm Loan Meeting

Harold White, superintendent of Southern Oregon Experiment station, and E. C. Prestbys, attorney for the Federal Land Bank of Spokane, will address the annual meeting of the Southern Oregon National Farm Loan association in Gold Hill Feb. 26.

About 100 farmers and rancher members of the association from Jackson and Josephine counties are expected to attend, according to F. E. Bowman, secretary-treasurer. Registration will be at 11 a. m., with a free dinner at noon, followed by the business session. The meeting will be held in the Gold Hill Grange hall and the dinner will be served by Gold Hill Grange ladies. Entertainment will be provided by the Crater High school dance band.

Bowman said association members will elect two directors for a three-year term. The terms of Andrew E. Stevens of Medford and Albert L. Straus of Gold Hill expire this year. The annual report on association activities will be made by Oliver H. Roundtree of Williams, vice-president of the association.

Reserve Requirements Of Banks Reduced

Washington — The government has released up to three billion new dollars that U. S. banks may pump into the nation's faltering economy.

In its most sweeping anti-recession action since abandoning the "tight money" policy, the Federal Reserve Board Wednesday cut the reserve requirements of its 6,400 member banks by \$500 million.

telligent than the 18 who had searched for the object systematically.

But rather than answering a question, this result asked one. Had superior intelligence permitted the 18 to figure out in advance that the laws of probability made the systematic way more likely to be profitable than the hunch way?

Dale found that the 18 actually were no better at figuring odds than were the hunch players. They, too, had had hunches, but they had chosen to put their hunches to one side. In short, they had hunch-control, and the less intelligent didn't.

27 Initiated Into Knights

Twenty-seven members were initiated into the Knights of Columbus at ceremonies last Sunday. The third degree was conferred late that afternoon.

Joe McCormick of Portland conducted the third degree, assisted by a ritualistic team from Klamath Falls and aided by Otto K. Smith.

New members initiated included Thomas W. Dugan, Francis D. Harden, Donald C. Jackson, James E. Messer, Neal J. Murphy, Frank B. Pallo, Donald E. Prom, James A. Redden Jr., Martin Spielbush, Dr. Mario J. Compagna, William F. Crowning Jr., Edward E. Ford, Theodore C. Holmes, William L. McKibbin, Robert Messer, James C. Murray, Dr. John Porto, John L. Raapke, Gerald J. Scannel Jr., and Robert B. Sutton, all of Medford.

Others were William H. Baum and John E. Walker, Central Point; Ernest H. Cooper, Gold Hill; and Michael J. Barrett, Raymond J. Salisbury, Paul Berg and Charles Snell, all of Grants Pass.

About 100 attended mass at Sacred Heart Catholic church, which was followed by a breakfast in the church annex. More than 175 attended a banquet at the Rogue Valley Country club.

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40 To Be Initiated Into Local Elks

A class of 40 candidates will be initiated into the Medford Elks club as part of the lodge's observance of the 90th anniversary of the Benevolent and Protective Order of Elks. Initiation ceremonies are scheduled next week, Elks officials said.

The Elks club was started in New York City, Feb. 16, 1868, when 15 actors, musicians, theatrical managers and others in show business organized a society for social purposes and to aid people in distress.

Charles A. S. Vivian, a singer, was leader of the group, which during the past 90 years has grown to a nationwide organization with more than a million members in 1,815 clubs.

Among projects by the Elks are youth projects, including the annual Student Government Day project sponsored in this area by the Medford Elks lodge. The program originated in Medford, and has received national recognition.

Salem — The Oregon Livestock and Poultry Feeders association has been formed here.

Salem — The State Agriculture Board meets here next Tuesday and Wednesday.

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Sudan To Take Case To Security Council
Khartoum — The Sudan, abandoning hope that its border dispute with Egypt could be settled by local negotiation has decided to take its case to the UN Security Council.

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