Income Tax Payable on Money Earned by Interest, Dividends Above $50

Editor's note: This is the last of five dispatches on how to prepare your income tax in the most economical manner. Today's dispatch covers payments and allowable deductions on interest, dividends, sick pay and taxes.

By EDWARD COWAN

Washington – (UPI) – You must pay income taxes not only on the money you earn but also on the money your money earns.

That means that all the interest you received last year, and dividends above $50, are taxable.

Interest is taxable even if you only had it credited to a thrift account and did not take it in cash. Interest on a loan is taxable even if the principle itself was not paid back to you. (There are, however, provisions for taking bad debt deductions.)

Dividends, although taxable, come in for special treatment in two ways:

–The first $50 you received in 1960 is not taxable.

–Generally you may take a credit against your tax of 4 per cent of dividends above $50.

Suppose, for example, a taxpayer received $30 in dividends in 1960. He reports this on his return but does not include it in his taxable income because it is less than $50.

Another taxpayer received $85 in dividends on his stock. He reports that but pays tax only on $35. He may also take 4 per cent of the $35 ($1.40) as a credit against his tax.

One Exclusion

In a joint return, a husband and wife may not combine their $50 exclusions. Each may take one exclusion separately. Suppose he received $70 of dividends and she received $20 and takes a tax credit of 80 cents (4 per cent of $20). Her $20 of dividends also is reported on the return. It is not taxable. Her unused allowance of $30 is not applicable to the husband's dividends.

These rules apply to dividends paid on the common and preferred stocks of fully taxable U. S. corporations. They do not apply to the so-called "dividends" of savings and loan associations, mutual savings banks and similar institutions. These "dividends" are actually taxable interest.

Dividends on life insurance policies are not considered income for tax purposes.

U. S. Savings Bonds – Holders of these bonds need not report the interest they receive each year. They may defer reporting this income until the bonds are cashed.

On Series E Savings Bonds the interest is the difference between the purchase price and the bond's present cash value.

Must Stick to It

A taxpayer also may elect to report the interest each year instead of waiting until he cashes his bonds. If he chooses yearly reporting he must stick to it, even for bonds he acquires in the future. To change to deferred reporting he must first get permission from the revenue service.

Sick Pay – You may deduct up to $100 a week of sick pay under certain conditions.

If you were sick at home for more than seven consecutive days, the pay you received starting with the eighth day may be excluded from your income. You may deduct 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 your work a six-day week.

You may deduct sick pay starting with the first day if you are away from the job because of injury, no matter where suffered, or if your illness caused you to be a hospital patient for at least one day. Again, you may not deduct more than $100 a week.

Must Attach Form

If you claim sick pay deductions, be sure to attach Form 2440 to your return to support the claim. This form can be obtained at your nearest Internal Revenue service office.

Retirement Income – There are several special rules governing taxation of retirement income. If you received retirement income in 1960 and have any doubt about how to treat it on your tax return, consult your tax adviser or the Internal Revenue service.

Retirement income which is not taxable and need not be reported includes Social Security payments, Railroad Retirement act pensions, veterans pensions, benefits to families of veterans, or payments for injury or sickness to military personnel disabled in active service.

Whether other retirement income is taxable, and how much, depends on several things, especially whether you or your employer or both of you made contributions to the pension fund and whether taxes were paid.

There also are provisions for special retirement income credits.

Persons 65 or older should remember that by virtue of their age they are entitled to two $600 exemptions, or a total of $1,200. (See dispatch II of this series.)

Regardless of your age, retirement income does not include money you are now earning by work.

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A HAPPY FAMILY – The Shah of Iran and his commoner wife, Farah Dibah, shown at left, and their son, Crown Prince Reza Pahlevi, right, are a happy family. The Shah had waited 20 years for this heir to the Peacock throne. (UPI Telephoto)

Shah of Iran Radiantly Happy As Son's Future Plans Made

Tehran—(UPI)—The proud handsome man and his beautiful young wife stand hand-in-hand, peering down at the sleeping infant. They look at each other and smile, then steal silently from the room.

The Shah of Iran has waited 20 years for this. He lives it every second of his waking hours.

The 2,500-year-old peacock throne at last has an heir.

With the birth Oct. 31 of Crown Prince Reza Pahlevi of Iran, the gloom that has hung heavily on the handsome ruler of this ancient kingdom has vanished.

The Shah, his commoner wife, former student Farah Dibah, and their baby son are a happy family. The palace radiates with love. As one courtier said: "There's a constant sparkle in the eyes of both the shah and the queen."

Now that the initial excitement has tempered down, people are looking ahead. Their natural question is: What do the Shah and Farah plan for the future ruler of Iran?

Recently the queen said her child would be trained and educated mainly in his home. This, she indicated, would enable him to grow up among his own people and know their needs.

He would go abroad only for his university education, possibly Switzerland, where the Shah himself studied.

But already the palace is going ahead with its preparations. A team of top local educators is being assembled. It is said little Reza will have Iranian tutors as well as Swiss and British.

The shah, sportsminded and physically fit himself, wants his son to grow up to be a strong and healthy young man, interested in sports. So he has picked his own team of physical culturists for the job.

Meanwhile, the baby prince lives his days in a palace within a palace—not 50 yards from his royal parents' private suite.

Special Clothes

Over him watches attractive French nurse Jeanne Guyon. Late evenings and early mornings, Miss Guyon wraps the baby in special swaddling clothes and carries him to the queen for his three-hourly feedings.

There's a special telephone link between the nursery and Farah's room. If the baby cries too insistently, Farah is at his side in a matter of minutes.

The warmth of the family group is seen every day. When the palace clocks chime one p.m., the proud father and his wife go hand-in-hand to the nursery.

"How's our son?" the Shah invariably asks.

Pride glints in the dark eyes of the Shah these days.

Volunteer Observers Are Listed in Bureau's Book

A Jackson family and three southern Oregon residents are among those cooperative weather observers who receive special mention in a booklet dedicated recently to these volunteers by the U.S. Weather Bureau.

The observers record the high and low temperatures each day, the 24-hourly amounts of rain and snow and several other weather elements for the community in which they live. This 365 day a year public service is carried on without compensation in any form, it was pointed out.

The booklet is divided into two chapters. The first contains a brief resume of the cooperative observer program. The second deals with the accomplishments of several of the outstanding observers in each state. In Oregon there are about 300 of these cooperative observers.

Special Mention

Two families and 11 individuals have received special mention in the booklet. Among these are the Britt family at Jacksonville, H. B. Howell with 35 years of combined service at Grants Pass and the Astor experiment station; J. Ludo Grieve, Prospect, and Mrs. Christine B. Harr, Copper.

Grieve retired in 1960 after serving more than 35 years at Prospect. He became the Prospect observer in November, 1925. From that time forward the weather records have been outstanding in their completeness, legibility and accuracy, the booklet stated.

The California Oregon Power company Prospect installation, of which Grieve was superintendent, included four separate plants.

Rainfall Reports

Besides the monthly climatological reports forwarded to the Weather Records Processing center each month, he provides the Medford weather bureau river district office with reports whenever heavy rainfall occurs that would be a threat to life or property through flooding along the Rogue river and tributaries.

Grieve has also kept careful climatological summaries of the Prospect weather for the operating use of his company.

Salem Resident Is Traffic Victim

Salem – (UPI) – John W. Unruh, 74, Salem, was killed instantly near here Friday after apparently stepping in front of a moving car. State police said the accident occurred on Liberty road near the south city limits.

Ernest Kent Lindon, 19, Salem, driver of the car, was not cited. It was Oregon's 37th traffic fatality of the year and third for the month of February.

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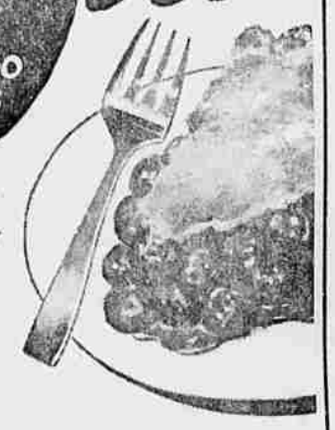

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