

### Tax Cut To Aid Citizens As Well As Big Companies

This is the sixth of a series of articles explaining how the new tax revision act affects individuals.

By CHARLES F. BARRETT

WASHINGTON (AP) — A tax cut hailed chiefly as a boon to corporations actually will benefit more individual taxpayers than any other one part of the new tax revision law.

Experts estimate almost 10 million persons will pay reduced income taxes next spring because of much faster deductions for wear and tear on new equipment or buildings.

A farmer can benefit if he gets a new tractor or barn; a grocer or other shopowner can benefit if he buys a new display counter; a lawyer can benefit on books for his law library; a doctor gets a tax cut on new medical equipment; a landlord benefits on permanent improvements to his property; even a writer can benefit if he buys a new typewriter.

Altogether, individual taxpayers are expected to get tax reductions from this provision amounting to 73 million dollars the first year, much more later. The same provision will cut taxes on an estimated 600,000 corporations by about 291 million dollars the first year.

You can claim depreciation deductions on buildings or equipment which are used in producing income and which have a useful life of three years or more. You can't deduct, for example, on a home or car not used in business. If the useful life is less than three years, you deduct the cost of the item as a regular business expense but not as depreciation.

Depreciation deductions are spread over the years of useful life of an item. They add up eventually to the total cost of the item. They are deducted from your income, before you apply the tax rate.

The new law permits much bigger deductions on new equipment or buildings in the first years of useful life. That means smaller deductions toward the end of the period of useful life. For millions of taxpayers, it means substantially lower taxes over the next few years.

And you can wind up with a big overall tax cut if you sell the item before its useful life is over—after taking the big deductions in the early years.

The more liberal treatment applies to new equipment bought after last Dec. 31, or to construc-

tion started after Dec. 31. If construction was started before then, but completed later, the more liberal allowances apply only to that part of the construction cost after Dec. 31. The new deductions may be claimed in 1954 tax returns due next April 15.

Note: You can't claim the new deductions if you buy used equipment. The old rules still apply in that case.

Under the old law, generally you figured the useful life of the new item and deducted the cost in equal annual installments over that period. Thus a \$10,000 item with 10 years of life would mean a \$1,000 deduction each year for 10 years. This is called the "straight-line" method.

Under the new rules, you are given several possible new methods of figuring deductions. The most important are called the "declining balance" method and the "sum of the years' digits" method. They sound frightfully complicated, but they aren't so difficult when you sit down to work them out.

Under the declining balance, first you figure the percentage deduction allowed each year under the old law. In the example above, that would be 10 per cent. Then you double the percentage. In this example, you get 20 per cent.

Now, for the first year, you deduct that percentage from the total cost. Thus the first year you get a deduction of \$2,000 instead of \$1,000. And each succeeding year, you apply that same 20 per cent to the remaining balance of the cost — not to the entire cost. You have already deducted \$2,000, so in the second year you would deduct 20 per cent of \$8,000, or \$1,600. The third year you would deduct 20 per cent of \$6,400, or \$1,280.

In the first three years under the declining balance method, you would deduct \$4,880 instead of the \$3,000 under the old law. At a 25 per cent tax rate, that would be an actual tax cut of \$470 the first three years.

Under the "sum of the years' digits" plan, the rate of deductions is a fraction. The denominator of the fraction is constant—the sum of all the numbers in the useful life. In the example above, that would be 1 plus 2 plus 3 and so forth up to 10. That gives you a denominator of 55.

The numerator of the fraction starts with the number of useful years, or 10. It declines by one number each year. Each year you apply this fraction to your total



THE LOCAL STATE CHAMPION American Legion Drum and Bugle Corps successfully defended its title at the Coos Bay convention a few weeks ago, adding another page to the bright record the corps held in the 1930's. Presenting the large loving cup to Drum Major Dick Gallagher (right) is Governor Paul Patterson.

cost, to figure the deduction. Thus the first year your deduction in this example would be 10-55ths of \$10,000, or \$1,818. The second year it would be 9-55ths of \$10,000, or \$1,636. The third year it would be 8-55th, or \$1,454; and so forth until the tenth year your deduction would be 1-55th, or only \$182.

In this case, your deductions the first three years would total \$4,908. This compares with \$3,000 under the old straight-line method — an additional deduction of \$1,908. If you're in a 25 per cent tax bracket, that would be an actual tax cut of \$477 the first three years.

Still other methods are allowed, but none of the others may exceed the declining balance rate at any one point during the first two-thirds of useful life. You can use the declining balance method for part of the period, and then shift at any time to the straight-line method of deducting your remaining balance of cost.

### KF Legion Drum And Bugle Corps Repeats '30s Fame

The martial music of Klamath Falls' state championship American Legion Drum and Bugle Corps sounds a familiar note in the ears of oldsters who watched that organization put Klamath Falls on the map in the 1930's and are witnessing a repetition of that fame in the 1950's.

The corps was first organized in 1933 when the state convention was held in Klamath Falls. Being host town the local group couldn't compete for the trophy, but members put their best feet forward and the following year they had crossed

the threshold to championship. Under the able direction of Bob Elder, the first drum major, the Klamath Falls corps successfully defended its title in 1935.

In 1936 Klamath Falls relinquished the crown to Portland but made a quick comeback in 1937 — which, incidentally, lasted through 1939.

That year, the corps refused the large revolving loving cup to spike rumors that rival groups planned to disband since the revolving cup had ceased to revolve and seemingly held a permanent place here. So, at the 1939 convention in Salem, Klamath Falls returned the cup to competitive circulation.

Competition took a new turn in the years to follow, when war between nations cancelled contests between corps, and the local corps, like most, disbanded. But the war ended, and in 1952, Klamath Falls again held the position of host city to the state American Legion convention. Dick Gallagher, formerly drum major with the Sons of the American Legion Drum and Bugle Corps — also champions (but therein lies another tale!) — was asked to or-

ganize another host corps. Again, the novice group was ineligible for competition, but, again, members had their feet in the door and the following year walked through that door marked "champs." This was at the Seattle convention after only one year's organization.

Recently, the corps successfully defended that state championship title. Now they anticipate taking their talent even farther than state boundaries; they hope to represent Klamath Falls in Washington, D.C. at the national convention and compete for national honors.

A fund established very recently by the State American Legion to send the championships corps to national is too new to be of much help to these 30 musicians; but lack of appropriation support hasn't sounded a death note to their trip yet. The corps plans to raise funds themselves to support the journey.

Members of the corps include Dick Gallagher, drum major, who also holds the state championship drum major title; Sharon Schwartzmiller, state champion drum majorette; Bob Fredrickson, state champion bugler and local director; Jerry Withers, state champion snare drummer.

Joe Cogdill, Clint Lorber, Ted Otterbein, Stan Exell, Jack Otterbein, Jim Herbert, F. S. (Red) Schilling, Rex Dye, Tom Young, George Baumgardner, George Demetrakos, Mike Eitrem, Louie Bath, Bruce Hall, Clarence Adreon, Dick Adreon, Leon Adreon, Don Horn, Herman (Bud) Steinsiefer, Warren Feit, Fred Floetke, Arthur Schwartzmiller.

There's a postscript to the corps' story: Four of the members were inducted for championship as members of the Sons of the American Legion Drum and Bugle Corps. They were George Demetrakos, bass drum; Jack Otterbein, snare drum; Steve Green, color guard and Dick Gallagher, drum major, and the oldest member, Young, was a member of the first organized championship corps. History so far has repeated it-

self — to the credit of Klamath Falls. That the record will continue is not doubted by the many who have been entertained by the Klamath Falls corps in their many invitational public appearances.

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