

Taxes On Annuities, Life Insurance Cut By New Law

By CHARLES F. BARRETT
 WASHINGTON (AP)—More than a million taxpayers will get a tax cut under new rules for taxing income from annuities or life insurance included in the grant tax revision act just passed by Congress.

The new rules apply to income received after Dec. 31.

In annuities, you generally pay so much a year to an insurance company. Then at a fixed age or year, you get back so much a year for the rest of your life, or for a fixed number of years.

The big question, taxwise, is how much of the money paid to you is simply a return of the money you paid in—and how much is interest or profit and therefore taxable.

Under the old law, you first figured the total amount you paid in—the total cost of the policy to you. Then you were taxed each year on 3 per cent of that cost. The remaining annuity income was tax-free.

For example, say a policy cost you \$10,000 and at age 65 you were to get back \$1,200 each year for the rest of your life. Under the old law, 3 per cent of \$10,000, or \$327, would be considered taxable income each year. The other \$873 a year would not be counted as income for tax purposes.

This would continue until the \$873 of tax-free income a year added up to the cost of the policy, or \$10,000. From then on—in this example from the 14th year on—you would be taxed on the full \$1,200 a year.

This sudden increase in taxes was considered a hardship in many cases.

Under the new law, you first figure your total cost just as before. Then you figure your remaining years of life expectancy, or the fixed number of years, over which you are to receive repayments. Then you divide your cost by this number of years. That is the amount of income you can receive tax-free, and the rest is taxable.

EXPECTANCY

In the example above, say you had a life expectancy of 10 years, or a fixed 10 years in which the policy says you are to receive \$1,200 a year. Your total cost of \$10,000, divided by 10, amounts to \$1,000—and that amount of annual income is considered tax free. You would pay taxes on the remaining \$200 each year.

These amounts would remain the same throughout—even after you had recovered the full cost of your policy, and even if you actually lived longer than your life expectancy.

Thus, under the old law, you would pay taxes on \$327 a year for a while and then you would pay taxes on \$1,200 a year. Under the new law you would pay taxes on only \$110 a year throughout.

The new rules are different in cases where an employer contributes much of the cost of an annuity or pension policy to an employee. If the employee receives back all of his cost within the first three years of payments to him, he doesn't pay any tax during those first three years. Then after three years, he pays income taxes on the full amount he receives.

ESTIMATE

Experts estimate this would apply in 5 per cent of the cases where employers contribute to pension or annuity contracts. So the new life expectancy rules will chiefly benefit those who buy commercial annuity policies on their own.

There's one helpful provision in the new act. You don't have to figure how much of your annuity is taxable. The insurance company, when it starts payments to you, will compute your life expectancy and tell you how much of your annuity income will be taxable.

Another provision gives a big cut in testate taxes. Under the old law, if you paid premiums on a life insurance policy, proceeds of the policy were considered part of your estate when you died. Your survivors paid an estate tax on them. But from now on if you make the policy irrevocably payable to your beneficiary, it is not included as part of your taxable estate. This provision alone is expected to reduce taxes about 25 million dollars for about 10,000 taxpayers each year.

But another change will increase taxes for some. Under the old law, the beneficiary of a life insurance policy could leave the principal with the insurance company and receive tax-free interest in annual installments. Under the new law, this interest will be taxable for anyone but a widow. And a widow will pay taxes on any such interest which exceeds \$1,000 a year.



EIGHT is your lucky number at Griggs Superior Foods this weekend as T. C. Griggs, left, and Carl Woods observe the eighth anniversary of the establishment of the big market at South Sixth and Shasta Way.

Solon Lauds Ike Defense Program

WASHINGTON (AP)—Sen. Ferguson (R-Mich) said today President Eisenhower has taken an intense, personal interest in seeing that the nation's defense program is the best that can be devised and "our people need have no fear."

Ferguson, chairman of the Senate Republican Policy Committee, said in a speech prepared for the Senate that the Eisenhower administration has replaced a Democratic policy of "commitments everywhere and strength nowhere" with "a comprehensive military program at a price the national economy can afford."

The Michigan senator said this program was aimed toward keeping world peace, and built around "a flexible, mobile military force which is capable of being supported by men, weapons and supplies in many far-flung areas throughout the world."

Ferguson's 9,000-word explanation of the administration's military aims presumably was intended as a reply to criticism by many Democrats that the "massive retaliation" policy enunciated by Secretary of State Dulles leaves much to be desired in total defense.

Ferguson said that "massive retaliation"—the ability to strike back quickly with atomic and hydrogen bombs against any aggressor—was only one element of a rounded program.

He said "brush fire" wars set by the Communists would be dealt with by using "conventional as well as atomic weapons."

"In putting out brush fires, we hope to rely as much as possible on indigenous military strength," he said. "To that end we offer military training, military defense support, economic support and logistic support."

As for "massive retaliation," Ferguson said that "although we cannot guarantee that this deterrent principle will be foolproof in the future, certainly it has worked to prevent a major war thus far."

Ferguson said he hopes Sir Winston Churchill was right in saying that both sides must avoid a war which begins with what both dread most—atomic bombing.

The Michigan senator said military officials decided that "we could get maximum defense at minimum cost over a long period of time by emphasizing the role of air power." But he said this did not mean the army and navy would be neglected.

Mt. Laki

Enjoying the evening were Mr. and Mrs. Gray Brannon, Mr. and Mrs. Wallace Thompson, Mr. and Mrs. Howard Jackson, Mr. and Mrs. Bud White, Mr. and Mrs. Eldon Kaylor, and the guests of honor.

Exhibits will be received until 10:30 a.m. The public is invited from 1:30 to 5 p.m. There will be a silver tea from 2:30 to 5.

Anyone may enter their exhibits and see the displays.

Mrs. Charley DeLap Jr., Pamela and Lois accompanied Mrs. DeLap's parents, Mr. and Mrs. E. F. Blankenship, to Wenatchee, Washington, recently where they visited friends and relatives for 10 days.

Roger and Charley Thompson flew to Portland to visit their aunt and uncle the Ed Ryans recently. Mrs. Ryan and children, Ann and Scott, came to visit Mrs. Ryan's parents Mr. and Mrs. Scott Thompson.

Mr. and Mrs. Percy Dixon drove to Portland recently, parked their car at the airport and took the plane to Fairbanks, Alaska, where they spent five wonderful days with Donna who had been in Fairbanks a month as a scout counselor. They all flew back to Portland and on home by car. Percy said the people in Alaska were so congenial and generous, they really go out of their way to be nice to you.

Mrs. Jay Fairclo traveled to Southern Kansas recently where she visited her brother and sister, Ruth Patton. The three of them took a trip to see the Black Hills and also saw the statues of the four presidents carved out of the rock at Rushmore, South Dakota. They went to Abilene where they grew up. Ruth went to high school at Abilene with Ike Eisenhower. She returned here with Grace to visit the family. They came home by Idaho and Mrs. Bill Brisdon and two young sons drove them here, where Mrs. Brisdon visited a few days with her parents, the Fairclo's, and other relatives.

State Bounty Payments Told

SALEM (AP)—Thirty-two counties will collect \$30,000 from the state for payment of bounties on predatory animals for the year ended June 30, the State Department of Agriculture said Thursday.

The bounties are for killing 9,931 animals, including 3,537 coyotes, 1,799 bobcats, 339 foxes, 117 bears, and 29 mountain lions.

Douglas County gets the biggest share, \$3,330.

Amounts paid to other counties include:

Baker \$800, Beilton \$800, Clackamas \$800, Gilliam \$800, Grant \$570, Harney \$1,000, Jackson \$920, Josephine \$600, Klamath \$1,540, Lake \$1,330, Lane \$1,460, Lincoln \$320, Linn \$800, Malheur \$1,200, Morrow \$850, Sherman \$850, Umatilla \$1,000, Union \$800, Wallowa \$800, Wheeler \$530.

DISEASE

NEW DELHI, India (AP)—A mysterious disease spreading over northern India has caused the deaths of about 100 children, medical sources said Thursday.

Pro-British Iraqi Leader Plans Anti-Red Offensive

BEIRUT, Lebanon (AP)—The return to power of a veteran Iraqi warrior who once hanged Communists in the streets may herald a new British agreement in the Middle East—a revision of the British-Iraqi treaty.

Iraq's new premier, 66-year-old Nuri Said, recently returned to Baghdad after a lengthy stay in London. He formed a tough-listed cabinet, dissolved parliament, and announced two major objectives—crushing of subversive activity and revision of the treaty with Britain.

Following closely British settlement of knotty problems in Egypt and Iran, agreement with Iraq may be another major step in London's drive to set her Mid East house in order.

If a fresh British-Iraqi agreement is in the offing, Nuri Said is considered the man to push it through. He has long been a friend of Britain and has kept his country in the Western camp. The unquestioned strong man of Iraq, his current cabinet is the 12th he has headed since 1930. He usually takes power in times of crisis.

Nuri never has been the popular type of leader. Nationalists have bitterly criticized his pro-British leanings. Intellectuals consider him reactionary and undemocratic. Three times he has been chased out of the country. But always he has come back—with rare exceptions he has been boss of Iraq since 1930.

Part of Nuri's preparation for a settlement with Britain will be a drive against internal communism. Leftists and fellow travelers gained their first parliamentary foothold in Iraq in the June 9 elections this year. While Nuri was ill in a London hospital, seven left-wingers of the National Front coalition were elected to parliament on a platform assailing American military aid and adherence to the Turkish-Pakistani pact.

If Nuri reaches a new agreement with Britain, this small bloc could use the floor at parliament to launch a popular campaign against it. This is one of the chief reasons Nuri dissolved the chamber on his return, even though it had had only one meeting.

New elections probably will be held in September. Between now and then, Nuri is expected to use every form of pressure at his command to crush leftist activity and to guarantee a parliament which will back any new agreement strongly.

If this is Nuri's objective, it means bad news for leftists. Iraq's Communists still shudder at the

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State Bounties

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Ike May Take Leading Role In GOP Fight For Congress

WASHINGTON (AP)—President Eisenhower appears to be inching into a leading role in the battle for control of Congress despite his avowed plans to remain aloof from local political skirmishes.

Administration leaders said today Eisenhower hopes to go on television and radio with a 30-minute talk on the administration's legislative record within 24 hours after Congress ends its regular work, probably next week.

Eisenhower told his news conference yesterday he was planning what he called a little bit of a talk to review Congress' record since he took office in January 1953. He added he didn't want to cheat on himself by saying any more at this time.

But administration officials who asked anonymously said preparations for the appearance have been under way for a long time.

NATIONAL REPORT

Although the President's talk will be billed as a report to the nation, Democrats indicated they may demand equal time to counter what some of them said they regard as a Republican kickoff for the congressional campaign.

Despite Eisenhower's repeated statements that he would avoid getting involved in local political

talk about it."

Sen. Symington (D-Mo) said he doesn't believe the farmers are satisfied with the administration's program in that field and will show it with their votes.

However, Sen. Aiken (R-Vt), who piloted the President's flexible price support program through the Senate, said he believes farm prices are going to strengthen.

FARM VOTE

"If the farmers believe they are in good shape in November, they'll vote Republican," he declared.

Sen. Monroney (D-Okla) said it is his opinion that Eisenhower will have difficulty in finding anything "to brag about" in the Republican record of the Congress coming to a close.

"As of now, the administration's batting average is extremely low," he declared. "Eisenhower's big victory—and he is welcome to claim it—is in reducing farm prices on the five basic crops which have

cost the least in government supports in the last 20 years."

ORDER

BUENOS AIRES (AP)—President Peron's government, which has been distributing newspaper for more than two years announced Thursday it will let papers buy their future stocks direct from the manufacturers.

GOP RECORD

Many Republicans say, however, that there is no voice equal to Eisenhower's in defending the record of the GOP-controlled Congress. Eisenhower has insisted that the Republicans must stand or fall on the record made on the administration's program.

As expected, there is a sharp division of political opinion on that.

Sen. Carlson (R-Kan) said he thinks the Eisenhower administration "can be proud of the record it has made in reducing taxes and expenditures and in handling foreign affairs," and he added: "I'm going out in the campaign and

talk about it."

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