

Income Tax Tips

Editor's Note: This is the first in a series of four articles on federal income taxes. The articles are based on information provided by the American Institute of Certified Public Accountants and the Oregon Society of Certified Public Accountants.

You still have time — but not much time—to do a little year-end tax planning and assure yourself of the best possible break when you file your tax return next April.

Millions of high, low and middle income taxpayers, realizing that careful planning of their financial affairs between now and the first of the year can pay off handsomely when the tax collector calls next spring, have already begun to establish those extra deductions and special exemptions that will reduce their tax bills.

To alert you to the tax-saving steps you may be able to take before the end of the year, this newspaper is printing a series of articles prepared with the help of the national and state organizations of certified public accountants. These articles—if you keep them and follow their advice—may save you money. And remember that a tax penny saved is more than a regular penny.

Lions To Push Project

Providing glasses for underprivileged children is the annual project of the Klamath Falls Lions Auxiliary. To raise money for this project, committee members, planning a rummage sale, met at the home of Mrs. Estlin Kiger for a coffee hour October 24. Many exceptionally good items have been collected. The sale will be held in the building formerly occupied by Garcelon's on November 1 and 2. The door will open at 7 a.m. on Friday.

During the coffee hour, Mrs. Vern Moore conducted a refresher course in operating the televisual machine. For several years the Lions auxiliary under the guidance of local eye doctors, has examined the eyes of Klamath Union High School and Sacred Heart freshmen. These students are examined with the use of the televisual at the beginning of the school year.

GETTING AROUND
OTTAWA (AP)—Turnabout is fair play, they say. Tongue Gurcan, 30-year-old Turkish Tourist Bureau official, has decided to play tourist himself. He and his wife are holidaying in Ottawa.

earned, because you don't have to pay tax on it.

Many taxpayers have good and bad income years, depending on the success or failure of personal investments and business conditions in general. While this cannot always be avoided, the effect should be anticipated. Sound year-end tax planning requires that you know fairly well what your income prospects will be for 1957 and 1958.

If you are like most individual taxpayers, your goal at this time should be to level out income for this year and next year. Needless or careless bunching of income in either year can be costly. The sharp bite of today's progressive tax rates—which you can assume will be as high or possibly only slightly less in 1958—makes it much better to have an income of \$8,000 in each of two years, rather than \$6,000 in one and \$10,000 in the other.

Taxpayers who are in danger of being whiplashed from one tax bracket to another because of wide fluctuations in their 1957 and 1958 income should act before December 31 to try to average out their taxable earnings. This can be done by careful shifting of income and deductions from one year to the next.

If your two-year income estimate shows that your income for this year will be significantly higher than next year's, you should take immediate steps to throw as much income as possible from 1957 to 1958. At the same time you should speed-up the payment of all expenses that can be deducted on your 1957 return. By concentrating deductions in the higher year and switching income to the lower, you will keep your taxes for both years in the lowest possible tax bracket.

Should you be faced with the more desirable problem of a sizable increase in your 1958 income, reverse this procedure—delay expenses and speed-up income if you can.

Timing income and deductions to gain a tax advantage is not too difficult for the millions of taxpayers who file returns on the

basis of cash receipts and cash disbursements. Since their earnings are taxable only after payment is received, "cash basis" business and professional men can shift income by simply delaying or speeding-up the collection of accounts receivable near the end of the year. Salesmen and contractors can do the same thing by extending or closing deals that may be pending in November or December.

Farmers who operate on a cash basis can accelerate or postpone income by proper timing of the sales of their crops or livestock. While their income will be taxable in the year cash is received, the full costs of raising crops or cattle are deductible for the year in which the costs were paid.

One look at an Internal Revenue Service table of tax rates will

prove the hard dollar and cents advantages of a few year-end income shifts. The taxpayer who expects his income to drop from the 40 per cent bracket this year to a 30 per cent bracket in 1958, can save \$100 for every \$1,000 of income he manages to put off until after January 1.

There are special situations in which it can be advantageous to bunch income in a single tax year. For example, a husband and wife can file a joint return to gain the benefits of income-splitting. Should one of them die, the survivor may file a joint return for the year in which the spouse died and also for two succeeding years under certain conditions. Thus, a widow or widower may profit by throwing more income into this year and less into next if his or her spouse died in 1955,

since the privilege of filing a joint return will be lost in all cases in 1959.

If you are planning to be married in 1958, remember that the income-splitting privileges you gain will act like a rate cut for you. At \$7,000 of income, your taxes will be \$240 less than if you were single, assuming that you take the standard deduction and claim only exemptions for you and

your wife. For this reason, young couples planning marriage might consider postponing income from 1957 to 1958, while accelerating deductions from 1958 to 1957.

A final suggestion to holders of U.S. Savings and War Bonds: if you are trying to accelerate income on your 1957 tax return, you might consider reporting the interest that has accrued on your bonds. A point to keep in mind,

however, is that in the future you will have to go on reporting interest as it accrues, rather than

in the years the bonds mature. Next Article: How to Plan Your Federal Income Tax Deductions.


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