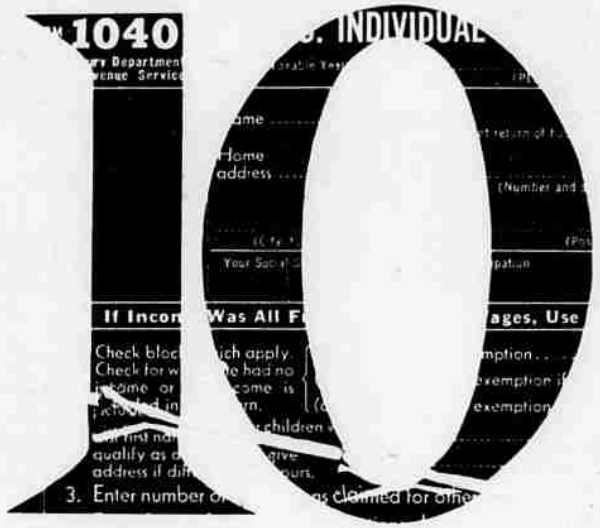

by Kevin V. Brown

EACH YEAR about this time the average wage earner, no less than the average millionaire, shoos his family out to a movie, locks himself in his room, touches the tip of a pencil to his tongue, and tries to figure out his income tax. Before he's through, he usually turns the air blue, cursing the government in general for his trouble, and the people who drew up the income-tax forms in particular.

The trouble, however, is mostly of his own making. If he's kept his records straight, if he can read English, and if he follows a few simple rules, he'll usually survive the ordeal feeling proud, patriotic, and perhaps even solvent. The idea is not so much to save money as to save trouble, but the two are often synonymous.

10 Tips for Tax Filing

Here are 10 ways you can save trouble—and money—on your income tax:

1. File early.

About 25 percent of all taxpayers file their returns in the last two or three days before the April 15 deadline. In the rush, one out of four makes errors, forgetting to sign, forgetting to attach withholding statements (W-2 forms), making a simple error in arithmetic, or overlooking portions of the return. If a mistake is in your favor, you may be asked to correct it. That means trouble. If it's in the government's favor, you'll usually lose. That means money.

2. Use the simple form whenever possible.

If you earned less than $5,000, your best bet is the simple 1040-A form. It offers the maximum deductions allowable and minimum chances for error. The only small taxpayers advised to use the long 1040 form are those who had unusually heavy medical expenses or mortgage payments.

3. Prove your claims on the long form.

This is one of the most important points of the new regulations. The Internal Revenue Service is becoming more strict with exemptions and deductions. Estimated figures are no longer adequate. You must be able to prove your claims precisely with cancelled checks, receipts, pledge cards, sales slips, or your own itemized memos. Generally, the income-tax people will take your word for miscellaneous claims that can't be documented *as long as they are itemized and sound reasonable*. If not, they'll start checking for answers.

4. Understand exemptions.

There are three classes of exemptions: yourself and your wife, your children, and other dependents.

Husband and wife can file either joint or separate returns, but the joint return with its "spilt - income" benefits often results in a lower tax. If you file a joint return, you're entitled to exemptions for both yourself and your wife. If you file separate returns, you can't claim your wife unless she had no income at all.

With children and other dependents, keep two things in mind: to claim them, their gross income must have been less than $600 and you must have contributed more than half their support.

Children are defined as 18 or under. An exception is made for students: if your child attended school regularly, you can still claim him even though he was 19 or earned more than $600—*provided you contributed more than half his support*. Thus, if he earned $1,000, you must have contributed $1,001 or more. The student, meanwhile, must also file and pay tax on *his* income.

Dependents other than children (mother, father, etc.) can be claimed even though several persons contributed to their support. For instance, a widowed mother who is supported by her three children can be claimed by one of them. If one of the three contributed more than half her support, he should claim her; if all three shared her support equally, one can claim her one year, another the next, and so on.

Another point to remember about the gross income of dependents is that some income, such as social security, is nontaxable. It may be disregarded when determining whether your dependent earned more than $600, but it must be considered when determining whether you contributed more than half his support. Thus, if a dependent had income of $1,000, $500 of which was nontaxable, you can claim him only if you contributed $1,001 or more.

5. Don't overlook special exemptions.

If you or your wife are over 65 and/or blind, you're entitled to additional exemptions. (Don't forget to check the appropriate squares!)

If you are a widow or widower, you may be entitled to the tax rates available on the "joint-return" table for two years after the death of your spouse. (The joint-return table is the lowest.) After two years you may qualify as a "head of a household." (The head-of-a-household tax table is the second-lowest table.)

Those who qualify as the head of a household are entitled to special tax rates. The qualifications include that you be unmarried and pay more than half the cost of maintaining a home for one or more dependents. Thus, a single man who makes a home for his mother or father is considered the head of a household for tax purposes.

6. Itemize expenses.

This applies chiefly to salesmen and others with expense accounts. A new rule this year requires adding all expense allowances as part of your total income, then deducting only that part of it which you actually spent—breaking it down, so much for auto mileage, so much for entertainment, etc. (See No. 3 above.)

7. Itemize contributions.

You are allowed up to 20 percent of your gross income for charity. This doesn't mean you can automatically claim 20 percent, but only what you actually gave, and you must itemize each donation. Under certain conditions, you can raise the limit to 30 percent for contributions to churches, schools, hospitals, or medical research projects.

Meanwhile, don't overlook donations that are not in cash. You're entitled to deductions for food or clothing given to the Red Cross and similar organizations, or expenses incurred in volunteer charitable work, like soliciting for the Community Chest.

8. Be careful with deductions.

Some deductions aren't allowable, but are often assumed to be. These include funeral expenses, life-insurance premiums, and federal taxes on cigarettes, gasoline, entertainment, etc.

On the other hand, some deductions are often overlooked. These include state and other local taxes, and interest payments on any kind of indebtedness (including delinquent taxes).

9. Deduct all medical expenses.

These include more than doctor bills. You can also deduct—above a certain minimum—medicine, eyeglasses, false teeth, transportation necessary to get medical care, even hospital insurance.

One tip for the future: if you know you are going to incur heavy medical expenses (get new teeth, have a physical checkup, or undergo that operation you've been putting off), it's a good idea to do it all in one year. That way you'll make sure you exceed the minimum (3 percent of your income). Thus, if you earned $5,000 and had medical expenses of $500, you can deduct $350; if your medical expenses were $150 or less, you can't deduct anything.

10. Itemize miscellaneous deductions.

This category is a catch-all. It includes these:

Baby care—If you are now single (widow or widower, for instance) and have to hire someone to care for your child *while you work*, you can deduct up to $600 a year which you paid the baby sitter in salary.

Casualty losses—You can deduct losses on property damaged or destroyed by fire, stolen property, or damages from other causes (flood, explosion, freezing, etc.). Be careful, however, that you claim only what the item was worth before the loss, not what it cost to replace. Thus, if your second hand car was stolen, don't claim the cost of a new car.

Work expenses—You can deduct expenses incurred for your job, such as tools, union dues or professional society fees, or fees paid to employment agencies for finding you a job.

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