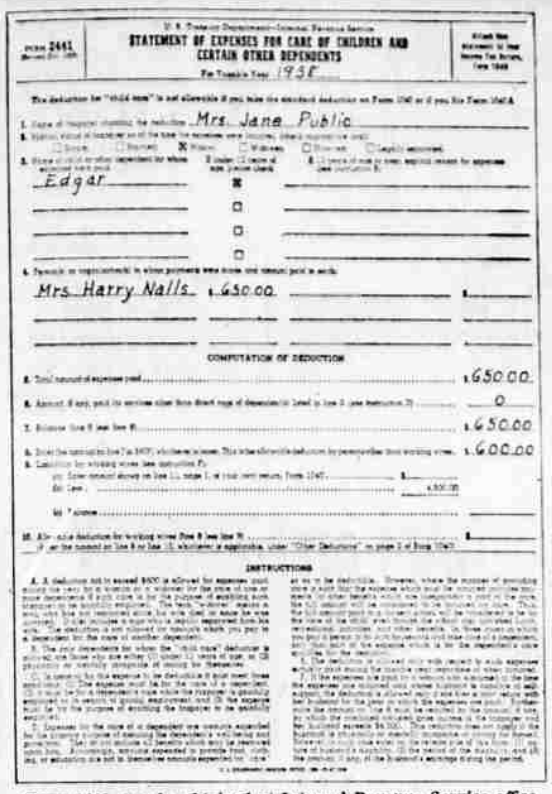
FORM 2441
U. S. Treasury Department—Internal Revenue Service
STATEMENT OF EXPENSES FOR CARE OF CHILDREN AND CERTAIN OTHER DEPENDENTS
For Taxable Year 1958
1. Mrs. Jane Public
3. Edgar
4. Mrs. Harry Nalls $650.00
COMPUTATION OF DEDUCTION
5. $650.00
6. 0
7. $650.00
8. $600.00
INSTRUCTIONS

Form 2441 may be obtained at Internal Revenue Service office.

Your Annual Income Tax Primer

By RICHARD A. MULLENS
Written for NEA Service

One way to tell a smart taxpayer is to see how he decides whether to itemize deductions or claim the standard deduction.

The smart taxpayer will add up the deductions he could itemize and compare the total with the standard deduction. If this is done, it's an easy matter to choose whichever gives the larger deduction.

This article will give you some helpful tips on deductions for medical expenses, child care expenses, and losses from theft or caualty.

Page 10 of the official intructions lists a number of specific examples of expenditures which are and are not deductible as medical expenses.

One item likely to raise questions in your mind is transportation costs primarily for rendition of medical services. This would, of course, include such items as railroad fare to a hospital or recuperation home and cab fares in obstetrical cases. But what about a trip to Florida or California for your health? The transportation cost of such a trip would be deductible only if your doctor prescribes that you go to a more favorable climate to alleviate a specific condition and not merely to improve your health generally.

You should note that the cost of meals or lodging while away from home receiving medical treatment is not deductible unless you stay in a hospital or similar institution.

Where the main reason for presence in an institution is medical attention, the entire cost is deductible. However, where medical care is not the principal reason for being in an institution, only the cost attributable to medical care furnished is deductible.

For example, if a person is placed in a home for the aged primarily for personal or family reasons instead of medical reasons, only the cost of medical care or nursing attention is deductible as a medical expense.

You are allowed the deduction for expenses of medical care incurred on behalf of yourself, your spouse and your dependents. For this purpose, the test of a dependent is only whether you provided more than 50 per cent of his support. This means that you can deduct medical expenses paid by you on behalf of your father when you support him even though he earned over $600 and, hence, could not be claimed as an exemption.

Unlike other deductible items, only the medical expenses which exceed a certain percentage of your adjusted gross income are deductible.

The so-called child care deduction for working mothers has several restrictions. For one thing, even though you qualify for the deduction, you cannot claim it and the standard deduction too. Like other personal deductions, it can only be deducted if itemized on page 2 of Form 1040. Child care expenses are now deducted under the heading of "Other Deductions."

The only people entitled to this deduction are women (including working wives) and men (provided they are widowers, legally separated, or divorced) who, in order to be gainfully employed, must pay for the care of one or more of the following described dependents:

A son, daughter, or stepchild who is under 12 years of age or any dependent who is physically or mentally unable to care for himself.

A taxpayer is considered to be gainfully employed if he is working for someone else, is self-employed, or is looking for work.

For any one year, you cannot deduct more than $600 for such expenses regardless of how much you actually spent. If you spent less than $600 for care of the dependent while you were "gainfully employed" then you can only deduct the amount spent.

The amount of the deduction is subject to two further limitations if you are a working wife. These two limitations do not apply, however, to a working wife whose husband is incapable of self-support because of a mental or physical disability. The limitations are:

1. The working wife must file a joint return with her husband, and

2. Her dependent's care deduction must be reduced by the amount by which the adjusted gross income on the joint return exceeds $4,500. For example, if she has spent $500 for dependent's care while "gainfully employed" and the adjusted gross income on the joint return was $4,650, her deduction would be reduced by $150 ($4,650 minus $4,500) to $350.

Do not include in the deduction any amounts paid for a child or other dependent's care to someone who is also your dependent for tax purposes. Thus, if a widower pays his 17-year-old daughter $60 a month to stay at home and take care of his younger children, he is not entitled to a $500 child care expense deduction for those payments.

Property losses caused either by a casualty or theft can be shown on page 2 of Form 1040 even though the property is for your own personal use. Casualty losses include damage from fire, storm, flood, lightning, hurricane and other sudden, unexpected or unusual causes. Thus damages from a bursting boiler or frozen pipes would be a casualty loss.

You can deduct damages to your car caused by a collision unless the collision was due to your wilful negligence. Faulty driving is not classed as wilful negligence, but driving while intoxicated is so classified.

The amount of the loss or damage to be deducted should be computed in accordance with the official instructions on page 10.

If you have difficulty determining the fair market value of the property both before and just after the loss, as required by the instructions, remember that such things as repair bills, insurance adjusters' estimates, and police or fire department records are good evidence of the amount of your loss.

A loss from a casualty or from theft should be deducted in the year the loss occurred. If you are covered by insurance, the loss must be reduced by any recovery.

If your casualty loss in 1958 exceeds your 1958 income you can deduct the excess from your 1956 and 1957 incomes and get a refund. Do this by filing a claim on a form you can get from your District Director of Internal Revenue.

GOOD TRADE

BEATTY—The Beatty Tavern, which recently reopened under the management of Mr. and Mrs. William C. Walker of Chiloquin, reports a good trade. The Walkers recently renovated the tavern, which was formerly under the management of Jonathan and Dorothy Crume. Walker expects to do more work on the tavern at a future date. The restaurant is managed by Edith George and Joanne Ling, who formerly managed the lunch counter at Newberrys in Klamath Falls.

OBJECTS TO NAME

ATLANTA (UPI)—Gov. Ernest Vandiver has refused to sign a bill setting up a Civil War centennial commission until the Legislature changes the measure to read "War Between the States" instead of "Civil War."

DEDICATE DUKE MANSION

NEW YORK (UPI)—The James B. Duke mansion, former residence of the tobacco manufacturer and a New York landmark, was dedicated Monday as the new home of the Institute of Fine Arts of New York University.