Income Tax Facts

Editor's Note: This is one in a series of articles on federal income tax filing. These articles are based on information provided by the American Institute of Certified Public Accountants and the Southern Oregon Society of Certified Public Accountants in cooperation with the Internal Revenue Service.

—

Millions of dollars are unintentionally "contributed" to the government by American taxpayers each year. These contributions are from people who pay more than their share in taxes simply because they do not take time to find out how much they owe the government.

Taxpayers have a choice between taking a standard deduction or itemizing their deductions, which may result in larger tax savings. All too frequently some taxpayers pass up the greater tax saving possibilities of itemizing their deductions because the procedure appears complicated.

To help readers gain confidence in preparing their return, and in figuring the tax they must pay, this newspaper is printing a series of eight articles, prepared with the help of the national and state organizations of certified public accountants.

By following the line-by-line explanations given in the instruction booklet received from the Internal Revenue Service and by noting the general advice contained in this series of articles, most taxpayers will be able to handle Form 1040A, Form 1040W or Form 1040 without any need for outside help.

Today's article considers the choice you have between the various individual income tax return forms. If you choose the wrong one, you may automatically cut yourself off from many legitimate tax savings.

SIMPLIFIED CARD FORM

The simple card Form 1040A can be used if your income was less than $10,000, and if your total income included no more than $200 above the amount of wages shown on your W-2 slips. Your name, your address, and a few other facts are all that this card requires.

If you use Form 1040A and your gross income is less than $5,000, you can either figure out yourself the tax you owe or have overpaid, or you can have the government do it for you. In any event, the form must be filled out, signed, and sent in together with a copy of a W-2 slip from each of your employers.

Before you get too enthusiastic about the simplicity of the card form, consider these facts:

1. Your tax determined by Form 1040A will be figured from a table which allows you a deduction of about 10 per cent of your income. This is fine if your allowable deductions for contributions, taxes, interest paid, medical and dental expenses, and so on, would be less than 10 per cent of your income. But if they aren't, watch out! The simple form may cost you a legitimate tax saving.

2. There is no allowance for filing as a "Surviving Spouse," "Head of Household," (which means that you lose the benefit of lower rates) or for claiming special credits for dividends and retirement income.

3. Sick pay can't be excluded if included in total wages on your withholding statement.

Your goal is to pay the right, minimum tax. If you are sure that these points would not cost you any tax savings, and your income is within the limits for filing Form 1040A, you might as well join the millions of other taxpayers who will be using this form on or before April 15th.

This year a new individual income tax return form arrives on the scene . . . Form 1040W. This bobtailed version of Form 1040 can be used regardless of the amount of your income from wages or salary, and regardless of your tax status—that is whether you are filing as, "Head of Household," "Surviving Spouse," and so on. The only limitation is that any other income you may have must only be from interest or dividends and cannot exceed $200.

WHETHER TO ITEMIZE

If, for one of the reasons outlined, you cannot file Form 1040A, but would still prefer to take a standard deduction, you can do so on Form 1040 or Form 1040W. The standard deduction is $1,000 ($500 for a married person filing a separate return) or 10 per cent of your adjusted gross income, whichever is less. If your adjusted gross income is $5,000 or less, you can use the tax table in the instruction booklet to compute your income tax. The tax table automatically allows for the standard deduction.

If you decide to give a second thought to itemizing your deductions, you will find that it is not nearly as complicated as it at first appeared. It may be worthwhile to make the extra effort. Perhaps you own real estate, or had unusual medical expenses or deductible child - care expenses. Perhaps you made fairly large contributions, or suffered losses from fire, storm, accident, or theft. You may even have had deductible expenses in connection with your work.

Unless you had a large income or derived your income from many varied sources, chances are you can handle your own tax return with very little effort. Consider your return from all the possible angles. Figue out the amount you would have to pay if you claimed the standard deduction. Compare this to the amount you would have to pay if you itemized your deductions on Form 1040W or Form 1040. If you are married, figure the difference in tax between filing a joint return and each of you filing separate returns. The Internal Revenue Service only wants you to pay the tax you owe, and suggests that you use the form and method of filing most advantageous to you.

Too little time or care devoted to your income tax return may result in your accidentally paying more or less tax than you owe. While the men of the Internal Revenue Service will almost certainly catch any errors of computation and send you a bill or a refund, they cannot always spot such errors as a failure to list deductible items or to use the proper form.

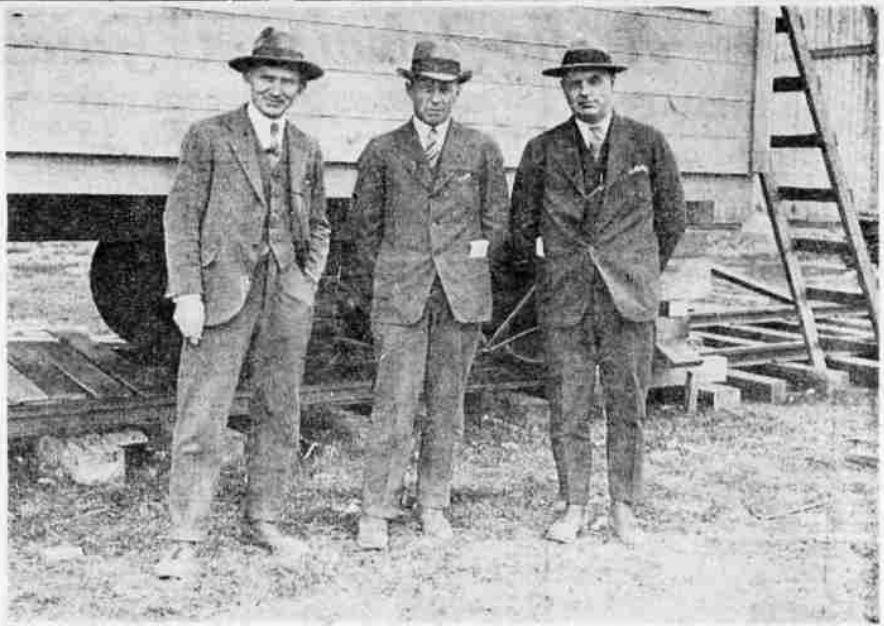
The employes of the Internal Revenue Service are anxious to help you. They understand your problems, and have tried to give you the answers you need in the instruction booklet they send each year. Read it carefully, it may help put a dollar or two back in your pocket.

Next article: Dependents and exemptions.

MOTHERS GRADE-A

SYRACUSE, N.Y. (UPI) — Mrs. George Heym, the mother of a seven-year-old son and an eight-year-old daughter, attained the highest academic average in the School of Architecture at Syracuse University.

Another mother, Mrs. Norman Johnston, of Baldwinsville, who has eight and seven-year-old daughters, maintained the highest average among upperclassmen in the university's college of Home Economics.



THESE THREE MEN WERE AMONG THE TOP BRASS when Weyerhaeuser Timber Company started operations in Klamath Falls on December 16, 1929. Left to right are Charles Sewell, construction superintendent; Ralph R. Macartney, branch manager, now retired, and Lloyd Crosby, the first logging superintendent, now deceased.

Wedding Now Very Formal

NEW YORK (UPI)—Who said the American way of life is strictly toward informality? Turns out that brides at least are getting more formal.

So reports the Bridal Fashion Council, an organization of manufacturers of bridal fashions, retailers and textile people. The council said that of the 1.7 million U.S. brides in 1959, 49 per cent will purchase formal gowns for their big day. This represents an increase of three per cent over the number of formal weddings five years ago.

One Philadelphia bridal firm said the ratio of formal weddings will continue to grow, because they provide a "psychological antidote for the creeping boredom of everyday functions and fashions."

One New York resident buyer told the council the trend is "very normal." Formal weddings are a "status symbol" for the American girl. And with national income at an all-time high, more parents now can afford the fancy wedding ceremonies for their daughters.

Brushing Up On Chores

CHICAGO (UPI) — Put regular household brushes to off-beat use to lighten chores.

A brush manufacturer suggests that a vegetable scrubber with an angled head is excellent for keeping white-wall tires clean. A long-handled tub brush does a quick and easy job of brushing out the car.

The tiny nylon brushes for buttering sweetcorn can be used by the household handyman to clean small power tool and appliance parts, or apply solder flux. Hobbyists like them for applying glue and cement, and they also are good for cleaning jewelry, or applying shoe polish in hard-to-reach areas.

The pastry brush can keep the toaster free of crumbs, and the percolator brush does a good job of cleaning narrow-necked vases and tea or coffee pot spouts.

NINE-MINUTE BARRIER

NEW YORK (UPI)—Paavo Nurmi of Finland was the first man ever to run two miles under nine minutes, setting a mark of eight minutes, 59.6 seconds in 1931.

PATTERN

WALLINGFORD, Vt. (UPI)—Mr. and Mrs. Frederick Csizmesia were running true to form when they had their newest son. The Csizmesias had a boy and three girls, another boy and then three more girls before their latest. Now, they are expecting three more girls.