

Income Tax Primer (7) — Income

This is the seventh of eight articles in the Newspaper Enterprise Assn. Income Tax Primer. For readers who want more information than is supplied in the official instructions.

By RICHARD A. MULLENS and CHARLES W. SCHOENEMAN

Do you have the idea that all money you received last year is reportable as income on your tax return due before April 15, 1963? Do you believe that because you did not receive cash but only property (or a promise to pay),

you do not have any income to report? You may be wrong on both counts. If you received life insurance (or accident or health policy) proceeds last year paid because of the death of the insured person, this amount would generally not be taxable income. Suppose, furthermore, the employer of your deceased husband paid you, as his widow, a sum of, say \$7,000, is that taxable? Generally, \$5,000 of the amount is not taxable—if the employer has paid no other amount to anyone else. If the employer paid, for example, another \$3,000 to your

children because of your husband's death, the \$5,000 exclusion must be apportioned among the total \$10,000—\$3,500 to you and \$1,500 among your children. This \$5,000 employee death benefit exclusion is a specific legal allowance, strictly controlled and limited by law.

Now, there are two additional rules which might change the result of the example. One in your favor; one not so favorable.

Gifts are not taxed and there is no limit on them. Therefore, if the amount the employer pays you, as the employer's widow (and/or your children, regardless of amount), is a gift (within the meaning of the law), then courts have said, whole amount is tax-free.

However, if the employer was only paying you certain amounts, such as your husband's unused annual leave or his earned bonus, payable to him during his life, the exclusion would not apply. Nor does the exclusion apply to any other amount to which he would have been entitled had he lived or to which he could not have forfeited his rights.

There are however, many complicated additional rules which will permit the \$5,000 exclusion if your husband was a party to any number of plans, trusts, or contracts which his employer might have established. Investigation is wise.

Ordinarily, amounts paid under a joint and survivor's annuity under which the employee was the primary annuitant are not excludable under the above \$5,000 exclusion, if the annuity starting date occurred prior to the employee's death.

As mentioned, there are other items as contrasted with life insurance and employee death benefits that are taxable even though not received—or not received in cash.

Q—Suppose you take a new job and your new employer pays your moving expenses to the post of your new duty for you, your family and your household possessions, is that income, even though he pays for the transportation and for the mover directly?

A—Yes on both counts. But courts have held that if your old (present) employer, at his convenience (and not yours), does the same thing, you do not have income subject to tax.

Q—Does a husband who transfers appreciated stock in a property settlement prior to divorce in exchange for his wife's marital rights have any income on the transaction?

A—The Supreme Court recently said yes—generally to the extent of the fair appreciation in value of the stock over its cost.

Q—How is alimony generally treated?

A—Ordinarily it is now taxed to the wife receiving it and deductible by the husband. Child support designated as such in the divorce, separation or other instrument is not, however, taxed to the wife and not deductible by the husband. It may however, entitle the husband to a dependency exemption.

Next: Medical deductions.



YOUTH AND GOVERNMENT — Discussing the preparation of a bill for presentation at the YMCA Youth and Government events are Modoc Hi-Y members, John O'Herbein, left, and Don Christy, center. Judge Donald Piper, right, is district chairman of the program designed to acquaint youths with the legislative process of state government. A Pre-Legislative Assembly will be held in Ashland in February.

White Church Attitude Pleases Negro Leader

CHICAGO (UPI) — The Rev. Martin Luther King Jr. said today it is "most gratifying to Negroes" that America's white churches are beginning to take a more active part in the fight against segregation.

He said a hard-hitting campaign for racial justice by hitherto "apathetic" religious bodies will encourage Negroes to continue their struggle by non-violent means, and prevent their drifting into movements such as the Black Muslims which feed on "an atmosphere of despair."

King, president of the Southern Christian Leadership Conference and pioneer Negro leader of non-violent resistance to segregation, made the statement to reporters in commenting on the importance

Y Readies Bill Study

Members of the six Hi-Y and Tri-Hi-Y clubs of Klamath County are now at work preparing bills for the YMCA Youth and Government program.

The purpose of the program is to give youth an experience in the legislative processes of state government and the application of Christian principles to government and law.

As Southern Oregon district chairman, Judge Donald Piper has jurisdiction over the program for Klamath Falls, Ashland, Medford, and Roseburg. Clubs from these communities will convene at the pre-legislative assembly, to be held at Southern Oregon College in Ashland on Feb. 15, to debate bills and learn about the legislative operation of government.

The clubs are selecting bill topics of interest to them, then writing them up as bills with the assistance of local attorneys. At Ashland, the club representatives will defend their bills against criticism by adult experts and other club representatives.

Those bills which "survive" the Ashland experience will be used by their club delegates at the YMCA Youth Legislature in Salem March 28-30.

Time Gained By Tshombe, Says Adoula

LEOPOLDVILLE, The Congo (UPI) — Congo Premier Cyrille Adoula said today he fears Moïse Tshombe is only seeking to win time with his offer to end Katanga's secession.

In an interview with UPI, Adoula noted that Tshombe had reneged on his promises in the past and felt he might be trying to do so again.

The United Nations has announced that Tshombe had agreed to go from his stronghold at Kolwezi to the Katanga capital of Elisabethville Thursday to start talks with U.N. officials on ending secession.

This move follows Tshombe's previously announced surrender of his forces to the United Nations, his promise to permit U.N. troops free movement anywhere in Katanga and his pledge to end secession in exchange for a guarantee of amnesty from Adoula's government.

However, Tshombe's Katangese gendarmes and his white mercenary leaders still hold Kolwezi, where vital mining installations are booby-trapped and ready to be destroyed if he gives the order.

China Quiet On Congress

TOKYO (UPI) — Red China maintained a frosty silence today about the opening of the Communist party congress in East Germany.

Peking's newspapers, radio and news service—all dedicated tools of propaganda—carried no mention of a five-hour speech Tuesday by East German Communist party leader Walter Ulbricht.

Presumably they will carry something eventually, when the party line comes down on Soviet bloc charges that Red China's tough policies would lead to a disastrous nuclear war.

Red China's propaganda outlets are customarily slow on such matters except when it suits Peking's purposes.

For example, Peking Radio gave the world the first news of the start of the Chinese-Indian border war last October so as to portray it as an Indian attack against Red China.

It was several hours before beleaguered Indian forces could get word of the fighting in the remote Himalayas back to their government.

Morse Gets Strike Job

WASHINGTON (UPI) — President Kennedy today named a three-member board, headed by Sen. Wayne Morse, D-Ore., to try settling the longshoremen's strike or recommend ways to get ports back in operation if no agreement is reached.

"The point of public toleration of this situation has been passed," Kennedy said in a statement. "If this case cannot be settled by private action, then further public action is required."

Kennedy said he therefore was establishing the special board with Morse as chairman. Morse is a member of the Senate Labor Committee and a veteran of experience in labor relations matters.

Kennedy acted after receiving a report from Labor Secretary W. Willard Wirtz. The secretary earlier had been told by Assistant Secretary James J. Reynolds that his efforts to bring the parties together had failed.

Dinner Held By Engineers

A dinner meeting was held Jan. 12 at Molatore's by the South Central Oregon chapter of the Professional Engineers of Oregon. Plans were discussed for local activities during National Engineers Week which takes place the week of George Washington's birthday in February each year. National Engineers Week is sponsored by the National Society of Professional Engineers with which the Professional Engineers of Oregon are affiliated.

Following the business meeting a program of projected cartoons was presented by Ken Blackman, City - County Planning director, which depicted the trials and tribulations of a community planner.

Parable Told By Khrushchev

BERLIN (UPI) — Premier Nikita Khrushchev told the East German Communist party congress today about a Soviet general in World War II who made an error and shot himself.

"I was on the southern front at the time," Khrushchev said. "I told him he had to shoot himself. I thought he would suffer only a psychological shock and would get over it. But, in fact, the man did shoot himself in front of my eyes."

"It was a fine death, but one can always die in a fine manner."

"What did he achieve? He shot himself and only left a lot of stink behind. But we want to live."

Khrushchev used the anecdote to illustrate the correctness of his policy of coexistence with the West, rather than the inevitability of war as advocated by Red China.

Blames Riots on U.S.

DAMASCUS, Syria (UPI) — Syrian Agrarian Reform Minister Amin Nafouri charged Monday night that the United States had fomented the riots in this country over the weekend.

Nafouri made the charge following a cabinet meeting but did not give any evidence to back it up. One man was reported killed and 24 injured in the violence.

Musa Awaits Mark's Reply On Tax Plan

SALEM (UPI) — Senate President Ben Musa's own tax program made its appearance today, and Musa said he is waiting for the governor to invite him to try to work out differences.

Musa's tax plan, being sponsored in the House by his wife, would broaden the state income tax base, but still retain most exemptions and deductions. The Hatfield plan would eliminate virtually all deductions to pick up low bracket earners.

Hatfield said Tuesday he is flexible on the tax matter and realizes a bill will have to be worked out with legislative leaders.

But Musa said today he has not heard from Hatfield on the tax matter.

"I'll cooperate all the way in the world, but I feel that I should be invited," he said. "Of course there is room for negotiation. We will have to do it in the end, so why not do it in the beginning?"

Gesturing at the telephone on his office desk, Musa added, "If the governor would call me right now, I would go over and discuss this matter." He said, however, he is "tender-skinned" since the governor rejected similar discussion two years ago.

The Musa plan would reduce state income tax personal exemptions from \$600 to \$500, and would remove the federal income tax as a deduction. Suggested rates range from three to eight percent, but Musa said these could be adjusted to raise needed revenues.

Effect of the Musa plan would be to increase state income taxes for some low bracket earners, while reducing taxes at some higher levels.

The Hatfield plan, also supported by House Speaker Clarence Barton, D-Coquille, would remove virtually all deductions.

Musa said he would be willing to accept much of the Hatfield plan "if he would call it by its right name."

Hatfield calls it a net receipts tax, but Musa said it is really a gross receipts tax, especially for the salary earner. Musa said calling it a net receipts tax would be "fooling the people."

"DENNIS THE MENACE"



"YA KNOW THAT KID THAT THINKS HE'S SUCH A SWELL FIGHTER? WELL, HE IS!"

Diplomatic Immunity Denied Cuban Attache

NEW YORK (UPI) — A federal judge today denied diplomatic immunity to a Cuban U.N. attache accused of sabotage conspiracy and threw doubt on immunity for staff members of other foreign U.N. missions and even for U.N. ambassadors.

In a lengthy and perhaps historic decision, Judge Edward Weinfeld refused to grant Roberto Santiesteban a habeas corpus writ on the basis of diplomatic immunity and ordered him to stand trial with two other defendants for conspiracy and failure to register as foreign agents.

The federal grand jury has charged that Santiesteban was a member of a Castro-directed conspiracy directed from the Cuban U.N. mission which planned terrorist sabotage in the New York-New Jersey area. The ring was broken up by federal agents last November.

Weinfeld said the framers of the U.S. Constitution did not envisage international organizations such as the United Nations, and the Constitution and later federal statutes provide diplomatic immunity only for diplomatic representatives assigned to the United States, namely ambassadors and "public ministers." He noted that the U.S. government has been granting immunity to chiefs of U.N. Missions but said this could not possibly apply to staff members.

Weinfeld's ruling implied that the Cuban chief-of-mission at the United Nations has no claim to diplomatic immunity because he does not serve "any function to the U.S. government."



Damage to your car can result in a casualty loss deduction.

Readjustment Problem Hits One-Time Smokers

WASHINGTON (UPI) — Anyone who quits smoking must go through a readjustment period that is likely to present certain difficulties.

With me, these took the form of dart throwing and an abortive attempt to grow a beard.

But by and large I have had it easy compared to the experience of a young lady in Pensacola, Fla., with whom I have been in correspondence.

I would mention her name except that she is in the broadcasting business and therefore is presumably adverse to publicity. So I'll just call her Miss Wireless.

Miss Wireless writes that until a few months ago she not only was a confirmed cigarette smoker but also had a habit of chewing her fingernails.

Dangerous Combination

This is a dangerous combination, owing to the fact that a smoker who sticks a finger in his or her mouth is apt to put a match to it by mistake.

Recognizing that she was a potential fire hazard, Miss Wireless resolved to kick the nicotine habit, which led to rather unexpected results.

"When I quit smoking," Miss Wireless reports, "I became befuddled, confused, dim-witted. At first, it was difficult to remember what I had stopped. So, by accident, I stopped biting my nails at the same time."

One might think that congratulations were in order for ridding herself of two bad habits, but Miss Wireless views it as a mixed blessing.

Require Attention

"I now have long unshapely claws that constantly require attention. I rip my nose, I hit the wrong letters on the typewriter and I go around tapping on tables all day."

"I never had any trouble picking up pins when I had no nails. Now I'm having to be rehabilitated and learn how to use the instruments."

Ways, Means Pests Given

SALEM (UPI) — Sen. Ward Cook, D-Portland, and Rep. Ross Morgan, D-Gresham, co-chairmen of the Ways and Means Committee that will deal with state budgeting, today announced the following subcommittees:

General Government—Sen. E. D. Potts, D-Grants Pass, chairman; Rep. Sidney Leiken, D-Roseburg; Rep. Daniel Thiel, D-Astoria; Rep. John Mosser, R-Portland; Sen. Walter Leth, R-Salem.

Public Safety, Commerce and Labor, Transportation—Rep. Beulah Hand, D-Milwaukie, chairman; Sen. L. W. Newberry, R-Ashland; Leiken; Sen. Alfred Corbett, D-Portland; Sen. Dwight Hopkins, D-Imbler.

Natural Resources — Rep. Stafford Hansell, R-Hermiston, chairman; Leth, Rep. Don McKinnis, D - Summerville; Hopkins; Rep. George Flitcraft, R - Klamath Falls.

Education — Thiel, Chairman, Hansell, Corbett, McKinnis, Hopkins, Mosser.

Public Health, Social Services—Corbett, Chairman; Flitcraft, Newberry, Hansell, Hand.

Dope Charge Trips Eight

PORTLAND (UPI) — Eight Portland men were arrested by federal and city authorities Tuesday night and early today in the biggest narcotics crackdown here in two years.

Six were picked up on secret indictments returned by a federal grand jury, and two were arrested on state charges.

No narcotics were seized, although several apartments and homes were searched.

John Windham, chief of the Federal Bureau of Narcotics here, said the charges involved illegal sale of narcotics.

It was the biggest narcotics raid here since December of 1960 when 12 arrests were made.

Held on federal charges were: F. P. Patterson, 33; Otis Spellman, 36; Richard K. Mayfield, 21; Franklin Brothers, 33; Louis Talps, 32, and Wilbert Alvin Johnson, 32. Arrested on state charges were Jim Babe Wilson, 21, and Johnnie Lee Jackson, 19.

In addition to the Portland arrests, three men were arrested on federal warrants in Seattle.

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