



Planning a Tax Return That Really Pays Off

While basic tax deductions generally remain the same from tax return to tax return, rules do differ slightly from year to year. Items like the standard deduction and amounts for dependents are two examples. Understanding the "rules" and having the records necessary to verify your expenditures are the keys to correct payment. Books are available usually around the first of November that discuss the upcoming tax structure. And after January 1, the best source of information and explanation is the Internal Revenue Service. You can contact your local office or check the telephone directory or information for the WATS number. But, in both of these cases, you must have the facts at hand, the all-important records, in order to explain your question so that you can get the assistance you require. In addition, a vast store of information is available at your public library or book store.

Good record keeping is the most important aspect of accurate tax paying. That kind of planning must start before the actual calendar year commences. There are many types of record keeping systems that you can buy at an office supply store, local dime store or discount store, as well as at the drug store. Don't let the word "system" confuse you. It merely refers to a "way" to keep accurate accounts of what you spend, why and where. It's a good idea to check out as many systems as you can before you buy anything to make sure that the method you choose will fit your needs.

Records for income tax deductions can be any number of things: a cancelled check or even a check stub; a cash register tape; a hand-written receipt; a stub from a restaurant bill; a ticket from a toll bridge; the remains of an airline ticket; anything that will verify the amount spent and on what date can be used as a record. This is especially important if you own your own business.

Records should be kept either by the month or by categories. If you choose a book, like a small ledger book, you can title each page and write down the amounts under each heading, again either by the month or by the category. If you select the category method, your year end compilation will be greatly simplified because all the figures for each major group will be in one place and all you have to do is total them. The monthly system, however, can be important insofar as setting up a budget and seeing exactly how much you spend on what for your family's needs or for your business. Another adaptation of the record keeping system is using a file folder for each month or each category. If the ends are closed, you merely drop the bill or receipt into the folder (car expense, medical, dental, business expense, etc.).

Keep receipts for everything and note on the back of each one the date (if it doesn't appear on the receipt)

as well as what it was for. Another good idea is to indicate, if possible, the particular tax deduction category you intend to put the receipt in. Then it's a simple matter of sorting when you are ready to figure your taxes. And simplicity of record keeping is really the name of the game.

Besides, the record keeping system, a calculator or adding machine is a great time saver. And, both of them are accurate, more accurate than the human process of addition and subtraction. Careful shopping will also minimize the cost to you.

Now armed with records and information on new tax laws and a reliable adding device, you're ready to eliminate the income tax problem.

Here are just a few things to keep in mind that might apply to your particular tax situation.

If you are a working parent, with a family income of less than \$35,000 per year, a deduction is available for child care outside your home or inside your home. Here again, it might be wise to check into this aspect of your taxes before you make a decision about where you will have your children cared for should you require outside care for them. If you pay someone in your home and you pay that individual more than \$50.00 per quarter, in order to take the deduction, you must also pay social security for them.

Earned income credit is another rarely used item. Explanation is always located in the front of the tax booklet you receive every year. In essence, it applies to incomes of less

than \$8,000 and results in some cases in a negative income tax.

Medical expenses can mean a large deduction, too. Keep track of the mileage to and from the doctor's office especially if the office is located in a town other than the one in which you live. It could be a deduction. Also medical insurance is deducted in two separate places.

Charitable gifts is another category to pay special attention to. A donation to a service organization even in the form of clothing can be deductible IF you obtain a receipt.

Making gifts of money to relatives within a given tax year is an area that has had some drastic changes in the last few years. Finding out about them and planning accordingly could save you hundreds of dollars in gift tax expense.

Income averaging is a useful technique when you have a sudden burst of income. It allows you to spread the impact over a five-year period, obviously reducing your taxes in that "burst" year.

Homestead exemptions, capital gains advantages, ceiling payment on social security taxes, deduction of office expenses or partial application of utilities and mortgage payments if your business is located in your home, the installation of air conditioning if it is prescribed in writing by a physician, all can be used to your advantage if you are aware that these types of things have a meaningful relationship to the taxes that you

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