For Your Tax Information

Take Tax Burdens To An Expert

By Russell Clark
Post Staff Writer

It's that time of year again. Yes, Spring is just around the corner but it's also time to file your 1987 income taxes. If you're like many who are getting headaches by looking at the new changes, you should take your forms to the Mel Jackson Income Tax Service at 201 South Kings Drive.

Equipped with more than 20 years tax preparation experience, Mike Maddox and his staff have all the right answers to relieve you tax woes.

When asked why are most people having trouble with the new laws, he says," "Basically it's the complexity of the new rules."

Some of those rules surface around what is called the Kiddy Tax Law and qualified pension plans. Maddox explains the significance of the changes.

"People must be careful that they understand the new early withdrawal law changes on their pension plans," he alerts. "For example, if a person with an IRA account tries to withdraw from their account before they reach age 59-and-a-half, the government penalizes them 10 percent. That law covers all qualified plans except for certain Employee Stock Option Plans (ESOP's).

Another change to look for is in how children are dealt with on the forms as dependents. "A parent who claims a child as a dependent can no longer claim themselves."

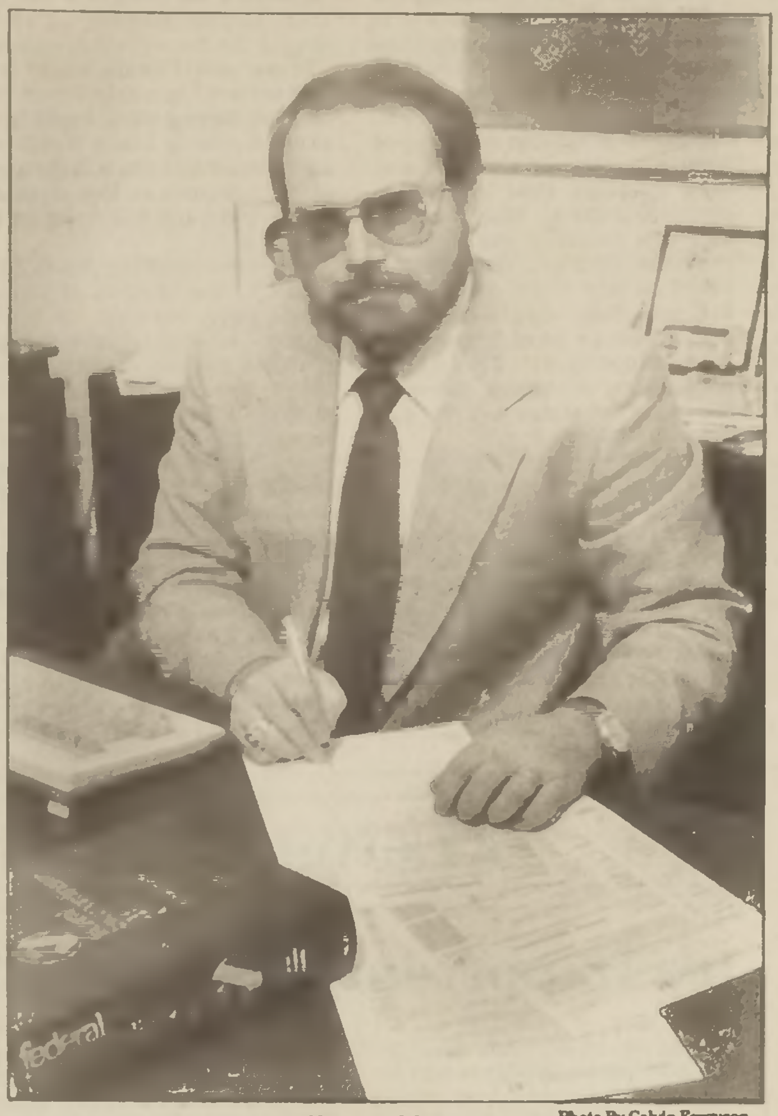

Photo By Calvin Ferguson

Mike Maddox

Maddox cautions about the new Kiddy Tax Law. "People should also be careful when putting away money in their childrens' names. If the child is under 14 years of age, the parents can now be taxed at the adult rate if it is a certain amount of money."

If these new laws sound complex don't get upset and worry yourself gray, call Mel Jackson to relieve your income tax blues.

Tax Law Changes May Mean Fewer People Will Itemize Their Deductions

As the result of recent tax law changes, many taxpayers who itemized their deductions in the past may find it no longer necessary to do so.

In deciding whether to itemize or not, taxpayers should compare their total itemized deductions with their allowable standard deduction. Taxpayers may itemize only if the total of their itemized deductions exceeds the standard deduction to which they are entitled.

The table below can be used to determine an individual's standard deduction for 1987.

1987 Standard Deduction Table

Caution: This table does not apply to taxpayers who can be claimed as dependents. See IRS Publication 501, *Exemptions and Standard Deduction*, for more information on a dependent's standard deduction.

Step 1. Check the correct boxes below for yourself.

☐ 65 or older ☐ Blind

Check the correct boxes below that apply to your spouse if you are claiming your spouse's exemption.

☐ 65 or older ☐ Blind

Total number of boxes you checked .... ____

Step 2. Find your standard deduction.

If your filing status is:	and number of boxes you checked in Step 1 above is:	your standard deduction is:
Single	0	$2,540
	1	3,750
	2	4,500
Married filing jointly	0	$3,760
	1	5,600
	2	6,200
	3	6,800
	4	7,400
Married filing separately**	0	$1,880
	1	3,100
	2	3,700
	3	4,300
	4	4,900
Head of household	0	$2,540
	1	5,150
	2	5,900
Qualifying widow(er)	0	$3,760
	1	5,600
	2	6,200

**If your spouse itemizes deductions on a separate return, your standard deduction is zero.

For more information, get free IRS Publication 920, *Explanation of the Tax Reform Act of 1986 for Individuals*, by using the order blank in the tax return package or calling toll-free 1-800-424-3676.

Decide On New Investments

By Donald Lewis

By now, many of you have pulled your hair out trying to figure out how to complete your 1987 tax forms.

For all of you who have been successful in doing so, congratulation. If you're gettin a tax refund then it's hip-hip and hooray! So now, if you haven't already committed that refund to anything, you should consider some form of investment.

The IRA is still a good vehicle in which to save and invest; but one should do so only if it's suitable for your tax situation.

Mutual funds and CD's are good investments but I prefer government securities over CD's. (There are also some quality "defensive" stocks you should consider purchasing).

It is also a good time to review your life insurance portfolio and take advantage of the tax-advantaged growth aspects of many of the interest-sensitive contracts.

Yes, your tax refund is your hard earned money but don't spend it on some foolish material item before considering your alternatives. For some people the refund is their only form of savings.

The writer is a financial planning consultant and represents State Mutual Assurance and its subsidiaries.

Job Hunting Expenses

Amounts taxpayers spend for typing and printing a resume and postage for mailing copies of it to prospective employers may be claimed as miscellaneous itemized deductions when they are looking for a new job in their current occupation. Miscellaneous deductions are deductible only to the extent the total exceeds two percent of adjusted gross income. See the free IRS Publication 529, "Miscellaneous Deductions," available by writing or calling the IRS.

Taxpayers Ask IRS

These are typical of questions asked by taxpayers and are presented as a public service of this publication and the IRS.

Q. Is there anything I can read on special tax situations for the handicapped and their families?

A. Yes, you can request free Publication 907, "Tax Information for Handicapped and Disabled Individuals," by calling the IRS at 1-800-424-3676, or by using the order form in your tax package.

Q. Are there taxpayers who must itemize deductions?

A. Yes. Some taxpayers must itemize deductions. For example, when married taxpayers file separate returns and one spouse itemizes deductions, then the other spouse also must itemize.

Q. I gave $500 to my church. Even though I did not itemize when I filed my return last year, I was able to claim this contribution on my return. Is this still allowed?

A. No. Beginning in 1987, the provision that allowed non-itemizers to deduct a portion of their charitable contributions has been eliminated.

Q. I bought a new car this year. I paid over $700 in state sales tax. Can I claim a deduction for the sales tax?

A. No. Beginning in 1987, state and local sales taxes are no longer deductible. However, if you itemize, you may be able to deduct certain other state and local taxes such as real estate and personal property taxes.

Q. Are there limitations on deducting employee business expenses?

A. Yes. Except for reimbursed expenses, business expenses generally will be deductible as miscellaneous itemized deductions and only to the extent that they exceed two percent of adjusted gross income.

Q. Where can I order IRS forms and publications?

A. The easiest way is to use the order form on the next to last page of your tax package. You also may write to the IRS Forms Distribution Center nearest you.

Q. How long will it take to receive forms I order?

A. You can expect to receive your order within seven to ten working days.

Q. Can I deduct travel expenses for educational purposes?

A. Beginning in tax year 1987, generally, no deduction will be allowed for costs of travel that would be deductible only on the grounds that the travel itself constitutes a form of education.

Tax Planning: How Will the New Tax Law Affect You?

To save on taxes this year and in years ahead, taxpayers should begin planning now, advises the Internal Revenue Service.

Taxpayers need to learn how the Tax Reform Act of 1986 affects them, and they may need to adjust their tax withholding. Free IRS Publication 919, "Is My Withholding Correct?" can help do this.

The changes made by the Tax Reform Act of 1986 have been many. These changes include:

• Lower tax rates. For 1986, the tax rates ranged from 11 percent to 50 percent. For 1987, there are five tax rates, from 11 percent to 38.5 percent; in 1988, there will be only two rates, 15 percent and 28 percent.

• Medical expenses. Only the amount that is more than 7.5 percent of adjusted gross income is deductible.

• State and local sales taxes. No longer deductible.

• Personal interest. Only 65 percent of personal interest (such as interest on car loans, credit card balances, etc.) is deductible. For 1988, only 40 percent of personal interest will be deductible, for 1989, 20 percent; for 1990, 10 percent; and for 1991, no deduction will be allowed.

• Miscellaneous deductions. Generally, only the amount that is more then two percent of adjusted gross income is deductible.

• Dividend exclusion. The dividend exclusion of $100 ($200 on a joint return) is no longer available.

• Married couple deduction. The deduction for a married couple when both work is repealed.

• Income averaging. Repealed.

• Political contributions. Deduction repealed.

• IRA deduction. The IRA deduction of a taxpayer already covered under a retirement plan may be reduced or eliminated depending on the amount of adjusted gross income. For a single person, for example, the deduction begins to phase out when adjusted gross income is $25,000 and is eliminated when it is $35,000.

• Charitable deduction for nonitemizers. No longer available.

• Unemployment compensation. Fully includible in income.

• Capital gains. Taxed as ordinary income at a maximum rate of 28 percent.

Along with these changes, the following should also be considered:

• Personal exemption. The personal exemption amount for 1987 is $1,900 for each individual, spouse, and dependent; in 1988, the personal exemption increases to $1,950.

Here's a tip . . . a tax tip.

Many of the answers to questions about filling out tax forms are in the package of instructions sent to you by the IRS. Don't let it slide, check it out!

TAX TIP
A Public Service of the IRS

Good Records Make Tax Preparation Easy

Good tax records can save taxpayers substantial time and money when preparing income tax returns, the Internal Revenue Service said.

Taxpayers can save themselves hours of searching for earnings statements or lost receipts and cancelled checks, if their financial records are in order. These records a e not only necessary to prepare a complete and accurate return but can save people money by making them aware of deductions they might have otherwise overlooked.

The types of records to save by those filing Form 1040, the shorter Form 1040A or the 11-line Form 1040EZ include income statements, such as Forms W-2 and W-2P, showing income from wages and from pensions and annuities, and Forms 1099-INT and 1099-DIV, showing income from interest and dividends.

Parents who pay for the care of their children or dependents while they work or look for work should keep careful records of these payments if they want to claim a credit for the amount they pay. These records should consist of a week-by-week log of the name, address and, if required, social security number of the care provider, as well as the amount paid. Cancelled checks or receipts for cash payments will serve as substantiation of the amount paid. These records will enable taxpayers to accurately compute the child and dependent care credit, which can be claimed on either Form 1040A or the longer Form 1040.

Taxpayers who itemize deductions should keep receipts, cancelled checks, etc., for such things as medical and dental payments, contributions to churches and charities, and statements to substantiate mortgage interest. Records of the real estate taxes and personal property taxes paid during the tax year should also be kept. Other miscellaneous items to keep might include records of payment of union dues, unreimbursed employee business expenses, investment expenses, and tax return preparation fees – these can be deducted only to the extent that the total amount exceeds two percent of the taxpayer's adjusted gross income.

Taxpayers must have statements, worksheets, and receipts that document and support the income, deductions, and credits claimed on their tax returns, should IRS need to examine them. Tax records which support items claimed on a return should be kept at least until the period of limitation expires for that return. Usually this is three years from the date the return was due or filed, or two years from the date the tax was paid, whichever is later.

Sometimes records must be kept longer than the period of limitation even though the tax return is correct and complete. Records of property transactions (including real estate, stock, machinery, etc.) should be kept for future reference. In addition, copies of old tax returns may be helpful in preparing future returns, so taxpayers may want to keep them with their other records.

The IRS publishes a free publication on recordkeeping for tax purposes. To obtain a copy of Publication 552, *Recordkeeping for Individuals and a List of Tax Publications*, use the order blank in the tax return package or call 1-800-424-3676.