

TO: Every American ^{ON} A Payroll FROM: The Secretary ^{OF} THE Treasury

SUBJECT: The New Pay-As-You-Go Method of Collecting Your Income Tax

Starting July 1st, both your Income and Victory Tax will be collected by an entirely new and more convenient method.

Under the old system, you were obliged every March 15th to pay either the full tax for the previous year, or a quarter of that amount. Under the new system, you will keep paid up from month to month.

After July 1st, your employer is obliged by the new law to withhold every month a part of your wages and turn the money into the United States Treasury as payment on your Income and Victory Tax.

Of course, the amount that your employer withholds will depend upon your pay and your exemptions. But this is the important point: For most of us, the amount withheld over a year's period will add up to the same that we're paying now—plus or minus a few dollars.

At the end of the year, we may owe the Government a few dollars or the Government may owe us. (See the tables below.)

You may have heard 20% mentioned as the proportion of your wages that will be withheld. Actually, this is incorrect. To figure the amount that will be withheld, take your total wages and subtract your allowance for exemp-

tions and allowance for dependents; 20% of this lesser amount is the total that will be withheld.

Now please remember this: You must claim those exemptions to take advantage of them. Before July 1st, you must file with your employer an Exemption Certificate. If you do not do this, your employer will have no choice but to deduct 20% of your full pay check.

Here is how the new tax collection method will work: Let's say you are a working man earning \$3,000 a year; that you are married, and have two children.

First of all, as a married man you are allowed a personal withholding exemption of \$1,248, plus an exemption of \$312 for each dependent (other than your wife). This makes a total exemption of \$1,872 (\$1,248 for yourself and wife, plus \$624 for your two dependents), which is deducted from the \$3,000 you earn before your tax is computed. You are thus paying tax on \$1,128, of which your employer will withhold 20%, or \$225.60 for the year. Therefore, in your pay envelope, after July 1, you will receive about \$4.40 less each week.

In March, 1944, when you ordinarily would be faced with paying taxes on your 1943 income, you will file a return showing how much you have already paid, and how much your total tax actually amounted to. If, by that time,

you have already paid more than your actual tax due, you will be given credit for the difference. If you owe more than you have paid, you will pay the difference.

Since this plan starts July 1, many wonder what happens to the tax payments they will already have made by that time—on March 15 and June 15.

For a great majority of people, here is what happens . . . Your 1942 income tax is "forgiven" (either all, or most of it). The March and June installments which you originally paid on that 1942 income tax are credited, instead, as payments on your 1943 tax. With the result that on July 1st, with the year half gone, you have already paid tax on that half-year's income. In short, you are "paying as you go."

There is one thing more. Since this pay-as-you-go method leaves you just as much of your net income as you had before, you will probably find it possible to at least maintain your present rate of buying War Bonds. Do this by all means!

Taxes alone will not bring to the Treasury nearly enough money to finance the great invasion war that lies ahead. The war needs every cent of your money that does not go for the necessities of life.

Henry Morgenthau Jr.

AMOUNTS WITHHELD FROM WEEKLY WAGES FOR INCOME AND VICTORY TAX UNDER PAY-AS-YOU-GO

Weekly wage	Amount to be withheld weekly	Withholding as a percent of wages	Annual total to be withheld	Annual total to be paid
\$17.50	\$ 1.10	6.3%	\$ 57.20	\$ 73.73
22.50	2.10	9.3	109.20	126.48
27.50	3.10	11.3	161.20	184.23
35.00	4.60	13.1	239.20	262.85
45.00	6.60	14.7	343.20	373.35
55.00	8.60	15.6	447.20	489.85
65.00	10.60	16.3	551.20	613.27
75.00	12.60	16.8	655.20	737.37
85.00	14.60	17.2	759.20	861.48
95.00	16.60	17.5	863.20	991.32

Weekly wage	Amount to be withheld weekly	Withholding as a percent of wages	Annual total to be withheld	Annual total to be paid
\$17.50	\$.20	1.1%	\$ 10.40	\$ 8.58
22.50	.30	1.3	15.60	16.38
27.50	.70	2.5	36.40	45.18
35.00	2.20	6.3	114.40	120.88
45.00	4.20	9.3	218.40	227.48
55.00	6.20	11.3	322.40	334.08
65.00	8.20	12.6	426.40	439.29
75.00	10.20	13.6	530.40	558.80
85.00	12.20	14.4	634.40	679.00
95.00	14.20	14.9	738.40	799.21

Weekly wage	Amount to be withheld weekly	Withholding as a percent of wages	Annual total to be withheld	Annual total to be paid
\$17.50	\$.20	1.1%	\$ 10.40	\$ 8.29
22.50	.30	1.3	15.60	15.83
27.50	.50	1.8	26.00	23.37
35.00	1.00	2.9	52.00	55.68
45.00	3.00	6.7	156.00	160.76
55.00	5.00	9.1	260.00	262.84
65.00	7.00	10.8	364.00	370.02
75.00	9.00	12.0	468.00	478.52
85.00	11.00	12.9	572.00	598.21
95.00	13.00	13.7	676.00	717.89

Weekly wage	Amount to be withheld weekly	Withholding as a percent of wages	Annual total to be withheld	Annual total to be paid
\$17.50	\$.20	1.1%	\$ 10.40	\$ 8.01
22.50	.30	1.3	15.60	15.29
27.50	.50	1.8	26.00	22.57
35.00	.70	2.0	36.40	33.49
45.00	1.80	4.0	93.60	90.05
55.00	3.80	6.9	197.60	195.61
65.00	5.80	8.9	301.60	300.77
75.00	7.80	10.4	405.60	405.27
85.00	9.80	11.5	509.60	517.42
95.00	11.80	12.4	613.60	636.58

If the amount withheld during the year is more than your total Income and Victory tax for the year, the Government will refund the difference.

If the amount withheld is less than your total Income and Victory tax for the year, you will pay the difference to the Government.

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