

'86 Requirements

The following chart, based on filing status, shows the minimum amount of gross income which must be received in 1986 before a return is required to be filed.

Single (under age 65)	\$3,560	• You received tips from which social security tax was not withheld.
Single (age 65 or over)	\$4,640	• You were in business for yourself and had net earnings of \$400 or more from that business. This is called self-employment income.
Married filing a joint return	\$5,830	• You had unearned income of \$1,080 or more, such as dividends or interest, and can be claimed as a dependent by someone else. This is particularly important to students.
Married filing a joint return (one spouse age 65 or over)	\$6,910	• You received Advance Earned Income Credit payments.
Married filing a joint return (both spouses age 65 or over)	\$7,990	• You owe any alternative minimum tax.
Married filing a separate return	\$1,080	• You owe any tax on an individual retirement arrangement (IRA).
Surviving spouse (qualifying widow(er) with dependent child)	\$4,750	You must also file a return to obtain a refund of any income tax withheld, even if you do not meet any of the requirements specified above.
Surviving spouse (age 65 or over)	\$5,830	

Allocated Tips May Be Income

Employees to whom tips are allocated should report the allocated tips as income on their income tax returns, according to the Internal Revenue Service.

Tips are allocated by the employer, who compares the total of all tips reported by the employees with eight percent (or a lower percentage) of the establishment's total food and beverage receipts. If records show that the total tips reported by the employees falls below the applicable percentage, the employer will be required to allocate the difference between the two amounts among those employees who receive tips, and report the difference to the IRS.

Tip allocations are made only to employees who receive tips directly from customers unless there is an agreement that they be allocated among all tipped employees. Employers should withhold income, social security or railroad retirement tax only on the tips reported by the employees, not on the allocated amounts. Food and beverage establishments where tipping is customary and that normally employ more than 10 employees are

required to file an annual report with the IRS. The amount employees must include on their tax returns may be more or less than the allocated amount. However, the IRS may use the employer's annual report to determine that a tipped employee received a larger amount of tip income than reflected by the tip allocation.

With advance written approval from the IRS, certain employers or groups of employers may apply to have the allocation percentage reduced from eight percent to as low as two percent, if they can establish that the actual tip rate of the establishment is lower than eight percent of the establishment's total gross food and beverage receipts.

Employees who earn \$20 or more a month in tips while working for one employer must report the total amount of these tips each month to their employer by the 10th day of the following month. Some employers may require these written reports more than once a month.

The monthly tip report must contain the employee's name, address and social security number. The employer's name and address, the period covered and the total amount of tips must also be in the report, which must be signed and dated by the employee.

Free IRS forms are available for maintaining a daily tip record and preparing monthly reports. Call or write the IRS

Farmer's Tax Guide Provides Free Tax Help

A free publication explaining how tax laws apply to farming is available by writing the Internal Revenue Service, according to the IRS.

IRS Publication 225, *Farmer's Tax Guide*, contains 19 chapters covering such topics as farm income, farm business expenses, tax credits, certain farming tax shelters, and soil and water conservation expenditures.

Written in easy to understand language, the guide can be a valuable resource at tax time as well as a handy reference all year. It contains a sample return with step-by-step directions on filling out not only Schedule F, *Farm Income and Expenses*, but also eleven other forms and schedules dealing with tax situations common to most farmers.

As a year round reference tool, the 80-page guide contains a calendar of important tax dates, tips on methods of recordkeeping and accounting, and other useful topics. The first page, "Items of Interest," alerts readers to some of the more important changes in tax law which affect the farmer as a taxpayer.

Information Yours For Asking

For a complete list of publications and numbers, see box on Page 5 of this section

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Need Help Tackling Your Taxes?
Helen Hunter will give you the expert assistance you want and need to tackle your tax return. Call her now.

649-3212 or 649-3444

"Take one from me...!"

If you work for yourself and you make at least \$400 a year, you must file a tax return. Don't get knocked for a loop on this one.

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