

# BUSINESS AND FINANCE

1040

## Taxpayers Ask IRS

This column of questions and answers on federal tax matters is provided by the local office of the U.S. Internal Revenue Service and is published as a public service to taxpayers. The column answers questions most frequently asked by taxpayers.

**Q.** I am 65 years old and have just sold my home. I've heard that because of my age, I may not have to pay tax on some of the profit made from the sale. Is this true?

**A.** Yes. If you were 65 or older before the date of the sale or exchange of your house, you may be able to exclude from your income all or part of the gain from the sale. However, you are allowed to do this only once in your life, and you must have owned and used the property as your principal residence for at least five of the eight years immediately before the date of the sale.

If you meet these requirements, and if the adjusted sales price of your home is \$20,000 or less, you may elect to exclude the entire gain from your income. This elec-

tion must be made by both taxpayers if the property is jointly owned. If the adjusted sales price is more than \$20,000, you may still be able to exclude part of the profit. For more information, see IRS Publication 523, Tax Information on Selling Your Home. It's available free from your IRS Office.

**Q.** I have a full-time job in one city, but I live with my family in a city 100 miles away, and I must travel back and forth each week. Are any of the travel and living expenses deductible?

**A.** No. In a case like yours, your home, for tax purposes, is considered to be your principal place of business, employment or post of duty, regardless of where you maintain your family residence. Your food and lodging while at

your job and your travel expenses are considered personal expenses, and are not deductible. For more information, see IRS Publication 463, Travel, Entertainment, and Gift Expenses, available free at your IRS Office.

**Q.** I made a down payment on a home I wanted to have built, but the construction company has just declared bankruptcy. I am told I have no chance of recovering my money. Is there some kind of loss which I can declare on my tax return?

**A.** When a construction company becomes insolvent and fails to perform under the terms of a contract, the unrecoverable deposit made for the construction of a residence is considered a non-business bad debt.

The deposit must be treated as a short term capital loss, and is subject to the limitations on deductions for capital losses. Report the loss on Schedule D, Form 1040. For more details, see IRS Publication 548, Tax Information on Deduction for Bad Debts.

## New Law Demands Action

**RALEIGH** -- All North Carolinians who believe that a disabled adult is being neglected, abused or exploited are required by a new state law that goes into effect on January 1, 1976 to report such information to their county director of social services.

The county director of social services is required to evaluate every case reported as soon as possible but not later than 72 hours after the case is reported.

The report may be made orally or in writing and anyone who makes such a report shall be immune from any civil or criminal liability unless they acted in bad faith or with a malicious purpose.

According to the law, a disabled adult is any person 18 years of age or over who is physically or mentally incapacitated due to mental retardation, cerebral palsy, epilepsy, organic brain damage or other physical

## Less Taxes With '75 Return

**Greensboro** - Liberalized standard deduction, personal exemption credit, housing credit--these are some of the changes on the 1975 tax return that will mean less taxes for the majority of taxpayers.

Take the change in the standard deduction. On last year's return, taxpayers were limited to 15% of adjusted gross income to a maximum of \$2,000. This year, the percentage has been increased to 16% with a maximum of \$2,600 for a married couple filing jointly, or \$2,300 for a single person (\$1,300 for a married person filing separately).

filed the 1040 form may find it to their advantage to use the simpler Form 1040A this year and take the standard deduction. It's a good idea to work out the tax liability both by itemizing and by taking the standard deduction. While it may take a little longer to go through the process twice, it just may mean saving a considerable amount.

## CONSUMERTIP

Giving baby the best need not cost alot.

The Office of Child Development believes that "baby totes" or back packs are as efficient as expensive strollers and carriages. Nor do you need costly "bathinnettes," since the kitchen table and cabinets are adequate for bathing and changing.

Baskets and drawers are considered equally as good accommodations as small cradles. Regular juices, apple sauce, etc. are said to be as nutritious as special infant preparations.

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Many taxpayers who have always itemized and

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## Former Editor Reappointed By Governor

**Raleigh** -- Holt McPherson, former editor of the High Point Enterprise, has been reappointed as chairman of the N.C. Medical Care Commission by Governor James E. Holshouser, Jr. McPherson has been chairman of the

commission since 1972. Governor Holshouser also appointed Dr. David Stephen Nelson, an emergency room physician at Forsyth Memorial Hospital in Winston-Salem, to fill an unexpired term on the N.C.

Medical Care Commission. This commission sets policy for several of the Department of Human Resources' programs including health facility construction grants and loans and the educational

loan program. It also sets licensing standards for hospitals, establishes criteria for the certification of Emergency Medical Technicians and adopts regulations for certifying ambulances.

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