

# Tax tips

**Editor's Note:** The Pennsylvania Institute of Certified Public Accountants offers the following 30 helpful tax tips as a public service to readers.

**1. POLITICAL DEDUCTIONS DOUBLED**  
The deduction for political contributions has been doubled since last year. You can deduct the first hundred dollars contributed in 1975. The tax credit — favored by higher income taxpayers — also has been doubled. It's good now for \$25.

**2. TUITION A MEDICAL DEDUCTION?**  
When adding up your medical deductions, one unlikely place to look is in your child's school tuition bills. Many schools itemize on their bills the amount assignable to medical costs. If there isn't such a breakdown on your bills, ask for it.

**3. TAX EXEMPT SICK PAY**  
If your paychecks kept coming when you were out sick, part of the sick pay you received may be tax exempt. But responsibility for computing what amount is exempt has been shifted from your employer to you, so if you're affected you may need professional assistance.

**4. TAKING PEOPLE OFF WELFARE**  
Are you one of the rare employers who took on full-time help in 1975? If the person you hired was on welfare for at least ninety days prior to being hired, you may have a tax credit coming, worth 20 percent of the wages you paid, up to \$1,000.

**5. RECOVERIES FROM PREVIOUS YEARS**  
If you took a tax deduction in some previous year for a loss or an expense, and then received belated insurance compensation in 1975, does that mean you have to go back and correct the earlier tax return? Not at all. Just list the insurance payment as income on your 1975 return.

**6. TAXES ON INSURANCE BENEFITS**  
Are insurance benefits taxable? Life insurance benefits, no. Payments for property losses, only if they exceed actual losses. And insurance reimbursement for medical expenses is taxable only if you previously took the expense as a tax deduction.

**7. DEDUCTING CHARITABLE EXPENSES**  
If you are one of those nice people who work for charities, when computing your deductions for charitable contributions, don't forget the out-of-pocket expenses incurred in working for such groups. These can include driving costs, at seven cents a mile, but don't deduct the value of your own time or the cost of a babysitter.

**8. TAXES ON UNEMPLOYMENT BENEFITS?**  
If you are one of those people who were out of work last year, are unemployment benefits taxable income? If they're supplemental benefits paid by a former employer, or severance pay or guaranteed wages under a union contract, yes. But if they're state unemployment benefits, no tax.

**9. MEDICAL HOME IMPROVEMENTS**  
Modifying a house for

medical reasons can bring a tax deduction, but make sure your doctor certifies the improvement as necessary, and have a real estate appraiser certify any increase in value. If there is an increase in value, it must be excluded from the deduction.

**10. TAX CREDIT ON BUSINESS EQUIPMENT**  
If you bought a car or other equipment to be used in your business, you may be in line for an investment tax credit of up to ten percent of the purchase price. If the car is used only partly for business, the credit must be pro-rated accordingly.

**11. NON-CASH CHARITABLE CONTRIBUTIONS**  
Here's a suggestion about federal tax rules for those making a charitable contribution of a non-cash item worth more than \$200. You now have to submit with your tax return a copy of an appraiser's evaluation, and supply certain other information, such as whether the donation has any strings attached.

**12. INCOME FROM MORTGAGE SETTLEMENTS**  
Some banks wipe out old, low-interest home mortgages by offering discounts to those who pay them off early. If you had part of a mortgage forgiven in this manner, remember that Internal Revenue considers the amount forgiven to be taxable income, to be declared on your tax return.

**13. DEDUCTING CASUALTY LOSSES**  
Thousands of taxpayers are eligible for deductions for storm damage or losses caused by theft, fire and other casualties. Remember, the first hundred dollars of loss per casualty is not deductible, and neither are losses covered by insurance.

**14. LOSS ON HOME SALE NOT DEDUCTIBLE**  
Did you make a profit when you sold your home? You must pay capital gain tax on the profit unless you re-invest in another home costing at least as much. But what if you lost money — can the loss be taken as a deduction? Uncle Sam says

no, not unless the house was a business investment.

**15. DEDUCT CAPITAL LOSSES AT \$1000 A YEAR**  
Your net capital losses — those in excess of capital gains — may be tax deductible, but only up to \$1000 in any one year. If you have capital losses over that, you can deduct them on future tax returns, at the same rate of up to a thousand dollars a year.

**16. HOME SELLING COSTS NOT DEDUCTIBLE**  
The costs of selling your home — lawyer's fees, broker's commissions, and so on — are not deductible. However, those selling costs can save you taxes in another way — by reducing any capital gain that may result, if you made a profit on the sale.

**17. DEDUCTING THEFT LOSSES**  
Here's timely federal tax advice for those unlucky enough to have lost valuables to thieves during the past year: Uninsured theft losses over \$100 can be tax deductible, but you may have to prove the items were really stolen, not just lost or misplaced. One way to do this is with a copy of the police theft report.

**18. SOME TAXES NOT DEDUCTIBLE**  
Many of the taxes you pay can be taken as federal income tax deductions, but there are some that cannot, including most taxes paid to the federal government, motor vehicle license fees, assessments for local improvements, and social security taxes. No deductions for any of those.

**19. DEDUCTING JOB-HUNTING COSTS**  
Here's a suggestion that may save federal tax dollars if you spent money trying to find a job. Job seeking costs used to be tax deductible only if you actually found a new position. Now they may be deducted even if they fail to pay off. However, the search must be for work in the same field you had been in previously.

**20. NO TAX ON SMALL UNSOLICITED GIFTS**  
When declaring your taxable income, you don't have to include the value of small gifts that companies

give out to win goodwill — not if you didn't ask for the gift, or do anything to get it, and if returning it to the sender would be a lot of trouble.

**21. RENTING TO A RELATIVE**  
If you rent part of your home to a relative, why not treat that portion of the building as a business investment, taking expenses as tax deductions? If you do, the rent you charge must be at the going rate or the IRS may find yours is not a true business operation.

**22. EMPLOYEE BENEFITS TAXABLE?**  
The question of whether job benefits such as meals or lodging on your employer's premises are taxable, hinges on the employer's reason for providing them. If it's for his convenience, no tax. If it's to induce you to work for him, the benefits are considered taxable income.

**23. CAR COSTS EXCEED 15 CENTS PER MILE**  
Car costs have risen so sharply that you may want to itemize your business driving expenses, instead of taking the flat fifteen-cent-a-mile deduction. For newer cars, true costs are said to be higher than fifteen cents even for the subcompacts, and more like 30 cents for big cars.

**24. OFFICE-IN-THE-HOME DEDUCTION**  
Unless you can meet the strict requirements, chances are slim that IRS will accept a deduction for an office in your home. To qualify, the work done at home must necessarily be done there; there must be a valid reason, such as the unavailability of your employer's premises.

**25. NEW-HOME BUYERS CREDIT**  
If you bought a new home during 1975, here's timely advice that may save federal tax dollars: Check on the rules to learn whether you qualify for that tax credit of up to \$2,000. The rules were modified in mid-year, making many more homebuyers eligible than was the case under the original requirements.

**26. NO DEDUCTION FOR INSULATING**  
Despite all the talk you may have heard, there is no tax deduction for having insulated your home or for otherwise cutting down on fuel consumption. Such a deduction may yet be voted by Congress, but so far there's nothing that applies to the 1975 income taxes.

**27. WHICH CHARITIES QUALIFY?**  
Not all charitable con-

tributions are deductible. You can't deduct money given to friends, relatives or strangers, no matter how hard up they may be. To be deductible, the charity must be on the list that's available for inspection at any Internal Revenue office.

**28. GAMBLING LOSSES NOT DEDUCTIBLE**  
Do you take chances? You can't deduct gambling losses on your income tax return. If provable, losses can be subtracted from gambling winnings, thus reducing the tax on the winnings. But if what you lost exceeds what you won, there's no deduction for the amount you're short.

**29. UNPAID FRIENDLY LOAN A BAD DEBT?**  
If you lend money to a friend and he fails to repay, you can take that as a bad debt deduction only if you can show that a real debt existed, with formal agreement as to interest and repayment terms. Also, you must have made a serious effort to collect, and failed.

**30. COMPUTE CASUALTY LOSSES TWO WAYS**  
There are two ways of computing deductible losses from storms, fires and other "casualties". One is the difference between value after the event and value just before. The other is the cost of restoring the property to pre-casualty condition. Figure it both ways to see which is better.

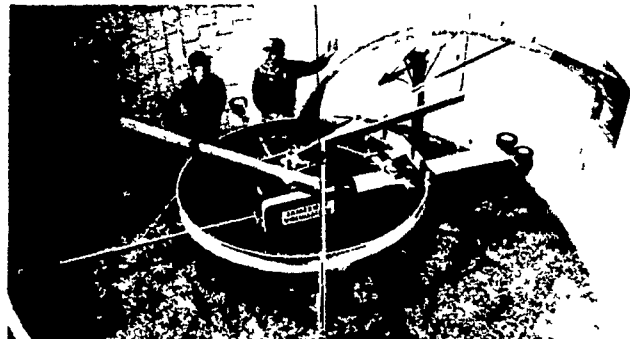
xxx  
George Washington could never tell a lie. You won't be fooling either if you tell your family they need 2 to 3 servings of vegetables each day for good nutrition. This Snappy Green Bean should raise the popularity rating of vegetables around your house. Dice 4 slices of salami, pan-cook one minute. Add a chopped small onion and a tablespoon butter. Saute until golden. Add 1/4 cup nonsweet French dressing and 2 1/2 cups drained cooked or canned string beans. Heat. Garnish with parsley.

xxx  
Be everyone's favorite valentine by serving cheese-chive stuffed franks. Split skinless franks and fill with a mixture of 3 ounces cream cheese blended with a tablespoon minced chives. Wrap in a strip of bacon and broil 8 minutes, turning for even browning.

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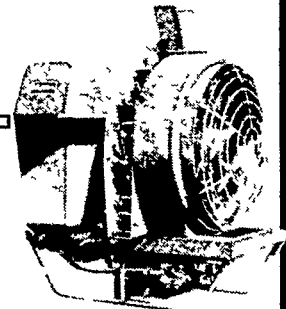
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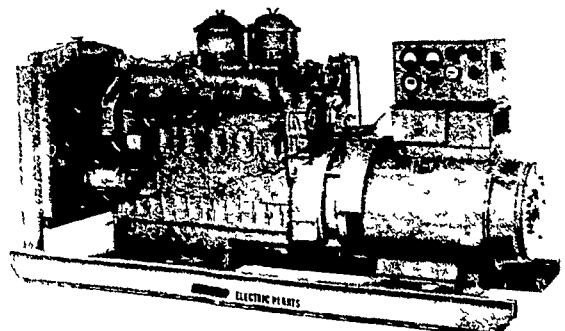
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