

How Uncle Sam figures your tax bite

PHILADELPHIA — As more women enter the work force on a permanent basis, creating a second family income, it is not unusual for a married couple to be placed in a much higher tax bracket.

Our tax system is based on the premise that if you earn more money, you can better afford higher taxes. It attempts to link tax rates with the ability to pay.

From this system, tax brackets have developed, and with them, confusion. In fact, John W. Munnell, CPA, President of the South Central Chapter, Pennsylvania Institute of Certified Public Accountants, has pointed out that the term "marginal tax brackets" is currently being used to clear-up some of the confusion.

As this term indicates, a tax bracket refers to the last dollar, the margin, of your income.

Most of us have not just one but many tax brackets, each affecting a different level of income. The first \$2300 of taxable income (after exemptions) for a single taxpayer, is in the zero bracket, no tax at all. That's why what was formerly known as the standard deduction is now called the zero bracket amount. Even if you make millions, your first \$2300 is still untaxed.

For a single individual, income over \$2300 is taxed at 14 percent until it reaches \$3400, where the rate climbs to 16 percent. At \$4400, the rate rises to 18 percent and keeps going higher. At \$28,800 the marginal tax rate

(tax on the next dollar of income) exceeds 40 percent.

Because your tax bracket is affected by those last few dollars of income, a last deduction or adjustment may have a great affect on your return.

If you are in the 40 percent bracket, for example, a nearly over-looked \$10 deduction can put \$4 in your pocket. Fifty dollars of income that can be reclassified from taxable to non-taxable is worth about \$20 in cash.

A \$1000 exemption is good for nearly \$400 in cash. Similarly, tacking on a final bonus, commissions, dividend, or other item of taxable income can mean ringing up 40 cents of taxes for every dollar of earnings.

Because the overlooked item of income or expense

incurs a tax or provides a benefit at the marginal rate, the PICPA suggests that a thorough job of checking financial records for the year to be sure you don't overlook a transaction from which you may be able to realize a substantial tax savings.

It's the tax break you nearly miss that counts the most, bringing the top rate of tax savings available to someone in your bracket.

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Take the sharp edge off appetites with Cheese-Sausage Appetizers by combining three cups of buttermilk baking mix, one pound of bulk pork sausage, uncooked, one-half cup each of chopped celery and onion, two and one-half cups (10 oz.) shredded Cheddar cheese and three-fourths cup of milk; mix well. Shape mixture into one-inch balls. Bake in a preheated 350°F. oven on unbuttered baking sheets 12 to 15 minutes. Serve warm. This yields approximately six dozen.

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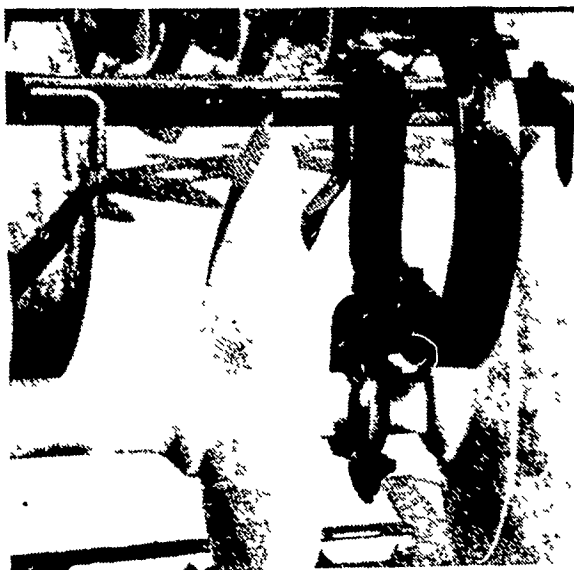
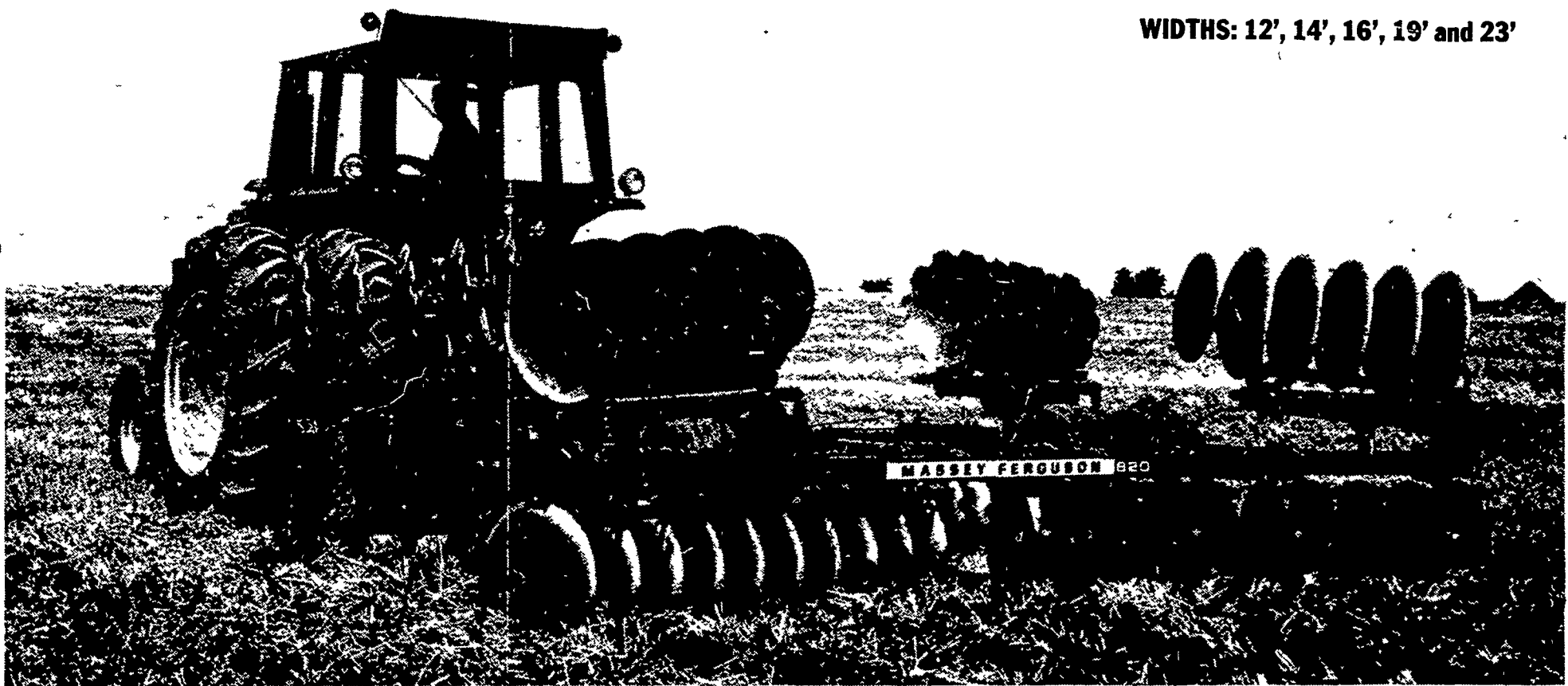
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