

INCOME TAX DEPARTMENT

—By—
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EDITOR'S NOTE
This is the third of a series of articles on how to prepare income taxes, that will appear regularly in this column. Mr. Seidman is a member of the Committee of Taxation of the American Institute of Accountants. He is a well known tax expert and has written many articles on taxation. Mr. Seidman will answer all questions on taxes that are directed to him by our readers. Such questions should be addressed to the Tax Editor. To receive answers, however, when publishing, will not reveal the identity of the writer.

Now there has been explanation as to the tax law and why a person must file a tax return. In this article, the subject of exemptions will be discussed.

Every single person is allowed an exemption of \$1,000. That is why a person having a net income of \$1,000 never must file a return.

A married individual is allowed an exemption of \$2,500, and that exemption why married individuals must file a return if their net income is in excess of \$2,500. Under the old law a married individual got a \$2,500 exemption if his net income was below \$2,500. If above that amount the exemption was \$2,000.

The same exemption is allowed the head of a family as is allowed the married individual, namely, \$2,500. However, it should be noted that while the head of a family is allowed an exemption of \$2,500, he or she must file a return, if the net income is in excess of \$1,000. This point is usually overlooked. The general rule is that if one's net income is less than the personal exemption, a return need not be filed. That is not the case in the case of the head of a family.

Furthermore, one individual can get more than one exemption. A married man who is also the head of the household is entitled to an exemption of \$2,500, not \$5,000 for that reason.

What is meant by "a head of a family"? A head of a family is an individual who supports and maintains in his household one or more other individuals. Note that the person being supported must live in the same household with the person claiming the exemption. A son who supports his parents, therefore, would be regarded as the head of the household only if he lived with his parents. If he were not living with his parents, he would not be entitled to an exemption for being head of a household.

The foregoing are known as the personal exemptions. In addition, there is a \$400 exemption for each person supported by the taxpayer, if the dependent is under eighteen years of age or is incapable of self-support, because of some mental or physical infirmity.

There are several interesting phases about this exemption. In the first place, a husband cannot claim for supporting his wife or vice versa. Then, the dependent must be under the age of eighteen or mentally or physically incapable of self-support. The father that supports his nineteen year old son at college, therefore, cannot claim the exemption; nor can the father claim it for the support of his parents, unless they were incapable of supporting themselves because of some mental or physical defect. It should be observed that the exemption is allowed for each person that is dependent on the taxpayer. If, for example, a taxpayer has three children under the age of eighteen, dependent on him, he would be entitled to an exemption on that account, of \$1,200.

For the purpose of this exemption, it is not necessary that the dependent person live with the taxpayer, as is the case for the exemption of the head of a household. A man who supports a dependent relative in Europe can claim this exemption. However, as against this is the fact that for a person to be the head of a household, it is not necessary for the dependent to be under 18 or mentally or physically incapable of self-support. As long as the taxpayer supports anyone in his household, he is the head of a family. If that dependent person is under eighteen or incapable for self-support, then in addition to the head of the household exemption, the taxpayer is entitled to a further exemption of \$400 for each such dependent.

There is still another and most important feature about all of these exemptions. Under the old law, it was the situation at the end of the year that determined the amount of the exemption that one was entitled to. If the taxpayer married on December

31, 1923, he was entitled to the married man's exemption for the entire year. If, on the other hand, the dependent died on December 31, the taxpayer could not claim the \$400 exemption for such dependent, even though he actually supported the dependent during the entire year.

The 1924 Act, under which 1924 returns are to be filed, changes this somewhat. While the rule so far as the \$400 exemption remains the same, namely, that this exemption shall be determined by the situation of the taxpayer on the last day of the year, the exemption for a married person or the head of a household depends on his status throughout the year.

In other words, if a person was married on June 30, 1924, the exemption on his 1924 return would be half the single man's exemption, of \$500, and half of the married man's exemption of \$1,250, making a total of \$1,750 because he was single half the year and married the other half. If instead of being married on June 30, he was married on any other date, his exemption would be figured on the same basis, namely, the proportion of the year that he was single and the proportion of the year that he was married.

The rules concerning the exemptions that are allowed individuals might therefore be summarized as follows: Every single person is entitled to an exemption of \$1,000. Every married person or head of a household is entitled to an exemption of \$2,500. An additional exemption of \$400 is allowed for each person that is dependent on the taxpayer. The last exemption is determined by the situation that exists at the end of the year. However, the other exemptions are computed on a pro rata basis where the taxpayer's status changes during the year.

The foregoing covers the situation respecting individuals. As to corporations, a corporation is entitled to an exemption of \$2,000 if the net income is \$25,000 or less; but if its net income is in excess of \$25,000 the corporation gets no exemption whatsoever. It will be recalled that irrespective of the size of the net income, all corporations must file a return.

Estates and trusts are regarded as single persons and are therefore entitled to the \$1,000 exemption.

In the next article the time and place for filing returns as well as the rates of taxation will be discussed.

ISSUES CLOVER SEED WARNING

County Agent Urges Farmers To Purchase Good Seed At Once

(By L. M. Busche, County Agent)

Clover is one of the farmer's best friends. No person is really worthy of the name of farmer unless he realizes the value of having a good acreage of clover on the farm every year and does his best to obtain that acreage.

However, a serious handicap has been placed on the securing of clover "stands" during the last few years, seed. Most of this seed comes from southern Europe, where winters are mild and clover flourishes, and the nicest looking clover seed in the world is produced. But of course when this seed is used locally, it freezes out the first winter.

In extensive trials made of clover seeds, at Purdue University, South European clovers practically entirely winter-killed. Only about 20 percent of German and other Northern European seed winter-killed. As a result, all European clover seed is "German" in origin, at least in name, even though it obtains its nationality by simple passing through Germany on the way to the United States.

Accordingly, a few suggestions are made to Adams county farmers as follows: Don't buy seed from mail order houses offering "bargain" seed at low prices. Low prices usually mean low grade. Don't buy from traveling agents whom you do not know. Refuse to buy seed which is untagged, no matter who the dealer may be. Don't buy seeds at public auction unless they are tagged. The best plan is to buy from a local reliable dealer who handles seed from a reliable house.

Don't think no European seed was imported this year. The clover seed shortage was nation-wide and there is only half enough native seed to go around. Don't sow European seed and then blame the hard winter.

Write the county's agent's office for Circular 114, Failure of European seeds at Purdue.

IZAIAK WALTON LEAGUE ELECTS

Muncie Man Is Re-Elected President; Favors Purchase of "Lumberlost"

Muncie, Jan. 14.—Karl Brown, of this city, was re-elected president of the Indiana division of the Izaak Walton League of America at the annual convention of the division, which opened at the chamber of commerce Saturday. Elkhart was named as the city for the next annual meeting to be held in December.

Other officers elected are Charles F. Bowden, of this city, secretary; J. B. Shick, of Laporte, treasurer; Dr. E. F. Zimmerman, of Elkhart, first vice-president; Dr. Harry Schultz, of Logansport, second vice-president, and Dr. G. C. Repass, of Anderson, third vice-president. The directors elected are C. L. DeWitt, Elkhart; Harry C. Moore, Terre Haute; John F. Frederick, Kokomo; Gus Condo, Marion; B. T. Billman, Sullivan; C. A. Wilding, Ft. Wayne; M. L. Cochenour, Warsaw; Lewis Schlessman, Lafayette, and W. A. Guthrie, Indianapolis.

Those present from other states and prominent in the league's activities declared that the Indiana division today adopted one of the most complete conservation programs that has been drafted by any division. Nearly a score of bills to be presented before the state legislature were endorsed. The legislative committee of the division gave its report late Friday, after having been in session for nearly ten hours.

Judge K. M. Landis and Will H. Dilg, national president of the Izaak Walton League, arrived in Muncie Saturday and gave brief addresses before the convention. The principal address of the morning session was given by Richard Lieber, head of the state conservation department. Judge Landis spoke at a banquet Saturday evening at which there were plates for more than six hundred.

Resolutions were adopted on the death of Gene Stratton Porter and recommending that the state purchase "Lumberlost," the home of Mrs. Porter, for a state park. Another resolution adopted opposes any change in the state's laws to permit the transfer of fees derived from fishing and hunting licenses to the state's general fund.

Representatives of the Decatur chapter of the Izaak Walton League attended the convention.

TELLS OF BIG RABBIT HUNT

Total Of 140,000 Jack Rabbits Killed In Drive In Colorado Recently

Rev. and Mrs. U. S. A. Bridge are in receipt of an interesting letter from their son Gail Bridge, who is visiting with his brother, Vern Bridge, circulation manager of the Omaha Bee, at Omaha, Nebraska.

Mr. Bridge told of a community Jack-rabbit hunt which was held about a week ago near Denver, Colo. The rabbits in that section of the country were so numerous that they were destroying crops and young trees, so the farmers organized a hunting party of about 10,000 men and boys and in two days killed approximately 150,000 of the big Jack-rabbits.

The newspaper then took a hand. Mr. Bridge playing an important part in the distribution of the rabbits for food among the poor. The Denver Post organized a distributing agency for the rabbits in Colorado and saw that 100,000 of the rabbits were given to those who asked for them, especially to the poor. Mr. Bridge made a requisition for 50,000 of the rabbits and had them shipped to Omaha, Neb., where he supervised the distribution of the rabbits among the poorer families in his city and community. City, county and state official also aided in the hunt and distribution of the rabbits, and in view of the large number of rabbits which were killed the state of Colorado will soon be rid of the Jack-rabbit.

Otto Bleeke, well known Adams county farmer, has received a letter from his son-in-law, A. W. Welland, of Colorado, in which Mr. Welland also tells of the rabbit hunt. He encloses a clipping from a newspaper, which contains an account of the hunt and a picture of one of the rabbits that was killed, and which is said to be the largest Jack-rabbit ever killed. The rabbit weighed twenty-seven pounds and eight ounces, measured

four feet and five inches in length and was twelve inches across its breast. It had ears measuring eight inches in length. A veterinarian estimated that the rabbit was eight years old.

AUCTION SCHOOL NEWS

—by—
"Bob" C. Smith

Our good old "standby," Col. Earl Garten, is still on the job in the class room. We have taken more instruction from Col. than any one of the nine instructors. This is partly due to the fact that he has been with us from start to finish. Col. Garten has an inexhaustible supply of facts to tell us and it flows out and hits the bottom like the water from Niagara Falls.

We have got to hand it to Col. Repass for being in a position to not only know the best auctioneer instructors in America, but because he was fortunate enough to get them to come here and teach the students.

The girls say Henry Piephol forgets to pull down the curtain over at his room every evening. Some of the boys are going to charge admission to all spectators from now on. The above accounts for Henry's blushing when he gets up to sell an article for the girls start laughing and he fades away. He says he has finally caught on to all of this and from now on the curtain goes down before the show starts.

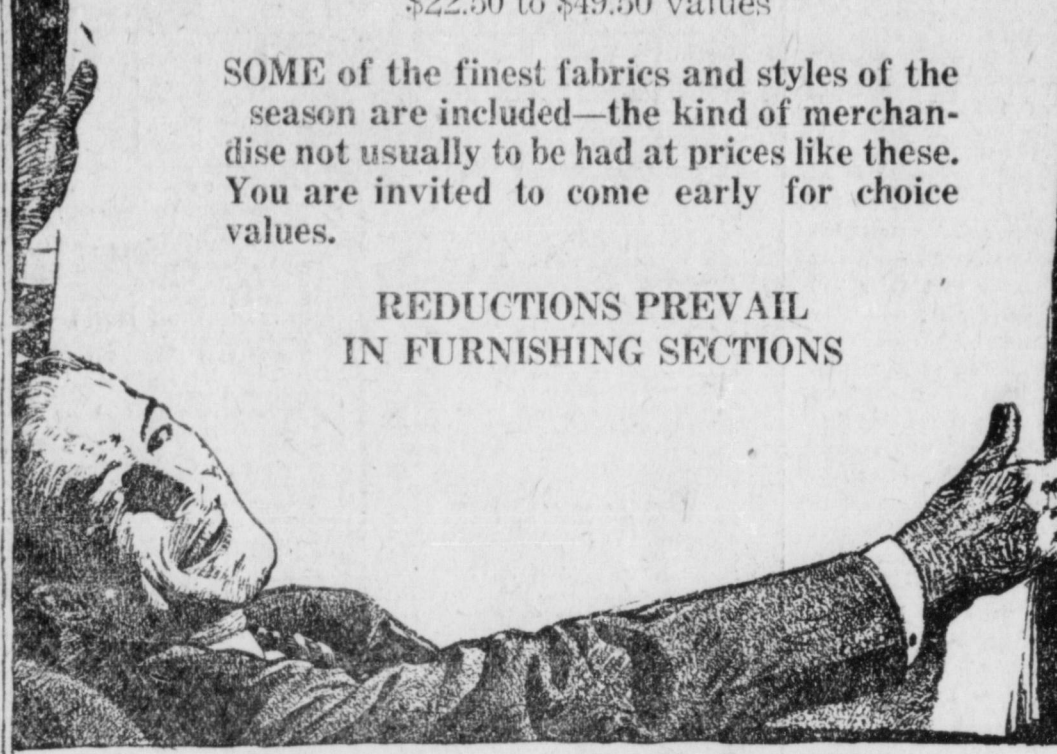
While Mr. Hanson was selling the marshmallow cream last evening he tried to make the public believe that it was good for all ailments and some of those in the audience seemed to differ with him for they thought it more of an appetizer than a medicine. Anyway he brought a laugh that would make you believe you were looking at a three reel picture of Charlie Chaplin.

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