

INCOME TAX DEPARTMENT

By—
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In the previous article the normal tax and the surtax were explained. We there found that the normal tax and surtax represent the total tax payable except for a credit permitted for so-called "earned income," and the consideration of what is known as "capital gains and losses." In this article, the earned income credit will be discussed, and in the next article, the question of capital gains and losses.

The provision giving special consideration to earned income appears this year for the first time in our income tax laws. Its name makes its purpose self-explanatory. It seeks to impose a smaller tax on income derived from the sweat of the brow than on income derived from clipping coupons.

While the purpose is noble, the credit that is allowed for earned income is at best nominal. Before going into this phase, however, let us first see what is meant by "earned income." The law defines it as the income derived from personal services rendered. It therefore includes wages, salaries, professional fees, etc. The man who is engaged in business on his own account, can consider as his earned income a reasonable allowance for salary. However, this amount cannot exceed 20% of his share of the profits of the business.

The effect of the earned income credit as a means of reducing the tax, however, is greatly restricted, for the law says that in no case can the amount of earned income be regarded as more than \$10,000. But this does not mean that a person is not allowed a larger salary than \$10,000. It only means that for the purpose of computing the earned income credit, not more than \$10,000 can be considered as earned income.

On the other hand, the law also says that everyone has the right to consider at least \$5,000 of his income as earned income, whether or not it is in fact earned income. In other words, if the income of an individual were \$10,000, and all of it came from interest on bonds, or profits on stocks, while there would be no earned income in fact, that individual would be able to compute his tax as if \$5,000 of his income were earned income.

Now let us see just how this earned income credit works out. We already know how to compute the normal tax and the surtax. The law provides that the total so arrived at shall be credited with 25% of the tax that would be payable if all of the individual's income were only his earned income.

An actual case will perhaps serve to clarify the principle. Let us assume that a married man with no dependents has a net income for the year 1924 of \$10,000, of which \$6,500 is from salaries, and \$3,500 from profits on stocks. In other words, his earned income is \$6,500, and his total income \$10,000. The tax would first be computed in the regular way, on his total income. His total income being \$10,000, he would deduct his exemption of \$2,500, leaving \$7,500 subject to tax. The normal tax would be 2% on the first \$4,000, or \$80; and 4% on the remaining \$3,500, or \$140, making a total normal tax of \$220. Since his total income was only \$10,000, there would be no surtaxes, so that his total tax would be \$220 before the credit for the earned income.

Here is the way the earned income credit would be computed: You recompute the tax on the basis as if the earned income were his only income. In other words, you assume in the case supposed, that the \$6,500 earned income constituted all the net income of the taxpayer, and compute the tax on that basis. We therefore start with \$6,500; deducting the exemption of \$2,500, which leaves \$4,000 subject to tax. This is all taxable at 2%, or \$80. We thus see that if the earned income were the entire income of the taxpayer, his tax would be \$80. Now the earned income credit can be taken. This is 25% of this \$80, or \$20. We now go back to the tax that was first computed in the ordinary way, or \$220, deduct from it the earned income credit of \$20, which leaves the net tax to be paid of \$200.

Because of the manner prescribed for the computation of the earned income credit, and the \$10,000 maximum limitation on the amount that can be considered as earned income, it is apparent that the reduction in tax thru it can not be very large. As a matter of fact, the credit can not ordinarily be more than \$75 at best. For let us assume that the earned income of the taxpayer amounted to \$10,000, the maximum. Let us assume that the taxpayer is single, with no dependents, so as to deduct the smallest exemption, or \$1,000. This leaves \$9,000 subject to tax, the first \$4,000

being taxed at 2%, or \$80, the next \$4,000 at 4%, or \$160, and the remaining \$1,000 at 6%, or \$60, making a total tax of \$300, 25% of which is \$75.

There is a further limitation that might be pointed out, and that is that in no event can the earned income credit exceed 25% of the tax computed in the ordinary manner. This limitation most usually applies in those cases where the entire net income is less than \$5,000. In such cases, the simplest way of computing the tax is to first compute it in the ordinary manner, and then deduct one-quarter of the tax so arrived at, for the earned income credit, the difference representing the next tax payable by the taxpayer.

It is obvious that from its nature and purpose the earned income provision is only applicable to individuals, for it has as its background the element of personal service. Corporations, therefore, cannot take any allowance for an earned income credit.

In the next article, as has been earlier mentioned, the subject of capital gains and losses will be discussed.

SCIATIC NEURITIS

The sciatic nerve situated at the back of the hip joint is frequently the subject of Neuritis, giving rise to the painful disease Sciatic. The symptoms are intense pain which shoots down the thigh to the foot, often aggravated by walking, and with painful points along the course of the nerve, very tender to the touch.

The disease is a very obstinate one and does not readily respond to ordinary treatment. It takes more than the usual pain sedative even to allay the pain.

The quickest, safest and surest way to get rid of the persistent nerve racking pains of Neuritis is to get a bottle of Allenburh Special Formula No. 2, which comes in capsule form. Take them as directed and notice how in about 24 hours they have considerably reduced, if not entirely banished, all pain and soreness. Continue until the Neuritis has entirely disappeared and you are able to work and rest in comfort once again. Holthouse Drug Co. keeps this Special Formula No. 2 in stock all the time and sells lots of it.

Adventists Deny Setting Date For End Of World

Washington, D. C., Jan. 22.—In view of the approaching date of February 6, set by some for the end of the world, the executive committee of the Seventh-day Adventist denomination at their headquarters in this city have put on record the following repudiation:

Whereas, A group of people having no connection with the Seventh-day Adventist church have assumed the name of this organization, and have set a date for Christ's second advent, announcing February 6, 1925, as the time for this event, we hereby place officially on record in the minutes of our General Conference our repudiation of all time-setting, and record our protest against connecting the name "Seventh-day Adventist" with this propaganda. Anew we declare to the public that throughout our history our witness to the signs of the times that show Christ's second coming near at hand, has ever been based on the Scriptural teaching that "of that day and hour knoweth no man."

Tells Of Huge Profits Made By Bootleggers

Philadelphia, Jan. 22.—Bootleggers have made a profit of more than \$100,000,000 in this area, Major William G. Murdock, prohibition enforcement director of Pennsylvania, told the Anti-Saloon league's annual meeting here. Murdock warned the league that if the bootleggers are not crushed within the next year, their operations may never be stopped.

DANCING

Billy's Syncopator's

Friday night at

Masonic Hall

introducing that

new fox trot

"Doo-Wacka Doo"

Park Plan

Public Invited.

REMOVAL SALE

SATURDAY IS THE LAST DAY OF THIS GREAT MONEY SAVING SALE

GOLD WREATH DINNER PLATES 17c each	GOLD WREATH CUPS AND SAUCERS 98c set of six	LADIES FIBER SILK HOSE SPECIAL Mercerized Tops—Lace Clock Sale Price 39c pair
SNAP FASTENERS, HOOKS AND EYES 5c values 1c card	COLGATE'S SHAVING CREAM 3 Cakes 10c	MAHOGANY CANDLE STICKS 49c set
AUTO NAME PLATES 10c value 5c each	ELECTRIC TABLE LAMPS \$1.78 value \$1.00 complete	GLASS SUGAR AND CREAMERS 10c value 5c each
SCHOOL TABLETS 60 Sheets 4c Each	CLOSING OUT OF DISHES IN THE ROSE PATTERN 25c Dinner Plates 19c 24c Soup Plates 15c 19c Bread and Butters 12c 15c Pie Plates 10c 33c Bowls 24c 29c Bowls 19c 25c Oatmeal Dishes 15c	ROSE PATTERN CUPS AND SAUCERS 98c set of six PLAIN WHITE CUPS AND SAUCERS 60c set of six
GLASSWARE 49c Values 39c	AIR FLOAT TALCUM POWDER 10c value 5c	O. N. T. CROCHET COTTON 10c value 5c ball
WATER TUMBLERS 2 for 5c	WRITING TABLETS 4c each	No. 2 LAMP CHIMNEYS and LANTERN GLOBES 9c each
LARGE GLASS DISHES 10c Each	COLATE'S AND MENNEN'S TALCUM POWDER 25c value 19c can	MENS MERCERIZED HOSE 19c pair
EXTRA LARGE TURKISH TOWELS 58c Value 44c each	OWL BRAND TOILET PAPER 7 ounce Rolls 3 Rolls 23c	DECORATED AND PLAIN WHITE PAPER NAPKINS 4c bunch
LADIES HANDKERCHIEFS 10c and 15c Values 8c each	PINT TIN CUPS 4c each	ALL KINDS CHEWING GUM 2 pkgs. 10c

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