

INCOME TAX DEPARTMENT

—By—
M. L. SEIDMAN, C. P. A.

The federal income tax blanks for 1924 returns have just been released and a word might be in order at this time to explain their use.

Individuals must make their returns on one of three forms, depending upon the particular status of the individual. In the first place, salaried individuals and wage earners, whose earned net incomes do not exceed \$5,000, should make their returns on Form 1040-A. That form is a single white sheet of letterhead size. It is to be noted that it is to be used only by individuals deriving their incomes chiefly from salaries and wages, and whose earned net incomes are less than \$5,000.

Individuals whose net incomes are more than \$5,000, or whose net incomes, regardless of amount, are chiefly derived from sources other than salaries and wages, such as from a business or a profession, must make their returns on Form 1040. This form comes with a perforated duplicate sheet of instructions attached, and is printed on the white paper almost twice the size of Form 1040-A.

The third form is known as Form 1040-FY. This is a new form and is to be used by all individuals who report on a fiscal year basis, or whose income is derived from a partnership, or trust that reports on a fiscal year basis. The form is somewhat similar in appearance to Form 1040, being of the same size, color and general arrangement. It does not, however, come in duplicate or with a sheet of instructions, as does the latter form.

Partnerships must make their returns on Form 1065. This is a yellow form of the same size as form 1040. It has attached to it by perforations, a sheet of instructions. It does not, however, provide for a duplicate sheet.

Corporations should file their returns on Form 1120. This form is printed on blue paper. The return covers four pages and the form comes with two pages of instructions, as well. The size of the individual whose net income is over \$5,000.

Fiduciaries, that is, executors, trustees, etc., should use Form 1041. This form is of the same size and general appearance as the partnership form, except that it is printed on a salmon colored sheet. It comes with a duplicate attached by perforations, as well as two pages of instructions.

Before a taxpayer attempts to fill in any of the blanks, he ought to make sure to carefully read and study the instructions accompanying them, as they will help considerably in properly preparing the returns. The next few articles of the series will supplement these instructions.

Questions And Answers

Q.—Some time ago the Department of Income Tax gave out a ruling concerning losses not sustained in the regular line of business. The exact wording I am unable to locate at this moment, but it was to the effect that any loss sustained by the taxpayer outside of his regular line of business was not deductible. Would it apply in the following case? A is a banker. At different times throughout the year he has sold some stocks or bonds and purchased other stocks or bonds. In some transactions he sold at a profit, in others he lost. According to the above ruling, he cannot deduct these losses from his income tax? Granted above is correct then the logical sequence is that he does not have to add the profits. Please advise me on the question. K. E. P.

A.—I am afraid that you have probably misconstrued the ruling you referred to about only losses sustained in the conduct of business being deductible. There are three kinds of losses that may be deducted: first, those arising in the conduct of business; second, those arising from a transaction entered into for profit; and third, those arising from penalty or theft. Obviously, losses from the sale of stocks and bonds come under the second class, that is, transactions entered into for profit, and for that reason may be deducted.

Your conclusion about the profits not being taxable because the losses are not deductible would not follow in any event, because under the law the government has the right to tax income from whatever source derived, even the losses from the same source are not permitted to be deducted.

Q.—My business cleared above all expenses last year \$5,800 and I would like you to give some information as to the amount of income tax I must pay. I am a married man with one child. Is there any allowance for depreciation on frame building and machinery? B. W.

A.—Your tax will be \$47.50, computed as follows: Your exemption is \$2,900, which leaves \$2,900 to be taxed at 2%, or \$58.00. Your earned income credit based on an earned income of \$5,000 is \$10.50, making the

net tax \$47.50. You are entitled to an allowance for depreciation on the frame building and machinery, assuming that the building is not used for residence purposes.

Q.—Please advise what items of expense can be deducted from a commission salesman's income tax. Can his meals that are taken while on the road be deducted? R. J. Z.

A.—A commission salesman can deduct all expenses such as traveling, entertaining, etc. incurred during the course of and on account of his business, and that are not refunded to him by his principal. The cost of meals is included in the cost of traveling and can be deducted.

Q.—I contribute \$200 to a joint fund for the support of my grandparents. Can I claim exemption from tax payment on this amount? J. H. P.

A.—If the amount you contribute is more than one-half the sum necessary for the support of your grandparents, you are entitled to claim the exemption for them; otherwise, you cannot make any claim.

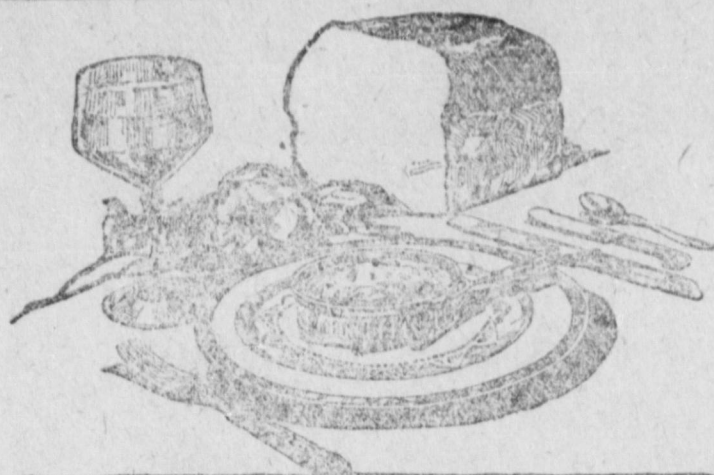
Rye Middlings, \$41 per ton;
Wheat Middlings, \$47 per ton;
Ground Wheat Screenings and
Flax Screenings, \$32 per ton.
Peter C. Miller, 2½ miles south
of Decatur on mud pike. F-S-W

Bicknell. — William Gray, here, reported a hen of his laid an egg with a likeness of the sun on the shell during the eclipse. He said the rays on the egg extended in all directions except on one side, which is presumed to have been the eclipse side.

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Portland. — More delicious refreshments. The West Side Church of Christ will give a "sautekraut and groundhog banquet" here the evening of February 2.

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SUGAR Fine Granulated 10 Lbs. **64c**

RAISINS Fancy New Seedless, per lb. **10c**

Brooms Good No. 1 Brooms **35c**

PRUNES Fancy New Prunes, 3 lbs. for **25c**

Quart cans of Perfect Mustard **25c** Fancy No. 1 Sliced Pineapple in Syrup, per can **25c**

10 cakes Van Camps White Naptha Soap **39c** Large Bags McKenzie Self Rising Buckwheat Flour, per bag **25c**

100 lb. bags Medium Salt **98c** Large cans Table Peaches in syrup **25c**

50 lb. block of Salt **45c** Fancy Blue Plums Per can **10c**

Cocoa—Full pound glass jars **25c** 100 lb. bag Oyster Shells **98c**

Fresh Edgemont Crackers, Per pkg. **25c** Fancy Hand Picked Beans 10 lbs. **85c**

Large Pkg. Post Toasties Per pkg. **15c** Fancy Bulk Coffee, Per lb. **35c**

Fancy Salmon, Per can **15c** Kellogg's Bran Flakes Per pkg. **10c**

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\$6.89

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SOAP Flake White, R. N. M. or P. & G. White Naptha Laundry Soap, 8 bars for **33c**

CLEANSER Old Dutch Cleanser, 4 cans for **29c**

APRICOTS Large cans Cal. Apricots in syrup, Per can 20c, 4 cans for **75c**
Dozen cans for **\$2.21**

STARCH Bulk Lump Laundry Starch, 3 lbs. for 25c; 5 lbs. for **39c**

BROOMS 5 sewed Polished Handle Brooms, Regular 60c value for ONLY **44c**

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Quality Bulk Soap Chips, lb. **15c**
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½ gallon Pure Sugar Cane Table Syrup **29c**
Buy Saturday; forced to advance price on Gooch Wonder Flour Monday. Our price much under today's market, 24 lbs., **\$1.40**
48 lbs. **\$2.80**
Barrel **\$10.95**
Large pkg. Pillsburys Prepared Pancake or Buckwheat Flour **39c**
Pride of Decatur, the best in Winter Wheat Flour, 12 lbs. **68c**
24 lbs. **\$1.30**
48 lbs. **\$2.60**
5 lb. bag Pure Buckwheat **32c**
Maytime, the Nut Oleo of quality, lb. **27c**
Yellow or White Granulated Corn Meal, lb. **5c**
Goochs Whole Wheat Flour, 5 lbs. **34c**
Quaker Bulk Rolled Oats, 5lb. **23c**

Select Bulk Seedless Raisins, 2 lbs. **25c**
Medium Size Santa Clara Prunes, lb. **10c**
Large California Evaporated Peaches, lb. **18c**
2 lbs. **35c**
Large pkgs. Post Toasties or Kelloggs Corn Flakes **15c**
Large pkgs. Quaker Regular or Instant Oats **25c**
New Dried Cooking Peas, lb. **10c**
N. B. C. Butter Crackers, always best, lb. **15c**
Quality Ginger Snaps, lb. **15c**
Bulk Shredded Coconut, lb. **30c**
Runkels Best Bulk Cocoa, 2lb. **25c**
Jello, all flavors **10c**
Pound can Hershey Cocoa **39c**
Good Grade Can Corn **11c**
Country Gentlemen Style Corn, Can **15c**
Good Grade Peas, 3 cans **25c**
Can **10c**
Select June Peas, 2 cans **25c**

Large cans Snow White Hominy **10c**
3 cans **28c**
Large cans Pet, Carnation or Borden Milk **10c**
Small cans **5c**
Large cans Pumpkin or Kraut, 2 for **25c**
Large cans Van Camps Pork and Beans in Tomato Sauce, 3 cans **25c**
Dozen cans **98c**
Large cans Cut Green Beans, 3 cans **40c**
Can **15c**
Quart Jars Fancy Queen Olives **59c**
25c pkg. Drome-dary Dates **21c**
Pearl Tapioca, 2 lbs. **25c**
Large cans California Peaches in heavy syrup **25c**
Gallon cans California Sliced Yellow Peaches **75c**
Smuckers Home Made Apple Butter; you will like it, gallon **98c**
No. 3 cans **30c**
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Aluminum Percolator Coffee Pots **90c**
Tin Pie Pans **5c and 7c**
Special Value Wash Boards **48c**
Granite Tea Kettles **70c**
Extra Heavy Tin Dairy Pails with strainer attached **98c**
Flour Sifters **15c**
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Gallon Galvanized Oil Cans **38c**
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Handy Lunch Kits with Best Vacuum Bottles, only **\$1.75**