

# INCOME TAX TO HIT HARD EVEN IF PAY IS CUT

Married Man Discovers His Exemption Is Slashed and Rates Boosted.

This is the second of six articles detailing the new federal income tax regulations that upwards of three million more citizens must meet before March 5.

BY ROBERT TALLEY  
NEA Service Writer

WASHINGTON, Jan. 24.—If you are a married man and you paid income taxes to Uncle Sam last year, get ready to pay perhaps several times as much tax on the same amount of income under the new law on which you must make your return by March 15.

And if you are one of many who took salary reductions in 1932, you may pay still more tax, though your income is smaller. Moreover, many married men who paid no tax at all in 1932 must pay in 1933.

The married person's exemption has been reduced from \$3,500 to \$2,500. His tax rate has been increased from 1 1/2 per cent on the first \$4,000 above exemption, 3 per cent on the next \$4,000 and 5 per cent on the remainder, to 4 per cent on the first \$4,000 and 8 per cent on the rest.

## Tax Reduction Eliminated

Moreover, the 25 per cent reduction in tax formerly allowed for "earned income" is no more. The \$400 credit allowed for each child or other dependent remains the same.

For a simple illustration, take the case of a married man with no dependents and allow for last year's 25 per cent "earned income" credit (most incomes below \$10,000 were in the "earned income" class):

Net Income	Last Year Tax	This Year Tax
\$2,000	\$300	\$300
3,000	450	450
4,000	600	600
5,000	750	750
6,000	900	900
7,000	1,050	1,050
8,000	1,200	1,200
9,000	1,350	1,350
10,000	1,500	1,500

Or, take the case of John Smith, a married man with two children under 18 years of age and a net income of \$5,000 a year.

\$7.88 Tax Now \$68

Last year Smith got an exemption of \$3,500 as a married man, plus \$400 each for his two children, a total of \$4,300 exemption. On the remaining \$700 income he paid a tax of 1 1/2 per cent, less 25 per cent credit for "earned income," or \$7.88.

This year Smith gets an exemption of only \$2,500, plus the \$400 for his two children, or \$2,900. On the remaining \$1,700 income he will be taxed 4 per cent, receive no allowance for "earned income," and therefore will pay a tax of \$68.

If, in 1932, Smith's salary was cut 20 per cent, reducing his annual income to \$4,000, on his reduced amount, and under the same setup, he will pay a tax of \$28.

## Loses Even on Baby

Suppose a new baby had arrived at Smith's home during the last year. Under the old law he would have got another \$400 credit. If the baby had been born by Dec. 31, under the new law the period of the dependency must be prorated; meaning that if the baby was born June 30 Smith can only get credit for half of the year, or \$200.

Let's take the cases of some married men with bigger incomes to see how the new taxes work in the higher brackets, where the surtaxes begin to be felt. Again, we will use for illustration a married person with no dependents and maximum "earned income" allowance.

Net Income	Last Year Tax	This Year Tax
\$10,000	\$1,500	\$1,500
20,000	3,000	3,000
30,000	4,500	4,500
40,000	6,000	6,000
50,000	7,500	7,500
60,000	9,000	9,000
70,000	10,500	10,500
80,000	12,000	12,000
90,000	13,500	13,500
1,000,000	213,000	213,000

On incomes up to \$10,000 a year, as has already been shown, the tax may increase many times. Above \$30,000, the increase is only about twice. The million-dollar-a-year man, whose tax is a little more than doubled, will pay \$213,000 now.

## Up to 55 Per Cent

Surtaxes, which greatly affect big incomes, began last year at 1 per cent on net incomes of over \$10,000 and ranged upward to 20 per cent on all net incomes above \$100,000.

This year surtaxes begin at 1 per cent on net incomes of over \$6,000 and range upward to 48 per cent on net incomes over \$100,000 and 55 per cent on all net incomes above \$1,000,000.

Married persons who are filing for the first time this year, to qualify for the \$2,500 exemption must have lived together throughout the year. Divorces, widows and widows don't count.

If there was a change in marital status in 1932—through marriage, divorce or some other cause—this change in status must be prorated by months and the exemption calculated accordingly.

Husbands and wives may file separate returns if they choose and, under certain conditions, this may lessen the tax.

## Should Divide Exemption

For example, if husband and wife should each have a net income in excess of \$4,000 but neither a net income in excess of \$6,500, it is to their interest, in filing separate income tax returns, to divide the personal exemption of \$2,500 between them.

For instance: Husband's income, \$6,000, he claims the personal exemption of \$2,500, his tax, \$160. Wife's income \$4,500, she claims personal exemption of \$500, her tax \$160—total tax, husband and wife \$320. The normal tax rate being 4 per cent on the first \$4,000 in excess of exemption and 8 per cent on the balance, any other division of the personal exemption would subject part of the husband or wife's income to the 8 per cent rate.

The law defines a dependent, for which \$400 deduction from net income may be made, as a child under 18 years of age or a person "incapable of self-support because mentally or physically defective."

The taxpayer must furnish such person with his or her "chief support." The dependent need not be a relative, does not have to live in your own house.

If a child passes the age of 18 during the year or an aged dependent dies during the year, this change in status must be prorated by months. Unless the dependent is actually receiving his or her "chief support" from you, it doesn't count.

You may contribute to a church,

# 'Custer's Last Stand' Is Poignant Memory of Old Saloon Days; Missing in 'Speakies'



Copy of the most famous of all barroom paintings, lent by Harold Sterner, an architect.

Horn rivers in what is now Montana. He commissioned a painter whose name has been forgotten to make a picture on this subject. About the time the 1896 book was becoming mature in St. Louis, on March 30, the picture was delivered and copyrighted.

Mr. Busch gave the original to the Seventh U. S. cavalry, Custer's division. Then he ordered the Milwaukee Lithographing Company to strike of thousands of copies. Hundreds of saloon proprietors who did not sell Busch beer begged for copies.

It did not matter. The picture framed, found its way into most American saloons. It was known variously as "Custer's Last Stand," "Custer and the Indians," and "Custer's Last Fight."

Nine years before prohibition the company discontinued the practice. When the old saloons were closed, the lithographs disappeared. Repeat will not bring back the old pictures. The firm which immortalized Custer's final scrap with the Indians now is placing huge electric signs with clocks over the streets of the principal Eastern cities.

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# UTILITY EYES ON NEW RIVER POWER TRIAL

Newton D. Baker Helps in Battle Against U. S. Regulation.

BY RUTH FINNEY  
Times Staff Writer

ALEXANDER, Va., Jan. 24.—Representatives of many of the largest utility groups in the country are gathered in this little Virginia town to watch a battle which may go down in legal annals as the most important in the history of government regulation.

Newton D. Baker, representing the Appalachian Electric Power Company, today will attack the constitutionality of the federal water power act he once helped administer as secretary of war, arguing that his company should be allowed to erect a power project on New river, free of all federal regulation.

## Legal Barrier Erected

Huston Thompson, special counsel for the government, spent Monday building a legal barrier against this attack.

"Legislation of this type had been before congress twenty years before it was enacted," he said. "I question whether any other measure had been discussed so thoroughly."

"Congress unquestionably has a right to build up a power dam in this river itself, and so it certainly has a right to delegate that power. If it can delegate the power it can supervise the method of exercising that power, and, therefore, the method of building and financing the dam."

Mr. Thompson cited past financial transactions of the Appalachian company, as reported by the federal trade commission, to sustain his contention that the power commission acted reasonably in insisting on regulating the new river project.

## Protection for Public

"If a company reports a total book value of \$72,821,455.20 on one day, and, on the next, a book value of \$139,039,848, an increase overnight of \$6,641,819.2, is it not a reasonable requirement that some agency of the public see to the capitalization of this project?" Thompson said.

"Once you decide the government has the right to recapture a project, the government has also the right to fix the terms of recapture. If a company puts figures like these on its books, hasn't the government a right to come in and protect itself and the public until some state takes over the task?"

## ENJOINS TAX INCREASE

Judge Issues Permanent Injunction in Tipton County.

By United Press

TIPTON, Ind., Jan. 24.—A permanent injunction issued by Circuit Judge Glen J. Gifford against County Treasurer Charles J. Riffe, will block tax collection this year on the 15 per cent increase in valuation ordered by the state tax board for Tipton county farm property.

## BANDIT 'HATES' HIS JOB

But Despite That, He Takes \$15 From Kroger Grocery Clerk.

After asserting to his victim, "I hate to do this," a bandit today robbed Isaac Morton, clerk in a Kroger store at 3214 East Twenty-fifth street, of \$15 and escaped with a companion in an auto.

The winners are: Mrs. L. Brinkworth, 54 Jenny Lane; Mrs. Victor P. Jones, 515 North Tacoma.

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