

How to Figure '42 Income Tax

The Victory Tax

For purposes of simplicity an annual income of \$3,000 will be used throughout. You'll have to substitute your own income figure for it in making your own calculations.

Everyone is allowed a \$624 deduction in figuring his victory tax, so you start by subtracting \$624 from your total like this:

\$3,000
- 624

2,376

Now you get into decimals by multiplying the resultant figure by the 5 per cent tax (.05), like this:

\$2,376
x .05

118.80

That amount of \$118.80 is what you pay as a victory tax, and that's that. However, there is a "postwar credit" if you will get back after the Axis is licked.

The amount to be returned to you depends on whether you are single, married or the head of a family. You use decimals in figuring the amount.

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If single, you multiply by 25 per cent (.25), like this:

\$118.80
x .25

29.70

So the single person's postwar credit is \$29.70.

If married, but without children, you multiply by 10 per cent (.10), like this:

\$118.80
x .10

11.88

If married and having children or other dependents, you add 2 per cent (.02) for each child or dependent. Thus a married man with two children would obtain his figure by adding .40 to .10, for his children (.14), like this:

\$118.80
x .14

16.63

So the father of two would have a postwar credit of \$22.47.

There are limits set on postwar credits—none more than \$500 is refundable for single persons, not more than \$1,000 for married.

Your real interest, however, is in what you will actually have to pay. That was the first figure arrived at—\$118.80 in the case of a man with an income of \$3,000.

Put that down on a separate piece of paper and go on to figure what the government calls...

Your Surtax
Here we start to use some fancy Government terms, but don't let them scare you. They aren't as fearsome as they look.

Here they are: your surtax is based on your "surtax net income." Your "surtax net income" is your net income minus personal exemption. "Why?" First find your probable "net income."

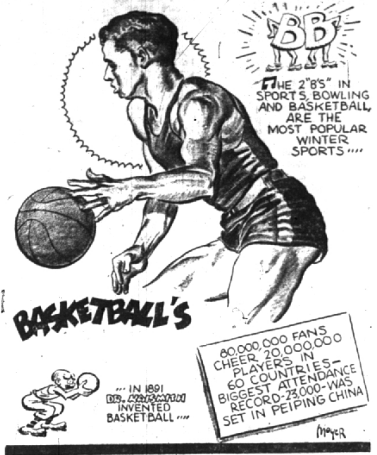
If your mode of living hasn't greatly changed since last year and you still have your 1941 tax blank around the house (you should have), this may turn out to be simple. You put down your income for this year and add to it the figures in Items 2 to 9 on the tax form. From this total you subtract what Uncle Sam cut out of your "deductions"—the totals of Items 11 to 16 on the tax form.

It will be clear if you look at the 1941 income tax blank. You carried out those steps when you filled it out. If your mode of living has changed so that the 1941 blank is inaccurate you must add to your income what you will get in 1942 from dividends, interest, rents and annuities. (Do the same if you didn't pay a tax in 1941.)

Here's an Example
Here is a specimen case:
\$3,000 (total tax)
- 624 (total deductions)

2,376 (net income)

From this you are allowed to deduct...



tion dues, church contributions in interest paid, taxes paid and certain other items.

A typical accounting might look like this:

\$2,376 (total deductions)
- 224 (total deductions)

\$2,152 (surtax net income)

Now each must find the amount subject to surtax net income. This is 6 per cent (.06) credit from his surtax net income.

For the Single Man
The single man would do it like this:

\$2,152 (surtax net income)
x .06

129.12 (surtax)

The figure you get—\$2,900 in the case (total—your "net income.")

The next thing to do is to deduct from this your "personal exemption"—\$1,200 for married persons, \$500 for single persons, and also your "credit for dependents" (\$350 for each child this year).

Now take a married man without children:

\$2,900 (net income)
- 1,200 (personal exemption)

\$1,700

His surtax net income also must be multiplied by .15, thus:

\$1,700
x .15

255.00 (surtax)

Each of these must now put the total of his "surtax" on the sheet of paper along with his victory tax. They have two of their three income tax payments figured.

Next we come to the third tax. The Normal Tax

This isn't so difficult, although the

terms may be frightening at first glance. You find the amount subject to normal tax by deducting your "earned income credit" from your surtax net income.

First, find your "earned income credit." As a rule this is 10 per cent (.10) of your net income.

In the cases cited, the net income always has \$2,900, so the earned income credit would be \$290—that is, \$2,900 multiplied by .10.

Now each must find the amount subject to normal tax by deducting the \$290 earned income credit from his surtax net income.

For the Married Man
The married man without children deducts his \$290 earned income credit from his surtax net income of \$1,700, thus:

\$1,700 (surtax net income)
- 290 (earned-income credit)

\$1,410

The married man then multiplies \$1,410 by 6 per cent (.06), thus:

\$1,410
x .06

\$84.60

Now for the father of two children. The father also deducts his \$290 earned income credit from his surtax net income of \$1,700:

\$1,700 (surtax net income)
- 290 (earned-income credit)

\$1,410

The father then multiplies \$710 by 6 per cent normal tax rate, thus:

\$710
x .06

\$42.60

The normal tax is \$42.60. The normal tax is then added to the surtax and victory tax to get a final figure:

Single Married
Man Man of Two
Total \$118.80 \$128.80 \$128.80
Surtax 229.12 229.12 229.12
Normal Tax 42.60 42.60 42.60

\$657.52 \$657.52 \$657.52

Take a look at those totals and you'll see that income tax is something you can't just wait to happen. You've got to plan on it even if you wear down a pen nib just figuring out what you are going to pay.

Note that the single man in the case cited must plan on paying over \$32.50 each week in 1942 to meet his income taxes. The married man's tax will be almost \$9 a week, and the father over \$53.50 every week.

It seems like a lot of money, until you consider what it will help buy—victory over the Axis.

There's only one way to meet this tax and that is to set aside money each pay day in anticipation.

Don't forget it's better to allow a little extra and have some money left over than to find yourself a little short when tax payments come due.

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RIB CUT VEAL CHOPS	lb.	35c
LAMB ROAST	lb.	29c
ECONOMICAL BEEF KIDNEY	lb.	17c

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Pancake Flour	5 lb. Bag	5c
KARO BLUE LABEL Syrup	1 1/2 lb. Glass	13c
Corn Flakes	8-oz. Pkg.	5c
Wheat Hot cereal	28-oz. Pkg.	17c
Navy Beans	3 Lb. Pkg.	21c
Macaroni	3 1/2-oz. Pkg.	11c
Tomato Juice	8-oz. Can	19c
Cleanser	4 Cans	13c
Soap	5 Bars	22c
Super Suds	Large Pkg.	21c
Rinso	1 Large Pkg.	19c
Lifebuoy Soap	3 Cakes	19c
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OLEOMARGARINE	Lb.	24c

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