

## Choosing Right Form May Trim Tax Payment Worries

(This is the second of a series of articles on Federal and California income tax filing. This information has been provided by the Committee on Taxation of The California Society of Certified Public Accountants—now observing its 50th Anniversary—in cooperation with the American Institute of Certified Public Accountants.)

Once you have decided that you must file income tax returns for 1959, the next question is which form to use. The Internal Revenue Service offers a choice of three forms, California two. Selection of the right form can save you tax dollars, or time and trouble.

The forms which everyone may use are the federal form 1040 and California 540. These are four page forms and provide for reporting a wide variety of income, deductions, special credits against tax, and special tax statuses such as head of household or surviving spouse. If your gross income is over \$15,000 form 540 must be used for your California return. Furthermore, if you received over \$200 of income other than salaries or wages reported on W-2s you must use forms 1040 and 540.

If your tax life is sufficiently simple that form 1040 is not required you may use either form 1040-W, a new form in 1959, or 1040-A as your federal return. The 1040-W may be used only if income other than salaries or wages reported on W-2s consists of interest and dividends and does not exceed \$200. It provides for the dividend exclusion and credit but not for the retirement income credit. Deductions may be itemized, of the standard 10% deduction may be claimed, or the tax rate table may be used to compute the tax.

Form 1040-A, which is a small card form, may be used only if gross income does not exceed \$10,000 and consists only of salaries and wages and not over \$200 of dividends and interest. There is no provision on this form for itemizing deductions for contributions, interest, taxes, medical, casualty losses, business expenses, etc. and your credit for such deductions will be computed at roughly 10% of adjusted gross income.

There is no place on the 1040-A to claim credit for payments on declaration of estimated tax, to exclude "sick pay," deduct outside salesman's or reimbursed travel expense, claim the dividends received or foreign tax

credits, and in California a married person may not file a separate return on form 1040-A. Tax savings resulting from head of household or surviving spouse status are not available if form 1040-A is used.

The California form 540-A is also new in 1959, and as we go to press complete information concerning it is not yet available. We understand that it is comparable to the federal 1040-A in that it does not provide for itemizing deductions. This form may not be used if your gross income was over \$15,000 (as compared with \$10,000 for form 1040-A) and the special status of head of household may not be claimed if form 540-A is used.

If you use form 1040-A and 540-A and your gross income is less than \$5,000 the tax collectors will compute your tax for you and send a bill for additional tax or a refund as the case may be. To do this it is only necessary to show your name, address, social security number, marital status, names of your dependents, and the amount of income shown on your W-2s, sign the form and send it in. This is the ultimate in simplicity in tax filing.

The thing to remember is that the price of simplicity in filing may be added tax dollars. Unless your tax situation is obviously quite simple, it is best to go to the trouble of filling out one of the more complicated forms to see if savings will result.

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## Gas Co. Pledges Continuance of Great Builders Series This Year

In an annual report on the Great Builders Series, Southern California Gas Co. division manager C. W. Shupp pledged the same continuous support of the building industry here as during the record breaking year of 1959.

The instructions furnished with your tax forms give you further information. Help is also available from the Internal Revenue Service and the California Franchise Tax Board, which suggest that you consult a properly qualified tax advisor if you have unusual problems.

In the area's over-all economy over the next 12 months, stating that current figures indicated that 1960 will see an even bigger increase in the number of builders taking advantage of the promotional possibilities of the Great Builders Series program.

The Great Builders Series program is a broad, continuing promotional package aimed at giving positive help to the building industry here in the Southland.

Shupp pointed up the importance of the building industry

homes with Great Builders Series homes in the program has won the enthusiastic approval of the prospective home buyer and the building industry itself," Shupp explained. "Home buyers are often pre-sold by the time they visit a Great Builders Series home or tract project."

"All of the various promotional devices and media now being used in support of the building industry here will be continued during 1960," he said. "We plan to keep the Great Builders Series program just as big and as flexible as the building field itself in extending these sales services to both the custom and tract home builders."

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