

# RAHALL Report

## TAX TIME

by Congressman Nick J. Rahall

Within the next few days, we will all be receiving our 1981 tax forms from the Internal Revenue Service.

As a result of some changes in the tax law, I would like to review certain aspects of the new law which may help you in preparing your 1981 returns.

## INDIVIDUAL TAX RATES

Old Law: The individual rate ran from 14 percent to 70 percent. However, the top rate for "earned income" was 50 percent. New Law: The new law provides an across-the-board reduction in tax rates of 5 percent effective July 1, 1983. The maximum tax rate on any income will be reduced to 50 percent. The effective date for the individual tax rate reduction is Oct. 1, 1981.

## MARRIAGE PENALTY

Old Law: In a situation in which the husband and wife both work, the filing of a joint tax return resulted in a higher tax than if they were two single persons. New Law: In 1982, married taxpayers will be able to take a 5 percent deduction (up to maximum of \$1,500) if both spouses are working. For 1983 and thereafter, it will be a 10 percent deduction (up to \$3,000).

## CHILD AND DEPENDENT CARE CREDIT

Old Law: A tax credit was available for 20 percent of the expenditures made for the care of children or other dependents in connection with the taxpayers employment. The maximum credit was \$400. New Law: The credit will be increased to 30 percent for taxpayers earning \$10,000 or less. The 30 percent figure will be reduced by 1 percent for every additional \$2,000 in income over \$10,000. From an income of \$28,000 and up, the credit will be 20 percent. The maximum dollar amount of the credit will be \$2,400 for one dependent and \$4,800 for two or more dependents.

## GAIN ON THE SALE OF A RESIDENCE

Old Law: To defer the tax on a sale of a home, the taxpayer had to buy a new residence within 18 months. New Law: The period of time to buy a new home has been extended to two years.

All of these changes in the law go into effect on January 1, 1982, and if you have any additional questions concerning these provisions or others, you should contact the local I.R.S. office in your area.