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Handy Guide to the New Tax Law

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**key
provisions
of the
1981
economic
recovery
tax act**

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Public
Accountants**

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**a
handy
guide
to the
new tax
law**

When Filing Your Federal Income Tax Return Beginning With...

1981

- Pay no more than 20 percent tax on long-term capital gains realized after June 9, 1981.
- Pay no capital gains tax on home sale profit realized after July 20, 1981 if you buy a new home within two years.
- Deduct up to \$1,500 for certain adoption fees.
- Pay no tax on home sale profit up to \$125,000 realized after July 20, 1981 if you are 55 or over.
- Take faster depreciation of business assets acquired since January 1, 1981.



1982

- If married, deduct five percent (up to \$1,500) from earnings of lower paid spouse.
- Contribute up to \$2,000 to an Individual Retirement Account (IRA) and deduct from income; another \$250 for a non-working spouse; up to \$2,000 for a working spouse.
- Contribute up to 15 percent of earnings (\$15,000 maximum) to a Keogh pension account if self-employed and deduct from income.
- Pay tax on all dividend income over \$100 (\$200 on joint return).
- Pay tax on all but exempt interest income.

- Take a larger tax credit for child care expenses.
- Deduct up to 25 percent of charitable contributions (\$25 maximum) if you file a short form.
- Pay no more than 50 percent tax on any income.
- Give gifts up to \$10,000 per recipient tax-free.
- Pay higher penalties on late tax payments or false withholding information.

1983

- If married, deduct 10 percent (up to \$3,000) from earnings of lower paid spouse.