# "By Helping Business You Help Yourself" <br>  

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# 10: Every American on a Payroil FROM: The Secretary of the Treasury 

## SUBJECT:

The New Pay As You Go Method of Collecting Your Income Tax

Sarting July 1st, both your Income and Victory Tax will be colUnder the old system, you were obliged every March 15th to pay either the full tax for the previous year, or a quarter of that amount. Under the new system, you will keep paid up from month to month. After July 1st, your employer is obliged by the new law to with-
hold every month a part of your wages and turn the money into the United States Treasury as payment on your Income and Vietory Tax, Of course, the amount that your employer withholds will depend upon your pay and your exemptions. But this is the important point: For most of us, the amount withheld over a year's period will add
up to the same that we're paying now-plus or minus a few dollars. At the end of the year, we may owe the Government a few dollars or the Government may owe us. (See the tables below.)
You may have heard $20 \%$ mentioned as the proportion of your wages that will be withheld. Actually, this is incorrect. To figure the amount that will be withheld, take your total wages and subtract your allowance for exemptions and allowance for dependents;
$20 \%$ of this lesser amount is the total that will be withheld. Now please remember this: You must claim those exemptions to take advantage of them. Before July 1st, you must file with your ployer will have no choice but to deduct $20 \%$ of your full pay check. Here is how the new tax collection method will work: Let's say
you are a working man earning $\$ 3,000$ a year; that you are married, you are a working man earning $\$ 3,000$ a year; that you are married,
and have two children. First of all, as a married man you are allowed a personal withholding exemption of $\$ 1,248$, plus an exemption of $\$ 312$ for each dependent ( $\$$ ther than your wife). This makes a total exemption
of $\$ 1,872$ ( $\$ 1,248$ for yourself and wife, plus $\$ 624$ for your two
dependents), which is deducted from the $\$ 3,000$ you ear 3 ir tax is computed. You are thus paying tax on $\$ 1,128$, your employer will withhold $20 \%$, or $\$ 225.60$ for the year. Ther
fore, in your pay envelope, after July 1, you will receive abour $\$ 4.40$ less each week.
In March, 1944, when you ordinarily would be faced with paying taxes on your 1943 income, you will file a return showing how much you have already paid, and how much your total tax actually
amounted to. If, by that time, you have already paid more than your amounted to. If, by that time, you have already paid more than your actual tax due, you will be given credit for the difference.
owe more than you have paid, you will pay the difference
Since this plan starts July 1, many wonder what happens to the tax payments they will already have made by that time- on March 15 and June 15 .
For a great majority of people, here is what happen 1942 income tax is "forgiven" (either all, or most of it). The Marc and June installments which you origimally paid on that 1942 income tax are credited, instead, as payments on your 1943 tax. With the
result that on July Ist, with the year half gone, you have alread paid tar on that half-year's ineome. In short, you are "paying you go."
There is one thing more. Since this pay-as-you-go method leaves
you just as much of your net income se you just as much of your net income as you had before, you will
probably find it possible to at least maintain your present rate of probably find it possible to at least maintain
buying War Bonds. Do this by all means !
Taxes alone will not bring to the Treasury nearly enough money to finance the great invasion war that lies ahead. The war need
every cent of your money that does not go for the necessities of life.

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amounts withheld from weekiy wages for income and victory tax under pay-as-you-go

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| TABLE 1 single merson-no dependents |  |  |  |  |
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| Tomatoes, No. 2 Can | 10 c |
| Sour Pickles, Quart | 23 c |
| Peas, No. 2 can | 14 c |
|  |  |
| Rice, 2 pound Box | 25 c |
| Pen Jel, 2 Boxes | 25 c |
| Oxydol, Large Size | 23 c |

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