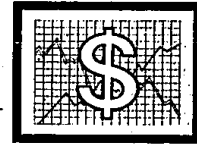


Business

Barry Jensen editor/591-2300



COTC

Thursday, October 11, 1984 O&E

What if you want out of your tax shelter?

Mrs. T. recently came to us with a request. She needed money to buy a car and wanted to liquidate her investments in ABC Real Estate Limited Partnership. Mr. Z. also wanted to terminate his interest in XYZ Oil & Gas Limited Partnership, only because he no longer cared for oil programs. Finally, Mr. and Mrs. P. decided to withdraw from PRQ Limited Partnership because their investment portfolio was top-sided.

These three investors had one thing in common: All of them wanted to terminate their interests in limited partnerships. However, that is easier said than done. Here are some things you ought to know before you bid your tax shelter good-bye.

Foreclosure
If there is foreclosure, you will recognize gain to the extent your share of partnership liabilities exceeds your basis in your partnership interests. The "basis" in the partnership is the amount you put in the partnership less the tax shelter deductions you have received. That is true even if no cash was received from the foreclosure sale. Obviously, you would have to pay taxes on this gain.

Similar results hold true for an abandonment. The decrease in the share of partnership liabilities is treated as a distribution, and you are taxed on this distribution. There are exceptions to this general rule, however, which should be carefully studied before determining your actual tax liability.

Terminations

When a partnership terminates, a partner realizes a gain to the extent money distributed (including liabilities the partner is relieved of) exceeds the adjusted basis of the partnership interest. Here again, the gain would be taxed at your marginal tax bracket.

A partnership can terminate inadvertently if within any 12-month period there is a sale or exchange of 50 percent or more of the total interest in partnership capital and profits. If that rule applies, a new partnership will result with all its property being classified as used. In addition, there may be recapture of depreciation or investment credit.



finances and you

Sid Mittra

Bankruptcy

The IRS takes the position that a partnership is terminated on a transfer of its assets and liabilities to the receiver or trustee. However, various courts have taken the opposite position: that the transfer to a receiver or trustee does not create a new entity. It is therefore not clear how a partner is affected by the declaration of bankruptcy by his partnership.

partnerships at the cross-over point. Some choose to sell and recognize gains. Others try such complicated methods as tax-free exchange, transfer to controlled corporation, gift, and deferred sales trusts.

Understandably, each is loaded with complex problems and can be denied

by the IRS. Before you contemplate any of these methods, consult your attorney or financial planner.

To summarize, when you invest in a tax shelter, always assume that you are making a long-term investment and you won't be able to get out of it for several (typically five-to-seven) years. If that is not acceptable to you, then consider other, more liquid investments.

Educational Seminar: The Observer & Eccentric newspapers and the Coordinated Financial Planning staff will conduct a seminar 7-10 p.m. Tuesday, Nov. 13, at the Kinsey Inn, 1475 N. Woodward, Bloomfield Hills. This seminar will address the following questions: Taxes — how to defer or eliminate them. Investments — how to invest in stocks for growth, income or stability. Real estate — how to find partnerships with excellent prospects. Two out-of-town guest speakers will speak on specific real estate and oil and gas limited partnership investments. The seminar is free, but registration is required. For more details, call 643-8888.

Sid Mittra is president of Coordinated Financial Planning Inc. in Troy and a professor of economics and management at Oakland University, Rochester.

marketplace

Legal/Toomasa Associates of Farmington Hills were the architects for the Holocaust Memorial Center in West Bloomfield that opened recently.

Houston & Associates Inc. financial consultants has moved its corporate offices to 1625 Woodward Ave., Suite 220 in Bloomfield Hills. The new telephone number is 332-1625.

D.A.B. Industries Inc. of Troy sold the assets of its subsidiary, the Vassar Manufacturing Co. Inc., to a subsidiary of Metal Holdings Inc.

Professional Underwriters Inc. has moved from Southfield to Farmington Hills. The new address is 31731 Northwestern Highway, Suite 152, P.O. Box 3139, Farmington Hills 48031. The new telephone number is 855-3322.

Houston & Associates Inc. has moved to 1625 Woodward Ave., Suite 220, Bloomfield Hills, 48031. The new telephone number is 332-1625. In addition,

Newton & Associates financial consulting firm has moved to the same address.

The Martin Rom Co. Inc. of Birmingham has formed a new division, the Rom Mortgage Group. It will offer new first mortgages, second mortgages, wraparounds, letters of credit, industrial development bonds, and construction loans on income-producing property.

Walter E. Heller & Co.'s central commercial finance division and National Acceptance Co. of America have consolidated their Detroit area offices at 4000 Town Center, Suite 1980, Southfield.

Dean Witter Reynolds Metro Center has opened at 12 Mile Road and Northwestern Highway in Southfield, in the Galleria Officecenter, 27700 Northwestern Highway, Suite 226, Southfield 48034. The telephone number is 353-9120.

Extra-cise, an exercise studio for

large women and people older than 40, has opened in the Bloomfield Towne Square Shopping Center in Bloomfield Hills. The studio is open 9 a.m. to 8 p.m. Monday-Friday. It is at 2281 S. Telegraph Road, Bloomfield Hills. The telephone number is 332-3339.

Chick Chalet has opened in the Restaurants on Main Street in the Twelve Mile Mall at Telegraph and 12 Mile Roads in Southfield. Check Chalet specializes in gourmet chicken.

Information for this column should be sent to the business editor, Observer & Eccentric Newspapers, 36251 Schoolcraft, Livonia 48150.

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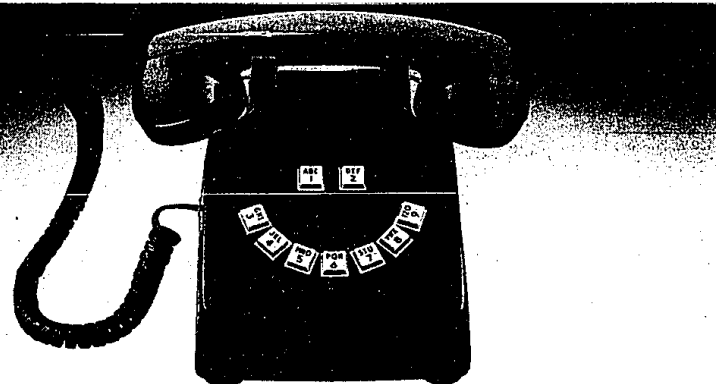
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