

A taxing situation

Some things to remember as filing deadline nears

By Doug Funke
staff writer

THE 11TH-HOUR is approaching and you still haven't filed your 1984 income tax returns. The federal forms which arrived in the mail months ago are gathering dust in the den.

Financial statements, receipts and other source documents are scattered all over the house. You know you have to get down to business, but, well, you're simply not motivated.

You recall there was no personal federal income tax before 1913 and you wonder how the country managed to expand westward and industrialize without it.

This isn't a time to philosophize and it isn't a time to panic. Action, though, is warranted — calm, purposeful action.

First off, you must file either a completed return (Form 1040) or an application for automatic extension of time to file (Form 4868) by midnight April 15 or face fines and penalties.

Filing Form 4868 will get you an automatic four-month extension to submit a completed Form 1040, but it won't get you an extension to pay tax due. Payment of estimated tax must accompany Form 4868.

"THAT'S THE single most misunderstood point. You can get an extension to file the form (1040) but you better get the tax in by that date (April 15)," said Bruce Fisher, a Troy tax preparer.

Several major changes in the tax code may affect you.

- A portion of Social Security benefits may be taxable this year.
- Generally, if half of your Social Security benefits, plus all other income including pension, interest and dividends exceeds \$32,000 for joint returns or \$25,000 for an individual return, half of the excess must be included in adjusted gross income and subject to tax.
- Interest from tax-free municipal bonds must be included in calculations to determine whether Social Security benefits will be taxed.

A worksheet to determine whether Social Security benefits are taxable can be found on page 11 of the 1040 instruction booklet.

- The holding period for long-term capital gains on the sale of assets including stocks, bonds, mutual funds, houses and cars bought after June 22, 1984 has been changed to six months from one year.

- Long-term capital gains are taxed at a maximum 20 percent. Short-term gains (less than six months) are taxed at a maximum 50 percent.

- The maximum charitable deduction for persons who don't itemize deductions on Schedule A has been increased to \$75 from \$25.

- The allowable deduction — 25 percent of donations up to \$300 — can be figured from a worksheet on page 14 of the Form 1040 instruction booklet and must be entered on line 34b of Form 1040.

ERRORS in preparing returns are most likely to arise in two specific areas, said Harry Majors, chief of the taxpayer service division in the Detroit IRS office.

- "One is using the wrong tax table and coming up with too much tax or not enough tax," Majors said. "The other is Form W (deduction for a married couple when both work). They (taxpayers) just complete it wrong. (We) do correct it on our computer but it does slow down a refund."

Majors suggests that persons who haven't yet filed their returns take a calm approach to the task.

- "Go line by line — don't get ahead of yourself. If you complete one section before going on to another, you won't have a problem," he said.

- "Lay it aside when you've done and go back over it the next day to look for mistakes," Majors added, conceding that he's caught a few errors on his own returns by following that lead.

- Remember, too, to sign your return and to put a stamp on the envelope.

- Personal home computers, growing in popularity, generally aren't deductible.

- The number-one requirement is that the boss ordered you to have it in the home," Majors said.

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- "(COMPUTERS), like an automobile or anything, must be used in a trade or business 51 percent of the time (to be deductible) and you better be able to prove it," Fisher said.

- "Figuring your own investments or money management, even if it's a million dollars, is not considered trade or business," Fisher added. "(Computers) must be used to provide service to someone else."

- A few items of general interest:

- A contribution to an Individual Retirement Account is an adjustment for adjusted gross income on the 20a of Form 1040 rather than an itemized deduction on Schedule A.

- Contributions for 1984 must be made by April 15.

- A \$1,000 exemption may be taken for a dependent who dies during the course of a tax year.

- A widow or widower may file at the more favorable married filing joint status even though not married due to the death of a spouse during the tax year.

- Professional membership fees and union dues are deductible on Schedule A.

- State income tax refunds from 1983 must generally be included as income on the 1984 federal return on line 10 of Form 1040. However, the state refund may be subtracted from income on line 49b of the 1984 Michigan state return.

- The residential energy credit (Form 5695) expires at the end of the 1985 tax year. The credit — a dollar-to-dollar offset on tax due — on energy conservation items is limited to \$300 per year.

- "It's quite evident what Congress and the IRS want you to do — they want you to keep complete and accurate records," Fisher said. "And you better keep them for three years."

- Tax preparer James Neumaler offers another bit of advice for 11th-hour filers to make their task easier next April.

- "Work on your taxes all year," he said. "Get organized and stay organized."



INSIDE ANGLES

Know someone doing something notable? Let us know. Write: Inside Angles, Farmington Observer, 33202 Grand River, Farmington 48024.

LIBRA, the charmer of the Zodiac, was lost in our computers when we put together our page on matching up spring fashions with the astrological signs. Among the many callers who wanted us to be aware of our error, one said she thought we should do a whole story on Libras just to make up for it. We'll pass on that suggestion, and print what should have been there in the first place: Libra strives for social grace and balance and works very hard to project this in her wardrobe selections. She seeks a well coordinated look of elegance, which includes soft flowing dresses, silk blouses and delicate sweaters. In her wardrobe you are bound to find something with ruffles and lace, all of which helps her confidence level rise when she is being the hostess with the mostess. Her colors are soft shades of blue, pink, and all other elegant shades of pastels.

THE NORTH FARMINGTON High School Symphony Band has been accorded the rating of Straight A's, the highest possible rating in the Michigan School Band and Orchestra Association Festivals. The high rating was especially gratifying because not only did the Symphony Band receive all A ratings, but also all A's in concert performance in the five categories that are judged. At the recent solo and ensemble festival, held at Birmingham Seaholm High School, North entered 44 events. The students accorded themselves very well by winning 20 I ratings and four II ratings. Receiving I ratings were: Howard Collins and Terri Kalis for trombone solos. Trumpeters Gary Brode and Mark Randal took top honors, as well as flutists Laurie McKinnon and Kim Trabbie. Clarinetists Marianne Leitch, Adrienne Dummer and Mary Beth O'Sullivan received top honors for solos, with Dummer and Leitch combining for another top rated duet. Lisa LaGuardia and Jackie Ache receiving a I on the marimba. Pianist Jeanne Chen scored a I, as did a flute duet consisting of Alka Agrawal and Kim Larson. Violinist Jennifer Litvin, violists, Lisa Hart and Kristen Walquist and cellist Amy Menelliey all took top honors. Hart also combined with Farmington Hills resident, Dan Hommes, a student at Detroit Country Day, for a I with a viola duet. Receiving II ratings were: Marc Woodard, Alana Strager, Bob Gould, and Gary Brode.

SCOTT CLARK, a Detroit Country Day Upper School student, recently scored among the top 100 math students in the state. He was honored as a finalist in the 88th annual Michigan Mathematics Prize Competition during an awards banquet at Alma College.

CHRIS FISHER, son of John and Patricia Fisher of Farmington Hills and a senior at North Farmington High School, recently enlisted in the Navy's Delayed Entry Program. Chris enlisted for four years as a aviation maintenance administration. Administration men perform a variety of clerical, administrative and managerial duties necessary to keep aircraft maintenance activities running smoothly. He will report for active duty Sept. 16 and will attend basic training at the Naval Training Center in Orlando, Fla.

CARRIE, ERIK AND JULIE Rice, children of Natalie and Ron Rice of Farmington Hills, participated in a superskate at Bonaventure Skating Rink to raise money for the Association for Retarded Citizens. They each skated for six hours and together raised over \$300. This is estimated to be 60 miles of skating per child.

NANCY STARR, of Farmington Hills, was among 40 Central Michigan University students accepted into the 1985 edition of "Who's Who Among Students in American Universities and Colleges." The Who's Who is an exclusive honor conferred on students selected from more than 1,500 institutions of higher learning in all 50 states, the District of Columbia, and several foreign nations. Nominations are based on academic achievement, service to the community, leadership in extracurricular activities and potential for continued success.

KEVIN COLLINS, son of James and Jean Collins of Farmington Hills and a North Farmington High School graduate, is a member of the 1984-1985 men's varsity ice hockey team at Lake Forest College. Lake Forest is ranked sixth in the western region in the NCAA Division III. The team ended their season with a record of 17 wins and 7 losses.

RODNEY KRUEGER, son of Richard and Nancy Lee Krueger of Farmington Hills and a 1983 graduate of Graceville High School, has been assigned to Lowry Air Force Base, Colo., after completing Air Force basic training. He will now receive specialized instruction in the munitions and weapons maintenance field.

LAILA CASSIS AND MARK PHILLIPS, of Farmington Hills, are among eight members of the Cranbrook and Kingwood upper school fencing team qualified for the Junior Olympics competition held recently in Cleveland, Ohio. Cranbrook Middle School social science teacher, Betty Chazana, is the team's coach. For nine consecutive years, she has sent students to the Junior Olympics.



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