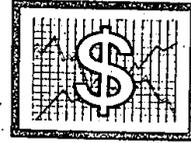


Business

Barry Jensen editor/591-2300



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O&E Thursday, December 10, 1985

Deductions are worth more this year than next

Part two of three
Assuming tax reform passes and substantially reduces tax rates, any income you receive in 1986 will be taxed less harshly than this year's earnings, while your deductions won't save you as much.

Consequently it is to your advantage to accelerate the deductions that are available to you. Here are some of the most widely used deductions — all of which are likely to be trimmed somewhat under tax reform — and ways to make the most of them before the end of this year.

State and local taxes
If you pay state income tax in estimated quarterly installments, make sure you pay the last one for 1985 before Dec. 31, rather than waiting until a deadline early in 1986.

Similarly it makes sense to pay local real estate taxes that are due early in 1986 before year end. If you contact your mortgage servicer and get it done right away, you can deduct that amount on this year's 1040. And if you are thinking of buying a new boat, car, or other big ticket item, get it in 1985 while you can count on a large sales-tax deduction.

Interest expenses
Send in your December mortgage payment before Jan. 1 so you can deduct that interest on your 1985 return. If you have a loan on a life insurance policy, brokerage

margin account or with a bank, be sure to pay all of the interest you owe by Dec. 31. But don't prepay interest that is not yet due; it is not deductible this year.

Miscellaneous deductions
Prepay subscriptions to publications related to your work or investments. Write-offs to keep in mind: Investment and accounting advice fees, political contributions, safe-deposit box fees, union and professional dues and education expenses related to your job.

Charitable contributions
One pending reform proposal would disallow charitable deductions for taxpayers who use a short form or otherwise don't itemize. Chances are that you wouldn't be affected, but a young wage earner in the family might be.

Also, passage of a bill that lowers the top tax rate to, say, 35 percent, would also cut the value of your deductions. So, lock in the largest possible deduction this year by making any charitable contributions you would have planned for 1986.

Here are a couple of ideas that



finances and you
Sid Mittra

you might use to your advantage. Mailing a check this year that is not cashed until after Jan. 1 allows you to take the deduction in 1985. Or, this might be the time to take full advantage of the maximum limits on your credit cards.

You can use them to make contributions to public radio stations, museums, and other non-profit organizations. Your deductions are valid for 1985, even if the credit card bill does not arrive until 1986. Another idea is to give some of that stock you purchased more than six months ago that has advanced significantly. You can claim a deduction for its present value, which is probably much more than you paid for it.

Medical expenses
You may only deduct the portion of unreimbursed medical expenses

that exceed 5 percent of your adjusted gross income. Most people don't have enough expenses to meet that requirement. But you may have a better chance if you time treatment so that dental work, elective surgery and other bills coincide.

You can also boost medical expenses by counting at least part of the cost of special items such as orthopedic shoes or an elevator device in your home if you suffer from a heart ailment.

Business-related expenses

Buy the car or personal computer you have been planning to use primarily for work before year-end, while the investment tax credit is still available. If you are self-employed, be sure to open a Keogh retirement account before Dec. 31 if

you haven't already done so. As long as you start a Keogh by year-end you can contribute to it until the date you file your 1985 tax return and still take deductions for this year.

"Year-end Financial Planning" is the main topic for a seminar to be conducted by the Observer & Eccentric Newspapers and the Coordinated Financial Planning staff. The seminar will be held 7-9:30

p.m. Tuesday, Jan. 14, at the Birmingham/Baldwin Public Library, 300 W. Merrill, Birmingham. Admission is \$5.00. All proceeds will go to Oakland University Education Fund. Please call 643-8888 for registration.

Sid Mittra is director of the personal financial planning program at Oakland University and president of Coordinated Financial Planning Inc. of Troy.

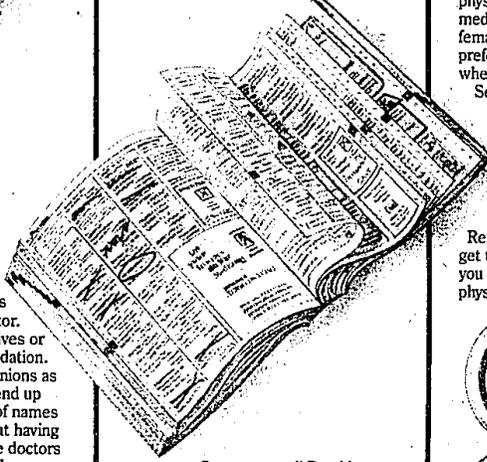
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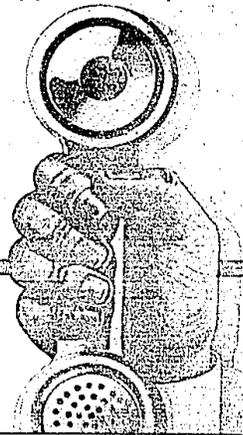
SOUND ADVICE.



There are some very interesting ways you can find a doctor. You can ask friends, relatives or co-workers for a recommendation. Since there are as many opinions as there are people, you may end up with a confusing collection of names and phone numbers. Without having the slightest idea of who the doctors are or where they're located. You may also choose to open up your telephone book and, well — good luck.

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