

Tax changes to affect stock, bonds favorably

The relative appeal of stocks and bonds as well as tax shelters could change drastically if the current Senate bill is signed into law. Although no one knows the exact provision of the bill that would eventually become the law, in this column I am sharing my views on this highly emotional subject.

Tax shelters

At a 50-percent tax bracket, the dollar of tax loss saves 50 cents in tax. At the 27-percent rate, the savings are 27 cents.

Besides this, the bill severely limits the tax write-offs, thereby putting a damper on tax shelter deals. Specifically, in the case of real estate shelters, depreciation would be calculated over a 27.5- or 31.5-year

period, and additional new limits would be imposed on the deduction of interest by individuals.

For alternative minimum tax calculations, the excess of depreciation claimed using a 27.5/31.5-year life over that available using a 40-year life would be treated as a preference item.

Also, the at-risk rules would be extended to real estate investments. The proposed repeal of the exemption for oil-and-gas ventures may hurt that industry as well.

In general, highly leveraged tax shelters that rely on big borrowing to generate large yearly write-offs would be hit hard by the new tax bill.

Capital gains

The elimination of the preferential



finances and you

Sid Mittra

treatment of capital gains will force investors to learn new tricks of investing money. With advantages of holding assets for longer-term gains, investors would have to become more sophisticated traders to take advantage of short-term fluctuations.

Stock/bonds

If the new tax bill results in a drop in interest rates, both equities and

fixed income securities would be favorably affected. In addition, a part of huge sums of money now pouring into the tax shelter market may be diverted to the securities market.

With tax rates dropping, dividend and interest income would become more attractive, thereby boosting the demand for stocks and bonds.

On the negative side, the elimination of preferential treatment of long-term capital gains might in-

crease the volatility in the stock market.

A dark cloud in this otherwise bright horizon is municipal bonds. Currently, a municipal bond that pays 7 percent tax-free interest is worth 14 percent taxable rate to a 50-percent-bracket investor.

Now the bond would be equivalent to a taxable rate of just 9.6 percent.

Mutual funds

Like stocks and bonds, most mutual funds would be favorably affected by the new tax bill. Lower rates will make mutual fund dividends more appealing.

Mutual funds that invest in bonds and utilities would gain in value. But aggressive growth funds that depend heavily on low long-term capital

gains tax rates might be harmed.

Next week: Tax reform: what to

Educational seminar: Main topic
"Impact of proposed tax legislation on your 1986 investment, tax and retirement planning." The seminar, sponsored by Observer & Eccentric Newspapers and Coordinated Financial Planning Inc., will be held 7-9:30 p.m. Tuesday, July 8, at the Baldwin Public Library, 300 Merrill, Birmingham.

Sid Mittra is director of certificate program in personal finance at Oakland University and president of Coordinated Financial Planning Inc.

daybook

COMPUTERED ACCOUNTING

Thursday, July 10 - "Understanding Computerized Accounting Systems," a free three-hour seminar, offered from 9 a.m. to noon, at the Computer Center in South-J, Information: 569-5570.

PROSPECTIVE OWNERS

Tuesday, July 15 - All-day workshop for prospective business owners and those who have recently started a business offered from 8:30 a.m. to 4 p.m. in Detroit. Fee: \$10. Information: 225-7347. Sponsors: U.S. Small Business Administration, Service Corps of Retired Executives.

AD ASSOCIATION

Wednesday, July 16 - Business Professional Advertising Association of Detroit meets. Information: R.P. Murphy, 583-9300.

HELP FROM STATE

Wednesday, July 16 - Day-long workshop to explain how state and Michigan Strategic Fund can help small businesses obtain money. Information: Carol Coscarelli, (517) 373-0347. Sponsors: Michigan Department of Commerce, Michigan State Chamber of Commerce and Small Business Centers.

LAW STAFF

Thursday, July 24 - "Staffing your Practice" seminar, offered from 9 a.m. to noon in Southfield. Fee: \$10. Information: 64-0533. Sponsors: Legal Economics Section of State Bar of Michigan, Institute of Continuing Legal Education.

PROJECT MANAGEMENT

Wednesday-Friday, Aug. 20-22 - Engineering Project Management course offered from 9 a.m. to 4:30 p.m. at the Michigan State University Management Education Center in Troy. Fee: \$625. Information: Clark E. Deraven, (800) 428-4284. Sponsor: Michigan State University.

DIRECT MARKETING

Thursday, Sept. 18 - One-day seminar on new techniques and future of direct marketing offered at the Michigan Inn in Southfield. Information: Sheryl Randolph, 355-8155. Sponsor: Direct Marketing Association of Detroit.

HOME & ENERGY SHOW

Thursday-Sunday, Sept. 25-28 - Home and energy show runs for four days in Detroit. Information: 569-8280.

BARTER EXPO

Wednesday, Oct. 8 - Barter expo in Southfield. Information: 569-8280.

INDUSTRIAL SHOW

Tuesday-Wednesday, Oct. 14-15 - Detroit Industrial Show runs for two days in Southfield. Information: 569-8280.

BUSINESS EXPO

Tuesday-Thursday, Nov. 4-6 - Business expo runs for three days in

Detroit. Information: 569-8280.

SME CONFERENCE

Tuesday-Friday, Nov. 11-14 - Autotech '86, Society of Mechanical Engineers' annual conference and exposition on the automated, integrated factory, is in Detroit. Information: 271-0777.

Information for this column should be sent to the business editor, Observer & Eccentric Newspapers, 36251 Schoolcraft Road, Livonia 48150. Information must be received by Monday to be published in the following Thursday issue. Publication cannot be guaranteed.

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OPEN MEMBERSHIP

Land O' Lakes Chapter of American Business Women's Association is offering membership to employed women in the Redford, Livonia and Farmington areas. ABWA is a national organization whose goal is to raise funds for scholarships for women. For information, call Carmyn Harbueger at 534-3904 after 6 p.m.

POMMERVILLE NETWORK

The Pommerville Network, a member network of the National Association of Female Executives, will hold its next meeting at 7 p.m. Wednesday, July 9, at Gourmet's Delight on Schaefer in Dearborn. Guest speaker will be Gayla Houser, vice president of the Central Business District Association of Detroit.

WILLS & TRUSTS

Seminar on wills and trusts will begin at 7:30 p.m. Wednesday, July 16, in Dearborn. The free seminar is sponsored by IDS/American Express. For more information, call 423-4370.

STATISTICAL CONTROL

Two courses, "Application of Statistical Process Control" and "Statistical Problem Solving," offered Wednesday-Friday, Aug. 6-8, in Dearborn. For information, call 271-1500, Ext. 596. The courses are sponsored by the Society of Manufacturing Engineers' center for professional development.

COMPUTER-AIDED PROCESS PLANNING

"Computer-Aided Process Planning" offered Wednesday-Friday, Aug. 13-15, in Dearborn. For information, call 271-1500, Ext. 596. The courses are sponsored by the Society of Manufacturing Engineers' center for professional development.

COMPUTERS & MANUFACTURING

"Understanding Computer-Integrated Manufacturing" offered Monday-Friday, Aug. 18-22, in Dearborn. For information, call 271-1500, Ext. 596. The courses are sponsored by the Society of Manufacturing Engineers' center for professional development.

DATA COLLECTION WITH PCs

"Data Collection and Analysis with Personal Computers" offered

Wednesday-Friday, Sept. 17-19, in Dearborn. For information, call 271-1500, Ext. 596. The courses are sponsored by the Society of Manufacturing Engineers' center for professional development.

HOME & ENERGY SHOW

Home and energy show runs Thursday-Sunday, Sept. 25-28, in Detroit. For information, call 569-8280.

OUT-SOURCING

An out-sourcing convention will be held Tuesday-Thursday, Oct. 7-9, in Detroit. The expo is sponsored by the Contract Manufacturers Association. For more information, call 643-7187.

SAVINGS BONDS RATES

A toll-free telephone service will make it easier for people to learn the current interest rate paid on variable-rate U.S. Savings Bonds and other facts about the U.S. Treasury security. Dial 1-800-US BONDS.

BUSINESS HOTLINE

Small business owners in Michigan's Small Business Administration's toll-free "Answer Desk" telephone service to get help on problems connected with their business and the federal government. The telephone number is 1-800-368-5855. It is staffed during normal business hours.

INTERNATIONAL TRADE

A free international business service directory is available to any Michigan company doing business abroad. The directory is designed also to help foreign companies move to Michigan. To get a copy, call Mark Santucci at (517) 373-6380.

CAM EXPO

A computer-aided manufacturing expo will be held April 22-24, 1987, in Detroit. It is sponsored by CAM Expo. For information, call 567-5500.

Send information for business briefs to business editor, Observer & Eccentric Newspapers, 36251 Schoolcraft Road, Livonia 48150. Deadline is Monday for publication in the upcoming Thursday issue. If your item is about something to happen several weeks in the future, it will be run more than once, space permitting.

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