

# Run over deductions for income tax return

It is imperative that you use all the deductions allowed by the law. Here are the key deductions allowed by the Tax Reform Act, if you itemize:

**Medical Expenses.** You may deduct unreimbursed medical expenses of your family's medical care, but only if these expenses exceed 7.5 percent of your adjusted gross income.

**Mortgage Interest.** Interest on mortgage on your home and a second residence is deductible. However, the interest is deductible only to the extent the mortgage does not exceed the purchase price and the cost of improvements. The "excess" interest is deductible if the debt is incurred for payment of education or

medical expenses.

**Income and Property Taxes.** You may deduct state and local income taxes from your federal taxable income. In addition, real property taxes on principal or second residence are deductible.

**Interest Expense.** While the Tax Reform Act disallows the deduction of personal interest expenses, because of the transition rule, in 1987 65 percent of non-home interest is deductible. You may also deduct investment interest from your net investment income.

**Charitable Contributions.** A charitable contribution is a gift to a qualified charity organization. The tax law allows charitable contributions



finances and you  
**Sid Mittra**

to reduce taxable income and therefore the actual cost of the donation reduces your taxable income. Two important caveats: The cost of certain charitable travel is no longer deductible. Also, untaxed appreciation on charitable gifts is included in the calculation of Alternative Minimum Tax.

**Casualty and Theft Losses.** A reduction of your property's value because of damage or destruction is

deductible. So is a theft due to unlawful removal of money or property. However, to be deductible you must file timely insurance claims on your casualty or theft losses.

**Miscellaneous Itemized Deduction.** The miscellaneous itemized deductions, including the employee business expenses, are subject to a floor of 2 percent of your adjusted gross income. However, the floor does not apply to certain items, such

as impairment-related work expenses.

**Minor Children.** The net unearned income of a child older than 14 will be taxed at the child's tax bracket.

**IRAs.** You may contribute up to \$2,000 (\$4,000 for two working spouses) if you are not eligible to contribute to a qualified plan or your income is below the specified limit. Note, however, that regardless of your eligibility the law still allows your IRA fund to grow tax-deferred.

**Home Office Expenditure.** Home office expenses are still deductible provided certain conditions are met. However, under Tax Reform Act the amount of an otherwise allowable home office deductions is limited to

your net income from the business.

**Next week: Passive Income and Losses.**

**Educational Seminar: Main Topic "New Solutions to Old Financial Problems under the New Tax Law."** The seminar, sponsored by the Observer & Eccentric Newspapers and Coordinated Financial Planning Inc., will be held 7-9:30 p.m. Tuesday, April 14, at the Baldwin Public Library, 300 W. Merrill, Birmingham. For more information or reservations, call 643-8888.

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

## marketplace

**Etkin Equities Inc.** is celebrating the completion of Brookfield One and the raising of the steel framework for Brookfield Two in Brookfield Office Park on Northwestern Highway and Middlebelt in Farmington Hills.

**Air Industries Systems Sletam Inc.** moved its North American headquarters to larger facilities. The company, which designs and builds paint finishing and automatic material handling equipment for the automotive and other industrial manufacturers, has moved from Birmingham to 1650 Research Drive, Suite 350, Troy.

**The Hampton Inn Southfield**, which opened in March 1986, is celebrating its first anniversary. The hotel was the 44th of a projected 400 hotels to open as a part of a new division of Holiday Corp. Y1821

**Marketing Impact Inc.** of Southfield has been selected as the new advertising agency for Art Photography, a distributor of original fine art. The agency will handle all local and national advertising.

**Merchandising Incentives Corp.** has doubled its office space. MIC, specializing in marketing concepts, recognition and sales programs, took over the entire building at its Troy location.

**Grace & Wild Studios** has been chosen to create computer-animated openings for "Us Viewing You" and "For Kids Sake," two new community service programs being broadcast by WJBK-TV 2. Grace & Wild's video production/post-production facility is in Farmington Hills.

**JB Communications** has won a merit award in the annual Admissions Advertising Awards competition for the production of the 1986-88 catalog of Center for Creative Studies - College of Art and Design.

**Burger King Corp.** has moved its offices to a new location, 3225 Northwestern Highway, Suite 240, Farmington Hills.

**Baker, Abba, Cunningham & Kiepling Inc.**, a Birmingham-based advertising agency, is joining forces with Casey Communications Management Inc., a Southfield-based public relations firm. BAC&K will counsel Casey Communications and assist with the advertising components of the public relations firm's marketing plan. Casey Communications will counsel the advertising agency with the public relations aspects of BAC&K's marketing program.

**The Packaging Store Inc.** opened its newest franchise at 3954 Rochester Road in Troy. The Packaging Store is a franchise chain of retail outlets that will custom pack, insure and ship your packages.

**Kaufman and Payton**, a Farmington Hills-based law firm, has opened offices in Traverse City and Manistee.

**The Center Companies** has selected Kolon, Bittker & Desmond Inc. as its marketing and advertising agency. The Center Companies develops and manages office, retail and commercial properties across the country. KB&D will handle newspaper, radio and television advertising.

**Votrax International Inc.** announced that the Ford Motor Co. has signed a multi-million-dollar agreement to buy Votrax Director Systems for use in automating its call management functions.

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## Location is important in success

As I was driving down one of the main roads the other day, I noticed a billboard promoting a local shopping center. What caught my attention was the message: "Location! Location! Location!"

How important is location? Is there a process to guide the entrepreneur in selecting the "right" location for the new or expanding operation? What information is required to successfully carry out this process? This week's column is the first in a series discussing tips for selecting a retail location.

The Small Business Administration confirms that location is a major factor influencing small business success or failure. Poor location ranks second as a primary cause of small business failures nationwide. Conversely, an excellent location can be a primary reason for success when the operation is otherwise unsatisfactory.

Before burning the telephone lines with calls to commercial real estate agents, the entrepreneur needs to understand the "levels" of decision making which affect choosing the



focus: small business  
**Mary DiPaolo**

best location. First, there are the decisions associated with selecting a market area (rural, small town, big city). Some retailers skip this step by limiting market area to their hometown or city. This type of decision can work for the retailer because it provides an opportunity to operate in familiar surroundings. But it can exclude more lucrative opportunities which exist in surrounding market area.

Information to assist in selecting a specific market area include population size and trends, trading-area size, purchasing power and its distribution and customer buying habits. This type of information is easily obtained through publications such as

"Sales and Marketing Management" magazine.

**ADDITIONAL INFORMATION** needs include state and local legislation governing local retail activity; the nature and level of competition; composition of the community at large (college town? tourists attraction? industrial area?); and community "image" (progressive vs. little or no market growth vs. market decline). This information would come from a number of sources to include

city planning commissions, local real estate firms, and publications such as "Contacts Influential" (competitive data) available through any local library.

Finally, the entrepreneur's individual preferences regarding market area factors need to be considered. Does the small town environment sound appealing? How "big" a city is too big? Next week we'll discuss the second level of location decision making - selecting a location site - given the numerous alternatives.

**Mary DiPaolo is the owner of MarkeTrends, a Farmington Hills based business consulting firm. She is also producer and host of the cable television series, "Focus: The Small Business Environment."**

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