

# 'S' corporations can reap benefits, cut taxes

By Sid Mittra  
special writer

In 1987 the highest personal and corporate tax brackets are 38.5 percent and 40 percent, respectively. In 1988 they will be further reduced to 28 percent and 34 percent, respectively. It is therefore easy to see that significant tax benefits may be realized if corporate profits taxed at highest tax bracket could be taxed at the individual's tax rate. This can be accomplished rather routinely, thanks to the existence of Subchapter S corporations.

How S Corporation Operates

S Corporation allows corporate

owners to enjoy a number of benefits of corporate status, while at the same time pay less taxes by way of being taxed at individual rates. In an S Corporation the income and deductions are passed by the corporation to its shareholders, who then pay income tax at their personal tax rates.

To be sure, not everyone can elect the S Corporation status. The following are a few of the criteria that must be met before the status is granted:

- An S Corporation must have no more than 35 shareholders, all of whom must be U.S. citizens or resident aliens.
- All shareholders must be real



## finances and you

Sid  
Mittra

people, not corporation, partnerships, or other legal entities.

- S Corporations may issue only one class of stock, but different shares are permitted to have different voting rights.
- Banks, savings and loans, finance companies, insurance com-

panies and other financial institutions are, for the most part, prohibited from making S Corporation elections.

- All shareholders must give their consent in writing.
- The PIG Issue

One of the major advantages of an

S Corporation lies in its use as a passive income generator (PIG). Under the New Tax Law, passive losses can be used only to reduce passive incomes, since the opportunity of reducing your active income by passive losses is no longer available.

In this setting, it is easy to see that if you have passive losses generated by tax shelters you have purchased in the past, you are out of luck. But this situation is not hopeless. If you are a shareholder in an S Corporation and do not actively participate in the business, the income derived from this corporation may provide the passive income you need.

S Corporation Is Not Universal An-

swer

As is generally the case, S Corporation has several drawbacks. For one thing, it doesn't generate any tax savings if the corporation's tax rate is lower than the individual's tax rate, as would be the case where the corporation is relatively small. For another, a regular corporation converting into S Corporation may still be subject to corporate taxes if passive income for investments, dividends or capital gains exceed certain limits.

The rules governing Subchapter S are complex. Consult your financial planner if you wish to take advantage of this legal entity.

# Wise business owner uses publicity to fullest

The smart entrepreneur will use publicity to the fullest advantage when carrying out the promotional activity of the small business. As mentioned last week, publicity is free and allows the firm to reach current and potential customer markets via the media.

Don't be fooled into thinking that successfully generating publicity as a business requires knowing someone directly involved in the media; nothing could be further from the truth. When a firm can attract attention to itself (or its products and services) in an innovative or creative manner, publicity is sure to follow.

"Jumpin' the Jell-O" is one gim-

mick that turns up every so often and works every time if well organized by the sponsor. A car-stereo shop in Sacramento, Calif., came up with the idea, which involved offering prizes to anyone willing to dive into a 360-gallon vat of Jell-O and retrieve one of 60 marbles at the bottom of the vat.

Because teenage drivers represented one of the owner's principle target customer markets, the local rock radio stations became involved by announcing the event and then covering it live. More than 500 divers jumped at the chance to compete, causing the owner to hold a drawing to distribute the prizes. The



## focus: small business

Mary  
DiPaolo

amount of free radio and television coverage he received would have cost more than \$10,000 if paid for via advertising.

Press releases sent to the key newspapers, magazines or tabloids is another means of publicizing prod-

ucts and services. During the peak wedding-planning season, Wedding House of Wyandotte had its marketing firm create a press release focusing on the wedding-planning process while relating the story to its own product, Wedding in a Box.

One of the national tabloids (with a readership of 3.4 million) ran the release including ordering and price information. Demand for the box skyrocketed, and it cost Wedding House nothing to obtain this national exposure.

There are several publications available to assist the individual or firm interested in pursuing publicity as a means to promote themselves or their businesses. "The Unabashed Self-Promoter's Guide," written by Dr. Jeffrey Lant, is an excellent book, which discusses "what every man, woman, child and organization in America needs to know about get-

ting ahead by exploiting the media."

The book is available by writing Lant at 50 Follen Street, Suite 507, Cambridge, Mass. 02138. Another manual, "Promotional Gimmicks," prepared by the staff at Entrepreneur Magazine, is available at the Start a Business Store, 2080 W. Big Beaver, Troy 48064 or by calling 649-8646.

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

## datebook

### TRAFFIC DISPLAY

Thursday, May 21 — The latest traffic and maintenance equipment will be on display free from 10 a.m. to 4 p.m. in the Southfield Civic Center, 10 1/2 Mile and Evergreen roads, Southfield. Free lunch. Information: William F. Savage, 1 (517) 373-2324. Sponsors: Institute of Transportation Engineers, International Municipal Signal Association, Michigan Parking Association.

### CITY DEPARTMENTS

Thursday, May 21 — "Knowing Your City Departments" small business workshop offered 6:30-7:30 p.m. at the Michigan Center for High Technology in Detroit. Fee: \$20. Information: 577-4850. Sponsor: Wayne State University.

### PURCHASING MANAGEMENT

Thursday, May 21 — Purchasing Management Association of Detroit

meets at 5 p.m. at the Detroit Golf Club in Detroit. Information: 363-5200.

### CAREERS IN TRANSITION

Thursday, May 21-June 11 — "Careers in Transition" will be offered 7-10 p.m. in Rochester. Fee: \$50. Information: 370-3033. Sponsor: Oakland University Continuum Center.

### PENSION PLANNING

Saturday, May 23 — Pension Planning for Small Business Owners offered from 8:15 a.m. to 3 p.m. at WSU's McGregor Memorial Conference Center in Detroit. Fee: \$45. Information: 577-4665. Sponsor: Wayne State University, U.S. Small Business Administration.

### BLACK ACCOUNTANTS

Saturday, May 23 — National Association of Black Accountants scholarship award dinner begins at 6 p.m. in Cobo Hall in Detroit. Fee:

\$50. Information: Catherine J. Murray, 898-2800.

### STARTING A BUSINESS

Saturday, May 23 — "Start Up Basic" offered from 9 a.m. to 1 p.m. in Troy. Fee: \$35. Information: Ruth Probst, 649-8648. Sponsor: Start A Business Store.

### CHOOSING A BUSINESS

Monday, May 25 — "Choosing the Best Business" begins at 7 p.m. in Troy. Fee: \$15. Information: Ruth Probst, 649-8648. Sponsor: Start A Business Store.

### PROPERTY DEVELOPMENT

Tuesday, May 26 — Apartment Management will be topic of lecture 6-8 p.m. in Detroit. Fee: \$40. Information: Lynne E. Fuller, 577-4710. Sponsor: Wayne State University's college of lifelong learning.

### SECURITY

Tuesday, May 26 — "Making Your Business Secure" small business workshop offered 6:30-7:30 p.m. at the Michigan Center for High Technology in Detroit. Fee: \$20. Information: 577-4850. Sponsor: Wayne State University.

### CASH FLOW PLANNING

Tuesday, May 26 — "Cash Flow Planning for the Small Business" workshop offered 6:30-7:30 p.m. at the Michigan Center for High Technology in Detroit. Fee: \$20. Information: 577-4850. Sponsor: Wayne State University.

### INDEPENDENT ACCOUNTANTS

Tuesday, May 26 — Independent Accountants Association meets at 6 p.m. at the Kingsley Inn in Bloomfield Hills. Information: 882-3560.

## Michigan National unveils new complex

Continued from Page 1

About 1,100 employees are scheduled to work at the 283,000-square-foot headquarters site, many of whom are now scattered in offices throughout southeastern Michigan or at the temporary headquarters on Northwestern Highway in Southfield.

According to Mylod, the bank has already sold three office buildings, two in Bloomfield Hills and one in Troy, is trying to sell at least two more. It will vacate a total of seven or eight sites, some of them currently being leased, in consolidating operations.

The corporation will continue to own the Livonia building on Merriam, but employees there will be transferred to headquarters.

Myrod said the cost of running the new headquarters would be about \$1 million more annually than the cost of running its various offices.

"The extra expense will be more than worth it... We were conducting meetings in automobiles and by telephone."

In addition to the executive offices, key corporate divisions that will be moved to the new complex include investment banking, personal financial services, legal, human resources, credit, commercial banking, trust, controllers, auditing and purchasing.

The complex will include sundries stores, library, auditorium and 400-person cafeteria.

## ALL YOU NEED TO TOSS-A-PICNIC IS

Special  
Citronella  
Bug Chaser  
Candles  
expires 6/4/87  
Sugg. Ret. \$2.39  
OUR PRICE \$1.99



BUY  
1  
GET  
1  
FREE

Farmington Hills  
Orchard Lk. Rd.  
at 12 1/2 Mile  
855-3636

Livonia  
at 7 Mile & Middlebelt  
478-8902

Southfield  
Southfield Road  
at 11 1/2 Mile  
557-8152

## McDONALD & COMPANY SECURITIES, INC.

has moved to new  
and larger offices at

260 E. Brown Street, Suite 150  
P.O. Box 4475  
Birmingham, Michigan 48012

to accommodate our growing staff now numbering 20 investment professionals and support people providing creative financing for business and government agencies throughout Michigan and complete services for individual investors.

Eugene H. Bosart III  
Managing Director  
Resident Manager  
540-1221

Daniel F. Austin  
Senior Vice President  
Public/Corporate Finance  
540-5230

## McDONALD & COMPANY SECURITIES, INC.

Investment Banking and Full-Service Brokerage

Member NYSE

Member SIPC



"I bought my first car with \$600 cash. If I'd leased it and speculated with the money, who knows where I'd be today?"

Lots of people who buy cars would be better off leasing. Because leasing can put a new car in your garage with no down payment, and get you cash for your present car. Before you tie up your capital, get the facts.

Counsel with us. If leasing is right for you, we'll develop a lease based on your kind of driving. But if it isn't, we'd be just as happy to sell you a car. Leasing all makes and models at competitive rates.

BILL SNETHKAMP LEASING INC.  
"SERVING THE COMMUNITY"  
FOR OVER 25 YEARS

645-6161

