

PIG can be a PAL if you have tax shelter loss

This is the second of three articles discussing the Tax Reform Act of 1986 and tax losses expected to be generated this year by the tax shelters we bought in earlier years.

Last week's analysis of passive activity losses (PALs) and passive income generators (PIGs) showed that tax shelters can still be valuable.

Last week we discussed PALs and PIGs. Here are some examples to clarify the concepts.

A simple illustration:

Say you participate in two "passive activities" — that is, a business in which you do not materially participate. In 1987, the first one generates a passive income of \$11,000

and the second generates a passive loss of \$17,000.

Here is the arithmetic:

Passive loss \$17,000
Less passive income (\$11,000)
Unusable loss \$6,000

Transitional rule complications:

The transitional rules, which allow you to write off part of your passive losses, are as follows:

Year	Passive losses disallowed
1987	35%
1988	60%
1989	80%
1990	90%
1991	100%

The table shows that in 1987, 65% of your passive losses would be allowed (35% disallowed) to reduce non-passive income. However, this is not as simple as it seems.

The law requires you to add your passive losses and passive income before you arrive at the amount of tax loss disallowed. Here is an example.

Say in 1987 you have a passive loss of \$20,000 and a passive income of \$7,000. If you make the following calculation you would get a POKE in the eye:

passive loss	\$20,000
65% allowed in 1987	13,000
passive loss disallowed	7,000
passive income	7,000
unusable passive income	0

The correct way to make the calculation is:

passive loss	\$20,000
Less passive income	7,000
Net passive loss	13,000
65% allowed in 1987	8,450

Unusable passive loss 4,550

So you need an additional passive income of \$4,550 to use all of the passive loss.

Although not necessarily the most economical strategy, your safest strategy might still be to match the passive loss with the passive income to avoid the wasted passive loss.

A further complication:

It seems clear that if you are able to generate \$4,550 of passive income, then your worries will be over.

Right? Wrong.

The \$8,450 passive loss that you used to reduce your active income (salary) is treated as investment interest expense. So you not only "used up" your investment interest loss,

which otherwise could have been used to shelter your investment income, but this amount is also treated as a tax preference item and could trigger an Alternative Minimum Tax.

Educational seminar: "Your Investments, Your Taxes and Tax Reform." The seminar, sponsored by Observer & Eccentric Newspapers and Coordinated Financial Planning, will be held 7-9:30 p.m. Tuesday, July 21, in the Baldwin Public Library, 300 W. Merrill, Birmingham.

For more information or reservations, call 643-3888.

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finances and you

Sid Mittra

The right sales training program makes good sense

"Employers pay for a sales training program whether they have one or not."

This is true for any firm with a significant number of untrained full- or part-time employees in contact with current potential customers.

Many times, these employees "chase away" business by being ill-informed, unwilling to serve or downright rude. As a result, sales are often lost in amounts far exceeding the cost of a good training and development program.

Employee sales training takes many forms to include attendance at

sales seminars or conferences, short courses, supplier training programs and trade association programs. But the typical small business firm conducts what it knows as "on-the-job" training.

To conduct this training, firms have used video tape presentations, outside consultants, and senior sales personnel to teach employees the duties associated with order getting, order taking and the sales support functions.

Video tape presentations are especially popular as they may be structured to simulate the selling process



focus: small business

Mary DiPaolo

as well as employee/customer scenarios requiring special attention or action.

Much of sales training and motivation is grounded on the basic steps of the personal selling process to include:

- The search for prospective accounts
- Planning the sales presentation
- Getting attention, creating interest and arousing desire in the firm's products or service
- Handling any objections

• Closing the sale
• Following up after the sale.
Although these steps may seem obvious, many firms fall short of putting the theory into practice.

Often a firm focuses training efforts on one area (such as closing the sale), without giving proper time and attention to the steps leading up to that point.

Others implement the wrong training practices altogether. For example, order takers should not receive training to seek out prospective accounts.

A recommended text on sales training and motivation is "Selling"

by James F. Robeson, H. Lee Mathews and Carl G. Stevens. The book can be ordered through the publisher, Richard D. Irwin Inc., Homewood, Ill. 60430.

Next week, we will wrap up the series on personal selling as a key promotional activity or a new or existing business.

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."

marketplace

Vixen Motor Co., the manufacturer of aerodynamically designed recreational vehicles, has selected Casey Communications Management Inc. of Southfield to serve as its public relations counsel. In this capacity, Casey Communications Management will develop and implement a comprehensive communications program to increase awareness of Vixen Motor Co. and its products.

American Speedy Printing Centers has recently opened a new shop at 28810 Northwestern Highway, Southfield. Gerald and Maureen Christensen, owners of the shop, were previously across the highway from their new place.

Simons Michelson Zieve Inc. has become an authorized selling representative of the National Yellow Pages Service Association.

The Center Companies has assumed the management of Piccadilly, the courtyard of fine shops and cafes in downtown Birmingham. The firm will manage and market the two-level specialty retail complex and join Barry M. Klein Real Estate Inc. in leasing the project.

Ray D. Eisbrenner & Co. has been selected to develop and implement a special public relations program for Health Service Co., headquartered in Southfield. Health Service Co. operates the seven-member Blue care Network of health maintenance organizations throughout Michigan. Ray D. Eisbrenner & Co. is a full-service public relations firm based in Birmingham.

Chateau Land Development Co. has chosen Stone, August & Co. as their public relations firm. Chateau

Land Development Co. is a Michigan-based firm with activities that include the acquisition, development, rental, disposition and management of real properties. Stone, August & Co., headquartered in Birmingham, is a multi-service communications company.

G. Temple Associates Ltd., a Southfield advertising and public relations firm, has been named agency of record for The Gleason Works of Rochester, N.Y., a leading manufacturer of gear production machinery and systems. The agencies program will consist of an international advertising schedule, a quarterly publication, product and service-oriented brochures, and comprehensive public relations activities.

G. Temple Associates Ltd. recently ranked No. 378 in a survey of top ad agencies in the United States. The new rating represents an improvement of 74 places from last year's survey, in which the agency ranked 452. Established in 1978, G. Temple Associates Ltd. is a growth-oriented public relations/advertising firm specializing in metal-working accounts.

Simons Michelson Zieve Inc. of Troy acquired four new clients. SMZ has recently been appointed the advertising/public relations firm for Shirlin Jewelers, Troy Motor Mail, Cadillac Coffee Co. and MCG Televis Inc.

Dennis R. Green & Associates Inc. of Southfield has been named as advertising and public relations agency for Eradico Services Inc.

Mars Advertising of Southfield received a plaque from the American Heart Association in appreciation for designing the American Heart Associations annual report.

Mars Advertising was responsible for the concept and design of the report.

Wickes Manufacturing Co. division of Southfield reached an agreement in principle to buy Dura Corp. of Southfield.

Stone & Simons Advertising of Southfield received a Telly Award in the restaurant category for a television commercial that the agency created for Wendy's International.

Professional Information Systems, a data processing consulting

and contract programming firm, will be the regional dealer for DAS/36, a wholesale distributor software package written for the IBM System 36 line of computers.

Tranex Financial Inc., a mortgage-lending company in Birmingham, selected Woodward & Hamilton Inc. of Birmingham as its advertising agency.

W.B. Doser and Co. of Southfield recently created a billboard campaign for the Detroit Zoo, which uses fashion-related phrases to invite people to visit the zoo.

Mudser Capital Management Inc.

moved to 260 E. Brown, Suite 100, Birmingham.

English Gardens was honored by the American Association of Nurserymen for its black-and-white newspaper advertising. The winning newspaper advertisement was designed and produced on behalf of English Gardens by the Berlin Group Inc. English Gardens will receive an award during the association's national convention.

The Kingsley Inn of Bloomfield Hills has hired McMaster Communications Inc. to provide public relations services.

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