

Changes in tax law influence investing

Continued from Page 1

carrying forward any additional investment loss to future years.

SOME EXPERTS anticipate that the increase in capital gain tax rates, coupled with the loss of the special dividend exclusion for the first \$100 of qualified dividends received by an individual and \$200 received by joint filers, is likely to make stocks a little less attractive. Others, who disagree, suspect those pulling out of tax shelters may very well put in the stock market those funds previously earmarked for tax shelters.

Most experts agree that the elimination of the preferential tax treatment of long-term capital gains is likely to result in more active stock trading since there's no longer any reason to hold onto stocks for more than six months in order to qualify for preferred tax treatment. Under tax reform, decisions to sell are more likely to be based on performance and market conditions than on tax consequences.

In general, the consensus on investment advice under tax reform is to invest for total return — that is, the combination of dividends and interest income plus capital gains. The end of the long-term capital gains treatment nullifies the favorable taxation on capital appreciation, while lower tax rates allow taxpayers to keep more of what they earn, making any stock dividends worth more.

The general advice to mutual fund investors follows a similar pattern: Consider buying funds that will give you a combination of growth and income. The easiest way to do this is to concentrate your mutual fund investments in balanced funds which promise to keep 20 percent to 50 per-

cent of their portfolio in bonds and in growth and income funds.

Municipal bonds are now in the enviable position of being touted as one of the last bastions for tax-free income, although lower tax rates are expected as a result of tax reform's restrictions on the type and amount of tax-exempt bonds that can be issued by a state or locality.

BUT NOT ALL municipal bonds will be completely tax-exempt. Bonds issued to fund public purposes remain tax-free. But interest on certain newly issued bonds that provide financing for private purposes, like sporting arenas and industrial parks, will not be federally tax-exempt and may subject certain taxpayers to the Alternative Minimum Tax.

Real estate, which in the past has provided investors with hefty tax writeoffs, has been hit hard by tax reform. Real estate activities and limited partnerships are now classified as "passive" investments for tax purposes which means that net losses can only be charged against passive income. Gone are the days when real estate investment losses could offset wages and other income.

There is an exception for small residential real estate investors with adjusted gross incomes below \$150,000. If you fall into this category and you actively manage your rental real estate, you can deduct up to \$25,000 a year in net losses against regular income provided your adjusted gross income is below \$100,000. The \$25,000 deduction is phased out for adjusted gross income between \$100,000 and \$150,000.

Depreciation, another key tax benefit of real estate investments, has also been restricted by tax reform. The old law allowed real estate owners to write off the cost of a building over 19 years and at an accelerated rate.

business people

Jeffrey Prince was appointed technical sales representative — North Florida for Sikken's Woodfinish products of Akzo Coatings, Troy.

Michael R. Roeder of Birmingham was appointed corporate banking officer, world banking department at Comerica Bank-Detroit.

Nancy L. Sterner of Birmingham was appointed human resources officer, corporate human resources department at Comerica Inc.

David Williams was appointed vice president of operations at Oliver's Pizza Inc., Farmington Hills.

William Bubniak, Nancy Howell and Bennett Terebels have joined Farman/Stein and Co. of Troy.

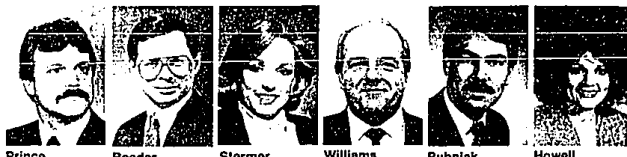
Marvin H. Hirsch of West Bloomfield was appointed vice president and director of client services for Simons Michelson Zieve Inc., Troy. He was formerly a partner of Dennis R. Green & Associates Inc. of Southfield.

H. Ira Winkler of Southfield joined the Detroit office of Peat Marwick Main & Co. as director of employee benefits consulting. He was formerly manager of health care cost management programs at American Motors Corp.

Steven J. Urban joined Campbell/Manix Associates Inc. of Birmingham as a project architect.

Pamela Devine of Troy was promoted to vice president, local market specialist group supervisor at Lintas: Campbell-Ewald, Warren.

JAMES Plagens of Rochester Hills was promoted to vice president, media planning group supervisor at Lintas: Campbell-Ewald, Warren.



Prince

Roeder

Sterner

Williams

Bubniak

Howell

Bud Shields of Bloomfield Hills was promoted to vice president, newspaper buying group supervisor at Lintas: Campbell-Ewald, Warren.

Debra Osborne of Rochester Hills was promoted to vice president, assistant director human resources at Lintas: Campbell-Ewald, Warren.

Denise Sidlow of Bloomfield Hills was promoted to senior vice president, executive producer at Lintas: Campbell-Ewald, Warren.

Robert Solano of Rochester was promoted to senior vice president, associate creative director at Lintas: Campbell-Ewald, Warren.

Kim Dent of West Bloomfield was promoted to vice president, art director at Lintas: Campbell-Ewald, Warren.

Please submit black-and-white photographs, if possible, for inclusion in the business people column. While we value the receipt of photographs, we are unable to use every photograph submitted. If you want your photograph returned, please enclose a self-addressed, stamped envelope. Indicate in a margin on the front of

the photograph that you want it returned. We will do our best to comply with your request. Send information to: Business Editor, 3651 Schoolcraft, Livonia 48150. Please include city of residence and a daytime telephone number where information can be verified.

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