

Here's how to figure out tax cost of stock shares

Eleven years ago I bought Iowa Resources, and I entered into its dividend reinvestment program. Although I only bought 100 shares, through a split of 100 shares and the reinvestment of the dividends, I now have a total of 720 shares.

Here is my question. How is the tax figured on the capital gains on the shares I received through the split and how is it figured on the shares I bought with dividends? Will I have to pay more tax on these shares after having paid all these years because the income of the shares was reported on my 1099s to the IRS?

When you buy stock through a company's dividend reinvestment program, you are paying for it just as if you bought it on the installment plan. The dividends you are paid by the company are income and are reported to the government by the company as taxable income and, as you state, you have paid a tax on these dividends each year.

While you have not received these dividends as a check, the result is the same as if you have received a dividend check each year and then endorsed it and sent it back to the company to buy stock.

The cost of the stock you have received in the dividend reinvestment plan is the total of the dividends that you have reinvested. The company gave you a statement each time it paid you a dividend showing how much your dividend was and how many shares of stock the divi-



today's investor

Thomas E. O'Hara

of the National Association of Investors Corp.

dened bought and at what cost per share.

YOU HAVE a complex situation because in the last 11 years you will have been paid 44 dividends. That means you have bought stock 44 times and probably paid a different price and received a different number of shares each time. Hopefully you will have retained these statements or recorded the information they gave you.

If you want to sell all of your shares at one time, you would add up what you paid for all of the shares you bought directly plus all of the dividends that you have reinvested and paid tax on. That sum would be your total and what you receive when you sell them would be your capital gain and the amount on which you would pay a tax.

IF YOU want to sell just a part of your shares, you can select specific purchases and tell your broker, or the dividend reinvestment agent if you sell through one, which purchases you want sold. In such a case your cost would be the cost of those specific purchases.

In the case of the stock dividend, if the cost of your 100 shares was \$2,375, the cost of the 200 you now have is the same figure, \$2,375. While you paid \$23.75 for the first 100, you now have 200 shares and the cost of each is \$2,375 divided by 200 or \$11.875 each.

During that time period that you have owned that stock, there was a special tax credit allowed for a few years, and your tax base may be subject to further adjustment depending on how you may or may not have used that credit.

Thomas O'Hara welcomes your questions and comments but will answer them only through this column. Readers who send in questions on a general investment subject or on a corporation with broad investor interest and whose questions are used will receive a free one-year subscription to the investment magazine "Better Investing." For a sample copy of "Better Investing" or information about investment clubs, write Today's Investor, PO Box 220, Royal Oak, MI 48068.

business people

Carl Gerlofson, a Troy distributor of Safeguard Business Systems since 1960, was awarded the Pioneer Award for his contributions and ideas to benefit all types of business and professionals.



Gerlofson



Toquigne



Rothstein



Cunningham

Kathleen Toquigne rejoined the staff at the Northfield Hilton in Troy as director of sales. She previously held this position from 1984-86. Jeff Rothstein has also been appointed by the Northfield Hilton to serve as general manager.

Toby Cunningham of Birmingham was named director of creative services at WKBD-TV, Detroit.

Keith Simmons of West Bloomfield was named sales manager at WDIV-TV, Detroit.

Jody Spees of Birmingham was appointed sales representative for the specialty advertising division at Varon & Associates, a full-service advertising agency in Beverly Hills.

The Ross Roy Group of Bloomfield Hills announced the following appointments: Alison K. Donahoe, producer; Darlene L. Howe, copywriter; and David D. McCafferty of West Bloomfield, assistant account executive.

Michael Metzger of Southfield joined Nationwide Security Inc., a security and investigation firm, as district manager of the new Grand Rapids office.

John J. Castella of Birmingham became a fellow in the American Institute of Architects' College of Fellows for his achievements in design

and years of service to the AIA. Castella is a principal member of TMP Associates, an architectural and engineering firm in Bloomfield Hills.

Michelle Dongue of Troy was named district supervisor of Hadley Arden Inc. of Livonia.

Susan R. Galford of Union Lake was appointed as comptroller for Detroit Country Day School, Birmingham. Galford is a graduate of Central Michigan University and is pursuing a master's degree in administration.

marketplace

Marble & Granite Shop, a division of T-J Imports of Southfield, was accepted into membership of the Marble Institute of America, an international trade promotional association. The Marble & Granite Shop is a Farmington distributor and manufacturer dimension stone.

W.B. Deener and Co. of Southfield captured Gold and Silver Lion Awards at the 35th Annual International Advertising Film Festival - Cannes '88. The company, which was recognized for the second consecutive year, won for television campaigns entitled "Chicken/Harvey/Mom" and "Wheels."

Tucker & Rolf, a new law firm in Southfield, was formed July 1 by 10 attorneys formerly with the Simon, Delich, Tucker & Friedman law firm. Tucker & Rolf is at 17117 Nine Mile, Suite 700, Southfield.

The Great American Basket Co. of

Farmington Hills selected Grossman Marketing Inc. of Southfield to handle its advertising, public relations and marketing.

Schenck Pegasus Corp. of Troy was awarded a \$2 million contract with Chrysler Motors Corp. to supply vehicle dynamometer test equipment.

Michigan National Bank of Farmington Hills introduced a new financial service called Independence Information Center, a fully automated interactive video, audio and personal computer kiosk system designed to furnish information on more than 30 financial products and services.

Brogan Kabot Advertising of Southfield won four awards, including two golds at the 3rd Annual Business/Professional Advertising Association of Detroit Biz-Com Awards ceremony.

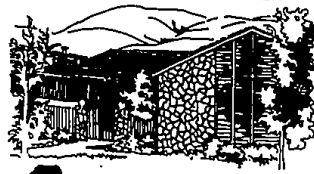
Baker, Abbs, Cunningham & Klepinger Inc. of Birmingham won nine awards for outstanding advertising and promotional material at the Business Professional Advertising Association of Detroit 1988 Biz-Com Awards ceremony.

Standard Federal Bank of Troy merged with Tower Federal Savings Bank, South Bend, Ind. As a result, the banking offices at Tower Federal will operate as branch offices of Standard Federal.

Eric Yale Lutz & Associates of Birmingham acquired the Roseville Commerce Center, an office park with 120,000 square feet of light industrial and high-tech office space. Other office parks owned and operated by the real estate investment company are located in Troy, Livonia, Ann Arbor and Grand Rapids.

Is there stone in your future? Get professional results at Do It Yourself prices With

CULTURED STONE®
LIGHTWEIGHT STONE VENEER



- Lightweight, durable, colorfast
 - Do-it-Yourself or Professionally Installed
 - Interior or Exterior
 - New or remodeled construction
- FREE DO-IT-YOURSELF SEMINAR SATURDAY, SEPTEMBER 24, 9:30 am**
Special one-day-only discounts for seminar participants
Call for details or reservations
Visit our showroom or call for a free home estimate

WILLIAMS PANEL BRICK
MFG. CO., INC.

Fireplace Design Center
27303 W. 8 Mile (2 Miles W. of Telegraph Rd.)
Redford, Michigan 48240

Redford
538-6633

Troy
524-9150

\$10 PAID

For Your Empty Laser Toner Cartridges

from your Canon engine laser printer or PC copy machine. These include: HP, APPLE, CANON, OMS, CORDATA and many more.

We will pick-up and pay \$10 each

(313) 347-0118

PUTMAN INFO: PROCESSING SUPPLIES
Free Pick-Up

TOP OF THE LAMP



Oh No!

"The dog did it." Maybe even you did it. But one thing is for sure, that lamp is ruined without a new lamp shade. Relax. We have over two thousand lamp shades on hand.

THE LAMP SHADE SPECIALISTS
8481 Wayne Road
Westland
325-0570
17021 W. Twelve Mile
Livonia Village
558-5633

WANTED!

YOUR USED HOUSEHOLD FURNISHINGS AND DECOR ACCESSORIES

We are now acquiring quality furnishings... bedroom sets, dining room sets, sofas, tables, chairs, lamps, crystal, brass, art work etc. for resale to discriminating buyers.

PROTECT YOUR PRIVACY and Avoid the Hassle, expense and disappointment of home sales. We do the pricing, pick-up, display and advertising to Sell Your Goods Fast and worry free!

For more details and an in-home appraisal,
CALL: 478-SELL

Re-Sell-It
ESTATE SALES

34769 GRAND RIVER AVENUE, FARMINGTON, MI

HOURS: MON., TUES., WED., SAT. 10 a.m. - 6 p.m.
THURS., FRI. 10 a.m. - 9 p.m., SUN. 12 - 4 p.m.

**INVESTMENT SEMINAR
FEDERAL TAX CREDIT INVESTMENTS**

The presentation will discuss this new investment opportunity created by the 1986 Tax Reform Act and will include:

- What are **FEDERAL TAX CREDITS** and how do they work?
- How **FEDERAL TAX CREDIT INVESTMENTS** can work for you.
- Qualifications for individuals.
- Special advantages for corporations.

WHEN: Monday, October 3rd at 7:30 p.m.

WHERE: Southfield Public Library*

Civic Center Dr., Southfield

* Use underground garage to enter Marcotte Room.

Attendance is free but space is limited so reservations are suggested. Call Mr. DeSaeger at 827-1230.

WARNING: Not reading this ad can be hazardous to your company's health.

You wouldn't take a pill without knowing exactly what's inside. Why would you sign on to any Health Maintenance Organization without reading the label, too? Here's what ours has to say.

M-CARE contains no hidden costs. We offer highly competitive rates in a cost-effective delivery system that can be tailored made to suit your company's individual needs—whatever those needs may be.

The M-CARE plan contains no red tape. In fact, for employers, every M-CARE plan is not only simple, but comes with its own team of health care

consultants to make certain you understand it.

M-CARE combines the unique resources of the University of Michigan Medical Center, one of the world's finest medical facilities, with the strong primary care services provided by physicians and hospitals throughout the region. So every member of the M-CARE plan is assured the highest quality medical care available.

Now, aren't you glad you took the time to read this label?

To find out more about our flexible benefit package, call the M-CARE Administrative Office today. Our number is (313) 747-8700.

M-CARE
The HMO Choice