Vacation home: taxing situation

house. Whether the property of your dreams is a waterfront villa or a modest cabin in the woods, vacation real estate has many virtues. There aren't many other ways to combine in one package the pursuit to leisure with the business of trying to build a financial nest egg and make it grow.

make it grow.

The idea is simplicity itself. Or at least it was until the architects of the nation's tax system went to work

the nation's tax system went to work on it.

Thanks in large measure to their regular efforts at additions, alterations and redesign, owners of vacation properties in the world of the 1890s need to be pretty fair hands at tax planning if they want to maximize both the psychic and the financial rewards of their investments.

THE KEY distinction to be made is how to classify the place — as a personal residence, a rental propenty, or a combination of the two.

If you never rent it to anybody else, it logically qualifies as a personal residence, making mortgage interest (within limits) and property taxes eligible under ordinary circumstances as deductions on your tax return.

With a property in this category, expenses such as upkeep and repairs cannot be deducted.
When you can rent a property out for less than 15 days a year, its status as a personal residence still applies.

plies.

At the other end of the spectrum, a place that is continuously occupied by paying tenants and never used by the owner is a rental property, subject to a completely different set of rules.

the owner is a tennal property and precised to a completely different set of rules.

WINING AND operating a rental support is a type of business venture known as a type of the control of the control

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'I know of no law of economics which says real estate will appreciate for extended periods in the future.

— John T. Reed

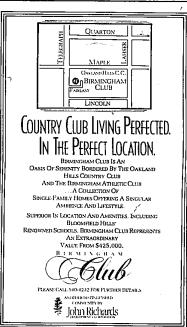
"THE PORTION of expenses allo-cable to rental use of the home will be deductible only to the extent of rental income," it said.
"Decisions regarding the best tax posture for a vacation home should be accompanied by a comprehensive assessment of each individual's per-sonal tax elementances."

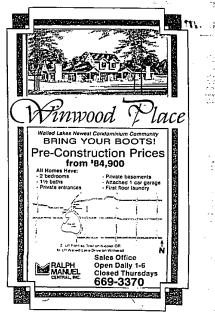
sonal tax circumstances."
In a good many areas of the country, vacation house owners have lately had a complaint that they share with other real-estate investors: Prices just aren't going up the way they did a few years ago, and making money on a property isn't as easy as it used to look.

Will those good old days come back? Maybe, suggests John T. Reed in his newsletter Real Estate Inves-tor's Monthly, but then again maybe

not.
"I know of no law of economics
"al estate will appreci-"I know of no law of economics which says real estate will appreciate for extended periods in the future," he said. "Buying real estate and waiting for market-wide appreciation is speculation." To invest rather than speculate in real estate, Reed advocates looking diligently for properties that are selling at bargain prices or than can be fixed up to make them worth more.











1:00 to 5:00 NOON-6:00 WEEKENDS

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