OAKLAND BUSINESS & Finance

Mutual funds: They carry own taxation quirks



This article reproduces (with changes) the answers to some commonly asked questions on taxes on mutual funds, prepared by a leading mutual fund.

Q: Should I use the year-

use the year-end totals from Ph.D my enclosed tax forms or my Annual Statement to prepare

Annual Statement to prepare my tax returns?

A: You should use appropriate tax forms for the accurate year-end information. Sometimes, the year-end auditing of mutual funds indicates the need to reclassify distributions. In some instances, it may be necessary to adjust the character of a fund distribution at year-end to properly reflect the funds taxable income and gains for the year. For example, a fund may need to redissify amounts originally classified as ordinary income dividends for short-term capital gains) as long-term capital gains) as long-term capital gains, or vice

sersa. This reclassification occurs between the time your Annual Statement is prepared and the time your tax form is prepared. Therefore, you should not use the information on your Annual Statement in preparing your tax returns.

Q: Which cost basis method should luse?

A: If you solid or exchanged.

Q: Which cost basis method should use?

A: If you sold or exchanged shares of your mutual fund, you tax package a Cost Basis Statement. The statement shows the cost basis of your mutual substance. The cost basis is important for calculating the amount of capital gain or loss for your tax return.

The cost basis of your shares may be calculated by applying any one of four methods made available to you by your mutual fund. 1. single-catgory Average Cost; 2. FIFO (first-in, first-out). 3. High Cost Isales/exchanges of shares with the highest basis); or 4 Low Cost Isales/exchanges of shares with lowest cost basis. If you did not choose a cost-basis method before the last business day of the calendar year, then the single-catgory Average Cost method was used to calculate

your cost basis. If you wish to have your cost basis calculated using the High-Cost of Low-Cost method, you must notify your sales representative prior to making a redemption/exchange transaction.

Q: Do I have to pay taxes on capital gains that were carned on my tax-free fund?

A: Yes. A tax-exempt fund distributes a short- or long-term capital gain in addition to its regular tax-exempt dividend. Because capital gain in addition to its regular tax-exempt dividend. Because capital gain in stirbutions from any fund are fully taxable, the amounts must be reported to the IRS. This is done on Form 1099-DIV under either Column 1b, as "Ordinary Dividends" (short term), or Column to C

redemptions. Any withholding with respect to your distributions will appear on your Form 1099-DIV under Column 2, "Federal Income Tax Withheld," and any withholding that occurred on your term 1099-B under Column 4, "Federal Income Tax Withheld." Payments you receive will be subject to Backup Withholding III and the Tay with the IRS payer Identification Number (TIN) to the mutual fund and certified that it is correct.

If the IRS notified your mutual fund that you furnished an incorrect TIN.

If the IRS notified you that you are subject to Backup Withholding hecause you failed to report all interest and dividends on your tax return you did not certify to your mutual fund that you are not subject to Backup Withholding.

Q: What is Rettrement Withholding.

Or of the Withhold and pay to the IRS all Retirement or "Pension Wthholding." Distributions that are subject to this type of with-lading include those from Pensions, Annuities, Retirement or Profit Sharing Plans, IRAs, In-

surance Contracts, etc. Any withholding from your distributions will appear in Box 4, "Federal Income Tax Withheld," on your Form 1099-R. If applicable, you must attack Copy Bof your Form 1099-R to your tax return (Form 1090). Distributions may be subject to one of the following:

A 10-percent Retirement Withholding is applied to IRA distributions if no withholding instructions were provided at the time of the distribution.

A 20-percent Retirement Withholding is applied to all Qualified Pension Distributions paid directly to you.

Q: Will Contingent Deferred Sales Charges (CDSC) appear on my tax form?

A: Should your regular account show a redemption or a systematic withcrawal for the year, any ani-ciw thorawal for the year, any ani-ciw thorawal for the year, and ani-

A: Should your regular account show a refemption or a systems in withdrawal for the year, any applicable Contingent Deferred Sales Charges (CDSC) will appear an your confirmation statement for that redemption. You should be aware that any applicable charges of this nature have NOT been included as part of your "Proceede." Therefore, any applicable CDSCs have been subtracted from your proceeds. Should your retirement account

show a distribution for the year, any applicable Contingent Deirred Sales Charges (CBSC) will appear on your confirmation statement for that distribution. You should be aware that any applicable charges of this nature have NOT been included as part of your "Gross Distribution."

Q: My 1099-DIV shows a Return of Capital, What does this mean?

A: A Return of Capital occurs when a fund's distribution over a specific period of time exceeds its invisatment income and gains for that period. Since a Return of Capital is not taxed as a dividend, it is sometimes called a tax-free dividend, or "Non-taxable Distribution," as shown under Column Id of your Form 1099-DIV. However, a Return of Capital is reacted as a capital gain and must be reported as a capital gain and must be reported as anch, even though your mutual fund hists the return as non-taxib, Ph.D., CFP, is professor of finance, Oakland University, Rochester Hills, and owner, little as Associates, a Trey financial consulting firm.

Enjoy Martin Luther King Jr. legacy via Internet



Information about Martin Luther King Ir. resists at several sites on the Internet. Some of the sites, particularly those hosted by universities, are very good. Others, including a range of home produces produces.

EMORY DANIELS ers, including a range of home pages, produce

less content.

This statement does not appurantly to the 'net but I did find it so when searching for information and sites in connection with King a birthday Monday, Jan 15. One of the best sites was put together by Standford University. At the first page, which can be necessed by pointing a World Wide Web browser to http://www.leland.stanford.edu/S0/group/King/, you will find links for The Martin Luther King, Jr. Papers Project at Standford University;

information about the King Estate, and, Other Related Sites.
The Papers Project page offers this to basks and scholarly articles on Dr. King, two King biographies, a chronology of King a life, and information about the King Papers Project, which is sponored by the Martin Luther King.
T. Center for Nonviolent Social Change, Inc. in Atlanta, Ga.

thange, Inc. in Atlanta, Ga.

The link to the King Estate is out an opportunity to see if you are listed amongst the heirs but an information alout how to contact he estate for copyright information and to obtain permission auditish copyrighted materials. Where links provide information on the MLK Center, a calendar of events, links to African-American trevious struggle links, and a change to register to view original documents, transcribed texts, and the photographs. I was visitor number 5,007 to this site on Jan. 8. Point to a site called "Dr. King's Dream" at http://

mac94.ralphbunche.rbs.edu:80/
JANFEB/il.html and you will
find a short essay by Sandra
lidehen. A site labelled "The Marin Luther King You Don't See ch
TV" was put together Jan. 4, 1995
by Jeff Cohen and Norman Solomon who are syndicated columnists and authors of "Adventures
in Medialand: Behind the News,
Beyond the Pundits."

Cohen and Solomon point out
that must television programs on
King's brighday will include
events in his life from 1965-68 but
that must television programs on
King's brighday will include
events in his life from 1965-68 but
that must television programs on
King's brighday will and power was needed,
the work of the final
years of his life. Other and Solomon believe the national media
has never come to grips with what
King stood for in the last years of
his life. During these years, the
writers argue, King developed a

class perspective and argued for
human rights and economic
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Martin Luther King, Jr. Center
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solomon, try it both ways).

Martin Luther King, Jr. Bibliraticular the properties of the stood o

were to return and try again my next attempt would be to change the last segment to "MLKing hib-liography" and then to make "REFERENCE" lower-case to

"REFERENCE" lower-case to see what happens.
For these leads on Dr. King, I am indebted to Liz Thompkins, president of NBNSOFT, which can be accessed at http:// www.trickly.com/liz.html.

You can direct questions to Emory Daniels by e-mail with emory@condine.com or fax num-ber 591-7279. To sign up for O&E On-Line, dial (313)891-9903, at "log.in" prumpt type "new" and at "Key." Prumpt type GLSNY2. Past columns may be accessed on-line at http://oeonline.com/(title mark/emoryd/archive.html.

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Marketplace features a gimpse of Oakland County business news and notes, including corporate name changes, new products, new store office openings, new affiliations, new positions, mergers, acquisitions and new ways of doing business. Write: Business Marketplace, Oserver & Eccentinc New Sapers, 805 E. Maple, Birmigham, MI 48009. Our fat number is (810) 644-1314.

THE PARTICES SHIP FORSES

B PARTICERSHIP FORMED
Leonard M Brunkey, C.I.J.
CFP, and Kevin S. Romney, I
formerly with The
Equitable, have
formed a partnership, Keystone Financial Services.
The offices are located at 1625 West Rig Beaver Road in

Keystone Finan-Recial Services is a new viablished in August.

"Our goal is to build our firm into

an exclusive boutique invest-ment managemen

O AVIS AWARDS Brunkey ACCOUNT
West Bloomfield's mediare-

ce was awarded the 50th an niversary account for Avis Ford. The single-source consulting firm for marketing communications

for marketing communications and creative services will create a photo display and video tracing the dealership from its beginning as Grand River and Meyers.

Avis Ford, established by Warren Avis, is now owned by Walter Douglas. The dealership kicked off its celebration with its local appearanchip of the United Nepro Collage Fund on Jen. 6.

"The significance of Avis 50th year is that a small business continues to be successful in the city of Detroit, even through the fean years, and it shares the optimizes

that's prevalent in Detroit about its future," said Marilyn Beim, president of mediaresource. The mediaresource strategy to successful marketing, sales and training materials, whether print, video, computer or interactive multimedia, is to amass the talent appropriate for each individual project rather than employ full production departments.

M ACCREDITATION EARNED

Registered nurse Adeline Laforet, president/CEO of Health Care Professionals, Ltd. in Southfield, announced the firm has received accreditation from the Joint Commission on Accreditation of Health Care Organiza

tions.

Health Care Professionals,
Which provides home health, personal care and support services was awarded the accreditation after the Joint Commission found that it had demonstrated compliance with national standards for home care organizations. The onsite survey occurred in May of 1995.

1935.
"Achieving accreditation demonstrates Health Care Professionals' commitment to provide high-quality care to its patients," said Maryanne Popovich, director, Home Care Accreditation Services, Joint Commission.

vices, Joint Commission.

Berpussense TOUCHES
Saffron Billiard's pool table refinishing business is on a roll.
Dave Handley of Rochester, president of Saffron's, refinishes turn
of the century pool and billiard
tables. Most were made by the
Brunswick Corp. Some can claim
a current market value of \$30,000
These cld tables are messive,
two to three times beswire than
tables today, Some have slate
tops up to 1½ inches thick. They
are mostly made of poplar with
different veners and fallys.
Poplar was chosen because it
doesn't warp, expand or contract.

See BARKET, SA

See HARKET, BA



Automotive Related Training
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Village Mortgage

Radio Stations WILZ WLLZ Coming Soon! Real Estate REALnet

Coming Soon!

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Hall & Hunter Realtors Heritage Real Estate Better Homes and Gardens

The Michigan Group Livonia

West Bloomfield

Ratch Manuel Associates

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Birmingham (Real Estate One)
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Berningham Principal Snopping District
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Coming Scott

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