

Taxation of mutual funds: what you need to know

Second of two parts.



MORE THAN MONEY
This article reproduces (with changes) questions and answers on taxes on mutual funds prepared by a leading mutual fund.
Q: What is the Foreign Tax Paid reported on my 1099-DIV?

A: Sometimes, mutual funds invest in stocks and securities of foreign corporations and pay taxes to foreign countries. If a fund has more than 50 percent of its assets invested in these securities, then it may elect to pass through to its shareholders

the opportunity to claim a foreign tax credit or a deduction for such foreign taxes. The shareholder of a fund that has made this election is, in effect, placed in the same position as a person directly owning stocks or securities in foreign corporations. If your fund has made such an election, the proportionate share of each foreign tax paid, as shown in Column 3, has been included as part of your "Ordinary Dividends" in Column 1b because, as a shareholder, you should include this as part of your gross income. For more information on claiming a foreign tax credit or deduction, see Publication 514 from the IRS or consult your tax advisor.

Q: What is U.S. Treasury Income?

A: Your "Treasury Income," on your Form 1099-DIV, is the dollar amount of each fund's income de-

rived from U.S. Treasury securities. Many funds invest at least a portion of their assets in U.S. Treasury securities. This could translate into a tax break for you, since interest income from U.S. government obligations is exempt from most state and local taxation. Currently, states differ in their treatment of the pass-through of U.S. Treasury income from mutual funds. Your "Treasury Income" is calculated in accordance with the rules for each state and is based on your state of residence as of the last business day of the calendar year. Your tax advisor, accountant, or state tax authority can provide any additional details you may need.

Q: What is the Alternative Minimum Tax (AMT) on my tax-exempt fund?

A: Interest income from private activity bonds (AMT bonds) held

by certain types of tax-exempt funds must be added back to a shareholder's taxable income to determine if the shareholder is subject to the Federal Alternative Minimum Tax and, if so, the amount of such tax. Any amount shown in Column 2 of your Tax Savings Report is the income derived from AMT bonds during the tax year and may need to be reported as a tax preference item on Form 6251, "Alternative Minimum Tax for Individuals." For more information, see Publication 909, "Alternative Minimum Tax for Individuals." Both Form 6251 and Publication 909 can be obtained by calling 1 (800) TAX-FORM, or 1 (800) 829-3676. You should consult your tax advisor to determine if you are subject to this tax.

Q: What cost basis method can I use?

A: If you have previously used the First-In, First-Out (FIFO) method for determining the cost of shares redeemed/exchanged from any account of a particular fund, you CANNOT use any other method for that particular fund without the consent of the IRS. Each year in which you redeem/exchange shares in that fund, you must clearly indicate on your income tax return the cost-basis method used for calculating your gain (or loss) on such shares. You should consult your tax advisor to ascertain the methods available to you and the most advantageous alternative for your specific tax situation.

Q: What is a Wash Sale Transaction?
A: In general, a "Wash Sale Transaction" occurs when shares are sold at a loss and, within a 61-day period (beginning 30 days before and ending 30 days after the sale), other shares are purchased in the same fund. Currently, any loss on a wash sale is not deductible. Instead, it must be added to the cost basis of the newly-acquired shares. The wash sale rules have NOT been considered when calculating your cost basis.

Form 1099-R, Taxable Amount (Box 2a vs. Box 2b).

If the distribution you choose to take was a Direct IRA Rollover or a Direct Rollover to a Qualified Plan, the amount of the rollover is NOT included in Box 2a on your Form 1099-R, and an "X" is shown in Box 2b, identifying the taxable amount as undetermined.

Sid Mittra, Ph.D., CFP, is professor of finance, Oakland University, Rochester Hills, and owner, Mittra & Associates, a Troy financial consulting firm.

Potpourri topics range from home pages to e-mail



O&E ONLINE
Received an e-mail message from a reader last week, Dane Robinson, director of membership services for the Michigan Dental Association Services Group. Dane had just come across my Nov. 9, 1995, column — a potpourri piece on Internet sites for everyone from senior citizens to children. (In the past couple months, I've taken to writing potpourri-type columns, using the excuse that I'm cleaning my desk for 1996. Actually, my desk is just as messy as it was before but it is fun once in awhile to hit several mini-topics in a column instead

of concentrating on one.)

Anyhow, in the Nov. 9 column, I mentioned the American Dental Association's home page and Dane e-mailed me that there is something a little closer to home — the MDA Online, the Web site of the Michigan Dental Association. The MDA has just started developing this which promises to get more content-rich as time passes. Check it out, now or later, at <http://bitwise.com/da/>.

A common inquiry I receive, which often is asked of others as well, is how do I find someone else's e-mail address. All the smart alecs out there (or is it smart Alecia) advise us to pick up the phone, call and ask. Of course! But none of us want to do that. So here's an alternative to try. Four11 (admittedly a step or two

below Seven-11) is a free search engine that allows you to search through more than two million e-mail addresses. To do so, however, you first must sign in and provide your e-mail address. This is how they get two million, but that's fair enough.

So load up your Web browser and point to <http://www.Four11.com/> and upon arriving click on "First Time Users, Click Here" on the home page. Enter your e-mail address and you are immediately allowed to search for the address you want. Hookmark this site before leaving. Four11 does not want you to enter your e-mail address time each time you return. And so long as you register the first time, you will receive an e-mail message giving you a personal password with which to access Four11. (Enter

this password in the "comments" section of your bookmark if your software allows; nothing sensitive about this password.)

At the Four11 search screen are boxes asking for first name, last name, city, state or province, and country. Hit ENTER or RETURN for a search and the results are produced. Click on any item the search produces and receive a detailed summary of that entry's information including name and current e-mail address. Entries may be outdated but try them and see. The worst that can happen is that the sent message bounces back as undeliverable.

WOMEN20S is a listserv mail discussion group whose purpose is to discuss issues pertaining specifically to women in their 20s. Related topics might include is-

sues of safety, professional/educational issues, relationship/marriage issues, and economic issues. This list encourages women between the ages of 20-30 to subscribe.

To subscribe send the following command to listserv@quvm.stjohns.edu and in the body of the message type "Subscribe WOMEN20S your first name your lastname" without the quotes, i.e., Subscribe WOMEN20S Jane Smith.

A growing number of O&E Online users have their own home page. Throughout the Internet having your own home page is becoming quite a popular thing, akin to the earlier desire to have your own e-mail address. Anyhow, there is a site on the Net that will, upon request, "proofread" your home page.

Doctor HTML can be accessed at <http://imagicware.com/xHTML.cgi>. Enter the URL of your home page and Doctor HTML will perform several tests to see if your home page is in tip-top shape. You are given the

choice of choosing which tests you want performed, such as spelling checks, image analysis, hyperlink verification, and syntax tests. When I last visited the site it announced the existence of glitches it was hoping to fix soon. Only part of the page would load next my screen. Hopefully it fixed by now.

Speaking of home pages (which we were), if you missed the earlier announcement in the Observer & Eccentric Newspapers, O&E Online has a completely redesigned, modernized, restructured and content rich home page. It's really very functional and quite fun to navigate. I'm excited about it and you will be too if you point to <http://oeonline.com>.

You can direct questions to Emory Daniels by e-mail with emory@oeonline.com or fax number 591-7279. To sign up for O&E On-Line, dial (313)591-0903, at "log-in" prompt type "new" and at "Key" prompt type 0161NY2. Past columns may be accessed online at <http://oeonline.com/fiddle> markmemory/archive.html.

On-Line!

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STAR TRAX EXPANDS
Star Trax, Inc., a West Bloomfield-based entertainment organization, has opened a Corporate Event Planning Division. Dana Woll and Nancy Senzer were named co-directors.



The new division will provide decor, catering, entertainment, rentals, audiovisual and other services for corporate parties, banquets, grand openings, ground breakings, fund raisers, golf outings and other company-sponsored events. Woll, a Southfield resident, has four years of public relations, marketing and event planning experience. She's worked with Events Marketing and Max Layne, Co., Farmington Hills and Detroit, and has handled events for the cities of Birmingham and Detroit.

Senzer of Birmingham was a media buyer for Ross Roy Advertising, Bloomfield Hills.



Star Trax's other divisions include Social Events, Valet Parking, Entertainment, Dance Studio and The Video Place.

AVIS AWARDS ACCOUNT
West Bloomfield's mediare source was awarded the 50th anniversary account for Avis Rent a Car. The single-source consulting firm for marketing communications and creative services will create a photo display and video tracing the dealership from its beginning at Grand River and Meyers. Avis Ford, established by War-

ren Avis, is now owned by Wallace Douglas. The dealership kicked off its celebration with its local sponsorship of the United Negro College Fund on Jan. 6.

"The significance of Avis' 50th year is that a small business continues to be successful in the city of Detroit, even through the lean years, and it shares the optimism that's prevalent in Detroit about its future," said Marilyn Beini, president of mediare source.

The mediare source strategy to successful marketing, sales and training materials, whether print, video, computer or interactive multimedia, is to assess the talent appropriate for each individual project rather than employ full production departments.

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

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 on-site survey occurred in May of 1995.

"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.

REFINISHING 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 to \$40,000.

These old tables are massive, two to three times heavier than tables today. Some have slate tops up to 1 1/2 inches thick. They are mostly made of poplar with