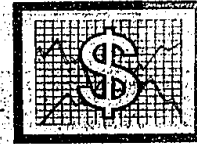


Business

Barry Jensen editor/591-2300



Thursday, August 23, 1984 O&E

Tax law curtails several existing deductions

Part II

The Deficit Reduction Act of 1984 leaves tracks all over your tax returns. Here are some examples.

Interest free loans

This type of loan loses its glitter under the new law. Formerly, you could lend money to a child charging low or no interest and let the child invest the money.

The investment earnings would build up in the child's name, and because he had a low income he would owe little or no tax. Whenever you like, you could call in your loan and get your principal back.

The result was that you could shift income into the child's low bracket while retaining control of your money. Under the new law, this loophole remains: good for loans of less than \$120,000 and earning less than \$1,000 a year.

But on large amounts, the IRS will assume that the child is paying you an annual interest on the loan at treasury bill rates. You will be taxed on that assumed income, even though you do not actually receive the money.

For 1984, the loan rate has been set at 10 percent. If the child's investments are earning interest at a higher rate, it is marginally useful to keep the loan going, but it is not the attractive tax loophole it used to be.

To avoid the new tax on outstanding loans, you have to collect them within 60 days of the date the tax bill becomes

law. Incidentally, the same rules apply to loans granted by companies to their employees.

Employee benefits

Through a loophole, smaller companies have been making tax deductible contributions into employee-benefit associations and using them to pay for their own vacation home and other special benefits.

The new law puts a stop to that. It also lays down the principle that, to avoid being taxed as income, certain fringe benefits must be offered to all employees, not just to a chosen few.

Income averaging

The income averaging rules have been modified to reduce their benefits.

Currently, taxpayers whose income exceeds 120 percent of their average income for the prior four years are eligible to use income averaging.

This is now changed to 140 percent of the prior three years' average income. Therefore, individuals with high income years will have less of a chance to use income averaging and will be subject to higher taxes.

The effective date is for tax years beginning after Dec. 31, 1984.

Valuation

The new law requires appraisals for charitable contributions of property in excess of \$5,000. The donor must report to the IRS any disposition of do-



finances and you

Sid Mittra

ated property valued at more than \$5,000, which is made within two years of the date of the receipt.

In addition, there is a penalty of 30 percent of the tax liability where the claim valuation is 150 percent or more of the correct valuation.

Business autos

Cars bought or leased by your company will also carry fewer tax deductions, especially if you drive them on business no more than half the time. It will take longer to write off a car costing more than \$16,000.

Home computers

You will get fewer tax deductions for buying a home computer if you do not use it more than half the time for business. You will get no deduction at all unless the computer is bought for your own business or unless your employer requires that you have a computer in order to keep your job.

Normally, managing your personal investments does not count as business use of a computer.

The tax bill is complicated. Consult your CPA, attorney, or financial planner to find out if the new tax law will really hurt you.

EDUCATIONAL SEMINAR: The Observer & Eccentric Newspapers and

the Coordinated Financial Planning staff will conduct a seminar 7:30-10:30 p.m. Tuesday, Sept. 18, at the Kingsley Inn, 1475 N. Woodward, Bloomfield Hills. This seminar will address the following questions: Taxes — how to deduct or eliminate them. Investments — how to invest in stocks for growth, income or stability. Real estate — how to find partnerships with excellent prospects. IRAs — where to invest now. Financial plan — for whom and what it offers.

Sid Mittra is president of Coordinated Financial Planning Inc. in Troy and a professor of economics and management at Oakland University, Rochester.

business people

Brian Say of Troy has been appointed director to management information services for Harper-Grace Hospitals.

James D. Glaspie was appointed vice president for sales-North America with the Budd Co. in Troy. Nicholas Ustasz will retire after 39 years of service with the Budd Co.

K mart Corp. of Troy announced the following changes in merchandising management: Frederick M. Stevens has become executive vice president of specialty retailing; James L. Moser has become vice president of sales and general merchandise manager; Glen R. Mielke has become vice president of merchandise coordination.

R.A. DeMatteis Co., Farmington Hills, has named Richard J. Hartigan vice president of construction services, and Gary D. Roberts of West Bloomfield has been named supervisor of DeMatteis and Associates, the architectural/engineering subsidiary.

Gerson I. Cooper, president and chief executive officer of Bofort General Hospital, Farmington Hills, received the Michigan Hospital Association's Meritorious Service Key Award.

Kolon, Blittner & Diamond Inc., Troy, appointed Julie Kachman and Laura Tiliander to the financial services department and Deborah Brunk to the account services department.

Cushman & Wakefield announced the appointment of Richard R. Schram of West Bloomfield as head of the company's land division and William R. Henry of Southfield as a representative of the company's financial services group.

Blue Cross and Blue Shield of Michigan announced Paul J. Ryder of Birmingham has been elected to the board of directors. Richard F. O'Brien of Bloomfield Hills has been elected to the corporate membership of BCBS, where he will represent group consumers.

Larry D. Malsch has been appointed

chief engineer of Rockwell International's government products division, Troy.

Teresa Kool of Southfield has joined W.B. Doner & Co. as an account executive.

Marilyn Toobey, vice president of Teitel Associates Inc., Bloomfield Hills, has been elected to the board of directors of D&T Investments Co. Inc.

William A. Saxon retired as president and chief operating officer of K mart Apparel Corp. in Troy.

Leslie G. Allen has been elected to the board of directors of United Savings & Loan Association of Farmington Hills.

Cynthia Holmberg of Troy, a certified financial planner, has been promoted to associate partner of Pearl Advisory Corp., Southfield.

Isabel Francis Smith, Certified Financial Planner, of Birmingham was elected president of the 500-member Southeast Michigan Chapter of the International Association for Financial Planning Inc. (IAFFP).

Independence Health Plan of Southeastern Michigan Inc. has named William D. Plater vice president of pharmacy operations and Barry K. Martins assistant vice president to the Southfield company.

Brenda C. Bernstrom of Farmington Hills has been appointed funds management officer, funds management department for Comerica Bank-De-troit.

Michigan National Corp. of Bloomfield Hills elected John E. VanderPoel, president of the Michigan Bank-Mid-west, Gerald J. DeVore of Rochester was elected vice president and director of human resources at Michigan National.

John Dziurman Associates Inc., architects/planners, announced that Mary Jo Whitbey of Rochester Hills has joined the company as business manager. Jan Chung Mak of Birmingham has joined as vice president of administration and has also been elected to the board of directors and Douglas A. Wackerle and Michael G. DePue have been added to its Rochester staff.

Please turn to next page

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