

Weigh Social Security tax fairness

**MORE THAN MONEY**

In 1993, without fanfare, Congress raised the taxable portion of Social Security income from 50 to 85 percent. This increase has a far greater impact on the tax burdens imposed on non-employees than is generally recognized. This article clearly enunciates this point.

We present the case of John and Betty Boscow, who are currently retired and are receiving Social Security income. Their adjusted gross income from retirement plans and personal investments total \$40,002. In addition, they receive the maximum Social Security benefit of \$27,528.

Now let's assume the Boscows receive an additional \$100 from their investments. What would be the tax on the additional income? The answer is clearly specified in the accompanying table. Column F of the table shows that, if the additional income of \$100 is not taken into account, the Boscows will pay \$9,015 in taxes (Col. 1, Line U).

The tax liability due to the \$100 of additional income depends entirely upon the way in which this income is received. If \$100 represents taxable income (that is, from stocks, corporate bonds or mutual funds, all of which are taxable), then the taxes will go up by \$50 (Col. 2, Line V), which represents a 50-percent marginal tax bracket (Col. 2, Line X). However, if \$100 represents tax-free income from municipal bonds issued by the state of residence, then the taxes will go up by only \$18, representing a marginal tax bracket of only 18 percent (Col. 3, Line X).

The above example clearly illustrates the "double tax" effect of the Social Security bubble. One way to look at this situation is to

	Boscows' Base Case Col. 1	Add \$100 Taxable Income Col. 2	Add \$100 Tax-Free Income Col. 3
<b>PART I</b>			
<b>HOW MUCH OF MY SOCIAL SECURITY INCOME IS TAXABLE?</b>			
A. Adjusted Gross Income	\$40,002	\$40,102	\$40,002
B. Tax Exempt Income	0	0	100
C. +50% of Social Security Benefit	13,764	13,764	13,764
D. Modified Gross Income	53,766	53,866	53,866
E. - Base Amount	-44,000	-44,000	-44,000
F. Excess Over Base Amount	9,766	9,866	9,866
G. x Inclusion Ratio	x 0.85	x 0.85	x 0.85
H. Inclusion Amount	8,301	8,386	8,386
I. + 6,000	6,000	6,000	6,000
J. Taxable Social Security Income	\$14,301	\$14,386	\$14,386
<b>PART II</b>			
<b>WHAT IS THE FEDERAL TAX LIABILITY</b>			
K. Taxable Social Security Income (above)	\$14,301	\$14,386	\$14,386
L. Ordinary Gross Income (above)	40,002	40,102	40,102
M. Municipal Bond Income	-0	-0	-100
N. Final Adjusted Gross Income	54,303	54,488	54,388
O. Standard Deduction	6,350	6,350	6,350
P. Personal Exemption	4,900	4,900	4,900
Q. Taxable Income	43,053	43,238	43,138
R. Federal Tax Rate	table	table	table
S. Federal Tax Liability	7,121	7,163	7,135
T. State Taxes at 4.4% of Taxable Income*	1,894	1,902	1,898
U. Total Tax owed	9,015	9,065	9,033
<b>PART III</b>			
V. Incremental Tax Owed (vs. Base Case)		+\$ 50	+\$ 18
W. Incremental Income		\$ 100	\$ 100
X. Tax Rate on Incremental Income		50%	18%

\* State taxes may vary from one state to another.

state that there is an 18-percent "penalty" off the top for all marginal income. The 32-percent difference for taxable income is the federal (25 percent) plus state (4

percent) income tax.

Sid Mittra, Ph.D., CFP, is Professor of Finance, Oakland University, Rochester Hills, and

owner, Mittra & Associates, a Troy financial consulting firm. Oakland University Professor Jerrold Grossman critically reviewed this column.

Personnel director certified

Dana Whinnery, director of personnel for the city of Farmington Hills, recently earned certification as a senior professional in human resources (SPHR).

To be certified as an SPHR by the Human Resource Certification Institute, Whinnery had to pass a comprehensive examination demonstrating mastery of the body of knowledge in the field of human resource management. Candidates must also have at least eight years of professional-level experience or an appropriate combination of experience and education.

Whinnery has been personnel director in Farmington Hills since 1980. Prior to coming to Farmington Hills city government, he worked in human resource management for the University of Michigan. He and his wife, Susan, live in Farmington Hills with their four children.

"Certification as a human resource professional clearly demonstrates a commitment to personal excellence and to the human resource profession," said Michael R. Losoy, president and CEO of the Society for Human Resource Management.

Cardiologist to direct symposium

Dr. Robert J. Stomel, chief of cardiology at Botsford General Hospital in Farmington Hills, has been named program director of the symposium Cardiology 2000. Sponsored by Botsford, Cardiology 2000 will focus on the latest advances in cardiology and will be open to physicians and allied health-care professionals.

It will be held Nov. 10-12 at the Novi Hilton and Conference Center. Speakers, interactive displays and technology demonstrations — including a virtual-reality simulator for angioplasty — are among the symposium's highlights.

In addition to serving as Botsford's chief of cardiology, Stomel also directs the hospital's Cardiac Wellness Center and Cardiac Fellowship Program.

He has been active in developing national guidelines for the treatment of ischemic heart disease. And, he serves as national chairman of the Cardiology Section for the American College of Osteopathic Internists and as a board member for the college.

Locally, Stomel is president of the Oakland County Osteopathic Medical Association and serves on the board of directors of the Peer Review Organization of Michigan and the Michigan Credential Verification Service.

Stomel is board certified in Internal Medicine and Cardiology. He resides with his family in Farmington Hills.

Botsford General Hospital is a 336-bed osteopathic teaching hospital.

Botsford to host Cardiology 2000

Botsford General Hospital in Farmington Hills will host Cardiology 2000, a symposium focusing on the latest advancements in cardiology, Nov. 10-12, at the Novi Hilton and Conference Center.

The symposium will feature international authorities, interactive displays, a computerized audience response system and demonstrations of new technology.

Attendees will have the opportunity to use a virtual-reality simulator designed for training physicians in percutaneous coronary angioplasty.

Cardiology 2000 is part of the Allen Ziegler Memorial Lecture Series.

Botsford General Hospital is a 336-bed osteopathic teaching hospital affiliated with Michigan State University College of Osteopathic Medicine.

BUSINESS MILESTONES

This column highlights promotions, transfers, hirings, openings and other key business news with Farmington-area connections. Send a brief biographical summary — including the towns of residency and employment and a photo, if desired — to Business Editor, Farmington Observer, 33411 Grand River, Farmington 48335. The Observer's fax number is 1-810-477-9722.

Harold S. Jaffa of Farmington Hills, registered principal, and David A. Jaffa of Bloomfield Hills, branch manager, with Financial Network Investment Corp., were honored as 1994/1995 MVP Club members. "The MVP

Club members are an elite group, representing the firm's top achievers for the prior fiscal year," said Miles Gordon, president of FNIC. David and Harold Jaffa have been offering professional investment services and securities selection for customers in the Detroit area for more than 25 years.

Tuesday Morning Corp., a Dallas-based, deep discount retail chain, opens today at Country Ridge Commons on Haggerty Road at 14 Mile in Farmington Hills. The store will mark the first location in the area. Tuesday Morning specializes in famous-

maker, first-quality gifts like those found in prestigious department and specialty stores. All merchandise is sold at 50 to 80 percent off retail prices.

William Hall of Farmington Hills has been appointed branch manager at the Farmington Hills Branch of Burns & Wilcox Ltd. He has 30 years of insurance experience in both Hall standard and specialty lines.

Farmington Hills resident Fred Farida has invested in one of the

fastest-growing specialty franchises in the country. Farida has opened a Tubby's location at 18800 Dix Toledo in Melvindale.

Credit Union ONE, one of Michigan's largest and most diverse credit unions, names Livonia resident Andrew Daulty the manager of its just-opened Farmington Hills branch on 13 Daily Mile Road. He will be responsible for management of the day-to-day operations. Most recently at Credit Union ONE he was ac-

count representative for Select Employment Groups at Credit Union ONE and formerly an assistant branch manager. He is active in several local chambers of commerce.

The Budd Company, an automotive supplier, announced that Donald Roble has been named manager, International Sales, for the its Stamping & Frame Division in Rochester. Roble, 47, who most recently served as manager, commercial

sales for the division, joined Budd as a trainee in 1971. In his new assignment, he will seek new business with international companies and expand overseas sales with existing customers. He will also develop business opportunities with Budd's parent company, Thyssen AG of Germany, and its many subsidiaries. He holds a master's degree from the University of Detroit and a bachelor's degree from the University of Michigan. He is also a graduate of the executive program at the University of Michigan. He is active in the Society of Automotive Engineers and the American Society of Body Engineers.

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