

BUSINESS

MONEY MANAGEMENT FILING STATUS MAY AFFECT TAX LIABILITY FOR MARRIED COUPLES

Married couples have the option of filing a joint return or filing separately. The Nevada Society of CPAs advises you and your spouse to compute your taxes under both methods to determine which one lowers your combined tax liability.

• **Married, Filing Jointly**

The lowest tax rates are avail-

able to married individuals who elect to file joint returns. This generally translates into a lower tax bill, particularly for couples where only one spouse works or where one spouse earns substantially less than the other.

Married couples filing jointly may also be eligible for some additional tax breaks that are

not extended to married individuals filing separately. These include the earned income credit and the child-care credit.

Taxes on Social Security benefits are also affected by filing status, and here again, married individuals filing jointly have the advantage. Joint filers with a combined AGI of \$32,000 or less are not required to pay any taxes on their Social Security benefits.

However, married individuals filing separately must pay taxes on Social Security benefits if their joint income exceeds \$25,000. Depending on the excess of income over these base amounts, up to one-half of these benefits could be taxable.

• **Married, Filing Separately**

It may be better for a married couple to file separate tax returns if one spouse earns substantially less than the other one and has a high deductible expenses.

By filing separately, such married couples may be able to avoid losing deductions that are based on adjusted gross income. For example, since the medical expense deduction is limited to 7.5 percent of AGI, a married taxpayer with a low AGI and substantial medical bills is more likely to qualify for the deduction by filing separately than by filing a joint return with his or her spouse.

The same principle applies to miscellaneous itemized deductions. Because there is a 2-percent adjusted gross income limitation, couples may benefit

by filing separately if one spouse had high unreimbursed business expenses or other qualified expenses.

Be aware, too, that casualty and theft losses involving personal assets, which are allowable only the extent that they exceed 10 percent of AGI, may provide a deduction on a separate return but may not on a joint return.

Remember, however, that if one spouse itemized deductions on a tax return, the other spouse must also itemize.

• **When You're Married In The Eyes Of The IRS**

For tax purposes, marital status is generally determined by the situation on the last day of the year. So if you married on December 31, 1992, you and your spouse may file a joint return and have the past year's income taxes at the married rate. On the other hand, you cannot file as a single individual unless you and your spouse have lived apart for the entire year or are legally divorced before December 31.

When a spouse dies, the surviving spouse is generally eligible to file a joint return with the deceased spouse for that year, as long as the surviving spouse has not remarried.

MONEY MANAGEMENT is a weekly column on personal finance prepared and distributed by Certified Public Accountants. Contact: Nevada Society of CPAs, 5270 Neil Road, Suite 102, Reno, NV 89502.

Real Estate Perspective

By Loretta A. Hall



AFFORDABILITY SHOULD BE YOUR 1ST QUESTION WHEN CONSIDERING THE PURCHASE OF A HOME

How much house can you afford should be the first question that home buyers must ask. Whether they are considering a condo, a single-family home, a new home or a resale, home buyers must figure out a price range that makes sense for their budget. Roughly speaking, you can afford to buy a house that is about three times your gross annual income. But more precisely, the price you can afford to pay for a home will depend on six factors: 1) your income; 2) the amount of cash you have available for the down payment, closing costs and cash reserves required by the lender; 3) your outstanding debts; 4) your credit history; 5) the type of mortgage you select, and 6) current interest rates.

To qualify for a home loan you must have good credit. Assuming you do, a lender will then analyze your income in relation to your projected cost of home ownership and your outstanding debts to determine the size of the loan you can afford. Lenders are interested in two ratios: the housing expense-to-income ratio and the overall debt-to-income ratio. Your housing expense-to-income ratio is determined by calculating your projected monthly housing expense. That expense consists of the principal and interest payment on your new home loan, property taxes and hazard insurance. The sum of these costs is referred to as "PITI." A mortgage broker or real estate agent can help you arrive at the PITI Figure. The projected PITI is then divided by your gross monthly income (your income is

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TRAVEL
with Bates
By Sandi Bate



Explore the exotic wonders of Jamaica, an island of outstanding natural beauty and dramatic scenery. A land of warm friendly people, proud of their Spanish, British and West African heritage. A colorful, romantic paradise extremely musical, vigorous, and above all fun.

In Jamaica something magical happens everyday. You'll feel it in the contentment you experience relaxing on the beaches. You'll hear it in the sound of the gentle surf caressing the lovely beaches, and in the soft sounds of steel drum bands. You will taste it in the delicious Jamaican cuisine and tropical delicacies.

Jamaican food is spicy and similar to Cajun cuisine. "Jerk" is an island specialty of spicy chicken, pork, beef or fish barbecued over wood. You may want to try curried goat, saltfish, rice and beans, and refreshing rum drinks.

The largest of the English speaking islands, Jamaica is rich in contrast with its string of sandy beaches dominated by the famous "Blue Mountains", and an interior of green meadows, cascading water falls, and lush tropical vegetation.

Since discovery by Christopher Columbus, Jamaica has attracted visitors from all walks of life. Sir Winston Churchill was a regular visitor. Errol Flynn and Harry Belafonte have established homes on the island.

Kingston, Jamaica's capitol since 1872, host the University of the West Indies. The city offers designer boutiques, live theatre and dance, great restaurants, discoteques, Reggae concerts, as well as every kind of sport. Kingston also has the Hope Botanical Gardens, the largest botanical gardens in the West Indies with a zoo. Your plans should include a visit to the Museum of Natural History, and the world famous West Indies reference library. If you like horse racing visit Cayman's Park.

Jamaica's most unusual resort, Mandeville, is high in the hills with a very British village green. It's sought out by bird-watchers and garden enthusiasts. It has Jamaica's oldest golf course and splendid riding trails. Nearby Milk River has the most powerful mineral springs on the island.

Montego Bay is Jamaica's second largest city and it offers its own International Airport and a large selection of accommodations, restaurants, entertainment spots, and attractions. A favorite activity is the glassbottom boat ride. A complete water sports center features sailboats, water bikes, rafts, snorkeling, wind surfing, deep sea fishing, and reef fishing.

Experience Fort Montego and the remains of an old fort on a hill overlooking the harbor. Greenwood Great House built by Elizabeth Barrett Browning's family is said to have ghost in residence. Take the governor's coach train ride from Montego Bay to Ipswich caves and Appleton Rum Factory.

Choose your own kind of fun-filled vacationing. Independence Day will be celebrated on August 1st this year. The island will observe its 30th anniversary of independence from British rule with street scenes, parades and cultural fairs throughout Jamaica. If your vacation is planned for August, don't miss the parade in Kingston - which features high school marching bands, and government politicians. All cultures Spanish, African, and British will dress in their native attire and march in the parade.

Reggae Sunsplash, the largest reggae festival in the world, will
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