

MONEY MANAGEMENT

HOW PARENTS CAN REDUCE THEIR TAX BILLS

Reno, — Need some relief from the high costs of raising children? If so, you can turn to Uncle Sam. According to the Nevada Society of CPAs, you may be entitled to tax exemptions and deductions that can directly reduce the costs associated with raising your children. Smart tax planning can also help you to save for your child's while minimizing the tax bite on your

income.

Claim The Dependency Exemption

Even if you have a December baby, you may claim an exemption of \$2,350 on your 1993 tax return. You are entitled to one exemption for each child who qualifies as a dependent.

Generally, a child qualifies as a dependent if he or she is under age 19 at the end of the

year or is a full-time student under age 24. Other tax rules also apply, so be sure to check with a tax adviser.

Note that the dependency exemption is phased out for married individuals filing jointly adjusted gross incomes (AGIs) exceeding \$162,700; for married individuals filing separately with AGIs above \$81,350; for single filers with AGIs above

\$108,450; also for heads of households with AGIs above \$135,600.

Record Medical Expenses

You may also get some tax relief from the high costs of your children's medical expenses. Qualified medical expenses, including those of your spouse (if you file jointly) and qualified dependents, are deductible to the extent that they exceed 7.5 percent of your adjusted gross income. Any medical expenses over this amount are fully deductible in the year they are paid.

Child Care Credit

If you must hire child-care help or send your children to a day-care facility so you and your spouse can work, you may be entitled to a tax credit that can directly reduce your tax bill. To qualify for the full credit, your AGI must be \$10,000 or less. The credit is then equal to 30 percent of certain employment-related expenses that can be considered for the credit is \$2,400 for one qualifying child and \$4,800 for two or more children. The amount of the credit decreases by 1 percent for each \$2,000, or part of \$2,000, of your adjusted gross income in excess of \$10,000, but not below 20 percent. Thus, for taxpayers with AGIs over \$28,000, the applicable percentage is 20

percent.

Take advantage of the Gift Tax Exclusion

When it comes to building your child's savings account, you may be able to use some tax-advantaged strategies. For example, you can give up to \$10,000 a year (\$20,000 a year if both parents make a gift) to each of your children without paying any gift tax. The benefit: you remove the gift amount, as well as any income the gift may earn, from your taxable estate. If your child is age 14 or over, any interest the money earns will be taxed at the child's lower rate.

Another way to reduce your taxes while increasing your child's financial resources is to give assets to the child and let the child sell them. If you sold the assets yourself, you could face a long-term capital gains tax of 28 percent. However, if the child sells the assets, the gain will be taxed at the child's rate if the child is age 14 or older at the end of the taxable year. For the 1993 tax year, children

are in the 15-percent tax bracket until their income exceeds \$22,100.

Beware of the Kiddie Tax

Under the kiddie tax, if your child is under age 14, the first \$600 of unearned income is tax exempt; the next \$600 is taxed at 15 percent; earnings above \$1,200 are taxed at the parent's highest marginal tax rate. For the 1993 tax year, this means that the income could be taxed at a rate as high as 39.6 percent.

To prevent your child from incurring high taxes on investment earnings, you can limit the annual taxable income in the account while the child is under age 14. One way to do this, according to CPAs, is by investing in tax-free or tax-deferred vehicles, such as U.S. Savings Bonds.

MONEY MANAGEMENT is a weekly column on personal finance prepared and distributed by certified public accountants. Nevada Society of Certified Public Accountants, 5250 Neil Rd, Suite 205, Reno, NV 89502.

NEVADA POWER EMPLOYEES ACCEPT EARLY RETIREMENT

Nevada Power Company announced recently that 109 employees, or 62 percent of those eligible, have accepted the voluntary early retirement package.

The figure represents 6 percent of the current work force. The company offered the package to 175 employees in mid-September.

The offer applied to all employees who will be at least 55 years of age, and have completed at least 10 years of service by March 31, 1994.

The voluntary early retirement program is part of a comprehensive organizational study under way at Nevada Power. The retirement package was designed to provide flexibility in streamlining operations and will offset potential layoffs.

"We're still determining where everything fits," said Chief Executive Office Charles A. Lenzie. "We're trying to fill all positions from within the company. However, a few will be filled from the outside. The net result from the organizational study will be a leaner work force that operates more efficiently and makes us more competitive in a changing electric energy industry."

Final results of the reorganization study are expected at the end of the year. Implementation is scheduled to begin in 1994.

"We want to continue to give our customers the best possible deal for their electricity dollar. We're confident this study will help us find ways to do that," said Lenzie.

BUSINESS

(Continued from Page 6)

business and charting future directions.

Your business plan is a thorough description of your business operation on paper, including the following key areas:

SUMMARY: Your summary concisely describes the important elements of the business plan. For the firm seeking financing, the summary should be capable of convincing a lender or investor that it is worthwhile to review the business plan in detail. The summary should include: name of business; location and description; explanation of your product, services, market and competition; expertise of the company's principals; financial projections; outline of financial assistance that may be needed; how finances will be used; purpose for undertaking the business venture, and your business goals.

THE COMPANY: In this section, you provide background information on the company, including a general description of the business and the product or service to be provided. In addition, you must provide the historical development of the business (name, date and place of formation; legal status — i.e. corporation, partnership, etc.; degree of ownership, including minority interests; who the principals are and the role they play).

THE PRODUCT OR SERV-

ICE: Describe the planned product or services, including sales projections. Also offer a comparison of the competitive advantage of your offering over other competitors, as well as the demand for same.

OWNERSHIP: List the names and addresses and business affiliations of principal owners and the degree to which they are involved in management; amount of stock owned (if applicable). In a corporation, list the names, address and affiliations of the board of directors, their areas of expertise and role in the operation of the business.

MANAGEMENT: Outline your organizational chart with a breakdown of your workforce, listing key personnel and their responsibilities, resumes, salaries and other compensations. Also include the methods of compensation, payroll expenses and benefits.

MARKETING STRATEGY/ MARKET ANALYSIS: Describe the industry of which you will be

a part. List your major customers (if applicable). Describe your market and its major segments as well as your competition. Outline your prospective customers and the activities you plan to undertake to reach them. Finally, describe your selling activities (sales methods, channels and terms, etc.).

OPERATIONAL PLAN: Explain how the firm will perform production or delivery of service. Include physical facilities (owned or leased, size and location), types and quantities of equipment needed. List your suppliers and their requirements. Also list the technologies and skills required, and a cost breakdown for materials and products needed. Don't forget to specify standard product or service cost and a schedule of work for the next year or two.

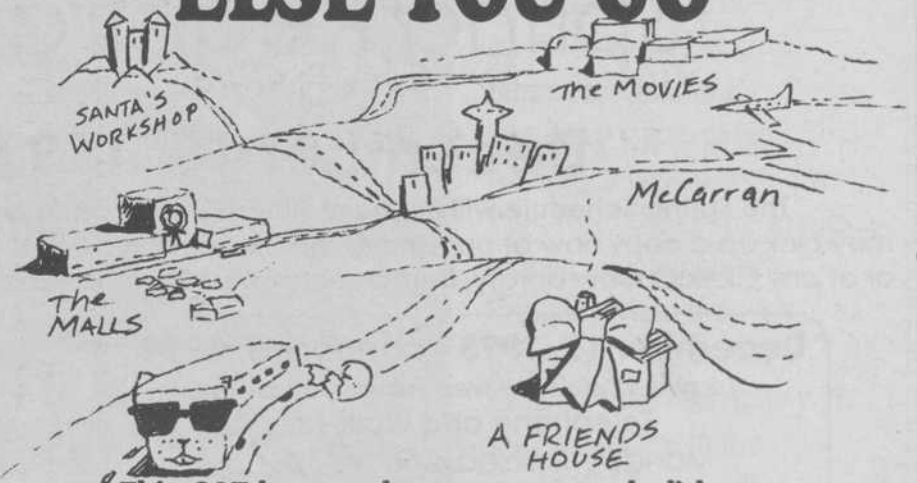
FINANCIAL: List your accountant, bookkeeper, legal counsel and banker — their names and addresses (every (See Business, Page 26)

SMALL BUSINESS HELP

Is your business running into trouble? Do you need help in getting started in business?

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