MONEY MANAGEMENT

TAXBREAKS OFFER SOME RELIEF FROM COST OF RAISING CHILDREN

If you have children, you may be entitled to important tax deductions and credits on your 1993 tax return, says the Nevada Society of CPAs. Before filing your tax return, be sure you consider the following.

DEPENDENCY EXEMPTION

Generally, you can claim your children as dependents on your tax return as long as you provided more than half of their total support. In addition, your children must be U.S. citizens and under age 19 or full-time students under age 24 at the close of 1993. However, you may claim exemptions for children over age 19 who are not full-time students, or full-time students over age 24, if they have less than $2,350 of gross income for the year. Each dependent exemption is worth $2,350 on your 1993 tax return.

Be aware that children cannot claim a personal exemption on their own tax returns if either parent claims them as a dependent.

CHILD CARE CREDIT

If you paid someone to care for your child so you and your spouse could work or look for work, you may be entitled to a valuable tax credit. For parents with adjusted gross income (AGI) of $10,000 or less, the credit is equal to 30 percent of employment-related dependent care expenses. The amount of the credit decreased by 1 percent for each $2,000 (or part thereof) of adjusted gross income in excess of $10,000, until it decreases to 20 percent for taxpayers with AGIs over $28,000.

The maximum amount of employment-related child care expenses that can be taken into account for the credit is $2,400 for on child, and $4,800 for two or more qualifying individuals. Employment-related expenses may not exceed your earned income. If married, employment-related expenses are limited to the earned income of the spouse who earns less.

CPAs point out that you may claim a credit only for amounts you pay to care for "qualifying" individuals. Generally, these include children under age 13 for whom you are entitled to claim a dependent exemption on your tax return.

There are two other important rules to keep in mind: If you usually provide the name, address and taxpayer identification or Social Security number of the organization or individual providing care for your child.

EARNED INCOME CREDIT

Taxpayers with low incomes who had children living at home for more than half of 1993 may qualify for the earned income credit. You may be entitled to a basic credit up to $1434 if you have one qualifying child and $1511 for two or more children if your earned income and your djusted gross income are less than certain limits. Here's more good news: If the credit is larger than your tax, the difference is refunded to you.

You may also qualify for a 5-percent supplemental young child credit if your child was under age one on December 31, 1993. In addition, a 6-percent health insurance credit is available if you provie health insurance coverage for your qualifying children. Be aware that claiming the additional credit for a child under the age of one eliminates the infant as a qualifying individual for a purpose of the child care credit—meaning that you cannot take a deduction for a child care expense incurred for that child so you can work.

MEDICAL EXPENSES

Finally, don't forget that your dependents' medical expenses can also be claimed as itemized deductions. Since medical expenses are deductible to the extent that they exceed 7.5 percent of your adjusted gross income, accurately calculating your dependents' medical expenses, such as fees paid to physicians, costs for eyeglasses or braces, health insurance premiums, and travel to and from medical facilities, may help you to exceed that threshold and qualify for a tax deduction.

CPAs point out that understanding that tax law can help parents adopt a smarter and more cost-effective tax strategy.

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college funding program is your state department of education or the Guidance Counselor at your neighborhood school. This same office can also help you learn about the current guidelines for ownership of assets in applying for financial aid. Student ownership can affect the nature of a family's eligibility.

There are many products and strategies which can apply to education savings programs. The first strategy to consider in any life savings program is using tax-deferred investments, such as IRAs, 401K plans, life insurance, and annuities. There are specific advantages and disadvantages to using any of these products as a foundation for college funding. Permanent life insurance is one product that is available in a scenario. Even if either parent dies before children reach college age, the amount of the policy will be paid free of income tax. Otherwise, accumulated cash values are available to meet this need.

Mutual funds are popular savings tools, and tax-exempt or growth may have particular advantages in an education funding program. Each family must carefully weigh the length of time they have to complete their savings program and assess their level or risk tolerance before making any investments.

It is important for parents to consider their own financial circumstances, goals, and risk tolerance in choosing investments for their family. Read Financial publications to gain some idea of the products that are available. Ask friends, relatives, and co-workers about their own savings strategies. But the real message is, don't wait until it is time for your child to enroll in college! Begin developing your education funding savings plan today.

Terrence R. Johnson, MBA, The Equitable, 734-6011.

Guess who has the Pioneer Citizens IRA?

A.

B.

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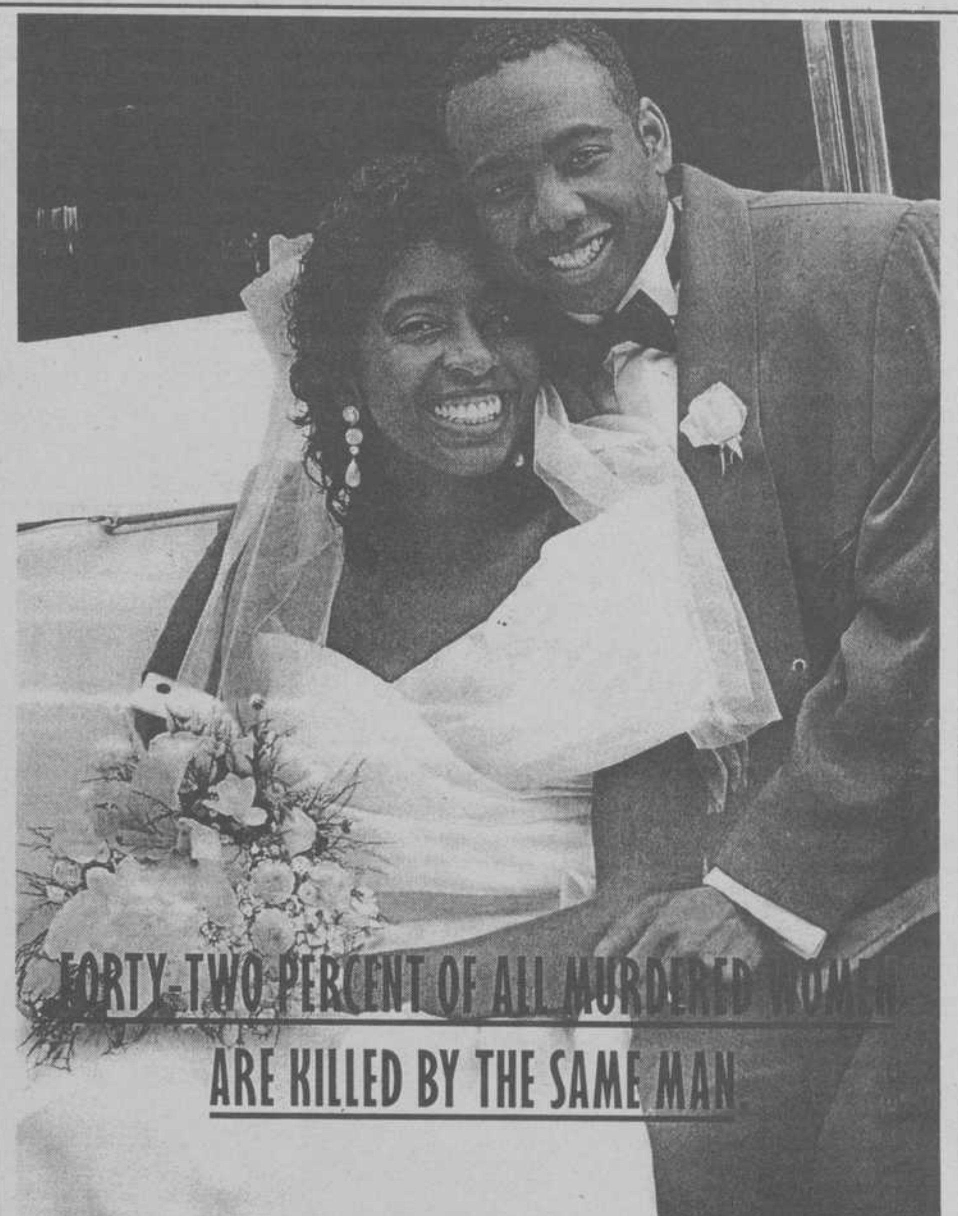

Each day women are beaten to death by their husbands or boyfriends. Just as frightening, each day neighbors just like us make excuses for not getting involved. For information about how you can help stop domestic violence, call 1-800-777-1960.

THERE'S NO EXCUSE for Domestic Violence.

Family Violence Prevention Fund