

MONEY MANAGEMENT

TAX DEDUCTIONS CAN REDUCE HOMEOWNERS COSTS

There's no question that owning a home can be costly, but home ownership is also replete with tax-saving opportunities.

To help you make the most of these opportunities, the Nevada Society of CPAs points out how the law can impact your home ownership decisions.

Points Are Deductible

Your tax savings begin with the points you pay to the mortgage lender to secure a mortgage. Points paid to acquire your principal residence are generally fully deductible in the

year you pay them. Points paid for refinancing or purchasing a second home normally must be deducted over the life of the loan.

Mortgage Interest And Real Estate Taxes Are Also Deductible

Deductions for mortgage interest and real estate taxes can also help to offset some of the high costs of home ownership.

You may deduct interest paid on up to \$1 million in acquisition debt as long as you use the loan proceeds to buy, construct or improve your

principal or second residence.

Real estate taxes you pay on your property are generally tax deductible. If you buy or sell property during the year, the real estate tax deduction is allocated between the buyer and seller based on the part of the year you each owned the property. However, this tax deduction, and certain other itemized deductions, are phased out for some high-income taxpayers.

Home Improvements Pay Off

The money you spend for home improvements provides another opportunity for tax

savings. For tax purposes, an improvement is anything that adds value to your house, prolongs its life, or adapts it to new uses.

The cost of improvements of a lasting nature, such as adding a bathroom, installing a new roof, or building a deck, add to your home's "basis" or total cost. When it comes time to sell your home, the higher your basis, the lower your gain — and the lower your taxes. Be sure to save bills, cancelled checks, and other documents that support the cost of the improvements you make.

Seller Get Tax Breaks Too

If you sell your home and realize a profit, you can generally defer paying taxes on your gain by meeting two conditions: (1) you purchase or build a new house within the period beginning two years before and ending two years after the sale date of the old residence; and (2) the cost of the home you buy is equal to or greater than the adjusted selling price of your old home. Your adjusted selling price is the amount realized on the sale, reduced by certain expenses of fixing up the old residence to sell it.

The amount realized on the sale is the selling price, reduced by selling expenses, such as real estate commissions, advertising, legal and title fees.

Fixing-up costs are expenses you incur in preparing your home for sale, such as the cost of painting, carpet cleaning, and general repairs. You must do the "fixing-up" during the 90 days before you sign the contract to sell your house and you must pay for the repairs within 30 days after the sale. In addition, these expenses must not be capital expenses that add to the basis of the property sold. The IRS

Allows you to postpone taxes on the gain from the sale of your principal residence only. A vacation home doesn't qualify for this tax treatment.

If you are age 55 or older when you sell your home, you may be entitled to a special once-in-a-lifetime tax break that allows you to exclude from your taxable income up to \$125,000 of the gain realized from the sale.

You qualify for the exclusion if you have owned and lived in the home for at least three of the five years leading up to the sale. CPAs point out that married couples can take only one exclusion between them.

Report The Sale

Whenever you owe, defer, or exclude the taxes on the sale of your residence, you must report the sale on IRS Form 2119 in the year that you sell it. Since each sale affects the basis of your next home, retain these forms for future reference.

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

WHITE HOUSE CONFERENCE ON SMALL BUSINESS COMES TO LV

WASHINGTON — Las Vegas will be the site of the Nevada White House Conference on Small Business (WHCSB). The conference will be held at the Aladdin Hotel at 8:30 a.m. on Thursday, March 9, 1995.

The WHCSB is an opportunity for America's small business entrepreneurs to express their views and propose recommendations concerning small business policy to the Clinton administration and Congress. Created as an independent commission by Congress, the WHCSB provides a constructive, non-partisan forum for small business people through state conferences from June 1994 to April 1995. State-level conferences will be followed by regional meetings and

culminate in a National Conference June 11-15, 1995 in Washington, D.C.

The Nevada delegation will include 10 elected delegates and 5 appointed delegates to the National Conference for a total of 15 delegates. To qualify and run as a delegate to the National Conference, participants must reside in Nevada and be an owner, corporate officer, or employee of a for-profit business employing fewer than 500 people. In addition to the elected delegates, President Clinton, members of Congress and the nation's governors will appoint delegates to the National Conference.

The two most recent White House Conferences, convened in 1980 and 1986, resulted in the overall participation of 50,000

small business owners and entrepreneurs from the 50 states, the District of Columbia, Puerto Rico and the Territories. The small business community has made important strides since the first White House Conference on Small Business was held in 1980. Wider acknowledgment of small firm contributions to the economy and adoption of most of the significant legislation designed to improve the environment for small business growth are direct results of initiatives from the 1980 and 1986 White House Conference on Small Business.

The track record of the WHCSB is impressive: approximately half of the recommendations made by WHCSB delegates in 1980 and 1986 were favorably acted upon

by the legislative and executive branches. Resulting legislative action includes the Regulatory Flexibility Act of 1980, the Prompt Pay Act of 1982, and the Small Business Innovation Research Program Reauthorization Act of 1992.

The cost to attend is \$40 in advance, \$50 at the door. For further information, contact the White House Conference on Small Business at 202/724-0891.

THE LAS VEGAS SENTINEL-VOICE IS LOOKING FOR THE BEST THE AFRICAN AMERICAN COMMUNITY HAS TO OFFER

Which Particular Individual Do You Think Should Be Recognized As The Most Progressive African-American In The Las Vegas Community"

Announcing the "Sentinel 16"
(In recognition of our 16 years of community service)

Areas of excellence may include, but is not limited to: Community Service; Career Success; Development in the Field of Education; etc.

Please fax a 1 (one) page statement as to "Why You Think A Particular Individual Should Be Recognized As A Progressive African-American In The Las Vegas Community"

Entry must include name, address and phone number. Forward entries by fax to: 644-1555 (M-F 9am-5pm). Entry deadline is Friday, March 31, 1995 at 5:00 p.m.

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