

# BUSINESS

## MONEY MANAGEMENT

### Estimate Miscellaneous Deductions Now For Big Tax Breaks Later

Reno — You may be able to deduct the cost of purchasing work uniforms, obtaining career counseling, or hiring a CPA to assist you with year-end tax planning. The Nevada Society of CPAs explains that these seemingly unrelated costs fall into the category of "miscellaneous expenses," which are deductible to the extent that they exceed 2 percent of your adjusted gross income (AGI), provided you itemize deductions on your tax return.

The only way to determine whether you'll qualify for the miscellaneous-expense deduction on your 1995 tax return is to tally all qualified expenses for the year. Do it now. Here's why: If you're close to the 2-percent threshold, you can move some miscellaneous expenses into 1995 and take full advantage of the deduction. To do so, however, you need to understand what qualifies as a miscellaneous expense.

#### EMPLOYEE BUSINESS EXPENSES

What makes such diverse items fall into a single category is the Internal Revenue Service's (IRS) definition of "miscellaneous expenses," that is, employee costs that are "ordinary" and "necessary" to the conduct of your business. These costs include the following:

#### Work clothes and uniforms

— The cost and upkeep of work clothes, including laundering and cleaning, are deductible if the clothing is required as a condition of your job and the clothing is not suitable for street wear or everyday use. This definition prohibits you from deducting items such as suits and jeans that you purchased for your job.

**Union and association dues** — Membership fees paid to unions and professional societies directly related to your employment are generally deductible. However, you may not deduct dues paid to social or athletic clubs.

Books and publications — Uncle Sam also will help to subsidize your efforts to keep up with information in your line of work. For example, you can deduct the cost of subscriptions to trade journals, professional magazines, and research books.

**Job-hunting expenses** — You may deduct the cost of obtaining job counseling, preparing your resume, and traveling to and from job interviews, even if your job-hunting doesn't result in a new job. To qualify for the deduction, your job search must be limited to your current field of employment.

**Educational expenses** — The cost of education to maintain or improve skills required in your employment or necessary to meet the expressed requirement of your employer as a condition to retaining your job status are deductible.

#### EXPENSES OF PRODUCING INCOME

Expenses incurred for the production or collection of income or management of property held for the creation of income qualifies as a deductible miscellaneous expense. Since you can control the timing of many of these costs, if you're near the 2-percent threshold, you may want to boost your expenses before year-end. The following deductions have generally been allowed:

\* Safe-deposit box rentals that are used to store taxable income-producing bonds and stock certificates.

\* Legal expenses incurred to help you keep your job, produce income, or deal with a tax matter.

\* Investment publications or software that help you track and manage your investments.

\* Investment management fees.

\* Travel and transportation to inspect income-producing property.

\* Custodial fees for your individual retirement account

and other holdings.

#### TAX RETURN PREPARATION AND ASSISTANCE

Fees you pay for tax advice and tax-return preparation also may be deductible as miscellaneous expenses. Eligible expenses also include costs for tax-planning books and seminars, as well as fees paid to professionals to help you respond to an IRS audit.

#### LIMITATIONS ON YOUR DEDUCTION

CPAs point out that miscellaneous deductions are subject to certain phase-out rules. All taxpayers with AGIs above \$114,700 (\$57,350 if married, filing separately), must reduce itemized deductions by 3 percent of the amount by which AGI exceeds this limit, up to 80 percent of otherwise allowable itemized deductions. Be aware, too, that excess miscellaneous itemized deductions may subject you to the Alternative Minimum Tax.

*Money Management is a weekly column on personal finance prepared and distributed by certified public accountants. Nevada Society of Certified Public Accountants, 5250 Neil Road, Suite 205, Reno, Nevada 89502.*

## FINANCIAL REPORT

### Implement Tax-Planning Strategies Before Year's End

By Fred Snyder

Since April 15 won't arrive for several months, you may think you have lots of time to deal with your taxes. You may want to think again because now is the time to focus on your tax situation. You can use a variety of strategies before year's end to ease the tax bite next April. Focusing on the following areas can help you get started:

Consider taking some capital losses. Do you have any investments in the loss position that you've thought about selling? Since the tax laws allow you to use your capital losses to reduce capital gains, dollar-for-dollar, you may want to consider taking some losses before year's end. You can also use losses to reduce up to \$3,000 in ordinary income if you do not have sufficient capital gains. Don't wait too long—December 29, 1995 is the last day you can execute a transaction and include the loss on your 1995 tax bill.

Take capital gains but defer taxes. If, on the other hand, you are ending the year holding securities in a long-term gain position that you would like to sell, you may want to consider a technique that will allow you to lock in your capital gain but defer the associated tax. Known as selling "short against the box," this technique allows you to "borrow" the same number of shares of the identical stock from your brokerage firm before year's

end and then sell those borrowed shares and close out your short position by delivering your original shares or newly purchased identical shares to your broker after the new year. By doing this, you lock in your profit but defer recognition of the gain until next year.

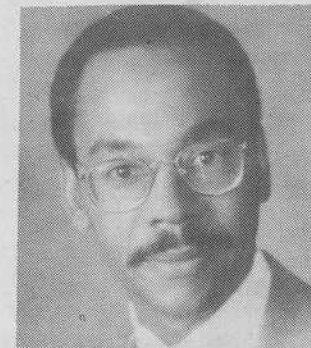
Fund your retirement plan. Contributing to a tax-favored retirement account plan, such as a 401(K) or 403(B), provides another strategy for deferring your tax liability. Your contributions and the earnings that accumulate compound tax-deferred until you withdraw the funds at some point in the future. In contrast, if the money remains in your regular investment portfolio, any earnings will be subject to current taxation in the year they occur.

Keep in mind that you may not be able to deduct IRA contributions if you're already participating in your company's retirement plan. Also note that withdrawals made before age 59 1/2 are subject to an early withdrawal penalty and, of course, the money withdrawn is subject to income taxes.

Think about giving appreciated securities. The tax law allows you to deduct an

### Credit Unions Lead In Consumer Satisfaction, Survey Shows

Credit Unions continue to score the highest in consumer



FRED T. SNYDER

amount equal to the value of the stock you give to charity (limited to 30 percent of your adjusted gross income in that year) as long as you itemize your deductions on your tax return and have held the stock for more than one year. By donating appreciated stock, for example, you not only obtain a tax deduction, but you also avoid capital gains tax on the stock's appreciation.

Whatever tax-planning methods you use, do not neglect your investment objectives just to save a few dollars on your tax return. Consult both your tax advisor and professional investment broker, so you can put together a sensible plan that can help you ease your tax burden while keeping you on the path to your investment goals.

satisfaction among financial service providers, according to an annual survey of the *American Banker*, a trade newspaper.

The survey, conducted by the Gallup Organization, indicated that 77 percent of credit union members are "very satisfied" with the service quality at their credit union. That compares with just 59 percent of bank and thrift customers and 54 percent of customers of other financial service providers like mutual funds.

This is the 12th consecutive year that credit unions have led the survey's satisfaction rankings.

Credit unions also continue to work to improve their service, the survey indicates, with 39 percent of credit union members indicating service has improved at their credit union since last year compared with 19 percent for bank customers, 16 percent for thrift customers, and 24 percent for all others.

### PEPSICO Support For Minority Business



The Directors of Minority Business Development of Pepsi-Cola Company and Frito-Lay, Inc. joined Pepsi's largest minority-owned supplier at the National Minority Supplier Development Council Conference in Detroit. From left: Fred Canady of Pepsi; Joe Wilson, President and CEO of Integrated Packaging Corporation; and Robert Gonzales of Frito-Lay. Pepsi and Frito-Lay are divisions of PepsiCo, Inc. Wilson's company recently signed a five-year, \$75 million contract with Pepsi to supply Pepsi with about 100 million corrugated boxes each year. Pepsi has done more than \$800 million in business with minority-owned firms since it began its Minority Business Enterprise Program in 1982. More than 3,000 corporate executives, minority business owners and government officials attended the four-day minority business conference and trade fair. It is the nation's largest meeting dedicated to minority business development.

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