

# BUSINESS

## MONEY MANAGEMENT

### Cashing in on stepping out: Securing your business meals and entertainment deductions

RENO — Wining and dining business clients and prospects is a part of doing business. However, Uncle Sam is willing to help pick up the tab. According to the Nevada Society of CPAs, you may deduct 50 percent of the cost of business meals and entertainment on your federal income tax return, provided you meet certain tests.

#### Who can claim the deduction?

Both employees and self-employed individuals may be able to claim deductions for business meals and entertainment on their tax returns. However, the deductions are treated differently and tend to be more valuable to the self-employed.

Self-employed individuals can deduct 50 percent of qualified expenses directly from their taxable income on Schedule C. Generally, there is no limit on how much they can deduct. On the other hand, unreimbursed employee business expenses come under the category of "miscellaneous itemized deductions" and, as such, can

only be deducted to the extent that they exceed 2 percent of adjusted gross income (AGI). There is an additional restriction for employees: If they have an AGI above \$114,700 (\$57,350 if married filing separately), they must reduce itemized deductions by 3 percent of the amount by which their AGI exceeds this limit. However, itemized deductions will never be reduced by more than 80 percent.

#### What qualifies?

Regardless of how you claim the deduction, there are strict rules governing what qualifies as a legitimate business meal or entertainment expense. For starters, all business expenses must be both ordinary and necessary to your business or industry. An ordinary expense is one that is typical for your line of business. A necessary expense is one that is viewed to be in the interest of your specific business. The expense need not be vital to the business's operation, but must be appropriate or helpful to its performance.

So, for example, business

meals may be viewed as an ordinary and necessary expense for an insurance salesman who is trying to drum up new business. However, the IRS may disallow a deduction for similar expenses to a chemist or computer programmer who generally doesn't need to incur them to carry out his or her job.

All expenses incurred for meals or entertainment also must be directly related to or associated with your business in order to qualify for a deduction. Essentially, you must expect to derive a specific business benefit and actually discuss business during the course of the meal or entertainment.

You also can deduct entertainment expenses that precede or follow a substantial business discussion. Generally, the entertainment must take place on the same day as the business discussion. However, if you're entertaining business guests from out of town, it can take place on the previous or following day.

#### How much can I spend?

You needn't shop around for the cheapest form of entertainment. But, the Internal Revenue Service expects your costs to be reasonable. As long as the entertainment isn't lavish or extravagant, and you meet all the other tests, chances are the deduction won't be denied. The IRS has allowed deductions for costs associated with attending theater and sporting events as well as hunting and fishing trips.

(See Money, Page 11)

## BofA Nevada introduces a new premium rate money market account

LAS VEGAS — Bank of America Nevada has announced that it has introduced a new premium rate money market account that pays some of the highest interest rates of any bank in the state.

The new money market account is called Interest Maximizer and it is designed to provide higher balance customers with a greater return on their investment. The interest earned is tiered and can increase or decrease depending upon the amount of money maintained in the account. The tiered rates are also determined by current market conditions.

"We are very excited about the Interest Maximizer product because it now provides investors with a greater incentive to establish their banking relationship with Bank of America," said Andrew Miller, senior vice president of BofA Nevada's Marketing and Product Services Department. "The intent of this product is to reward investors for maintaining higher balances

and still have access to their funds, unlike other investment products that restrict the use of those funds."

In order to be eligible for the Interest Maximizer product, investors must open a Prima Checking Account and maintain a combined balance of \$10,000 or more in two or more accounts. This product is a checkless account that customers access through a branch, ATM, Bank By Phone or 24-hour AnswerLine services.

"Relationship banking is what Interest Maximizer is all about," Miller said. "The more accounts a customer has with Bank of America the more we want to reward that customer for banking with us."

Miller added that the bank is looking at other areas to reward customers for establishing multiple relationships with the bank. He says people want value for their loyalty and BofA is committed to providing its customers with added benefits.

## What is estate planning?

(Part 1)

By James P. Greene Esq.

Life gives two guarantees, death and taxes!

Recently, increased attention has been given to the topic of estate planning. This attention arises from the demographic patterns now developing in the U.S., which show a large group of "Baby Boomers" turning 50. The members of this group have accumulated assets over their lifetime and represent the predominant wealth holders in the country. As would be expected, Baby Boomers are being deluged by estate planning ideas that save on taxes, transfer assets and protect businesses. Most of us are familiar with a few of the estate planning ideas, such as Wills and Trusts, but few people understand what estate planning really means and why it is significant. One reason for the lack of understanding is because estate planning is becoming more of an art form than a set of hard and fast rules. Estate planning revolves around the changing tax laws and the changing complexity of financial instruments in the market place.

Any combination of estate planning tools can yield different tax conclusions depending on the person's family structure and asset composition. Even some estate planners are unsure how some techniques work in an individual's complete estate planning portfolio. Nevertheless, certain basic concepts, principles and goals exist and are adhered to by the profession.

To get an overall picture of estate planning, we must divorce ourselves of some basic misconceptions. In general, estate planning prepares you and your family for any of life's uncertainties, and by doing this it enables you to maximize your financial security. This may sound vague but in practice it's not.

Before estate planning can be understood, we must know what it is not. Consequently, a number of misconceptions must be immediately addressed. First, estate planning is not "only for the rich." Second, estate planning is not "only for purposes of death." Third, estate planning is aptly used to protect children, spouses, parents, the handicapped, the elderly and numerous individuals who make up your family. Fourth, estate planning should be started earlier rather than later. Fifth, people involved in businesses must look at estate planning as a way to protect their assets and their family from creditors and litigation.

#### Estate planning is not just for the wealthy

Many people believe estate planning is only for the wealthy. This probably stems from our

understanding of what is an "estate." Our indoctrination to the word "estate" comes from such television characters as J.R. Ewing or Blake Carrington. They have "estates." We have "houses." The word "estate" in "estate planning" is more of a concept than a definable word. The word estate could be substituted with the words personal "welfare" or "well being" and still have the same meaning. In fact, planning for your "well being" more aptly defines what is being done for the client. It is clear that everyone should plan for their "well being," no matter what their income. Consequently, income is less important and other factors become more important, such as, what we own now, or what would make our family happy, or what would make the future brighter. With these guidelines, we can begin to understand estate planning; it is methods of securing our present and future welfare.

One way to approach estate planning is to think about everything we hold dear (including family, friends and possessions) and say "what could I do to protect my family

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## Retirement planning simplified; learn how at U.S. Bank seminar

Jackie Thornhill, of U.S. Bancorp Securities, and Mike Diver, Regional Vice President of Wood Logan Companies, will hold a seminar on retirement

planning tips and investment planning for the future on Thursday, March 7, 1996 from 6:00 to 7:00 p.m. at the U.S. Bank East Tropicana office, 4320 East Tropicana Avenue.

The seminar is designed for people of all ages who wish to learn strategies to implement today for a more secure financial future. Information will be presented in an informal setting, with an opportunity for questions and answers from the experts.

For reservations and further information, contact U.S. Bank's Denise Kusy at 434-2225.

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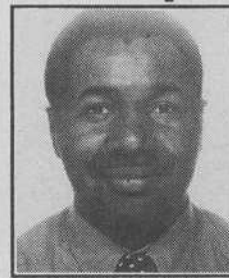
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