

BERRIEN COUNTY RECORD'S

FINANCIAL GUIDE

FEATURING CURRENT TAX INFORMATION

WEDNESDAY FEBRUARY 9, 1994

16 PAGES

**Look Inside For
Important Infor-
mation Featuring:**

- **Savings & Investments**
- **Retirement**
- **Taxes**
- **Insurance**
- **And More...**



SUPPLEMENT TO THE

Berrien County Record

Do Retirees Have To File?

Although you may have retired, this may not mean the end of your tax responsibilities as well. Your income may be at or above the amount needed to file a federal income tax return.

Use the chart below to see if you must file a federal income tax return. To use this chart, find your filing status at the end of 1993 in the first column, then read across for your age at the end of 1993. You must file a return if your gross income was at least as much as the amount shown in the last column. Gross income means all income you received in the form of money, goods, property, and services that is not exempt from tax, including any gain on the sale of your home (even if you may exclude or postpone

part or all of the gain). See your tax forms package to find out what types of income to include. Do not use this chart if someone else can claim you as a dependent on his or her return.

Even if you do not have to file a return, you should file one to get a refund of any federal income tax withheld (for instance, if federal tax was withheld from your pension or bank interest).

For specific details on whether or not you must file or should file, and which filing status you qualify for, refer to your tax package, or see IRS Publication 501, *Exemptions, Standard Deduction, and Filing Information*. Call 1-800-829-3676 to order a free copy of the publication.

FILING STATUS	AGE*	GROSS INCOME
Single	65 or Older	\$ 6,950
	Under 65	\$ 6,050
Married, living with spouse (Joint Return)	65 or Older (Both Spouses)	\$12,300
	65 or Older (One Spouse)	\$11,600
	Under 65 (Both Spouses)	\$10,900
Married, not living with spouse (Joint or Separate Return)	Any Age	\$ 2,350
Head of household	65 or Older	\$ 8,700
	Under 65	\$ 7,800
Qualifying Widow(er) with Dependent Child	65 or Older	\$ 9,250
	Under 65	\$ 8,550

* If you were age 65 on January 1, 1994, you are considered to be age 65 at the end of 1993.

Tax Changes for '93 - '92 Comparison

Tax Brackets Widened. For married couples, the 15 percent tax bracket extends up to taxable income of \$36,900, an \$1,100 increase. The 28 percent bracket goes from \$36,900 to \$89,150, a \$2,650 increase. For singles, the 15 percent bracket rises \$650 to \$22,100 and the 28-percent bracket is up \$1,600, to \$53,500.

Earned Income Credit Expanded. Qualifying individuals with income up to \$23,050 — a threshold \$680 higher than in 1992 — can claim the EIC. Also, the maximum EIC can be as much as \$2,364, a \$153 increase.

Exemptions Increased. Personal exemptions for 1993 are raised \$50 to \$2,350. The personal exemption phaseout will start for married couples filing jointly with income above \$162,700 (\$81,350 for separate returns), and above \$108,450 for singles. For 1992, the phaseout for couples started at income above \$157,900 (\$78,950 for separate returns), and above 105,250 for singles.

Standard Deduction Raised For Some. The standard deduction for married couples is \$6,200, an increase of \$200 over 1992. For single taxpayers, the standard deduction is \$3,700, an increase of \$100. The extra standard deductions for age and blindness remain at \$700 for married taxpayers and \$900 for singles. The minimum standard deductions for an individual

who can be claimed as a dependent on another person's tax return remains at \$600.

Itemized Deductions Limited. The limitation on itemized deductions affects taxpayers with income over \$108,450 (\$54,225 for those filing separate returns), up from the 1992 income level of \$105,250 (\$52,625).

More For Campaign Fund. Now you can have \$3 (and \$3 for your spouse if filing jointly) of your tax go to the Presidential Election Campaign Fund. The check-off amount was increased from \$1 to \$3 to compensate for inflation since 1974. A free brochure, *The \$3 Tax Checkoff*, is available from the Federal Election Commission by calling 1-800-424-9530.

New Tax Bracket For Higher Income. A new 36 percent tax bracket and a 10 percent surtax (10 percent of 36 percent) were added to the tax rates. Individuals may elect to pay the additional income tax caused by the increased rates in installments. Follow the instructions in your tax forms package.

Additional Information. For more on the tax law changes for 1993, get IRS Publication 553 *Highlights of 1993 Tax Changes*. The publications listed in your tax forms package may be helpful as well. Send for them using the order blank, also in the package, or call 1-800-829-3676.

NEWS

FOR SENIORS

New Charge Card Offers Security and Savings

(NAPS)—Enhanced service, security and savings. Those are just some of the benefits in store for many older Americans these days, thanks to a new charge card membership plan.

Created especially to meet the needs of those approaching and enjoying retirement, Senior Membership from American Express provides all of the benefits and services associated with American Express Card Membership, including no pre-set spending limit, 24-hour service and emergency card replacement, \$100,000 Travel Accident Insurance, the Purchase Protection Plan, the Buyer's Assurance Protection Plan and Car Rental Loss and Damage, plus:

- Senior Membership HORIZONS—a quarterly newsletter containing informative articles on subjects of interest and special offers to Senior Members

- Special Offers for Senior Members—Special values and benefits from selected airlines, rental car, lodging, retail and restaurant establishments that welcome the American Express Card

- Senior Global Assist Hotline—a 24-hour hotline Senior Members may call for travel information, referrals to doctors or lawyers, rush replacements of prescriptions or eyeglasses and information about special events and facilities that provide special services to older individuals

- Special Services—Senior



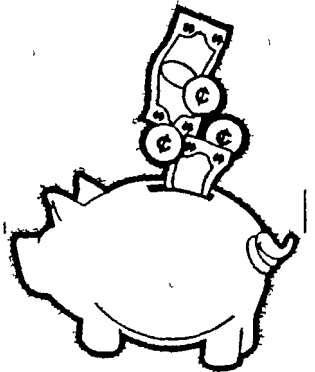
Special services and special values are available to American Express Senior Members.

Members receive toll-free access to Ask The Pharmacist, a 24-hour hotline to licensed pharmacists who can answer questions about prescriptions and other medicines. They may also enroll at a 50 percent discount in SeniorNet, a non-profit membership organization for people age 55 and older who are interested in computers.

- Satisfaction Guarantee—Senior Members who are not completely satisfied and wish to cancel their membership in the first year will have the annual fee refunded in full.

The annual fee is \$55 per year—\$35 for Senior Members age 62 and over. Gold Card Senior Membership is \$75 per year—\$55 for Senior Members age 62 and over. Senior Members who enroll prior to their 62nd birthday will receive the lower annual fee at the first renewal after they turn 62. If you're interested in applying, call 1-800-323-8300.

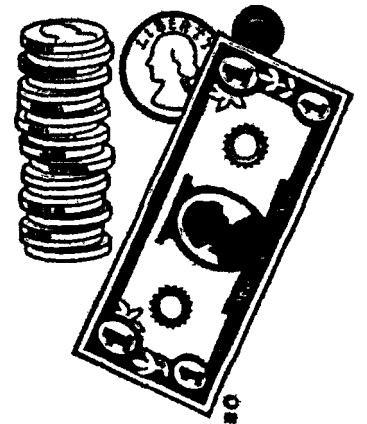
Child or dependent care straining your budget?



You may be able to get a tax credit if you pay someone to care for your children or disabled dependent so you can work. Don't break the bank. Take credit where credit is due.

Call the IRS at 1-800-829-3676 and ask for free Publication 503.

Something you should know before April 15.



BECAUSE LaSalle Federal is part of the community, we understand this need and have the services available to help you reach your financial goals and possibly reduce your taxes.

Like our Individual Retirement Accounts (IRAs), which are tailored to your fit your specific needs. An IRA will help you set aside a nest egg for the future.

For those large purchases thought to be out of reach, you can get the money you need through a Home Equity Loan.

And some Home Equity Loans and IRAs can actually reduce your taxes. Talk to one our friendly and knowledgeable loan officers and find out how LaSalle Federal can possibly reduce your taxes and put you on the path to financial stability.



- Buchanan 695-3884
- Bridgmann 465-5500
- Coloma 468-6741
- Decatur 423-7081
- St. Joseph 982-4175
- Niles 684-7780



Member FDIC

IRS says to start now

DETROIT — Nearly 4.2 million Michigan taxpayers have now received their federal tax packages and W-2 wage statements from their employers," said IRS district director John Hummel, "so it's a good time to start organizing records and receipts and file 1993 federal income tax returns. And over 900,000 Michiganians received the special 1040-TEL package that will allow them, for the first time this year, to file by touch-tone telephone through the new TELEFILE system," he said. "An average TELEFILE phone call lasts 5-7 minutes and taxpayers receive their refunds in about three weeks."

"The good news is that there are very few tax changes affecting 1993 returns," Hummel added, "so many taxpayers should be able to prepare their own tax return using last year's return as a guide."

"I want to encourage taxpayers to file as early as possible — avoid the last minute rush — and certainly to take advantage of electronic filing. Electronic filing means faster refunds and more accurate returns. Even if taxpayers owe the IRS money, they can still file electronically and pay by

April 15," said Hummel. "Low-income working individuals with at least one child at home may be eligible for an additional refund through the Earned Income Credit (EIC)," Hummel said. "Through EIC, qualified families may be entitled to an additional \$2,364 back from the IRS."

"We are geared up and ready to help Michigan taxpayers with their tax questions," Hummel added. "Assistance is available from the IRS in a variety of ways. First, our toll-free telephone operators are standing by waiting to answer tax questions on 1-800-829-1040. Taxpayers can also phone our pre-recorded system, Teletax, on 1-800-829-4477. This computer assisted program provides information on over 150 tax topics, 24 hours a day. We are also staffed to answer questions in person at our offices around the state. Finally, to order forms and publications free of charge, taxpayers can call our toll-free forms order line on 1-800-829-3676."

"To sum up, start now — don't wait! And remember that we are here to help," Hummel said.

Take the chill out of your energy bills

(NAPS)—Think you're doing all you can to lower your energy bills? If so, you're not alone, more than 90 percent of 703 consumers surveyed believe they're doing a good job of saving energy.



Yet approximately half don't take the minimum steps necessary to keep their heating and cooling equipment running efficiently. The survey, conducted for Honeywell

Inc, found that more than half of the consumers contacted don't change air filters the recommended four times a year, and 45 percent don't have their systems professionally checked annually.

Other survey findings include: nearly one-quarter of respondents open windows when the air conditioning or heating is on, yet less than 39 percent were concerned this might increase energy bills, and nearly 84 percent adjust their thermostats for times they're away from home, but only 37 percent have programmable thermostats.

For more information on how to maximize energy savings, call Honeywell Inc at 1-800-345-6770, x7120, and ask for "The Comfort Factor: Keep Warm This Winter and Save Energy and Money in the Process" brochure, or contact your local Perfect Climate Dealer.

Dependent's Income

If a person who can be claimed as a dependent has more than \$600 in income, any part of which is unearned (such as interest or dividends), federal income tax may be owed on a portion of the income. Call 1-800-829-3676 and order free IRS Publication 929, *Tax Rules for Children and Dependents*, for details.

Are You Exempt?

If your total income for 1993 was too low to be taxed, and you expect the same for 1994, you may qualify not to have taxes taken from your pay during 1994. See Form W-4 instructions for more details on being exempt from withholding.

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If you have any questions about your taxes here are four ways the IRS can help you find answers. You can call our toll-free hotline at 1-800-TAX-1040. You can talk to our volunteer tax assistants in your neighborhood, or pick up free forms and publications. And you can use our Tele-Tax service for automated refund information or recorded tax information about nearly 140 subjects, including the topics below. Tele-Tax can be reached by calling 1-800-829-4477, or the local number listed.

Just what do you have to do to get through to the IRS?

in your Federal tax instruction booklet. You'll get through loud and clear.

- IRS Help Available •IRS Procedures •Collection
- Alternative Filing Methods •General Information •Filing Requirements.
- Filing Status, Exemptions
- Types of Income
- Itemized
- Adjustments to Income
- Deductions •Tax Computation •Tax Credits •IRS Notices and Letters •Employer Tax Information •Magnetic Media Filers •Tax Information for Aliens and U.S. Citizens Living Abroad
- Tax Information for Puerto Rico Residents (in Spanish) •Other Tele-Tax Topics in Spanish

Internal Revenue Service
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We offer a free service that can show you exactly what your IRA will be worth at retirement. If it's not achieving the results you want, I'll show you your options. Remember, even a small increase in the rate you're earning today can make a big difference when you retire. To see just how big, call or stop by today.

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CPAs offer free tax advice

FARMINGTON HILLS — Swamped with tax questions and don't know where to turn? Help is only a phone call away. For the seventh consecutive year, the Michigan Association of Certified Public Accountants is sponsoring its annual "Ask-a-CPA" Call-in Days. This program provides taxpayers the opportunity to have their federal and state tax questions answered free by certified public accountants on three separate days.

Taxpayers with questions may call the numbers below on the following dates: Saturday, Feb. 26 from 9 a.m. - 4 p.m., 771-6680 or 771-6678; Saturday, March 5, from 9 a.m. - 4 p.m., 313-855-2288; and Sunday,

March 6, from noon-4 p.m., 313-855-2288

More than 35 CPAs will be available each day to assist callers. Taxpayers may call as often as they wish, however, they are limited to two questions per call in order to accommodate as many as possible.

"Our goal in offering this program is to share our expertise with the public, especially those who complete their own tax returns but have a few questions," says Phyllis B.C. Kramer, CPA, chairman of the "Ask-a-CPA" Call-in Days. "In the past six years, the program has assisted nearly 3,500 taxpayers statewide."

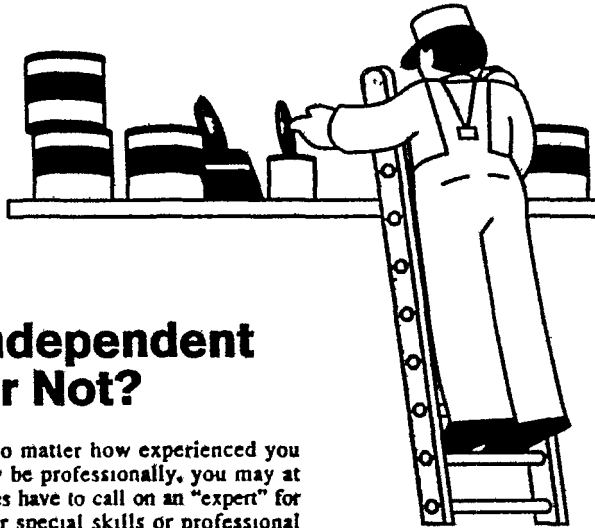
Debt Forgiven But Not Forgotten

If your bank has forgiven a debt you were to repay, it probably won't be forgotten at year's end. Generally, financial entities must report the cancellation of some debts of \$600 or more to the IRS, if the debts are canceled after 1993.

Financial institutions and credit unions, as well as the Federal Deposit Insurance Corporation (FDIC), the Resolution Trust Corporation (RTC), the National Credit Union

Administration (NCUA), and other Federal executive agencies must file information returns for discharges of indebtedness of \$600 or more.

A canceled debt, or a debt paid for you by another person, is generally income to you and you must report it on your income tax return. This includes a discount offered by a financial institution for the prepayment of a mortgage loan



Independent Or Not?

No matter how experienced you may be professionally, you may at times have to call on an "expert" for their special skills or professional guidance.

Whether you hire an accountant, lawyer, builder or other professional, knowing whether this person is your employee or an independent contractor is crucial when it comes to tax reporting.

Control is the test used to determine whether a worker is an employee or an independent contractor. There are 20 common factors that are used to determine whether control exists. IRS Publication 937, *Business Reporting*, lists 20 factors used to determine a person's status.

Independent contractors, like the ones listed above, actually run their own business and have other clients besides you. They can, for example, set their own hours and methods for doing the job and they don't have to report to you on a regular basis.

After hiring an independent contractor, you are obligated to file Form 1099-MISC, "Miscellaneous Income," to report to the IRS payments of \$600 or more you made to that person. Refer to IRS Publication 937, *Employment Taxes and Information Returns*, for more information.

Workers, for example, for whom you set work hours, provide tools, tell what to do and how to do it, and whom you can fire, generally are con-

sidered employees. It doesn't matter if they work full-time or part-time, or if you allow them the freedom to get the job done in any way they choose. Also, it doesn't matter if you call workers "independent contractors" in a business contract with them. If they meet the control test they are considered employees.

As an employer you have special employment tax responsibilities, such as paying, withholding and remitting certain taxes on behalf of your employees. See IRS Publication 15 (Circular E), *Employer's Tax Guide*, for details.

If you're still confused about whether your bookkeeper, office handyman, or neighbor's son are employees or independent contractors, you can ask the Internal Revenue Service to help you figure it out. Fill out a Form SS-8, "Determination of Employee Work Status for Purposes of Federal Employment Taxes and Income Tax Withholding."

Ask for any of the above forms and publications by calling the IRS at 1-800-829-3676. The IRS also has an instructional VHS videocassette, "Employee or Independent Contractor." To order a copy, call 1-800-829-1040 and ask for the Taxpayer Education Coordinator.



What to Expect if You Are Audited

These are typical questions asked by taxpayers and are presented as a public service of this publication and the IRS.

Q. I got a notice in the mail that the IRS is going to audit my return. I've always been very careful about my taxes. Why are they picking on me?

A. First of all, the audit is not an indictment of you or your tax return. It's usually the IRS's way of verifying certain elements of your return. When you are selected for an audit, or in the IRS terminology—an examination, it's normally because your return was selected by an automated screening procedure and was flagged to be checked for possible errors.

Q. What do I do now?

A. The first thing you should do is read the letter carefully. It will tell you the time, date and place the audit is scheduled, as well as what parts of the return will be examined and what records you will need.

Q. How do I prepare for the audit?

A. A little careful preparation can make your tax examination a relatively painless process. The IRS will tell you what they want to see. Gather up the appropriate material well ahead of time, and be prepared to back up your tax return claims with the appropriate documents. In many cases, your audit will focus on your ability to provide supporting

documentation for specific claims or deductions.

Q. Can I bring someone with me to the audit?

A. You may bring with you an attorney, certified public accountant, enrolled agent, the individual who signed your return as a preparer or anyone who is knowledgeable about your tax-related books and records. However, generally only an attorney, CPA or enrolled agent may represent you. Your representative will need written authorization to represent you in your absence.

Q. What happens after the audit?

A. Once the examination is completed, the auditor may propose changes in your tax return and explain why. If you don't understand the reasons, feel free to ask as many questions as you like. However, if you disagree with the findings, you can request an immediate meeting with the supervisor or you can use the more formal IRS appeals process.

For more information on IRS examinations and appeals call 1-800-829-3676 and order free IRS Publication 556, "Examination of Returns, Appeal Rights, and Claims for Refund."

"Hey, We're Being Audited!" a film depicting the audit of an average family is available for groups or organizations to view. To order, call 1-800-829-1040 and ask for the Public Affairs Officer or the Taxpayer Education Coordinator.

Business Expenses

Self-employed individuals can deduct many business expenses such as gifts, entertainment and travel. See Publication 463, *Travel, Entertainment, and Gift Expenses*, for details.

Withholding a Must for Tips

Employers are responsible for withholding social security and income taxes on tip income reported to them by employees.

Free Information for New Small Business Owners

If you are just starting out with your own business, the IRS has some important information for you. In the free Business Tax Kit, you get basic tax forms and information that relate to most businesses, plus an order blank for other forms and publications that might be helpful for your business. Get your business off to a good start. Write or call the IRS office nearest you and ask for Your Business Tax Kit.

IRS Tax Guide Collection

Publication 1194, *Tax Information Publication*, a three-volume reference set of the IRS's most requested publications, is available for public use at most libraries.

Fishermen's Tax Guide

IRS Publication 595, *Tax Guide for Commercial Fishermen*, contains tax information to assist those in the fishing industry prepare their Federal income tax returns. Topics such as recordkeeping, business expenses, depreciation, and treatment of wages paid to crew members are covered. This handy reference tool can be ordered by calling 1-800-829-3676.

Photocopy Tax Forms At Library

When you can't find a certain tax form, check your local library. Many libraries stock the most often used tax forms, schedules and instructions. Some libraries also have a reproducible federal income tax forms package, Publication 1132, which contains the commonly used forms, from which you can make copies.

Enough Tax?

Get free IRS Publication 919, *Is My Withholding Correct for 1994?*, to see how the income tax you are having withheld compares to your estimated total annual tax. Call 1-800-829-3676 to order.

It's Number One!

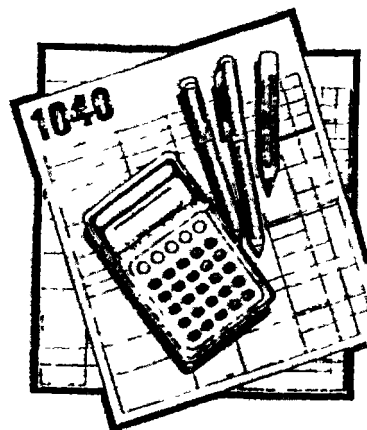
In the IRS's vast library of over 100 free publications, there's no mistaking what's number one — Publication 1 *Your Rights as a Taxpayer*. To find out what rights you have, order Publication 1 by calling 1-800-829-3676.

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Become fiscally fit in '94

DENVER, Colo. — Most people make New Year's resolutions and among the favorites is getting personal finances in order. According to a recent study conducted by New York's Scranton University, Americans' primary concern going into the new year was to better manage their personal finances.

To help citizens realize this goal, the Denver-based Institute of Certified Financial Planners offers a consumer assistance line 1-800-272-PLAN where people can obtain, at no charge, a list of up to three planners in their local area, along with an informative brochure, "Selecting a Qualified Financial Planning Professional: Twelve Questions to Consider." The brochure offers suggestions on the variety of ways planners can serve — where one is working toward a special financial goal or more specific needs such as funding a child's

college education, reviewing retirement options or reducing a debt burden. Or, the planner can look at the total financial picture and develop a comprehensive plan to meet an individual's short and long-term needs, focusing on areas such as taxes, estate planning, investments and insurance.

When considering planning assistance, the brochure advises several guideposts to help make an informed choice. Advance written disclosure by the planner of how the planner performs financial planning and how they are compensated should be expected. Individuals should also obtain information on the planner's business philosophy, areas of specialty, professional affiliations and should interview at least three planners in person to compare their styles, responsiveness to needs, and determine a level of comfort with each.

Certified Financial Planner

licensees represented by the institute complete extensive coursework to obtain their credentials in areas such as tax management, employee benefits, retirement and estate planning and insurance. The CFP designation is the most widely recognized symbol of excellence in the financial planning profession. As the professional association representing CFP licensees, the institute calls on its members to aspire to the highest levels of ethical conduct, personal development, professional competence and service to the public.

One of the institute's primary public service efforts is to help consumers become more financially literate. The organization offers a number of brochures and personal finance books in addition to its consumer assistance line. Simply request an order form for these additional materials when calling for a list of planners in the area.

Business News Notes

First-Year Expense Deduction Increased. Business persons can elect to deduct, rather than depreciate, up to \$17,500 (increased from \$10,000) of the cost of some tangible personal property purchased for use in their trade or business. The amount phases out if more than \$200,000 of qualifying property is placed in service during the year. IRS Publication 534, *Depreciation*, provides more information.

Health Insurance Deductible. Certain self-employed persons or persons who own more than 2 percent of the outstanding stock of an S corporation can deduct as an adjustment to income up to 25 percent of the amount they paid for medical insurance for themselves and their families. See IRS Publication 502 *Medical and Dental Expenses*, for more information.

Mileage Rates Announced. The standard mileage rates for 1993: Business - 28 cents; rural mail carriers - 42 cents; charitable purposes - 12 cents; medical expenses - 9 cents,

and, moving - 9 cents.

Educational Assistance Exclusion Extended. Employees can still exclude from income up to \$5,250 of educational assistance provided by their employers under a qualified plan. Expected to expire in 1992, this program was extended until December 31, 1994, and is retroactive to July 1, 1992. Educational expenses are covered in IRS Publication 508.

Social Security Rate Unchanged. The 1994 withholding rate for social security is 7.65 percent for the employer and the employee (a total of 15.3 percent). The 7.65 percent tax is a total of 6.2 percent for social security and 1.45 percent for Medicare. The maximum amount of wages subject to the social security part is \$60,600. There is no ceiling on the wages subject to the Medicare tax. IRS Publication 15 (Circular E), *Employer's Tax Guide*, explains.

Jobs Credit Extended. Employers can still claim the targeted jobs credit for wages (up to \$6,000) paid or

incurred for qualified employees who begin work by December 31, 1994. Originally due to expire June 30, 1992, the targeted jobs credit was extended to include employees who began work after June 30, 1992. For more information, see IRS Publication 334.

Depreciation on Business Cars Limited. The total section 179 deduction and depreciation you can take on a business car that you first placed in service in 1993 is \$2,860. Your depreciation cannot exceed \$4,600 for the second year, \$2,750 for the third year and \$1,675 for each later tax year of recovery. IRS Publication 917, *Business Use of a Car*, has details.

Travel Expense Change. Travel expenses paid or incurred in 1993 in connection with your employment away from home are not deductible if that period of employment exceeds one year. Refer to IRS Publication 463, *Travel, Entertainment, and Gift Expenses*, for more on business travel.

You & Your MONEY

Is There A Bond In Your Future?

(NAPS)—With tax rates rising again, many people can benefit from investing in investment grade, tax-free municipal bonds. But many of us, accustomed to Certificates of Deposit (CDs) and stock mutual funds, don't understand bonds.

1 *Aren't bonds only for the wealthy? Not true.* High quality tax-free bonds should be part of every investor's diversified portfolio. And, regardless of your tax bracket, nearly every investor can benefit from tax-free income.

2 *If I buy a ten-year bond, don't I have to wait ten years to get my money back? Not true.* Bonds are extremely liquid; you can always sell your bond prior to maturity. The dollar value of bonds traded daily is more than twice the value of stocks traded. The price you get will fluctuate according to market conditions (just like stocks) you might get the same, more or less than you paid for the bonds.

3 *If interest rates rise, couldn't I lose money on my bonds? Not necessarily.* While bond prices do fluctuate, if you hold your bond to maturity you will get back the full face value of the bond—just like a CD—regardless of what interest rates do.

4 *What types of bonds are right for me? Every investor can benefit by including bonds in their portfolio.* As example, a young couple with small children, may choose tax free zero coupon bonds,



maturing in 12-15 years, to pay for their children's college education. On the other hand, a retired couple living on savings and social security should choose a variety of investment-grade municipal bonds in order to have a guaranteed monthly income, while preserving their capital as a nest egg to leave to their children or grandchildren.

Once you know more, you'll realize that you should have some bonds in your portfolio. For a free brochure and "Guidelines and Information for the First-Time Bond Buyer," send a self-addressed, stamped legal-size (#10) envelope to Bond Guide, W.J. Nolan & Co., Two Wall Street, New York, N.Y. 10005.

Exclusion Cancels Farm Debt As Income

Those in the farming business may have different rules when it comes to reporting income from a canceled debt.

Usually, if a debt you owe is canceled or forgiven either through a gift or bequest to you, you must include the canceled amount in your gross income for tax purposes. A debt includes any indebtedness for which you are liable or which attaches to property you hold.

There is a relief provision from this general rule if the canceled debt is a qualified farm debt and it is canceled by a qualified person.

Your debt is a qualified farm debt if:

- 1) You incurred it directly in operating a farming business, and

- 2) At least 50 percent of your total gross receipts for the 3 tax years preceding the year of the debt cancellation were from your farming business.

The exclusion does not apply if a debt cancellation is not included in income because it takes place under the bankruptcy code, or if it takes place when you are insolvent (your liabilities exceed the fair market value of your assets).

To see if you meet this requirement, divide the total gross receipts from farming for the 3-year period by your total gross receipts from all sources, including farming, for that period.

The person who cancels or forgives

your qualified farm debt must be a qualified person — one who is actively and regularly engaged in the business of lending money and is not a relative, a person from whom you acquired the property (or a relative of that person), or someone who receives a fee from your investment in the property (or a person related to that person). A qualified person includes any federal, state, or local government, or any of their agencies or subdivisions. Therefore, these rules apply to debts discharged by the U.S. Department of Agriculture.

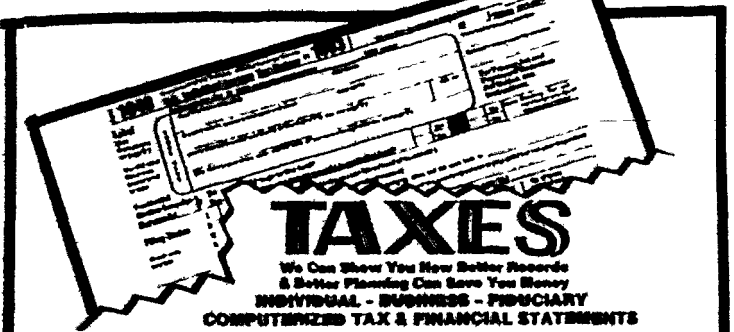
IRS Publication 225, *Farmer's Tax Guide*, further explains. Call 1-800-829-3676 to order it.

writer

- Clean or replace heating and air conditioning filters monthly
 - Take five-minute showers—they use less hot water than do tub baths.
 - Use your dishwasher rather than wash by hand, but wait till it's full
 - Fill empty spaces in your freezer with ice
 - Use the microwave as frequently as possible.
 - Cover cooking pots and fit pot size to burner size.
- If you are in the market for a

new home, consider an energy-efficient Good Cents Home. A Good Cents Home adds comfort, convenience and value. Because a Good Cents Home is more energy-efficient, you'll save money on your monthly utility bill.

Contact your local electric utility company for more information about Good Cents or send a stamped, self-addressed envelope to "The Good Cents Guide To Energy Fit Homes," 84 Perimeter Center East, Atlanta, Georgia, 30346-6401.



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Suite 700

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ENERGY SAVING IDEAS

Good Cents Tips

(NAPS)—Here are some electrifying tips that will help you save both money and the environment. They come from the experts at the Good Cents Home Program, the country's largest energy-efficiency program, licensed by nearly 300 utilities nationwide.

- Set the thermostat at 78° or more in summer, 68° or less in

Don't wait until April 14 deadline to hire a CPA

If you are considering hiring a Certified Public Accountant (CPA) to prepare your taxes, the Michigan Association of CPAs recommends that you begin your search for the right help now. Not all CPAs are created equal, and those who may be the most qualified to prepare your return could be unavailable if you wait until your tax return is due.

To ensure hiring the right CPA, consider the complexity of the tax return. Is there a home-based business? Have there been large capital gains or losses in the last year? Was a large casualty loss experienced in the past year? Is there rental property? If so, try to retain a CPA who has experience dealing with these kinds of issues.

Even if needs are not complex, taxpayers may still find the help of a

CPA to be cost effective if they have experienced a major lifestyle change such as retiring, divorcing or assuming full-time care for a relative. Additionally, if one thinks the new tax law will result in significant changes to tax liability, it may be a benefit to obtain assistance.

If taxpayers have never hired a CPA to prepare taxes before, they can start searching for one by contacting friends and associates who may have similar incomes or be involved in similar lines of work. They can also check with a local chamber of commerce, as well as civic and church groups for names of qualified CPAs. Finally, ask other professionals such as bankers, attorneys and insurance agents for referrals.

Once a few names have been

obtained, try to call or personally interview at least three different CPAs. This will help assess differences in style, capabilities and fee structures.

During the interview process, taxpayers will want to learn as much as possible about the preparer's professional background. Find out whether the individuals work as tax preparers full-time or part-time, the number of years of experience and their level of education. Also ask about their memberships in professional associations.

Also, don't be shy about asking a prospective CPA for the names of clients who can be contacted. Find out from past clients how satisfied they were with the work performed and whether it was done in a timely manner.

The cost of preparing a tax return can range anywhere from under \$100 for a short-form return to thousands of dollars for a complicated return. Find out whether the CPA charges on an hourly basis, uses a lump sum, or bases the fee on the number of tax forms that need to be completed.

To assist the CPA in determining a fee, provide him or her a copy of last year's tax return, pointing out any differences in the financial or tax situation.

The Michigan Association of CPAs emphasizes that any good CPA will want to find out how much taxpayers can contribute to the tax preparation process. If they can identify the tax issues that need to be addressed and have well organized tax records, a preparer can work more efficiently and cost-effectively.

Creating Wealth

Maximize retirement savings

By Herb Vest

(NAPS)—When the average retiree was relatively brief, retirees could be content to simply maximize the income generated by their savings and investments. In the 1990s, however, retirees who want to protect their nest eggs are asking how they can maximize the purchasing power of their portfolio so that it will not be depleted by inflation.



Vest

The answer is to defy the common practice of investing solely in CDs, money markets and bonds by investing a portion of your assets in stocks. Generally, you should select from conservative stock mutual funds that have a long-term track record of solid growth. The fact is that despite periodic ups and downs stocks have outperformed other investments over time.

Quite simply, adding stocks to your portfolio may help you outpace inflation and protect your nest egg during your retirement years.

Herb Vest is Chairman and CEO of H.D. Vest Financial Services, the fastest growing financial services company in the nation with more than 3,800 representatives nationwide. He is co-author of an exciting new book on personal finance, "Wealth: How To Get It, How To Keep It—The H.D. Vest System for Achieving Financial Security." To order, or for a free booklet on H.D. Vest's "10 Principles of Successful Investing," call 1-800-4WEALTH.

Investments offered through H.D. Vest Investment Securities, Inc., Member SIPC. CDs are federally insured and offer a fixed rate of return, whereas both the principal and yield of investment securities fluctuate with market changes. Past performance is not indicative of the future performance of any investment.

TOWARD A SECURE RETIREMENT

UNDERSTANDING SOCIAL SECURITY & MEDICARE

Age-Related Medical Research

By Martha A. McSteen, President

The National Committee to Preserve Social Security and Medicare

(NAPS)—The stereotype that older people are an intolerable burden on our health care system is worrisome enough because it is devoid of compassion. Beyond that, however, it is simply off-target. The question "Who shall pay..." is the wrong question.



McSteen

The right question would be, "How can we, as a society, best meet the challenge of providing affordable, high-quality health care to our aging population?" The answer to this question is, "By substantially increasing our investment in age-related biomedical, clinical and behavioral research." The reasons for doing so were succinctly summarized in the opening paragraph of a 1991 report from the Institute of Medicine:

"Science offers the best hope to improve the older person's quality of life. Research that is directed and supported properly can provide the means to reduce disability and dependence in old age, and can decrease the burdens on a health care system strained to its limits."

Research Priorities

The National Institute on Aging's \$400 million research portfolio includes all major diseases and disabling conditions associated with old age. The top priority is Alzheimer's disease, followed by osteoporotic hip fractures and the loss of bladder control. This targeting of major conditions leading to long-term care reflects the view that this offers the best chance of improving the quality of seniors' lives and containing the costs of health care.

Research by Disease

At present, Alzheimer's disease afflicts an estimated four million persons over age 65. It costs the nation \$90 billion a year.

Among fractures related to osteoporosis, a disease character-

ized by loss of bone density, hip fracture is the most serious. More than 90 percent of such fractures occur in persons over 70, and more than 90 percent of these fractures result from falls.

It is especially important to continue research that re-examines, with an open mind, old assumptions about aging. Many conditions long believed to be inevitable and irreversible by-products of old age have turned out to be not so inevitable, after all. One example is a form of high blood pressure called isolated systolic hypertension, or ISH. A nationwide clinical trial showed it can be treated successfully, cheaply, and without side effects. Researchers believe that treating ISH prevents up to 84,000 annual admissions to hospitals and nursing homes (mostly for strokes now known to be preventable) and saves \$200 million a year.

Health Services Research

In health services research, the focus is not on fundamental discoveries or new and better treatments. It is efficiency, and the idea is to identify better, cheaper ways of delivering health care services to more people. It is day-to-day operations research, unglamorous but essential.

You can learn more about issues of special concern to older Americans, including Social Security and Medicare, by joining the National Committee to Preserve Social Security and Medicare, an organization devoted to improving retirement income and health care. Free brochures about the organization and a copy of its magazine are available by writing to: National Committee, 2000 K Street, N.W., Washington, D.C. 20006.

Martha A. McSteen is President of the National Committee to Preserve Social Security and Medicare, the nation's second largest senior advocacy group. She spent 39 years with the Social Security Administration, rising from claims representative to acting commissioner. As one of the ten original Regional Medicare Administrators, Mrs. McSteen has an understanding of Medicare unique in the nation.

Farm Tax Facts

If you receive more than \$10,000 in one or more related transactions in your farming business, you must report the transaction to the IRS. File IRS Form 8300, "Report of Cash Payments Over \$10,000 Received in a Trade or Business," within 15 days of receipt of the payment or payments that total over \$10,000.

Payments to farmers from the government should usually be included in a farmer's income, regardless of whether the payment is made in cash, materials, services, or commodity certificates.

To certify that a non-U.S. citizen can work in this country, complete Immigration and Naturalization Service (INS) Form I-9, "Employment Eligibility Verification." Obtain and return the form to INS.

If you have to file an excise, alcohol, tobacco, firearms, or employment tax return, you should have an employer identification number and use that number on Schedule F for your farming business. Otherwise, use your social security number.

Effective January 1, 1994, farmer-employers must use the new

deposit rules, which make them either monthly or semiweekly depositors.

You may be able to claim a one-time credit or refund as the original purchaser of a diesel-powered car, van or light truck.

Beginning in 1994, certain vendors that sell undyed diesel fuel to farmers are allowed to apply for credits or refunds of the tax on diesel fuel sold for use on a farm for farming purposes. Farmers will no longer be able to apply for this credit or refund.

You may be able to claim a new general business credit, Indian Employment Credit, on qualified wages and employee health insurance costs you paid to an Indian after December 31, 1993.

Qualified contributions to a community development corporation (CDC) may be claimed as a general business credit.

More tax information for those in the agricultural industry can be found in IRS Publication 225, Farmer's Tax Guide. The latest tax changes are explained in Publication 553, Highlights to 1993 Tax Changes. Call 1-800-829-3676 to order them.

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Good tax records could save time and money

(Prepared by the Michigan Association of Certified Public Accountants)

Well-organized financial records can make preparing 1993 tax returns less difficult and may also prevent taxpayers from overlooking valuable tax deductions, says the Michigan Association of CPAs. Here's some guidance to help gather the documents needed for a 1993 tax return.

First, locate items that identify sources of income, such as W-2 forms provided by employers. These forms indicate how much was earned during the year and how much earnings were withheld for federal income tax, state income tax, FICA and Medicare Tax, among other things.

Also, locate 1099 forms that document interest and dividend income that was received during 1993. These forms are usually sent automatically by the bank, financial institution or stock brokerage house handling investments. Form 1099B is used by brokers to report sales of stocks or bonds made during 1993. Taxpayers should also set aside copies of brokerage confirmation slips and brokerage statements that can verify the amount of any capital

gain or capital loss that may be claimed.

Refunds of state and local income tax may also be considered taxable income. Form 1099G and a copy of the income tax return, for the year the tax is refunded, is necessary to verify the taxable amount, if any, of the refund.

Other sources of taxable income for which taxpayers should locate appropriate documentation include alimony pensions, Individual Retirement Account (IRA) distributions, annuities, unemployment compensation, Social Security benefits, gambling income, rent, and income from self-employment, trusts, partnerships, or S corporations.

As long as taxpayers itemize on a tax return, they may be able to claim deductions that can reduce taxable income. Here is a rundown of what individuals may be able to deduct and how they can substantiate it to the IRS.

Mortgage interest — If one owns his/her own home, he/she can generally deduct mortgage interest. Form 1098 or a statement from a bank or other mortgage holder will show how much interest was paid. Keep this along with a statement of use of loan proceeds, canceled

checks, original promissory note, mortgage and contract. Generally, one may also be able to deduct any interest paid on a home-equity loan.

State and local income taxes/property taxes — To claim deductions for state and local income taxes and property taxes, taxpayers need Form W-2 for withholding of income tax, as well as canceled checks, Form 1098, a statement from the taxing authority or bank statements that support the amount of property taxes paid on property owned.

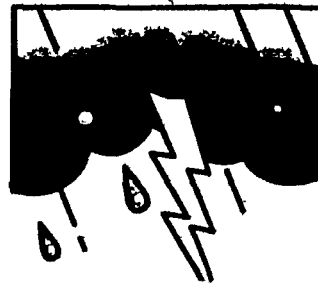
Charitable contributions — Be sure to have a list of the name and location of each charity to which one donated cash or property, and the amount and date of the donation. For 1993, taxpayers can substantiate cash contributions to the IRS with canceled checks or receipts from the charity. For charitable contributions of \$250 or more that will be made in 1994, taxpayers need written proof from the charity. To support noncash contributions, taxpayers should have a receipt or statement from the recipient organization indicating its name, location and description of the property donated. They should also have a record of the fair market value on the date the property was donated as well as the amount paid

for the property.

Medical expenses — Medical expenses that exceed 7.5 percent of adjusted gross income (AGI) are deductible. To determine if individuals meet this threshold, review all canceled checks, receipts and medical reimbursements for medical items and treatments.

Miscellaneous expenses — Review checkbook and credit card statements for miscellaneous expenses, such as amounts paid for uniforms and tools required for a job, union dues, unreimbursed employee business expenses, as well as job-hunting costs. An accurate record of when such expenses were incurred and when they were paid, along with canceled checks and receipts, will help substantiate a claim. Although the deduction for miscellaneous expenses is limited, taxpayers may still qualify for it.

CPAs urge taxpayers to remember that appropriate documentation is the best way to verify tax claims if the IRS decides to audit the return.



Farm Disaster Loss

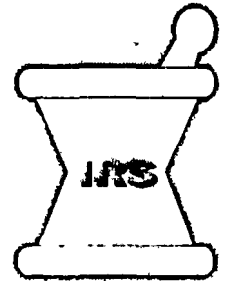
Farmers who receive insurance proceeds for crop damage due to floods or other natural disasters, or the inability to plant crops because of these events, may qualify to report this income in the year after receipt.

Since farmers often report the income from crop sales in the year after the crops were harvested, this provision allows farmers whose crops are damaged or destroyed to avoid reporting two years' income in the same year.

To qualify, farmers must use the cash method of accounting and must establish that the proceeds from the sale of the destroyed crops would have been reported in a year following the damage.

More information on disaster losses can be found in IRS free Publication 225, *Farmer's Tax Guide*. Call 1-800-829-3676 to order the publication.

TAXES CAN BE A PAIN!

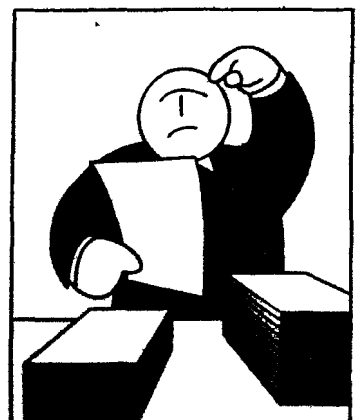


Don't make it worse by letting another year slip by without filing.

If you missed filing for a year or so and you should have filed, the people at the IRS have a cure. Just give them a call and explain what happened. They'll help you find a way to make things better... maybe set up a payment plan or talk about an offer to settle what you owe. They'll even see that you get your refund if you've got one coming.

Call the people at the IRS any time of year. It's good medicine.

1-800-829-1040



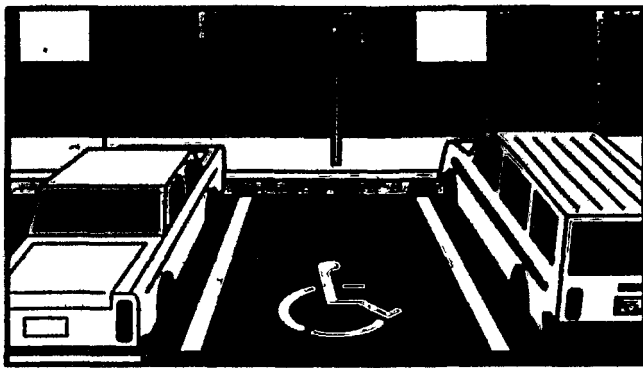
Remove Barriers For Tax Savings

Opening your doors to people with disabilities could get you a tax write-off or tax credit.

Each year you can deduct on your federal income tax return up to \$15,000 of the cost of improvements that you make to a building, parking lot, public transportation vehicle, or other facility to make it more accessible to handicapped and elderly people.

This rule applies to removing barriers that improve any part of a building, structure, road, walk, parking lot, piece of equipment, bus, railway car, or similar property. Publication 907, *Information for Persons With Disabilities*, describes the standards that must be met in order to claim the cost of improvements as an expense.

Small businesses that pay expenses to provide access to persons with disabilities can take a tax credit called "the disabled access credit." To be eligible for the credit, your business must not have had more than 30 full-time employees or did not have more than \$1 million in gross receipts for the preceding year.



If you comply with the Americans With Disabilities Act of 1990 and have expenses that are reasonable and necessary for the facilities you have in service, those costs qualify for the credit. Included are amounts paid to remove barriers that prevent a business from being accessible to, or usable by, individuals with disabilities; provide effective methods of delivering materials to individuals with hearing and visual impairments; and acquire or modify equipment or devices for individuals with disabilities.

Your credit for the year is 50 percent of the qualifying expenses that are between \$250 and \$10,250 with a maximum credit of \$5,000 in any one year, subject to certain limitations. For more information, see Form 8826, "Disabled Access Credit," and its instructions, or Publication 334, *Tax Guide for Small Business*.

Forms and publications can be ordered by calling the IRS at 1-800-829-3676.

Taxpayer guide available

LANSING — A 1993 taxpayer guide is free to anyone needing assistance and is available from the Lansing office of state Rep. Cliff Gnodtke, R-Sawyer.

"This book is helpful and has a lot of practical information anyone can understand," Gnodtke said. "Tax time can be very trying, so I would urge everyone to pick up a copy."

This guide contains the latest information on Michigan tax law, forms and a list of phone numbers for assistance.

The 78th District lawmaker said additional copies will be found in area libraries.

For more information, call Gnodtke's office at 517-373-1796, or write to him at P.O. Box 30014, Lansing, MI 48909.

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