

LOIS

LOTS OF INTERESTING STUFF

BY ROBERT D FLACH

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SEE PAGE 9.**



DID YOU KNOW?

Spiderman is not the first comic book super-hero to appear on the Great White Way.

In March through July of 1966 IT'S A BIRD, IT'S A PLANE, IT'S SUPERMAN ran for 19 previews and 129 performances at the Alvin Theatre. I was in the audience for one of these performances.

This musical had a more traditional Broadway pedigree than today's Spiderman adaptation. Music and lyrics were by Charles Strouse and Lee Adams (ANNIE, APPLAUSE, BYE BYE BIRDIE, etc), and it was produced and directed by Hal Prince.

While it had Lois Lane, there no Lex Luthor. The villains of the piece were a mad scientist and the Daily Planet's Winchell-esque gossip columnist Max Mencken, played by Broadway veteran Jack Cassidy (father of "Tiger Beat" favs David and Shaun and husband of Partridge Family mom Shirley Jones).

Also in the cast, as Cassidy's assistant, was Linda Lavin, who would go on to fame on the small screen as Alice, a waitress at Mel's Diner. Appropriately initialed for the "silver age" Superman, LL sang the show's one contribution to the Great American Songbook - "You've Got Possibilities" - which was featured a few years back in a Pillsbury Doughboy commercial.

According to the Superman Supersite (<http://www.supermansupersite.com>) -

"The plot revolves around Superman's efforts to defeat Dr. Abner Sedgwick, a ten-time Nobel Prize-losing scientist who seeks to avenge the scientific world's dismissal of his brilliance by attempting to destroy the world's symbol of good. Additionally, Superman comes into romantic conflict with Max Mencken, a columnist for the Daily Planet newspaper, who resents Lois Lane's attraction to Superman."

FYI, to find out everything you always wanted to know about Broadway go to www.ibdb.com. The Internet Broadway Database archive is the official database for Broadway theatre information. IBDB provides records of productions from the beginnings of New York theatre until today. Details include pertinent people involved as well as interesting facts and production statistics.

Get a list of every production of Hamlet on Broadway or a list of your favorite actor's credits. Find out what shows opened in a specified Broadway season. I use IBDB often to verify my memory and to fill in missing or forgotten information for my writings on Broadway.

IS AN MBA DEDUCTIBLE?

In a recent "slide show" piece I wrote for the Mainstreet.com Tax Center (as of this writing not yet published - go to www.mainstreet.com to look for it) I discussed the various ways that you can use the US Tax Code to help pay for education, whether for yourself or a dependent.

One option was to deduct the education as an "employee business expense". In this "slide" I stated that -

"Generally expenses for education that leads to a degree are not deductible; it is assumed that an undergraduate degree is the 'minimum requirement' for a trade or business and a graduate degree usually prepares one for a new trade or business. A graduate degree, like an MBA, may be deductible in certain circumstances."



Let us take a closer look at the deductibility of an MBA.

You can deduct as an "employee business expense" the cost of education that is (1) expressly required by an employer, by law, or by government regulation, or (2) maintains or improves skills required in your current trade or business.

Education is NOT deductible if it (1) is the minimum requirement for a trade or business, or (2) prepares one for a new trade or business, even if the taxpayer does not intend to enter the new trade or business.

Are the costs of obtaining a Masters in Business Administration (MBA) or equivalent degree deductible as a business expense? According to the Tax Court - Yes and No.

First the YES.

A taxpayer was employed to sell sports-related products because of his prior experience in sports medicine. In the course of his job he performed management, marketing, and financial tasks. Encouraged by his employer, he enrolled in an MBA program in the hopes of "moving up the ladder". As a result of his studies he was promoted.

The Tax Court, in D.R. Allenmeier Jr, T.C. Memo 2005-207, found that -

- Encouraging the taxpayer to obtain an MBA degree as a means of advancing through the company did not amount to a "minimum requirement" for promotion, and neither did the fact that the taxpayer actually advanced as a result of the MBA program,
- The MBA degree did not prepare the taxpayer for a new trade or business, as he was already performing managerial and financial tasks before enrolling in the program, and, while he was promoted as a result of the MBA, he did not change the basic nature of his duties, and
- While a degree that qualifies a taxpayer for a professional certification or license, such as a law degree, may prepare him for a new trade or business even though he had previously been performing essentially the same tasks, an MBA does not qualify one for a professional certification or license.

The cost of the MBA degree was deductible.

Now the NO.

A taxpayer had been employed by several financial firms as a "financial analyst". In the investment banking industry a financial analyst is a temporary position which usually does not last more than 2 or 3 years. An MBA degree is a requirement for an "associate", which is a permanent position. The taxpayer received a Master of Management degree, the equivalent of an MBA, and obtained a position in the general management program of a management firm.

The Tax Court, in *Will M McEuen III et. ux v. Commissioner*, T.C. Summary Opinion 2004-107, found that -

- The taxpayer enrolled in the degree program to meet the minimum education requirement for an associate in the investment banking industry, and
- The degree qualified the taxpayer for a new trade or business because the education allowed him to perform significantly different tasks than those performed prior to enrollment in the program.

The cost of the degree was not deductible.

As is often the case in tax law, the deductibility of an MBA or equivalent degree depends on the "facts and circumstances".

If you can't deduct your MBA as a business expense you may be able to claim some of the costs as a deduction or credit elsewhere on the return.



UPDATE - MORE UNCLAIMED PROPERTY

Last month I told you how my family ended up with over \$5000 "in pocket" from "unclaimed property" that was being held in a special New Jersey fund. A recent item at YAHOO FINANCE, via BANKRATE, expands on the topic.

"5 Tips for Finding Unclaimed Property" by Sonya Stinson (available at <http://finance.yahoo.com/banking-budgeting/article/112996/finding-unclaimed-property-bankrate>) starts out with the various state Unclaimed Property Funds and goes on to discuss additional sources of "unclaimed property".

Sonya tells us -

"If you own or have inherited a matured U.S. savings bond that you never got around to cashing, you may be able to redeem it by going to [Treasury Hunt](#), the U.S. Treasury Department's searchable database.

The Treasury is currently holding about \$16.4 billion in matured, unredeemed U.S. savings bonds, says Joyce Harris, director of public and legislative affairs for the department's Bureau of the Public Debt.

Only Series E bonds issued in 1974 and after are included in the database. If you are the heir to the original owner of the bond, you'll need to supply the owner's Social Security number and legal documentation of your relationship to that person to get the unclaimed property. For other types of bonds, Harris says you can fill out a form from the website and mail it in."

And -

"If you had a pension plan with a company that went out of business and you haven't heard anything about what happened to your unclaimed benefits, check the missing participants' listing of the Pension Benefit Guaranty Corp.

The PBGC is a federal corporation created to insure private employers' defined-benefit plans. Its database does not include profit-sharing and 401(k) plans.

For 401(k)s, profit-sharing plans and IRAs, you might check the website of the National Registry of Unclaimed Retirement Benefits, which offers free searches of its database.

The payoff for your search could come in the form of an annuity that your former employer bought from a private insurance firm -- money the company deposited in a bank or benefits that PBGC pays you if the company transferred its pension funds to the agency when it closed, according to the PBGC website. You may also file a claim if you are the survivor of the worker who was entitled to the benefits."

Become a regular visitor to my blog THE WANDERING TAX PRO for -

- **up-to-the-minute advice, information, resources, and commentary on federal and NJ state income taxes and the NJ property tax rebate programs;**
- **updates on federal and state tax legislation, IRS and NJ Division of Taxation rulings and regulations, and federal and NJ tax court decisions;**
- **insights and observations on operating a tax preparation practice, and**
- **information on other online tax planning and preparation resources.**

Hope to "see" you soon at <http://wanderingtaxpro.blogspot.com>

1040 BASICS - TAXATION OF MUTUAL FUNDS

Mutual funds make three types of distributions - ordinary dividends and capital gain distributions, which are paid out of the income of the fund, and, on occasion, a "return of capital", which is paid out of "principal".

Ordinary dividends and short-term capital gain distributions are generally taxed as "ordinary income" at the taxpayer's normal tax rate. However, since 2003 some dividends are considered to be "qualified dividends" and taxed at the lower capital gain rates of 0% or 15%. Ordinary dividends that represent earnings from fund investments in tax-free mutual bonds are exempt from federal taxation, but may be fully or partially taxed on your state income tax return.

Long-term capital gain distributions are treated the same as long-term capital gains from the sale or exchange of investments. They are reported on Schedule D and taxed at the appropriate lower capital gains rate.

A distribution classified as "return of capital" is, in effect, giving back to you part of the purchase price of the fund shares, and is not taxable. It will, however, reduce your cost basis in the fund.

Ordinary dividends from a mutual fund that represent earnings from fund investments in a direct obligation of the United States government, while fully taxable on your federal return, may be exempt from state income taxes. The mutual fund will usually send you a statement or notice in January that indicates what % of ordinary dividends are from US government obligations.

Distributions from mutual funds are taxable even if you do not actually receive the cash in your hands. Many investors elect to have some or all of the distributions reinvested in the fund. Reinvested distributions are treated as if you received a cash distribution from the fund and then turned around and used the cash to purchase additional shares in the fund, and, unless they represent a "return of capital", are fully taxable.

Since reinvested dividends are actually additional purchases of fund shares, they are added to the cost basis of your investment and will decrease your taxable gain, or increase your deductible loss, when you sell the fund.

You invested \$1,000.00 in the ABC Mutual Fund in 2004, and elected to have all distributions reinvested. Between 2004 and 2011 you received \$700.00 in taxable distributions, which were reinvested in the fund. At the end of 2011 you sell all your shares in the fund for \$1,200.00. You have a \$500.00 long-term capital loss ($\$1,000.00 + \$700.00 = \$1,700.00 = \$1,200.00 = \$500.00$).

If you sell less than your entire investment in a mutual fund (i.e. you own 1,000 shares of the ABC Mutual Fund and sell 400 shares) there are four (4) methods available to you to determine the "cost basis" of the shares sold. These four methods are:

1. First-In, First-Out
2. Average Cost
3. Double Category
4. Specific Shares

You can elect to use the method that will provide you with the least amount

Form **1040** Department of the Treasury—Internal Revenue Service
U.S. Individual Income Tax Return
For the year Jan. 1–Dec. 31, 2004, or other year beginning Jan. 1, 2004

Label (See instructions on page 15.) Use the IRS label. Otherwise, please print or type.	L	Your first name and initial
	A	If a joint return, spouse's first name
	B	Home address (number and street)
	E	City, town or post office, state, and ZIP code
Presidential Election Campaign (See page 15.)	Note. Checking "Yes" will result in a 3% reduction in the tax on qualified dividends and capital gains.	
Filing Status Check only one box.	1 <input type="checkbox"/> Single	
	2 <input type="checkbox"/> Married filing jointly (even if you are separated)	
	3 <input type="checkbox"/> Married filing separately. See instructions for full name here.	

of gain or the greatest amount of loss. You can use different methods for sales of different mutual funds, but once you use a method for the sale of shares of a particular fund you must use the same method for all sales of that fund. If you use the Average Cost method to determine the cost basis for your first sale of ABC Mutual Fund shares, you must use the Average Cost method each time you sell shares of the ABC Mutual Fund.

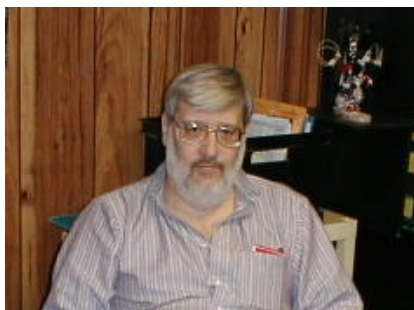
The Form 1099-DIV you receive from the mutual fund, or your brokerage house, in January identifies the amount of the various distributions for the year by category. It reports total ordinary dividends (which includes short-term capital gain distributions), "qualified" dividends that are taxed at the lower capital gain rates, long-term capital gain distributions (also taxed at the lower capital gain rates), non-taxable distributions (return of capital), and tax-exempt dividends (some 1099-DIVs will also report that portion of tax-exempt dividends that are subject to Alternative Minimum Tax), as well as any foreign tax withheld from the distributions. You can claim a credit on your Form 1040 for the foreign tax withheld from your dividends.

You will receive a Form 1099-B to report the "gross proceeds" from any sales of shares in the mutual fund during the year. A copy of both the 1099-DIV and 1099-B is also sent to the IRS.

The mutual fund or brokerage house may also send you an "Average Cost Statement" for the shares sold, generally using the Average Cost method. This Average Cost Statement is not sent to the IRS, but is for your information only. You do not have to use the cost basis reported on this statement to determine your gain or loss on the sale(s). You can use any of the four methods identified earlier, subject to the restriction.

It is important that you give all 1099-DIVs, 1099-Bs and Average Cost Statements that you receive to your tax preparer, as well as any other year-end information, statement or notice that the mutual fund sends you.

It is also very important to save all purchase "confirmation" slips and account statements for the fund for as long as you own shares in the fund so that your tax preparer can properly calculate the appropriate cost basis when you sell the fund.



RAMBLINGS (OF A RELATIVELY SANE MIND)

* When I was 5 years old my uncle took me to my first Broadway musical - THE MUSIC MAN with Robert Preston. During the next dozen or so years we saw just about every Broadway musical that was "appropriate" for my age - always a Saturday matinee and usually first row Mezzanine.

When I was 8 years old my father took me to my first football game - a Rutgers game, I believe. By that time I had seen the original Broadway productions of, among other shows, CAMELOT, THE SOUND OF MUSIC, and MY FAIR LADY. I was totally bored at the game! No music, no dancing.

I have always been thankful that my uncle got to me first.

* Contrary to the popular belief of people who make movies today, the various secretions, excretions and expulsions of the human body are not funny. Neither are human genitalia or violence thereto.

Well actually in the right hands **anything** can be funny. In the right context, with the right set-up and direction, and with the right actor, passing gas or stepping in "doggie doo" can actually be humorous.

The operative words above are "in the right hands". Trust me, the stars of today's comedies, who have made careers out of playing down to the level of pre-teen boys, and the writers and directors with whom they team, have proven that they certainly do not have "the right hands".

IT'S A MAD, MAD, MAD, MAD WORLD is one of the funniest movies ever made. At the very least it has the best cast of any comedy ever made. It featured just about every well-known comic that was breathing at the time, including Joe E Lewis and the 3 Stooges. Only Bob Hope was missing. As I recall there was not a single fart in the film.

Nor do I recall either Tony Curtis or Jack Lemmon being kicked in the groin in SOME LIKE IT HOT.

Neither Laurel and Hardy, Abbott and Costello, Hope and Crosby, or Martin and Lewis had to resort to bathroom humor to make funny, and profitable, movies.

It is a sad commentary that even a film like Walt Disney's ENCHANTED of a few years back, with a truly unique idea and witty execution, had to be spoiled by a totally unnecessary and humorless chipmunk excrement sight gag.

* Sick pay is not an entitlement. It is an accommodation.

Workers are provided paid sick days so that those who are legitimately sick do not come into work and infect other workers, or work at a substantially lower level of productivity.

New Jersey residents have been shocked the past few years to read stories of retiring Superintendents of Schools who received a severance check of between \$100,000 and \$800,000. One reason for the humungous check is the fact that they were paid, at current rates, for every single sick day to which they were entitled but did not take over their 20-30 years of employment. And of course we all know that school administrators never take a sick day - they are "working at home".

Such a practice is a criminal waste of taxpayer money! If this practice has not already been abolished it should be immediately. Government employees should not be allowed to accrue unlimited unused sick days.

This is just one example of how a township, or the state, can cut Education spending without actually cutting education.

The budget of every department of every municipality, state, and the federal government can be cut without actually cutting needed programs and services - because the budget of every department of every municipality, state, and the federal government contains waste, pork, and excess "entitlements".

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Whenever my uncle would visit my mother, his sister, at the Methodist Home he would bring his kirk terrier Fergus. I was able to find a nearby motel that allowed pets.



BringFido.com is a dog travel directory that provides unbiased reviews, detailed pet policy information, and online reservations at more than 25,000 pet friendly hotels through a partnership with Travelocity. Information is also available on thousands of bed & breakfasts, vacation rentals, and campgrounds that welcome pets in 150 countries worldwide. Bring Fido has confirmed the pet policy at every hotel listed on the website, so there won't be any surprise pet fees, weight limits, or other restrictions when you check-in at the hotel.

It also lists dog-friendly attractions and restaurants, dog events, and free "stuff" for pets.



UNANSWRED QUESTIONS

For years I have found myself faced with many questions - longing for answers.

Some answers are self-evident. *Why do fools fall in love?* Well, after all, they are fools aren't they?

I have determined the answer to some questions based on history and experience. *When will they ever learn?* Probably never.

Some questions will probably never be answered. *What's it all about, Alfie?* A totally unnecessary remake could shed no new light on the question.

With some questions only time will tell. *Will you still need me, will you still feed me when I'm sixty-four?* I'll find out in 6 years. This question is for the very few remaining long-time clients to whom I still make a house call in exchange for a home-cooked meal.

Some are no longer relevant. *Where have you gone, Joe DiMaggio?* Joe went to his "final audit" in 1999.

And I have given up on others. *Does your chewing gum lose it's flavor on the bedpost over night?* Easy enough to find out - but who cares? Actually I don't have a "bedpost".

There are still questions that haunt me.

I would really like to know *what the mama saw*. All I know is that *what the mama saw it was against the law*. [Actually it appears that Paul Simon did not have any particular "sight" in mind when writing the song - it is left up to the imagination of the listener.]

I also want to know what Billy Joe MacAllister and his friend were throwing off the Tallahatchie Bridge when they were sighted by Brother Taylor.

And while we are at it - I always did wonder why Mr. Baker's secretary had to leave Harper Valley.

Can anyone provide me with answers?

ITEMIZED DEDUCTIONS: A COMPLETE GUIDE TO SCHEDULE A: 2011 EDITION
by Robert D Flach, the internet's WANDERING TAX PRO.

A comprehensive report that discusses just about everything that is, and is not, deductible on the Schedule A, updated for tax year 2011.

It discusses -

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Deducting Contributions,
Deducting Casualty and Theft Losses, and
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ALWAYS LEAVE 'EM LAUGHING

The recession is hitting everyone -

- My neighbor got a pre-declined credit card in the mail.
- Wives are having sex with their husbands because they can't afford batteries.
- CEO's are now playing miniature golf.
- I saw a Mormon with only one wife.
- If the bank returns a check for "Insufficient Funds" you ask if they meant you or them.
- McDonald's is selling the 1/4 ounce.
- Angelina Jolie adopted a child from America.
- Parents in Beverly Hills fired their nannies and learned their children's names.
- A truckload of Americans was caught sneaking into Mexico.
- A picture is now only worth 200 words.
- When Bill and Hillary travel together they now have to share a room.



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EMAIL ME AT rdftaxpro@yahoo.com (put LOIS in the "subject line").

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