

LOIS

LOTS OF INTERESTING STUFF

BY ROBERT D FLACH

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SEE PAGE 10.**



DID YOU KNOW?

The Alfred Hitchcock classic THE BIRDS ends with Rod Taylor and Tippi Hedren driving out of Bodega Bay toward San Francisco. But that is not how Hitch originally wanted it to end.

The original script ended with the car arriving in San Francisco, only to find the Golden Gate Bridge covered with birds, giving the impression that the attacks were not over.

How do I know this? The writer told me.

The screenplay for THE BIRDS was written by novelist Evan Hunter, author of "The Blackboard Jungle", "Strangers When We Meet", "Buddwing", and "Last Summer". Hitchcock wanted a "serious" novelist to pen the screenplay. Hunter had also written several episodes of ALFRED HITCHCOCK PRESENTS in the late 50s.

I met Evan Hunter twice - at one of Donald Westlake's murder mystery week-ends at the Mohonk Mountain House in upstate New York, and on a murder mystery cruise on the QE2.

Evan Hunter was also famous writing as Ed McBain, author of the long-running 87th Precinct series of police procedurals and the Matthew Hope series.

When Earle Stanley Gardner decided to stop writing Perry Mason books the publisher wanted a new series to take its place. They approached Hunter, who proposed the 87th Precinct. However, back in the mid-50s detective fiction was not considered "legitimate" literature. Hunter took the pen name of Ed McBain so as not to "tarnish" his reputation as a mainstream novelist.

Evan Hunter was itself a pen name. The author's real name was Salvatore A Lombino. He went to his final audit in July of 2005 at age 78.

THE FIRST 1040

Did you know the federal income tax will be celebrating its 98th birthday this month?

In February of 1913 the 16th Amendment was ratified by the required three-fourths of the states. The amendment gave Congress the power to "lay and collect tax on incomes, from whatever sources derived, without apportionment among the several states, and without regard to any census or enumeration." On October 3, 1913, Congress passed the Revenue Act of 1913, which created the first permanent federal income tax.

Congress had made two previous attempts at instituting a federal income tax. The first, in 1861, was an emergency measure to fund the Civil War and was repealed in 1872. In 1894, in response to complaints that excessive reliance on tariffs as a source of revenue caused the price of imported goods to rise, Congress again passed an income tax law, which the Supreme Court ruled unconstitutional in 1895.

Here are some facts about the very first Form 1040:

- The tax applied to salaries and wages, interest, dividends, rents, royalties, pensions and annuities, income from estates, trusts, sole proprietorships and partnerships, and gains from the sale of most types of property.
- The salaries and wages of state and local government employees were exempt from income tax.
- Interest from federal, as well as state and local, government bonds were exempt from income tax.
- Deductions were allowed for "personal" interest, federal excise taxes, taxes paid to state and local governments, casualty and theft losses, bad debts, business expenses, and depreciation of property used in business.
- There was an exemption of \$3,000.00 for single persons and \$4,000.00 for married couples.
- A "normal" tax of 1% was applied to the first \$20,000.00 of taxable income. Dividends were exempt from this "normal" tax. An additional or "super" tax of from 1% to 6% was applied to income, including dividends, in excess of \$20,000.00.
- The return was due "on or before the first day of March".
- There was only one page of instructions!
- In the first year of the income tax only 1 out of every 271 American citizens were taxed and \$28 Million in revenue was raised.

Over the years the federal income tax has evolved into the "mucking fess" that it is today, with 54,000 pages of code. According to former Treasury Secretary Paul O'Neill, "Our tax code is so complicated; we've made it nearly impossible for even the Internal Revenue Service to understand." Here are some of the landmarks of this evolution.

- The personal exemption allowance for dependents and a deduction for charitable contributions were added in 1917.

- Capital gains were singled out for preferential treatment in 1922, although profits on the sale of certain types of property received special tax treatment as early as 1918.
- A deduction for medical expenses was introduced in 1942.
- The Standard Deduction was added in 1944 as an alternative to requiring taxpayers to itemize qualified expenses.
- An Income Averaging method of tax computation was initiated in 1964, to be taken away by the *Tax Reform Act of 1986*.
- A "minimum" tax on specified "tax preference" items first appeared in 1970, and was replaced by the dreaded Alternative Minimum Tax (AMT) in 1979.
- An Individual Retirement Account for taxpayers not covered by an employer pension plan was introduced in 1974.
- The refundable Earned Income Credit for low wage earners with dependent children was created in 1975.
- Unemployment compensation was made partially taxable in 1979, and was eventually made fully taxable. I remember saying at the time, "The next thing you know they will be taxing Social Security".
- Social Security and Railroad Retirement benefits became partly taxable in 1984.

By the way, if you who think taxes are too high today, **from the end of World War II through the early 1960s the top tax rate was more than 90%!**

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>



YOU CAN NEVER GO BACK

The movies are famous for sequels. Most are at best unnecessary and at worst an insult to the originals. However, while there are often revivals (more successful than movie remakes), Broadway musicals are not known for spawning sequels.

There has been no "West Side Story - The Next Generation", "Return of the Music Man", "Cabaret II - Back to Berlin", or "Guys and Dolls and a Baby".

But there have been, to my knowledge, three actual Broadway musical "sequels" - new musicals with the same characters and similar situations that take place after the original production. Since you have probably not heard of them you can correctly assume they were not box office, or critical, successes. Only two actually made it to Broadway.

The first is "Bring Back Birdie", obviously a sequel to the classic "Bye Bye Birdie", which had 31 previews and only 4 performances (the original had 607) back in early 1981 at the Martin Beck Theatre. It reunited the creative team of Charles Strouse and Lee Adams and librettist Michael Stewart. Chita Rivera reprised her roll as Rosie, but Albert and Mae Peterson, originally Dick Van Dyke and Kay Medford, were played here by Donald O'Connor and Maria Karnilova. There was no sign of the Peterson family from the original, the patriarch of which was Paul Lynde.

In the sequel, 20 years after the end of the original, Albert, now an English teacher, is offered twenty thousand dollars if he can find Conrad, who has disappeared into obscurity, and persuade him to perform on a television show. Albert takes a leave of absence and locates Conrad, now overweight and the mayor of Bent River Junction, Arizona.

I was in the audience for one of the 35 performances. There was an unsuccessful try at updating the innovative "Telephone Hour" production number idea using videos. And Donald O'Connor almost attempted to reprise his "Singing in the Rain" off the wall back flip during one of his solo numbers - but thought better of it considering his age.

Despite its short run, Chita Rivera was nominated for a Tony and a Drama Desk Award as Best Actress in a Musical for BBB2. The original "Bye Bye Birdie" was nominated for, and won, many Tonys 20 years earlier, including a win as Best Musical, a nomination for Chita Rivera as Best Featured Actress in a Musical and wins for Gower Champion as Best Direction and Best Choreography. Dick Van Dyke also won a Tony.

Ken Mandelbaum writes in his book "Not Since Carrie, 40 Years of Broadway Flop" - *"'Bring Back Birdie' may rank as the worst Broadway musical ever to be created by top-level professionals. The book was tasteless and ridiculous."*

I met BBB librettist Michael Stewart, who also wrote the books for "Hello Dolly" and "42nd Street", when he was a guest lecturer on one of my post-tax season transatlantic crossings on the QE 2 back in the 1980s. I saw the original "Bye Bye Birdie" during its Broadway run, but with "Match Game" host Gene Rayburn and not Dick Van Dyke.

"Annie", which first promised Broadway audiences in early 1977 that "The Sun Will Come Out Tomorrow", had not one but two attempts at a sequel. The first was "Annie 2: Miss Hannigan's Revenge", which opened at the John F. Kennedy Center for the Performing Arts in Washington, D.C. in December 1989 to "universally disastrous reviews". Wikipedia reports that *"extensive reworking of the script and score proved futile, and the project was aborted before reaching Broadway"*. The second attempt was made in 1993, with a completely different plot and score. "Annie Warbucks" opened off-Broadway at the Variety Arts Theatre, where it ran for 200 performances. It never made the transition to Broadway. I have not seen either sequel.

It is a coincidence that the music for "Annie" and "Annie Warbucks" was also written by Charles Strouse, although the lyrics were by Martin Charnin.

The third Broadway musical sequel, which did briefly make it to Broadway, was "The Best Little Whorehouse Goes Public", which ran for 28 previews and 16

performances in the spring of 1994. The same creative team returned for the sequel, including Tommy Tune as co-director and co-choreographer. This musical told the tale of the best little whorehouse in Las Vegas.

Miss Mona, madam of the original Texas "Chicken Ranch", is coaxed out of retirement to take over Las Vegas brothel "Stallion Fields", which has been seized by the government and is being run by the IRS in the hope of recovering \$26 million in back taxes. Mona is once again at odds with a zealous right-wing politician trying to close the "house" down.

The New York Times review indicated that, while it had all the glitz one expects from Las Vegas - and even had Siegfried and Roy (portrayed by one actor, half of whom is made up as Siegfried, the other half as Roy) - *"What it ain't got is fun"*.

Dee Hoty, "Miss Mona", was nominated for a 1994 Tony as Best Actress in a Musical. I also did not see this apparent fiasco.

While "Lorelei", which I did see, opens and ends years after the original "Gentlemen Prefer Blonds" story takes place, is not so much a sequel as a revival of GPB - created to capitalize on the popularity of Carol Channing after "Hello Dolly". So it doesn't count. Lorelei remembers her earlier Atlantic crossing while embarking on another after many years of marriage.

"Lorelei" opened January 27, 1974, at the Palace Theatre and ran 320 performances. While it has updated lyrics by Betty Comden and Adolph Green and a new book by Kenny Solms and Gail Parent, it is really just the original "Gentlemen Prefer Blondes" by Anita Loos and Joseph A. Fields with lyrics by Leo Robin with a few new scenes and songs thrown in to book-end the original story and score. The show also featured Peter Palmer (Broadway's "Lil Abner"), Dody Goodman, and Lee Roy Reams, who would many years later again appear with Carol in one of her revivals of Dolly.

So there you have it - the extent of Broadway's experimentation with sequels. Did I miss any?

EVALUATING TAX-FREE INVESTMENTS

With the yield on tax-free municipal bonds today relatively high when compared to the current yield on most taxable investments, it pays to take a serious look at tax-free bonds and bond funds as an investment alternative.

When evaluating tax-free municipal bond investments you must first determine the "equivalent taxable yield" of the investment. This is done by subtracting your effective tax rate from 100% and dividing the tax-free yield by the result.

Let us say you are a New Jersey resident in the 25% federal and 5.525% state tax brackets. You will be able to itemize, and you are not subject to the Alternative Minimum Tax (AMT), so you save 25% of the 5.525% state tax. Your effective tax rate is 29.144% ($5.525\% \times 75\% = 4.144\% + 25\%$). $100\% - 29.144\% = 70.856\%$.



A 3% yield on a NJ-issued municipal bond would be equal to earning 4.23% on a taxable investment ($3\% \div 70.856\% = 4.23\%$). You would have to earn at least 4.25% on a taxable investment to come out with more money in your pocket.

If you are not able to itemize in the above example your effective tax rate would be 30.525% ($25\% + 5.525\%$).

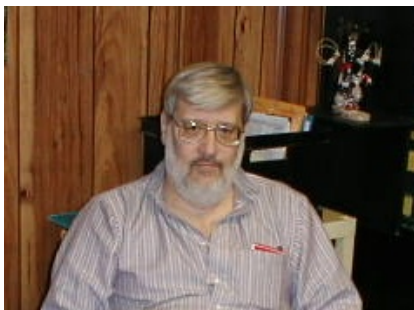
If you are looking at a bond from another state - you live in New Jersey but the bond is issued by Dade County, Florida - you would use only your federal tax bracket in the calculation. Interest from non-NJ municipal bonds is taxable on the NJ state resident income tax return. This is true for most states. If you are in the 25% bracket a municipal bond yielding 3% would be the equivalent of a 4% taxable investment ($3\% \div 75\%$).

Many municipal bond funds invest in bonds from more than one state, so the calculation becomes more complicated. In such a case you should use only the federal tax bracket.

While it is true that interest on the obligations of a state or local government is exempt from federal income tax under IRC Section 103(a), tax-free bond income is not always tax-free. You should take the following facts into consideration when looking at tax-free municipal investments -

- Tax-free bond income reported on Line 8b of your Form 1040, or 1040A, is included in the calculation of the taxable portion of Social Security and Railroad Retirement benefits. It is possible that each \$1.00 in tax-free bond interest will result in an additional 85 cents of taxable Social Security or Railroad Retirement benefits.
- Tax-free income from "private activity bonds", which is separately reported on Form 1099-INT, is considered a "tax preference" for purposes of calculating the dreaded Alternative Minimum Tax. If you are a victim of the dreaded AMT the interest from these bonds are taxed at a rate of 26% or 28%.
- If you sell a tax-free bond or shares in a tax-free bond fund for more than your cost you must pay federal income tax on the capital gain. If you buy a bond for \$10,000 and sell it for \$10,500 you have a \$500 taxable capital gain. However, if you sell the bond for \$9,500 you have a \$500 deductible capital loss. Any "accrued interest" that is included in the purchase or sale price of the bond is not included in determining taxable capital gain.
- If you borrow money to buy a tax-free investment the interest paid on the loan is not deductible as "investment interest" on Schedule A.
- If you are age 65 or older, tax-free bond income reported on Line 8b of your Form 1040, or 1040A, is included in determining if you must pay higher future Medicare Part B and Part D premiums. Single taxpayers with a 2011 "modified" AGI (which includes Line 8b income) of more than \$85,000, and joint filers with MAGI of more than \$170,000, will pay a Medicare "surcharge" in 2013. For example, a married couple with a 2009 MAGI of \$175,000, both of whom are over 65, is paying \$58.10 each per month (a total of \$1,394.40) in additional Medicare Part B and Part D premiums in 2011.
- As with any investment, changes in interest rates could affect the value of a municipal bond or shares in a muni bond fund.

When considering investing in tax-free bonds you should consult your tax professional as well as your broker.



RAMBLINGS (OF A RELATIVELY SANE MIND)

+ It may be "Seattle's Best" coffee, but it ain't New Jersey's!

Last fall Burger King replaced its regular "Cup of Joe" house brand of coffee with Seattle's Best, perhaps in an attempt to increase its "yuppie" clientele. At the same time it moved its coffee dispenser from the public area, where, along with soda, free refills were available, to behind the counter.

I do not like the new brand at all - the old "Cup of Joe" that Burger King had previously served was far superior.

Strangely, a few weeks after first writing this "rambling" it seemed to me the coffee at Burger King wasn't too bad. Had others complained - or was I just getting used to it?

+ For some strange reason my mind recently wandered to thoughts of Chuck "the Bayonne Bleeder" Wepner, the supposed inspiration for the character of Rocky Balboa. Perhaps it was hearing "The Eye of the Tiger" on the radio.

At the time of the bout Wepner was a liquor salesman. We could always tell when he was making a sales call on the bar next to our tax office because his car was detailed with small red boxing gloves.

I remember being in D'Jais or the Sea Girt Inn down the Jersey shore one summer night when Wepner, obviously drunk, staggered on the stage and told us that he was going to kick the arse of that (expletive/racial slur deleted) in the ring.

My favorite Wepner story concerns his girlfriend. On the day of the fight Chuck, ever confident of victory, told her -

"Honey, tonight you'll be sleeping with the champ!"

After it was over, as Wepner was licking his wounds in his dressing room, his girlfriend came in.

"Is Ali sending a car for me", she asked. "Or should I meet him at his hotel?"

+ If I may be permitted a toot (of my own horn that is), in addition to my posts at THE WANDERING TAX PRO (at <http://wanderingtaxpro.blogspot.com>) I have recently had the following guest posts published at FORBES.COM -

<http://www.forbes.com/sites/peterjreilly/2011/08/11/wandering-tax-pro-meanders-to-forbes/>

<http://www.forbes.com/sites/peterjreilly/2011/09/10/the-wandering-tax-pros-911-tribute/>

<http://www.forbes.com/sites/kellyphillipserb/2011/09/02/guest-post-dont-raise-the-bridge-lower-the-river/>

And I have a guest post at the DUE DILIGENCE blog -

<http://www.mahanyertl.com/mahanyertl/5-ways-to-avoid-irs-problems/973/>

You do know that I also write for the www.MainStreet.com Tax Center - a regular column during the tax season and occasional articles during the "normal" year.

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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TRIVIA CHALLENGE



There has been a long-standing tradition of making successful television shows out of popular Broadway plays and theatrical movies, from THE NAKED CITY, TOPPER and MR LUCKY to MASH, THE ODD COUPLE, and ALICE. Unfortunately, Hollywood has reversed the trend, making inferior films based on successful television series.

The first tv series based on a play and/or movie was MAMA, based on the 1944 play and 1948 movie I REMEMBER MAMA. The show ran on CBS from July 1, 1949 to July 27, 1956. The cast included a young Dick Van Patten of EIGHT IS ENOUGH.

The second series taken from a play and/or movie was THE FRONT PAGE, starring real life journalist John Daly (who would later become famous as the host of WHAT'S MY LINE) as newspaper editor Walter Burns. It had a brief run from September 29, 1949, to January 26, 1950.

The trivia question has to do with the third movie turned into a television series - THE LIFE OF RILEY.

THE LIFE OF RILEY was a successful radio comedy that was made into a movie in 1948. Both the radio show and the movie, and eventually the tv series, starred William Bendix as Chester A Riley. But Bendix was not tv's first Riley.

Who starred as Chester A Riley when LIFE OF RILEY first appeared on the tube in 1949?

The first five readers with the correct answers will receive a free gift.

Email your answer to rdftaxpro@yahoo.com (with TRIVIA CHALLENGE in the subject line).

SURFING USA -

www.slipups.com

A "slip-up" is any amusing accidental blooper or mistake that wasn't caught, and made its way into the viewing, listening or reading public.



This site tons mistakes on the big screen, mistakes on the small screen, mistakes in books, and goofs by famous people in speeches or statements.

Here's one - a letter from the Iowa Department of Human Services to a benefit recipient stated, "Your medical assistance is cancelled beginning 9/24/84 because of your death."

George W appears often on the site's "25 Most Popular Slip-Ups", including #3 - "I want to thank my friend, Sen. Bill, first for joining us today. ... He married a Texas girl, I want you to know. Karyn is with us. A West Texas girl, just like me"

www.truthorfiction.com

Check out email rumors, virus warnings, old and new wives tales, humorous tales, and calls to action to see if they are indeed TRUTH or FICTION. This site is updated regularly.

Searching through the subject index I learned that throwing rice at a wedding does not cause harm to birds. It had been reported that when birds eat rice it expands in their stomachs, at times causing them to explode. The site reports that "Birder's" magazine, "Birdwatcher Digest", the Cornell Lab of Ornithology, and the USA Rice Foundation all agree that rice causes no harm to birds. There are varieties of birds that routinely eat rice in the wild with no harmful consequences. The real reason not to throw rice at a wedding is because of the risk that people will slip on it and fall.

www.make-stuff.com

If you love to make things, if you constantly have a project going, if you start making Christmas presents in June, and you watch all the do-it-yourself shows on the tube then this site is for you. It will show you how to make stuff.

It has great ideas for all kinds of crafts and projects for any holiday or season, recipes and cooking tips, easy art, crafts and cooking projects for your kids, formulas for homemade insect repellent, fertilizers, lotions, potions, etc, knitting, crochet, quilting and sewing projects, gardening tips for people who love to grow things, recycling ideas, and a Resource Center.

Just in time for Halloween you can learn How to Make A Transformers Costume or a Werewolf Costume and How to Make Halloween Tombstones and Flapping Bats.

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As with Classified Ads, I reserve the right to reject your request.

ALWAYS LEAVE 'EM LAUGHING

Sherlock Holmes and Dr Watson went on a camping trip. After a good meal they lay down for the night and went to sleep.

Some hours later, Holmes woke and nudged his faithful friend.

"Watson, look up and tell me what you see."

Watson said, "I see a fantastic panorama of countless stars."

"And what does that tell you", Holmes asked.

Watson pondered for a moment.

"Astronomically it tells me that there are millions of galaxies and potentially billions of planets. Astrologically I observe that Saturn is in Leo. Horologically I deduct that the time is approximately a quarter past three. Theologically I can see that God is all powerful and that we are small and insignificant. Meteorologically I suspect that we will have a beautiful day tomorrow.

Why? What does it tell you, Holmes?"

Holmes was silent for a moment and then spoke.

"Someone has stolen our tent!"



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