

Home-Office Deduction Can Reduce Homeownership Costs

Anyone who maintains a qualified home office can deduct some of the everyday costs associated with owning a home.

The N.C. Association of Certified Public Accountants points out that while there are significant benefits associated with working from a home office, tax law is strict in this area. To qualify for the home-office deduction, you must be able to prove that the portion of your home designated as your office is used exclusively and on a regular basis, either as the principal location of your business or as a place where you meet or deal with patients, clients or customers in the normal course of your business.

For some years, there has been confusion and conflicting tax court decisions as to what constitutes a business's principal location. However, last year the Supreme Court handed down a decision that should help clarify the legal definition of a "principal place of business."

The court case involved Nader E. Soliman, a self-employed anesthesiologist who provided services to patients at three hospitals for 30 to 35 hours per week. None of the hospitals provided him with an office for conducting the administrative duties

essential to his practice.

Dr. Soliman deducted expenses in connection with a spare bedroom in his home that he used exclusively and on a regular basis for maintaining patient records, billing, telephoning patients and colleagues, surgeon correspondence and reading medical journals. The Supreme Court denied Dr. Soliman's home-office deduction after determining that the anesthesiologist's home office was not his principal place of business. The court's decision was based on its belief that treating patients in hospitals was more important than the activities performed by the anesthesiologist in his home office and that he spent far more time in the hospitals than in his home office.

While the high court did not create a clear-cut rule, it concluded that in order to qualify as a taxpayer's principal place of business, the home office must meet two primary conditions: It must be the place where the taxpayer's most important business is conducted and where he or she spends a substantial number of his or her working hours.

Self-employed workers and people with sideline businesses who spend most of their work hours in

their home offices and people who regularly see or meet with clients and customers in their home offices may still be eligible for the deduction. Those who do some work at home, but who generate most of their income by performing their services at other locations, no longer qualify for the home-office deduction.

Deductible Expenses

If your home office qualifies, you may be entitled to deduct certain costs associated with operating and maintaining the part of the home used for business. Direct expenses, like the cost of supplies, professional fees, or advertising are deductible in full. Your business deductions for indirect expenses, such as real estate taxes, mortgage interest, utility costs, depreciation and home insurance premiums, are based on the percentage of your home used for the business.

Limit On Deductions

Keep in mind that there is a cap on how much you can deduct for the business use of your home. Your home-office deduction cannot exceed the net income derived from the office activity. This means you

cannot use the cost of maintaining a home office to create or increase a tax loss from your business.

However, home office expenses that you cannot deduct in the year they are incurred can be carried over to later tax years when you have adequate income to permit the deduction.

Form 8829

The Internal Revenue Service (IRS) now requires a taxpayer who is claiming a home-office deduction to file Form 8829, "Expenses for Business Use of Your Home," to clearly identify home-office deductions.

Form 8829 is divided into sections for computing space allocation, reporting deductible expenses, figuring depreciation, and carrying over expenses not allowed because of income limitations.

The IRS has indicated that because of the wide range of circumstances involving home offices, each claim for home-office deductions will be judged on its own merit. If you plan to take a deduction for your home office, CPAs recommend that you be prepared to substantiate your case by documenting working hours and keeping good records.



Top Producer

Sam Keziah (right) of Brunswick County Farm Bureau is honored as one of the top 30 producing agents by William L. Pollard (left) executive vice president and general manager of N.C. Farm Bureau Mutual Insurance. Keziah was selected from more than 690 agents statewide based on sales and service records during 1993. The honor was announced at the annual sales conference in Greensboro earlier this month.

BUSINESS BRIEFS

Brunswick Electric Receives Safety Award

Brunswick Electric Membership Corporation of Shallotte has received an award of excellence for its overall safety accreditation program.

The award was presented at the recent annual meeting of Carolina Electric Cooperatives in Raleigh.

This is Brunswick EMC's fifth consecutive accreditation. The National Rural Electric Cooperative Association awards accreditations based on a review of each co-op's safety efforts every three years after the initial certificate is issued.

The program's purpose is to promote awareness among employees and to recognize outstanding safety records. It also helps co-ops qualify for reduced insurance rates.

Co-ops are rated in 24 areas including on-site inspections, documentation of accident investigation and reporting procedures, employee training activities, policies on the use of protective equipment and safety inspection of lines, poles and underground facilities.

Brunswick EMC currently serves nearly 50,000 customers in Brunswick, Columbus, Bladen and Robeson counties.

Top Seller

Bonnie Black, a sales associate with ERA Callihan, Teal, Skelley and Associates in Calabash has received national recognitions from Electronic Realty Associates for top sales performance during 1993.

With more than \$5 million in residential sales volume last year, Black ranked as one of the company's top producers among 24,000 ERA associates nationwide. The award was announced at the 1994 ERA International Business Conference, held earlier this month in San Antonio, Texas.

PAC Endorses Redwine

Rep. David Redwine has been endorsed by the N.C. Academy of Trial Lawyers Political Action Committee for the 14th District N.C.

House of Representatives election.

The announcement was made by Shallotte attorney Roy D. Trest, a member of the academy.

The academy's general counsel, Mary Ann Tally, said the PAC does not require a candidate to pass "any litmus test" or support or oppose any particular set of issues.

"All endorsements are based on candidates' records and their platforms," she said, adding that the group's primary concern is election of those who support the rights of trial lawyers' clients and preserving access to a fair jury system.

The PAC was formed in 1976 and is managed by a board of trustees.

Attends Course

Jody Clemmons of Brunswick County is one of 37 young tobacco farmers and farm supply dealers who attended a Tobacco Short Course conducted by the N.C. Extension Service recently in Raleigh.

The group took an all-day bus trip to visit the J.P. Taylor Stemmy in Henderson and the Philip Morris manufacturing and research facilities in Richmond, Va.

The course is designed to help young farmers decrease production costs while maintaining leaf quality.

Estey Re-Hired

Comprehensive Home Health Care has recently re-hired Heather Estey, R.N.

Estey and her husband Peter live in Southport with their daughter. She attended Central Maine Medical Center School of Nursing in Lewiston, Maine, and has been an R.N. for four years.

New Jones Store

Tabor City-based Jones Stores has announced the opening of a new store in Southport.

Grand opening ceremonies were held March 17.

The store is in the former Cardinal True Value building on South-

port-Supply Road next to the NationsBank under construction.

The company operates 40 stores in the Carolinas and is celebrating its 40th anniversary, according to spokesman Mike Jones.

New At J&S

Richard "Dickie" Warrick has joined J&S Alarm Co. as vice president of coastal operations in the Brunswick, New Hanover and Horry County areas.

Warrick and his wife Shirley have lived on Oak Island for 14 years. He is retired after 27 years with the U.S. Army Special Forces and is current president of the Special Forces Decades Association.

He also is president of the Oak Island Fishing Club, a member of the Oak Island Elks Club, Moose Club, VFW and the American Legion and attends Oak Island Presbyterian Church.

No More S&L

Security Savings and Loan Association has adopted the name Security Savings Bank, SSB.

President Albert G. Trunnell said deposits will continue to be insured

by the Federal Deposit Insurance Corporation, which will also be the bank's primary regulator, along with the State of North Carolina.

"SSB" stands for State Savings Bank, denoting the shift from state-chartered mutual savings and loan association to state-chartered bank.

Trunnell said the organization's logo and signs will soon be changed, adding, "This is the biggest difference that our customers will observe."

Security was founded in 1911 as Southport Building and Loan Association. It became Southport Savings and Loan in 1954; with county-wide expansion in 1964, the name was changed to Security Savings and Loan.

Exceeds Goals

Sheila Morgan has been recognized by Sprint Cellular for exceeding all sales goals and objectives for 1993.

Morgan was one of the top producers for Sprint Cellular nationwide, according to a company news release. She is representative for Brunswick and Columbus counties.



STAFF PHOTO BY SUSAN USHER

Chamber Boosts Library Move

A check for \$1,000 from the South Brunswick Islands Chamber of Commerce gave a boost to temporary relocation of the West Brunswick Branch Library in Shallotte during renovation and expansion of the existing Main Street site. The library will move later this month down the street to Resort Plaza. Above, Chamber President Joe Stanley presents the check to Sue McCann, treasurer of the Friends of the Library.

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