

Taxpayers becoming aware of tax shelters

Sheltering taxes has become big business in America. Robert A. Strangler & Company, a well-known tax shelter research firm, reports that over \$8 billion was spent in 1983 on tax shelters and that the trend is growing. Tax shelters are the product of special tax preferences and tax breaks sanctioned by Congress to stimulate the nation's economy and to achieve certain socially desirable goals. For example, a Congressional Budget Office study showed that a substantial amount of the funds for low-income housing during the past two decades came from investors in real estate tax shelters. These tax shelters have flourished because of a number of special tax preferences for builders of low-income housing. Thus, with the exception of a few "abusive tax shelters," tax shelters are perfectly legal and, in many cases, socially desirable.

The controversy that has long surrounded tax shelters is that in the past their use has generally been confined to high income individuals and large corporations. However, more and more modest and middle income taxpayers are becoming aware of tax shelters and are using them to reap tremendous tax savings.

At the forefront of the movement

to educate middle and modest income taxpayers of the advantages of tax shelters is Donald Stevenson, a Black attorney practicing in Cleveland, Ohio. According to Mr. Stevenson, a former Internal Revenue Service tax lawyer, "Modest and middle income taxpayers can reduce their taxes through the same tax sheltering principles used by high income taxpayers and the large corporations. A tax shelter, in its broadest sense, is nothing more than a combination of tax breaks, deductions, and credits. By putting together a combination of these, you can build yourself a nice little shelter. A tax shelter doesn't have to be complicated or elaborate to save you money."

Despite increasing numbers of modest and middle income taxpayers who are benefiting from tax shelters, millions of taxpayers are still paying more taxes than they are legally required to pay, according to the National Tax Research Institute, a taxpayer advocacy organization based in Cleveland, Ohio.

There are two reasons why the average taxpayer pays more taxes than legally required. The first is the complexity of the tax laws. The Tax Code contains over 50,000 different provisions. Since the first in-

come tax law in 1913 the Tax Code has evolved into a conglomeration of convoluted mumble jumble. The tax laws have become so confusing that even the Congressmen who passed them don't understand them fully. Yet, hidden in this maze are hundreds of special tax benefits and tax breaks for the modest and middle income taxpayer.

The trick is knowing how and where to find them. There is no section in the Code entitled, "Tax Breaks Especially For the Average Taxpayer — Look Here!" Going to the IRS won't help. It is not in the business of saving taxpayers money. The average accountant or tax preparer who does tax work for only four months out of the year is not likely to know about most of these special tax breaks. Only tax lawyers or accountants who specialize in taxes know about these tax breaks. Unfortunately, they are too expensive for the average taxpayer.

The key to benefiting from these tax breaks is becoming familiar with the fine points of the tax laws. This is not as onerous as it may sound. There are a number of good tax seminars that the taxpayer can attend. Many local community colleges offer excellent income tax courses. In addition, there are a number of outstanding tax guides on the market today. These range from very basic for the tax novice to very complex for the more astute taxpayer. These guides range from \$2 to \$40. The time and effort invested in understanding the tax laws is minuscule compared to the resulting tax savings.

Another reason why the average taxpayer pays more taxes than legally required is misconceptions about how the tax system works. One common misconception is that the IRS is always right. The IRS has been given authority to collect the taxes. To do this, it must interpret the law. It cannot make law. Thus, a taxpayer has the right to disagree with the IRS and to go to court to settle the dispute.

More and more taxpayers are saving taxes by going to court, particularly the Tax Court, to settle disputes with the IRS. The Tax Court has very informal procedures similar to those in a typical Small Claims Court for small tax cases. The taxpayer may represent himself or herself in these procedures. In addition, the taxpayer need not pay the disputed tax upfront before going to court. Many persistent taxpayers representing themselves have been successful in Tax Court. If the taxpayer thinks he or she stand a better chance with a sympathetic jury, the taxpayer can go to a U.S. District Court. However, the taxpayer has to pay the disputed tax and sue the government for a refund.

The U.S. Court of Appeals for the Tenth Circuit made it clear in the case of Jones v. Grinnell that "it is a well settled principle that a taxpayer can

legally reduce his or her taxes, according to Mr. Stevenson. To illustrate, last year he and his wife earned over \$110,000. Using only a handful of simple legal tax breaks, they paid less than \$2,000 in taxes.

In his new book, "Tax Shelters Are For Everyone," Mr. Stevenson explains hundreds of tax avoidance techniques especially for modest and middle income taxpayers. Here are just a few of these techniques.

- Convert nondeductible personal expenses such as entertainment, vacation, and education, into deductible business expenses;
- Deduct portions of the cost of the family car, house, and home computer by establishing a part-time business using these assets;
- Hire family members;
- Shelter income through IRA or other retirement plans;
- Take charitable contribution deduction for used clothing and furniture, and volunteer services contributed to a charitable organization; and
- Shelter income through bonds and other tax-free income.

Mr. Stevenson warns overzealous taxpayers to watch out for illegal tax shelter schemes. "Sometimes there is a thin line between tax avoidance and tax fraud." Unfortunately, too many middle and modest income taxpayers are getting involved in fraudulent tax schemes. "We are finding that the tax shelter promoters are moving into these middle income groups," says IRS Commissioner Roscoe Egger.

"Tax Shelters Are For Everyone" (750 pages) is available from SES Publishing, P.O. Box 14997 Public Square, Cleveland, Ohio 44114 for \$9.95 plus \$1.95 postage and handling.

How to get your tax forms

If you haven't received your federal income tax forms in the mail by now, you probably won't receive them this year, the Internal Revenue Service says.

If you do not have your tax forms, they are available at most libraries, banks, and post offices, or by calling the IRS forms order telephone in Portland, 221-3933 or toll free state-wide, 1-800-452-1996.

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Zimbabwe

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towns and some of the streets and roads, have reverted to their African names. For example, Harare is now Harare again after being misnamed "Salisbury" for almost eight decades. Holidays commemorating the stealing of Zimbabwe by white settlers in 1890 have been scrapped and instead Zimbabweans now celebrate the Heros of the African Resistance and the War of Liberation. Statues of "Rhodesia's" arch-racists have been torn down and replaced by those of the country's Zimbabwe's, that is) real national heroes.

The impartiality and responsiveness of the new justice system and judicial order were clearly demonstrated late last year by one unfortunate incident. Somebody had dreamed up the noble idea of ridding Zimbabwe of prostitutes. The police were ordered to round up all unaccompanied women and detain them until they could account for their being out alone at night.

Poiced blitzed all the major centers of Zimbabwe and rounded up thousands of women who were herded into detention centers. Obviously, this was not only discriminatory but also unconstitutional so the women cried "Foul!" There was an emergency Cabinet meeting; the detainees were ordered promptly released and the government issued a public apology.

With such a stellar performance during his first term in office, coupled with the abysmal failure of all his would-be challengers to mount a credible challenge, is it any wonder that Comrade Robert Gabriel Mugabe finds himself a shoo-in for a second five-year term?

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