

Chicago Yards

(From page 2)
 100 lb stock steers 31.50
 175, few good 535 lb.
 29 75, two loads of
 and good 575 lbs.
 few good 700-775 lb.
 steers 26 25-28.00, load-

It Pays To Incorporate Some Family Farms

lots good and choice 800-
 1925 lb feeding steers 26 00-

Operators of family farms may find they can realize sizable tax savings by adopting a hybrid type of fiscal management for their farm business—operating as a corporation but paying taxes as a partnership.

nership, however, the farmer and his wife would pay only \$7,574 personal income tax on the \$30,000 corporate net return.

Thus, the partnership option in this case would make it possible to cut total income taxes almost in half.

There are genuine advantages, of course, in the corporate management of a family farm. But until these gains may not have been strong enough to sway many sole proprietors and partners.

Eliminating double taxation of corporate income may well convince some farmers to take another look at incorporation as a means of efficient farm management.

COLOR IN FLOOR COVERINGS

In choosing floor coverings, keep in mind that dark color values show dust and footprints, and light values show soil, states Miss Dorothy C. O'Donnell, Penn State home furnishings extension specialist. Medium values in most colors are practical choices for floor coverings.

Rotation grazing results in more growth of good forage by keeping animals on one pasture for about a week and then resting four to five weeks. Farmers repeat grazing only after food reserves in roots have been restored by an eight to ten inch top growth.

Federal income tax laws now permit certain small corporations—both farm and nonfarm—to elect to be taxed as partnerships while retaining all the advantages of incorporation.

A USDA study shows the dual status enables large tax savings for many small farm corporations that otherwise could not avoid double taxation on their net returns—a tax on income of the corporation and a further tax on the same income when distributed as dividends to shareholders.

Hybrid Tax

This hybrid tax status is open to most U. S. (domestic) corporations that issue only one class stock and have no more than 10 shareholders.

Shareholders must be U. S. residents, and the consent of all is needed before a partnership tax status can be adopted by their corporation.

ARS farm economists, in studying the advantages of this dual type of management, cite the considerable tax savings that are possible with the partnership tax option.

The option allows shareholders to assume the tax obligation on their respective

shares of the corporations current taxable income, whether distributed or not.

This income thus becomes exempt from the corporate tax and subject only to personal income tax.

Consequently, there would be an overall tax break for incorporated farms because the tax rate on shareholder income should be lower than the rate on that amount of corporate income.

Example Compares Two Setups

The size of the tax saving is clearly shown by checking how a farmer and his wife who are sole shareholders of an incorporated farm would fare, taxwise, with and without the option.

If they should net \$30,000 the corporate tax would be \$10,100.

The individual income tax on the remainder of the \$30,000 distributed as dividends would be \$4,161 (assuming no additional income or exemption, and a 10-percent allowance for nonbusiness deductions).

So the couple's combined corporate and individual income tax would total \$14,261.

Partnership Option Saves Tax

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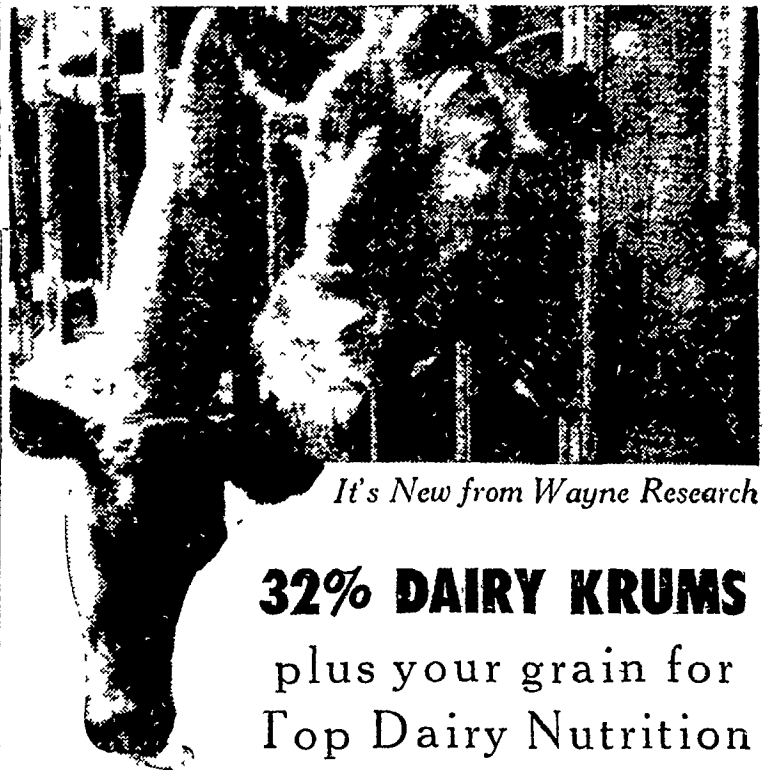


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