

Nixon Seeks 'Tax-Loss' Farm Legislation

President Richard M. Nixon sent a special message on tax reform to Congress last week. Included in the message was a proposal to close the tax loss farming "loophole."

Administration witnesses later told the House and Ways and Means Committee that their proposal would

—Apply to all taxpayers who incur total ordinary farm deductions in excess of total ordinary farm income. To the extent that such deductions exceed \$5,000 per year for individuals (corporations would receive no exemption) they would be credited to an "excess deductions account." Unless offset by net income in subsequent years, any gain realized from the subsequent disposition of property used in farming (which under current law would otherwise be a capital gain) would be treated as ordinary income to the extent of the amount in the "excess deductions account."

—Remove livestock from its exempt status under recapture of depreciation provisions of the Revenue Act of 1962.

—Extend the holding period (now 12 months) for all livestock now qualifying for capital gains treatment to two thirds of the useful life of the animal or two years, whichever is shorter. Race horses would be excepted and would not be treated as breeding livestock thus qualifying for capital gains treatment, unless bred.

—Revise the "hobby farming" section of current law which disallows certain deductions when a taxpayer incurs losses in a trade

or business in excess of \$50,000 for five consecutive years. This section would be amended so that the recapture would be made if the \$50,000 loss were exceeded in any three of five consecutive years.

This four-point proposal varies considerably from the so-called Metcalf bill (S 500), as well as from the Scherle-Vander Jagt proposals (H R 7617 and other bills) supported by Farm Bureau. These two tax-loss farming proposals, while similar in many respects, are quite different in their application.

THE METCALF BILL provides that anyone earning up to \$15,000 a year off the farm may offset such income with a corresponding amount of farm losses for income tax purposes. However, if he earned more than \$15,000 a year off the farm, he would have his allowable farm

loss deduction reduced dollar for dollar to the extent that off-farm income exceeded that figure. Thus, a taxpayer earning \$30,000 a year or more off the farm could use no farm losses as an offset to his off-farm incomes.

The bills supported by Farm Bureau place a simple limitation on the amount of farm losses any taxpayer can use as an offset to off-farm income. Consistent with proposals made by Johnson Administration Treasury officials, this limitation on allowable farm losses for purposes of deduction would be set at \$15,000—regardless of the total earnings of the taxpayer. All taxpayers would be treated alike.

ALL THREE proposals (Nixon Administration, Metcalf, and Farm Bureau) would apply only to taxpayers using the "cash" method of farm accounting. While the latter two proposals would not affect individuals earning all or a major portion of their incomes from farm-

GRANGE NEWS

Fulton Grange #88 met in regular session April 28 in their hall at Oakryn. The Master, Clifford W. Holloway Jr., conducted the business session. The members expressed opposition to H. B. 88 which would permit sale of alcoholic beverages at picnics and other outdoor activities by non-profit organizations as fundraising projects.

Pomona chorus rehearsal will be held May 4, 8 p.m. and Degree rehearsal will be held May 5, 8 p.m. at Fulton Grange Hall. The county visitation meeting will be held May 6, 8 p.m. at White Horse Fire Hall as guests of Salisbury Grange. Fulton officers will fill the chairs and Colerain Grange will present the

program. The Youth committee will sponsor a dance for community youth May 10, 8 to 11 p.m. at the Grange Hall with U.S.S.R. band furnishing music.

Rev. Richard Dunham, pastor of the Chestnut-Level Presbyterian Church, will be the speaker for the Grange "Go-to-Church Night" May 18, 8 p.m. at the Grange Hall. The service will be preceded by a covered dish supper at 7 p.m. All Grangers of Lancaster County and their friends are invited.

The Women's Activities committee will have a food stand at a household sale in June. The Junior Grange will not hold their meeting May 12 but will have a regular meeting May 26 and a special meeting Saturday, June 7 from 1:30 to 3:30 p.m. They will hold a bake sale May 23.

First and Second Degrees were conferred upon a large class of candidates at this meeting and the Third and Fourth Degrees will be given at the next meeting, May 12.

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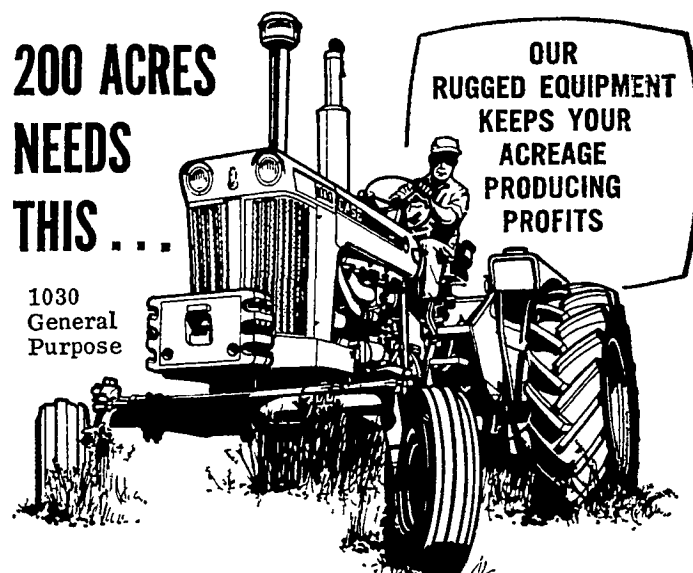


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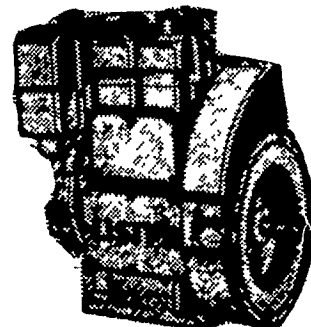
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