

The Farmers

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uncommon; i.e., a firm pays its factor suppliers a lower price, forcing them to bear all or a portion of the tax. Or a firm decides to absorb all or part of the VAT itself rather than lose a sale.

And, some industries—especially those less concentrated—are less likely than others to push the tax forward. Agriculture is among those industries.

"Price takers"

As the economists say, farmers in the short run are "price takers," meaning they have

limited ability to control their supply and thus the price they ask for their goods. So, they accept a lower price in order to move the merchandise.

On balance it would seem U.S. agriculture would not be in a favorable position relative to other industries. Agriculture would probably be forced to absorb part of the VAT, particularly in the short run. Meanwhile, the farmer as a consumer would still bear some of the VAT.

The burden on farmers would be even heavier if they ended up being saddled with more VAT on purchased inputs than they were able to shift forward on their

sales...all the more reason for special treatment for agriculture.

Why not simply exclude agriculture from VAT coverage?

Poor Alternative

Exemption is not the answer, says one ERS tax specialist. Farmers would still be subject to the VAT on what they buy to run the farm business. Outside the VAT umbrella they's have no way of offsetting the tax paid on inputs.

The EC likewise recognizes that exclusion from the VAT would penalize farmers rather than help them. But to make things easier, the EC Council offers a plan whereby farmers can be relieved from keeping purchase invoices and from direct liability under the VAT. Agriculture is not exempt, however, as the liability for the farmer's VAT is assumed by the purchaser of farm output.

The EC's handling of the VAT is being closely examined by tax experts in this country. Most of the current literature on the VAT, and whether it should be built into the U.S. tax structure, draws on the EC experience with this system.

The trouble is, the stated goal of the EC's VAT is to make the consumer bear the full tax. That's precisely what many people in this country don't want. Yet there's more than one way to apply the VAT. Since the EC views the VAT as a direct consumer tax, it has chosen the method for tax computation that best suits the objective. The "credit" method, as it's known, operates as in the example given earlier.

Alternative methods are available that would minimize the forward shifting of the VAT for all industries. The alternatives—"addition" and "accounts"—basically provide for a tax on wages and profits and other production factors. But the VAT would be computed from information generally contained in existing tax forms, and paid along with other business taxes. It could still be shifted indirectly, though the odds of this happening are less than under the EC's credit method.

Farm Women Council

Society of Farm Women of Lancaster County held an executive board meeting recently. Mrs. Jay Landis of Society 22 was hostess. Co-hostesses were Mrs. John Metz and Mrs. Sterling Elmer of Society 25 and Mrs. Robert Hess of Society 28 led devotions.

Without going into detail here, the addition method especially lends itself to charging variable rates of taxation when the object is to give special treatment to certain industries such as farming.

Turning to the proposals for a VAT in this country, most center around using VAT to finance education, replacing all or part of the property tax. Farmers obviously would be affected. In a recent year they paid taxes on farm property of nearly 3 billion—or about 9 percent of total property collections.

Fatter Tax Bills?

Under one proposal farmers wouldn't get much tax relief. This proposal calls for a Federal VAT to take the place of State and local taxes on residential property only. States would still be permitted to levy a tax on nonresidential property such as farmland. Since farmland is generally underassessed compared with other types of property, there's a strong possibility of raised assessments followed by fatter tax bills should assessment be centralized in the States.

If on the other hand, all property taxes are replaced by a VAT, then farmers might come out ahead of the game. The latest data for estimating the benefits to farmers are for 1963. Had there been a VAT that year, the burden on agriculture would have come to roughly 1.3 billion—slightly less than half what farmers paid in real estate taxes.

Suppose prices paid farmers failed to rise in line with the VAT costs? Under the worst possible assumptions, farmers' VAT payments would not be much higher than the property taxes they pay now.

It was decided that the county project for this year will be the Welsh Mountain Medical Center.

The Homemakers Clubs from Wayne County, Michigan, will arrive on May 2 at the Farm and Home Center. The Farm Women will give demonstrations to these ladies that morning.

The demonstrations will include: schnitz and knepp made by Mrs. Paul Witman of Society 8; Mrs. Robert Noll of Society 18 will make chicken pot pie; Mrs. James Garber of Society 27 will demonstrate table arrangements, and Mrs. Milton Eberly of Society 6 will display ceramic doll and tole painting; Mrs. Clyde Buchen of Society 26 will do egg decorating, and Mrs. Mary Sarver will make a funnel cake.

After the demonstrations, the Farm Women will serve their guests lunch consisting of chicken corn soup, chow-chow, homemade bread, apple butter, egg cheese and shoo fly pie.

The next board meeting will be on June 5 with hostess Mrs. Harry Shonk of Society 6.

Northern 4-H Conservation Club Sees Film

The first meeting of the Northern 4-H Soil and Water Club was held with Mr. Irwin discussing the real meaning of 4-H with the members. He explained what members can do after they are too old to be a 4-H member.

After the discussion, Mr. Irwin showed films having to do with conservation in the forest. The first one was entitled "The Forest". It showed the forest in many uses, such as lumber, water power and recreation. The second film was entitled "The Eternal Forest". The film traced its way from early man all the way up to now.

During the discussion, Donald Martin set up an experiment on distilling water. At the end of the discussion, there was about three ounces of pure water in the bottle.

Mrs. Diemler served refreshments after the meeting.

Donald Martin,
News Reporter

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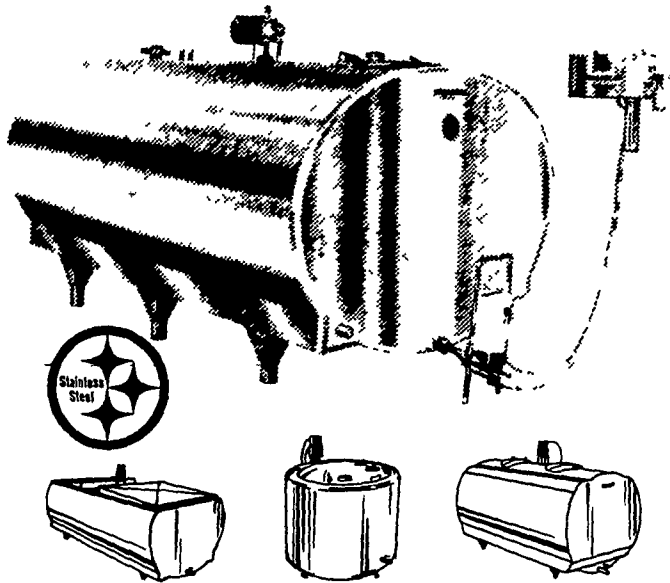
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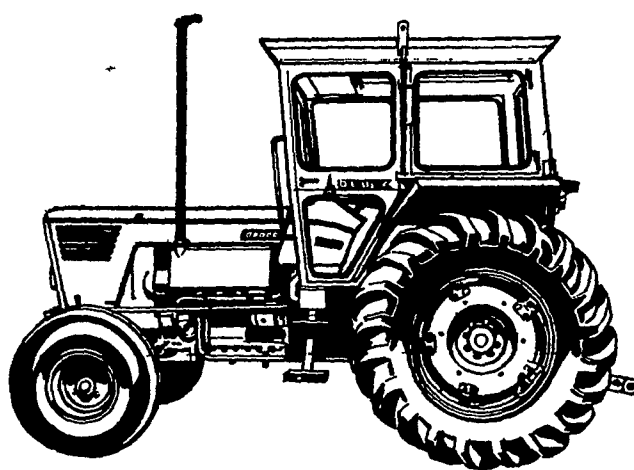
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