

December is farmer tax management planning time

DOVER Del. — Income tax time is rolling around again and farmers who intend to do some tax planning had better get down to the job soon. They shouldn't wait until their tax forms arrive and all changes in tax laws are known. It will be too late then to make any adjustments to 1977 taxable income, points out University of Delaware Extension economist, W.T. McAllister. There are few changes in the Tax Reduction and Simplification Act of 1977 that affect farmers directly.

Farmers have a number of tax management options. The economist suggests they consider these now, while there is still time to take certain steps which may affect their taxable income for the year.

Investment credit is one of the options to consider. This will continue at the 10 per cent level for 1977 taxes and for 1978, unless changed by a new tax law next year. This means that one doesn't need to purchase capital items that qualify for investment credit before December 31, just to get the full 10 per

cent. Any purchases of this nature should be based on need and profit justification, and whether the credit is likely to be worth more this year or next. One must claim the credit in the year in which the purchase is made, explains McAllister. But unused credit can be carried back three or forward seven years.

On the subject of taxable income levels, the economist also has some advice. One should estimate his level of taxable income for 1977 and compare this with prior years and expectations for 1977. Depending on whether this year's income is unusually high or low, a person may want to make some shifts. If the taxable income is unusually large, one should pay all current bills by December 31, even if borrowing funds is necessary.

Buying ahead is another adjustment to consider during a high income year. To do this, one contracts and

pays for a specified amount of necessary supplies before December 31, being very sure that the purchase is final and not just a deposit against future needs. A person should be ready to show a price break, a hedge against possible short supply or some other economic incentive for his purchase.

The basic rule of the Internal Revenue Service is that there must be a valid business reason for making advance purchases. And buying ahead just to reduce income taxes is not a valid reason, points out McAllister. Reasons that are valid include: (1) has been a common practice over past years; (2) to assure a stock of critical production supplies; (3) to get a lower price; (4) other good business reasons.

Should preliminary check indicate that taxable income will be abnormally low this year, one may wish to defer certain expenses until after the first of the year. A person

may also wish to advance certain sales and calculate depreciation on a straight line basis.

The goal of tax management is to even out the peaks and valleys of farm income, explains the economist. Another method of handling wide swings in year-to-year income is through income averaging, using Tax Schedule G.

Whatever one does, the first step is to calculate estimated taxable income. A person shouldn't be misled by the fact that he feels poor or flush, but use your records to determine the real facts.

The economist has prepared a helpful fact sheet on these and other tax management alternatives. For a free copy of "Tax Management by Farmers — 1977 Tax Year," contact the county Extension office in Newark, Dover or Georgetown. The publication is also available by writing: MAILROOM, Agricultural Hall, University of Delaware, Newark, 19711.

For those farmers who prepare their own income tax report, a booklet "Farmers Tax Guide" is also available at the county Extension offices.

Red meat up

HARRISBURG - Red meat production in Pennsylvania during October 1977 totaled 95.3 million pounds, up five per cent from a year earlier according to the Pennsylvania Crop Reporting Service.

Cattle slaughter at 95,300 head was up 10 per cent from October 1976. Calf slaughter, at 33,800 head was down 17 per cent, hog slaughter at 244,700 head was down six per cent, and sheep and

lambs slaughter at 11,200 head were down three per cent from October 1976.

Nationally, commercial red meat production during October 1977 totaled 3.3 billion pounds, down four per cent from a year earlier. Cattle slaughter was down three per cent, calf slaughter was down one per cent, hog slaughter was down six per cent, and sheep and lambs slaughter were down five per cent from October 1976.

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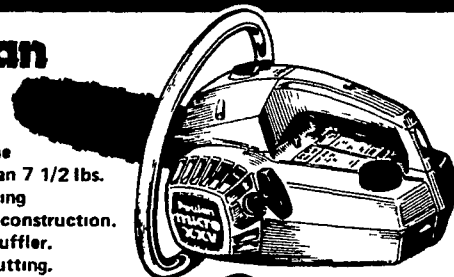


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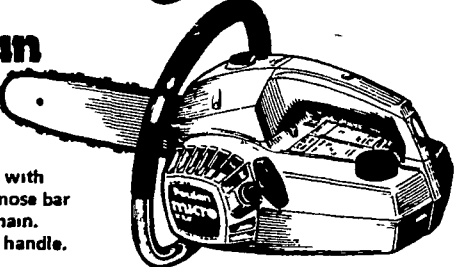
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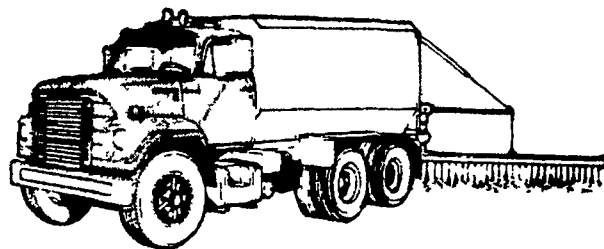
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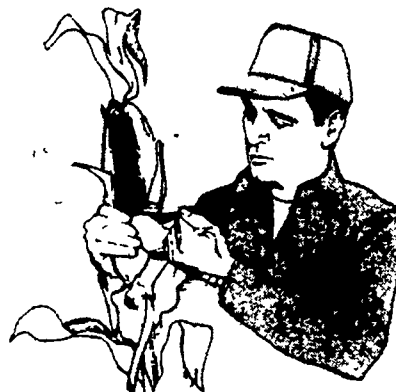
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