

Tax planning guides aired for Md. cattlemen

IJAMSVILLE, Md. — Cattlemen ought to become familiar with at least three of the four methods of depreciation allowed by the Internal Revenue Service for federal income tax purposes; they should project a planned growth pattern for their herds, and follow that plan; and they should keep a

cumulative total of income from cattle sales so they can make quick adjustments toward the end of each year that could vitally affect the size of their federal income tax liability.

So spoke Dave Battistoni at the recent third annual Maryland Cattlemen's

Winter Seminar held at the Holly Hills Country Club north of Ijamsville (Frederick County) in north central Maryland. Battistoni is a cattle management advisor and co-founder of Tartan Angus Farms at Max Meadows (Wythe County) in southwest Virginia. His remarks were seconded by Dr. William E. Kunkle, Extension livestock specialist at the University of Maryland in College Park.

Battistoni advised his listeners to use straight-line depreciation for old cows which might be assumed to have a remaining breeding span of two years. He declared that the 150 per cent declining balance method works better for young cows, assuming a five-year breeding life. And he suggested using the 200 per cent double-declining balance technique for heifers with six or more years of breeding life expectancy.

On the last two methods, he pointed out, you can still switch to straight-line depreciation for the final two years of each animal's breeding life expectancy.

Both straight-line depreciation over the expected life period and investment tax credit in the first year of ownership are good accounting tools that all farmers can use for depreciating their machinery, Battistoni remarked.

Journal entries, showing birth dates and dates of sale or death, can help cattlemen pay strict attention to the rules for capital gain income. He noted that proceeds from the sale of breeding animals are taxed at the capital gain rate if the animal is more than six months of age, or has been owned by the seller for more than nine months.

However, capital gain tax applies only to the excess of sales proceeds over cost for purchased animals. Amount

of income over salvage value, but not exceeding original cost, is taxed as ordinary income — a higher tax rate. Salvage value is the value remaining after depreciation has been deducted.

All of the above guidelines are based on the assumption of a cash rather than an accrual system of accounting. Battistoni warned that there is a move afoot at the federal level which would force farm operations with \$1 million or more in annual gross sales to do their tax accounting on an accrual basis.

Regarding other new developments on the federal income tax scene, he noted that the 10 per cent investment tax credit has been proposed by President Carter as a permanent item.

In the 1976 the Tax Reform Act came down heavy on prepaid feed, creating a big jolt for cattle feeders. But a recent court decision appears to have reversed the IRS ruling on this matter.

Battistoni warned that the present carry-over section of the federal estate tax law could wipe out the family farm in two generations. But bills have been introduced in Congress to repeal this section. And he advised farmers to urge their U.S. representatives to support either H.R. 1563 introduced by Rep. Barber B. Conable (R-N.Y.) or H.R. 2674 introduced by Rep. Omar Burleson (D-Tex.). Both are located in the Rayburn House Office Bldg., Washington, D.C. 20515.

Finally, Battistoni ex-

pressed concern over President Carter's proposal to eliminate 50 per cent of the federal income tax deduction for businessmen's lunches. He pointed out that such a policy, if implemented, could adversely affect the amount of beef consumed in restaurants—particularly steak.

More than 100 persons turned out for the Maryland cattlemen's seminar, despite an overnight five-inch snowfall in the Frederick area. The program was planned by the Cooperative Extension Service at the University of Maryland, with assistance from the Maryland Cattlemen's Association and the marketing division of the state Department of Agriculture.

Goodwill tour returns

KANSAS CITY, Mo. — A 27-member delegation of Pennsylvania agricultural leaders—led by Dennis Heisey of Leola and including Mr. and Mrs. Abram R. Mummau of Manheim—has just returned from a three-week People-to-People goodwill tour of Australia, New Zealand and the Fiji Islands.

During the diplomatic travel program, delegation members met with American Embassy officials in Canberra, Australia, and with local farm representatives in Sydney, Wagga Wagga, and Canberra. Counterpart meetings also were held in Christchurch, Palmerston North and Hamilton, New Zealand.

Purpose of the tour was to give delegation members an opportunity to carry messages of friendship to their counterparts in the South Pacific. It also allowed them to visit typical agricultural operations, and to compare methods and procedures. The mission was an official program of People-to-People International, a non-profit, non-governmental organization founded in 1956 by President Dwight D. Eisenhower to promote world peace through international understanding.

People-to-People's activities include arranging homestays for international visitors, a letter exchange referral service, an international magazine ex-

change and the sponsoring of adult and high school student diplomatic travel programs. Headquartered in Kansas City, Mo., the organization has national committees in 24 countries.

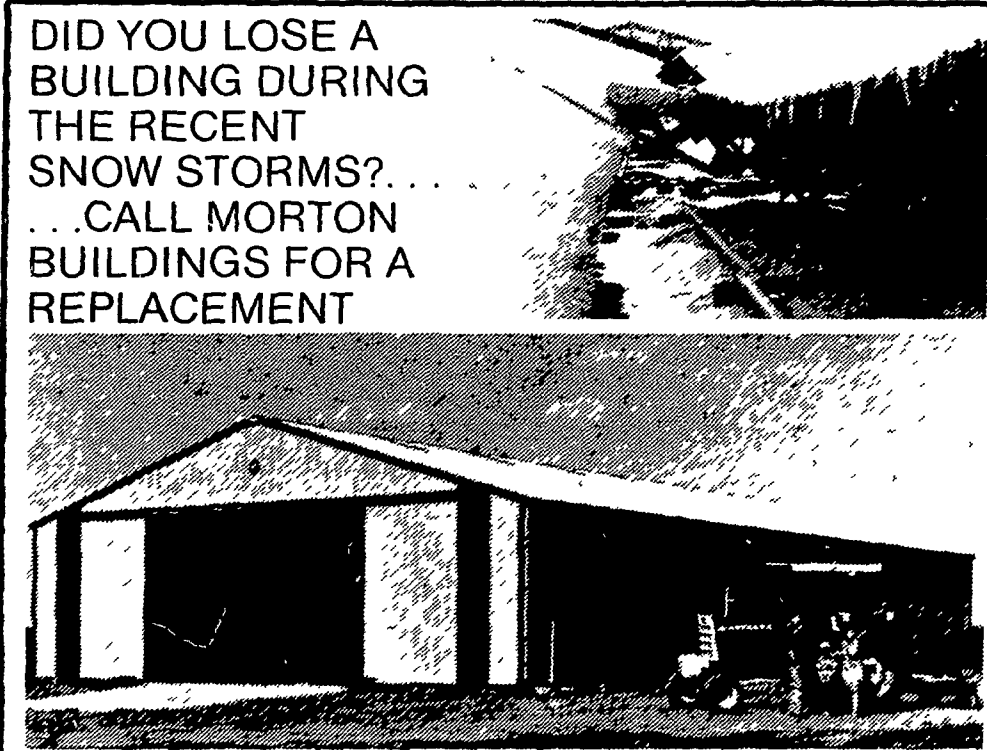
Extension offers weaving class

WEST CHESTER - The Chester County Extension Service of Penn State University is planning a course in weaving, to be held on Mondays, April 3, 10, 17, 24 from 9:30-11:30 a.m.

The series will be taught at the Community Room at the Elverson National Bank, Bucktown Branch, Rt. 23, Bucktown.

The course is designed for the beginner stressing basic weaves, creating effects with color, texture, and using materials you have on hand. A frame loom is used to learn the basic techniques of handweaving, to create fabrics.

A small fee includes the frame loom and instructional materials. Deadline for registration is March 28, 1978. For further information contact the Extension Service 235 W. Market Street (3rd floor), West Chester, Pa. 19380 or call 215-696-3500.



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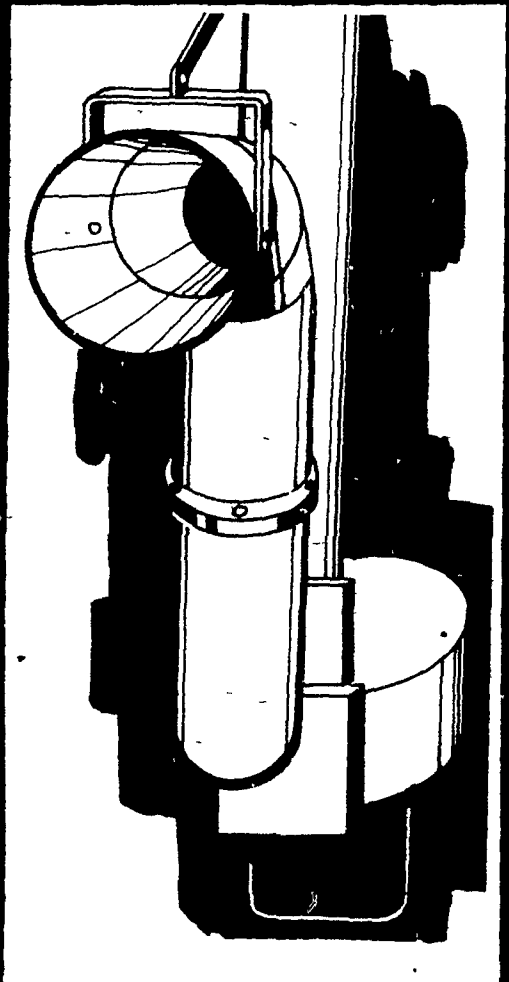
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