

December is the tax management month

NEWARK, Del. -- December is the time for managing farm taxes. This is a good time for farmers to find out how they stand in terms of taxes for the year and to make necessary adjustments to balance out their income and expenses, says University of Delaware Extension farm management specialist, Dr. Don Tilmon.

Two items in the Revenue Act of 1978 may affect farmers' tax returns for this or earlier years, points out Tilmon. One concerns the one-time exclusion from capital gain; the other concerns investment credit for certain single-purpose agricultural or horticultural structures.

The specialist has been studying details of the Act (which appears in the October 14 Congressional Record), especially as it relates to these two items.

First of all, the much-publicized "One-Time Exclusion from Capital Gain" has a catch in it for the farmer. It appears that this exclusion applies only to the sale of the "principal residence" — in this case, the farmhouse itself — and then only when this has been sold by an individual who has attained the age of 55. The amount of gain excluded from gross income "shall not exceed \$100,000 (\$50,000 in the case of a separate return by a married individual)." (Quotes are taken from the Congressional Record.)

Furthermore, the property must have been owned for at least five years and during that period must have been

used by the taxpayer as his principal residence for periods totaling three or more years during the five-year period ending on the date of the sale or exchange. This exclusion applies only to sales or exchanges made after July 26, 1978.

Farmers in general have found themselves unable to sell their farms when they're getting on in years because the appreciation that has occurred over time in the value of farm property puts them at a tax disadvantage when they go to sell. Those who hoped to find a solution to this problem in the 1978 Revenue Act will be disappointed.

Since the one-time exclusion from capital gains applies only to the farm residence itself, this part of the Act is not likely to be of much benefit to them. They will still have to pay tax on the land itself as well as other buildings on the farm, because these are considered business property by the IRS.

This means that farmers who do qualify under the Act will need to determine the actual value of their former residence as opposed to the rest of the property, in determining what part of the income from the sale of their farm is taxable and which part is not.

Another part of the Revenue Act which should be of considerable interest to farmers is Section 314, on "Investment Credit for Certain Single Purpose Agricultural or Horticultural Structures." In the past the IRS has not recognized

poultry as livestock, and as a result many Delaware farmers have been unable to obtain tax credit for investments in broiler houses, although they could get allowances for equipment in the houses.

The Revenue Service has reinterpreted this part of the Act, which means that poultry houses now come under Section 314, as single purpose agricultural structures.

This part of the Act is retroactive to August 15, 1971. However, the IRS has informed U.S. Department of Agriculture officials that "for 1971, 1972, 1973 and 1974 the investment credit will not be retroactively allowed unless (1) a case is still pending with IRS or in one of the tax courts, or (2) taxes have been paid within the last two years. This could occur if an old case had been settled and paid within the last two years."

To be eligible for the investment credit, the structure must be used exclusively for the purpose

for which it was designed and constructed. For example, explains Tilmon, a hog structure will not be eligible property if it is used to house and feed poultry or cattle, or if more than incidental use of the structure is made to store feed or machinery.

There are also several other conditions governing eligibility. (1) Any property which qualifies must be depreciable. (2) It must have a useful life of at least 3 years (3-5 years at one-third credit; 5-7 years at two-thirds credit; 7 years or more at full credit). (3) It must be tangible personal property or other tangible property (except buildings or their structural components) used as an integral part of manufacturing, production or extraction, etc. And (4) it must be placed in service by you during the year.

The amount of investment credit one can claim is the sum of the investment credit carry-over plus 10 per cent of the current year's in-

vestment eligible for credit, plus any investment credit carry-back to the year.

The credit one can claim on the above is limited to the income tax liability shown on the return, or \$25,000 plus 50 per cent of the tax liability in excess of \$25,000 —

whichever is less. (Married persons filing separate returns are limited to a credit of \$12,500 plus 50 per cent of the individual tax liability in excess of \$12,500.)

If a person disposes of an asset (such as a tractor or (Turn to Page 137)



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**DAYTIME
AUCTION
FRIDAY, DECEMBER 8**

12:00 Noon
Free Lunch at 11:00 A.M.
At the Farm Formerly Known as
BLACK & WHITE FARM

Lancaster, Pa.

Location: At the former Black & White Farm West of Lancaster on Dairy Lane. Take Rt. 283 West of Lancaster, exit just beyond ABC Stud Barns at Florys Mill Rd., turn left after exiting, go to mill, then sharp right under railroad bridge. BARN within sight of Rt. 283.

135 Head of top Grade and Registered Holsteins 135 We have driven many miles to put this group of cattle together for our customers at our first Sale at Lancaster. We have been fortunate and had rare opportunity to select from many top herds, many are fresh milking up to 100 lbs. per day and lots capable of milking that much. Come and see for yourself.

SPECIAL MENTION: The complete Herd of 48 head (½ Purebreds and ½ Grades) of Craig Gammon, Canton, Maine. The DHI herd average is 18,571m, 658f. This is really a top herd of cows mostly all young with good udders. Several just fresh and some close springers and some coming fresh throughout the year. Here is a sample of their individual records in this fine herd:

BLACKY a grade 319d 20,835m 717f, ELLA a grade 336d 17,061m 659f; GEORGE Purebred 288d 18,995m 629f; MARIE Purebred 358d 20,416m 683f; JINGLE 334d 18,729m 672f; KENT a grade 306d 20,708m 790f.

This herd last year had profit after feed cost of \$1274.00 per cow. This herd is all sired and bred back to Eastern A.I. Cooperative, Inc. bulls. CSS approved, they were never fed strong and were 2nd last year in Oxford Co., Maine D.H.I.

Also the following from some top herds.

A Excellent COCHRAN IVANHOE FURY daughter born 7-6-71 (Ex Mammery) bred 3-14-78 to LAWCREST MARVEX +1217 as a 6 yr. old 365d 16,473 4.7 770f, Dam VG as a 2 yr. next Dam GP-83 with 17,270 560f. A five yr. old HILLTOP APOLLO IVANHOE daughter GP-82, Bred 2-14-78 to VINCENT-VIEW MOLLY CHIEF as 4.6 mos. 321d 19,030m 3.9 741f. A 3 yr. old COTTER-DALE ASTRONAUT KING daughter GP-82 as a 2 yr. old fresh 11-17-78 as a 2 yr. old 359d 17,561 577f, from IDEAL FURY REFLECTION daughter GP-82 as 3.4 mo. 328d 16,700m 580f, next dam IRVINGTON PRIDE ADMIRAL daughter GP-84 as a 5.7 mo. 209d 20,540 3.8 782f. A fancy ROUND OAK RAG APPLE ELEVATION born 6-9-76 just fresh from a very good KINGPIN dam with 396d 25,538m 882f; A ROUND OAK RAG APPLE ELEVATION born 5-28-76 just fresh from a TRANSMITTER dam that had 22,791m 1004f; A nice VIGO CHARMCROSS born 6-8-76 just fresh from a TRANSMITTER dam with 18,877m 590f; A fancy F-G-P ELEVATE IVAN AL daughter from a CITATION dam with 23,394m 872f; A PACLAMAR ASTRONAUT daughter VG, bred to WILLOW FARM ROCKMAN IVANHOE Also many good Purebreds not listed. A trailer load of fancy Wisconsin cows, a load of New York State cows, a load of Northern Pennsylvania cows.

Farmers if you need some top cows, come early (at 11:00) get free lunch, all you can eat and buy some good cows.

Terms: Cash on day of Sale
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Farm Address:

2220 Dairy Road, Lancaster, Pa. 17601
Phone: 569-6800 or 569-2106

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Sennett, N.Y. 4 miles East of Auburn, N.Y. on Rt. 5 use 81 to N.Y.S. thruway to West to Exit 40 at Weedsport, N.Y. then go South 5 miles to Sennett.

THURSDAY, DECEMBER 7

At 1:30 P.M.

DAIRY DISPERSAL

1. From Jack Lees, Port Byron N.Y. His complete dairy of 61 top Holsteins, 50 real top Hol. cows with 17 recently fresh, 12 due by mid Dec., 10 due in Jan. & Feb., 11 milking good and bred back to freshen next Aug. & Sept., 11 nice Hol. heifers with 5 ready to breed, the bal. a little younger. This is a top dairy that is all home raised but 5. Real good udders & legs. Mostly all young cows. Necessary cattle will be exam. by Dr. Sears. Cattle will be tested for out of state buyers and will have had their shipping fever shots. Art. breeding used here many years. Reason for sale farm is sold.

2. Plus our usual run of good Dairy cows, Heifers, Service bulls.

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Ken 315-834-9266 Bob 315-252-1037

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OF FARM EQUIPMENT

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SATURDAY, DECEMBER 9

9:30 A.M.

Approximately 25 tractors including Fords, John Deere, International, Oliver, Massey Ferguson and others.

Farm machinery including hay balers, hay cond., field choppers, pull type and 3 pt. hay rakes, manure spreaders, P.T.O. feed grinder, 1-2-3-4 bottom plows, 3 pt. harrows, pull disc and 3 pt. disc, tractor wood saws, 1 & 2 row cultivators, 2 & 4 row corn planters, hay elevators, cultpackers, utility trailers, horse trailer, rotary and sickle bar mowers, 3 pt. rear blades, post hole diggers, self unloading wagons, grain bins, corn pickers, new top links and draw bars, other farm related items including some trucks. Lumber & tools.

Terms: Cash - Not Responsible for accidents.

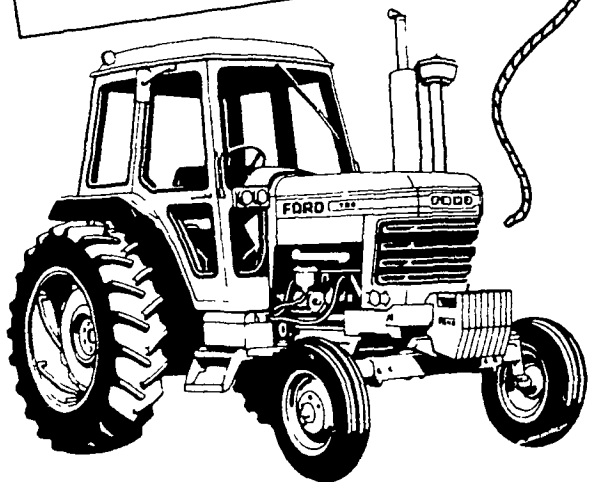
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