

The Dairy Business
By
Newton Bair

THE TAX AXE WHETTING THE EDGE

No, I don't mean the axe that IRS will drop on January 15th - that one is already sharp enough. Let's talk about the axe you can use right now to hew some of the heavy tax bite out of your 1979 income. Even if you are not in the higher tax bracket, you might consider taking a swing at some of these ideas. They're all legal and even Uncle Sam wants you to use them - properly, of course.

The first consideration in good tax management is to have good records. Not complicated, PCA bookkeeping, just plain, simple ones like your Pennsylvania Farmer Association, Agway, or Penn State Farm Record System. You have them - so why not use them?

Step #1 is to add all of your farm cash expenses that have occurred until the end of November. Multiply these by 1.09. Step #2, add all of your farm cash income (except cow sales) and again multiply by 1.09. Now, Step #3, subtract Step #2 from Step #1, and you'll have your cash net income - almost.

Now, go to your 1978 Schedule F, find the figure for depreciation (Line 56 on the 1978 Schedule F). Step #4, subtract this depreciation figure from your answer to Step #3. Compare this answer with the figure on the bottom line (line 58) in the 1978 Schedule F.

If the new figure calculated in Step #4 is 20%

greater than last year's figure, you'll probably have a bigger tax for 1979 than the previous year. If the new figure is 20% less than 1978's figure, your 1979 tax will probably be lower. If it's somewhere in-between, it won't be very much greater than last year's tax.

Now, I'll have to admit that this is just a quick, crude estimation, and doesn't tell you exactly what your tax will be. It hasn't accounted for excessive capital gains from sale of livestock, extra depreciation, or unusual credits. That's why we allow a 20% high or low range.

What can you do if your tax is going to be higher for 1979? Time is short for this, but there are a few easy steps you can take, if your bank account can stand it. Obviously, you can pay all due bills before January 1st. Contract and pay for some of next year's feed, fertilizer and other supplies. (IRS won't accept any agreement to buy, you must have paid before January 1, 1980.)

You can defer sales of livestock, crops or other property until 1980. Use the faster depreciation schedule on newly purchased items, and be sure that all property that is eligible for investment credit is properly handled.

If your income is on the upswing, rejoice, but save all the tax money you can. For next year, consider paying decent wages to your dependent children. (You

CAMP HILL — The Pennsylvania Dairymen's Association has scheduled its annual meeting for January 8, 1980.

The meeting will be held at the Penn Harris Motor Inn, Camp Hill. Activities get under way at 6 p.m.

Keynote speaker at the session will be Margaret Riley with the Pennsylvania Department of Environmental Resources'

might even give the hired man a raise.) And if you haven't already done it, set up an IRA or Keough retirement plan.

Of course, if your income for 1979 is below normal, and next year looks like a good one, you can reverse some of the above advice. Try to hold off some payment until January (with your supplier's approval) or sell some items before the end of the year. However, don't do this if you are going to be penalized by a lower price or high interest on delayed payments.

And, for those dairymen who might be pleased with unusually high income this year compared to previous years, don't overlook income averaging. It can save you considerable tax money. You should have the help of a competent tax advisor on this.

If you do try income averaging, work it both ways - with and without averaging. The end result should be paying less tax, not more.

Plan to attend one of the area meetings on Farm Income Tax this winter. They're held at various places throughout the State in January. You can also learn a lot from the "Farmers Tax Guide" which is available from IRS and Penn State Extension Offices.

We want to give Uncle Sam his due - but not one nickel more than is due. A little honest tax savings can buy a lot of sharp pencils - or even a small computer.

State dairymen set annual meeting

Bureau of Radiological Health.

She will talk about the Facts of Three Mile Island.

Traditionally, the annual meeting has seen the presentation of the Charles E. Cowan Memorial Award for leadership contributing to the improvement and promotion of the Pennsylvania Dairy Industry.

Dairymen also present their state Extension Award

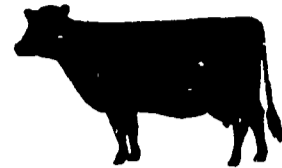
to an extension member who makes noteworthy contributions to the state's dairy industry.

In addition, they will present their state DHIA Supervisor award for outstanding service as a supervisor.

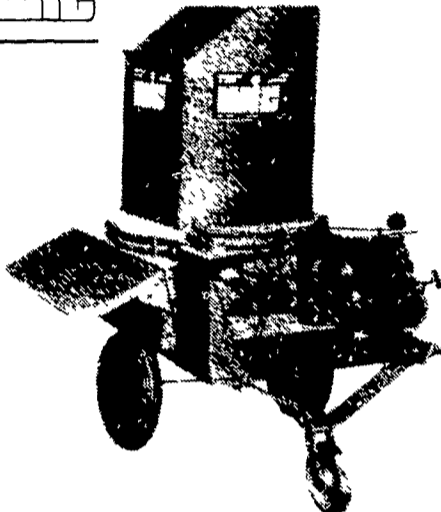
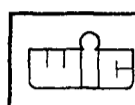
The Association's board of directors represents the Meritorious Achievement Awards attained by herds enrolled in the state DHIA's

who make outstanding production records.

Membership in the State Dairymen's Association is over the 2000 mark. President of the group is David Roth, Loysville.



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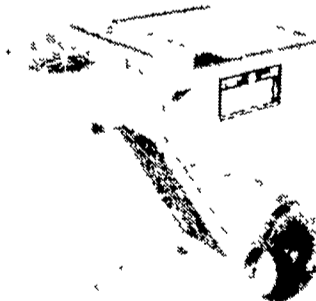
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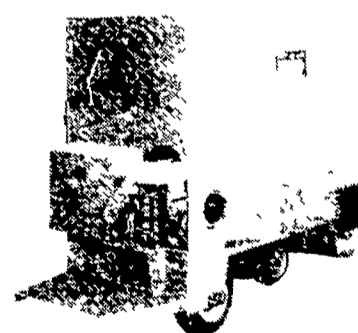
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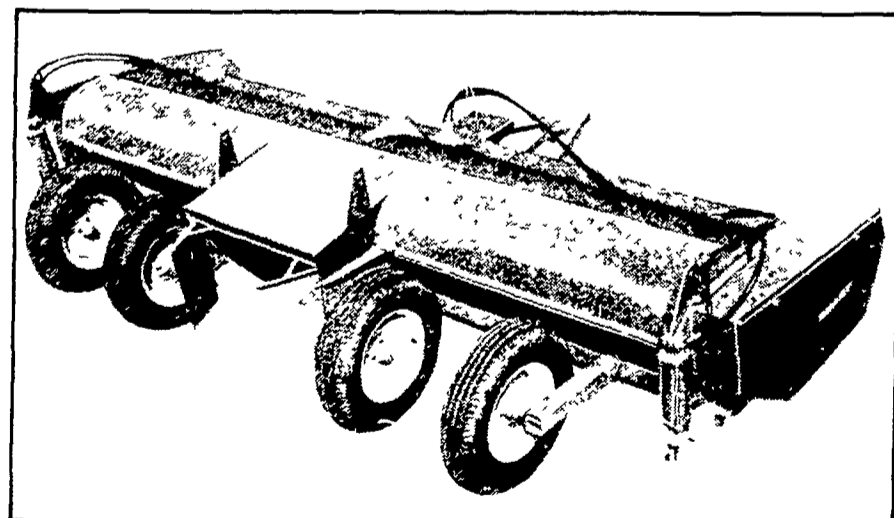
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