

Tax Law

(Continued from Page B2)

land and the farm assets have made estate taxes a real problem.

"Trying to compare the maximum exemption allowed today, at \$161,563, to the first exemption of \$60,000 back in 1942—there is just no way to make a real comparison. The portion of the estate exempt from taxes hasn't kept up with inflation".

Denison pointed out that PFA had proposed legislation in 1976 when the tax reform law was being made to have the exemption increased to \$250,000. This amount, he said, would then have increased each year with the Consumer Price Index. But the 1976 tax reform was passed without incorporating PFA's suggestion.

With today's farms valued with price tags easily reaching and passing the million dollar mark, farmers find themselves with estate headaches that have to be faced if the farms are to go to the next generation. "Because of this dilemma", Denison said, "most farmers are taking a look at estate planning with greater interest."

"Estate planning is putting down on paper where you are financially today. It's getting all assets accumulated together, and looking at what your goals are in life," Denison said.



"You need to ask yourself, 'How am I going to share my economic gains with my family during my lifetime, and how much do I need for my retirement years'. Then it's time to work out the simplest and most efficient way to transfer the estate to your beneficiaries after your death."

He added he feels there are four objectives to estate planning: 1. to look after the surviving spouse in the manner to which they're accustomed to living until the end of their days; 2. to look after any minor or special children; 3. to be fair and equitable to all heirs and see the farm continues in the

next generation; and 4. to meet all of the above and keep the taxes at a minimum.

Denison stressed the word equitable does not mean equal. His reasoning behind this statement comes from his analysis of a farm's productivity.

"The farm operation runs on a curve," he said. "Generally, the farm is purchased when the farm couple are in the age range of 20 to 25 years old. In the early years, it's a struggle to get the land and the cows producing to perfection.

"By the time they reach their 40's and on until they're 55 years old, things start running more smoothly.

They have unpaid labor with their children, and they have learned from their younger day mistakes.

"After the age of 55, the operation starts falling off. The children have gone off to school or left the farm, and the question keeps coming up 'What's the point of going on with the hard work of farming?'

"Here's when the next generation should be brought into the farm if they want in. But, unless some of the assets are transferred over to the son or daughter that returns to the farm, the value of the parents' estate will continue to grow.

"Because most of this growth is due to the son's or

daughter's efforts, it would not be fair to that individual to divide up the estate into equal portions with the other children that have left the farm."

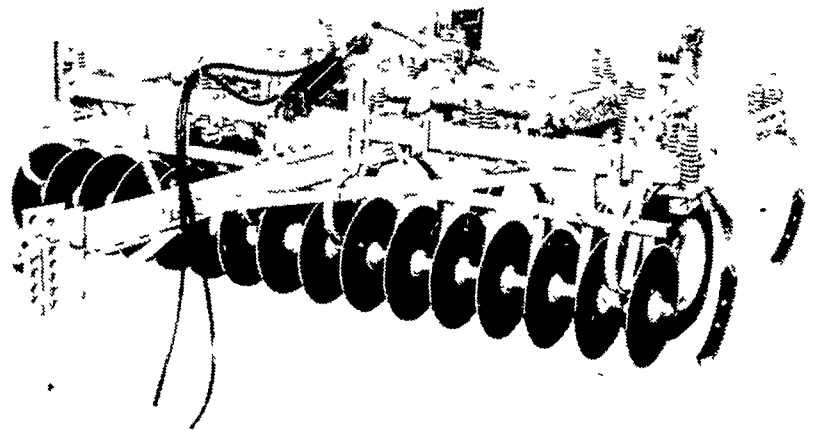
An estate that is properly planned can help to get the farming operation into the next generation with the greatest ease, hold down tax costs, and carry out the wishes of the decedent.

According to Denison, the most important tool in estate planning is proper will structure.

We will be taking a closer look at the purpose and effectiveness of the 'Last Will and Testament' in the next issue of Lancaster Farming.

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