



Brockett's Ag Advice

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Taxes and Records

Records are the key to practically every decision a business manager makes concerning the operation of the business. Good records are almost impossible to evaluate in dollars. Two most valuable uses of records are tax planning and tax filing.

Let's look at the use of records for tax savings purposes. Is this topic of interest?

What Records

Let's look at what a good record for tax management includes.

✓ All of the cash expenses for the business including such items as postage, office supplies, children's wages, business dues and advertisements, public relations costs (example - the fire company), work clothes, and fringe benefits for the hired man. These expenses should be placed into categories so a reasonable estimate of additional expenses

could be made. Example: Real estate taxes are paid once or twice per year so the total paid may already be known. Feed bills are paid throughout the year so the final bill will be an estimate

✓ All cash income for the business divided into the proper categories Regular farm income such as the sale of milk, grain, calves, refunds, etc is one category. Potential long term capital gain items is a second category Items that may be part ordinary income and part long term capital gain is a third.

✓ Depreciation — a listing of all new items with trade-in property is essential. With that should be the cash difference paid plus the un-depreciated balance of trade-in items. The cash difference refers to the amount actually paid or contracted to be paid.

Tax Planning

Farmers can estimate taxes due

by using either a ten month or eleven month summary. The balance of the year can then be estimated. From there, a farmer can use several methods to arrive at an estimated tax figure for the year.

The easiest way is to compare the resultant cash income and cash expense figures with those on the 1980 return. Then multiply the 1980 tax from line 37 on form 1040 by the percentage figure the 1981 net cash income is over or under the 1980 net cash income.

Example. Farmer A had a 1980 cash income (Schedule F & 4797) of \$70,000 and a 1980 cash expense (Schedule F) of \$40,000. His tax on line 37 was \$2,500 His 1981 cash income (Schedule F & 4797) was estimated at \$100,000 and the 1981 cash expense (Schedule F) was estimated at \$60,000. The difference in net cash income is an increase of 33% for 1981 over 1980 To estimate 1981 tax multiply \$2,500 by 133% to get \$3,325.

A second way is to actually go through the total tax calculation using a 1980 tax table This way will take three times as long to do as the method above but would result in a more accurate estimated tax.

Once the 1981 estimated tax is calculated, the taxpayer can make

a decision as to whether to: continue as he has been doing; take action to defer taxes; or take action to pull taxable income from

a future year into the 1981 tax year. Tax management should consider taxes for the future as well as for the present.

Secretary Watt to address convention

PARK RIDGE, II — United States Secretary of Interior, James Watt, will be a featured speaker at the 63rd annual meeting of the American Farm Bureau Federation in San Diego, California in January.

Robert Delano, president of the federation said Watt will address the Tuesday morning general session January 12, 1982, in San Diego's Sports Arena

Prior to being named to his present post, Watt was president and chief legal officer for the Mountain States Legal Foundation A non-profit public interest law center, the foundation is "dedicated to bringing balance to the courts in defense of individual liberty and private enterprise"

Upon graduation from the University of Wyoming, where he received a Bachelor's degree from the College of Commerce and Industry and his J.D. degree from the College of Law, Watt worked as personal assistant to Milward Simpson in his successful campaign for the U.S. Senate in 1962.

Then, until 1966, he was the former Wyoming Senator's legislative assistant and counsel

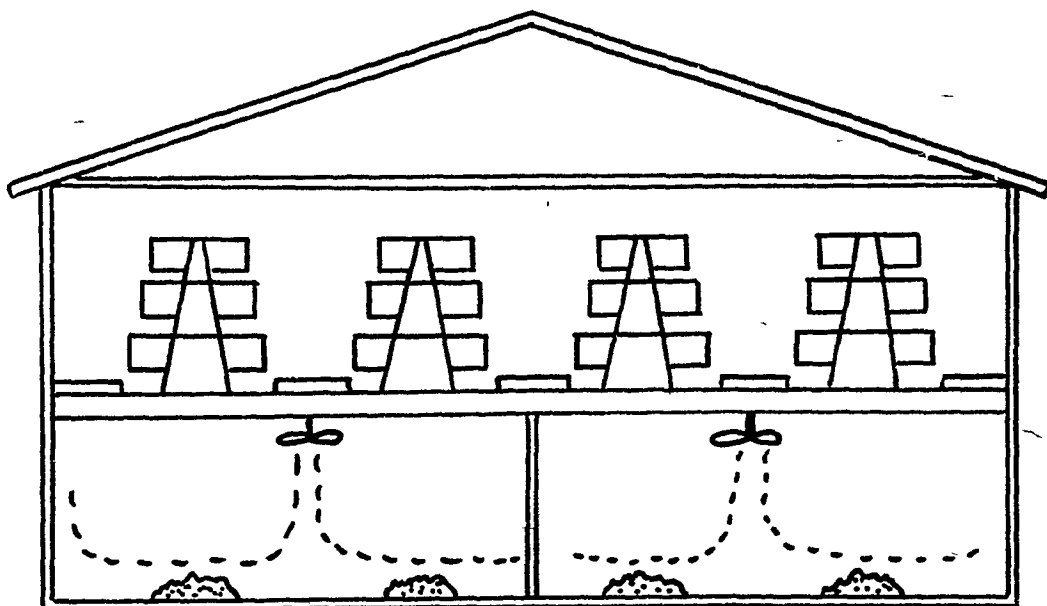
From 1966 to 1969 he served as secretary to the Natural Resources Committee and the Environmental Pollution Advisory Panel of the U.S. Chamber of Commerce

Watt's service to the department of Interior began in 1969, first as special assistant to the Secretary, then as Deputy Assistant Secretary and from 1972 until 1975 he was director of the Bureau of Outdoor Recreation He then served as commissioner and later vice chairman of the Federal Power Commission until joining the Mountain States Legal Foundation

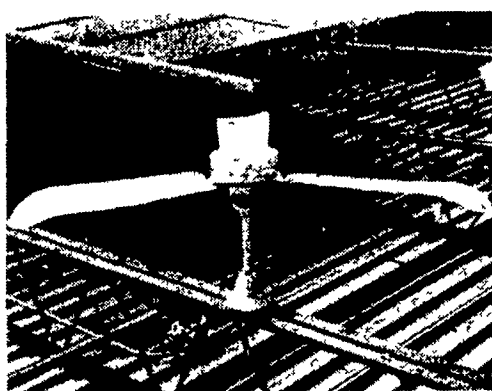
Also on the program of the Tuesday general session will be Senator Walter Huddleston of Kentucky, ranking minority member of the Senate Agriculture Committee About 8,000 representatives of AFBF's three million member families are expected to attend the January 10 to 14 meeting.

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