



Brockett's Ag Advice

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Tax Deferment

Deferring or postponement of income taxes is a recognized part of tax management in most business circles. Tax deferment comes in two categories: that which must be done within the immediate tax year; and that which can be done right up to the time for filing the tax return. "Cash method" taxpayers have much more flexibility in tax deferment than "accrual method" taxpayers. Use of the "cash" reporting method is also easier than the "accrual" method. Most farmers do use the cash method.

If a farmer does desire to defer or postpone taxes, he has several possibilities. The following must be done before the end of the year:

He can buy supplies such as feed and fertilizer ahead for next year. They actually have to be purchased, not just ordered.

There also must be a reason other than tax reduction. This should be no problem this year with ever increasing costs. Items purchased in November or December are certain to be cheaper than those items purchased in March or April. This may be especially true for corn.

Of course, such action could cause the following year's taxes to be higher. Therefore, a farmer considering it should know

whether it would really be justified or not. Why lower this year's taxes to zero or less, then find yourself in a 30% bracket next year? That is where a 9 or 10 month summary would be helpful.

Sales or income could be held off until after January 1. This may have advantages in two ways this year. Both grain and hay prices will probably go up after the first of the year. Thus, taxes may be lowered for 1981 and profits increased on 1981 crops in the 1982 tax year.

He could actually borrow money to pay off all accounts payable at the end of the year. Anyone doing this should carefully calculate the consequences. For example, it would not be sensible if the taxpayer borrowed money at 10% interest cost to save \$50 worth of taxes. However, if the borrowed money cost was \$100 and the tax savings was \$200, the net result would be an overall savings of \$100.

These three items are rather inflexible and must be done by the end of the tax year. Furthermore, once they are done, the results must be used whether needed or not. For example: A farmer buys \$5,000 worth of feed on an advance order special in 1981 to be used in 1982. When he does his taxes in February, he finds that, as a result of the purchase, he has a gross

FREDERICK, Md. — The Maryland Fall Festival Angus Sale, held here recently, grossed \$45,515 on 57 lots to average just under \$800.

Fifty-two females average \$805 and five bulls average \$722. The

first animal in the ring was an April 6, 1981 heifer calf donated by Dr. and Mrs. Emmett Full, Back Acres Angus, Mt. Airy, Md., to benefit the Maryland Junior Angus Association's fund raising efforts. A flashy daughter of Root 8221 of Ideal known as "Big Moose", the heifer sold for \$1,000 to Bill Ledford of Mt. Airy, Md.

calf to a son of "Elector", sold to Rocky Forge Farm, Hagerstown, Md. for \$1,800.

The high selling bull was a June 1980 son of P S Power Play consigned by Dale Rains, Mercer, Pa. He sold for \$1,025 to Shenstone Farm, Leesburg, Va., a volume buyer with six head purchased.

Topping the sale at \$2,000 was a heifer calf by Linebacker of Wye consigned by Mar Lee Farm Woodsboro, Md. She sold to Sonia Hamm, Pleasant Plains Angus, Clarksburg, Md.

Second high selling lot was a daughter of Wetonka 2446 consigned by Stivers Angus, Pittstown, N.J. This 1980 heifer out of a Bonanza of Wye daughter, safe in

A. Fred Myer, White Post, Va., purchased 4 lots including a daughter of P S Power Play from Dale Rains at \$1,600. Jack Corwell of Clear Spring, Md., also purchased 4 lots.

The sale was sponsored by the Maryland Angus Association, and was managed by the American Angus Hall Of Fame in Smithville, Missouri. Lee Miller, Woodsboro, Md., was sale chairman and Mike Jones was the auctioneer.

taxable income of \$4,000. Since he has a wife and four children, he is actually permitted \$9400 of tax free income for 1981. His early order purchase did not save him any 1981 Federal income tax. (It may have saved some Social Security and State Income Tax.) However it may actually cost him extra tax money in 1982.

Two things to consider in 1981 tax planning: 1982 tax rates will be lower and the 1982 dollar will be worth less than the 1981 dollar. Suggestion - by all means reduce 1981 taxes as much as possible but don't use up tax free dollars.



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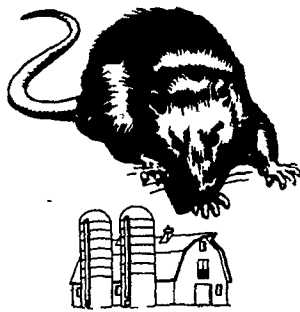
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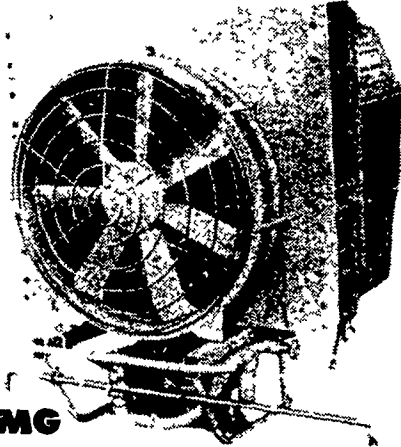
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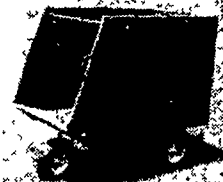
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