

Crop insurance industry approves 1983 research

Should machinery be purchased to cut liabilities?

UNIVERSITY PARK — About this time of year, farmers think about purchasing machinery to cut tax liabilities. Is this good management?

This action comes under income tax management, says Sam Dum, Penn State Extension farm management specialist. Tax management is important in operating a business for profit and is the way to make adjustments in income or expenses, or tax deductions and exemptions, there by avoiding being in a higher tax bracket one year, and a lower bracket the next. This fluctuation in tax brackets usually results in more total tax over a period of years.

Before considering the purchase of machinery to control the tax bracket, a farmer should consider how the early purchase of operating supplies for the next

year, such as feed, seed and fertilizer, or withholding the sale of ordinary income items, such as crops or livestock held principally for sale, could be used instead.

Machinery purchases will help reduce tax liabilities through the depreciation allowance and investment credits. But before making the decision to purchase machinery for tax management, consider the decision from the standpoint of the purchase on the overall profitable operation of the business, says Dum. "Is the machinery needed? Will it lower production costs?" The additional investment costs must be carried by the business, says Dum.

Therefore, the final criteria for tax management as well as investment management is — will the action result in the lowest tax over the years, and be most profitable for the business?

INDIANAPOLIS, IND. — Representatives of the Crop Insurance Research Bureau and National Crop Insurance

Association met Nov. 3 and granted approval of funding for crop research projects at nine universities in the United States. Research will be conducted to more accurately establish the amount of damage which crops suffer from hail.

A large number of crop test plots are subjected to simulated hail storms produced by "hail machines" blowing ice at a high velocity. The plots are then checked for the amount of damage to the plants and the state of growth which the plant was in when the "storm" occurred. The plots are harvested at year's end and crop yields are compared to yields from untreated plots to determine the effect and severity of yield reduction resulting from hail.

The results are statistically analyzed and developed into loss adjustment charts and procedures for use by crop insurance adjusters in settling hail insurance claims. The plots are simultaneously used for training of adjusters during crop school/field days held at each research location. Each year, crop adjusters are instructed on current farming practices, plant diseases, insects, herbicides, recommended loss adjustment procedures, plant growth, etc.

This type of research has been funded through the crop insurance trade associations since 1930. Grants totaling over \$1 million have been distributed to 34 universities in 28 states since 1952, and over 350 separate annual projects have already been completed on 23 crops.



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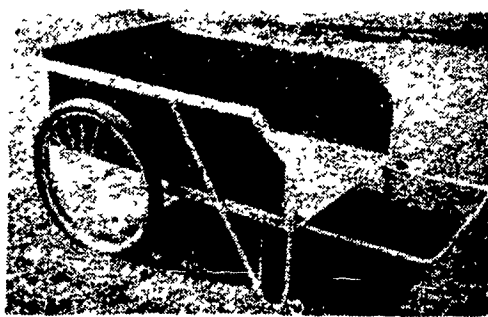
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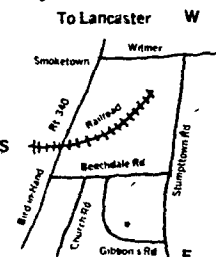
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