



Brockett's Ag Advice

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Estate Planning

With all of the financial woes of farmers today, estate planning has almost been put on the back burner. True, some of the major pressures have been relieved with the 1981 Tax Reform Act, but the problem is still there. Unfortunately farm families have become complacent. They feel why worry because the 1981 law has eliminated all of the problems. The truth is that it eliminated some problems, relieved some problems, and caused some other problems.

Problems Eliminated

Between the 1981 and 1982 acts, one of the major problems that was eliminated was the tax on property

passing from one spouse to another. Now, all property that goes from one spouse to another (either by gift or inheritance) is not taxed by the Federal Government. Furthermore if it is owned jointly as tenants in the entireties (or with rights of survivorship) by a husband and wife, it also passes to the survivor free of Pennsylvania inheritance tax.

Problems Relieved

Some problems still remain but are made more remote. The size of the tax free (for federal estate taxes) estate is increasing each year until 1987. However it does not eliminate estate taxes on many farms especially those in south eastern Pennsylvania. Their value

is simply too high at the present time for that increase to overcome. This law has simply relieved some of the pressure.

Farms can be valued at a "use value" which may reduce all but the largest farms to a value below the taxable level. However to use "use value" the survivors, executor, and attorney must thoroughly document the calculations and rationale used to obtain this value. Furthermore the farm must go to a qualified heir by sale or inheritance for the estate to take advantage of "use valuation". A qualified heir is someone who will continue to operate the farm as a farm and is closely related to the deceased person. A lieu, to guarantee that the farm will be operated by that person for 10 years, will be put against the farm. This is a very good tool to use if a qualified heir is available and the farm will continue to be operated. It is not a cure all and could cause problems if it is not properly handled.

Problems Caused

Under the new law, property

owned jointly between husband and wife will be valued as if each party owned 50 percent of the property. Under the old law the survivor had an option to decide which way to own it. Sometimes for income tax purposes it was more advantageous to put it all in the estate of the first to die. This gave it a new "stepped up basis". Example: husband and wife own a farm with present value of \$300,000. If the husband died prior to 1982, the farm could be valued at \$300,000. This meant that the wife could sell the farm for \$300,000 and pay no income tax. Or she could continue to own and operate it and

put part of the \$300,000 on buildings which she could then depreciate (a reduction of taxable income). Now only 50 percent of that value can receive a new basis. Thus the income taxes for the surviving widow would be greater. Another problem this may cause is for survivors of people who died prior to 1982. Some IRS people are using this new law as a rationale for claiming a 50 percent value for their property.

The biggest problem is the idea many people have gained that estate planning is a dead issue. It is not.

Field day in Del. Aug. 10

NEWARK, DEL. — Plans are under way to make the University of Delaware College of Agricultural Sciences' 1983 Farm and Home Field Day much bigger and more colorful than ever before. The event will take place Wednesday, August 10, from 9 a.m.

to 8 p.m. at the university sub-station near Georgetown.

"We'll be celebrating the 150th anniversary of the chartering of the university and the college's long history of serving agriculture," says Donald F. Crossan, dean of the college and director of the Delaware Agricultural Experiment Station. "There will be live music in the grove, and for the first time we'll expand into an evening program."

Orville Bentley, assistant secretary, U.S. Department of Agriculture, will be featured speaker during the brief program which follows the traditional fried chicken meal at noon.

Besides farm tours, exhibits and demonstrations, during the day there will be special in-depth sessions on a range of topics of interest to both farmers and consumers.

An evening program is also being planned for part-time farmers and other individuals unable to come during the day. This event will be preceded by a "pig picking" (whole roast pork supper). All are invited to attend.

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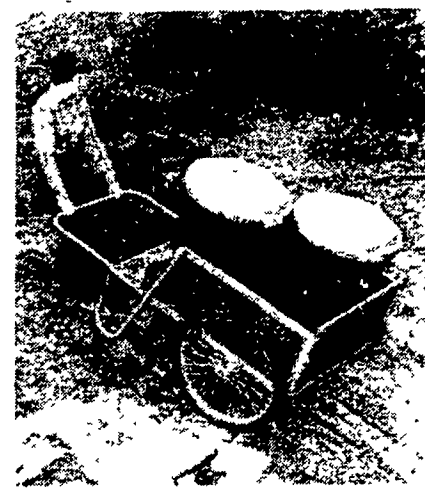
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