



## Brockett's Ag Advice

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### Tax Planning

Some farmers are going to face a real dilemma this year. Do you sell that PIK corn in 1983 or 1984? There are a raft of other questions as well. Do you buy fertilizer now or wait until 1984? Will it pay to borrow money to buy supplies ahead? Which should you do to save taxes buy fertilizer or equipment? Should you feed ahead or wait? Many of these questions will be answered strictly on the basis of saving taxes. Most in fact will be made on the basis of "maybe I'll save taxes", because you may

not even know whether you will have a tax obligation or not.

Tax management is one of your jobs. Taxes are a necessary expense item. They provide you with many of the services you take for granted such as education, roads, laws, agricultural payments and support prices, and even the cost of writing this column (for whatever this is worth). However that does not mean we should pay more than we have to. The year of 1983 was not a big tax change year. The only major change that will have an effect on you as a farmer is the

investment credit depreciation reduction.

### Tax Estimate

First let's see if you have a tax to pay before answering the questions at the start of this column. Do an estimated tax return for 1983. Take income and expenses for the first 9 months then project out for the full twelve months. Don't forget to include depreciation (use last year's if you're too lazy to figure this year's) and interest (probably have to use last year's). Now take dairy cow and breeding animal (over 1 year old for pigs and sheep and over 2 year old for cattle and horses) sales out of income. Then subtract expenses (including interest and depreciation) from income. This gives you net Schedule F income to that add 40% of the cow and breeding animal you previously deducted. Now add in wages, interest, and any other net income you have. Deduct from that \$1000 per dependent and excess itemized deductions. The

balance is taxable income. Now let's put that into categories:

- A - Under \$5000
- B - \$5000 to \$10,000
- C - \$10,000 to \$15,000
- D - \$15,000 to \$30,000

E - over \$30,000  
The first 3 categories are in rather low tax bracket. (federal income tax of 0 to 1100 dollars). I'd suggest the following for them:

	Category A	B*	C*
Sell PIK Corn	yes	maybe	split
Buy Fertilizer	no	maybe	maybe
Borrow to Buy	no	no	no
Buy Feed	no	to Mar.	to Apr.

\*B and C categories may qualify for earned income credits and special provision tax credits from Pa. You may use PIK corn sales and feed and fertilizer purchases to qualify for those credits.

The last 2 categories are more

apt to benefit from year end adjustments. For farmers in those two categories I would caution putting more income into 1983 unless 1983's projected income is well below 1982's or you predict a high 1984 income.

	Category D	Category E
Sell PIK Corn	maybe	1984
Buy Fertilizer	yes	yes
Borrow to Buy	maybe	yes
Buy Feed	to Apr.	to Apr

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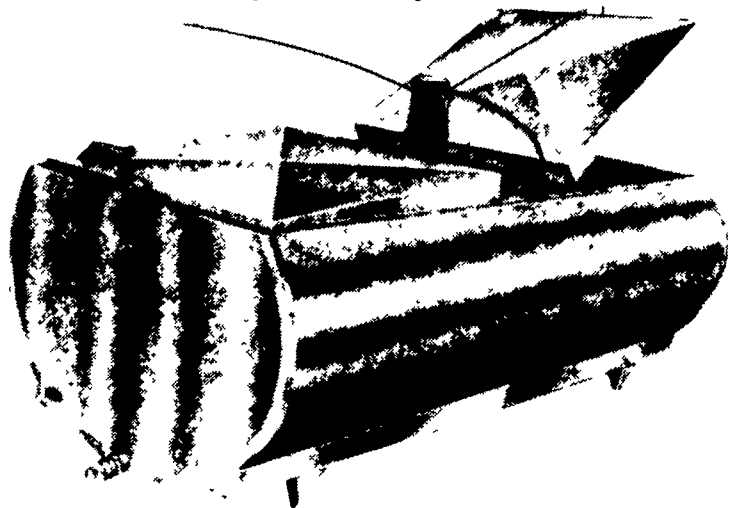
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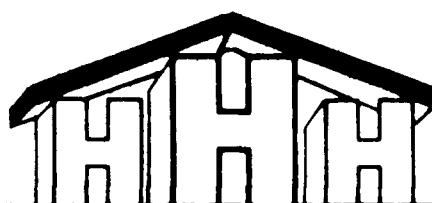
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