



Brockett's Ag Advice

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Tis That Time Again

What time? Why tax season of course. It is no wonder that February is the most depressing month of the year for farmers. The novelty of the first snow is long past. Hunting season stories are now stale. Football season is done. We're halfway between harvest and planting. Then on top of all of that, income tax reports are due. In fact some tax reports are due and you haven't even been able to get the forms. Now we're done with all the gripes and on to constructive ideas. O.K.?

Changes

There were not too many changes for farmers for 1983. However one is a biggy.

Investment Credit

The value of investment credit has been reduced. You will either use a lower rate (8% instead of 10%) or will reduce the depreciable base of the purchased item by 50% of the investment credit taken. You will have to make a decision on which to use. Using the full investment credit and a reduced depreciable base saves more taxes the first year. Using a reduced investment credit and a full depreciable base saves

more taxes over a 5 year period if you are in a 30 percent tax bracket or higher. However the difference is really not great in either case. Your decision should be based on:

1. Do you already have a lot of investment credit carryover? (if so use the reduced credit idea).
2. Are you subject to the alternative minimum tax? (if so use the reduced credit idea.)
3. Is your marginal tax bracket below 30 percent? (if so I'd probably use the full credit approach). Is your marginal tax bracket between 30 and 40 percent? (if so look to other factors to make a decision). Is your marginal tax bracket over 40 percent and apt to stay over 40 percent in the next 4 years? (if so use the reduced credit idea).
4. Are you concerned with maximizing social security? (then use the full credit.)
5. Which side of the earned income credit picture are you on? (depreciation effects the credit you can claim by reducing or increasing earned income depending on how you use it - investment credit does not).
6. Are you at a higher level this year than in the past? (if so use full

credit because income averaging may offset much of the tax savings gained from extra depreciation anyway).

Other Changes

1. Alternative minimum tax has been changed with a higher floor (\$40,000) and one rate (20%). This one is good for the average farmer but harder on those selling a farm or a lot of dairy cows (could catch people selling a chunk of cows to participate in the milk diversion program).

2. Medical expense deduction floor was raised to 5% of adjusted gross income (from 10%). Affects those who itemize.

3. Partial reduction in marriage tax for 2 earner married couples has been increased to 10% of lower earning spouse's earned income. Watch out for this one because the eligible income must be reduced by any IRA taken out before the percentage is figured. This change is a good one for working couples (wages paid by a spouse to a spouse are not eligible).

Stehr gets ASCS post

POTTSVILLE — Terry L. Stehr, of Pitman, has been named Executive Director of the Schuylkill County Agricultural Stabilization and Conservation Office at Pottsville.

Stehr has a varied background being raised on a fruit, vegetable and poultry farm in the Pitman area. A graduate of Penn State, he has worked as a teacher with Schuylkill County's enrichment program for eight years and, after successfully completing the County Office Management Training Course, accepted the current position.

He is the son of Mr. and Mrs. Kenneth Stehr, Pitman, and resides in Pitman with his wife, the former Carol Neugard, and their two daughters, Angela and Anne.



Terry L. Stehr

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