



Brockett's Ag Advice

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Preparing For 1984 Taxes

As a farmer you have 3 choices on when to pay your 1984 Federal Income Tax. You can file quarterly estimates in April, June, September and January (most self employed people must do this). You can file a one time estimate by January 15, 1985. Or you can file your final return by March 1, 1985 with no estimates.

Estimates

There may be advantages to filing estimates. Quarterly estimates mean paying smaller amounts more often - some people find this easier. Both types of estimates give you until April 15 to file your final tax return if you pay in enough.

Of course, there are definite advantages to filing by March 1. You can save your money thru the

year as a sort of self imposed withholding and earn interest on it. You only have to mess with income tax work once. You have tax filing out of the way before planting season starts.

How To File A Tax Estimate

For quarterly estimates get form 1040ES. There is only one blank to fill out (the amount you will pay). You also must fill in the section for your name and address. The 1040ES has 4 parts. The first part is to send in by April 15, the second by June 15, the third by September 15, and the fourth by January 15, 1985. To determine how much to send with each part, use the 1983 tax return (use amounts from lines 40, 50 and 52). Pay 10% of that amount in April, June, and September. For January, subtract 8% of the total cost of machinery you purchased in 1984 from the amount on line 40 of the 1983 return. Then add the difference (can not be less than 0) from line 40 to the amounts on lines 50 and 52 and subtract what you

paid in April, June, and September. The difference is what you would pay as your January estimate. Example: In 1983, line 40 was \$2500, line 50 was \$1002, line 52 was \$125 for a total of \$3627. Pay \$363 in April, June and September for a total of \$1089.

For 1984 you purchased \$16,000 worth of machinery so deduct \$1280 from \$2500 to get a remainder of \$1220. Add \$1220 to \$1002 and to \$125 to get \$2347. Since you already paid \$1089 in on previous quarterly as an estimate, your January estimate would be \$1258. For a one time (January) estimate, go thru the same calculations to arrive at your estimated payment that is due. Then pay the total amount in January. Example: Same farm as before: total 1983 tax was \$3627, 8% of machinery purchases is \$1280 so tax estimate due is \$2347. Remember you can not use more investment credit (the 8%) than you have federal income tax due.

A Self Withholding Plan

Farmers should prepare now for taxes that must be paid a year from now. Why? Let's start off with a 11.3% self employment social security tax. Then add 2.45% state tax plus 1% local earned income tax. That becomes a 14.75% tax before the federal income tax is paid. How can you prepare?

1. Put 12% of your 1983 tax (federal income tax, social security tax, state tax, and local earned income tax) in a savings account every month starting in March. You should use a money market fund or account to get as much interest as possible.

2. Put 20% of the proceeds in excess of \$40,000 from the sale of land, cattle, buildings, or any other capital asset, into the same account.

3. Put 15% of the proceeds from PIK commodities that were sold in 1984 into the same account.

4. If you signed up for the milk diversion program, put 10% of the quarterly payment into the same account.

This account will work the same as withholding does for people working in industry. The one difference will be that you will earn the interest on the money instead of the government lenders. If you over pay into it, use the money as an instant refund. That means pay off some bills, spend it, invest it, or leave it in for 1985's taxes. One word of caution - do not count on investment credit covering your tax bill. Besides the 14.75% of earned income you may be tripped up with the alternative minimum tax if you have capital sales in excess of \$40,000. (that is a guaranteed minimum tax of 20% on income over \$40,000).

Corn Clinic on March 5

DUNMORE — The annual N.E. Regional Corn Clinic will be held Monday, March 5, from 10 a.m. to 3:30 p.m. at the Penn State Worthington Scranton Campus, Dunmore. The event, sponsored by the Penn State Agricultural Extension Service in cooperation with area farm supply dealers will feature educational presentations as well as commercial displays.

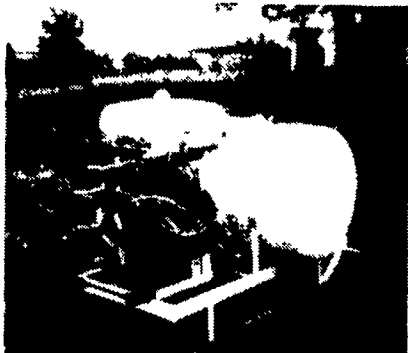
Educational speakers will include Joseph McGahen, Douglass Beagle, Richard Adams and Thomas Lanini, Penn State Extension specialists. They will discuss such topics as corn fer-

tilization, weed control, a report of the 1983 Penn State corn research trials, and feeding grain mixture to dairy cattle.

Lunch will be served at the meeting site. Lunch tickets and reservations can be made by contacting any Agricultural Extension Office in Northeastern Pennsylvania.

Farm supply dealers interested in participating in the Corn Clinic should contact John Creighton, County Extension Director, Wayne County Extension Service, Courthouse, Honesdale.

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