



Brockett's Ag Advice

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MORE ON TAX STRATEGIES

A good set of financial records could help you decide (a) what strategies to take to manage the tax load, (b) is it necessary to do anything, and (c) the possible consequences of anything you do or don't do. Last week I briefly summarized a few scenarios on your tax situation. Let's expand on a few of them.

Let's Reduce Them

Those of you who made a profit this year may find that you have more taxes than you had last year on the same profit. Social Security taxes for self employed people took a whopping 2.35 percent increase from 9.35 to 11.7. So you may decide to reduce taxes even if your taxable income is about the same as last year. Here are some ideas. First be sure that your extra income is from earned income (Schedule F, Schedule C, Schedule K-1 - income from a partnership or wages). That is the only income that affects social security.

Reducing method number 1: Buy supplies such as fertilizer, seeds and spray. Reason: \$1000 purchase of it will result in \$1000 of deductible expense.

Reducing method number 2: Buy machinery or capital livestock. Result: \$1000 purchase here will result in \$150 of deductible expense plus \$80 of tax credits.

Reducing method number 3: Buy a building. Result: \$1000 purchase of a building will result in \$50 to \$60 of deductible expense.

What about holding off income? Items such as corn and steers could be held back until January if the storage or holding cost is not too great. Result: \$1000 reduction in sale would reduce taxable income by \$1000. Cows, timber, and land sales could also be held off in part or whole. However a reduction of \$1000 in such sales would only reduce taxable income by \$400.

Leave Alone

Sometimes good tax management means leave well enough alone. In other words proceed as if taxes were no problem. Why? It may be that you already have excess investment credit. It may be that you have no tax consequences anyway. Or it may be that you see 1985 as being an even bigger year so there is no incentive to reduce taxes for 1984.

Increase Taxable Income

Every family has a \$1000 per dependent and a \$3400 standard deduction to subtract from taxable income before taxes are calculated. Thus a family of 4 can make \$7400 before any taxes are due. In addition this is in a good area for earned income credits. If this family had a taxable income of \$3000, it might be sensible to hold off on expenses or advance some sales to boost it to \$7400. This could reduce taxes for 1985 at little or no extra taxes for 1984.

Splitting Income

If you are considering a large capital sale in December, do some calculating first. If it is over \$40,000, you might save as much as \$8000 by splitting the sale with part of it in December and part of it in January. Why? The alternative minimum tax requires anyone who has a total income over \$40,000 to pay at least 20 percent of the excess in taxes. By splitting the above sale you get to deduct \$40,000

Milk call provision to be considered

NEW YORK - Market Administrator Thomas A. Wilson on Nov. 14 gave the three days notice required to hold a meeting on what is commonly referred to as the call provision under the New York-New Jersey Milk Marketing Orders. This provision, Section 1002.27 (g), becomes necessary if handlers regulated under the Orders are unwilling to supply sufficient quantities of bulk farm milk for the Class I fluid market. That is the situation at present.

Mr. Wilson stated that the purpose of the meeting is to receive dairy industry testimony

pertaining to the information he should use in determining the required percentage of Class I utilization which must be met by all Order No. 2 pool plants and units for the months of November and December 1984 and January 1985. The meeting will be at the Hotel Syracuse in Syracuse, N.Y., on Nov. 20, at 10 a.m.

For activating the call provision,

the order requires that the Market Administrator issue a schedule setting forth, by months, the minimum percentage of Class I required for plants and units. Mr. Wilson further stated that any handler's designated pool plant or unit that did not meet this percentage would have its designation or pool status cancelled or suspended.



from the sale twice before you are liable for alternative minimum tax treatment. Example: Take a sale where the profit is \$100,000. Take the whole amount in 1984 and your minimum tax will be \$12,000. Take half in 1984 and half in 1985 and your minimum tax will be \$2000 in 1984 and \$2000 in 1985.

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