



Brockett's Ag Advice

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1984 Taxes- Be Careful

Some of you are going to be shocked when you either do or see your 1984 tax return. Shockers will include social security, income averaging changes, alternative minimum tax changes, depreciation recapture, and the extra number of forms to file.

Self Employment Social Security

This will be one that should get the attention of all self employed people. It has gone up over 20 percent. An example: Last year the self employment tax on \$10,000 was \$935. This year it will be \$1130. In most cases where your income is over \$10,000, the extra social security tax will more than offset the reduction in your income tax.

Taxable Social Security

This is a repeat of an earlier column but some of you may have missed it. If you or a relative receives social security, part of it may be taxable for 1984. A single person with a total income over \$25,000 or a married couple filing jointly with a total income over \$32,000 may have to pay income tax on part of the social security. This fact should become part of future tax planning. By the way total income includes half of the social security you receive plus tax free interest.

Income Averaging

A pretty good tax saver in the past has turned into a lesser tax saver and for fewer people. Actually coupled with the alternative minimum tax most farmers will no longer receive much if any benefits from income averaging.

Alternative Minimum Tax

There have been no changes since 1983 but not everyone bumps into this tax every year. Those new rules say that anyone who has a total income (including the 60 percent protected portion of long term capital gains) over a certain level (30,000 for single and 40,000 for married filing jointly) must pay at least 20 percent of that amount regardless of deductions, tax credits, income averaging, or dependents. This can catch people who have had a large capital sale or a good business year plus a large purchase of investment credit property. Add up gross income on the 1040 plus the 60 percent protected capital gains. If you have total income in excess of the above figures, check out the

possibility of the alternative minimum tax.

Forms

Don't forget the 1099s discussed in this column last week. They must be filed or you are subject to a \$50 fine for each missing 1099.

Many of the forms have been changed so be careful when filling them out. Watch the depreciation form 4562. Also watch the 3468 because it has two sections depending on whether you elect full credit and reduced depreciation or visa versa.

Depreciation Recapture

This will prove to be a possible problem to people interested in using an installment sale as a way to sell certain property. Under the old law if you sold depreciable property at a profit, you could sell it on an installment sale contract. You paid taxes on the money as you received it. Under the new law you can still sell it on an installment sale but you will have to pay the tax on the entire gain that is subject to depreciation recapture in the year of the sale. This does not yet include trades.

Example: You bought a tractor in 1975 for \$10,000. You depreciated it to zero. In 1984, you sold it for \$5,000 on sales contract that specified \$1,000 plus interest be paid each year for five years. The \$5,000 is a taxable gain as recaptured depreciation which means it is fully taxable. Under the old law you would pay tax on it each year as you received the \$1,000 payment. Under the new law you pay on the full \$5,000 even if you collect nothing in the year of sale. Implications - it may jump your tax bracket, cause you to be subject to the alternative minimum tax, pay more tax than money you collected, or result in you inadvertently reporting the sale wrong.



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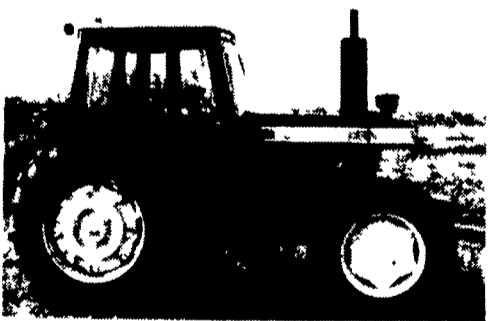
OR DELAY YOUR PAYMENTS UNTIL JULY 1, 1985

We can help arrange a waiver of finance charges and deferral of payments until July 1 for qualified buyers, followed by up to four years of 12^{3/4}% FIXED ANNUAL PERCENTAGE RATE financing. You'll make no payments and finance charges will not begin to accrue until July 1, 1985. Implements purchased with the tractor may also be financed under these special rates.

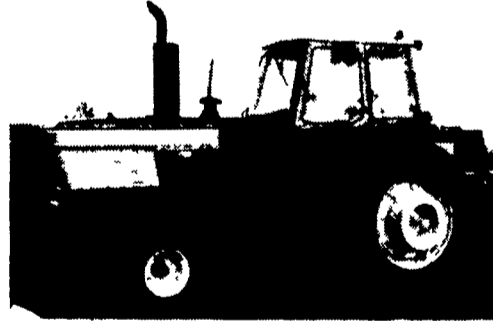
All offers require a qualifying down payment or trade-in. Certain restrictions apply.

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WHAT'S YOUR PROBLEM?

Here's A Timely Tip...

Apply lime often for best results

To keep your soil neutral, liming every 2 or 3 years is recommended, because of the new higher analysis fertilizers being used today



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Gap, PA. (717) 442-4148

