



## Brockett's Ag Advice

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### Tax Proposals of Interest

The Senate Finance Committee has come up with the most revolutionary tax law proposal since I started working with financial management and taxes. It is so much of a change that no one is venturing a real estimate as to the ultimate effect it will have on our nation's economic and social structure. Some people are even having second thoughts as to whether they are in favor of venturing into this unknown financial jungle. As one columnist recently said "many of the present laws were enacted to adjust a social problem — will the proposed changes cause more problems than they solve?" At any rate, a few of these changes are outlined below.

Tax rates are to be adjusted to 15 percent for married people filing jointly with taxable incomes less than \$29,300 and 27 percent for those with taxable incomes over that amount. The threshold for single people is \$17,600. That sounds like good news until you hear about the deductions that will no longer be available.

The standard deduction will be raised to \$3800 for married people filing jointly in 1987 and \$5000 in 1988. The standard deduction for single people will be \$2570 and

\$3000 respectively. Personal exemptions will be raised to \$1900 in 1987 and \$2000 in 1988. The additional exemption for those over 65 will be eliminated for 1987 and beyond. Instead, the standard deduction will be increased by \$600.

Others that may affect many middle class people are:

1. No more two earner deduction (affects all families where both husband and wife work).
2. Elimination of income averaging (affects those who sell a property or receive a large bonus in a given year).
3. Increased earned income credit (affects those with earned income below a certain amount to be set each year — \$11,000 in 1986).
4. Eliminate sales tax as a deductible item.
5. Increased the non deductible portion of medical expenses to 10 percent of income from the present 5 percent.
6. Eliminated the partial deduction of contributions for people who do not itemize.
7. Eliminate all miscellaneous deductions.
8. For all practical purposes, the 2106 employee business expenses are eliminated except for those who itemize.

Some business tax changes that will affect most farmers are (a) increased life for most depreciable items, (b) elimination of investment credit, (c) elimination of the use of the 60 percent exclusion for capital gains, and (d) elimination of the deduction for land clearing.

One of the most controversial changes is the elimination of the IRA as a "Tax Deferment" deduction. Actually, the change will not affect full time farmers. The change in the use of IRA's is a step back toward its original intention, "making a retirement tool

for those who had no other retirement plan." Even for those with other retirement plans, there is still a possibility for saving money with taxes on the interest being postponed (deferred) until the money is withdrawn.

A change that may have a long range effect on farming is the one limiting the amount of loss from farming that can be used against other income. This coupled with the loss of investment credit and the reduction of depreciation deductions in one year by extending the depreciable lives of

business property will cause many non-farm people to leave farming. That result could be advantageous to agricultural prices, if not to agriculture itself.

One of the changes that will probably cause the most problems to middle class families is the one discussed last week denying a personal exemption to dependents. This in effect could cause a family of four to be liable for filing at least three tax returns for the Federal government. I wonder what the IRS auditor will ask the 4-year-old taxpayer in an audit.

### Elverson Youth Receives FFA Leadership Scholarship

LEESPORT — Kevin Stoltzfus, 17-year-old son of Mr. and Mrs. Gerald Stoltzfus of R2 Elverson, has been named the winner of the 1986 Pa. FFA Washington Leadership Conference scholarship.

Kevin was recently elected president of both the Twin Valley FFA Chapter and Berks County FFA Association for the 1986-87 school year. Kevin has previously served as sentinel and vice-president of the Twin Valley Chapter and parliamentarian of the Berks County Association. As an active FFA member he has served on the banquet committee, safety committee, community service committee, and corn test

plot committee.

Kevin has participated in many contests on both the county and state level having been involved in public speaking, where he received a gold medal in the state creed speaking contest in 1984. He was a member of the chapter parliamentary procedure team in both 1985 and 1986, serving as a presiding member this year. In 1985 he received a gold medal in the state salesmanship contest. Additionally Kevin has shown his Guernsey heifers at local fairs and the Southeastern PA FFA Junior Dairy Show, The Pa. FFA Junior Dairy Show, and the Pennsylvania Farm Show.

The paper has participated in service projects at Hay Creek, Zerbe Sisters, and Tel-Hai; as well as Food for American programs at the Twin Valley Elementary schools, and tree planting for the Pennsylvania Game Commission.

Kevin looks forward to a stimulating leadership conference in Washington, and hopes to use the knowledge gained from this experience to lead both the Twin Valley and Berks County FFA's. Following graduation from high school Kevin hopes to become a state FFA officer and a dairy farmer.

The award is sponsored by the Contel Service Corporation of Atlanta, Ga.

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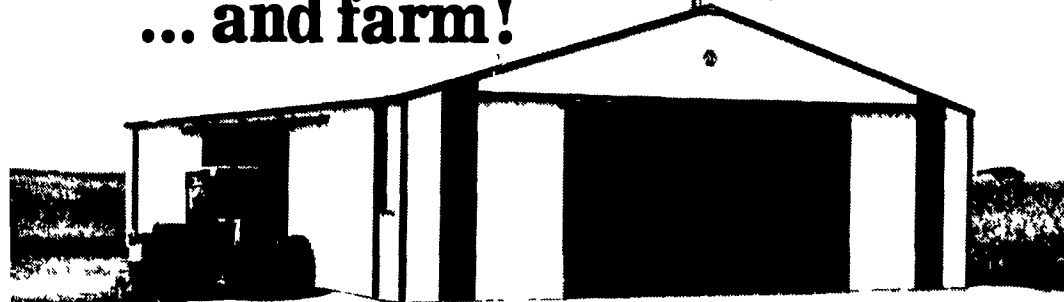
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