



Brockett's Ag Advice

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Some Good News On Taxes

There is some good news in the new tax law. There was also some good news in what did not happen with the new tax law.

1. **Personal exemptions** will take a healthy jump, going to \$1,900 in 1987, then to \$1,950 in 1988, and to \$2,000 in 1989. After 1989, they are supposed to continue to be adjusted for inflation.

2. The **standard deduction** will also rise in 1987, but on a much more moderate scale. For people who are married and filing a joint return, the standard deduction in 1987 will be \$3,760. Single people will have a standard deduction of \$2,540 in 1987. The big increase comes in 1988 when the married filing jointly standard deduction increases to \$5,000 and the singles standard deduction increases to

\$3,000.

3. There is one bright note to take some of the gloom from the over 65 group. The 1988 rise in the standard deduction for those under 65 will occur in 1987 for those over 65. Also to ease the pain of losing their traditional double exemption, people over 65 and those who are blind will get an extra amount added to their standard deduction. \$600 each for married people filing jointly and \$750 for a single person.

4. **Tax rates** for most people will be either 15 percent or a combination of 15 and 28 percent. Unfortunately, this change will not take affect until 1988. For 1987, the rates will be in 5 brackets ranging from 11 to 38.5 percent. The only bad thing about this decrease in rates is the increase in rates on

capital gains under the new law. That coupled with the loss of investment credit will probably mean that most farmers will actually pay more taxes in the future than they do now.

5. **Farm families** with taxable incomes below \$15,000 in 1987 and \$17,000 in 1988 may be able to offset part or all of their tax bill with the new increased "earned income credit".

6. Due to the treatment other pension plans received under the new law, farmers with employees may feel more inclined to start a SEP which is a sort of IRA for employees paid for by the employer. The employee can also contribute his or her own money to it. Amounts paid into it can be greater than amounts paid into an IRA.

7. **IRA's** did survive for farmers who have no other employer paid pension plan.

8. **Farmers** and other self employed business people can now deduct 25 percent of the cost of their own hospitalization as a **business deduction**. They should be permitted to deduct it all just like any other business can.

Speculation

For the next 12 months you will probably see some activity on technical corrections to the 1986

Tax Reform Act. Then there will be a lull until after April of 1987. By the spring of 1988 we will probably see considerable action taken to make corrections in the bill. This might result in "loopholes" that will favor one or more designated high vote groups. There are already a few in the present bill. By national election day in the fall of 1988, we will have seen either a major overhaul of the new tax law or practically nothing. If there is no groundswell for a change, then we will probably get no significant changes for 5 or 6 years.

Countdown

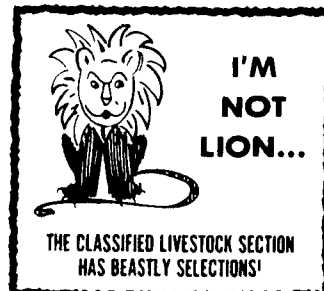
Time

This is countdown time for me. My retirement is within sighting distance. In fact, there will only be two more farm management news columns by me as an Area Farm Management Agent. My 30-plus years in Extension have been enjoyable, quite satisfying, very challenging, sometimes frustrating, and never dull. My future plans are to become self employed as a management consultant.

Future Columns

In my final swipe at my reading public, I intend to write the last two columns on financial management. For 30 years one of my goals has been to help farm families improve their living. In

that time, I have seen many changes occur in agriculture. The one thing that has stayed constant during that entire period has been the need for good financial management. Today good financial management has become an even more critical part of management's role in farming. Financial errors that the market place tolerated by farmers who are now in their 50's and 60's will cause those in their 30's to fail. Somehow the younger farmers, who the country desperately needs as independent and viable business people, must learn that what was good enough in financial management for dear old Dad may well be insufficient for them.



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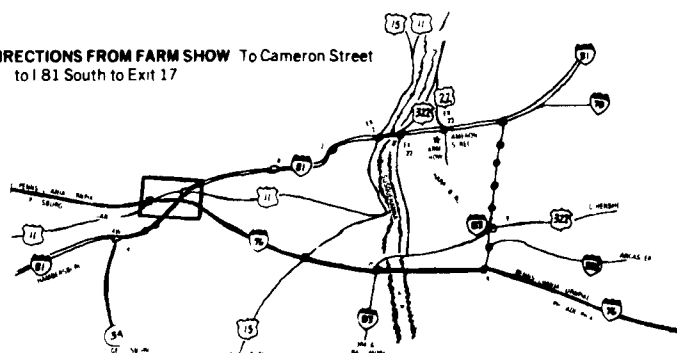
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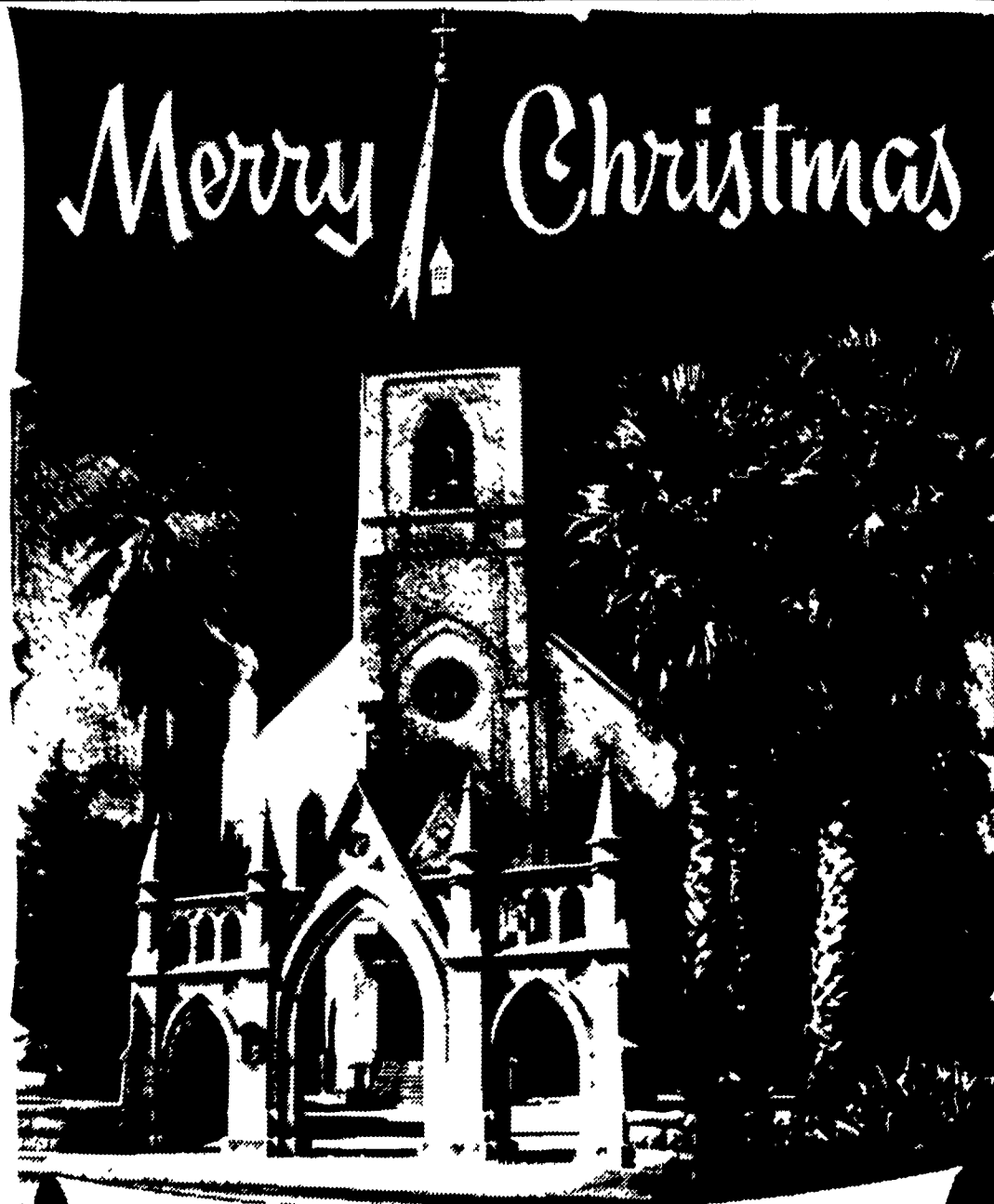
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