Loss Of Capital Gain Exclusion A Blow To Taxpayer

UNIVERSITY PARK – Prior to passage of the Tax Reform Act of 1986 (and since the income tax was in its infancy in 1921), individual taxpayers were permitted to deduct from gross income a percentage of their net capital gains for a tax year. In recent years, that percentage has been 60 percent. The result of this was a maximum tax rate of 20 percent on the income from the sale of capital assets (the 50 percent maximum individual tax rate times the 40 percent of net capital gain included in adjusted gross income).

Section 1231 of the Internal Revenue Code provided such treatment of capital gains for the sale of property used in the business. That provision was particularly valuable to livestock producers, who typically have substantial income from the disposal of cull breeding animals.

The capital gain deduction is repealed by the new tax legislation (with the exception noted below), effective at the end of 1986. Capital gain, and gain from sale of property used in the business, is taxed as ordinary income with the provision that the maximum rate on long-term capital gain will not exceed the maximum individual rate. For 1987, the maximum capital gain rate is set at 28 percent even though maximum individual rates will exceed 28 percent in that year.

The character of gain as capital or ordinary is not changed by the legislation. This means that forms 4797 and schedule D will continue to be necessary. Also losses from disposal of capital assets will continue to be recognized up to a maximum of $3,000 in a given year.

An exception to the elimination of the long-term capital gain exclusion is provided by section 406 of the new law. That section retains the long-term capital gain exclusion for gain from the sale of dairy cattle in connection with the dairy buyout program. To qualify for the exception, the gain must relate to sales of dairy cattle as a result of a valid contract with the U.S. Department of Agriculture and the gain must have occurred during the period from Jan. 1, 1987 to Sept. 1, 1987.

Farm Groups Criticize Use Of Rape Oil

ST. LOUIS — Presidents of three national farm organizations representing U.S. soybean and sunflower farmers recently expressed concern over Procter and Gamble Company's use of imported rapeseed oil in reformulated Puritan cooking oil.

In a letter to P&G President J.G. Smale, the farm leaders noted the current crisis in rural America. They expressed dismay at the corporate giant's substitution of foreign rapeseed oil for domestic sunflower and soybean oil in the Puritan brand cooking oil.

"U.S. farmers are suffering from burdensome supplies, low prices and a major credit crisis," National Sunflower Association president Milton Lakness said in the letter. "There is no need for P&G to switch from U.S.-grown oils to a subsidized, foreign oil. Imports mean fewer jobs and create hardships. Furthermore, this import is more costly to consumers and claims of health benefits are controversial."

The letter challenged P&G official statements that rapeseed should be seen as an alternative crop for U.S. farmers.

"Rapeseed, like corn, soy and sunflower, is a vegetable oil," said Soybean Association president Dave Haggard. "The world is awash in vegetable oils. Producing a different type of vegetable oil is not an alternative for U.S. farmers — it is merely a substitute!"

Women Involved in Farm Economics (WIFE) President Naioma Benson also challenged P&G's claim to switch Puritan's formulation purely for health reasons. "If that's the case, we want to know why their Crisco shortening uses highly saturated, imported palm oil.

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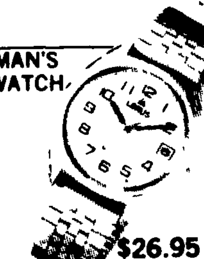

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