

Tax Reform Means Double The Taxes

UNIVERSITY PARK — The Tax Reform Act of 1986 will more than double the federal tax bill of almost half of Pennsylvania's family farms, according to a Penn State study.

For 41 percent of the state's family-owned farms, taxes will increase an average of 132 percent, or \$1,343, when the new law is fully implemented in 1988, concluded Larry C. Jenkins, extension economist in Penn State's Department of Agricultural Economics and Rural Sociology, and William Grisley, formerly of the department.

For 45 percent of the farm families, there should be no change in income tax, Jenkins said. Many of these families paid little income tax under the prior law because of a combination of factors, including low earnings, substantial personal deductions, large business deductions such as depreciation, and the use of investment credits.

A lucky 14 percent will actually pay less tax under the new law, the researchers found. They are not

sure what factors are involved in those cases, but believe the larger standard deduction and personal exemptions included in the new law may be responsible.

However, 41 percent of the state's more than 50,000 family farms will pay more in taxes in the wake of tax reform. Jenkins said the increase will vary depending on the type of farm, family size and other factors.

The researchers analyzed data from more than 3,000 Pennsylvania single-family farms of all types to predict tax payments.

Those dairy farms that pay higher taxes will see their bills go up an average of \$1,305 more per family, an average increase of 159 percent, Jenkins said. Other increases and percent increases for those farms that see increases will be: crops, \$1,292 more (88 percent increase); beef, \$996 (89 percent); sheep, \$695 (67 percent); hogs, \$1,543 (116 percent); turkeys/broilers, \$2,270 (106 percent); eggs, \$3,970 (87 percent); vegetables, \$1,114 (185 percent), and fruit, \$2,039 (77

percent).

For dairy farmers, the most devastating portion of the new tax law is probably the loss of the capital gain exclusion, Jenkins said. Formerly, farmers who sold cull livestock, such as aging dairy cows, only had to pay taxes on 40 percent of the sale price. Now, they must pay taxes on the entire amount, adding \$3,900 to the taxable income of the average dairy farm.

For poultry farmers, the loss of investment credits will hurt the most, Jenkins said. Many of them have been expanding in recent years, and were able to deduct 10 percent of the cost of buildings and equipment from tax payments each year.

Also affecting tax payments are loss of the two-earner deduction; changes in depreciation regula-

tions; and changes in the way farmers count expenses they must put into an operation before they see a return on their investments, Jenkins said.

A detailed review of the study on the impact of the Tax Reform

Act of 1986 on Pennsylvania Farmers is available by writing to Farm Management Extension, 202 Armsby Building, Penn State, University Park, Pa. 16802, or by telephoning (814) 865-7656.

Atlantic Schedules Picnic

SOUTHAMPTON, PA — Atlantic Dairy Cooperative districts in the Lancaster and Lebanon County area have scheduled their annual picnic at Muddy Run Park for Monday, Aug. 3.


Dr. Paul E. Hand, Atlantic's general manager, will be the guest speaker. Hand will report on cooperative business, noting the price situation and the status of the Atlantic merger.

The picnic is open to members in Districts, 3, 5, 6, 7, 11, 12, 15 and 35. Members are asked to bring their own lunch. Milk, ice cream and cheese will be provided.

Registration begins at 10:30 a.m., with lunch scheduled for 11:30 a.m.

Atlantic Dairy Cooperative represents 4,100 dairy farm families in Pennsylvania, New York, New Jersey, Delaware, Maryland, Virginia and West Virginia.



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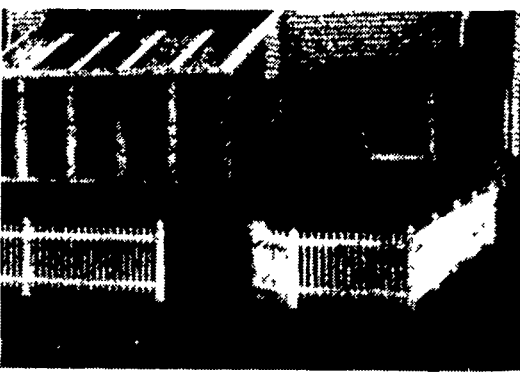
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