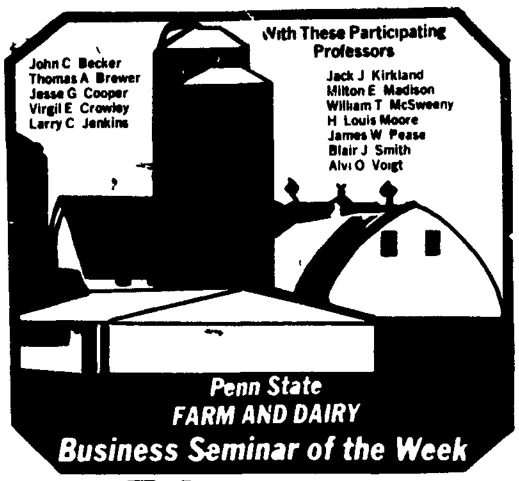

IT CONTINUES TO BE A TAXING SITUATION

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If you or your tax preparer had a rough time preparing your federal income tax return this year, what better time than now to do some tax planning, and even make changes so things will go better next year.

Here are a few do's and don't's that occur to me as I reflect back on some of the most common farmer tax problems I had to deal with this past season.

If you are not doing so already, take the necessary time come next October to make a fairly reliable estimate of what your total farm income and expenses will be for the entire year. Add in any non-farm income, expenses, adjust your personal deductions and exemptions for 1988 rates and calculate your tax bill. Knowing what your year's taxes are likely to be in October is certainly preferable to being in the dark till February or March, when it's too late to make many adjustments in the previous years business - and your only recourse may be a quick call to your banker with the object of borrowing enough money to pay an unexpectedly large tax bill.

That leads directly to my next suggestion. I'm well aware that there are many, many farmers across the State who are fiercely independent, and unwilling to share much information about their farming operations with anyone (especially financial information). That has to change. Few farmers are complete masters of every aspect of their profession, and they could measurably improve their operations if they would on occasion seek advice or help from other qualified people in the community. This may be a neighboring farmer, your farm accountant, banker, extension agents, a fieldman for your cooperative or other family members. More and more farmers who in the past hired accountants to "do their taxes," are leaning on them not only for tax management counseling but assistance in evaluating other farm financial decisions as well. Remember that the final decisions are still yours to make, but it doesn't hurt to have someone help you think things through on occasion.

All too often, tax problems arise when farms are sold. Part of the problem arises because under the new tax law all of the capital gain on these sales is now taxed at a maximum rate of 28 percent. However, not every seller has adequate records to verify how much he originally paid for the property. Adequate information is often lacking also on depreciation of assets. Lacking these and other records, the seller ends up paying more to the IRS than would have been necessary had this information been available. Make sure that you have the tax information you would need should you sell your property. Again you might want to check this matter out with a tax accountant NOW - not after the farm has been sold.

Somewhat to my surprise, most families with young children have applied for or gotten Social Security numbers for their youngsters. Members of the Amish and other religious sects should also know that there is a special Form 4029 they can fill out to exempt their children from the need to acquire a Social Security number.

Any discussion of the new tax law as it causes problems for farmers cannot ignore the matter of preproductive expenses for livestock requiring over two years to bring into production. The question of whether or not a dairy farmer should continue to write off his calf raising expenses as a current deduction on his schedule, or accumulate and recover these costs as depreciation once the heifer comes into production, is a sticky one. This decision has to be made on an individual basis, since it depends on the situation. Deducting heifer raising costs currently as has been our practice is obviously the easy way out, and perhaps when everything is weighed, the best way for most farmers to go. You may be the exception. I can only wonder how many IRS auditors will have the courage to take on a farm audit and responsibly question the capitalization approach a particular farmer chooses to use.

By the way, it is possible to get an extension of time to submit a completed tax return. You must, however, have a good reason for your request, such as information needed to complete your return not being available yet; death or health problems in the family, or a major disruption in your business - a fire, for example. The request for an extension must be filed prior to April 15 and must be accompanied by payment of the total amount of tax you expect to owe when the completed tax return is finally submitted.

Belated discovery of additional expenses or income (or a 1099 you overlooked), even a mistake in addition, are all solid reasons why you should not hesitate to fill an amended tax return. It may be a smart move on your part to have a reliable tax preparer do it for you.

I have one final suggestion related to our Pennsylvania income tax system. Our State has a particular feature on its PA 40 known as an SP that permits a reduction in an individual's state taxes under certain conditions. Its primary purpose is to reduce the state tax that must be paid by folks with limited taxable income and little financial support from other sources such as relatives. Nontaxable pensions and Social Security payments also need to be known to calculate the SP credit. Perhaps you know someone that could use an SP to save some tax dollars. Check it out.

New Live Poultry Vaccine Ready

ASL/Schering is marketing the first federally licensed live F Strain MG vaccine.

New F VAX-MG(TM) is being offered by ASL for easy mass administration as an aid in prevention of clinical signs of Mycoplasma gallisepticum infection.

The vaccine contains a specially selected milk reacting vaccine strain for effective, low-cost vaccination programming, the company said.

Lyophilized for stability and convenience, the vaccine is grown with state-of-the-art fermentation technology for consistently high titers.

It is tested rigorously to assure freedom from adventitious agents, the company said.

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