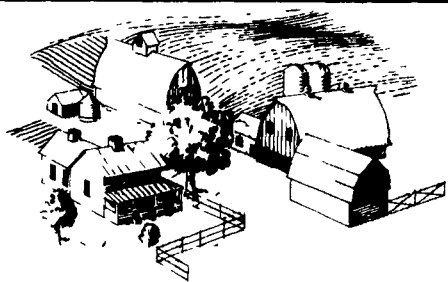


FARM



MANAGEMENT

1992 TAX CHANGES

Alan W. Strock
Farm Management Agent
Chester, Lancaster
Counties

Tax season is upon us with that emotionally draining job of organizing your tax return information for later use in preparing your return.

If you are a farmer, or you prepare even one farm tax return, now is the time to pick up your 1992 Farmer's Tax Guide, IRS Publication 225, at your local Cooperative Extension office.

The Farmers tax guide is an invaluable guide to helping any farmer or tax preparer understand farm taxes.

No major tax law was passed in 1992, so the changes for 1992's taxes are few and minor. The changes that did occur were the result of indexing due to inflation, new revised IRS interpretations of present tax code, or the expiration of existing laws.

A few of these changes include:

Exemption, Standard Deduction Changes, And Itemized Deduction Changes

The personal and dependent exemptions is increased \$150 to \$2,300 per individual. The rate for

1993 will be \$2,350.

The basic standard deduction for married filing jointly is \$6,000, which is \$350 higher than last year. The extra standard deduction allowed when a taxpayer is 65 or older, or blind, is up \$50 to \$700 for married taxpayers and \$900 for singles.

IRS will now accept certain financial account statements as proof of payments made by check, credit card, or electronic funds transfer.

Business Deductions /Taxes

The standard mileage rate for 1992 is \$.28 a mile for all business miles on passenger automobiles, vans, pickups, and light duty or panel trucks.

You can deduct as a farm business expense on schedule "F" the cost of preparing that part of your tax return relating to your farm business. Ask your tax preparer for an itemized bill so you know the exact cost of your schedule D, F, SE, 4797, 2210F, 4562, 6251 and other farm-related tax schedules.

You can deduct the remaining cost of tax preparation as an itemized deduction on schedule A as a miscellaneous itemized deduction subject to a 2 percent floor, if you have enough expenses to itemize your deductions.

The self-employment tax rate on net earnings for 1992 is 15.3 percent. This rate is a total of 12.4 per-

cent for social security (old age, survivors, disability insurance) and 2.9 percent for medicare (hospital insurance). In 1992 the maximum wages subject to social security portion is \$55,500 and \$132,200 for the medicare portion. For 1993 the base amounts increase to \$57,600 and \$135,000, respectively.

The 25 percent deduction for medical insurance costs for all self-employed persons which was to expire on December 31, 1991, was extended through June 30, 1992. So you will only be able to deduct 25 percent of your insurance premiums for the first half of 1992.

Kiddie Taxes

The tax on unearned income, which is interest or dividend income of children under age 14, kicks in at \$1,200 for 1992, an increase of \$100.

This represents a standard deduction of \$600 for unearned income with the next \$600 being taxable at the child's tax rate.

Sold or Exchanged A Farm?

If you have purchased or sold a farm you should sit down with the seller or purchaser and file a form 8594. This form signed by both the seller and buyer establishes the allocation of the farm sale price into its components of land, farm buildings, farm machinery, personal residence, and tenant house. This way both the buyer and seller will use the same value for each component of the sale. This form should be filled with your tax return by both the buyer and the seller.

If you take part in a like kind exchange of property, you must file Form 8824, Like Kind Exchanges forth, in addition to Schedule D, Form 1040.

Capital Gain Taxation

The maximum income tax rate on net capital gains remains at 28 percent. Remember this capital gains profit is added in with all other taxable income sources, so some gains may not be subject to tax and the first \$35,800 of taxable income is taxed at the 15 percent rate for a married filing jointly couple.

The 15 percent bracket goes to \$21,450 for a single individual and \$28,750 for a head of household filer.

Special Farmland Use Evaluation

A recapture of federal estate and

gift tax occurred when land valued under IRS Code Section 2032A (Special Farmland Use Evaluation) was cash rented by the decedent's heir, a son or daughter. The "qualified use" ended when the cash rent started.

Those who inherit property subject to IRS Code Section 2032A must be financially "at risk" and "materially participate in the management of the farm."

Farmers Tax Guide

So stop by and pick up your 1992 "Farmer's Tax Guide" at your local cooperative extension office. The guide is an invaluable help and, best of all, it is free.

Watershed Project Extended

WEST CHESTER (Chester Co.) — Pownall Jones, Toughkenamon, chairman of the Chester County Conservation District, announced an extension of the highly successful Red and White Clay Watershed project.

This project, started in 1990 in southern Chester County, has resulted in the installation of more than \$390,000 worth of best management practices (BMPs) on farms within the watershed to improve water quality in the streams and water courses in the area.

In addition, three demonstration farms were established where interested farmers can visit to see the BMPs in action. The demonstration farms are Barclay Hoopes farm, Landenburg; Modern Mushroom Farms, Kennett Square; and Guizzetti & Son's farm, Avondale.

Jones said that an additional \$50,000 is available to develop two new demonstration farms. Once the farms are selected, a water quality management plan will be developed for each, and BMPs needed will be installed.

A sign-up period will be held throughout the month of February. Interested mushroom farmers should contact Dan Greig, district manager at the conservation district office, (215) 696-5126.

Jones said that Robert Francis, West Chester, has been named coordinator of the Red and White Clay Watershed project to work with farmers and others in providing information and planning assistance as needed. Francis can also be reached by calling the conservation district office or (215) 296-3564.

• Agricultural • Commercial • Residential



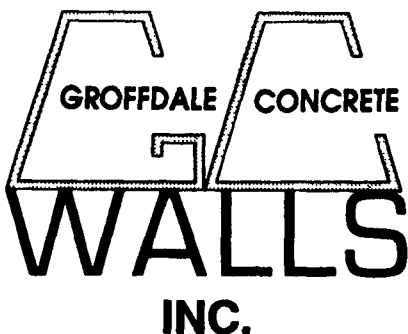
Partial In-Ground Tank Featuring Commercial Chain Link Fence (5' High - SCS Approved)

- Retaining Walls • Bunker Silos
- Manure Storage, Etc.

LET OUR EXPERIENCE WORK FOR YOU-ESTABLISHED SINCE 1979!
WE ORIGINATED THE CONCRETE SYSTEM!

Sizes And Layouts To Your Specifications

We Work Hard For Customer Satisfaction!



430 Concrete Ave., Leola, PA
717-656-2016

Authorized Dealer For KEYSTONE CONCRETE PRODUCTS

- H-Bunks
- J-Bunks
- Trench Silo Walls
- Hog & Cattle Slats



Tub Grinders



25 Years of Grinding Experience
For all Types of Hay & Grain Grinding
GRINDING HAY

- reduces waste
- allows mixing with feed grain
- makes poor quality hay more palatable

Haybuster High Capacity tub grinders make grinding Hay fast and affordable. Compare HAYBUSTER. Two models to chose from.

Special Features

- electronic governor
- self-contained hydraulic system
- supreme hardened hammers
- large cylinders
- 10 screen sizes

See your Haybuster Dealer or contact:



P.O. Box 1940, Jamestown,
North Dakota 58402-1940
Phone (701) 252-4601

OR CALL:
AGRI-QUIP CORP.
1-800-228-8032

Haybuster manufactures quality Grinders • Drills • Rock Pickers • Big Bale Busters • Hay Stackers

DEALERS

KNOTT & GEISBERT, INC.
3432 Urbana Pike
Frederick, MD 21701
301-662-3800

C.H. RINEHIMER
RD 1
Berwick, PA 18603
717-752-7131

MESSICK FARM EQUIPMENT, INC.
Rheems Exit, Route 283,
Elizabethtown, PA 17022
717-367-4319