

Current Report

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Cooperative Extension Service • Division of Agriculture • Oklahoma State University

Estimating 1983 Federal and State Income Taxes

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Plan Now to Avoid Tax Surprises Later

Adequate tax planning may be the difference between profit and loss. Many legal tax planning alternatives are available to help reduce the tax liability. This current report is designed to help you estimate Federal, State, Self-employment, and Alternative minimum taxes. An income tax checklist is provided to call attention to infrequent taxable events that may greatly effect your tax liability. Use this worksheet as a guide, for specific quetions contact your local County Extension director, Area Farm Management Specialist, or Farm Management Association Fieldman.

Income Tax Check List for Farmers and Ranchers

1. Will taxable income be above or below average? (Check in late October or November.)
2. Should steps be taken to reduce fluctuation in taxable income?
3. If income will be 120 percent more than the average income of the last four years by at least \$3,000, consider income averaging.
4. Have you purchased a farm this taxable year? If yes, consider the importance of allocating costs to land, growing crops, depreciable improvements, dwelling, etc. Note: would be helpful to consider this at the time of purchase.

5. Have you had any involuntary conversions this year? If yes, explore tax consequences of replacing with similar type property.

6. Have you sold easement or right-of-way this year?

7. Are you planning to sell land in the near future? If yes, consider the use of the installment method to reduce taxes and/or perhaps a trade.

8. Are you taking full advantage of capital gains? (Note: raised breeding cattle have to be held 24 months, swine and land 12 months, and commodity futures contracts 6 months to qualify).

9. Are you making maximum use of investment credit and depreciation?

10. Are you aware of the importance of tax management in decisions which have major tax implication?

11. Should you consider an IRA or Keogh plan?

12. Should you consider the alternative method of paying social security tax?

13. Could a net operating loss or unused investment credit be carried back 3 years to get a tax refund for those years?

14. Will the expensing election reduce your taxable income?

15. Are you aware of new tax changes?

1983 Income Tax Estimate Work Sheet

	(1) <u>Amounts To Date</u>	(2) <u>Estimated Rest of Year</u>	(3) <u>Estimated Years Total</u>
(01) Total Current Farm Sales	(01) _____	_____	_____
(02) Sale of Items Pur. for Resale _____	(02) _____		
(03) Less Pur. Cost of Resale Item _____	(03) _____		
(04) Taxable Inc. from Resale Items	(04) _____	_____	_____
(05) Taxable Gain from Capital Asset ^{A/}	(05) _____	_____	_____
(06) Taxable Non-farm Income ^{B/}	(06) _____	_____	_____
(07) Total Taxable Inc. Lines (1+4+5+6)	(07) _____	_____	_____
(08) Total Current Farm Expenses ^{C/}	(08) _____	_____	_____
(09) Annual Depreciation Expense ^{D/}	(09) _____	_____	_____
(10) Capital Losses ^{E/}	(10) _____	_____	_____
(11) Total Deductions Lines (8+9+10)	(11) _____	_____	_____
(12) Adjusted Gross Income Line (7 - 11)	(12) _____	_____	_____
(13) Personal Exemptions \$1000 x No.	(13) _____	_____	_____
(14) Taxable Income Lines (12 - 13) ^{F/}	(14) _____	_____	_____
(15) Estimated Income Tax	(15) _____	_____	_____
(16) Total Tax Credits	(16) _____	_____	_____
(17) Estimated Tax Due	(17) _____	_____	_____
(18) OK Income Tax Due ^{G/}	(18) _____	_____	_____
(19) Self-Employment Tax ^{H/}	(19) _____	_____	_____
(20) Alternative Minimum Tax ^{I/}	(20) _____	_____	_____

FOOTNOTES

A/ 40% of gain above losses. (100% of gain resulting from depreciation taken after 1/1/70 on purchased breeding cattle.)

B/ Off-Farm employment, rent, oil income, etc.

C/ Exclude capital purchases and cost of cattle purchased for resale.

D/ Last year, plus depreciation on new items:

E/ Only 50% of capital losses up to \$3,000 in excess of short term gains and capital gains may be deducted for 1983. (\$6,000 net losses = \$3,000 current deduction)

F/ If your itemized deductions are greater than your zero bracket amounts (\$3,400 on a joint return) the excess should be deducted from your adjusted gross income before using the tax rate schedule.

G/ Multiply line 15 by the appropriate value in the Oklahoma Tax rate schedule table 2.

H/ Self-employment tax = (line 1 + line 4) - (line 8 + line 9) x 9.35%.

I/ Alternative minimum tax = [(adjusted gross income, ²Line 12, + Tax Preference Items ¹) - ³Alternative minimum tax itemized deductions - alternative minimum tax exemption ⁴] * Tax rate

1 Tax preference items include, capital gain deduction, accelerated depreciation on real property and leased personal property, amortization of pollution control facilities in excess of normal depreciation, percentage depletion in excess of adjusted basis, intangible drilling cost, dividends excluded by the dividend - received exclusion, interest excluded by the all savers certificate, bargain element on exercise of an incentive stock option, rapid writoffs in excess of amount allowable had the expenditure been capitalized for circulation expenses, research and experimental costs, mining development and exploration expenses.

2 Alternative minimum tax itemized deductions include medical expenses in excess of 10% AGI, casualty losses in excess of 10% floor, charitable contributions, estate tax deductions, housing interest, other interest to the extent that net investment income is included in alternative minimum taxable income, allowable wagering losses.

3 Alternative minimum tax exemption -
Single filers = \$30,000
Joint return and surviving spouses = \$40,000
Married filing separately = \$20,000

4 Tax rate = 20%

TABLE 1 1983 INCOME TAX RATE SCHEDULES

Unmarried Individuals			Married Individuals filing Joint Returns and Surviving Spouses			Married Individuals filing Separate Returns			Heads of Households		
Taxable Income Over	Not over	% on Pay + Excess	Taxable Income Over	Not over	% on Pay + Excess	Taxable Income Over	Not over	% on Pay + Excess	Taxable Income Over	Not over	% on Pay + Excess
\$ 0--\$ 2,300		0 0	\$ 0--\$ 3,400		0 0	\$ 0--\$ 1,700		0 0	\$ 0--\$ 2,300		0 0
2,300-- 3,400		0 11	3,400-- 5,500		0 11	1,700-- 2,750		0 11	2,300-- 4,400		0 11
3,400-- 4,400	121	13	5,500-- 7,600	231	13	2,750-- 3,800	115	13	4,400-- 6,500	231	13
4,400-- 6,500	251	15	7,600-- 11,900	504	15	3,800-- 5,950	252	15	6,500-- 8,700	504	15
6,500-- 8,500	566	15	11,900-- 16,000	1,149	17	5,950-- 8,000	574	17	8,700-- 11,800	834	18
8,500-- 10,800	866	17	16,000-- 20,200	1,846	19	8,000-- 10,100	923	19	11,800-- 15,000	1,392	19
10,800-- 12,900	1,257	19	20,200-- 24,600	2,644	23	10,100-- 12,300	1,322	23	15,000-- 18,200	2,000	21
12,900-- 15,000	1,656	21	24,600-- 29,900	3,656	26	12,300-- 14,950	1,828	26	18,200-- 23,500	2,672	25
15,000-- 18,200	2,097	24	29,900-- 35,200	5,034	30	14,950-- 17,600	2,517	30	23,500-- 28,800	3,997	29
18,200-- 23,500	2,865	28	35,200-- 45,800	6,624	35	17,600-- 22,900	3,312	35	28,800-- 34,100	5,534	34
23,500-- 28,800	4,349	32	45,800-- 60,000	10,334	40	22,900-- 30,000	5,167	40	34,100-- 44,700	7,336	37
28,800-- 34,100	6,045	36	60,000-- 85,600	16,014	44	30,000-- 42,800	8,007	44	44,700-- 60,600	11,258	44
34,100-- 41,500	7,953	40	85,600-- 109,400	27,278	48	42,800-- 54,700	13,639	48	60,600-- 81,800	18,254	48
41,500-- 55,300	10,913	45	109,400-- 120,000	38,702	50	54,700-- 70,000	19,351	50	81,800-- 110,000	28,430	50
55,300-- 60,000	17,123	50	120,000-- 150,000	44,002	50	70,000-- 100,000	27,001	50	110,000-- 120,000	42,530	50
60,000-- 70,000	19,473	50	150,000-- 200,000	59,002	50	100,000 and over	42,001	50	120,000-- 150,000	47,530	50
70,000-- 80,000	24,473	50	200,000 and over	84,002	50				150,000-- 200,000	62,530	50
80,000-- 90,000	29,473	50							200,000 and over	87,530	50
90,000-- 100,000	34,473	50									
100,000 and over	39,473	50									

TABLE 2 1983 OKLAHOMA TAX RATE SCHEDULE

METHOD I

Schedule M
Married Filing Jointly and
Head of Household

Schedule N
Single or Married
Filing Separately

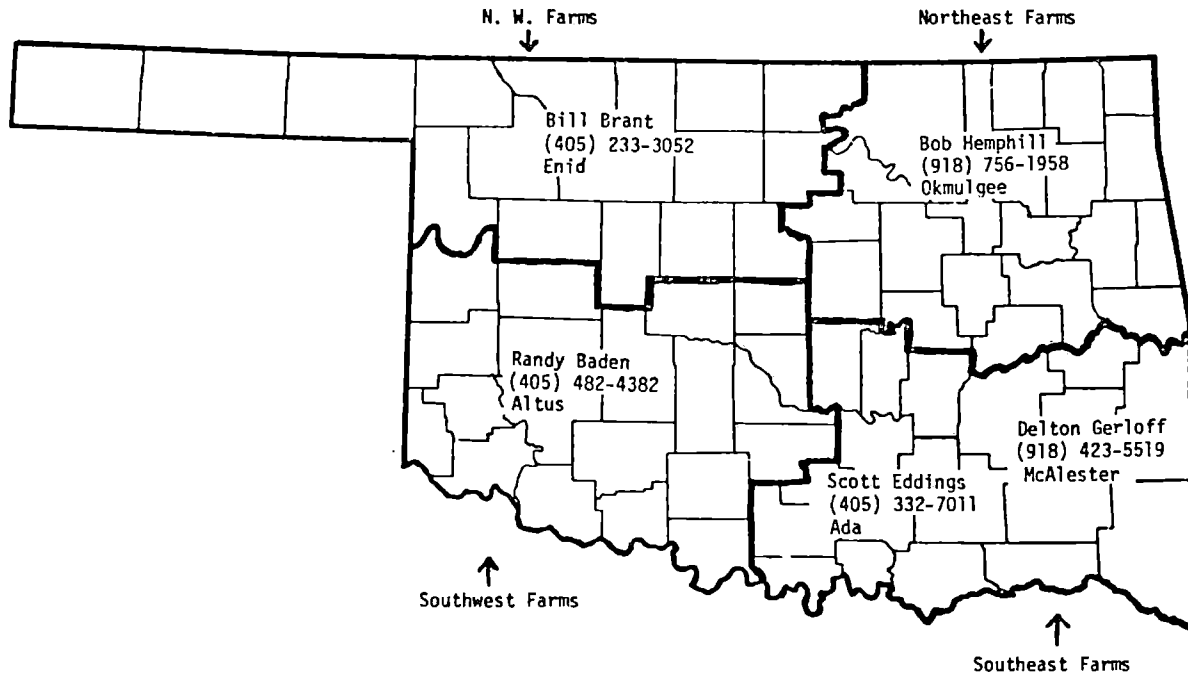
IF TAXABLE INCOME IS:

IF TAXABLE INCOME IS:

\$ -0-	-	\$ 2,000	Pay ½ of 1% of taxable income.
2,000	-	5,000	Pay \$ 10.00 + 1% over \$ 2,000
5,000	-	7,500	Pay 40.00 + 2% over 5,000
7,500	-	10,000	Pay 90.00 + 3% over 7,500
10,000	-	12,500	Pay 165.00 + 4% over 10,000
12,500	-	15,000	Pay 265.00 + 5% over 12,500
15,000 and over			Pay 390.0 + 6% over 15,000

\$ -0-	-	\$ 1,000	Pay ½ of 1% of taxable income.
1,000	-	2,500	Pay \$ 5.00 + 1% over \$ 1,000
2,500	-	3,750	Pay 20.00 + 2% over 2,500
3,750	-	5,000	Pay 45.00 + 3% over 3,750
5,000	-	6,250	Pay 82.50 + 4% over 5,000
6,250	-	7,500	Pay 132.50 + 5% over 6,250
7,500 and over			Pay 195.00 + 6% over 7,500

OKLAHOMA FARM MANAGEMENT ASSOCIATIONS



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