



Current Report

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Estimating Your 1979 Taxable Farm Income and Taxes

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Estimating your 1979 income taxes is necessary before many sound tax management decisions can be made. By knowing your taxable income prior to the end of the year, decisions can be made which avoid wide fluctuations in income and provide an opportunity to defer income. Avoiding wide fluctuations in income will reduce your tax dollars. Deferral of taxes from the current year permits the immediate use of the extra tax dollars in the business for the current year.

The form on the inside page is designed for cash basis taxpayers. Accrual basis taxpayers will have to make adjustment for beginning and ending inventory plus all accounts receivable and accounts payable, as of the end of the year.

On a joint return, if your itemized deductions are greater than \$3,400, the excess should be deducted from your adjusted gross income before using the rate schedule. Other adjustments have to be made for married individuals filing separate returns and for dependent minors or students with unearned income. Note that the flat standard deduction is included in the table, and that the taxes start after \$3,400 on a joint return, rather than \$2,300 for a single taxpayer. Those filing

joint returns will be expected to use the tax tables instead of the rate schedule, if their income is less than \$40,000. Single taxpayers with income less than \$20,000 and fewer than three dependents must use the tax tables. Head of household must use the tax schedules if income is under \$20,000 with claims less than nine exemptions. The personal exemptions and zero bracket amounts are included in the tax tables. The exemptions are computed separately when the rate schedules are used.

Since there are 12 pages of tax tables, we are showing the rate schedule for single taxpayers, married filing joint returns, married filing separate returns, and taxpayers who qualify as head of household.

Normally, your estimate should be made in late October or early November. Most tax decisions must be made prior to the end of the year.

On the last page, there is a check list for farmers and ranchers. The purpose of the list is to alert individuals to certain tax items that might be overlooked. Consult your tax consultant if you have questions.

1979
Income Tax Estimate Work Sheet
(Cash Basis)

	<u>Amounts To Date</u>	<u>Estimated Rest of Year</u>	<u>Estimated Years Total</u>
Total Current Farm Sales	(1) _____	_____	_____
Sales Purchased Livestock _____	(1a)		
Less Purchase Cost _____	(1b)		
Gross Profit, Purchased Livestock	(2) _____	_____	_____
Taxable Gain, Capital Assets ^{A/}	(3) _____	_____	_____
Taxable Non-Farm Income ^{B/}	(4) _____	_____	_____
Total Taxable Income	(5) _____	_____	_____
Total Current Farm Expense ^{C/}	(6) _____	_____	_____
Depreciation ^{D/}	(7) _____	_____	_____
Capital Losses, if any ^{E/}	(8) _____	_____	_____
Total Deductions	(9) _____	_____	_____
Adjusted Gross Income (5-9)	(10) _____	_____	_____
\$1,000 X _____ (Number personal exemp)	(11) _____	_____	_____
Taxable Income (10-11)	(12) _____	_____	_____
Estimated Income Tax	(13) _____	_____	_____
Less Credits: Investment Credit			
gas tax, etc.	(14) _____	_____	_____
Total Credits	(15) _____	_____	_____
Estimated Tax Due (13-16)	(16) _____	_____	_____

^{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 40% of capital losses up to \$3,000 in excess of short term gains and capital gains may be deducted for 1979. (\$6,000 net losses = \$3,000 current deduction)

1979 Tax Rate Schedules

SCHEDULE X—Single Taxpayers

If Line 5 is:	The tax is:
Not over \$2,300.....	No tax.
Over \$2,300 but not over \$3,400.....	14% of excess over \$2,300
Over \$3,400 but not over \$4,400.....	\$154, plus 16% of excess over \$3,400
Over \$4,400 but not over \$6,500.....	\$314, plus 18% of excess over \$4,400
Over \$6,500 but not over \$8,500.....	\$692, plus 19% of excess over \$6,500
Over \$8,500 but not over \$10,800.....	\$1,072, plus 21% of excess over \$8,500
Over \$10,800 but not over \$12,900.....	\$1,555, plus 24% of excess over \$10,800
Over \$12,900 but not over \$15,000.....	\$2,059, plus 26% of excess over \$12,900
Over \$15,000 but not over \$18,200.....	\$2,605, plus 30% of excess over \$15,000
Over \$18,200 but not over \$23,500.....	\$3,565, plus 34% of excess over \$18,200
Over \$23,500 but not over \$28,800.....	\$5,367, plus 39% of excess over \$23,500
Over \$28,800 but not over \$34,100.....	\$7,434, plus 44% of excess over \$28,800
Over \$34,100 but not over \$41,500.....	\$9,766, plus 49% of excess over \$34,100
Over \$41,500 but not over \$55,300.....	\$13,392, plus 55% of excess over \$41,500
Over \$55,300 but not over \$81,800.....	\$20,982, plus 63% of excess over \$55,300
Over \$81,800 but not over \$108,300.....	\$37,677, plus 68% of excess over \$81,800
Over \$108,300.....	\$55,697, plus 70% of excess over \$108,300

SCHEDULE Z—Heads of Household

If Line 5 is:	The tax is:
Not over \$2,300.....	No tax.
Over \$2,300 but not over \$4,400.....	14% of excess over \$2,300
Over \$4,400 but not over \$6,500.....	\$294, plus 16% of excess over \$4,400
Over \$6,500 but not over \$8,700.....	\$630, plus 18% of excess over \$6,500
Over \$8,700 but not over \$11,800.....	\$1,026, plus 22% of excess over \$8,700
Over \$11,800 but not over \$15,000.....	\$1,708, plus 24% of excess over \$11,800
Over \$15,000 but not over \$18,200.....	\$2,476, plus 26% of excess over \$15,000
Over \$18,200 but not over \$23,500.....	\$3,308, plus 31% of excess over \$18,200
Over \$23,500 but not over \$28,800.....	\$4,951, plus 36% of excess over \$23,500
Over \$28,800 but not over \$34,100.....	\$6,859, plus 42% of excess over \$28,800
Over \$34,100 but not over \$44,700.....	\$9,085, plus 46% of excess over \$34,100
Over \$44,700 but not over \$60,600.....	\$13,961, plus 54% of excess over \$44,700
Over \$60,600 but not over \$81,800.....	\$22,547, plus 59% of excess over \$60,600
Over \$81,800 but not over \$108,300.....	\$35,055, plus 63% of excess over \$81,800
Over \$108,300 but not over \$161,300.....	\$51,750, plus 68% of excess over \$108,300
Over \$161,300.....	\$87,790, plus 70% of excess over \$161,300

SCHEDULE Y—Married Taxpayers and Qualifying Widows and Widowers

Married Filing Joint Returns and Qualifying Widows and Widowers

If Line 5 is:	The tax is:
Not over \$3,400.....	No tax.
Over \$3,400 but not over \$5,500.....	14% of excess over \$3,400
Over \$5,500 but not over \$7,600.....	\$294, plus 16% of excess over \$5,500
Over \$7,600 but not over \$11,900.....	\$630, plus 18% of excess over \$7,600
Over \$11,900 but not over \$16,000.....	\$1,404, plus 21% of excess over \$11,900
Over \$16,000 but not over \$20,200.....	\$2,265, plus 24% of excess over \$16,000
Over \$20,200 but not over \$24,600.....	\$3,273, plus 28% of excess over \$20,200
Over \$24,600 but not over \$29,900.....	\$4,505, plus 32% of excess over \$24,600
Over \$29,900 but not over \$35,200.....	\$6,201, plus 37% of excess over \$29,900
Over \$35,200 but not over \$45,800.....	\$8,162, plus 43% of excess over \$35,200
Over \$45,800 but not over \$60,000.....	\$12,720, plus 49% of excess over \$45,800
Over \$60,000 but not over \$85,600.....	\$19,678, plus 54% of excess over \$60,000
Over \$85,600 but not over \$109,400.....	\$33,502, plus 59% of excess over \$85,600
Over \$109,400 but not over \$162,400.....	\$47,544, plus 64% of excess over \$109,400
Over \$162,400 but not over \$215,400.....	\$81,464, plus 68% of excess over \$162,400
Over \$215,400.....	\$117,504, plus 70% of excess over \$215,400

Married Filing Separate Returns

If Line 5 is:	The tax is:
Not over \$1,700.....	No tax.
Over \$1,700 but not over \$2,750.....	14% of excess over \$1,700
Over \$2,750 but not over \$3,800.....	\$147, plus 16% of excess over \$2,750
Over \$3,800 but not over \$5,950.....	\$315, plus 18% of excess over \$3,800
Over \$5,950 but not over \$8,000.....	\$702, plus 21% of excess over \$5,950
Over \$8,000 but not over \$10,100.....	\$1,132.50, plus 24% of excess over \$8,000
Over \$10,100 but not over \$12,300.....	\$1,636.50, plus 28% of excess over \$10,100
Over \$12,300 but not over \$14,950.....	\$2,252.50, plus 32% of excess over \$12,300
Over \$14,950 but not over \$17,600.....	\$3,100.50, plus 37% of excess over \$14,950
Over \$17,600 but not over \$22,900.....	\$4,081, plus 43% of excess over \$17,600
Over \$22,900 but not over \$30,000.....	\$6,360, plus 49% of excess over \$22,900
Over \$30,000 but not over \$42,800.....	\$9,839, plus 54% of excess over \$30,000
Over \$42,800 but not over \$54,700.....	\$16,751, plus 59% of excess over \$42,800
Over \$54,700 but not over \$81,200.....	\$23,772, plus 64% of excess over \$54,700
Over \$81,200 but not over \$107,700.....	\$40,732, plus 68% of excess over \$81,200
Over \$107,700.....	\$58,752, plus 70% of excess over \$107,700

Income Tax Check Sheet 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 cause less fluctuation? If yes, what?

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. Are you aware of new tax changes?