



Current Report

PUBLISHED BY OKLAHOMA STATE UNIVERSITY
DISTRIBUTED THROUGH COUNTY EXTENSION OFFICES

Estimating Your 1978 Taxable Farm Income and Taxes

Cecil D. Maynard
Extension Economist, Farm Management

Estimating your 1978 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. Deferment of taxes from the current year permits the immediate use of the extra tax dollars in the business for the current year. It now appears that taxes will be less in 1979.

The form on the inside page is designed for cash basis taxpayers. Accrual basis taxpayers will have to make adjustments 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 \$3,200, 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 \$3,200, on a joint return, rather than \$1. 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 4 dependents, must use the tax tables. Head of household must use the tax schedules if income is under \$20,000, and who claim less than 9 exemptions. The personal exemption and general tax credit are included in the tax tables. They 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 checklist 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.

1978
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) _____	_____	_____
\$750 x ____ (Number personal exemp.)	(11) _____	_____	_____
Taxable Income (10-11)	(12) _____	_____	_____
Estimated Income Tax	(13) _____	_____	_____
Less \$35 x ____ (Number Personal Exemptions ^{F/})	(14) _____	_____	_____
Less Credits: Investment Credit gas tax, etc.	(15) _____	_____	_____
Total Credits	(16) _____	_____	_____
Estimated Tax Due (13-16)	(17) _____	_____	_____

^{A/} 50% 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 1978.

^{F/} Or 2% of first \$9,000 taxable income, whichever is greater.

****IMPORTANT CHANGE****

You have up to 45 days after the close of the tax year to establish and contribute to an IRA.

1978 Tax Rate Schedule

SCHEDULE X—Single Taxpayers Not Qualifying for Rates in Schedule Y or Z		SCHEDULE Y—Married Taxpayers and Qualifying Widows and Widowers if you are a married person living apart from your spouse, you may be considered "unmarried" and may be able to use Schedule X or Z. See Chapter 2.		Married Filing Joint Returns and Qualifying Widows and Widowers		Married Filing Separate Returns		SCHEDULE Z—Unmarried or legally separated taxpayers Who Qualify as Heads of Household	
If the amount on Schedule TC, Part I, line 3, is:	Enter on Schedule TC, Part I, line 4:	If the amount on Schedule TC, Part I, line 3, is:	Enter on Schedule TC, Part I, line 4:	If the amount on Schedule TC, Part I, line 3, is:	Enter on Schedule TC, Part I, line 4:	If the amount on Schedule TC, Part I, line 3, is:	Enter on Schedule TC, Part I, line 4:	If the amount on Schedule TC, Part I, line 3, is:	Enter on Schedule TC, Part I, line 4:
Not over \$2,200.....	0	Not over \$3,200.....	0	Not over \$3,200.....	0	Not over \$1,600.....	0	Not over \$2,200.....	0
Over—	But not over—	Over—	But not over—	Over—	But not over—	Over—	But not over—	Over—	But not over—
\$2,200	\$2,700	\$3,200	\$4,200	\$1,600	\$2,100	\$2,200	\$3,200	\$2,200	\$3,200
\$2,700	\$3,200	\$4,200	\$5,200	\$2,100	\$2,600	\$2,600	\$3,200	\$3,200	\$4,200
\$3,200	\$3,700	\$5,200	\$6,200	\$2,600	\$3,100	\$3,100	\$3,600	\$4,200	\$5,200
\$3,700	\$4,200	\$6,200	\$7,200	\$3,100	\$3,600	\$3,600	\$4,200	\$5,200	\$6,200
\$4,200	\$4,700	\$7,200	\$8,200	\$3,600	\$4,200	\$4,200	\$4,800	\$5,800	\$6,800
\$4,700	\$5,200	\$8,200	\$9,200	\$4,200	\$4,800	\$4,800	\$5,400	\$6,400	\$7,400
\$5,200	\$5,700	\$9,200	\$10,200	\$4,800	\$5,400	\$5,400	\$6,000	\$7,000	\$8,000
\$5,700	\$6,200	\$10,200	\$11,200	\$5,400	\$6,000	\$6,000	\$6,600	\$7,600	\$8,600
\$6,200	\$6,700	\$11,200	\$12,200	\$6,000	\$6,600	\$6,600	\$7,200	\$8,200	\$9,200
\$6,700	\$7,200	\$12,200	\$13,200	\$6,600	\$7,200	\$7,200	\$7,800	\$8,800	\$9,800
\$7,200	\$7,700	\$13,200	\$14,200	\$7,200	\$7,800	\$7,800	\$8,400	\$9,400	\$10,400
\$7,700	\$8,200	\$14,200	\$15,200	\$7,800	\$8,400	\$8,400	\$9,000	\$10,000	\$11,000
\$8,200	\$8,700	\$15,200	\$16,200	\$8,400	\$9,000	\$9,000	\$9,600	\$10,600	\$11,600
\$8,700	\$9,200	\$16,200	\$17,200	\$9,000	\$9,600	\$9,600	\$10,200	\$11,200	\$12,200
\$9,200	\$9,700	\$17,200	\$18,200	\$9,600	\$10,200	\$10,200	\$10,800	\$11,800	\$12,800
\$9,700	\$10,200	\$18,200	\$19,200	\$10,200	\$10,800	\$10,800	\$11,400	\$12,400	\$13,400
\$10,200	\$10,700	\$19,200	\$20,200	\$10,800	\$11,400	\$11,400	\$12,000	\$13,000	\$14,000
\$10,700	\$11,200	\$20,200	\$21,200	\$11,400	\$12,000	\$12,000	\$12,600	\$13,600	\$14,600
\$11,200	\$11,700	\$21,200	\$22,200	\$12,000	\$12,600	\$12,600	\$13,200	\$14,200	\$15,200
\$11,700	\$12,200	\$22,200	\$23,200	\$12,600	\$13,200	\$13,200	\$13,800	\$14,800	\$15,800
\$12,200	\$12,700	\$23,200	\$24,200	\$13,200	\$13,800	\$13,800	\$14,400	\$15,400	\$16,400
\$12,700	\$13,200	\$24,200	\$25,200	\$13,800	\$14,400	\$14,400	\$15,000	\$16,000	\$17,000
\$13,200	\$13,700	\$25,200	\$26,200	\$14,400	\$15,000	\$15,000	\$15,600	\$16,600	\$17,600
\$13,700	\$14,200	\$26,200	\$27,200	\$15,000	\$15,600	\$15,600	\$16,200	\$17,200	\$18,200
\$14,200	\$14,700	\$27,200	\$28,200	\$15,600	\$16,200	\$16,200	\$16,800	\$17,800	\$18,800
\$14,700	\$15,200	\$28,200	\$29,200	\$16,200	\$16,800	\$16,800	\$17,400	\$18,400	\$19,400
\$15,200	\$15,700	\$29,200	\$30,200	\$16,800	\$17,400	\$17,400	\$18,000	\$19,000	\$20,000
\$15,700	\$16,200	\$30,200	\$31,200	\$17,400	\$18,000	\$18,000	\$18,600	\$19,600	\$20,600
\$16,200	\$16,700	\$31,200	\$32,200	\$18,000	\$18,600	\$18,600	\$19,200	\$20,200	\$21,200
\$16,700	\$17,200	\$32,200	\$33,200	\$18,600	\$19,200	\$19,200	\$19,800	\$20,800	\$21,800
\$17,200	\$17,700	\$33,200	\$34,200	\$19,200	\$19,800	\$19,800	\$20,400	\$21,400	\$22,400
\$17,700	\$18,200	\$34,200	\$35,200	\$19,800	\$20,400	\$20,400	\$21,000	\$22,000	\$23,000
\$18,200	\$18,700	\$35,200	\$36,200	\$20,400	\$21,000	\$21,000	\$21,600	\$22,600	\$23,600
\$18,700	\$19,200	\$36,200	\$37,200	\$21,000	\$21,600	\$21,600	\$22,200	\$23,200	\$24,200
\$19,200	\$19,700	\$37,200	\$38,200	\$21,600	\$22,200	\$22,200	\$22,800	\$23,800	\$24,800
\$19,700	\$20,200	\$38,200	\$39,200	\$22,200	\$22,800	\$22,800	\$23,400	\$24,400	\$25,400
\$20,200	\$20,700	\$39,200	\$40,200	\$22,800	\$23,400	\$23,400	\$24,000	\$25,000	\$26,000
\$20,700	\$21,200	\$40,200	\$41,200	\$23,400	\$24,000	\$24,000	\$24,600	\$25,600	\$26,600
\$21,200	\$21,700	\$41,200	\$42,200	\$24,000	\$24,600	\$24,600	\$25,200	\$26,200	\$27,200
\$21,700	\$22,200	\$42,200	\$43,200	\$24,600	\$25,200	\$25,200	\$25,800	\$26,800	\$27,800
\$22,200	\$22,700	\$43,200	\$44,200	\$25,200	\$25,800	\$25,800	\$26,400	\$27,400	\$28,400
\$22,700	\$23,200	\$44,200	\$45,200	\$25,800	\$26,400	\$26,400	\$27,000	\$28,000	\$29,000
\$23,200	\$23,700	\$45,200	\$46,200	\$26,400	\$27,000	\$27,000	\$27,600	\$28,600	\$29,600
\$23,700	\$24,200	\$46,200	\$47,200	\$27,000	\$27,600	\$27,600	\$28,200	\$29,200	\$30,200
\$24,200	\$24,700	\$47,200	\$48,200	\$27,600	\$28,200	\$28,200	\$28,800	\$29,800	\$30,800
\$24,700	\$25,200	\$48,200	\$49,200	\$28,200	\$28,800	\$28,800	\$29,400	\$30,400	\$31,400
\$25,200	\$25,700	\$49,200	\$50,200	\$28,800	\$29,400	\$29,400	\$30,000	\$31,000	\$32,000
\$25,700	\$26,200	\$50,200	\$51,200	\$29,400	\$30,000	\$30,000	\$30,600	\$31,600	\$32,600
\$26,200	\$26,700	\$51,200	\$52,200	\$30,000	\$30,600	\$30,600	\$31,200	\$32,200	\$33,200
\$26,700	\$27,200	\$52,200	\$53,200	\$30,600	\$31,200	\$31,200	\$31,800	\$32,800	\$33,800
\$27,200	\$27,700	\$53,200	\$54,200	\$31,200	\$31,800	\$31,800	\$32,400	\$33,400	\$34,400
\$27,700	\$28,200	\$54,200	\$55,200	\$31,800	\$32,400	\$32,400	\$33,000	\$34,000	\$35,000
\$28,200	\$28,700	\$55,200	\$56,200	\$32,400	\$33,000	\$33,000	\$33,600	\$34,600	\$35,600
\$28,700	\$29,200	\$56,200	\$57,200	\$33,000	\$33,600	\$33,600	\$34,200	\$35,200	\$36,200
\$29,200	\$29,700	\$57,200	\$58,200	\$33,600	\$34,200	\$34,200	\$34,800	\$35,800	\$36,800
\$29,700	\$30,200	\$58,200	\$59,200	\$34,200	\$34,800	\$34,800	\$35,400	\$36,400	\$37,400
\$30,200	\$30,700	\$59,200	\$60,200	\$34,800	\$35,400	\$35,400	\$36,000	\$37,000	\$38,000
\$30,700	\$31,200	\$60,200	\$61,200	\$35,400	\$36,000	\$36,000	\$36,600	\$37,600	\$38,600
\$31,200	\$31,700	\$61,200	\$62,200	\$36,000	\$36,600	\$36,600	\$37,200	\$38,200	\$39,200
\$31,700	\$32,200	\$62,200	\$63,200	\$36,600	\$37,200	\$37,200	\$37,800	\$38,800	\$39,800
\$32,200	\$32,700	\$63,200	\$64,200	\$37,200	\$37,800	\$37,800	\$38,400	\$39,400	\$40,400
\$32,700	\$33,200	\$64,200	\$65,200	\$37,800	\$38,400	\$38,400	\$39,000	\$40,000	\$41,000
\$33,200	\$33,700	\$65,200	\$66,200	\$38,400	\$39,000	\$39,000	\$39,600	\$40,600	\$41,600
\$33,700	\$34,200	\$66,200	\$67,200	\$39,000	\$39,600	\$39,600	\$40,200	\$41,200	\$42,200
\$34,200	\$34,700	\$67,200	\$68,200	\$39,600	\$40,200	\$40,200	\$40,800	\$41,800	\$42,800
\$34,700	\$35,200	\$68,200	\$69,200	\$40,200	\$40,800	\$40,800	\$41,400	\$42,400	\$43,400
\$35,200	\$35,700	\$69,200	\$70,200	\$40,800	\$41,400	\$41,400	\$42,000	\$43,000	\$44,000
\$35,700	\$36,200	\$70,200	\$71,200	\$41,400	\$42,000	\$42,000	\$42,600	\$43,600	\$44,600
\$36,200	\$36,700	\$71,200	\$72,200	\$42,000	\$42,600	\$42,600	\$43,200	\$44,200	\$45,200
\$36,700	\$37,200	\$72,200	\$73,200	\$42,600	\$43,200	\$43,200	\$43,800	\$44,800	\$45,800
\$37,200	\$37,700	\$73,200	\$74,200	\$43,200	\$43,800	\$43,800	\$44,400	\$45,400	\$46,400
\$37,700	\$38,200	\$74,200	\$75,200	\$43,800	\$44,400	\$44,400	\$45,000	\$46,000	\$47,000
\$38,200	\$38,700	\$75,200	\$76,200	\$44,400	\$45,000	\$45,000	\$45,600	\$46,600	\$47,600
\$38,700	\$39,200	\$76,200	\$77,200	\$45,000	\$45,600	\$45,600	\$46,200	\$47,200	\$48,200
\$39,200	\$39,700	\$77,200	\$78,200	\$45,600	\$46,200	\$46,200	\$46,800	\$47,800	\$48,800
\$39,700	\$40,200	\$78,200	\$79,200	\$46,200	\$46,800	\$46,800	\$47,400	\$48,400	\$49,400
\$40,200	\$40,700	\$79,200	\$80,200	\$46,800	\$47,400	\$47,400	\$48,000	\$49,000	\$50,000
\$40,700	\$41,200	\$80,200	\$81,200	\$47,400	\$48,000	\$48,000	\$48,600	\$49,600	\$50,600
\$41,200	\$41,700	\$81,200	\$82,200	\$48,000	\$48,600	\$48,600	\$49,200	\$50,200	\$51,200
\$41,700	\$42,200	\$82,200	\$83,200	\$48,600	\$49,200	\$49,200	\$49,800	\$50,800	\$51,800
\$42,200	\$42,700	\$83,200	\$84,200	\$49,200	\$49,800	\$49,800	\$50,400	\$51,400	\$52,400
\$42,700	\$43,200	\$84,200	\$85,200	\$49,800	\$50,400	\$50,400	\$51,000	\$52,000	\$53,000
\$43,200	\$43,700	\$85,200	\$86,200	\$50,400	\$51,000	\$51,000	\$51,600	\$52,600	\$53,600
\$43,700	\$44,200	\$86,200	\$87,200	\$51,000	\$51,600	\$51,600	\$52,200	\$53,200	\$54,200
\$44,200	\$44,700	\$87,200	\$88,200	\$51,600	\$52,200	\$52,200	\$52,800	\$53,800	\$54,800
\$44,700	\$45,200	\$88,200	\$89,200	\$52,200	\$52,800	\$52,800	\$53,400	\$54,400	\$55,400
\$45,200	\$45,700	\$89,200	\$90,200	\$52,800	\$53,400	\$53,400	\$54,000	\$55,000	\$56,000
\$45,700	\$46,200	\$90,200	\$91,200	\$53,400	\$54,000	\$54,000	\$54,600	\$55,600	\$56,600
\$46,200	\$46,700	\$91,200	\$92,200	\$54,000	\$54,600	\$54,600	\$55,200	\$56,200	\$57,200
\$46,700	\$47,200	\$92,200	\$93,200	\$54,600	\$55,200	\$55,200	\$55,800	\$56,800	\$57,800
\$47,200	\$47,700	\$93,200	\$94,200	\$55,200	\$55,800	\$55,800	\$56,400	\$57,400	\$58,400
\$47,700	\$48,200	\$94,200	\$95,200	\$55,800	\$56,400	\$56,400	\$57,000	\$58,000	\$59,000
\$48,200	\$48,700	\$95,200	\$96						

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 implications?

11. Should you consider an IRA or Keogh plan?

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

13. Are you eligible for jobs tax credit?

14. Are you aware of new tax changes?

Check with your Tax Accountant on questions.

Jobs Credit Guide

(1) FICA Wages paid in 1978*		\$ _____
(2) FICA Wages paid in 1977*	\$ _____	
(3) Multiplied by 102 percent	_____	_____
(4) Difference		\$ _____
(5) 50 percent above		_____
(6) Tentative job credit		\$ _____

FICA WAGE LIMITATION

(7) FICA wages paid in 1978*		\$ _____
(8) Multiplied by .25		\$ _____
(9) FICA Limitation		_____

TOTAL WAGE LIMITATION

(10) Wages paid in 1978		\$ _____
(11) Wages paid in 1977	\$ _____	
(12) Multiplied by 105%	_____	_____
(13) Difference		\$ _____
(14) Multiplied by 50%		_____
(15) Wage Limitation		\$ _____
(16) \$100,000 Limitation		\$ _____
(17) Limitation based on tax Liability		\$ _____

*Wages up to \$4,200 per person.

Oklahoma State University Cooperative Extension Service does not discriminate because of race, color, or national origin in its programs and activities, and is an equal opportunity employer. Issued in furtherance of Cooperative Extension work, Acts of May 8 and June 30, 1914, in cooperation with the U. S. Department of Agriculture, Frank H. Baker, Director of Cooperative Extension Service, Oklahoma State University, Stillwater, Oklahoma.