

# COMPUTERS ON THE FARM

January 6-7, 2004

## UPDATE ON TAXES

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		<u>2003</u>	<u>2002</u>		
<b>Exemptions, Standard Deductions &amp; Tax Rates</b>					
<b>Personal Exemption</b>		\$3,050	\$3,000		
<b>Standard Deductions</b>					
Married filing joint		\$9,500	\$7,850		
Single		\$4,750	\$4,700		
Head of household		\$7,000	\$6,900		
Married filing separate		\$4,750	\$3,925		
<u>Rate</u>					
<b>Self Employment</b>					
Social Security maximum income	12.4%	\$87,000	\$84,900		
Social Security maximum tax		\$10,788	\$10,528		
Medicare	3.9%	Unlimited	Unlimited		
<u>Rates</u> <u>2003</u> <u>2002</u>					
<b>Tax Rates &amp; Brackets</b>					
Married filing joint	10%	\$1	\$14,000	\$1	\$12,000
Marriage Penalty Relief	15%	\$14,001	\$56,800	\$12,001	\$46,700
	25%/27%	\$56,801	\$114,650	\$46,701	\$112,950
	28%/30%	\$114,651	\$174,700	\$112,951	\$171,950
	33%/35%	\$174,701	\$311,950	\$171,951	\$307,050
	35%/38.6%	Over	\$311,950	Over	\$307,050
Single	10%	\$1	\$7,000	\$1	\$6,000
	15%	\$7,001	\$28,400	\$6,001	\$27,950
	25%/27%	\$28,401	\$68,800	\$27,951	\$67,700
	28%/30%	\$68,801	\$143,500	\$67,701	\$141,250
	33%/35%	\$143,501	\$311,950	\$141,251	\$307,050
	35%/38.6%	Over	\$311,950	Over	\$307,050
Head of household	10%	\$1	\$10,000	\$1	\$10,000
	15%	\$10,001	\$38,050	\$10,001	\$37,450
	25%/27%	\$38,051	\$98,250	\$37,451	\$96,700
	28%/30%	\$98,251	\$159,100	\$96,701	\$156,600
	33%/35%	\$159,101	\$311,950	\$151,601	\$307,050
	35%/38.6%	Over	\$311,950	Over	\$307,050

	<u>2003</u>	<u>2002</u>
Long-Term Capital Gains (Realized after 5/5/03)		
Maximum Rate	15%	20%
If in 10%/15% Bracket	5%	10%
Dividends		
Maximum Rate	15%	38.6%
<b>Child Tax Credit</b>	<b>\$1,000</b>	<b>\$600</b>
IRS paid \$400 advance on 2003 credit this summer		
<b>Estate Tax</b>		
Exemption Equivalent	\$1,500,000	\$1,000,000
Maximum Tax Rate	48%	49%

### **Depreciation & Section 179 Expensing**

Maximum Section 179 Expensing Election	\$100,000	\$24,000
Applies to Both New & Used property		
Applies only to "Boot" (Difference on Trade Ins)		
Can Avoid Mid Quarter Convention by Selecting 4th Quarter Assets		
Pre May 6, 2003 New Property Acquisitions (20 year or less life)		
First Year Bonus Depreciation	30%	30%
Mandatory unless Elect Out		
Not allowed by Missouri before 07/01/03		
Post May 5, 2003 New Property Acquisitions (20 year or less life)		
First Year Bonus Depreciation	50%	50%
Applies to Net Book Value of Traded Asset Plus Boot		
Mandatory unless Elect Out		
Not allowed by Missouri before 07/01/03		
Can Elect out of 50%, and Use 30%		
Trucks, Vans & SUVs With GVW Less Than 6,000#		
Now Have Higher Annual Limits Than Automobiles		

<b>Standard Mileage Rate for Vehicle Deduction</b>	<b>\$0.36</b>	<b>\$0.365</b>
Rate for 2004	\$0.375	

### **Farm Income Averaging**

Can Use Base Year Income of Less than Zero on Schedule J  
Must Consider Carry Backs and Carry Forwards of Net Operating Losses

### **Drought Casualties & Sales**

Must be in County Eligible for Emergency Federal Agricultural Assistance  
Can Defer Reporting of Crop Insurance Proceeds by Election  
Can Defer Reporting of Federal Disaster Payments by Election  
Can Defer Sales of Livestock Held for Sale in Excess of Normal (Average # Sold)  
Can Defer Sales of Breeding Livestock into Basis of Replacements  
    Replacement Period Two Years After Year of Sale

## **Farm Service Agency (FmHA) Shared Appreciation**

To the Extent Previously Written Off Debt is Restored Due to Shared Appreciation  
Tax Attributes Reduced in Year of Write Down are Restored in Reverse Order  
1099-C Cancellation of Indebtedness Issues after Three Years if Still Unpaid

## **Self Employment Tax - Farm Rental**

Even though the Eighth Circuit ruled such rents were not subject to self employment tax  
the IRS has announced the it will not acquiesce in the issue

## **Purchase of Missouri Tax Credits**

Purchase Cost of Credits are Itemizable in Year Claimed on State Return

## **Missouri Issues**

Purchase of Vehicles with Commodities

Saves Missouri Sales Tax Only

Must Report Value of Commodities Traded as Income

New Regulations Allow only for Vehicles Used Primarily in Agricultural Production  
and Commodities Must Have Been Produced by Vehicle Purchaser

Sale of Missouri Tax Credits

Ordinary Income to Seller of Credit

Net Operating Losses

NOL's Carried Back More Than Two Years for Federal Purposes May Now be  
Carried Forward for Missouri Purposes for 20 Years

Provision Amended by Legislature to Allow Five Year Carry Back of Farm NOL's