



Discussion Topic

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What will change in the tax law?

As much fun as it may be to talk about a flat tax or other wholesale tax reform, farmers are practical enough to know that their tax challenges are more immediate.

In fact, the next tax deadline is coming up quickly, and there are a couple things to look for, according to the financial experts at Michigan Farm Bureau.

"One thing to be aware of is that the federal deduction for expensing personal property is slashed in 2010," said Doug Kammann, corporate controller and assistant treasurer with Michigan Farm Bureau. "What that means is, for example, if under Section 179 of the federal tax code, you buy a new combine, you can expense \$108,000 of the purchase price this year. The amount is higher in 2008 and 2009 because the \$108,000 is adjusted for inflation," he said. "Some tax advisors have told people to take advantage of this deduction while they can. After 2010, you'll still be able to depreciate the combine, but only with \$25,000 lump sum expensing. Up until then, you can deduct the \$108,000 from the purchase price, and depreciate the remaining cost with the depreciation method you are using."

On the state taxation front, a lot of things are in doubt due to questions that linger from the last-minute budget passed by Michigan lawmakers.

"There are a lot of gray areas to watch," said Tom Parker, Michigan Farm Bureau treasurer. "A lot of things are still up in the air regarding the new sales tax on services. But there are efforts going on now to repeal that, so it's wise to keep yourself informed about them and hope your tax advisor knows what to do. I think it's safe to plan on seeing increased sales taxes on certain services."

Capital gains taxes also are worth watching in the political realm, Parker said.

"Congress has extended the capital gains tax rate of 15 percent out until 2010," he said. "That's the lowest rate I can remember. It may never have been lower. The bottom line is it's never going to be this low again, so take advantage of it while you can."

Other things to watch - and plan for - Kammann said, include the estate tax, commonly known as the death tax because it taxes people after they die.

"Death taxes will be repealed for one year in 2010, and unless Congress does something, death taxes will be reinstated in 2011 with a \$1 million per-person exemption. Presently the exemption is \$2 million, and in 2009 it bumps up to \$3.5 million," he said.

While much of today's tax law is complicated and confusing, there's an easy way to pay the least tax possible by law, Kammann said. "Consult a good tax planner, accountant or attorney," he said.

QUESTIONS

1. What can you do personally to be sure you're not caught off-guard by sunseting tax law?
2. What can your county Farm Bureau do to convince Congress that the estate (death) tax is a hardship on farm families?
3. Discuss the advantages and disadvantages of purchasing equipment or property now to avoid higher taxes later.