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Tax Laws Impact Farmers

is \$70,000. Under the old law, you would not report the sale of Tractor Z, it would continue to depreciate out and be marked as a traded item on your asset schedule. Meanwhile, you would put Tractor A on your depreciation schedule with a cost basis of \$80,000 (\$150,000-70,000.)

Under the new law, you'll have to report Tractor Z as sold for \$70,000. If there is any cost left to depreciate, that will reduce the amount of gain or recapture on Tractor Z. You'll have to put Tractor A on the depreciation schedule at \$150,000 cost basis. Farmers report the sale of equipment and livestock on Form 4797 of their income tax return. The farmer generally reports the gain as recaptured depreciation, which is taxed at ordinary income tax rates or capital gain, which is taxed at capital gain rates. Neither of those are subject to self-employment tax.

Let's assume Tractor Z was depreciated out, you would report the entire sales price of \$70,000 on the Form 4797, under the new law. The entire cost of \$150,000 of Tractor A is available for depreciation on your Schedule F (farm income and expenses).

Most likely, you'll use

some combination of depreciation allowances like Section 179 and/or Bonus Depreciation to get the Schedule F to the net amount you prefer. Keep in mind the goal of tax planning is not to avoid taxes, rather to be consistent in the income tax brackets and to avoid large swings in income levels from one year to the next.

Continuing the example above, let's assume you have no other means of income and generally keep the amount of adjusted gross income in the area of \$75,000. The gain on the sale of the tractor was \$70,000 on the Form 4797. Ideally, you then have a Schedule F net income of \$5,000 to be consistent on the overall amount of adjusted gross income. Remember, self-employment tax is only on earned income such as the Schedule F and not Form 4797.

On the positive side, taxpayers could pay less in self-employment tax than they have in previous years. In our example, you're paying self-employment tax on \$5,000 rather than \$75,000. The flip side of that argument is that taxpayers need to remember that paying less or zero amounts of self-employment tax could have a negative im-

pact of future retirement earnings or even qualified quarters for disability payments.

Another factor to consider is the difference between federal and state depreciation laws. Kentucky has limited the Section 179 deduction to \$25,000, and the deduction gets phased out if equipment purchases are greater than \$225,000. Kentucky also does not allow for bonus depreciation. This means likely substantial differences in gain between the Kentucky and federal income tax returns. You need to let your tax preparers know when you have traded items and how much was allowed on the trade. As always, it's a good idea to plan ahead and visit with your tax preparer before the end of the year to avoid any surprises when it's time to file your returns.

For more information about this and other agricultural economics topics, contact the Estill County Cooperative Extension Service at 606-723-4557.

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3 2 5 6 8 6 2 8 3 6 8 5 6
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HERE IS A PLEASANT LITTLE GAME that will give you a message every day. It's a numerical puzzle designed to spell out your fortune. Count the letters in your first name. If the number of letters is 6 or more, subtract 4. If the number is less than 6, add 3. The result is your key number. Start at the upper left-hand corner and check one of your key numbers, left to right. Then read the message the letters under the checked figures give you.

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CryptoQuip

This is a simple substitution cipher in which each letter used stands for another. If you think that X equals O, it will equal O throughout the puzzle. Solution is accomplished by trial and error.

Clue: S equals W

SLF EGAKH LNGBM L NLFNKF

SOG FKDKLMKZQP FKEGAKU L

WH'U NKLFZ UMBNNQK:

"UOLAHRW DFHALMK FPLR."

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CryptoQuote

AXYDLBAAXR
is LONGFELLOW

One letter stands for another. In this sample, A is used for the three L's, X for the two O's, etc. Single letters, apostrophes, the length and formation of the words are all hints. Each week the code letters are different.

W VPTPU JKORJZ BO W

IVWAK NBZM ZJRIBAWV

IVWSZO RPZOBGK WSG

RPZOZJKZAMKG IWVFO

BSOBGK.

— W NBOK ZJWXKVKJ

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Puzzle Answers

December 12, 2018

Puzzles4Kids

Answer

ASCOTS S COATS
SEATER A STEER
LAMENT N METAL
ASSORT T SOARS
TIRANA A TRAIN

CLINGS C SLING
SPINAL L SPAIN
UNREAL U LEARN
BETTER E BRETT
ASTERS S STARE

FEAR & KNIGHT

answer

P
B E E
R A
C O U P L E
A T N
L O P E L A T E
A E E O
M A R B L E M
B R I B

Letter Box

Solution

A	B	R	I	C	N	T	L	U
N	I	L	U	R	T	B	C	A
U	C	T	A	B	L	N	I	R
B	T	U	L	A	I	C	R	N
C	L	A	B	N	R	U	T	I
I	R	N	C	T	U	L	A	B
L	U	B	R	I	C	A	N	T
T	A	I	N	L	B	R	U	C
R	N	C	T	U	A	I	B	L

WORDS OF A CERTAIN TYPE

E X P P
A U T O T Y P E S E T
M P E I T T
I V P O N I E O
S T L V R T Y P E F A C E
Y H E G C E P Y T E R
P D E P Y T O N E G E B T
E J P Y T O N I L U S

CryptoQuip

answer

War movie about a barber who repeatedly removes a GI's beard stubble: "Shaving Private Ryan."

CryptoQuote

answer

A luxury resort is a place with tropical plants outside and outstretched palms inside. — A wise traveler

Even Exchange

answers

- Teach, Reach
- Captor, Castor
- Throw, Throb
- Check, Chick
- Lisbon, Liston
- Venus, Vents
- Porter, Poster
- Shine, Rhine
- Entice, Entre
- Tiger, Timer

Weekly SUDOKU

Answer

2	7	9	5	4	1	8	3	6
1	3	8	6	9	7	4	2	5
6	5	4	3	2	8	9	1	7
5	2	1	4	3	9	7	6	8
8	9	3	7	1	6	2	5	4
4	6	7	2	8	5	3	9	1
9	1	5	8	7	2	6	4	3
3	8	6	9	5	4	1	7	2
7	4	2	1	6	3	5	8	9

King Crossword

Answers

Solution time: 21 mins.

N	B	C	A	W	N	C	O	A	T			
E	R	O	S	P	O	I	U	N	T	O		
S	A	R	I	E	M	S	T	E	E	N		
T	E	E	T	H	B	E	A	T				
V	A	T	I	C	A	N	I	B	I	D	E	M
E	L	A	N	D	U	B	G	R	I	N		
R	O	U	G	H	B	A	L	L	E	T	S	
B	E	T	T	E	R	G	O	O				
I	N	O	N	P	O	U	N	D				
P	R	I	C	H	W	A	G	S	L	O	E	
E	A	C	H	E	M	U	S	E	N	D	S	
W	H	E	T	D	E	Y	A	S	K			

The Garden Bug Myrrh

The shrubs *Commiphora myrrha*, *Commiphora mukul*, *Commiphora erythraea* and *Commiphora kataf* are used to produce myrrh, a resin gathered by making deliberate incisions with a specially designed tool into the bark of these plants. Most myrrh is produced in the southern Arabian peninsula and in northeast Africa. - Brenda Weaver

Source: www.itmonline.org

Birding BITS BY Cindy Brook

Build a Bird Sanctuary

Five ideas to get you started:

1. Build a brush pile.
2. Make a ground feeding area near some bushes.
3. Put up a large central feeder on a four-by-four post.
4. Have at least 2 birdbaths filled with clean water daily.
5. Don't use pesticides.

E-mail: birdingbits@cfl.rr.com
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Thanks for Coming 'Round!

It's beginning to look a lot like Christmas around here and that means it's time to offer our best wishes to our neighbors, customers, associates and friends. We appreciate your giving us so much to celebrate this holiday season!

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Stickeler's Puzzle

STICKELERS

by Terry Stickels

Alyssa ran a marathon in which she finished 21st from the top and 21st from the bottom. How many people were in the race?

a) 41 d) 47
b) 43 e) Impossible to know
c) 46

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Stickeler's Answer on Page 11

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Bible Trivia Answers

Now available by Wilson Casey! 2017 Bible Trivia box calendar loaded with daily teasers.

ANSWERS: (1) New; (2) En-gaged; (3) Bible not specific; (4) Herod; (5) Nazareth; (6) Silver