

Year End Tax Strategies

- * Prepaid expenses can be deducted up to 50% of total annual business expenses. Refer to Farmer's Tax Guide for qualifying guidelines concerning livestock feed.
- * Capital purchases in the 4th quarter of the tax year can not exceed 40% of the total capital purchases or the 1/4 year convention applies.
- * Use a legal contract to hire a spouse. The wage is reported as income to the spouse and an expense to the business..
- * The 30% deduction of annual health insurance premium cost allowed in 1994 remains to be acted upon by Congress in 1995.
- * Capital expensing deduction (Section 179) remains at \$17,500 for capital purchases used in the business up to \$200,000. If capital purchases exceed \$200,000, there is a dollar-for-dollar reduction in the \$17,500 range.

This advice is courtesy of Dr. Norm Dalstead, Dept of Agric & Resource Economics, CSU.