

**CONTRYMAN
Associates, P.C.**

The Contryman Farm Account

Winter
2004

Legislation Uncertain

Developing an Estate Plan

There are several important reasons for a farm family to develop an estate plan.

The most commonly known purpose for an estate plan is to reduce or eliminate federal estate taxes. Current law has estate tax exemptions increasing, rates decreasing, repeal of the law in 2010, and reappearance in 2011. The chart below illustrates the law changes scheduled.

The chart shows that estate taxes can still be very significant or even devastating to large estates.

It appears likely that Congress may enact more permanent estate tax legislation in the near future. Whether Congress will eliminate the tax completely or raise the exemptions to higher levels is unknown.

With the uncertainty of future legislation and the changes

currently taking place, it is more important than ever that farm families update their estate planning (or prepare an estate plan if none has been done).

There are many planning techniques that can be used to manage or eliminate estate taxes.

The tax professionals at Contryman Associates can help you!

Contributing information for articles in this issue are Contryman farm tax professionals and these shareholders:

Joel Wiegand, CPA
Grand Island Office Managing Shareholder

Chris Oppliger, CPA
Hastings Office Managing Shareholder

Marlin Johnson, CPA
Lexington Office Managing Shareholder

Rachelle Bryant, CPA
Kearney Office Managing Shareholder

Dan Charron, CPA
Scottsbluff Office Managing Shareholder

	<u>Estate Tax Exemption</u>	<u>Highest Estate & Gift Tax Rates</u>
2004	1.5 Million	48%
2005	1.5 Million	47%
2006	2.0 Million	46%
2007	2.0 Million	45%
2008	2.0 Million	45%
2009	3.5 Million	45%
2010	(Repealed)	(35% Gift Tax Only)
2011	1.0 Million	55%

· The estate tax exemption is less gift tax exemption already used.
· The gift tax exemption will be 1.0 million for all years.

Estate Planning for Smaller Estates

Many people mistakenly believe that estate planning is necessary only for estates large enough to be subject to estate taxes.

Farm and business families deal with special challenges in successfully transitioning a family business to the next generation.

Often there are issues of how to treat fairly, both the heirs taking over the family farm and those heirs not staying on the farm. Farming

being a very capital intensive business makes this issue more difficult.

Often the surviving spouse must still be supported by the farm income. In essence, the same farm income must now support two families.

A premature death without adequate life insurance, can force the liquidation of a family operation just to cover the surviving family's living needs.

Many a family has been literally torn apart because planning was not done and heirs resorted to fighting it out.

All of these non-tax issues are extremely important. Proper planning can result in peace of mind now, successful continuing farming operations, and content heirs.

Your Contryman CPA can advise you on planning your estate.



The
CONTRYMAN
Solutions Group

Grand Island	308-382-5720
Hastings	402-463-6711
Lexington	308-324-2368
Kearney	308-237-5930
Scottsbluff	308-635-7705
Central City	308-946-3870
Geneva	402-759-3002
Clay Center	402-463-6711

**Providing Solutions
for Your Success**

We appreciate the trust you place in us.

Thank you for
referring us to your
friends and family
members.

Disability Protection

By Mark Kroeker, CPA

Many of you know that disability protection is provided through the Social Security system. However, not many people are familiar with the eligibility requirements to receive these benefits. For disability benefits there is a requirement that you have earned on the average two credits per year. You earn a credit by earning at least \$900 subject to Social Security tax with a maximum of 4 earned per year if you earn at least \$3,600 for the year. These amounts are for 2004 and change each year.

The Contryman Farm Account Newsletter

The **Contryman Farm Account** has been developed to address issues specific to the needs of our farmer friends and clients. It will be sent to you free of charge several times each year. If you have suggestions for articles, please let us know by contacting a Contryman professional or e-mailing contact@capc.com. Also, if you have farmer friends or relatives that you believe would benefit from the information in the **Farm Account**, please let us know and we will add them to our mailing list. If you would prefer not to receive this publication, we will be happy to remove your name.

The technical information in this newsletter is necessarily brief. No final conclusion on these topics should be drawn without further review and consultation with a tax professional. For additional information, contact our firm.

Investing in a 529 Plan

Named after Internal Revenue Code Section 529, these state-sponsored plans allow parents and grandparents to establish college savings accounts for their children and grandchildren.

Contributions are not deductible for federal tax purposes, but earnings are not taxed if the funds are eventually used for qualified higher education costs (e.g., tuition, fees, and room and board if attending at least half time).

Especially significant is the fact that the contributor normally retains control over the account, including the power to change beneficiaries and even take back the funds. Contributions to a 529 Plan are not subject to income limits, so even high-income individuals can contribute to an account.

There is no requirement that you invest in your own state's plan. Nebraska allows residents to claim a state income tax reduction for part of the contributions to their in-state 529 Plan – so you may want to look at a Nebraska sponsored plan.

Contryman Services

How can we help "Provide Solutions for Your Success"? This is a partial listing of the services we offer our clients. For additional information, contact any Contryman Associates office.

Income Tax Planning - We know that tax planning throughout the year is the best way we can save our clients money on their taxes. We also provide preparation of all state and federal tax forms.

Accounting, Payroll & Bookkeeping Services - Computerized bookkeeping, payroll, and accounting services for farmers and other businesses; QuickBooks® Accounting Software set up and consulting.

Retirement Planning & Estate Planning - We will help with a plan for your retirement or for your employees, advise you on structuring the transfer of your business upon your retirement, and assist with an estate plan to minimize estate and gift taxes.

The risk involved can be shown with a couple of examples.

The requirements to be eligible are based on the year of birth. Let's say you are a young farmer born in 1979 who showed losses on your first four tax returns. You would have had to earn 9 credits during those three years to be eligible, and consequently would not qualify for Social Security disability income nor for Medicare insurance.

If you were born in 1961 and had only 19 credits in the last 10 years you also would not qualify. Along with your benefits you would also lose benefits for your spouse and children if they would otherwise qualify.

The IRS does allow for optional methods to be used to calculate your self employment income in years with low income or losses in order to build credits. By use of the optional methods and/or proper tax planning, qualifying for disability protection can be greatly enhanced.

Trivia

If a statue in the park of a person on a horse has both front legs in the air, the person died in battle. If the horse has one front leg in the air, the person died as a result of wounds received in battle. If the horse has all four legs on the ground, the person died of natural causes.

The cost of raising a medium sized dog to the age of eleven is \$6,400.