

Tax Planning & CSP Participation

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Family Corporations – Other Matters

- Conservation Security Program (CSP)
- College Financial Aid planning

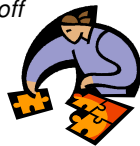
These two subjects should be dove-tailed with tax planning concerns



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Conservation Security Program

- Relatively new program
 - Many unanswered questions
- Somewhat complicated
 - Do not let the complexity run you off



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Watersheds

- The State is broken down by watershed



- Each watershed will have opportunity to sign up over an 8-year period

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Payment Eligibility

- Up to \$45,000 per person
 - Relatively small farms have hit this limit
- Program is up to 10 years in length
- Definition of “person” is unclear
 - The more separated the better
 - Common use of equipment seems to be prohibited
 - Organize yourself to fit limitations before signup
- Be prepared before you sign up!

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Get Educated on the Program

- See if the program fits
- Network with farmers already in the program
- How many “limits” will you need?
- Organize to best maximize limitations
- Have a history of soil testing
- Water monitoring?



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Get Your Foot in the Door

- Can always expand on the program as you feel comfortable
- Don't pass on the opportunity to sign up
 - Will likely mean that you will wait for years to get into the program



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College Financial Planning – A Farm Family's Perspective

An illustration of a spiral notebook with a yellow page, used to present the financial planning formula.
$$\begin{aligned} & \text{Cost of attending a particular college} \\ & \text{Less: Expected family contribution} \\ & \quad = \text{Need} \\ & \text{Less: Resources of student} \\ & \quad = \text{Adjusted financial need} \end{aligned}$$

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Expected Family Contribution

Parents' AGI*	Income Allowance			
Plus	Federal Income Taxes			
Untaxed Income & Benefits	- Social Security Taxes	x	22% to 47%	= Parents' Contribution from Income
	- State Taxes			
	- Employment Exp. Allowance			
Parents' Assets	- Asset Protection Allowance	x	2.6% to 5.6%	= Parents' Contribution from Assets
				+
Student's AGI*	Federal Income Taxes			
Plus	Social Security Taxes			
Untaxed Income & Benefits	- State Taxes	x	50%	= Student's Contribution from Income
	- \$2,380 Allowance			
Student's Assets	- Nothing	x	35%	= Students' Contribution from Assets
				+
				= Expected Family Contribution

*AGI = Adjusted Gross Income on Personal Tax Return

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College Financial Planning

■ Farm families often do well in the Financial Aid process

- Farm assets are typically exempt
- Personal incomes are typically low
- Student's assets are usually minimal
- Student's incomes are often low

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