

1984

Report on Tax Aspects of Farmers in Bankruptcy

Ralph T. Turner

Please take a moment to share how this work helps you [through this survey](#). Your feedback will be important as we plan further development of our repository.

Follow this and additional works at: <https://ideaexchange.uakron.edu/akrontaxjournal>

 Part of the [Tax Law Commons](#)

Recommended Citation

Turner, Ralph T. (1984) "Report on Tax Aspects of Farmers in Bankruptcy," *Akron Tax Journal*: Vol. 2 , Article 5. Available at: <https://ideaexchange.uakron.edu/akrontaxjournal/vol2/iss1/5>

This Article is brought to you for free and open access by Akron Law Journals at IdeaExchange@UAkron, the institutional repository of The University of Akron in Akron, Ohio, USA. It has been accepted for inclusion in Akron Tax Journal by an authorized administrator of IdeaExchange@UAkron. For more information, please contact mjon@uakron.edu, uapress@uakron.edu.

REPORT ON TAX ASPECTS OF FARMERS IN BANKRUPTCY

by

RALPH T. TURNER*

I. SCOPE AND PURPOSE

ONE OF THE ways a taxpayer realizes gross income is to have indebtedness discharged. The taxpayer's increased net worth after the debt is discharged is the rationale used to justify this realization of income. The amount of debt discharged is the measure of income realized.¹ However, certain discharge of indebtedness is excluded from income under Section 108(a) of the Internal Revenue Code.

Section 108 of the Internal Revenue Code generally describes the exclusion of indebtedness income from a taxpayer's gross income. Section 108(a)(1), specifically excludes the following three types of discharge of indebtedness income:

1. Discharge in bankruptcy cases.
2. Discharge when the taxpayer is insolvent.
3. The discharge of "qualified business indebtedness".

The exclusion for discharge of indebtedness in bankruptcy cases applies to either Chapter 7 proceedings (liquidation) or Chapter 11 proceedings (reorganization) when there is a court order granting discharge or approving a plan which discharges debt.²

This article will not deal with the insolvent debtor who has his indebtedness discharged outside of bankruptcy or the solvent debtor who has qualified business indebtedness discharged. Additionally, this article will deal only with the individual taxpayer who utilizes the bankruptcy court and not with the tax treatment of corporations and partnerships in bankruptcy. There are special rules for the tax treatment of these entities.³

*B.A. 1968, Tulane University; M.A. 1970 Illinois State University; J.D. 1973, University of Illinois; Member ABA Section of Taxation Ag. Comm. 1978-Present; Member ABA & Illinois State Bar Ass'n. General Practice Sections, Ag. Law Comm. Participant, Ill. Inst. of Continuing Education on Farm Estate and Business Planning; Member Illinois State Bar Ass'n. Board of Governors 1982-84; Chairman Illinois Bar Ass'n Young Lawyer Division 1981-82. Partner, Luedtke, Hartweg & Turner, Bloomington Illinois. I am grateful for the assistance of Clifford L. DeCamp of the University of Akron School of Law in helping to prepare this article for publication.

¹I.R.C. § 108(e)(2)(1982).

²I.R.C. § 108(d)(2)(1982).

³The rules for the tax treatment of corporations in bankruptcy appear to be especially complex as evidenced by Sections 4 and 5 of the Bankruptcy Tax Act of 1980, Pub. L. No. 96-589, 94 Stat. 3389, 3401-07(1980).

This article will review the general principles of tax treatment of an individual whose indebtedness was discharged in bankruptcy under the prior law and under the Bankruptcy Tax Act of 1980. After this general review and comments on their application to farmers, a hypothetical fact situation will be reviewed and the handling of the tax returns for the individual and the bankruptcy estate will be explored.

II. BACKGROUND

The Twentieth Century's first substantial reform of bankruptcy law was passed in 1978. Legislation was immediately introduced to change the tax aspects of bankruptcy to correspond with the new law.⁴ Unfortunately, the wheels of Congress turn so slowly that the Bankruptcy Tax Act was not passed until December 24, 1980.⁵ Instead of making the Act effective for bankruptcy cases instituted on or after October 1, 1979 (the effective date of the Bankruptcy Reform Act), the Bankruptcy Tax Act became effective for cases filed after January 1, 1981. The law provided a special election that could be made to allow the effective dates of the Bankruptcy Tax Act to apply to any case that had been filed after October 1, 1979 and before January 1, 1981.⁶ This report will not deal with the election to make the effective dates apply retroactively.

The general rule that discharge of indebtedness is a realization of income was not changed by the Bankruptcy Tax Act of 1980.⁷ However, the exclusion of discharge of indebtedness income provided by statute under prior law⁸ was substantially more beneficial to the bankrupt taxpayer than the present statutory provisions.

Under prior law, a bankrupt who would otherwise be required to report current income from debt cancellation could exclude the recognition of that income under Code Section 61.⁹ The income excluded by virtue of that section required the basis of the bankrupt's property to be reduced under Section 1016.¹⁰ Former Section 108 excluded recognition of debt cancellation income outside of bankruptcy, and required basis adjustment under Section 1017.¹¹ These provisions in the prior law were intended to allow the tax on the debt discharge income to be deferred. The tax would eventually be collected after bankruptcy through lower depreciation deductions on the remaining basis or greater taxable gain on the sale of these assets. The tax attributes of the bankrupt, other than the basis reduction, were unaffected under former Section 108. Thus, net

⁴Bankruptcy Tax Act of 1980, Pub. L. No. 96-589, 94 Stat. 3389 (1980).

⁵*Id.*

⁶*Id.* at 3413.

⁷I.R.C. § 61(a)(1976).

⁸I.R.C. § 108(a)(1976).

⁹Treas. Reg. § 1.61-12(b)(1983).

¹⁰Treas. Reg. § 1.1016-7 (1960).

¹¹I.R.C. § 108(a)(2)(1976).

operating losses and investment credit carryovers were left intact.¹²

However, the basis reduction mechanism of prior law thwarted the policy of deferring recognition of income. It enhanced the insolvent taxpayer's ability to completely avoid ordinary income realization because the basis of non-depreciable assets could be reduced.¹³ The reduction of basis in non-depreciable assets allowed the debtor to convert ordinary income from discharge of indebtedness into capital gains when the reduced basis assets were eventually sold.¹⁴ Also, debtors could reduce the basis in assets which were seldom sold, like a personal residence.

The only real tax problem in bankruptcy under prior law came from the Internal Revenue Service position that the discharge of indebtedness, and the resulting reduction in basis of qualified investment credit property, was a disposition and resulted in recapture of investment credit.¹⁵ Philosophically, the debtor is intended to have a "fresh start" after bankruptcy. The Bankruptcy Tax Act of 1980 is intended to continue the policy that no income will be recognized by reason of debt discharge in bankruptcy.¹⁶ The debtor coming out of bankruptcy (either solvent or insolvent) will not be burdened by an immediate tax liability because his net worth has increased.¹⁷ However, the Bankruptcy Tax Act of 1980 is also intended to more effectively collect tax on ordinary income realized from debt discharge. The policy is carried out through new Sections 108 and 1017 of the Internal Revenue Code.¹⁸ Section 108 requires certain beneficial tax attributes of the bankrupt to be reduced to the extent the bankrupt does not have to recognize ordinary income on the discharge of indebtedness. The reduction of tax attributes will give the taxpayer after bankruptcy fewer ways to shelter ordinary income earned after bankruptcy. Even though the bankrupt can reduce the basis of non-depreciable assets as under prior law, the gain upon sale is ordinary income to the extent of the basis reduction from debt discharge.¹⁹

In order to cure the defects of the prior law and more effectively carry out Congressional intent, Section 108, has gone from zero to five subsections. Section 1017, has gone from zero to four subsections and Sections 1398 and 1399 have been added. Consequently, the tax work for bankrupts is now more complicated. The major tax relief from these changes was to overrule Rev. Rul.

¹²I.R.C. § 1017 (1976).

¹³*Id.* Under the old law, the amount excluded by reason of the discharge of indebtedness under Section 1017 could be applied to reduce the basis of any property held by the taxpayer.

¹⁴Since under the old law, the basis of any property could be reduced by the taxpayer, it became possible to convert ordinary income into capital gains and subject this gain to more preferable treatment under Section 1202.

¹⁵Rev. Rul. 74-184, 1974-1 C.B. 8.

¹⁶I.R.C. § 108(a)(1)(A)(1982).

¹⁷I.R.C. § 108(a)(1)(1982).

¹⁸This is carried out in I.R.C. §§ 108 and 1017 through the reduction in basis of depreciable property.

¹⁹I.R.C. § 1017(d)(1982).

74-184 and to prevent Investment Tax Credit (ITC) recapture when the exclusion of indebtedness discharge income causes the basis in Section 38 property to be reduced.²⁰

III. I.R.C. SECTIONS 108 AND 1017

The indebtedness of a taxpayer which is discharged in bankruptcy is excluded from the gross income of the taxpayer.²¹ The “indebtedness” covered by the debt discharge provisions of Section 108 means indebtedness for which the individual is liable or indebtedness on property which the taxpayer is holding.²²

The amount of discharged debt which is excluded from gross income by virtue of Code Section 108(a)(1)(A) must be applied to reduce certain of the debtor’s tax attributes pursuant to subsection (b) of Section 108. The debtor can elect to apply all or any portion of the excluded amount first to reduce his basis in depreciable assets or in real property held as inventory pursuant to Code Section 108(b)(5)(A).

Where the bankrupt does not elect to apply the excluded debt discharge amount first to reduce the basis of depreciable property, the debtor must reduce his tax attributes in the order specified in Section 108(b)(2). The reduction in this subparagraph is made in the following order:²³

1. Net operating loss for the taxable year of the discharge, and any net operating loss carryover to such taxable year.
2. Any carryover to or from the taxable year of the discharge of an amount for purposes of determining the amount of credit allowable under:
 - (a) Investment credit property,
 - (b) Work incentive programs,
 - (c) Credit for new employees, or
 - (d) Alcohol used as a fuel.
3. Any net capital loss for the taxable year of discharge and any capital loss carryover to such taxable year.
4. The basis in the property of the taxpayer is reduced.
5. Any carryover to or from the taxable year of the discharge for purposes of determining the amount of credit allowable for foreign taxes.

These tax attributes of the taxpayer are used in the order specified by statute to the extent indebtedness discharge income is excluded from the taxpayer’s income. All net operating losses of the taxpayer must be totally used before investment credit carryovers can be used and both of those must be totally used before capital loss carryovers can be used. All three of those must be com-

²⁰I.R.C. § 1017(c)(2)(1982).

²¹I.R.C. § 108(a)(1)(A)(1982).

²²I.R.C. § 108(d)(1)(1982).

²³I.R.C. § 108(b)(2)(i)-(v)(1982).

pletely used before the basis of the taxpayer's property can be reduced.

Every dollar of excluded indebtedness discharge income offsets one dollar of the tax attributes of the taxpayer except for the credit carryovers, where one dollar of excluded income offsets fifty cents of the credit.²⁴

The reductions in the tax attributes of the taxpayer must be made by the taxpayer's bankruptcy estate.²⁵ Any indebtedness discharged first reduces the tax attributes of the bankruptcy estate in the order specified in Section 108(b)(2). After all tax attributes of the bankruptcy estate are used up, then the tax attributes of the individual debtor transferred to the estate are used in the order specified in Section 108(b)(2) of the Code.²⁶

The Bankruptcy Tax Act of 1980 allows taxpayers to make a special election to reduce the basis in their depreciable property before reducing the tax attributes of the bankrupt taxpayer referred to above.²⁷ Depreciable property of the taxpayer is defined in Code Section 1017(e). The use of this election is most beneficial for taxpayers in bankruptcy who would be using the reorganization technique and would likely end up with property after bankruptcy. This section is of little use to the taxpayer who goes through a straight bankruptcy where all assets are liquidated.

It is important to note that this election limits the reduction in basis to depreciable assets.²⁸ This is substantially different from the prior law, which allowed the reduced basis in all assets of the bankrupt.²⁹ It is also different from Section 108(b)(2)(D), which calls for a basis reduction in all property of the taxpayer to offset income from discharge of indebtedness.

The time for making the election to reduce the basis in depreciable property of the taxpayer is on the taxpayer's return for the taxable year in which the discharge occurs, or at such other time as may be permitted by regulations prescribed by the Secretary.³⁰ The Secretary is to prescribe regulations to state the manner in which this election is to be made. Temporary regulations have been issued under this section as Reg. 7a.1.³¹

²⁴I.R.C. § 108(b)(3)(1982).

²⁵I.R.C. § 108(d)(7)(1982).

²⁶The order provided for under I.R.C. § 108(b)(2) is:

- 1) any net operating loss
- 2) certain credit carryovers
- 3) capital loss carryovers
- 4) basis reduction
- 5) foreign tax credit carryovers.

²⁷I.R.C. § 108(b)(5)(1982).

²⁸I.R.C. § 108(b)(5)(B)(1982).

²⁹11 U.S.C. § 346(j)(5)(1976).

³⁰I.R.C. § 108(d)(8)(A)(1982).

³¹Temp. Reg. § 7a.1, T.D. 7775, 1981-1 C.B. 63.

The reduction of tax attributes to offset the amount of income from discharge of indebtedness is clearly designed to effectuate the Congressional policy of deferring taxable income.³² The effect of the reduction in the tax attributes is to allow the taxpayer to go into the future with little or no tax attributes to shelter future income.

To the extent income from discharge of indebtedness exceeds the tax attributes of the taxpayer and the basis of the taxpayer in his assets, there is no recognition of income from the discharge of indebtedness.

IV. I.R.C. SECTION 1398

The Bankruptcy Tax Act of 1980 added Section 1398 to the Internal Revenue Code.³³ Section 1398 sets forth the procedural rules which apply to all individuals filing cases under either Chapter 7 (relating to liquidations) or Chapter 11 (relating to reorganizations) of the bankruptcy portion of the United States Code.³⁴ The only exception to this rule is where an individual debtor files for bankruptcy under either Chapter 7 or Chapter 11 but the case is dismissed.³⁵ Those individuals who have their bankruptcy cases dismissed may not utilize the provisions of Section 1398.³⁶ Section 1398 is designed to specify the tax year for both the individual debtor and the bankruptcy estate,³⁷ to determine in which of these two returns the income and expenses are to be treated,³⁸ and to clarify when transfers between the debtor and the estate occur.³⁹

The tax year of the individual bankrupt does not change when bankruptcy is filed.⁴⁰ The only exception to that rule is provided in 1398(d)(2). The taxpayer is allowed to divide his normal taxable year into two parts. The first tax year ends on the day before he commences bankruptcy. The second tax year begins on the first day he files bankruptcy.⁴¹ Thus, the bankrupt individual debtor will have two taxable years in one if the election is made.⁴² This election must be filed within three and one-half months of the date the bankruptcy is commenced.⁴³ The election by the individual taxpayer to divide his return into two taxable years is irrevocable.⁴⁴ The income from the short taxable years

³²The Bankruptcy Tax Act and Minor Tax Bills: Hearing Before the Subcomm. on Select Revenue Measures of the House Comm. on Ways and Means, 96th Cong., 1st Sess. 96-51 (1979)(statement of Daniel I. Halperin, Deputy Assistant Secretary for Tax Policy, Department of the Treasury).

³³94 Stat. 3389, 3397-3400 (1980) codified at I.R.C. § 1398 (1982).

³⁴I.R.C. § 1398(a)(1982).

³⁵94 Stat. 3389, 3397 (1980) codified at I.R.C. § 1398(b)(1982).

³⁶*Id.*

³⁷*Id.* at 3397 codified at I.R.C. § 1398(d)(2)(1982).

³⁸*Id.* at 3398 codified at I.R.C. § 1398(e)(1982).

³⁹*Id.* at 3399 codified at I.R.C. § 1398(f)(1982).

⁴⁰I.R.C. § 1398(d)(1)(1982).

⁴¹94 Stat. 3389, 3397 (1980) codified at I.R.C. § 1398(d)(2)(A)(1982).

⁴²*Id.*

⁴³Temp. Reg. § 7a. 2(d), T.D. 7775, 1981-1 C.B. 63.

⁴⁴94 Stat. 3389, 3398 (1980) codified at I.R.C. § 1398(d)(2)(D)(1982).

must be annualized in accordance with Section 443.⁴⁵

The gross income of the bankruptcy estate for each taxable year includes the gross income of the debtor to which the bankruptcy estate is entitled pursuant to bankruptcy law.⁴⁶ If any income or assets acquired by the bankrupt must become the property of the bankruptcy estate for the payment of creditors' claims, the income from the disposition of that asset must be reported by the estate rather than the individual debtor.⁴⁷ The debtor's income may not include any gross income which must be paid to the estate.⁴⁸ Thus, Section 1398 makes it clear that income of the individual debtor must be reported in either the bankruptcy estate's income tax return or the individual debtor's income tax return, but it may not be included in both returns. Needless to say, this is an extremely logical provision for the Internal Revenue Code to include.

The bankruptcy estate's taxable income is taxed as if the Bankruptcy Trustee were a married individual filing separately.⁴⁹ Since the Bankruptcy Trustee is a fiduciary, he must file a Form 1041. Showing the taxation of a fiduciary, as if it were a married individual filing separately is confusing. The Internal Revenue Service suggests that a Form 1040 be attached to the Form 1041 to show the tax calculation.⁵⁰ The Form 1041 is used to report the tax dues calculated on the 1040.

Under the bankruptcy law, at the time a bankruptcy petition is filed, all assets of the debtor transfer to the bankruptcy court.⁵¹ Section 1398(f) makes it clear that this transfer from the individual debtor to the estate is not treated as a disposition for recapture purposes. Likewise, property being transferred from the bankruptcy court to the individual debtor other than by sale or exchange is not a disposition either.⁵²

The tax attributes of the bankrupt individual debtor, transfer to the bankruptcy estate for its use. Section 1398(g), specifies that the estate succeeds to the individual tax attributes determined as of the first day of the debtor's taxable year in which the bankruptcy case commences. Section 1398(d) allows the debtor to divide his regular year into two tax years. The interplay of these two sections and the election to divide the debtor's regular tax year into two short tax years can be illustrated by an example.

⁴⁵*Id.* at 3398 codified at I.R.C. § 1398(d)(2)(F)(1982).

⁴⁶*Id.* at 3398 codified at I.R.C. § 1398(e)(1)(1982).

⁴⁷I.R.C. § 1398(d)(1)(1982).

⁴⁸I.R.C. § 1398(e)(1)(1982).

⁴⁹I.R.C. § 1398(c)(1982).

⁵⁰See IRS Publication 908.

⁵¹11 U.S.C. § 541 (1982). Under this section of bankruptcy law, the commencement of a case whether joint, voluntary or involuntary, creates an estate which comprises the assets of the debtor and which is administered by a trustee appointed by the bankruptcy court.

⁵²94 Stat. 3389, 3398 (1980) codified at I.R.C. § 1398(f) (1982).

The case of a farmer who receives substantial income in January, has no offsetting expenses or deductions, and takes bankruptcy on March 1 is instructive.⁵³ If the debtor uses his regular tax year, all of his tax attributes pass to the Bankruptcy Trustee and are not available to offset his farm income from the beginning of the year.⁵⁴ The tax on this income will be the debtor's personal obligation and cannot be paid from the bankruptcy estate.⁵⁵

If the bankrupt elects to divide his tax year, he ends his first tax year on February 28⁵⁶ and uses his own tax attributes from the preceding years to offset the income from the January grain sales. The individual taxpayer's second tax year begins on March 1, which is the day he files bankruptcy.⁵⁷ The left-over tax attributes as of February 28, as opposed to the tax attributes from the preceding December 31, are the attributes which pass to the bankruptcy court.⁵⁸ This provision has extreme importance to farmers who take bankruptcy. The deadline for filing the election to divide the individual debtor's tax year into two parts is three and one-half months after the taxpayer files bankruptcy.⁵⁹

A final provision of the Bankruptcy Tax Act of 1980 which is extremely important to farmers, and particularly farmers who involve themselves in Chapter 11 reorganizations, is found in Section 108(e)(2). This section provides that "no income shall be realized from the discharge of indebtedness to the extent that payment of the liability would have given rise to a deduction."⁶⁰ Thus, if growing crop, livestock and operating expenses are discharged in bankruptcy, they are not considered income from the discharge of indebtedness because payment of these items would have given an offsetting deduction. These adjustments must be made for farmers and other businessmen as the calculations are being made to determine the amount of the income from indebtedness discharge.

At the conclusion of the bankruptcy proceedings, the tax attributes of the taxpayer which have not been reduced by exclusion of the discharge of indebted-

⁵³Note that I.R.C. § 1398(D)(2)(c) provides that the election is not available to a debtor who has no assets other than property which he or she may treat as exempt property under the Bankruptcy Code. The Committee comments establish the rationale for this provision by stating, "Since there would be no assets in the bankruptcy estate out of which the debtor's tax liability for the period prior to the commencement date could be collected, there is no reason to authorize termination of the tax year." Therefore, this provision will not affect farmers in bankruptcy because most farmers will have assets other than exempt property as part of their bankruptcy estate. This provision might however, come into play if a single lender has a very well-prepared security agreement and financing property so that the Bankruptcy Trustee merely abandoned all of the debtor's property to the creditor, leaving no property in the bankruptcy estate other than exempt property.

⁵⁴*Id.* at 3398 codified at I.R.C. § 1398(g)(1982).

⁵⁵*Id.* at 3398 codified at I.R.C. § 1398(e)(1)(1982).

⁵⁶*Id.* at 3397 codified at I.R.C. § 1398(d)(2)(A)(i)(1982).

⁵⁷*Id.* at 3397 codified at I.R.C. § 1398(d)(2)(A)(ii)(1982).

⁵⁸*Id.* at 3399 codified at I.R.C. § 1398(g)(1982).

⁵⁹*Id.* at 3398 codified at I.R.C. § 1398(d)(2)(D)(1982). In addition, once an election is made, it is irrevocable.

⁶⁰*Id.* at 3392 codified at I.R.C. § 108(e)(2)(1982).

ness income are passed back to the taxpayer to be used in his individual situation.⁶¹

APPENDIX I

PROBLEM I INSOLVENT FARMER

Insolvent farmer is a young, aggressive farmer who got started in the late 60's and took full advantage of the "go-go" 70's to incur substantial indebtedness through the acquisition of machinery and land. Unfortunately, the grain embargo, over-production and the big drop in farmland values in 1981 have put Insolvent Farmer out of business. On January 1, 1982, Bankrupt Farmer filed with the bankruptcy court. His tax attributes on January 1, 1982 were as follows:

YEAR	UNUSED NET OPERATING LOSS CARRYOVER (NOL)	UNUSED INVEST- MENT TAX CREDIT (ITC)	UNUSED CAPITAL LOSSES
1981	\$123,000	\$ 800	\$ -0-
1980	95,000	2,500	15,000
1979	72,000	5,000	-0-
1978	1,000	4,000	-0-
TOTALS	\$291,000	\$12,300	\$15,000

On January 1, 1982, Insolvent's balance sheet and tax basis information was as follows:

TYPE OF ASSET	BASIS	LIQUIDATION FMV	DEBT
Machinery- Original Cost- \$192,000	\$112,000	\$177,000	\$213,000
Farmland: a) 160 acres bought at \$2,775/acre now worth \$2,200/acre	444,000	352,000	365,000

⁶¹*Id.* at 3400 codified at I.R.C. § 1398(i)(1982).

TYPE OF ASSET	BASIS	LIQUIDATION FMV	DEBT
b) 80 acres bought at \$1,750/acre now worth \$2,000/acre	140,000	160,000	165,000
c) Improvements on 80 acre tract	115,000	150,000	200,000
Crops and Feed on Hand	-0-	245,000	260,000 (includes \$30,000 of unpaid feed accounts)
Feeders-180 Head	77,000	91,000	137,000
TOTALS	\$888,000	\$1,175,000	\$1,340,000

On January 15, 1982, Insolvent delivered and collected \$85,000.00 for January grain sales. He took all of the proceeds and applied them to his debt at the Farmer's Bank. \$25,000.00 was applied to interest and \$60,000 was applied to principal. The last of the feeders were delivered to market on February 20. The total amount received was \$105,000.00. The entire amount went to the bank and \$15,000.00 was used to pay interest and \$90,000.00 was applied to principal.

After a long talk with his attorney, Insolvent filed bankruptcy on March 1, 1982. The Bankrupt's balance sheet and tax basis on March 1, 1982 is as follows:

TYPE OF ASSET	BASIS	LIQUIDATION FMV	DEBT
Machinery — Original Cost — \$192,000	\$107,400	\$177,000	\$ 213,000
Farmland:			
a) 160 acres	444,000	352,000	365,000
b) 80 acres	140,000	160,000	165,000
c) Improvements	115,000	150,000	200,000
Crops	-0-	160,000	200,000
Feeders	-0-	-0-	47,000
TOTALS	\$806,400	\$999,000	\$1,190,000

The Bankruptcy Trustee liquidates all of Insolvent's assets in 1982 for the March 1, 1982 liquidation value stated above. The bankruptcy estate recognizes the following gains and losses upon liquidation:

TYPE OF ASSET	ORDINARY	CAPITAL	DEBT DISCHARGE
Machinery	\$ 69,600	\$ -0-	\$ 36,000
Land:			
a) 160 acres	-0-	(92,000)	13,000
b) 80 acres	-0-	20,000	5,000
c) Improvements	-0-	35,000	50,000
Crops	160,000	-0-	40,000
Feeders	-0-	-0-	47,000
TOTALS	\$229,600	\$(37,000)	\$191,000

Assume the Trustee has \$40,000.00 of administrative expenses during the year. Assume also \$2,000.00 I.T.C. was recaptured on sale of machinery from years prior to 1978. On March 15, 1982, Insolvent goes to work as a truck driver for the local elevator and earns \$11,000.00 in wages during 1982.

If Insolvent Farmer elects to divide his tax year into two short years, the first year ends February 28, 1982. The second short year begins March 1, 1982. Insolvent's tax attributes which pass to his Bankruptcy Trustee on March 1, 1982 are as follows:

YEAR	UNUSED NET OPERATING LOSS CARRYOVER (NOL)	UNUSED INVEST- MENT TAX CREDIT (ITC)	UNUSED CAPITAL LOSSES
1981	\$123,000	\$ 800	\$ -0-
1980	95,000	2,500	15,000
1979	4,600	5,000	-0-
1978	-0-	4,000	-0-
TOTALS	\$222,600	\$12,300	\$15,000

DISCUSSION OF PROBLEM I INSOLVENT FARMER

Because Insolvent Farmer files bankruptcy during the middle of his usual tax year, he is given an election under Section 1398(d)(2), to file a short year income tax return. The first short year would end on February 28, 1982, which is the day before his bankruptcy was filed. His second short tax year begins on March 1, 1982, which is the date his bankruptcy was filed.

The discussion of Problem I is broken down into two parts. The first alternative reviews the tax implications to Insolvent Farmer and his Bankruptcy Trustee if he does not exercise his Section 1398(d) election. The second alternative covers the tax treatment of Insolvent Farmer and his Bankruptcy Trustee if Insolvent Farmer divides his tax year into two short years.

ALTERNATIVE ONE

Alternative One deals with the tax treatment of Insolvent Farmer and his Bankruptcy Trustee if Insolvent Farmer reports all of his 1982 income on one return.

Insolvent Farmer's Schedule F will include the income he received from selling \$85,000.00 of grain and \$28,000.00 of gain on his feeder cattle. Insolvent Farmer took these funds to his friendly banker and paid \$40,000.00 of interest and \$150,000.00 of principal. Schedule F shows Insolvent Farmer's income and deductions from his farm income.

Insolvent Farmer does not take any depreciation on his farm machinery, which he used for two months. Section 1398(g), allows the bankruptcy estate to succeed to and take into account the debtor's basis, holding period and character of assets determined as of the first day of the debtor's taxable year in which the bankruptcy case commences. Since Insolvent Farmer's bankruptcy case commences on March 1, the first day of the tax year is January 1, 1982. Thus, all depreciation to be taken for his equipment during 1982 will be taken by the bankruptcy estate and not by Insolvent Farmer. The result of Insolvent Farmer's decision not to elect a short tax year is \$73,000.00 of Schedule F farm income.

In addition to his farm income, Insolvent Farmer earned \$11,000.00 of salary. His total income was \$84,000.00. Fortunately, Insolvent Farmer had no income in the four preceding years and income averaging per Schedule G saves him \$19,008.00 of income tax. That large savings is small consolation when Insolvent Farmer pays the \$13,810.00 of income taxes he owes.

Insolvent Farmer's tax burden is increased because he was a self-employed taxpayer for the first two months of the year. His self-employment income from farming during that period was \$73,000.00. Schedule SE shows the calculations for payment of self-employment on \$21,400.00. The self-employment tax is \$2,001.00 and is shown on line 51 of the Form 1040.

When all of Insolvent Farmer's taxes are totaled and his withholding is subtracted, he owes the Internal Revenue Service \$14,571.00 because he went bankrupt in 1982. The payment of Insolvent's tax liability is devastating. Since this tax liability was not for a period prior to filing, it is not payable from his bankruptcy estate. Procedurally, the Bankruptcy Trustee is a fiduciary and must file a Form 1041. However, the tax is calculated using the married filing separately status. In order to properly report the tax calculations, the Trustee

must attach a Form 1040 to the Form 1041.

The Bankruptcy Trustee fares substantially better from a tax perspective than Insolvent Farmer. The Bankruptcy Trustee liquidates three farms of Insolvent Farmer. Farm A yields a capital loss of \$92,000.00. Farm B and its improvements generate capital gains of \$20,000.00 and \$35,000.00, respectively. The result is a net capital loss of \$37,000.00. Since these farm assets are property used in Insolvent Farmer's trade or business, their sale is reportable in Part I of Form 4797. If the net result is a gain, it is a capital gain. If the net result is a loss, it is an ordinary loss. This loss is carried to Part II of Form 4797 and helps offset some of the gain from the sale of farm machinery.

The Bankruptcy Trustee, upon liquidation of the farm machinery, recognizes Section 1245 gain. The 1245 gain is ordinary income and includes the depreciation from prior years plus the two months' depreciation in 1982. This gain is \$69,600.00 and is shown on Part II of Form 4797. This gain is partially offset by the loss from the sale of Section 1231 assets of \$37,000.00. The net gain on Form 4797 is \$32,600.00. This gain is reported on line 15 of Form 1040.

Insolvent Farmer has a \$15,000.00 long-term capital loss, which is reported on Schedule D. The Bankruptcy Trustee is able to use only \$1,500.00 of that long-term capital loss to offset ordinary income since the Trustee's taxable income must be determined as if it were a married individual filing separately. The Schedule D loss is transferred to line 13 of Form 1040.

The Bankruptcy Trustee's farm income comes from the sale of the remaining \$160,000.00 of crops on hand. As discussed above, the basis of Insolvent Farmer's machinery passed to the Bankruptcy Trustee as of January 1, 1982. Thus, the Trustee is entitled to take depreciation from the first of the year until the date the equipment is liquidated, which has been assumed to be March 1. Thus, the two months of depreciation yield a \$4,600.00 deduction on Schedule F. The Schedule F income of Insolvent's Trustee nets out to be \$155,400.00 and is reported on line 19 of Form 1040.

The administrative expenses of the Trustee of \$40,000.00 are deducted on line 21 of Form 1040.

Because Insolvent Farmer did not elect a short year, his net operating loss carryover as of January 1, 1982 passes to the Bankruptcy Trustee. The Trustee is entitled to use all of the 1978 and 1979 net operating loss carryover plus \$72,500.00 of the 1980 loss carryover to offset all but \$1,000.00 of the Trustee's farm income and Section 1245 gain on its tax return. The net operating loss carryover used totals \$145,500.00 and is reported on line 21 of Form 1040. After deducting the \$1,000.00 exemption Section 1398(c) gives the Bankruptcy Trustee, there is no taxable income.

As assumed in the problem, \$2,000.00 of investment credit recapture is recognized by the Trustee upon liquidation of the farm machinery. This is calculated on Form 4255 and cannot be offset by unused investment credit carry-over or operating losses. Thus, the Trustee must pay this \$2,000.00 to the Internal Revenue Service.

Alternative One yields income taxes of \$14,571.00 to be paid by the debtor, while the Bankruptcy Trustee is paying \$2,000.00 of investment credit recapture tax.

The individual taxpayer has used none of his tax attributes in calculating his 1982 personal income tax. The Bankruptcy Trustee has used \$145,500.00 of net operating loss received from the taxpayer to offset the Trustee's income. The Trustee now has the following tax attributes to be reduced, as discharge of indebtedness income is excluded under Section 108:

YEAR	UNUSED NET OPERATING LOSS CARRYOVER (NOL)	UNUSED INVEST- MENT TAX CREDIT (ITC)	UNUSED CAPITAL LOSSES
1981	\$123,000	\$ 800	\$ -0-
1980	22,500	2,500	12,000
1979	-0-	5,000	-0-
1978	-0-	4,000	-0-
TOTALS	\$145,500	\$12,300	\$12,000

Insolvent Farmer had \$191,000.00 of debts discarded in bankruptcy. \$30,000.00 of this debt is represented by unpaid feed bills. The feed bills, if paid, would be a deduction. Pursuant to Section 108 (e)(2), the discharge of this type of indebtedness is not discharge of indebtedness income. Thus, Insolvent Farmer has \$161,000.00 of Section 108 discharge of indebtedness income to be excluded from his income.

The \$161,000.00 of discharge of indebtedness income excluded from Insolvent Farmer's income reduces his tax attributes per Section 108(b)(2), as follows:

A. Insolvent Farmer's estate has \$145,500.00 of net operating loss carry-over. This attribute is the first to be reduced. When applied against the \$161,000.00 of indebtedness discharge income, there remains \$15,500.00 of discharge of indebtedness income excluded from income.

B. Insolvent Farmer's estate has \$12,300.00 of investment tax credits. Each fifty cents of investment tax credit offsets one dollar of discharge of indebtedness income. Therefore, the bankruptcy estate's investment tax credit carryovers will offset the remaining \$15,500.00 of discharge of indebtedness income and

still leave \$4,550.00 investment tax credit carryforward to be used by Insolvent Farmer in Future year.

C. Insolvent Farmer's bankruptcy estate has \$12,000.00 of capital loss carryforwards.

Pursuant to Section 1398(j), Insolvent Farmer succeeds to the tax attributes of the estate at the termination of the bankruptcy estate. Thus, Insolvent Farmer has both a \$12,000.00 long-term capital loss carryover and a \$4,550.00 investment tax credit carryover to use in his 1983 and subsequent years' income tax returns.

Form **1040** Department of the Treasury—Internal Revenue Service **1982** | PROBLEM I, ALT. ONE WHOLE YEAR

For the year January 1—December 31, 1982, or other tax year beginning 1982, ending 19 OMB No. 1545-0074

Use IRS label. Other-wise, please print or type. Your first name and initial (if joint return, also give spouse's name and initial) Last name Your social security number
INSOLVENT FARMER
 Present home address (Number and street, including apartment number, or rural route) Spouse's social security no.
13 Gutter Street
 City, town or post office, State and ZIP code Your occupation Spouse's occupation
Spendthrift, IL 61701

Presidential Election Campaign Do you want \$1 to go to this fund? Yes No
 If joint return, does your spouse want \$1 to go to this fund? Yes No Note: Checking "Yes" will not increase your tax or reduce your refund.

Filing Status 1 Single For Privacy Act and Paperwork Reduction Act Notice, see Instructions.
 2 Married filing joint return (even if only one had income)
 3 Married filing separate return. Enter spouse's social security no. above and full name here
 4 Head of household (with qualifying person). (See page 6 of Instructions.) If the qualifying person is your un-married child but not your dependent, enter child's name
 5 Qualifying widow(er) with dependent child (Year spouse died 19). (See page 6 of Instructions.)

Exemptions Always check the box labeled Yourself. Check other boxes if they apply.
 6a Yourself 65 or over Blind } Enter number of boxes checked on 6a and b 1
 b Spouse 65 or over Blind }
 c First names of your dependent children who lived with you } Enter number of children listed on 6c
 d Other dependents: (1) Name (2) Relationship (3) Number of months lived in your home (4) Did dependent have income of \$1,000 or more? (5) Did you provide more than one-half of dependent's support? } Enter number of other dependents. Add numbers entered in boxes above 1
 e Total number of exemptions claimed 7

Income Please attach Copy B of your Forms W-2 here. If you do not have a W-2, see page 5 of Instructions. Please attach check or money order here.
 7 Wages, salaries, tips, etc. 7 11,000
 8 Interest income (attach Schedule B if over \$400 or you have any All-Savers interest) 8
 9a Dividends (attach Schedule B if over \$400) 9a
 9b Exclusion 9b
 c Subtract line 9b from line 9a 9c
 10 Refunds of State and local income taxes (do not enter an amount unless you deducted those taxes in an earlier year—see page 9 of Instructions) 10
 11 Alimony received 11
 12 Business income or (loss) (attach Schedule C) 12
 13 Capital gain or (loss) (attach Schedule D) 13
 14 40% capital gain distributions not reported on line 13 (See page 9 of Instructions) 14
 15 Supplemental gains or (losses) (attach Form 4797) 15
 16 Fully taxable pensions, IRA distributions, and annuities not reported on line 17 16
 17a Other pensions and annuities. Total received 17a
 b Taxable amount, if any, from worksheet on page 10 of Instructions 17b
 18 Rents, royalties, partnerships, estates, trusts, etc. (attach Schedule E) 18
 19 Farm income or (loss) (attach Schedule F) 19 73,000
 20a Unemployment compensation (Insurance). Total received 20a
 b Taxable amount, if any, from worksheet on page 10 of Instructions 20b
 21 Other income (state nature and source—see page 10 of Instructions) 21
 22 Total income. Add amounts in column for lines 7 through 21 22 84,000

Adjustments to income (See Instructions on page 11)
 23 Moving expense (attach Form 3903 or 3903F) 23
 24 Employee business expenses (attach Form 2106) 24
 25 Payments to an IRA. You must enter code from page 11 (.....) 25
 26 Payments to a Keogh (H.R. 10) retirement plan 26
 27 Penalty on early withdrawal of savings 27
 28 Alimony paid 28
 29 Deduction for a married couple when both work (attach Schedule W) 29
 30 Disability income exclusion (attach Form 2440) 30
 31 Total adjustments. Add lines 23 through 30. 31 -0-

Adjusted Gross Income 32 Adjusted gross income. Subtract line 31 from line 22. If this line is less than \$10,000, see "Earned Income Credit" (line 62) on page 15 of Instructions. If you want IRS to figure your tax, see page 3 of Instructions. 32 84,000

363-062-2

Form 1040 (1982)

Page 2

Tax Computation (See Instructions on page 12)	33 Amount from line 32 (adjusted gross income)	33	84,000	
	34a If you itemize, complete Schedule A (Form 1040) and enter the amount from Schedule A, line 30	34a	-0-	
	Caution: If you have unearned income and can be claimed as a dependent on your parent's return, check here <input type="checkbox"/> and see page 12 of the Instructions. Also see page 12 of the Instructions if: <input checked="" type="checkbox"/> You are married filing a separate return and your spouse itemizes deductions, OR <input type="checkbox"/> You file Form 4563, OR <input type="checkbox"/> You are a dual-status alien.			
	34b If you do not itemize, complete the worksheet on page 13. Then enter the allowable part of your charitable contributions here	34b	-0-	
	35 Subtract line 34a or 34b, whichever applies, from line 33	35	84,000	
	36 Multiply \$1,000 by the total number of exemptions claimed on Form 1040, line 6e	36	1,000	
	37 Taxable income. Subtract line 36 from line 35	37	83,000	
	38 Tax. Enter tax here and check if from <input type="checkbox"/> Tax Table, <input type="checkbox"/> Tax Rate Schedule X, Y, or Z, or <input checked="" type="checkbox"/> Schedule G Income averaging saved \$19,008	38	13,810	
	39 Additional Taxes. (See page 13 of Instructions.) Enter here and check if from <input type="checkbox"/> Form 4970, <input type="checkbox"/> Form 4972, <input type="checkbox"/> Form 5544, or <input type="checkbox"/> section 72 penalty taxes	39	-0-	
	40 Total. Add lines 38 and 39	40	13,810	
Credits (See Instructions on page 13)	41 Credit for the elderly (attach Schedules R&RP)	41		
	42 Foreign tax credit (attach Form 1116)	42		
	43 Investment credit (attach Form 3468)	43		
	44 Partial credit for political contributions	44		
	45 Credit for child and dependent care expenses (attach Form 2441)	45		
	46 Jobs credit (attach Form 5884)	46		
	47 Residential energy credit (attach Form 5695)	47		
	48 Other credits—see page 14 ▶	48		
49 Total credits. Add lines 41 through 48	49	-0-		
50 Balance. Subtract line 49 from line 40 and enter difference (but not less than zero) . ▶	50	13,810		
Other Taxes (Including Advance EIC Payments)	51 Self-employment tax (attach Schedule SE)	51	2,001	
	52 Minimum tax (attach Form 4625)	52		
	53 Alternative minimum tax (attach Form 6251)	53		
	54 Tax from recapture of investment credit (attach Form 4255)	54		
	55 Social security (FICA) tax on tip income not reported to employer (attach Form 4137)	55		
	56 Uncollected employee FICA and RRRA tax on tips (from Form W-2)	56		
	57 Tax on an IRA (attach Form 5329)	57		
	58 Advance earned income credit (EIC) payments received (from Form W-2)	58		
59 Total tax. Add lines 50 through 58	59	15,811		
Payments Attach Forms W-2, W-2G, and W-2P to front.	60 Total Federal income tax withheld	60	1,240	
	61 1982 estimated tax payments and amount applied from 1981 return	61	-0-	
	62 Earned income credit. If line 33 is under \$10,000, see page 15 of Instructions	62		
	63 Amount paid with Form 4868	63		
	64 Excess FICA and RRRA tax withheld (two or more employers)	64		
	65 Credit for Federal tax on special fuels and oils (attach Form 4136)	65		
	66 Regulated Investment Company credit (attach Form 2439)	66		
67 Total. Add lines 60 through 66	67	1,240		
Refund or Amount You Owe	68 If line 67 is larger than line 59, enter amount OVERPAID	68		
	69 Amount of line 68 to be REFUNDED TO YOU	69		
	70 Amount of line 68 to be applied to your 1983 estimated tax . . ▶	70		
Please Sign Here	71 If line 59 is larger than line 67, enter AMOUNT YOU OWE. Attach check or money order for full amount payable to Internal Revenue Service. Write your social security number and "1982 Form 1040" on it. (Check <input type="checkbox"/> if Form 2210 (2210F) is attached. See page 16 of Instructions.) ▶ \$	71	14,571	
	Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.			
Paid Preparer's Use Only	Your signature _____ Date _____		Spouse's signature (if filing jointly, BOTH must sign) _____	
	Preparer's signature ▶ _____	Date _____	Check if self-employed <input type="checkbox"/>	Preparer's social security no. _____
	Firm's name (or yours, if self-employed) and address ▶ _____	E.I. No. _____	ZIP code ▶ _____	

**SCHEDULE F
(Form 1040)**

Department of the Treasury
Internal Revenue Service

Farm Income and Expenses

▶ Attach to Form 1040, Form 1041, or Form 1065.
▶ See Instructions for Schedule F (Form 1040).

PROBLEM I, ALT. ONE

OMB No. 1545-0074

1982
16

Name of proprietor(s) **INSOLVENT FARMER** Social security number _____
 Farm name and address _____ Employer identification number _____

Part I Farm Income—Cash Method
Do not include sales of livestock held for draft, breeding, sport, or dairy purposes; report these sales on Form 4797.

Sales of Livestock and Other Items You Bought for Resale		
a. Description	b. Amount	c. Cost or other basis
1 Livestock ▶	105,000	77,000
2 Other items ▶		
3 Totals	105,000	77,000
4 Profit or (loss), subtract line 3, column c, from line 3, column b ▶		28,000

Sales of Livestock and Produce You Raised and Other Farm Income

Kind	Amount
5 Cattle and calves	
6 Sheep	
7 Swine	
8 Poultry	
9 Dairy products	
10 Eggs	
11 Wool	
12 Cotton	
13 Tobacco	
14 Vegetables	
15 Soybeans	
16 Corn	85,000
17 Other grains	
18 Hay and straw	
19 Fruits and nuts	
20 Machine work	
21 a Patronage dividends	
b Less: Nonincome items	
c Net patronage dividends	
22 Per-unit retains	
23 Nonpatronage distributions from exempt cooperatives	
24 Agricultural program payments: a Cash	
b Materials and services	
25 Commodity credit loans under election (or forfeited)	
26 Federal gasoline tax credit	
27 State gasoline tax refund	
28 Crop insurance proceeds	
29 Other (specify) ▶	
30 Add amounts in column for lines 5 through 29	113,000
31 Gross profits* (add lines 4 and 30) ▶	

Part II Farm Deductions—Cash and Accrual Method
Do not include personal or living expenses (such as taxes, insurance, repairs, etc., on your home), which do not produce farm income. Reduce the amount of your farm deductions by any reimbursement before entering the deduction below.

Items	Amount
32 a Labor hired	
b Jobs credit	
c Balance (subtract line 32b from line 32a)	
33 Repairs, maintenance	
34 Interest	40,000
35 Rent of farm, pasture	
36 Feed purchased	
37 Seeds, plants purchased	
38 Fertilizers, lime, chemicals	
39 Machine hire	
40 Supplies purchased	
41 Breeding fees	
42 Veterinary fees, medicine	
43 Gasoline, fuel, oil	
44 Storage, warehousing	
45 Taxes	
46 Insurance	
47 Utilities	
48 Freight, trucking	
49 Conservation expenses	
50 Land clearing expenses	
51 Pension and profit-sharing plans	
52 Employee benefit programs other than line 51	
53 Other (specify) ▶	
54 Total (add lines 32c through 53)	40,000
55 Depreciation, including Section 179 expense deduction (from Form 4562)	No Depreciation per 1398 (g)
56 Total deductions (add lines 54 and 55)	40,000
57 Net farm profit or (loss) (subtract line 56 from line 31). If a profit, enter on Form 1040, line 19, and on Schedule SE, Part I, line 1. If a loss, go on to line 58. (Fiduciaries and partnerships, see the Instructions.)	73,000

58 If you have a loss, do you have amounts for which you are not "at risk" in this farm (see instructions)? Yes No
 If you checked "No," enter the loss on Form 1040, line 19, and on Schedule SE, Part I, line 1.

*Use amount on line 31 for optional method of computing net earnings from self-employment. (See Schedule SE, Part II, line 4.)
 For Paperwork Reduction Act Notice, see Form 1040 Instructions. 363-068-1

1984]

REPORT ON TAX ASPECTS OF FARMERS IN BANKRUPTCY

149

PROBLEM I, ALT. ONE

SCHEDULE SE
(Form 1040)
Department of the Treasury
Internal Revenue Service

Computation of Social Security Self-Employment Tax

OMB No. 1545-0074

1982
22

▶ See Instructions for Schedule SE (Form 1040).
▶ Attach to Form 1040.

Name of self-employed person (as shown on social security card) INSOLVENT FARMER	Social security number of self-employed person ▶
---	--

Part I Regular Computation of Net Earnings from Self-Employment

1 Net profit or (loss) from Schedule F (Form 1040), line 57 or line 90, and farm partnerships, Schedule K-1 (Form 1065), line 18b	1	73,000	
2 Net profit or (loss) from Schedule C (Form 1040), line 32, and Schedule K-1 (Form 1065), line 18b (other than farming). See instructions for kinds of income to report. Note: If you are exempt from self-employment tax on your earnings as a minister, member of a religious order, or Christian Science practitioner because you filed Form 4361, check here <input type="checkbox"/> . If you have other earnings of \$400 or more that are subject to self-employment tax, include those earnings on this line	2		

Part II Optional Computation of Net Earnings from Self-Employment

Generally, this part may be used only if:

- Your gross farm profits were not more than \$2,400, or
 - Your gross farm profits were more than \$2,400 and your net farm profits were less than \$1,600, or
 - Your net nonfarm profits were less than \$1,600 and less than two-thirds (2/3) of your gross nonfarm income.
- See instructions for other limitations.

3 Maximum income for optional methods	3	\$1,600	00
4 Farm Optional Method—Enter two-thirds (2/3) of gross profits from Schedule F (Form 1040), line 31 or line 88, and farm partnerships, Schedule K-1 (Form 1065), line 18a, or \$1,600, whichever is smaller	4		
5 Subtract line 4 from line 3	5		
6 Nonfarm Optional Method—Enter the smaller of two-thirds (2/3) of gross profits from Schedule C (Form 1040), line 3, and Schedule K-1 (Form 1065), line 18c (other than farming), \$1,600, or, if you elected the farm optional method, the amount on line 5	6		

Part III Computation of Social Security Self-Employment Tax

SE

7 Enter the amount from Part I, line 1, or, if you elected the farm optional method, Part II, line 4	7	73,000	
8 Enter the amount from Part I, line 2, or, if you elected the nonfarm optional method, Part II, line 6	8	-0-	
9 Add lines 7 and 8. If less than \$400, you are not subject to self-employment tax. Do not fill in the rest of the schedule	9	73,000	
10 The largest amount of combined wages and self-employment earnings subject to social security or railroad retirement tax for 1982 is	10	\$32,400	00
11 a Total FICA wages from Forms W-2 and RRTA compensation	11a	11,000	
b Unreported tips subject to FICA tax from Form 4137, line 9, or to RRTA tax	11b	-0-	
c Add lines 11a and 11b	11c	11,000	
12 Subtract line 11c from line 10	12	21,400	
13 Enter the smaller of line 9 or line 12 If line 13 is \$32,400, fill in \$3,029.40 on line 14. Otherwise, multiply line 13 by .0935 and enter the result on line 14	13	21,400	.0935
14 Self-employment tax. Enter this amount on Form 1040, line 51	14	2,001	

For Paperwork Reduction Act Notice, see Form 1040 instructions.

☆ U.S. GOVERNMENT PRINTING OFFICE: 1982-O-383-071

363-071-1

Schedule G
(Form 1040)

Department of the Treasury
Internal Revenue Service

PROBLEM I, ALT. ONE

Income Averaging

▶ See instructions on back. ▶ Attach to Form 1040.

OMB No. 1545-0074

1982
20

Name(s) as shown on Form 1040

INSOLVENT FARMER

Your social security number

Step 1 Figure your income for 1978-1981

1978	1	Fill in the amount from your 1978 Form 1040 (line 34) or Form 1040A (line 10)	1	-0-		
	2	Multiply your total exemptions in 1978 by \$750	2	-0-		
	3	Subtract line 2 from line 1. If less than zero, enter zero	3		-0-	
1979	4	Fill in the amount from your 1979 Form 1040 (line 34) or Form 1040A (line 11)	4	-0-		
	5	Multiply your total exemptions in 1979 by \$1,000	5	-0-		
	6	Subtract line 5 from line 4. If less than zero, enter zero	6		-0-	
1980	7	Fill in the amount from your 1980 Form 1040 (line 34) or Form 1040A (line 11)	7	-0-		
	8	Multiply your total exemptions in 1980 by \$1,000	8	-0-		
	9	Subtract line 8 from line 7. If less than zero, enter zero	9		-0-	
1981	10	Taxable income. Fill in the amount from your 1981 Form 1040 (line 34) or Form 1040A (line 12). If less than zero, enter zero	10		-0-	
Total	11	Fill in all income earned outside of the United States or within U.S. possessions and excluded for 1978 through 1981	11		-0-	
	12	Add lines 3, 6, 9, 10 and 11	12		-0-	

Step 2 Figure your averageable income

		Multiply the amount on line 12 by 30% (.30)			-0-	
	13	Write in the answer	13		-0-	
	14	Fill in your taxable income for 1982 from Form 1040, line 37	14		83,600	
	15	If you received a premature or excessive distribution subject to a penalty under section 72, see instructions	15		-0-	
	16	Subtract line 15 from line 14	16		83,000	
	17	If you live in a community property state and are filing a separate return, see instructions	17		-0-	
	18	Subtract line 17 from line 16. If less than zero, enter zero	18		83,000	
	19	Write in the amount from line 13 above	19		-0-	
	20	Subtract line 19 from line 18. This is your averageable income	20		83,000	

If line 20 is \$3,000 or less, do not complete the rest of this form. You do not qualify for income averaging.

Step 3 Figure your tax

		Multiply the amount on line 20 by 20% (.20)				
	21	Write in the answer	21		16,600	
	22	Write in the amount from line 13 above	22		-0-	
	23	Add lines 21 and 22	23		16,600	
	24	Write in the amount from line 17 above	24		-0-	
	25	Add lines 23 and 24	25		16,600	
	26	Tax on amount on line 25 (from Tax Rate Schedule X, Y, or Z)	26		2,762	
	27	Tax on amount on line 23 (from Tax Rate Schedule X, Y, or Z)	27		2,762	
	28	Tax on amount on line 22 (from Tax Rate Schedule X, Y, or Z)	28		-0-	
	29	Subtract line 28 from line 27	29		2,762	
		Multiply the amount on line 29 by 4			11,048	
	30	Write in the answer	30		11,048	
		If you have no entry on line 15, skip lines 31 through 33 and go to line 34.				
	31	Tax on amount on line 14 (from Tax Rate Schedule X, Y, or Z)	31			
	32	Tax on amount on line 16 (from Tax Rate Schedule X, Y, or Z)	32			
	33	Subtract line 32 from line 31	33		-0-	
	34	Add lines 26, 30, and 33. Write the result here and on Form 1040, line 38. Be sure to check the Schedule G box on that line	34		13,810	

For Paperwork Reduction Act Notice, see Form 1040 instructions.

1041 U.S. Fiduciary Income Tax Return **1982**

Form 1041-82
Department of the Treasury
Internal Revenue Service

OMB No. 1545-0082

For the calendar year 1982 or fiscal year beginning March 1 1982, and ending Dec. 31 1982

Problem I
Alt. One

Check applicable boxes:
 Decedent's estate
 Bankruptcy estate
 Testamentary trust
 Generation-skipping trust
 Simple trust (\$300)
 Complex trust (\$100)
 Complex trust (\$300)
 Grantor type trust
 Family estate trust
 Pooled income fund

Name of estate or trust (Grantor type trust, see instructions)
INSOLVENT FARMER'S TRUSTEE

Name and title of fiduciary
Spendthrift, IL

Address of fiduciary (number and street)
306 N. Center

City, State, and ZIP code
Spendthrift, IL

Employer identification number

None exempt charitable and split-interest trusts check applicable boxes (See instructions):
 Described in section 4947(a)(1)
 Not treated as a private foundation
 Described in section 4947(a)(2)

Check applicable boxes:
 First return Final return Ancillary return Amended return
 Change in fiduciary's Name or Address

1	Dividends (Enter full amount before exclusion)	1		
2	Interest income (Enter full amount before exclusion)	2		
3	Partnership income or (loss)	3		
4	Income from another estate or trust	4		
5	Net rent and royalty income or (loss) from line 44	5		
6	Net business and farm income or (loss) (Attach Schedules C and F (Form 1040))	6		
7	Capital gain or (loss) (Attach Schedule D (Form 1041))	7		
8	Ordinary gain or (loss) (Attach Form 4797)	8		
9	Other income (State nature of income)	9		
10	Total income (Add lines 1 through 9)	10		
11	Interest	11		
12	Taxes	12		
13	Charitable deduction (from line 53)	13		
14	Fiduciary fees	14		
15	Attorney, accountant, and return preparer fees	15		
16	Other deductions (Attach a separate sheet listing deductions)	16		
17	Total (Add lines 11 through 16)	17		
18	Subtract line 17 from line 10	18		
19	Income distribution deduction (from line 68) (See specific instructions) (Attach Schedule E-1 (Form 1041))	19		
20	Dividend and interest exclusion (See instructions)	20		
21	Estate tax deduction (Attach computation)	21		
22	Long-term capital gain deduction from Schedule D (Form 1041) (Charity <input type="checkbox"/> - See instructions)	22		
23	Exemption	23		
24	Total (Add lines 19 through 23)	24		
25	Taxable income of fiduciary (Subtract line 24 from line 18)	25		
26	Tax: a Tax rate schedule; b Other tax; Total	26c		
27	Credits: a Foreign tax; b Investment; c Jobs; Total	27d		
28	Credits: a Alcohol fuel; b Nonconventional fuel; c Research; Total	28d		
29	Total (Add lines 27d and 28d)	29		
30	Balance (Subtract line 29 from line 26c)	30		
31	Tax from: a Form 4255; b Form 4626; Total	31c		
32	Alternative minimum tax (Attach Form 6251)	32		
33	Total (Add lines 30 through 32)	33		
34	Other credits (See instruction for line 34)	34		
35	Federal income tax: a Previously paid; b Withheld; Total	35c		
36	Total (Add lines 34 and 35c)	36		
37	Balance of tax due (Subtract line 36 from line 33) (See instruction K) per attached 1040	37	2,000	
38	Overpayment (Subtract line 33 from line 36)	38		

Please Sign Here

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than fiduciary) is based on all information of which preparer has any knowledge.

Signature of fiduciary or officer representing fiduciary _____ Date _____

Preparer's signature _____ Date _____ Check if self-employed Preparer's social security no. _____

Firm's name (or yours, if self-employed) and address _____ E.I. No. _____ ZIP code _____

For Privacy Act and Paperwork Reduction Act Notice, see page 1 of the instructions. Form 1041 (1982)

Form **1040** Department of the Treasury—Internal Revenue Service **1982** | PROBLEM ONE, ALT. ONE

For the year January 1–December 31, 1982, or other tax year beginning 1982, ending 19 OMB No. 1545-0074

Use IRS label. Otherwise, please print or type.	Your first name and initial (if joint return, also give spouse's name and initial)	Last name	Your social security number
	INSOLVENT FARMER'S TRUSTEE		
	Present home address (Number and street, including apartment number, or rural route)		Spouse's social security no.
	Attachment to 1041		
	City, town or post office, State and ZIP code		Your occupation
			Spouse's occupation

Presidential Election Campaign Do you want \$1 to go to this fund? Yes No
 If joint return, does your spouse want \$1 to go to this fund? Yes No Note: Checking "Yes" will not increase your tax or reduce your refund.

Filing Status Check only one box.

1 Single For Privacy Act and Paperwork Reduction Act Notice, see Instructions.
 2 Married filing joint return (even if only one had income)
 3 Married filing separate return. Enter spouse's social security no. above and full name here
 4 Head of household (with qualifying person). (See page 6 of Instructions.) If the qualifying person is your unmarried child but not your dependent, enter child's name
 5 Qualifying widow(er) with dependent child (Year spouse died ▶ 19). (See page 6 of Instructions.)

Exemptions Always check the box labeled Yourself. Check other boxes if they apply.

6a Yourself 65 or over Blind Enter number of boxes checked on 6a and b **1**
 b Spouse 65 or over Blind Enter number of children listed on 6c **1**
 c First names of your dependent children who lived with you ▶
 d Other dependents: (1) Name (2) Relationship (3) Number of months lived in your home (4) Did dependent have income of \$1,000 or more? (5) Did you provide more than one-half of dependent's support? Enter number of other dependents. Add numbers entered in boxes above **1**
 e Total number of exemptions claimed **1**

Income Please attach Copy B of your Forms W-2 here. If you do not have a W-2, see page 5 of instructions. Please attach check or money order here.

7	Wages, salaries, tips, etc.	7	
8	Interest income (attach Schedule B if over \$400 or you have any All-Savers interest)	8	
9a	Dividends (attach Schedule B if over \$400)	9a	
9c	Subtract line 9b from line 9a	9c	
10	Refunds of State and local income taxes (do not enter an amount unless you deducted those taxes in an earlier year—see page 9 of Instructions)	10	
11	Alimony received	11	
12	Business income or (loss) (attach Schedule C)	12	
13	Capital gain or (loss) (attach Schedule D)	13	(1,500)
14	40% capital gain distributions not reported on line 13 (See page 9 of Instructions)	14	
15	Supplemental gains or (losses) (attach Form 4797)	15	32,600
16	Fully taxable pensions, IRA distributions, and annuities not reported on line 17	16	
17a	Other pensions and annuities. Total received 17a	17a	
17b	Taxable amount, if any, from worksheet on page 10 of Instructions	17b	
18	Rents, royalties, partnerships, estates, trusts, etc. (attach Schedule E)	18	
19	Farm income or (loss) (attach Schedule F)	19	155,400
20a	Unemployment compensation (insurance). Total received 20a	20a	
20b	Taxable amount, if any, from worksheet on page 10 of Instructions	20b	
21	Other income (state nature and source—see page 10 of Instructions) ▶ Admin. Exp. NOL Carryover used	21	(40,000) (145,500)
22	Total income. Add amounts in column for lines 7 through 21	22	1,000

Adjustments to Income (See instructions on page 11)

23	Moving expense (attach Form 3903 or 3903F)	23	
24	Employee business expenses (attach Form 2106)	24	
25	Payments to an IRA. You must enter code from page 11 (.....)	25	
26	Payments to a Keogh (H.R. 10) retirement plan	26	
27	Penalty on early withdrawal of savings	27	
28	Alimony paid	28	
29	Deduction for a married couple when both work (attach Schedule W)	29	
30	Disability income exclusion (attach Form 2440)	30	
31	Total adjustments. Add lines 23 through 30.	31	-0-

Adjusted Gross Income

32	Adjusted gross income. Subtract line 31 from line 22. If this line is less than \$10,000, see "Earned Income Credit" (line 62) on page 15 of Instructions. If you want IRS to figure your tax, see page 3 of Instructions	32	1,000
----	---	----	-------

363-062-2

Form 1040 (1982)

Page 2

Tax Computation (See Instructions on page 12)	33 Amount from line 32 (adjusted gross income)	33	1,000	
	34a If you itemize, complete Schedule A (Form 1040) and enter the amount from Schedule A, line 30	34a	-0-	
	Caution: If you have unearned income and can be claimed as a dependent on your parent's return, check here <input type="checkbox"/> and see page 12 of the Instructions. Also see page 12 of the Instructions if: ● You are married filing a separate return and your spouse itemizes deductions, OR ● You file Form 4563, OR ● You are a dual-status alien.			
	34b If you do not itemize, complete the worksheet on page 13. Then enter the allowable part of your charitable contributions here	34b	-0-	
	35 Subtract line 34a or 34b, whichever applies, from line 33	35	-0-	
	36 Multiply \$1,000 by the total number of exemptions claimed on Form 1040, line 6e	36	1,000	
	37 Taxable Income. Subtract line 36 from line 35	37	-0-	
	38 Tax. Enter tax here and check if from <input type="checkbox"/> Tax Table, <input type="checkbox"/> Tax Rate Schedule X, Y, or Z, or <input type="checkbox"/> Schedule G	38	-0-	
	39 Additional Taxes. (See page 13 of Instructions.) Enter here and check if from <input type="checkbox"/> Form 4970, <input type="checkbox"/> Form 4972, <input type="checkbox"/> Form 5544, or <input type="checkbox"/> section 72 penalty taxes	39	-0-	
	40 Total. Add lines 38 and 39	40	-0-	
Credits (See Instructions on page 13)	41 Credit for the elderly (attach Schedules R&RP)	41		
	42 Foreign tax credit (attach Form 1116)	42		
	43 Investment credit (attach Form 3468)	43		
	44 Partial credit for political contributions	44		
	45 Credit for child and dependent care expenses (attach Form 2441)	45		
	46 Jobs credit (attach Form 5884)	46		
	47 Residential energy credit (attach Form 5695)	47		
	48 Other credits—see page 14 ▶	48		
	49 Total credits. Add lines 41 through 48	49	-0-	
50 Balance. Subtract line 49 from line 40 and enter difference (but not less than zero) . ▶	50	-0-		
Other Taxes (Including Advance EIC Payments)	51 Self-employment tax (attach Schedule SE)	51		
	52 Minimum tax (attach Form 4625)	52		
	53 Alternative minimum tax (attach Form 6251)	53		
	54 Tax from recapture of investment credit (attach Form 4255)	54	2,000	
	55 Social security (FICA) tax on tip income not reported to employer (attach Form 4137)	55		
	56 Uncollected employee FICA and RRTA tax on tips (from Form W-2)	56		
	57 Tax on an IRA (attach Form 5329)	57		
	58 Advance earned income credit (EIC) payments received (from Form W-2)	58		
59 Total tax. Add lines 50 through 58	59	2,000		
Payments Attach Forms W-2, W-2G, and W-2P to front.	60 Total Federal income tax withheld	60		
	61 1982 estimated tax payments and amount applied from 1981 return	61		
	62 Earned income credit. If line 33 is under \$10,000, see page 15 of Instructions	62		
	63 Amount paid with Form 4868	63		
	64 Excess FICA and RRTA tax withheld (two or more employers)	64		
	65 Credit for Federal tax on special fuels and oils (attach Form 4136)	65		
	66 Regulated Investment Company credit (attach Form 2439)	66		
	67 Total. Add lines 60 through 66	67	-0-	
Refund or Amount You Owe	68 If line 67 is larger than line 59, enter amount OVERPAID	68		
	69 Amount of line 68 to be REFUNDED TO YOU	69		
	70 Amount of line 68 to be applied to your 1983 estimated tax . . ▶	70		
	71 If line 59 is larger than line 67, enter AMOUNT YOU OWE. Attach check or money order for full amount payable to Internal Revenue Service. Write your social security number and "1982 Form 1040" on it. (Check <input type="checkbox"/> if Form 2210 (2210F) is attached. See page 16 of Instructions.) ▶ \$	71	2,000	
Please Sign Here	Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.			
	Your signature _____		Date _____	
Paid Preparer's Use Only	Preparer's signature ▶ _____		Date _____	Check if self-employed <input type="checkbox"/>
	Firm's name (or yours, if self-employed) and address ▶ _____		E.I. No. _____	Preparer's social security no. _____
			ZIP code ▶ _____	

Schedule D (Form 1040) 1982

Page 2

Part III Summary of Parts I and II

19	Combine lines 7 and 18, and enter the net gain or (loss) here	19	(15,000)
<i>Note: If line 19 is a loss, skip lines 20 through 22 and complete lines 23 and 24. If line 19 is a gain complete lines 20 through 22 and skip lines 23 and 24</i>			
20	If line 19 shows a gain, enter the smaller of line 18 or line 19. Enter zero if there is a loss or no entry on line 18	20	
21	Enter 60% of line 20 <i>If line 21 is more than zero, you may be liable for the alternative minimum tax. See Form 6251.</i>	21	
22	Subtract line 21 from line 19. Enter here and on Form 1040, line 13	22	
23	If line 19 shows a loss, enter one of the following amounts: (i) If line 7 is zero or a net gain, enter 50% of line 19; (ii) If line 18 is zero or a net gain, enter line 19; or (iii) If line 7 and line 18 are net losses, enter amount on line 7 added to 50% of the amount on line 18	23	(7,500)
24	Enter here and as a loss on Form 1040, line 13, the smallest of: (i) The amount on line 23; (ii) \$3,000 (\$1,500 if married and filing a separate return); or (iii) Taxable income, as adjusted	24	(1,500)

Part IV Complete this Part Only if You Elect Out of the Installment Method And Report a Note or Other Obligation at Less Than Full Face Value

Check here if you elect out of the installment method.

Enter the face amount of the note or other obligation ▶

Enter the percentage of valuation of the note or other obligation ▶

Part V Computation of Post-1969 Capital Loss Carryovers from 1982 to 1983
(Complete this part if the loss on line 23 is more than the loss on line 24)

Note: You do not have to complete Part V on the copy you file with IRS.

Section A.—Short-term Capital Loss Carryover

25	Enter loss shown on line 7; if none, enter zero and skip lines 26 through 30—then go to line 31	25	
26	Enter gain shown on line 18. If that line is blank or shows a loss, enter zero	26	
27	Reduce any loss on line 25 to the extent of any gain on line 26	27	
28	Enter amount shown on line 24	28	
29	Enter smaller of line 27 or 28	29	
30	Subtract line 29 from line 27. This is your short-term capital loss carryover from 1982 to 1983	30	

Section B.—Long-term Capital Loss Carryover

31	Subtract line 29 from line 28 (Note: If you skipped lines 26 through 30, enter amount from line 24)	31	1,500
32	Enter loss from line 18; if none, enter zero and skip lines 33 through 36	32	15,000
33	Enter gain shown on line 7. If that line is blank or shows a loss, enter zero	33	-0-
34	Reduce any loss on line 32 to the extent of any gain on line 33	34	15,000
35	Multiply amount on line 31 by 2	35	3,000
36	Subtract line 35 from line 34. This is your long-term capital loss carryover from 1982 to 1983	36	12,000

**SCHEDULE F
(Form 1040)**

Department of the Treasury
Internal Revenue Service

Farm Income and Expenses

▶ Attach to Form 1040, Form 1041, or Form 1065.
▶ See Instructions for Schedule F (Form 1040).

PROBLEM I, ALT. ONE

GMB No. 1545-0074

1982
16

Name of proprietor(s)

INSOLVENT FARMER'S TRUSTEE

Social security number

Farm name and address ▶

Employer identification number

Part I Farm Income—Cash Method

Do not include sales of livestock held for draft, breeding, sport, or dairy purposes; report these sales on Form 4797.

Sales of Livestock and Other Items You Bought for Resale

a. Description	b. Amount	c. Cost or other basis
1 Livestock ▶		
2 Other items ▶		
3 Totals		
4 Profit or (loss), subtract line 3, column c, from line 3, column b ▶		

Sales of Livestock and Produce You Raised and Other Farm Income

Kind	Amount
5 Cattle and calves	
6 Sheep	
7 Swine	
8 Poultry	
9 Dairy products	
10 Eggs	
11 Wool	
12 Cotton	
13 Tobacco	
14 Vegetables	
15 Soybeans	
16 Corn	160,000
17 Other grains	
18 Hay and straw	
19 Fruits and nuts	
20 Machine work	
21 a Patronage dividends	
b Less: Nonincome items	
c Net patronage dividends	
22 Per-unit retains	
23 Nonpatronage distributions from exempt cooperatives	
24 Agricultural program payments: a Cash	
b Materials and services	
25 Commodity credit loans under election (or forfeited)	
26 Federal gasoline tax credit	
27 State gasoline tax refund	
28 Crop insurance proceeds	
29 Other (specify) ▶	
30 Add amounts in column for lines 5 through 29	
31 Gross profits* (add lines 4 and 30) ▶	160,000

Part II Farm Deductions—Cash and Accrual Method

Do not include personal or living expenses (such as taxes, insurance, repairs, etc., on your home), which do not produce farm income. Reduce the amount of your farm deductions by any reimbursement before entering the deduction below.

Items	Amount
32 a Labor hired	
b Jobs credit	
c Balance (subtract line 32b from line 32a)	
33 Repairs, maintenance	
34 Interest	
35 Rent of farm, pasture	
36 Feed purchased	
37 Seeds, plants purchased	
38 Fertilizers, lime, chemicals	
39 Machine hire	
40 Supplies purchased	
41 Breeding fees	
42 Veterinary fees, medicine	
43 Gasoline, fuel, oil	
44 Storage, warehousing	
45 Taxes	
46 Insurance	
47 Utilities	
48 Freight, trucking	
49 Conservation expenses	
50 Land clearing expenses	
51 Pension and profit-sharing plans	
52 Employee benefit programs other than line 51	
53 Other (specify) ▶	
54 Total (add lines 32c through 53)	-0-
55 Depreciation, including Section 179 expense deduction (from Form 4562)	4,600
56 Total deductions (add lines 54 and 55)	4,600
57 Net farm profit or (loss) (subtract line 56 from line 31). If a profit, enter on Form 1040, line 19, and on Schedule SE, Part I, line 1. If a loss, go on to line 58. (Fiduciaries and partnerships, see the Instructions.)	155,400

58 If you have a loss, do you have amounts for which you are not "at risk" in this farm (see instructions)? . . . Yes No
If you checked "No," enter the loss on Form 1040, line 19, and on Schedule SE, Part I, line 1.

*Use amount on line 31 for optional method of computing net earnings from self-employment. (See Schedule SE, Part II, line 4.)

For Paperwork Reduction Act Notice, see Form 1040 Instructions.

363-068-1

1984]

REPORT ON TAX ASPECTS OF FARMERS IN BANKRUPTCY

157

PROBLEM I, ALT. ONE

Form **3468**
Department of the Treasury
Internal Revenue Service

Computation of Investment Credit

OMB No. 1545-0155

1982
27

▶ Attach to your tax return.
▶ Schedule B (Business Energy Investment Credit) on back.

Name(s) as shown on return

INSOLVENT FARMER'S TRUSTEE

Identifying number

- PART I.—Elections**
- A The corporation elects the basic or basic and matching employee plan percentage under section 48(n)(1)
 - B I elect to increase my qualified investment to 100% for certain commuter highway vehicles under section 46(c)(6)
 - C I elect to increase my qualified investment by all qualified progress expenditures made this and all later tax years
- Enter total qualified progress expenditures included in column (4), Part II ▶
- D I claim full credit on certain ships under section 46(g)(3) (See instruction B for details.)

1 Recovery Property		Line	(1) Class of Property	(2) Unadjusted Basis	(3) Applicable Percentage	(4) Qualified Investment (Column 2 x column 3)
Regular Percentage	New Property	(a)	3-year		60	
	Used Property	(b)	Other		100	
		(c)	3-year		60	
	§48(q) Election to Reduce Credit (instead of adjusting basis) FY 1982-83 filers only (see instr.)	New Property	(d)	Other		100
Used Property		(e)	3-year		40	
		(f)	Other		80	
Property		(g)	3-year		40	
	(h)	Other		80		
2 Nonrecovery property—Enter total qualified investment (See instructions for line 2)					2	
3 New commuter highway vehicle—Enter total qualified investment (See instruction D(2))					3	
4 Used commuter highway vehicle—Enter total qualified investment (See instruction D(2))					4	
5 Total qualified investment in 10% property—Add lines 1(a) through 1(h), 2, 3, and 4 (See instructions for special limits)					5	
6 Qualified rehabilitation expenditures—Enter total qualified investment for:						
a 30-year-old buildings					6a	
b 40-year-old buildings					6b	
c Certified historic structures (Enter the Dept. of Interior assigned project number)					6c	
7 Corporations checking election box A above—add lines 5, 6a, 6b, and 6c					7	
8 10% of line 5					8	
9 15% of line 6a					9	
10 20% of line 6b					10	
11 25% of line 6c					11	
12 Corporations checking election box A (See instruction D(1))—						
a Basic 1% credit—Enter 1% of line 7 (1982-83 fiscal-year filers, see instructions for line 12)					12a	
b Matching credit (not more than 0.5%)—Allowable percentage times adjusted line 7 (attach schedule)					12b	
13 Credit from cooperative—Enter regular investment credit from cooperatives					13	
14 Current year regular investment credit—Add lines 8 through 13					14	
15 Carryover of unused credits					15	12,300
16 Carryback of unused credits					16	
17 Tentative regular investment credit—Add lines 14, 15, and 16					17	12,300
18 a Individuals—From Form 1040, enter tax from line 38, page 2, plus any additional taxes from Form 4970 b Estates and trusts—From Form 1041, enter tax from line 26a, plus any section 644 tax on trusts c Corporations (1120 filers)—From Form 1120, Schedule J, enter tax from line 3 d Other organizations—Enter tax before credits from return					18	-0-
19 a Individuals—From Form 1040, enter credits from lines 41 and 42 of page 2 b Estates and trusts—From Form 1041, enter any foreign tax credit from line 27a c Corporations (1120 filers)—From Form 1120, Schedule J, enter any foreign tax credit from line 4(a), plus any possessions tax credit from line 4(f) d Other organizations—Enter any foreign or possessions tax credit					19	-0-
20 Income tax liability as adjusted (subtract line 19 from line 18)					20	-0-
21 a Enter smaller of line 20 or \$25,000. See instruction for line 21					21a	-0-
b If line 20 is more than \$25,000—Enter 90% of the excess					21b	
22 Regular investment credit limitation—Add lines 21a and 21b					22	
23 Allowed regular investment credit—Enter the smaller of line 17 or line 22					23	
24 Business energy investment credit limitation—Subtract line 23 from line 20					24	
25 Business energy investment credit—From line 14 of Schedule B (Form 3468)					25	
26 Allowed business energy investment credit—Enter smaller of line 24 or line 25					26	
27 Total allowed regular and business energy investment credit—Add lines 23 and 26. Enter here and on Form 1040, line 43; Schedule J (Form 1120), line 4(b), page 3; or the proper line on other returns					27	-0-

or Paperwork Reduction Act Notice, see separate instructions.

363-167-2

Form **3468** (1982)

PROBLEM I, ALT. ONE

Form **4255**
(Rev. Nov. 1981)
Department of the Treasury
Internal Revenue Service

Recapture of Investment Credit
(Including Energy Investment Credit)

OMB No. 1545-0166
Expires 11-30-83

▶ Attach to your income tax return

▶ Attach separate schedules for recapture of investment credit from disposed qualified progress expenditure property and property ceasing to be at risk (see instructions for lines 13a and 13b).

Name **INSOLVENT FARMER'S TRUSTEE** Identifying number as shown on page 1 of your tax return

Properties	Kind of property (State whether recovery or nonrecovery. If energy property, show type of property. Indicate if rehabilitation expenditure property.)
A	Farm Machinery
B	
C	
D	
E	

	Properties				
	A	B	C	D	E
Original Investment Credit	Computation Steps:				
1	10%				
2	1977				
3	30,000				
4	7				
5	100%				
6	30,000				
7	3,000				
8	3/1/82				
9	4				
Computation of Recapture Tax	66.6%				
10	2,000				
11	12 Add line 11, columns A through E				2,000
12	13 a Enter tax from disposed qualified progress expenditure property (attach separate computation)				-0-
13	b Enter tax from any part of property ceasing to be at risk (attach separate computation)				-0-
14	14 Total—Add lines 12, 13a and 13b				2,000
15	15 Unused credit—Do not enter more than line 14 (see instructions)				-0-
16	16 Total increase in tax—Subtract line 15 from line 14. Enter here and on the proper line of your tax return. Do not use this amount to reduce current year's investment credit figured on Form 3468, Computation of Investment Credit. Any unused credit on line 15 cannot be used in any year as a carryback or carryover				2,000

For Paperwork Reduction Act Notice, see instructions on back.

Form **4255** (Rev. 11-81)

PROBLEM I, ALT. ONE

Form **4797**
Department of the Treasury
Internal Revenue Service

Supplemental Schedule of Gains and Losses

(Includes Gains and Losses From Sales or Exchanges of Assets
Used in a Trade or Business and Involuntary Conversions)
To be filed with Form 1040, 1041, 1065, 1120, etc.—See Separate Instructions

OMB No. 1545-0184
1982
31

Name(s) as shown on return: **INSOLVENT FARMER'S TRUSTEE** Identifying number: _____

Part I Sales or Exchanges of Property Used in a Trade or Business, and Involuntary Conversions From Other Than Casualty and Theft—Property Held More Than 1 Year (Except for Certain Livestock)
Note: Use Form 4684 to report involuntary conversions from casualty and theft.
Caution: If you sold property on which you claimed the investment credit, you may be liable for recapture of that credit. See Form 4255 for additional information.

a. Kind of property and description	b. Date acquired (mo., day, yr.)	c. Date sold (mo., day, yr.)	d. Gross sales price minus expense of sale	e. Depreciation allowed (or allowable) since acquisition	f. Cost or other basis, plus improvements	g. LOSS (f minus the sum of d and e)	h. GAIN (d plus e minus f)
1 160 acres	3/8/79	3/1/82	352,000		444,000	92,000	
80 acres	3/1/75	3/1/82	160,000		140,000		20,000
Improvements	6/15/77	3/1/82	150,000		115,000		35,000
2 (a) Gain, if any, from Form 4684, line 25							
(b) Section 1231 gain from installment sales from Form 6252, line 21 or 29							
3 Gain, if any, from line 26, Part III, on back of this form from other than casualty and theft							
4 Add lines 1 through 3 in column g and column h						(92,000)	55,000
5 Combine line 4, column g and line 4, column h. Enter gain or (loss) here, and on the appropriate line as follows: (a) For all except partnership returns: (1) If line 5 is a gain, enter the gain as a long-term capital gain on Schedule D. See instruction E. (2) If line 5 is zero or a loss, enter that amount on line 6. (b) For partnership returns: Enter the amount from line 5 above, on Schedule K (Form 1065), line B.							(37,000)

Part II Ordinary Gains and Losses

a. Kind of property and description	b. Date acquired (mo., day, yr.)	c. Date sold (mo., day, yr.)	d. Gross sales price minus expense of sale	e. Depreciation allowed (or allowable) since acquisition	f. Cost or other basis, plus improvements	g. LOSS (f minus the sum of d and e)	h. GAIN (d plus e minus f)
6 Loss, if any, from line 5(a)(2)						37,000	
7 Gain, if any, from line 25, Part III on back of this form							69,600
8 (a) Net gain or (loss) from Form 4684, lines 17 and 24a (b) Ordinary gain from installment sales from Form 6252, line 20 or 28							
9 Other ordinary gains and losses (include property held 1 year or less):							
10 Add lines 6 through 9 in column g and column h						(37,000)	69,600
11 Combine line 10, column g and line 10, column h. Enter gain or (loss) here, and on the appropriate line as follows: (a) For all except individual returns: Enter the gain or (loss) from line 11, on the return being filed. See instruction F for specific line reference. (b) For individual returns: (1) If the loss on line 6 includes a loss from Form 4684, Part II, column B(ii), enter that part of the loss here and on line 24 of Schedule A (Form 1040). Identify as from "Form 4797, line 11(b)(1)". (2) Redetermine the gain or (loss) on line 11, excluding the loss (if any) on line 11(b)(1). Enter here and on Form 1040, line 15							32,600

For Paperwork Reduction Act Notice, see page 1 of separate instructions.

363-189-1

Form **4797** (1982)

Form 4797 (1982)

Page 2

Part III Gain From Disposition of Property Under Sections 1245, 1250, 1251, 1252, 1254, 1255
Skip lines 20 and 21 if you did not dispose of farm property or farmland, or if a partnership files this form.

12 Description of sections 1245, 1250, 1251, 1252, 1254, and 1255 property:	Date acquired (mo., day, yr.)	Date sold (mo., day, yr.)
(A) Farm Machinery		
(B)		
(C)		
(D)		

Relate lines 12(A) through 12(D) to these columns ▶▶▶	Property (A)	Property (B)	Property (C)	Property (D)
13 Gross sales price minus expense of sale	177,000			
14 Cost or other basis	192,000			
15 Depreciation (or depletion) allowed (or allowable)	84,600			
16 Adjusted basis, subtract line 15 from line 14	107,400			
17 Total gain, subtract line 16 from line 13	69,600			
18 If section 1245 property:				
(a) Depreciation allowed (or allowable) after applicable date (see instructions)	80,000			
(b) Enter smaller of line 17 or 18(a)	69,600			
19 If section 1250 property: (If straight line depreciation used, enter zero on line 19(f).)				
(a) Additional depreciation after 12/31/75				
(b) Applicable percentage times the smaller of line 17 or line 19(a) (see instruction G.4)				
(c) Subtract line 19(a) from line 17. If line 17 is not more than line 19(a), skip lines 19(d) and 19(e)				
(d) Additional depreciation after 12/31/69 and before 1/1/76				
(e) Applicable percentage times the smaller of line 19(c) or 19(d) (see instruction G.4)				
(f) Add lines 19(b), and 19(e)				
20 If section 1251 property:				
(a) If farmland, enter soil, water, and land clearing expenses for current year and the four preceding years				
(b) If farm property other than land, subtract line 18(b) from line 17; if farmland, enter smaller of line 17 or 20(a)				
(c) Excess deductions account (see instruction G.5)				
(d) Enter smaller of line 20(b) or 20(c)				
21 If section 1252 property:				
(a) Soil, water, and land clearing expenses				
(b) Amount from line 20(d), if none enter zero				
(c) Subtract line 21(b) from line 21(a). If line 21(b) is more than line 21(a), enter zero				
(d) Line 21(c) times applicable percentage (see instruction G.5)				
(e) Subtract line 21(b) from line 17				
(f) Enter smaller of line 21(d) or 21(e)				
22 If section 1254 property:				
(a) Intangible drilling and development costs deducted after 12/31/75 (see instruction G.6)				
(b) Enter smaller of line 17 or 22(a)				
23 If section 1255 property:				
(a) Applicable percentage of payments excluded from income under section 126 (see instruction G.7)				
(b) Enter the smaller of line 17 or 23(a)				

Summary of Part III Gains (Complete Property columns (A) through (D) through line 23(b) before going to line 24)				
24 Total gains for all properties (add columns (A) through (D), line 17)				69,600
25 Add columns (A) through (D), lines 18(b), 19(f), 20(d), 21(f), 22(b) and 23(b). Enter here and on Part II, line 7				69,600
26 Subtract line 25 from line 24. Enter the portion from casualty and theft on Form 4684, line 19; enter the portion from other than casualty and theft on Form 4797, Part I, line 3				-0-

Part IV Complete this Part Only if You Elect Out of the Installment Method And Report a Note or Other Obligation at Less Than Full Face Value

Check here if you elect out of the installment method.
Enter the face amount of the note or other obligation ▶.....
Enter the percentage of valuation of the note or other obligation ▶.....

ALTERNATIVE TWO

Alternative Two discusses the tax impact on Insolvent Farmer and his Bankruptcy Trustee of electing to divide his individual tax year into two short years. The first short year ends on February 28, 1982 (Short Year A). His second short tax year begins on March 1, 1982, and ends on December 31, 1982 (Short Year B).

In Short Year A, Insolvent Farmer has farm income from the sale of his feeder cattle of \$28,000.00. He has \$85,000.00 of income from the sale of grain. Insolvent Farmer paid \$40,000.00 of interest to his friendly banker. He is entitled to take two months' depreciation on his farm machinery in the amount of \$4,600.00. Thus, Insolvent Farmer's net farm income on Schedule F for Short Year A is \$68,400.00.

Insolvent Farmer's net operating loss carryover can be used to offset this \$68,400.00 of income. Thus, in Short Year A, Insolvent Farmer does not have any income tax. However, Insolvent Farmer does have self-employment tax of \$3,029.00.

After Insolvent uses \$68,400.00 of his net operating loss carryover, he has the following net operating losses to transfer to his Trustee.

1979	\$ 4,600.00
1980	95,000.00
1981	123,000.00

In Short Year B, Insolvent Farmer has his \$11,000.00 of salary income on which income tax has been withheld. He has no additional taxes to pay.

The Trustee's income tax return for 1982 shows Schedule F income of \$160,000.00 from the sale of the remaining grain on hand. The Trustee's net farm income is \$160,000.00 and is reported on line 19 of Form 1040.

The Trustee liquidates Insolvent's farmland. Tract A generates a \$92,000.00 loss. Tract B and its improvements generate gains of \$20,000.00 and \$35,000.00, respectively. The net result is a loss for the estate of \$37,000.00. Since these farm assets are used in a trade or business, their sale is reported on Part I of Form 4797. The resulting loss is ordinary and transferred to Part II of Form 4797 and helps offset some of the gain from the sale of farm machinery.

The Trustee recognizes Section 1245 gain from the disposition of Insolvent's farm machinery. Form 4797, Part II, shows the gain to be \$69,600.00. Remember the basis in this machinery was reduced by \$4,600.00, which Insolvent depreciated on his Short Year A return. This gain is offset by the loss from the sale of Section 1231 assets of \$37,000.00. The net gain on Form 4797 is \$32,600.00. This gain is reported on line 15 of Form 1040.

The bankruptcy estate receives Insolvent's \$15,000.00 capital loss carryover

reported on Schedule D. Only \$1,500.00 of that capital loss may be used to offset the Trustee's income, since the Trustee's income must be figured as a married individual filing a separate return. This loss is transferred to line 13 of Form 1040.

Insolvent Farmer's Trustee has \$191,100.00 of income which can be offset by the bankruptcy administrative expenses of \$40,000.00 and Insolvent's net operating loss carryover. These carryovers are used as follows:

1979	\$ 4,600.00
1980	95,000.00
1881	50,500.00

As a result of using the net operating loss carryovers to offset the Trustee's income, there is no tax due on the liquidation of his bankruptcy estate. The Bankruptcy Trustee does, however, have to pay \$2,000.00 of investment credit tax recapture as shown on Form 4255.

At the end of 1982, under alternative Two, the taxes paid by the taxpayers on their various years are as follows:

- A. Insolvent Farmer paid self-employment tax of \$3,029.00 on Short Year A.
- B. During Short Year B, Insolvent paid income tax based on his salary.
- C. The Bankruptcy Trustee paid \$2,000.00 of investment credit recapture tax.

The Bankruptcy Trustee ends his tax year with the following tax attributes to be reduced as discharge of indebtedness income is excluded under Section 108:

YEAR	UNUSED NET OPERATING LOSS CARRYOVER (NOL)	UNUSED INVEST- MENT TAX CREDIT (ITC)	UNUSED CAPITAL LOSSES
1981	\$72,500	\$ 800	\$ -0-
1980	-0-	2,500	12,000
1979	-0-	5,000	-0-
1978	-0-	4,000	-0-
TOTALS	\$72,500	\$12,300	\$12,000

Insolvent Farmer had \$191,000.00 of debt which was discharged in bankruptcy. \$30,000.00 of that debt is related to unpaid feed bills. If paid, these bills would be a deduction. The discharge of this indebtedness does not give

rise to discharge of indebtedness income.⁶² Thus, Insolvent Farmer has \$161,000.00 of discharge of indebtedness income excluded pursuant to Section 108 from his income.

The excluded income must now be used to reduce the tax attributes of the debtor in accordance with Section 108(b)(2). The reduction of these tax attributes is as follows:

A. Net operating loss carryovers are the first tax attributes of Insolvent Farmer's estate which must be reduced. The estate has \$72,500.00 of net operating loss carryovers. The reduction of this tax attribute leaves \$88,500.00 of discharge of indebtedness income that has not been reduced.

B. Tax credit carryovers are the second tax attribute which must be reduced. Insolvent Farmer's estate has \$12,300.00 of unused investment credit carryovers. Each fifty cents of credit offsets one dollar of excluded debt discharge income. Thus, the estate's investment credit carryover will offset \$24,600.00 of discharge of indebtedness income. This leaves Insolvent Farmer's estate with \$63,900.00 of excluded discharge of indebtedness income.

C. Insolvent Farmer has capital losses of \$12,000.00 which must be reduced to the extent he has excluded discharge of indebtedness income. Once this tax attribute is reduced to zero, Insolvent's estate still has \$51,900.00 of discharge of indebtedness income which has been excluded from 1982 income per Section 108(a).

Insolvent Farmer receives none of his prior tax attributes from his Bankruptcy Trustee at the termination of his case. Thus, he goes into 1983 with no tax attributes which can be used to shelter his 1983 income.

⁶²I.R.C. § 108(e)(2)(1982). Section 176 of the Tax Reform Act of 1984 states that gains from the sale of I.R.C. section 1231 trade or business assets are treated as ordinary income up to post-1981 section losses in the five most recent preceding taxable years. A gain or loss under section 1231 is defined as a taxpayer's recognized gain or loss from the compulsory or involuntary conversion of property used in a trade or business. A gain or loss under section 1231 also includes a gain or loss recognized from the compulsory or involuntary conversion of capital assets held for the long-term holding period and used in a trade or business or in a transaction for profit. These capital assets must meet the trade or business or transaction entered into for profit requirements in order to be included as section 1231 property. If after netting all section 1231 gains and losses there is a net section 1231 gain, a five year lookback rule applies which serves to recharacterize the current taxable year's net section 1231 gain as ordinary income to the extent of the net section 1231 losses in the lookback period. This rule applies for the tax years after 1984. The lookback period is for five years but begins only with tax years beginning after 1981.

Form 1040 Department of the Treasury—Internal Revenue Service **1982** | PROBLEM I, ALT. TWO

For the year January 1–December 31, 1982, or other tax year beginning 3/1, 1982, ending 12/31, 1982. OMB No. 1545-0074

Use IRS label. Otherwise, please print or type.

Your first name and initial (if joint return, also give spouse's name and initial) Last name Your social security number
INSOLVENT FARMER'S TRUSTEE

Present home address (Number and street, including apartment number, or rural route) Spouse's social security no.
Attachment to 1041

City, town or post office, State and ZIP code Your occupation Spouse's occupation

Presidential Election Campaign Do you want \$1 to go to this fund? Yes No
 If joint return, does your spouse want \$1 to go to this fund? Yes No

Filing Status
 Check only one box.
 1 Single
 2 Married filing joint return (even if only one had income)
 3 Married filing separate return. Enter spouse's social security no. above and full name here
 4 Head of household (with qualifying person). (See page 6 of instructions.) If the qualifying person is your unmarried child but not your dependent, enter child's name
 5 Qualifying widow(er) with dependent child (Year spouse died 19)

Exemptions
 Always check the box labeled Yourself. Check other boxes if they apply.
 6a Yourself 65 or over Blind
 b Spouse 65 or over Blind
 c First names of your dependent children who lived with you
 d Other dependents: (1) Name (2) Relationship (3) Number of months lived in your home (4) Did dependent have income of \$1,000 or more? (5) Did you provide more than one-half of dependent's support?
 e Total number of exemptions claimed

Income
 Please attach Copy B of your Forms W-2 here. If you do not have a W-2, see page 5 of instructions.
 Please attach check or money order here.
 7 Wages, salaries, tips, etc.
 8 Interest income (attach Schedule B if over \$400 or you have any All-Savers Interest)
 9a Dividends (attach Schedule B if over \$400) 9b Exclusion
 c Subtract line 9b from line 9a
 10 Refunds of State and local income taxes (do not enter an amount unless you deducted those taxes in an earlier year—see page 9 of instructions)
 11 Alimony received
 12 Business income or (loss) (attach Schedule C)
 13 Capital gain or (loss) (attach Schedule D)
 14 40% capital gain distributions not reported on line 13 (See page 9 of instructions)
 15 Supplemental gains or (losses) (attach Form 4797)
 16 Fully taxable pensions, IRA distributions, and annuities not reported on line 17
 17a Other pensions and annuities. Total received
 b Taxable amount, if any, from worksheet on page 10 of instructions
 17b
 18 Rents, royalties, partnerships, estates, trusts, etc. (attach Schedule E)
 19 Farm income or (loss) (attach Schedule F)
 20a Unemployment compensation (insurance). Total received
 b Taxable amount, if any, from worksheet on page 10 of instructions
 20b
 21 Other income (state nature and source—see page 10 of instructions) Admin. Exp.
 21 (40,000)
 21 (150,000)
 22 Total income. Add amounts in column for lines 7 through 21. **1,000**

Adjustments to income
 (See instructions on page 11)
 23 Moving expense (attach Form 3903 or 3903F)
 24 Employee business expenses (attach Form 2106)
 25 Payments to an IRA. You must enter code from page 11
 26 Payments to a Keogh (H.R. 10) retirement plan
 27 Penalty on early withdrawal of savings
 28 Alimony paid
 29 Deduction for a married couple when both work (attach Schedule W)
 30 Disability income exclusion (attach Form 2440)
 31 Total adjustments. Add lines 23 through 30. **-0-**

Adjusted Gross Income
 32 Adjusted gross income. Subtract line 31 from line 22. If this line is less than \$10,000, see "Earned Income Credit" (line 62) on page 15 of instructions. If you want IRS to figure your tax, see page 3 of instructions. **1,000**

Form 1040 (1982)

Page 2

Tax Computation (See instructions on page 12)	33	Amount from line 32 (adjusted gross income)	33	1,000	
	34a	If you itemize, complete Schedule A (Form 1040) and enter the amount from Schedule A, line 30. Caution: If you have unearned income and can be claimed as a dependent on your parent's return, check here <input type="checkbox"/> and see page 12 of the instructions. Also see page 12 of the instructions if: • You are married filing a separate return and your spouse itemizes deductions, OR • You file Form 4563, OR • You are a dual-status alien.	34a	-0-	
	34b	If you do not itemize, complete the worksheet on page 13. Then enter the allowable part of your charitable contributions here	34b	-0-	
	35	Subtract line 34a or 34b, whichever applies, from line 33	35	1,000	
	36	Multiply \$1,000 by the total number of exemptions claimed on Form 1040, line 6e	36	1,000	
	37	Taxable Income. Subtract line 36 from line 35	37	-0-	
	38	Tax. Enter tax here and check if from <input checked="" type="checkbox"/> Tax Table, <input type="checkbox"/> Tax Rate Schedule X, Y, or Z, or <input type="checkbox"/> Schedule G	38	-0-	
	39	Additional Taxes. (See page 13 of instructions.) Enter here and check if from <input type="checkbox"/> Form 4970, <input type="checkbox"/> Form 4972, <input type="checkbox"/> Form 5544, or <input type="checkbox"/> section 72 penalty taxes	39	-0-	
	40	Total. Add lines 38 and 39	40	-0-	
	Credits (See instructions on page 13)	41	Credit for the elderly (attach Schedules R&RP)	41	
42		Foreign tax credit (attach Form 1116)	42		
43		Investment credit (attach Form 3468)	43		
44		Partial credit for political contributions	44		
45		Credit for child and dependent care expenses (attach Form 2441)	45		
46		Jobs credit (attach Form 5884)	46		
47		Residential energy credit (attach Form 5695)	47		
48		Other credits—see page 14	48		
49	Total credits. Add lines 41 through 48	49	-0-		
50	Balance. Subtract line 49 from line 40 and enter difference (but not less than zero)	50	-0-		
Other Taxes (Including Advance EIC Payments)	51	Self-employment tax (attach Schedule SE)	51		
	52	Minimum tax (attach Form 4625)	52		
	53	Alternative minimum tax (attach Form 6251)	53		
	54	Tax from recapture of investment credit (attach Form 4255)	54	2,000	
	55	Social security (FICA) tax on tip income not reported to employer (attach Form 4137)	55		
	56	Uncollected employee FICA and RRTA tax on tips (from Form W-2)	56		
	57	Tax on an IRA (attach Form 5329)	57		
	58	Advance earned income credit (EIC) payments received (from Form W-2)	58		
06	59 Total tax. Add lines 50 through 58	59	2,000		
Payments Attach Forms W-2, W-2G, and W-2P to front.	60	Total Federal income tax withheld	60		
	61	1982 estimated tax payments and amount applied from 1981 return	61		
	62	Earned income credit. If line 33 is under \$10,000, see page 15 of instructions	62		
	63	Amount paid with Form 4868	63		
	64	Excess FICA and RRTA tax withheld (two or more employers)	64		
	65	Credit for Federal tax on special fuels and oils (attach Form 4136)	65		
	66	Regulated Investment Company credit (attach Form 2439)	66		
	67	Total. Add lines 60 through 66	67		
Refund or Amount You Owe	68	If line 67 is larger than line 59, enter amount OVERPAID	68		
	69	Amount of line 68 to be REFUNDED TO YOU	69		
	70	Amount of line 68 to be applied to your 1983 estimated tax	70		
	71	If line 59 is larger than line 67, enter AMOUNT YOU OWE. Attach check or money order for full amount payable to Internal Revenue Service. Write your social security number and "1982 Form 1040" on it. (Check <input type="checkbox"/> if Form 2210 (2210F) is attached. See page 16 of instructions.) ▶ \$	71	2,000	
Please Sign Here	Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.				
	Your signature _____		Date _____	Spouse's signature (if filing jointly, BOTH must sign) _____	
Paid Preparer's Use Only	Preparer's signature ▶ _____	Date _____	Check if self-employed <input type="checkbox"/>	Preparer's social security no. _____	
	Firm's name (or yours, if self-employed) and address ▶ _____	E.I. No. ▶ _____	ZIP code ▶ _____		

PROBLEM I, ALT. TWO

SCHEDULE F
(Form 1040)

Department of the Treasury
Internal Revenue Service

Farm Income and Expenses

▶ Attach to Form 1040, Form 1041, or Form 1065.
▶ See Instructions for Schedule F (Form 1040).

OMB No. 1545-0074

1982
16

Name of proprietor(s) **INSOLVENT FARMER** Social security number _____
Farm name and address _____ Employer identification number _____

Part I Farm Income—Cash Method
Do not include sales of livestock held for draft, breeding, sport, or dairy purposes; report these sales on Form 4797.

Sales of Livestock and Other Items You Bought for Resale		
a. Description	b. Amount	c. Cost or other basis
1 Livestock ▶	105,000	77,000
2 Other items ▶		
3 Totals	105,000	77,000
4 Profit or (loss), subtract line 3, column c, from line 3, column b ▶		28,000

Sales of Livestock and Produce You Raised and Other Farm Income

Kind	Amount
5 Cattle and calves	
6 Sheep	
7 Swine	
8 Poultry	
9 Dairy products	
10 Eggs	
11 Wool	
12 Cotton	
13 Tobacco	
14 Vegetables	
15 Soybeans	
16 Corn	85,000
17 Other grains	
18 Hay and straw	
19 Fruits and nuts	
20 Machine work	
21 a Patronage dividends	
b Less: Nonincome items	
c Net patronage dividends	
22 Per-unit retains	
23 Nonpatronage distributions from exempt cooperatives	
24 Agricultural program payments: a Cash	
b Materials and services	
25 Commodity credit loans under election (or forfeited)	
26 Federal gasoline tax credit	
27 State gasoline tax refund	
28 Crop insurance proceeds	
29 Other (specify) ▶	
30 Add amounts in column for lines 5 through 29	
31 Gross profits* (add lines 4 and 30) ▶	113,000

Part II Farm Deductions—Cash and Accrual Method

Do not include personal or living expenses (such as taxes, insurance, repairs, etc., on your home), which do not produce farm income. Reduce the amount of your farm deductions by any reimbursement before entering the deduction below.

Items	Amount
32 a Labor hired	
b Jobs credit	
c Balance (subtract line 32b from line 32a)	
33 Repairs, maintenance	
34 Interest	40,000
35 Rent of farm, pasture	
36 Feed purchased	
37 Seeds, plants purchased	
38 Fertilizers, lime, chemicals	
39 Machine hire	
40 Supplies purchased	
41 Breeding fees	
42 Veterinary fees, medicine	
43 Gasoline, fuel, oil	
44 Storage, warehousing	
45 Taxes	
46 Insurance	
47 Utilities	
48 Freight, trucking	
49 Conservation expenses	
50 Land clearing expenses	
51 Pension and profit-sharing plans	
52 Employee benefit programs other than line 51	
53 Other (specify) ▶	
54 Total (add lines 32c through 53)	40,000
55 Depreciation, including Section 179 expense deduction (from Form 4562)	4,600
56 Total deductions (add lines 54 and 55)	44,600

57 Net farm profit or (loss) (subtract line 56 from line 31). If a profit, enter on Form 1040, line 19, and on Schedule SE, Part I, line 1. If a loss, go on to line 58. (Fiduciaries and partnerships, see the instructions.) **57** 68,400

58 If you have a loss, do you have amounts for which you are not "at risk" in this farm (see instructions)? . . . Yes No
If you checked "No," enter the loss on Form 1040, line 19, and on Schedule SE, Part I, line 1.

*Use amount on line 31 for optional method of computing net earnings from self-employment. (See Schedule SE, Part II, line 4.)
For Paperwork Reduction Act Notice, see Form 1040 Instructions.

Form **1040** Department of the Treasury—Internal Revenue Service **1982**
U.S. Individual Income Tax Return

For the year January 1–December 31, 1982, or other tax year beginning 1/1, 1982, ending 2/28, 1982. OMB No. 1545-0074

Use IRS label. Other-wise, please print or type. Your first name and initial (if joint return, also give spouse's name and initial) **INSOLVENT FARMER** Last name _____ Your social security number _____
 Present home address (Number and street, including apartment number, or rural route) **12 Gutter Street** Spouse's social security no. _____
 City, town or post office, State and ZIP code **Spenthrift, IL 61701** Your occupation _____ Spouse's occupation _____

Presidential Election Campaign Do you want \$1 to go to this fund? Yes No If joint return, does your spouse want \$1 to go to this fund? Yes No Note: Checking "Yes" will not increase your tax or reduce your refund.

Filing Status 1 Single For Privacy Act and Paperwork Reduction Act Notice, see Instructions. 2 Married filing joint return (even if only one had income) 3 Married filing separate return. Enter spouse's social security no. above and full name here _____ 4 Head of household (with qualifying person). (See page 6 of Instructions.) If the qualifying person is your unmarried child but not your dependent, enter child's name _____ 5 Qualifying widow(er) with dependent child (Year spouse died 19). (See page 6 of Instructions.)

Exemptions Always check the box labeled Yourself. Check other boxes if they apply. 6a Yourself 65 or over Blind Enter number of boxes checked on 6a and b 1 b Spouse 65 or over Blind Enter number of children listed on 6c _____ c First names of your dependent children who lived with you _____ Enter number of other dependents Add numbers entered in boxes above 1 d Other dependents: (1) Name (2) Relationship (3) Number of months lived in your home (4) Did dependent have income of \$1,000 or more? (5) Did you provide more than one-half of dependent's support? e Total number of exemptions claimed _____

Income Please attach Copy B of your Forms W-2 here. If you do not have a W-2, see page 5 of Instructions. Please attach check or money order here. 7 Wages, salaries, tips, etc. 7 8 Interest income (attach Schedule B if over \$400 or you have any All-Savers interest) 8 9a Dividends (attach Schedule B if over \$400) 9a 9b Exclusion 9b 9c Subtract line 9b from line 9a _____ 10 Refunds of State and local income taxes (do not enter an amount unless you deducted those taxes in an earlier year—see page 9 of Instructions) 10 11 Alimony received 11 12 Business income or (loss) (attach Schedule C) 12 13 Capital gain or (loss) (attach Schedule D) 13 14 40% capital gain distributions not reported on line 13 (See page 9 of Instructions) 14 15 Supplemental gains or (losses) (attach Form 4797) 15 16 Fully taxable pensions, IRA distributions, and annuities not reported on line 17 16 17a Other pensions and annuities. Total received 17a b Taxable amount, if any, from worksheet on page 10 of Instructions 17b 18 Rents, royalties, partnerships, estates, trusts, etc. (attach Schedule E) 18 19 Farm income or (loss) (attach Schedule F) 19 68,400 20a Unemployment compensation (insurance). Total received 20a b Taxable amount, if any, from worksheet on page 10 of Instructions 20b 21 Other income (state nature and source—see page 10 of Instructions) 21 (68,400) 22 Total income. Add amounts in column for lines 7 through 21 22 -0-

Adjustments to Income (See instructions on page 11) 23 Moving expense (attach Form 3903 or 3903F) 23 24 Employee business expenses (attach Form 2106) 24 25 Payments to an IRA. You must enter code from page 11 (.....) 25 26 Payments to a Keogh (H.R. 10) retirement plan 26 27 Penalty on early withdrawal of savings 27 28 Alimony paid 28 29 Deduction for a married couple when both work (attach Schedule W) 29 30 Disability income exclusion (attach Form 2440) 30 31 Total adjustments. Add lines 23 through 30 31

Adjusted Gross Income 32 Adjusted gross income. Subtract line 31 from line 22. If this line is less than \$10,000, see "Earned Income Credit" (line 62) on page 15 of Instructions. If you want IRS to figure your tax, see page 3 of Instructions. 32 -0-

363-062-2

Form 1040 (1982)

Page 2

Tax Computation (See instructions on page 12)	33 Amount from line 32 (adjusted gross income)	33	-0-
	34a If you itemize, complete Schedule A (Form 1040) and enter the amount from Schedule A, line 30	34a	
	Caution: If you have unearned income and can be claimed as a dependent on your parent's return, check here <input type="checkbox"/> and see page 12 of the instructions. Also see page 12 of the instructions if: • You are married filing a separate return and your spouse itemizes deductions, OR • You file Form 4563, OR • You are a dual-status alien.		
	34b If you do not itemize, complete the worksheet on page 13. Then enter the allowable part of your charitable contributions here	34b	
	35 Subtract line 34a or 34b, whichever applies, from line 33	35	
	36 Multiply \$1,000 by the total number of exemptions claimed on Form 1040, line 6e	36	
	37 Taxable income. Subtract line 36 from line 35	37	-0-
	38 Tax. Enter tax here and check if from <input type="checkbox"/> Tax Table, <input type="checkbox"/> Tax Rate Schedule X, Y, or Z, or <input type="checkbox"/> Schedule G	38	-0-
	39 Additional Taxes. (See page 13 of instructions.) Enter here and check if from <input type="checkbox"/> Form 4970, <input type="checkbox"/> Form 4972, <input type="checkbox"/> Form 5544, or <input type="checkbox"/> section 72 penalty taxes	39	
	40 Total. Add lines 38 and 39	40	-0-
Credits (See instructions on page 13)	41 Credit for the elderly (attach Schedules R&RP)	41	
	42 Foreign tax credit (attach Form 1116)	42	
	43 Investment credit (attach Form 346B)	43	
	44 Partial credit for political contributions	44	
	45 Credit for child and dependent care expenses (attach Form 2441)	45	
	46 Jobs credit (attach Form 5884)	46	
	47 Residential energy credit (attach Form 5695)	47	
	48 Other credits—see page 14 ▶	48	
	49 Total credits. Add lines 41 through 48	49	-0-
50 Balance. Subtract line 49 from line 40 and enter difference (but not less than zero) . ▶	50	-0-	
Other Taxes (Including Advance EIC Payments)	51 Self-employment tax (attach Schedule SE)	51	3,029
	52 Minimum tax (attach Form 4625)	52	
	53 Alternative minimum tax (attach Form 6251)	53	
	54 Tax from recapture of investment credit (attach Form 4255)	54	
	55 Social security (FICA) tax on tip income not reported to employer (attach Form 4137)	55	
	56 Uncollected employee FICA and RRTA tax on tips (from Form W-2)	56	
	57 Tax on an IRA (attach Form 5329)	57	
	58 Advance earned income credit (EIC) payments received (from Form W-2)	58	
59 Total tax. Add lines 50 through 58	59	3,029	
Payments Attach Forms W-2, W-2G, and W-2P to front.	60 Total Federal income tax withheld	60	
	61 1982 estimated tax payments and amount applied from 1981 return	61	
	62 Earned income credit. If line 33 is under \$10,000, see page 15 of instructions	62	
	63 Amount paid with Form 4868	63	
	64 Excess FICA and RRTA tax withheld (two or more employers)	64	
	65 Credit for Federal tax on special fuels and oils (attach Form 4136)	65	
	66 Regulated Investment Company credit (attach Form 2439)	66	
67 Total. Add lines 60 through 66	67	-0-	
Refund or Amount You Owe	68 If line 67 is larger than line 59, enter amount OVERPAID	68	
	69 Amount of line 68 to be REFUNDED TO YOU	69	
	70 Amount of line 68 to be applied to your 1983 estimated tax . ▶ 70		
	71 If line 59 is larger than line 67, enter AMOUNT YOU OWE. Attach check or money order for full amount payable to Internal Revenue Service. Write your social security number and "1982 Form 1040" on it. (Check <input type="checkbox"/> if Form 2210 (2210F) is attached. See page 16 of instructions.) ▶ \$	71	3,029
Please Sign Here	Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.		
	Your signature _____ Date _____ Spouse's signature (if filing jointly, BOTH must sign) _____		
Paid Preparer's Use Only	Preparer's signature ▶ _____	Date _____	Check if self-employed <input type="checkbox"/>
	Firm's name (or yours, if self-employed) and address ▶ _____	E.I. No. ▶ _____	Preparer's social security no. _____
	ZIP code ▶ _____		

U.S. GOVERNMENT PRINTING OFFICE : 1982-O-363-062

363-062-2

PROBLEM I, ALT. TWO SHORT YEAR A

SCHEDULE SE
(Form 1040)

Department of the Treasury
Internal Revenue Service

Computation of Social Security Self-Employment Tax

▶ See Instructions for Schedule SE (Form 1040).
▶ Attach to Form 1040.

OMB No. 1545-0074

1982
22

Name of self-employed person (as shown on social security card) INSOLVENT FARMER	Social security number of self-employed person ▶
--	--

Part I Regular Computation of Net Earnings from Self-Employment

1 Net profit or (loss) from Schedule F (Form 1040), line 57 or line 90, and farm partnerships, Schedule K-1 (Form 1065), line 18b	1	68,400	
2 Net profit or (loss) from Schedule C (Form 1040), line 32, and Schedule K-1 (Form 1065), line 18b (other than farming). See instructions for kinds of income to report. <small>Note: If you are exempt from self-employment tax on your earnings as a minister, member of a religious order, or Christian Science practitioner because you filed Form 4361, check here <input type="checkbox"/>. If you have other earnings of \$400 or more that are subject to self-employment tax, include those earnings on this line</small>	2		

Part II Optional Computation of Net Earnings from Self-Employment

Generally, this part may be used only if:

- Your gross farm profits were not more than \$2,400, or
- Your gross farm profits were more than \$2,400 and your net farm profits were less than \$1,600, or
- Your net nonfarm profits were less than \$1,600 and less than two-thirds (2/3) of your gross nonfarm income.

See instructions for other limitations.

3 Maximum income for optional methods	3	\$1,600	00
4 Farm Optional Method—Enter two-thirds (2/3) of gross profits from Schedule F (Form 1040), line 31 or line 88, and farm partnerships, Schedule K-1 (Form 1065), line 18a, or \$1,600, whichever is smaller	4		
5 Subtract line 4 from line 3	5		
6 Nonfarm Optional Method—Enter the smaller of two-thirds (2/3) of gross profits from Schedule C (Form 1040), line 3, and Schedule K-1 (Form 1065), line 18c (other than farming), \$1,600, or, if you elected the farm optional method, the amount on line 5	6		

Part III Computation of Social Security Self-Employment Tax

SE

7 Enter the amount from Part I, line 1, or, if you elected the farm optional method, Part II, line 4	7	68,400	
8 Enter the amount from Part I, line 2, or, if you elected the nonfarm optional method, Part II, line 6	8	-0-	
9 Add lines 7 and 8. If less than \$400, you are not subject to self-employment tax. Do not fill in the rest of the schedule	9	68,400	
10 The largest amount of combined wages and self-employment earnings subject to social security or railroad retirement tax for 1982 is	10	\$32,400	00
11 a Total FICA wages from Forms W-2 and RRTA compensation	11a		
b Unreported tips subject to FICA tax from Form 4137, line 9, or to RRTA tax	11b		
c Add lines 11a and 11b	11c	-0-	
12 Subtract line 11c from line 10	12	32,400	
13 Enter the smaller of line 9 or line 12 <small>If line 13 is \$32,400, fill in \$3,029.40 on line 14. Otherwise, multiply line 13 by .0935 and enter the result on line 14</small>	13	32,400	.0935
14 Self-employment tax. Enter this amount on Form 1040, line 51	14	3,029	

For Paperwork Reduction Act Notice, see Form 1040 Instructions.

869-071-1

★ U.S. GOVERNMENT PRINTING OFFICE: 1982-O-383-071

Form **4562**
(Rev. September 1982)
Department of the Treasury
Internal Revenue Service

PROBLEM I, ALT TWO
Depreciation and Amortization

▶ See separate instructions.
▶ Attach this form to your return.

OMB No. 1545-0172
Expires 8/31/85
67

Name(s) as shown on return **INSOLVENT FARMER** Identifying number _____
Business or activity to which this form relates _____

Part I Depreciation
Section A Election to expense recovery property (Section 179)

A. Class of property	B. Cost	C. Expense deduction

1 Total (not more than \$5,000). Enter here and on line 8 (Partnerships—enter this amount on Schedule K (Form 1065)) _____

Section B Depreciation of recovery property

A. Class of property	B. Date placed in service	C. Cost or other basis	D. Recovery period	E. Method of figuring depreciation	F. Percentage	G. Deduction for this year
2 Accelerated Cost Recovery System (ACRS) (See instructions):						
(a) 3-year property						
(b) 5-year property						
(c) 10-year property						
(d) 15-year public utility property						
(e) 15-year real property—low-income housing						
(f) 15-year real property other than low-income housing						
3 Property subject to section 168(e)(2) election (See instructions):						

4 Total column G. Enter here and on line 9 _____

PROBLEM I, ALT. TWO
U.S. Fiduciary Income Tax Return
 For the calendar year 1982 or fiscal year
 beginning March 1 1982, and ending December 31 1982

Form **1041**
 Department of the Treasury
 Internal Revenue Service

OMB No. 1545-0092
1982

Check applicable boxes:
 Decedent's estate
 Bankruptcy estate
 Testamentary trust
 Generation-skipping trust
 Simple trust (\$300)
 Complex trust (\$100)
 Complex trust (\$300)
 Grantor type trust
 Family estate trust
 Pooled income fund

Name of estate or trust (Grantor type trust, see instructions)
INSOLVENT FARMER'S TRUSTEE

Name and title of fiduciary

Address of fiduciary (number and street)
306 N. Center

City, State, and ZIP code
Spendthrift, IL 61701

Employer identification number

Check applicable boxes:
 First return Final return Ancillary return Amended return
 Change in fiduciary's Name or Address

Income	1 Dividends (Enter full amount before exclusion)	1		
	2 Interest income (Enter full amount before exclusion)	2		
	3 Partnership income or (loss)	3		
	4 Income from another estate or trust	4		
	5 Net rent and royalty income or (loss) from line 44	5		
	6 Net business and farm income or (loss) (Attach Schedules C and F (Form 1040))	6		
	7 Capital gain or (loss) (Attach Schedule D (Form 1041))	7		
	8 Ordinary gain or (loss) (Attach Form 4797)	8		
	9 Other income (State nature of income)	9		
	10 Total income (Add lines 1 through 9)	10		
Deductions	11 Interest	11		
	12 Taxes	12		
	13 Charitable deduction (from line 53)	13		
	14 Fiduciary fees	14		
	15 Attorney, accountant, and return preparer fees	15		
	16 Other deductions (Attach a separate sheet listing deductions)	16		
	17 Total (Add lines 11 through 16)	17		
	18 Subtract line 17 from line 10	18		
	19 Income distribution deduction (from line 6B) (See specific instructions) (Attach Schedule K-1 (Form 1041))	19		
	20 Dividend and interest exclusion (See instructions)	20		
21 Estate tax deduction (Attach computation)	21			
22 Long-term capital gain deduction from Schedule D (Form 1041) (Charity <input type="checkbox"/> See instructions)	22			
23 Exemption	23			
24 Total (Add lines 19 through 23)	24			
25 Taxable income of fiduciary (Subtract line 24 from line 18)	25			
Computation of Tax	26 Tax: a Tax rate schedule; b Other tax; Total	26c		
	27 Credits: a Foreign tax; b Investment; c Jobs; Total	27d		
	28 Credits: a Alcohol fuel; b Nonconventional fuel; c Research; Total	28d		
	29 Total (Add lines 27d and 28d)	29		
	30 Balance (Subtract line 29 from line 25c)	30		
	31 Tax from: a Form 4255; b Form 4626; Total	31c		
	32 Alternative minimum tax (Attach Form 6251)	32		
	33 Total (Add lines 30 through 32)	33		
	34 Other credits (See instruction for line 34)	34		
	35 Federal income tax: a Previously paid; b Withheld; Total	35c		
36 Total (Add lines 34 and 35c)	36			
37 Balance of tax due (Subtract line 36 from line 33) (See instruction K) .PER ATTACHED. 1040	37	2,000		
38 Overpayment (Subtract line 33 from line 36)	38			

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than fiduciary) is based on all information of which preparer has any knowledge.

Signature of fiduciary or officer representing fiduciary _____ Date _____

Preparer's signature _____ Date _____ Check if self-employed Preparer's social security no. _____

Firm's name (or yours, if self-employed) and address _____ E.I. No. _____ ZIP code _____

For Privacy Act and Paperwork Reduction Act Notice, see page 1 of the instructions.

Form 1041 (1982)

Form **1040** Department of the Treasury—Internal Revenue Service **1982** | PROBLEM I, ALT. TWO SHORT YEAR A

For the year January 1–December 31, 1982, or other tax year beginning 3/1, 1982, ending 12/31, 19 OMB No. 1545-0074

Use IRS label. Otherwise, please print or type. Your first name and initial (if joint return, also give spouse's name and initial) Last name Your social security number
INSOLVENT FARMER
 Present home address (Number and street, including apartment number, or rural route) Spouse's social security no.
13 Gutter Street
 City, town or post office, State and ZIP code Your occupation Spouse's occupation
Spendthrift, IL 61701

Presidential Election Campaign Do you want \$1 to go to this fund? Yes No
 If joint return, does your spouse want \$1 to go to this fund? Yes No Note: Checking "Yes" will not increase your tax or reduce your refund.

Filing Status Check only one box.
 1 Single For Privacy Act and Paperwork Reduction Act Notice, see instructions.
 2 Married filing joint return (even if only one had income)
 3 Married filing separate return. Enter spouse's social security no. above and full name here
 4 Head of household (with qualifying person). (See page 6 of instructions.) If the qualifying person is your unmarried child but not your dependent, enter child's name
 5 Qualifying widow(er) with dependent child (Year spouse died \blacktriangleright 19). (See page 6 of instructions.)

Exemptions Always check the box labeled Yourself. Check other boxes if they apply.
 6a Yourself 65 or over Blind Enter number of boxes checked on 6a and b **1**
 b Spouse 65 or over Blind Enter number of children listed on 6c
 c First names of your dependent children who lived with you
 d Other dependents: (1) Name (2) Relationship (3) Number of months lived in your home (4) Did dependent have income of \$1,000 or more? (5) Did you provide more than one-half of dependent's support? Enter number of other dependents. Add numbers entered in boxes above **1**
 e Total number of exemptions claimed **1**

Income Please attach Copy B of your Forms W-2 here. If you do not have a W-2, see page 5 of instructions. Please attach check or money order here.
 7 Wages, salaries, tips, etc. **7** 11,000
 8 Interest income (attach Schedule B if over \$400 or you have any All-Savers interest) **8**
 9a Dividends (attach Schedule B if over \$400) 9b Exclusion **9c**
 c Subtract line 9b from line 9a
 10 Refunds of State and local income taxes (do not enter an amount unless you deducted those taxes in an earlier year—see page 9 of instructions) **10**
 11 Alimony received **11**
 12 Business income or (loss) (attach Schedule C) **12**
 13 Capital gain or (loss) (attach Schedule D) **13**
 14 40% capital gain distributions not reported on line 13 (See page 9 of instructions) **14**
 15 Supplemental gains or (losses) (attach Form 4797) **15**
 16 Fully taxable pensions, IRA distributions, and annuities not reported on line 17 **16**
 17a Other pensions and annuities. Total received **17a**
 b Taxable amount, if any, from worksheet on page 10 of instructions **17b**
 18 Rents, royalties, partnerships, estates, trusts, etc. (attach Schedule E) **18**
 19 Farm income or (loss) (attach Schedule F) **19**
 20a Unemployment compensation (insurance). Total received **20a**
 b Taxable amount, if any, from worksheet on page 10 of instructions **20b**
 21 Other income (state nature and source—see page 10 of instructions) **21**
 22 Total income. Add amounts in column for lines 7 through 21 **22** 11,000

Adjustments to Income (See instructions on page 11)
 23 Moving expense (attach Form 3903 or 3903F) **23**
 24 Employee business expenses (attach Form 2106) **24**
 25 Payments to an IRA. You must enter code from page 11 (.....) **25**
 26 Payments to a Keogh (H.R. 10) retirement plan **26**
 27 Penalty on early withdrawal of savings **27**
 28 Alimony paid **28**
 29 Deduction for a married couple when both work (attach Schedule W) **29**
 30 Disability income exclusion (attach Form 2440) **30**
 31 Total adjustments. Add lines 23 through 30. **31**

Adjusted Gross Income **32** Adjusted gross income. Subtract line 31 from line 22. If this line is less than \$10,000, see "Earned Income Credit" (line 62) on page 15 of instructions. If you want IRS to figure your tax, see page 3 of instructions. **32** 11,000

363-062-2

Form 1040 (1982)

Page 2

Tax Computation <small>(See Instructions on page 12)</small>	33	Amount from line 32 (adjusted gross income)	33	11,000
	34a	If you itemize, complete Schedule A (Form 1040) and enter the amount from Schedule A, line 30	34a	-0-
	<p>Caution: If you have unearned income and can be claimed as a dependent on your parent's return, check here <input type="checkbox"/> and see page 12 of the Instructions. Also see page 12 of the Instructions if:</p> <ul style="list-style-type: none"> • You are married filing a separate return and your spouse itemizes deductions, OR • You file Form 4563, OR • You are a dual-status alien. 			
	34b	If you do not itemize, complete the worksheet on page 13. Then enter the allowable part of your charitable contributions here	34b	-0-
	35	Subtract line 34a or 34b, whichever applies, from line 33	35	11,000
	36	Multiply \$1,000 by the total number of exemptions claimed on Form 1040, line 6e	36	1,000
	37	Taxable income. Subtract line 36 from line 35	37	10,000
	38	Tax. Enter tax here and check if from <input type="checkbox"/> Tax Table, <input type="checkbox"/> Tax Rate Schedule X, Y, or Z, or <input type="checkbox"/> Schedule G	38	1,238
	39	Additional Taxes. (See page 13 of Instructions.) Enter here and check if from <input type="checkbox"/> Form 4970, <input type="checkbox"/> Form 4972, <input type="checkbox"/> Form 5544, or <input type="checkbox"/> section 72 penalty taxes	39	
	40	Total. Add lines 38 and 39	40	
Credits <small>(See Instructions on page 13)</small>	41	Credit for the elderly (attach Schedules R&RP)	41	
	42	Foreign tax credit (attach Form 1116)	42	
	43	Investment credit (attach Form 3468)	43	
	44	Partial credit for political contributions	44	
	45	Credit for child and dependent care expenses (attach Form 2441)	45	
	46	Jobs credit (attach Form 5884)	46	
	47	Residential energy credit (attach Form 5695)	47	
	48	Other credits—see page 14	48	
	49	Total credits. Add lines 41 through 48	49	-0-
50	Balance. Subtract line 49 from line 40 and enter difference (but not less than zero)	50	1,238	
Other Taxes <small>(Including Advance EIC Payments)</small>	51	Self-employment tax (attach Schedule SE)	51	
	52	Minimum tax (attach Form 4625)	52	
	53	Alternative minimum tax (attach Form 6251)	53	
	54	Tax from recapture of investment credit (attach Form 4255)	54	
	55	Social security (FICA) tax on tip income not reported to employer (attach Form 4137)	55	
	56	Uncollected employee FICA and RRTA tax on tips (from Form W-2)	56	
	57	Tax on an IRA (attach Form 5329)	57	
	58	Advance earned income credit (EIC) payments received (from Form W-2)	58	
06	59 Total tax. Add lines 50 through 58	59	1,238	
Payments <small>Attach Forms W-2, W-2G, and W-2P to front.</small>	60	Total Federal income tax withheld	60	1,240
	61	1982 estimated tax payments and amount applied from 1981 return	61	
	62	Earned income credit. If line 33 is under \$10,000, see page 15 of Instructions	62	
	63	Amount paid with Form 4868	63	
	64	Excess FICA and RRTA tax withheld (two or more employers)	64	
	65	Credit for Federal tax on special fuels and oils (attach Form 4136)	65	
	66	Regulated Investment Company credit (attach Form 2439)	66	
67	Total. Add lines 60 through 66	67	1,240	
Refund or Amount You Owe	68	If line 67 is larger than line 59, enter amount OVERPAID	68	2
	69	Amount of line 68 to be REFUNDED TO YOU	69	2
	70	Amount of line 68 to be applied to your 1983 estimated tax	70	
	71	If line 59 is larger than line 67, enter AMOUNT YOU OWE. Attach check or money order for full amount payable to Internal Revenue Service. Write your social security number and "1982 Form 1040" on it. (Check <input type="checkbox"/> if Form 2210 (2210F) is attached. See page 16 of Instructions.)	71	-0-
Please Sign Here	<p>Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.</p>			
	Your signature _____ Date _____		Spouse's signature (if filing jointly, BOTH must sign) _____	
Paid Preparer's Use Only	Preparer's signature _____	Date _____	Check if self-employed <input type="checkbox"/>	Preparer's social security no. _____
	Firm's name (or yours, if self-employed) and address _____	E.I. No. _____		
		ZIP code _____		

**SCHEDULE F
(Form 1040)**

Department of the Treasury
Internal Revenue Service

**PROBLEM I, ALT. TWO
Farm Income and Expenses**

▶ Attach to Form 1040, Form 1041, or Form 1065.
▶ See Instructions for Schedule F (Form 1040).

OMB No. 1545-0074

1982
16

Name of proprietor(s) **INSOLVENT FARMER'S TRUSTEE** Social security number _____
 Farm name and address _____ Employer identification number _____

Part I Farm Income—Cash Method
Do not include sales of livestock held for draft, breeding, sport, or dairy purposes; report these sales on Form 4797.

Sales of Livestock and Other Items You Bought for Resale

a. Description	b. Amount	c. Cost or other basis
1 Livestock ▶		
2 Other items ▶		
3 Totals		
4 Profit or (loss), subtract line 3, column c, from line 3, column b. ▶		

Sales of Livestock and Produce You Raised and Other Farm Income

Kind	Amount
5 Cattle and calves	
6 Sheep	
7 Swine	
8 Poultry	
9 Dairy products	
10 Eggs	
11 Wool	
12 Cotton	
13 Tobacco	
14 Vegetables	
15 Soybeans	
16 Corn	160,000
17 Other grains	
18 Hay and straw	
19 Fruits and nuts	
20 Machine work	
21 a Patronage dividends	
b Less: Nonincome items	
c Net patronage dividends	
22 Per-unit retains	
23 Nonpatronage distributions from exempt cooperatives	
24 Agricultural program payments: a Cash	
b Materials and services	
25 Commodity credit loans under election (or forfeited)	
26 Federal gasoline tax credit	
27 State gasoline tax refund	
28 Crop insurance proceeds	
29 Other (specify) ▶	
30 Add amounts in column for lines 5 through 29	
31 Gross profits* (add lines 4 and 30) ▶	160,000

Part II Farm Deductions—Cash and Accrual Method

Do not include personal or living expenses (such as taxes, insurance, repairs, etc., on your home), which do not produce farm income. Reduce the amount of your farm deductions by any reimbursement before entering the deduction below.

Items	Amount
32 a Labor hired	
b Jobs credit	
c Balance (subtract line 32b from line 32a)	
33 Repairs, maintenance	
34 Interest	
35 Rent of farm, pasture	
36 Feed purchased	
37 Seeds, plants purchased	
38 Fertilizers, lime, chemicals	
39 Machine hire	
40 Supplies purchased	
41 Breeding fees	
42 Veterinary fees, medicine	
43 Gasoline, fuel, oil	
44 Storage, warehousing	
45 Taxes	
46 Insurance	
47 Utilities	
48 Freight, trucking	
49 Conservation expenses	
50 Land clearing expenses	
51 Pension and profit-sharing plans	
52 Employee benefit programs other than line 51	
53 Other (specify) ▶	
54 Total (add lines 32c through 53)	-0-
55 Depreciation, including Section 179 expense deduction (from Form 4562)	-0-
56 Total deductions (add lines 54 and 55)	-0-

57 Net farm profit or (loss) (subtract line 56 from line 31). If a profit, enter on Form 1040, line 19, and on Schedule SE, Part I, line 1. If a loss, go on to line 58. (Fiduciaries and partnerships, see the Instructions.) **57** 160,000

58 If you have a loss, do you have amounts for which you are not "at risk" in this farm (see instructions)? . . . Yes No
 If you checked "No," enter the loss on Form 1040, line 19, and on Schedule SE, Part I, line 1.

*Use amount on line 31 for optional method of computing net earnings from self-employment. (See Schedule SE, Part II, line 4.)
 For Paperwork Reduction Act Notice, see Form 1040 Instructions.

1984]

REPORT ON TAX ASPECTS OF FARMERS IN BANKRUPTCY

179

Form 3468 Department of the Treasury Internal Revenue Service

PROBLEM I, ALT. TWO Computation of Investment Credit

OMB No. 1545-0155

1982 27

Attach to your tax return. Schedule B (Business Energy Investment Credit) on back.

Name(s) as shown on return: INSOLVENT FARMER'S TRUSTEE Identifying number

- PART I - Elections: A The corporation elects the basic or basic and matching employee plan percentage under section 48(n)(1) B I elect to increase my qualified investment to 100% for certain commuter highway vehicles under section 46(c)(6) C I elect to increase my qualified investment by all qualified progress expenditures made this and all later tax years D I claim full credit on certain ships under section 46(g)(3)

Table with 5 columns: 1 Recovery Property, Line, (1) Class of Property, (2) Unadjusted Basis, (3) Applicable Percentage, (4) Qualified Investment. Rows include Regular Percentage and \$48(q) Election to Reduce Credit.

PART II - Qualified Investment: 2 Nonrecovery property, 3 New commuter highway vehicle, 4 Used commuter highway vehicle, 5 Total qualified investment in 10% property, 6 Qualified rehabilitation expenditures, 7 Corporations checking election box A above.

PART III - Tentative Regular Investment Credit: 8 10% of line 5, 9 15% of line 6a, 10 20% of line 6b, 11 25% of line 6c, 12 Corporations checking election box A, 13 Credit from cooperative, 14 Current year regular investment credit, 15 Carryover of unused credits, 16 Carryback of unused credits, 17 Tentative regular investment credit.

PART IV - Tax Liability Limitations: 18 a Individuals, b Estates and trusts, c Corporations, d Other organizations; 19 a Individuals, b Estates and trusts, c Corporations, d Other organizations; 20 Income tax liability as adjusted; 21 a Enter smaller of line 20 or \$25,000; 21b If line 20 is more than \$25,000; 22 Regular investment credit limitation; 23 Allowed regular investment credit; 24 Business energy investment credit limitation; 25 Business energy investment credit; 26 Allowed business energy investment credit; 27 Total allowed regular and business energy investment credit.

PROBLEM I, ALT. TWO

Recapture of Investment Credit
(Including Energy Investment Credit)

Form **4255**
(Rev. Nov. 1981)
Department of the Treasury
Internal Revenue Service

OMB No. 1545-0166
Expires 11-30-83

▶ Attach to your income tax return

▶ Attach separate schedules for recapture of investment credit from disposed qualified progress expenditure property and property ceasing to be at risk (see instructions for lines 13a and 13b).

Name **INSOLVENT FARMER'S TRUSTEE** Identifying number as shown on page 1 of your tax return

Properties	Kind of property (State whether recovery or nonrecovery. If energy property, show type of property. Indicate if rehabilitation expenditure property.)
A	Farm Machinery
B	
C	
D	
E	

Computation Steps:	Properties				
	A	B	C	D	E
1 Original rate of credit	10%				
2 Date property was placed in service	1977				
3 Cost or other basis	30,000				
4 Original estimated useful life or class of property (see instructions)	7				
5 Applicable percentage	100%				
6 Original qualified investment (line 3 times line 5)	30,000				
7 Original credit (line 1 times line 6)	3,000				
8 Date property ceased to be investment credit property (see instructions)	3/1/82				
9 Number of full years between the date on line 2 and the date on line 8	4				
10 Recapture percentage (see instructions)	66.6%				
11 Tentative recapture tax—Line 7 times line 10					
12 Add line 11, columns A through E					12,000
13 a Enter tax from disposed qualified progress expenditure property (attach separate computation)					-0-
b Enter tax from any part of property ceasing to be at risk (attach separate computation)					-0-
14 Total—Add lines 12, 13a and 13b					2,000
15 Unused credit—Do not enter more than line 14 (see instructions)					-0-
16 Total increase in tax—Subtract line 15 from line 14. Enter here and on the proper line of your tax return. Do not use this amount to reduce current year's investment credit figured on Form 3468, Computation of Investment Credit. Any unused credit on line 15 cannot be used in any year as a carryback or carryover					2,000

For Paperwork Reduction Act Notice, see Instructions on back.

Form **4255** (Rev. 11-81)

Form 4797 (1982)

Page 2

Part III Gain From Disposition of Property Under Sections 1245, 1250, 1251, 1252, 1254, 1255
Skip lines 20 and 21 if you did not dispose of farm property or farmland, or if a partnership files this form.

12 Description of sections 1245, 1250, 1251, 1252, 1254, and 1255 property:	Date acquired (mo., day, yr.)	Date sold (mo., day, yr.)
(A) Farm Machinery		
(B)		
(C)		
(D)		

Relate lines 12(A) through 12(D) to these columns ▶▶▶	Property (A)	Property (B)	Property (C)	Property (D)
13 Gross sales price minus expense of sale	177,000			
14 Cost or other basis	192,000			
15 Depreciation (or depletion) allowed (or allowable)	84,000			
16 Adjusted basis, subtract line 15 from line 14	107,400			
17 Total gain, subtract line 16 from line 13	69,600			
18 If section 1245 property:				
(a) Depreciation allowed (or allowable) after applicable date (see instructions)	84,600			
(b) Enter smaller of line 17 or 18(a)	69,600			
19 If section 1250 property: (If straight line depreciation used, enter zero on line 19(f).)				
(a) Additional depreciation after 12/31/75				
(b) Applicable percentage times the smaller of line 17 or line 19(a) (see instruction G.4)				
(c) Subtract line 19(a) from line 17. If line 17 is not more than line 19(a), skip lines 19(d) and 19(e)				
(d) Additional depreciation after 12/31/69 and before 1/1/76				
(e) Applicable percentage times the smaller of line 19(c) or 19(d) (see instruction G.4)				
(f) Add lines 19(b), and 19(e)				
20 If section 1251 property:				
(a) If farmland, enter soil, water, and land clearing expenses for current year and the four preceding years				
(b) If farm property other than land, subtract line 18(b) from line 17; if farmland, enter smaller of line 17 or 20(a)				
(c) Excess deductions account (see instruction G.5)				
(d) Enter smaller of line 20(b) or 20(c)				
21 If section 1252 property:				
(a) Soil, water, and land clearing expenses				
(b) Amount from line 20(d), if none enter zero				
(c) Subtract line 21(b) from line 21(a). If line 21(b) is more than line 21(a), enter zero				
(d) Line 21(c) times applicable percentage (see instruction G.5)				
(e) Subtract line 21(b) from line 17				
(f) Enter smaller of line 21(d) or 21(e)				
22 If section 1254 property:				
(a) Intangible drilling and development costs deducted after 12/31/75 (see instruction G.6)				
(b) Enter smaller of line 17 or 22(a)				
23 If section 1255 property:				
(a) Applicable percentage of payments excluded from income under section 126 (see instruction G.7)				
(b) Enter the smaller of line 17 or 23(a)				
Summary of Part III Gains (Complete Property columns (A) through (D) through line 23(b) before going to line 24)				
24 Total gains for all properties (add columns (A) through (D), line 17)				69,600
25 Add columns (A) through (D), lines 18(b), 19(f), 20(d), 21(f), 22(b) and 23(b). Enter here and on Part II, line 7				69,600
26 Subtract line 25 from line 24. Enter the portion from casualty and theft on Form 4684, line 19; enter the portion from other than casualty and theft on Form 4797, Part I, line 3				

Part IV Complete this Part Only if You Elect Out of the Installment Method And Report a Note or Other Obligation at Less Than Full Face Value

Check here if you elect out of the installment method.
 Enter the face amount of the note or other obligation ▶
 Enter the percentage of valuation of the note or other obligation ▶