

WOOLF ENTERPRISES NAMED 2004 AG BUSINESS AWARD WINNER

Baker, Peterson & Franklin, Certified Public Accountants, is pleased to announce the recipient of the 2004 Baker, Peterson & Franklin Ag Business Award is Woolf Enterprises of Fresno.

Woolf Enterprises exemplifies a leading for-profit ag organization whose achievements and impact have significantly contributed to the ag industry and the Central Valley. The Baker, Peterson & Franklin Ag Business Award honors a for-profit service or product-related agribusiness or farming entity headquartered in the Central San Joaquin Valley. The award recipient is selected by a committee representing the local agribusiness industry and the BP&F Ag Department. Past recipients are Producers Dairy Foods of Fresno, P-R Farms of Clovis, J&L Vineyards of Fresno, Fowler Packing Company, Joseph Gallo Farms of Atwater, Wawona Frozen Foods of Clovis, Wilbur-Ellis Western Division, and Zacky Farms.

With humble beginnings in 1974 as a row crop operation in the Huron area, Woolf Enterprises has been a major influence and leader in the development of West Side farming and water. The founder and present chairman, Jack Woolf, has been a true pioneer in San Joaquin Valley agriculture dating back to the 1940s as Russell Giffen's business manager.

Woolf Enterprises is a family farm operation owned by Jack and Bernice Woolf, their six children and families. The key leadership role is now held by son, Stuart Woolf, who serves as President and CEO. This family corporation is governed by a board of directors which includes Woolf family members as well as four non-family members, all of whom serve on the board because of the family's desire to bring different perspectives and improve their farming operation.

In thirty years, Woolf Enterprises has substantially increased in size and operations. The company is an outstanding example of a vertically integrated producer and processing farm operation. To assure its success in the future, the family has expanded and diversified their farming operation to include row crops (tomatoes, garlic, cotton, wheat, alfalfa) and permanent crops (wine grapes, almonds, and pistachios). It is a major principal in the Harris Woolf California Almonds processing plant, Los Gatos Tomato Products processing plant, Huron Ginning Company, Woolf Nursery (almond trees), and Cal-West Rain (irrigation supplies).



It has been a leader and innovator in land and water stewardship including its advanced land-leveling techniques, use of GPS (Global Positioning System), and pioneering development of irrigation systems.

Woolf Enterprises and the entire family contribute and are leaders in numerous community and commodity organizations. In 1999, Jack Woolf was honored as the Greater Fresno Chamber of Commerce Agriculturist of the Year. This year, Bernice Woolf received the Common Threads Women in Agriculture award.

Woolf Enterprises is a role model in agriculture for their longevity, family succession, diversity, leadership, and service to the community. It is the finest of examples of a diversified, vertically integrated family owned and managed agriculture operation making them the 2004 Baker, Peterson & Franklin Ag Business Award recipient.

CAROL CHANDLER NAMED 2004 AGRICULTURIST OF THE YEAR

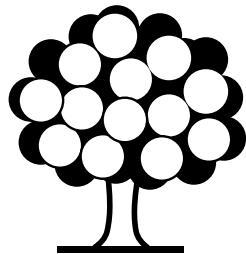
Carol has dedicated her life to participating in activities aimed at sustaining the viability of the agricultural industry.

The Greater Fresno Area Chamber of Commerce announced that Carol Chandler has been named the 2004 Agriculturist of the Year. This distinguished award is given annually to an individual who exemplifies leadership and integrity in the Central Valley's agricultural business community.

Carol, the first woman to receive the Agriculturist of the Year award, was described as "an active tireless advocate for agriculture and education, as well as a role model for all women who are passionate about their beliefs and their community."

Carol is a partner of Chandler Farms, farming grapes, almonds, and tree fruit with her husband, Bill. She modestly indicates that she handles the business administration portion of the operation; however, her involvement in Chandler Farms extends far beyond her family's interest. Carol has dedicated her life to participating in activities aimed at sustaining the viability of the entire agricultural industry.

Carol received her bachelor's degree from the University of California, Davis, and her master's degree from California State University, Fresno. She taught at San Joaquin Valley schools, including Fresno City College, before devoting full time to the family business.



Committed to education and to the continuing health of the agriculture industry in California, she is very active in her local community and participates in several service and civic organizations statewide. She was appointed by Governor Arnold Schwarzenegger to the California State University Board of Trustees and by Governor Pete Wilson to the California Post-secondary Education Commission and the University of California Board of Regents. She was appointed by U.S. Secretary of Agriculture Ann Veneman to the Advisory Committee on Emerging Markets. She served as State President of California Women for Agriculture, currently is a member of the board of the Western Growers Association and their first woman on the board, and was honored as one of California State Legislature's Women of the Year in 1992 and 2002. She belongs to the Institute for Family Business, Junior League of Fresno, and the Common Threads Committee, which honors philanthropic women in Valley communities.

AMERICAN JOBS CREATION ACT OF 2004 AND YEAR-END PLANNING

by Karen E. Morais, CPA

On Oct. 22, 2004, the President signed into law the American Jobs Creation Act of 2004. This massive tax law replaces the U.S. export tax regime with broad-based tax relief for domestic manufacturing, U.S. multinationals, and a wide variety of other businesses and industries. It also includes a number of important changes for individuals. Here's what you need to know right now about the more widely applicable tax changes for businesses and individuals in this important new law:

- For property placed in service after Oct. 22, 2004, the Act limits the amount of the cost of a heavy SUV that may be expensed to \$25,000.
- The Act treats qualified leasehold improvements and restaurant property placed in service after Oct. 22, 2004 and before 2006 as 15-year recovery property depreciated using the straight-line method.
- Effective for distributions in tax years beginning after Oct. 22, 2004, the Act provides that, to the extent provided in or-

ganizational documents of the cooperative, dividends on capital stock won't reduce patronage income or prevent the cooperative from being treated as operating on a cooperative basis.

- For tax years ending after Oct. 22, 2004, the Act provides that the small producer tax credit flows through to cooperative members.
- Generally for electricity sold and produced after Oct. 22, 2004, the Act expands the credit for electricity produced from renewable resources to include open-loop biomass, geothermal and solar energy, small irrigation power, landfill gas, trash combustion and refined coal production facilities.
- Allows taxpayers who itemize their deductions to deduct state and local general sales and use taxes in 2004 and 2005, instead of deducting state and local income taxes. This may not be useful in California, but should be considered if you make large purchases.
- Creates tougher deduction and substantiation rules for post-2004 charitable contributions of autos, thereby giving taxpayers an incentive to donate autos in this year rather than the next.
- Allows gain from the sale of livestock due to drought, flood, or other weather-related conditions to be deferred for four years, (rather than two years) and the rancher is permitted to reinvest in other ranch equipment or property, as well as livestock. The extended period also applies for purposes of the election to defer gain from forced sales of livestock due to weather-related conditions by cash basis farmers. These changes are effective for any tax year for which the due date of the return is after 2002.



AG AWARDS LUNCHEON SET FOR DECEMBER 1

The Ag Awards Luncheon honoring Woolf Enterprises, BP&F Ag Business of the Year, and Carol Chandler, the Chamber's Agriculturist of the Year, will be held Wednesday, December 1 in the Agriculture Building at the Fresno Fairgrounds. The keynote speaker is the California Undersecretary of Agriculture, Chuck Ahlem. Luncheon tickets are \$30, and are available from the Chamber at 495-4800.

“Bonus” first-year depreciation was not extended by recent tax legislation. Thus, it generally won’t be available for assets bought and placed in service after 2004.

- Extends the option of income averaging to individuals engaged in the trade or business of fishing and coordinates income averaging with the AMT so that use of averaging won’t increase AMT for both farmers and fishermen. These provisions are effective for tax years beginning after 2003.
- The Act repeals the ETI (Extra Territorial Income Exclusion) regime for transactions entered into after Dec. 31, 2004 subject to a phase-out that will allow current beneficiaries to claim an amount equal to 80% for the 2005 tax year and 60% for the 2006 tax year of ETI benefits except for transactions under a binding contract in effect on Sep 17, 2003 between the taxpayer and an unrelated person.

The Working Families Tax Relief Act of 2004 was passed earlier in 2004. Some of the provisions:

- Extends certain credits through 2005 (including the Research Credit, Work Opportunity Credit, Welfare-To-Work Credit and Qualified Electric Vehicles).
- Keeps the child tax credit at \$1,000 through 2010.
- Extends marriage penalty relief through 2010.
- The WFTRA also extends a special deduction for educators who incur teaching-related expenses through 2005.
- Extends increased AMT exemption amounts through 2005.

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We have compiled a checklist of actions that may help you to save taxes if you act before

year-end. Not all actions will apply to everyone, but many clients will benefit from numerous items.

- If you own an interest in a partnership or S corporation you may need to increase your basis in the entity so you can deduct a loss from it for this year.
- If you have any capital gains or losses from sales of stock or other capital assets or you have stock or other capital assets that are ripe for sale, it may be advisable for us to meet to discuss how you can best coordinate timing your gains and losses to minimize tax on your gains and maximize the tax benefit from your losses.
- Business clients should consider putting new equipment in service before year-end to get a 50% bonus first-year depreciation allowance, plus regular depreciation deductions on the remaining adjusted basis. 2004 is the last year for the bonus.
- Business clients also should consider making expenditures that qualify for the \$102,000 business property expensing option.
- You may be able to save taxes this year and next year by applying a bunching strategy to “miscellaneous” itemized deductions, medical expenses and other itemized deductions.
- Self-employed individuals should consider setting up a self-employed retirement plan.
- You can save gift and estate taxes by making gifts sheltered by the annual gift tax exclusion before the end of the year. You can give \$11,000 each year to an unlimited number of individuals but you can’t carry over unused exclusions from one year to the next.
- If you’re thinking of donating a used auto to charity, consider doing so before 2005 in order to maximize your deduction

GIFTING FARM ASSETS

By Toni Porter, CPA, MST

Gifts of assets to a family member who wishes to be a farmer can be a valuable tool in the transfer process. Gifting can be used to: (1) help reduce a taxable estate; (2) transfer income tax obligations to children; and (3) help get a young farmer established.

Gifts are always valued at fair market value (FMV) at the time of the gift. Federal law allows a person to give \$11,000 per recipient per year and pay no gift taxes. A husband and wife can jointly give individually owned property so that together they can give \$22,000 per recipient per year. For example, a husband and wife could join together and give a 20 acre parcel of land (worth \$88,000) to their four children in a single year. Each child would receive \$22,000 of gift valuation with no gift tax ramifications.

Unlimited gifts can be given to spouse or to a charity in any year with no gift tax consequence. Currently, every person has a lifetime exemption that will offset gift taxes up to \$1,000,000. Gifts given in excess of the annual exclusion (\$11,000) reduce the lifetime \$1,000,000 exempted amount. Example: Sally Smith gave \$50,000 to her son, Paul, in 2003. After subtracting the \$11,000 annual exclusion, a taxable gift of \$39,000 remained. This remainder is subtracted from her \$1,000,000 credit amount leaving \$961,000 of the credit to be used for future gifts. No gift tax is payable until the total \$1,000,000 credit amount is used up.

A gift tax return (Form 709) must be filed on gifts to any individual, other than to a spouse, that exceed the annual \$11,000 exclusion. If gift taxes are payable, they are paid by the donor (giver) not by the donee (receiver).

Gifts of commodities can be used in parent-to-child transfers. If a parent gives a portion of a commodity produced in the farming operation to their children, the consequences are as follows: (1) If FMV is under \$11,000, no gift tax is required, (2) The cash basis parent does not include the commodity on his or her tax return, thus reducing both income and self employment (SE) taxes and (3) The child must show the income on his or her tax return and pay income tax, but no SE tax unless the child is also in the business of farming.

If the parent gifted the commodity in the year of production, he or she must reduce deductible expenses by the cost of producing the commodity (basis), but the child gets to use that carryover of basis as an expense. If the gift is made with a commodity produced in a year prior to the gift, the basis in the grain is zero to the children. When giving produce, it is generally best to give crops produced in a year prior to the time of the gift.

Gifting low basis machinery to the next generation can reduce the parents' income tax that would result when the equipment is sold and provide the children with needed equity and borrowing power. If gifting a machine, it should be documented by the donor in writing that the gift is being made. Any basis relating to the gifted machine passes to the receiver of the gift. If land is being gifted, the donor can either deed over actual acres to each child or an undivided interest in property to several children.

Gifting is a very useful transfer and estate planning tool. However, once an asset is gifted away you have no control of it and can expect no income stream from it. Consequently, the donor's financial security must be considered before proceeding.

A husband and wife can jointly give individually owned property so that together they can give \$22,000 per recipient per year.



CALENDAR

- November 25** Thanksgiving (BP&F office closed the 25th and the 26th).
- December 1** Fresno Chamber of Commerce Ag Awards Luncheon honoring the Agriculturalist of the Year and the Baker, Peterson & Franklin Ag Business Award winner. Reservation information (559) 495-4800.
- December 25** Christmas (BP&F office closed the 24th).
- January 1** New Years Day (BP&F office closed December 31st).
- March 1** Due date for tax returns of taxpayers filing as Farmers
- March 11** Common Threads Luncheon. Further information or applications to nominate someone, contact Christy Melvold at (559) 278-4266.
- March 15** Due date for tax returns of calendar year-end corporations.
- April 15** Due date for individual tax returns.

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