



# BUSINESS MANAGEMENT

AMERICAN SOD PRODUCERS ASSOCIATION

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## IRS SECTION 89 BENEFITS TESTS CREATE CONFUSION AND CONCERN

Beginning January 1, employers will have to conduct some very complicated and confusing tests to determine if their employee-benefit plans discriminate in favor of high-salaried employees. Section 89 of the Internal Revenue Code now specifies that if a plan in fact discriminates, it can be continued; however, the employee must pay income tax on "excess" benefit values.

A major problem exists because the IRS has yet to issue final guidelines on how an employer must determine what is or is not discriminatory and precisely who the so-called high-salaried individuals might be. The regulations are not expected from the IRS for some time, perhaps even after the new year.

At this time, it is known that the employer must have a written benefits plan, employees must be notified of the benefit availability, it must be for the exclusive benefit of the employees and the employees' rights must be legally enforceable. Lastly, there must be an intent to permanently maintain the plan.

Because of the complexity of the regulation and the substantial sanctions that can be applied to employers, the best advice at this time is to contact your insurance providers, accountants and legal counsel. The effects of this regulation may be to eliminate some or all health-type benefit plans altogether.



# OFF-ROAD DIESEL TAX REPEALED, REFUND PROCESS TO BE DEFINED

No longer will U.S. turfgrass sod farmers have to pay off-road diesel fuel taxes and then file for a refund. With the stroke of a pen, President Reagan signed the technical corrections tax bill that repealed the 1987 law which caused consternation.

Refund procedures, which have yet to be established, will offer a one-time-only refund, with interest, for fuel purchased between April 1, 1988 and January 1, 1989, when the new law becomes effective. Details of the procedure will be announced as soon as they become available.

# MACHINERY PARTS ELIGIBLE FOR IMMEDIATE DEPRECIATION: IRS

According to IRS Revenue Ruling 69-201, depreciation deductions are available immediately upon purchase and do not have to be delayed until some future date, such as when they are put into use on a machine.

While machinery cannot be depreciated until it is placed into actual service, some firms overlook the immediate depreciation of parts, and thus a valuable tax advantage.

# 1989 NOT EXPECTED TO REPEAT '89 DROUGHT, STRONG SUPPLY AND MARKETS ANTICIPATED

Having survived the "Summer of '88," cautious eyes are scanning the horizons for 1989, but at least one expert suggests the 1988 drought won't be matched in 1989. Turfgrass sod marketing might also face brighter times as a result.

According to Dr. Paul Handler, publisher of "Atlas Forecasts," only once in the last 122 years has there been two consecutive summer droughts that caused more than modest crop losses. In addition, he suggests that even if 1989 is drier than normal additional planted acreage (especially of grains) will provide a very adequate harvest.

For turfgrass sod producers, the outlook could be very good. Strong marketing could result in many "burned-out" lawn areas being renovated with sod, thus creating additional demand in many markets already enjoying strong sales. Additionally, the sod acreage that was "nursed" through the drought should have recovered and be ready for 1989 harvesting.

# "MERRY X-MAS, HERE'S A NEW LAWN!"

Some enterprising sod producers will surely make an offer that will be hard to refuse, especially to a homeowner who lost the best part of their yard (the grass) to the '88 drought.

Establishing a fixed price, and guaranteeing availability of sod as soon as practicable, could be very attractive to many homeowners, especially when rising prices and questionable inventories may be experienced this coming Spring. Accepting deposits for known future sales could be very attractive to cash-pressed turf producers and sod installers. All could win.

## TACKLING YOUR TAX OBLIGATIONS

Prepared by Ronald Nixon, Chairman  
ASPA Business Management Committee

Come next March or April, you will be bombarded with lots of free tax advice. That may be when the majority of people file their tax returns, but it is not the time to do tax reduction planning. Though you may make payments into retirement plans, most expenditures must accrue during the fiscal year that you are filing for. So, that makes right now, as well as all year long, a perfect time to do tax planning.

Tax planning is not avoiding taxes, or doing something illegal. That is wrong and it will catch up with you. Tax planning is knowing tax laws in very general terms and considering your tax obligations whenever a monetary decision is made. It also means managing your expenses as intensely as your income.

You should be able to estimate your income for the year when sales are leveling off near year's end. At that time, essential spending such as labor, seed, fertilizer, chemicals and fuel should be established. By already knowing the income and expenses for the year, your accountant can easily estimate your tax obligations for the year. Knowing this before the fiscal year ends gives you powerful knowledge to make better monetary decisions.

If your tax burden is too high, you might start buying supplies for next year. An example of this is that some fertilizer companies promote prepayment on next year's fertilizer by paying a high rate of interest on the prepayment money. Equipment needs should be looked at, but this is not as attractive since the loss of investment tax credits. Improvement projects for the farm could be considered and although not essential, they might improve the appearance or productivity of the business.

If the tax obligation is light, non-essential spending could be put on hold. It would be an excellent time to do improvement projects that take time, but not much money.

Another factor to consider in managing your tax obligations is the expected income or expense for future years. You do not want to make next year's obligation worse by pushing this year's burden into next year. I wish you good luck in guessing what the economy will be for the future. However, there are factors you can project, such as when will there be major equipment replacement requirements or expansion plans in your future?

Every dollar invested in the business will work for you while your tax dollars are gone. If you invest those dollars wisely and correctly, the farm business will be more profitable in the future, when the tax burden may be greater. Good Luck!



OSHA\_HAZ\_COMM\_KIT  
WORTH\_THE\_\$18\_INVESTMENT

The previous issue of this newsletter mentioned the expected availability of a U.S. OSHA compliance kit to help sod producers meet the requirements of the "Hazard Communications" program. That publication has now been distributed, and it certainly is worth its \$18 cost.

While the business will still have a lot of work ahead of it, the OSHA publication offers clearly written, step-by-step procedures, suggestions and sample forms. It compares very favorably with other publications costing much more.

Order Publication #929-022-00000-9, directly from the U.S. Government Printing Office, Washington, D.C. 20402-9371. Enclose payment for \$18 with your order.

SKIN\_CANCER\_DETECTION,\_NECESSARY\_&\_EASY  
FOR\_OUT-OF-DOORS\_WORKERS

Direct and long-term exposure to the sun, as experienced by almost everyone on a farm, has been shown to cause skin cancer. According to the American Academy of Dermatology, monthly examinations can detect cancers at their earliest and most treatable stages.

The academy advises you to closely examine your entire body in bright light before a full-length mirror. Raise your arms and bend your elbows, looking closely at forearms, upper arms, palms, neck, etc. Look for new moles with irregular borders, or ones that are bigger than a pencil eraser. Changes in the surface of moles, especially development of scaliness, oozing or bleeding also call for a visit to the doctor's office.

While it may be the source of several day's of off-color joking among the employees, encouraging them to perform this simple monthly examine could easily save everyone pain and suffering in the future. Don't forget to perform the exam on yourself.

SAFE-DRIVING\_COURSES  
SAVE\_LIVES,\_DAMAGE\_AND\_DOLLARS

Enrolling your drivers in a safe-driving course can save company drivers, as well as lives and property damage. One recent example is the result of 30 sheriff's department officers who took a GM sponsored accident-avoidance course and during the next two years had 51% fewer accidents than an equal number of officers who did not take the course.