AGRICULTURAL AND RURAL INCOME TAX EDUCATION
OVER THE YEARS: AN EXTENSION PROGRAM
OF LAND GRANT UNIVERSITIES

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Abstract

Income tax regulations in the United States are complex, voluminous, and ever changing. Continuing education for professional tax preparers is necessary and is required for most categories of tax professionals. For decades the cooperative extension services of the Land Grant Universities have offered tax education for their constituents. This has developed into a collaborative effort led by the Land Grant University Tax Education Foundation (LGUTEF). The twenty-six member institutions of LGUTEF offered materials and training for approximately 30,000 tax professionals in 32 states 2012. North Carolina State University and the University of Kentucky are two states that offer a range of seminars to tax professionals in their respective states. This paper discusses the historical development of tax education, the logistics of its delivery, and the challenges of the future.

Keywords: taxation, education, LGUTEF, U.S.

1. Historic overview

Taxes and tax collectors are as old as the Bible, if not older. Ancient civilizations ruled by kings required “tribute” from the conquered. These tribute payments were a form of tax. Governments need revenues to provide various services and programs to the citizens of the land. Citizens, though required to pay taxes, desire to minimize that burden, especially in regards to the tax based on income.

In the United States, the earliest record of a federal income tax was legislation signed by President Abraham Lincoln, in 1862, to provide funding to pay the expenses of the American Civil War. The tax was levied on income in two brackets: a three percent tax on incomes between $600 and $10,000; and a second bracket imposed a five percent tax on all incomes above $10,000. This tax was repealed in 1872 (A Brief History of Taxes, 2013).

In 1913 the States ratified the 16th Amendment to the United States Constitution establishing income taxation as a major source of federal revenue. Since this legislation became the law of the land, the modern tax code has grown to be a complicated set of rules to be followed by individuals and businesses alike. Estimates of the size of the Internal Revenue Code (IRC) range from 34,000 to 1,000,000 pages. The latter attributed to President George W. Bush. Further, the IRC does not include other regulations and court case rulings that add to the volume of materials taxpayers must contend with annually. The last major attempt by the United States Congress to “overhaul” the Internal Revenue Code occurred during the Reagan administration with the passage of the Tax Reform Act of 1986. With the most recent tax legislation, the American Taxpayer Relief Act of 2012 passed on January 2, 2013, the highest marginal income tax rate became 39.6%, down
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from 50% in the early 1980s, a 70% top rate during the 1970s and an extremely top rate of 91% as recently as 1963 (A Brief History of Taxes, 2013).

To further complicate tax matters, the safety net of Social Security was created as part of President Roosevelt’s New Deal in the 1930s. Social Security payments were to be paid by those working today for those who have retired. Original legislation for social security did not include farmers. However, farmers came under the obligation to pay self-employment (Social Security) taxes in 1955 (Carmen, 1997). Since the 1950s when the maximum social security tax paid was $126 (3% of a maximum of $4,200 of self-employed earnings), the rate and the upper limit of earnings have increased to 15.3% and $113,700 (Effects of Federal Tax Policy on Agriculture). The social security tax, not accounting for the unlimited 2.9% Medicare tax above the upper limit, is $17,396 for 2013. There is no upper limit on self-employed income for Medicare (www.ssa.gov). For farmers, as self-employed individuals, social security is a significant tax which needs to be managed in conjunction with income taxes.

2. Educational programming

As tax obligations grew in quantity and complexity, educational efforts were needed to help rural and urban citizens alike understand the complicated IRC and their obligations to file income tax returns. Land grant universities with cooperative extension services were in a unique position to provide this education.

An Extension effort of the North Central Farm Management Extension Committee (NCFMEC) led to the development of “Income Tax for Farmers” a publication published by the Committee from 1948 through 1954. In 1955 the Internal Revenue Service (IRS) took over the publication and it was re-titled “The Farmer’s Tax Guide.” Since 1955, the National Farm Income Tax Extension Committee has collaborated with IRS to publish the guide annually (Edwards, 2013).

Land Grant universities in the United States, through their respective cooperative extension services, developed and conducted educational programs for rural citizens focused on preparing and filing federal income tax returns beginning in the 1940s. These educational programs, initially delivered at the county level grew into state-wide educational programs for the emerging income tax preparation industry. In North Carolina, the first extension tax school in 1949, was known as the “Farm Tax School” and used the NCFMEC publication as the text. North Carolina State University conducted its sixty-third two-day Income Tax School for tax practitioners in November and December of 2012 through the Office of Professional Development (OPD) an office in the Division of Continuing Education. Kentucky’s tax education programming began in 1963 also as a “Farm Tax School” and evolved into “Income Tax Seminars” for a wide range of tax professionals.

3. Resources

Development of high quality teaching material for a reasonable cost is always a challenge. Public universities are no exception to this challenge; however, these institutions can draw on faculty for expertise. The NCFMEC created a useful document in 1948 for teaching farmers about income tax obligations, and the advent of self-employment tax on net farm income increased the demand for teaching materials. Following the NCFMEC model, university faculty began to collaborate to develop texts for income tax education purposes. The University of Illinois at Champaign-Urbana was an institution with a history of farm tax schools. C. Allen Bock, a faculty member in the Department Agricultural Economics and an attorney, became the “editor-in-chief”
of a roughly 700 page text used by many land grant university tax school programs. Bock’s vision was to develop a cadre of authors and contributors from these sister land grant institutions. Such a collaborative effort was created and grew during the 1980s and 1990s. Following Bock’s untimely death in 1999 changes in the editorial leadership were necessary. After an interim period, collaborating universities undertook a review of the process by which the book was created. At the conclusion of the review a decision was made to create an affiliated organization separate from any one university, but responsive to member universities to continue to develop and publish a national tax education workbook. In spite of its length and complexity, the uniformity of the tax code permits a single national publication to be applicable across all fifty states.

In 2001 the Land Grant University Tax Education Foundation, Inc. (LGUTEF) was created to continue the legacy of cooperation and the publication of a national tax book that C. Allen Bock husbanded during his tenure at the University of Illinois. In 2012 LGUTEF published 30,000 copies of the *National Income Tax Workbook* which was used by 26 members. These 26 members include 23 land grant Universities and 3 private companies which serve states where the land grant university does not have a tax education program (Land Grant University Tax Education Foundation). These programs offer income tax education in 32 states to tax preparers holding various credentials to meet mandatory continuing education requirements. Shaded states in Figure 1 offer LGUTEF based tax education seminars.

Interestingly, the University of Illinois elected not to join LGUTEF. The University of Illinois has continued to produce a text for use in tax schools, predominately in the state of Illinois. It is reported that they produce approximately 10,000 copies of their text annually.

Continuing education for income tax practitioners is delivered by range of providers: academic institutions both public and private, private enterprises that specialize in professional education, and industry organizations both at the state and national levels. The University of Kentucky and North Carolina State University are both land grant universities which are members of LGUTEF and provide continuing education to tax preparers. Indiana University and the University of Louisville in Kentucky are examples of public universities that offer continuing education as an

![Figure 1. Land Grant University Tax Education Foundation affiliated states](image-url)
outreach program of their business schools. Professional Tax Institutes, Inc. is an example of a private firm which conducts tax education across the United States for tax preparers. The North Carolina Association of Certified Public Accountants (ncaCPA) is an example of a state level professional organization that provides continuing education on tax issues as part of its mission. Finally, the American Institute of Certified Public Accountants (AICPA) is an example of a national trade organization which provides continuing education. These entities may offer publications for purchase to use for instructional purposes as well as delivery of in-house continuing education. Another continuing education book for teaching tax issues is the University of Denver’s text which they use in their Accountant’s Tax Education program and offer it for sale to other providers (www.aes.du.edu).

Cooperation among extension professionals is a mainstay in delivery of nationally focused programs which affect all citizens regardless of their home state. Due to decreasing resources coming from state and federal funding, individual land grant universities may not replace retiring tax knowledgeable extension faculty with persons that have equivalent training and interests as the retiree. In an effort to meet growing demand for peer-reviewed practical tax information and to fill gaps in institutional knowledge, extension specialists at 15 land grant universities collaborated to create Rural Tax Education (RTE). This collaboration led to the development of the website www.ruraltax.org for the electronic delivery of tax education material to rural business owners and extension educators. This website has over 45 fact sheets which discuss in detail tax topics which may affect farmers and rural business owners. The fact sheets are written in non-technical language so that farm and rural business owners can understand them and see how to report taxable transactions through examples. The website also has example tax returns and a 130 page e-book titled Tax Guide for Operators of Small to Medium Sized Farms. This text is intended to be a companion document to IRS Publication 225, The Farmer’s Tax Guide. Increased internet access in rural areas has made this an efficient and timely tool for delivering timely tax information. For example, following a late 2012 USDA legal settlement known as the “Keepseagle Settlement”, a fact sheet for the property reporting of settlement payments was posted in January of 2013. This enables recipients of this settlement to know how they must report this income on their 2012 federal income tax returns (Rural Tax Education’s).

4. Logistics of delivering tax education

Among the LGUTEF states there is both consistency and diversity of delivery of tax education. Most states offer two-day workshops that will meet a range of continuing education certification requirements for federal tax, federal tax updates, and ethics. Additionally, many states will offer one-day seminars on specific topics such as partnerships, corporations, agricultural and timber tax issues, or for specific audiences such as the Registered Tax Return Preparers.

North Carolina and Kentucky are two LGUTEF member states that provide relatively standard tax education programming. In 2012, Kentucky offered seventeen two-day intermediate level seminars and eight one-day seminars to 2,085 participants. North Carolina offered training to 1,476 attendees at 12 two-day schools. The seminars are distributed geographically across the states and are held in a variety of facilities ranging from Extension offices to hotel conference centers. Audience size ranges from about 30 to over 200. Instruction is delivered by Extension educators or other tax professionals that may include Certified Public Accountants, retired federal or state revenue agents, and other tax professionals. Participants receive a copy of the aforementioned
National Income Tax Workbook and instructors use accompanying PowerPoint presentations in a lecture format to deliver 50-minute blocks (to qualify for one hour of continuing education credit) of topical information.

Unlike many Extension education programs, tax education is offered on a cost recovery basis. Attendees pay fees ranging from $150 to $350 per participant. In addition to the National Income Tax Workbook and its companion searchable CD text, participants receive a 1000-page Master tax guide, a 200-page state tax update, the 90-page Farmers Tax Guide and other assorted print materials. Refreshment breaks (and lunch in some states) are also provided.

A variety of professionals engaged in tax counseling and/or tax preparation attend the workshops. These include accountants, bookkeepers, Enrolled Agents, attorneys, financial planners, and Registered Tax Return Preparers. Other participants include state and local tax agency personnel, bankers, and interested individuals who prepare their own taxes (although that last category is small and diminishing). Figure 2 is an illustration of the vocational distribution of the participants in Kentucky in 2012.

![Image of Figure 2: Income Tax Seminar Participation by Profession, Kentucky, 2012]

While the direct recipients of Extension tax education are the professional tax preparers and other institutional employees, the farm community remains a major beneficiary of these programming efforts. Kentucky’s 1,726 seminar participants reported filing an average of 33.4 Federal farm returns each in 2011 for the 2010 tax year. This represents 69.8% of the 82,700 farm returns reported by the IRS. North Carolina’s seminar participants reported filing 12,320 farm returns, or 25.8% of the total farm returns filed in 2011. This suggests that while few farmers attend the tax seminars, many farmers benefit from the increased knowledge gained by attending Extension tax education workshops (Internal Revenue Service).

5. Future

Extension face-to-face meetings have been a traditional time honored method of knowledge and technology transfer from land grant universities to the citizens of the university’s respective states. Income tax education is no exception. LGUTEF states deliver in-person training to approximately 30,000 tax professionals each year. Evidence suggests that many of them are seasoned professionals. In Kentucky the average number of years of tax preparation experience reported by participants was 21.7 in 2012. Further many are repeat customers. Kentucky’s participants reported an average of 10.0 years of attending the UK Income Tax Seminars. While recent budget...
reductions have limited these type of delivery opportunities, the returning customers report that they appreciate the “on the spot’ consultation from an expert and often respond negatively to video or distance-delivered programming.

As technologies, budgets, and demographics change, universities and extension services are constantly challenged to provide access to up-to-date information to clientele, both students and adult learners in the field. Rural Tax Education, discussed above, is but one example of the use of the internet to publish and provide access to peer-reviewed timely information that improves the lives of the rural citizenry of the United States. Obviously, through the internet, the potential audience and consumer of such published information are worldwide. Publishing tax information, for example, helps develop a knowledge level for not only individuals subject to the tax laws of the United States, but also, in a small way, helps to educate those individuals with desire to come to the United States.

Continuing education requirements as part of a credentialing process change as technology advances. Certainly, on-line education through webinars and self-study courses are in the forefront of modern delivery. However, providers need to remain responsive to different demographics of learners. These may be the “old school” wanting a face-to-face, person-in-the-chair environment or the recent graduate well versed in on-line, cloud-based delivery systems that are accessible every hour of the day from anywhere in the world. Maintaining quality of delivery, rigor of curricula, and compliance with the “proof of attendance” are all necessary to ensure the integrity of the provider, the student, and the credentialing agency. This is a challenge to be met and overcome.

6. References

Rural Tax Education is a project undertaken by the National Farm Income Tax Extension Committee to provide accurate, peer-reviewed materials about income tax topics for farmers, ranchers and other producers, he said. This information is written in plain language that is accessible to farmers and ranchers. Rather than just a collection of materials, it is a website that can be continually updated to reflect changes in tax laws. Van der Hoeven said the committee has a 50-plus year history of working with the U.S. Internal Revenue Service to edit IRS Publication 225: The Farmer’s Tax Guide. As a vocational education program, agricultural education focuses on three major components: formal classroom instruction, career experience programs, and leadership development. These components are delivered through a competency-based curriculum in the context of agriculture. Agricultural education is an old and well-established area of study in the United States. At its onset agricultural education was part of a broad-based approach to rural education. The idea of making rural improvement a national issue was brought before President Roosevelt in 1906. As a result, the Country Life Commission was appointed in August 1908.