

FARM TAX AND RETIREMENT PLANNING IN GOOD ECONOMIC YEARS



Kansas Farm Management Association
Your Farm - Your Information - Your Decision

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4 SECTIONS

OVERVIEW

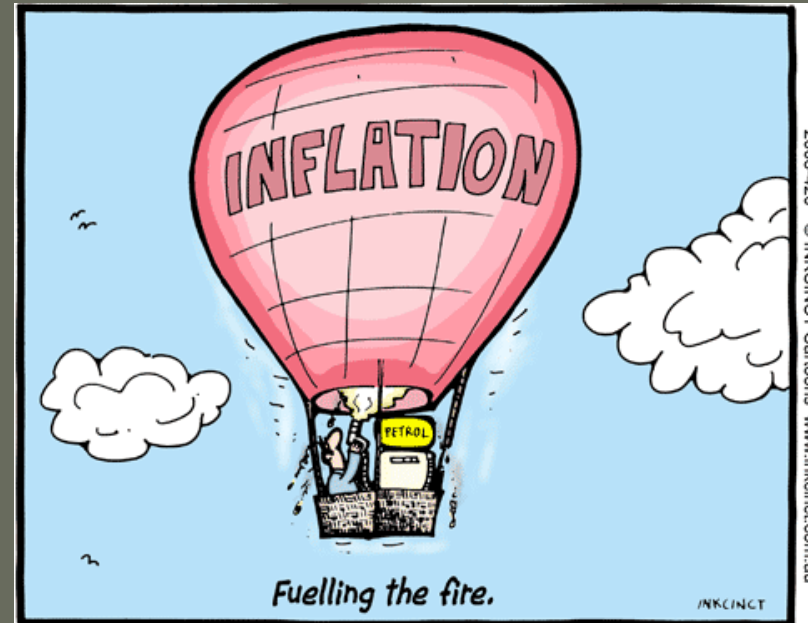
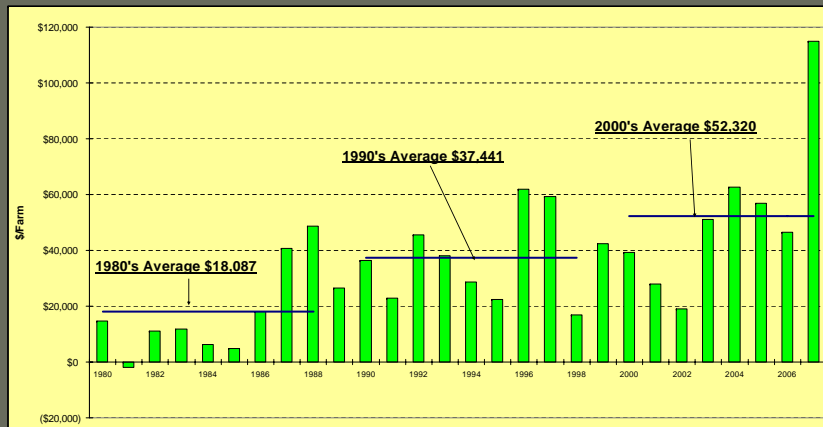
NEW TAX LEGISLATION

RETIREMENT PLANS

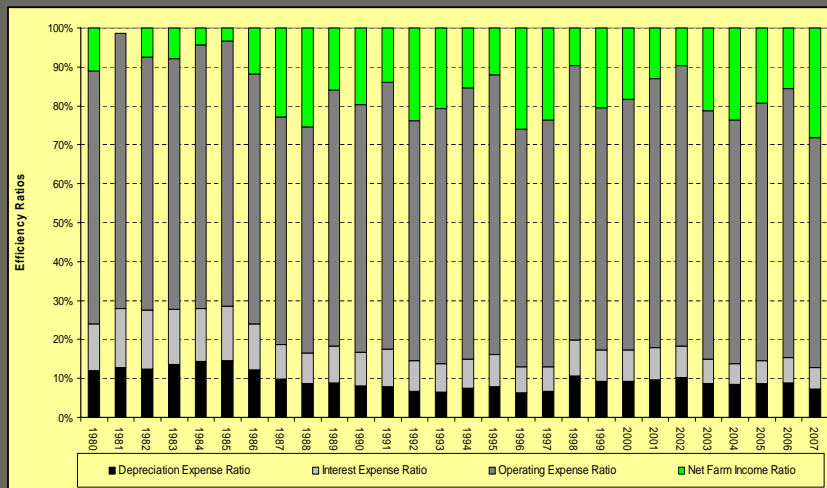
SPECIAL TAX ISSUES FOR FARMERS

Note: Additional detailed slides included on Risk & Profit CD

KANSAS FARM MANAGEMENT ASSOC. NET ACCRUAL FARM INCOME 1980-2007



KANSAS FARM MANAGEMENT ASSOC. EFFICIENCY MEASURES, 1980-2007



2008 NEW TAX LEGISLATION

SECTION 179 DEDUCTION



- Ability to expense certain capital purchases
 - IRS asset life of 10-years or less
- Phase-out range for deduction if too much spent on capital purchases
 - 2008: \$800,000 phase-out
 - 2009: much lower than 2008
- May be new or used asset
- Current Schedule
 - 2002 - \$24,000
 - 2003 - \$100,000
 - 2004 - \$102,000
 - 2005 - \$105,000
 - 2006 - \$108,000
 - 2007 - \$125,000
 - 2008 - \$250,000**
 - 2009 - \$128,000 + COLA**
 - 2010 - \$128,000 + COLA**
 - 2011 - \$25,000**

BONUS DEPRECIATION



- 2008 ONLY!!!
- 50% Level
 - Can accelerate ½ of asset cost, balance will be depreciated over normal IRS asset life
- 20-year Asset Life or Less
 - Most farm buildings would qualify
- Asset must be BRAND NEW, not used
- If using, incentive to trade assets with a higher depreciable basis



IRS ASSET-LIFE

Assets	GDS
Agricultural structures (single purpose)	10
Automobiles	5
Calculators and copiers	5
Cattle (dairy or breeding)	5
Communication equipment ¹	7
Computer and peripheral equipment	5
Drainage facilities	15
Farm buildings ²	20
Farm machinery and equipment	7
Fences (agricultural)	7
Goats and sheep (breeding)	5
Grain bin	7
Hogs (breeding)	3
Horses (age when placed in service)	
Breeding and working (12 years or less)	7
Breeding and working (more than 12 years)	3
Racing horses (more than 2 years)	3
Horticultural structures (single purpose)	10
Logging machinery and equipment ³	5
Nonresidential real property	39 ⁴
Office furniture, fixtures, and equipment (not calculators, copiers, or typewriters)	7
Paved lots	15
Residential rental property	27.5
Tractor units (over-the-road)	3
Trees or vines bearing fruit or nuts	10
Truck (heavy duty, unloaded weight 13,000 lbs. or more)	5
Truck (actual weight less than 13,000 lbs)	5
Water wells	15

Source: IRS publication 225, Farmer's Tax Guide 2007, www.irs.gov.

DOMESTIC PRODUCTION ACTIVITIES DEDUCTION



- ❑ Must pay W-2 wages to qualify
- ❑ Limited to
 - 50% of all form W-2 wages
 - 6% of qualified production activity net income
 - Must be from actual production of something, i.e. a crop. Not machine work, gov't payment, or resale income sources.
 - 6% of taxable income (AGI for Individuals)
- ❑ In 2010, will increase from 6% to 9%

WORK OPPORTUNITY TAX CREDIT



- ❑ Expanded to Rural Renewal Counties
- ❑ Up to a \$2,400 tax credit available for businesses hiring new employees living a rural renewal county
- ❑ Form more info: www.kansascommerce.com (type WOTC in the search box).

ELIGIBLE KANSAS RURAL RENEWAL COUNTIES

Atchison	Harper	Republic
Barber	Hodgeman	Rooks
Barton	Jewell	Rush
Brown	Kiowa	Russell
Clay	Labette	Scott
Cloud	Lane	Sheridan
Comanche	Lincoln	Sherman
Decatur	Marshall	Smith
Edwards	Mitchell	Stafford
Elk	Montgomery	Trego
Ellsworth	Ness	Wallace
Gove	Osborne	Washington
Graham	Phillips	Wichita
Greeley	Rawlins	Woodson
Greenwood		

RETIREMENT PLANS

Can farmers afford to not participate in traditional retirement plans?



ADVANTAGES OF ESTABLISHING A RETIREMENT PLAN

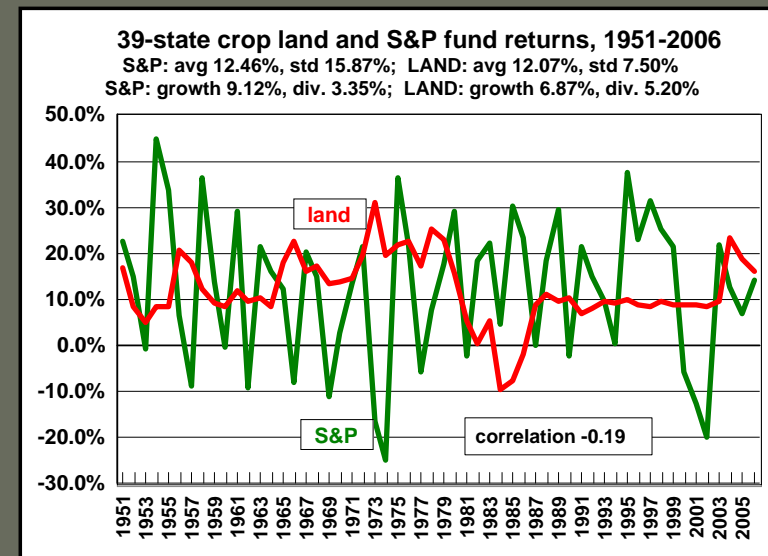
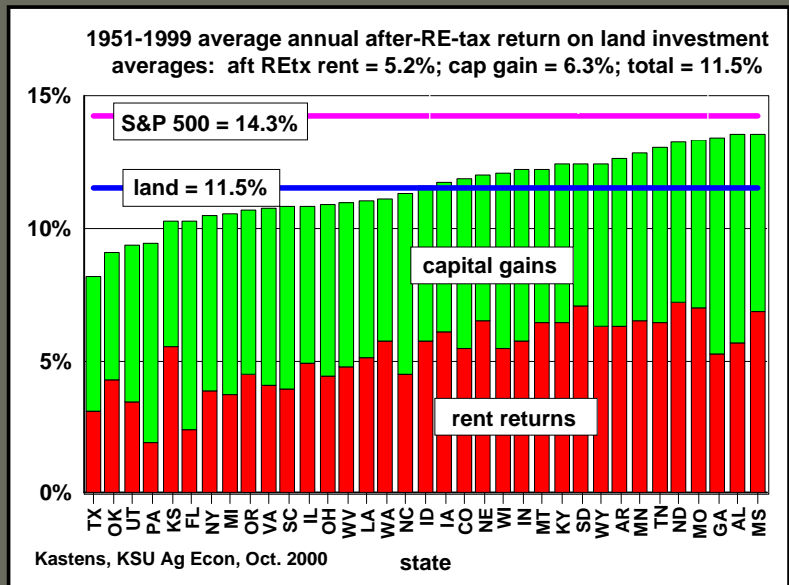


- Tax deferral of plan contribution each year
- Diversify your assets to spread market risk
- Retain or recruit good quality employees
- Satisfy perceived ethical obligation to employees
- Sets up mechanism to think about retirement goals each year

NEGATIVE ASPECTS OF ESTABLISHING A RETIREMENT PLAN



- Farm capital may be earning a higher return on equity than your retirement plan
- Stock investments are typically much more volatile than your agricultural assets
- Cannot operate farm real estate purchased by retirement plan (no self-dealing)



INCLUDING THE LAST 7 YEARS FAVORED LAND'S RELATIVE PROFITABILITY MORE

COMPARISON OF THREE COMMON TYPES OF PLANS



1) Traditional IRA

2) SIMPLE IRA

3) SEP IRA

1) TRADITIONAL IRA



- ❑ Low cost and easy to set up
- ❑ Contribution limit of \$5,000 for 2008 plus an extra \$1,000 catch up for those over 50 years old
- ❑ Set-up deadline is taxpayer's tax filing deadline
- ❑ Contribution deadline is taxpayer's tax filing deadline, with no extension available
- ❑ Business owner can fund his own IRA without funding any retirement plan for his employees
- ❑ If taxpayer funds a traditional IRA, no Roth IRA contribution is allowable
- ❑ If taxpayer has another plan, the deduction for a Traditional IRA may be phased out

2) SIMPLE IRA



- ❑ Employee requests a salary deferral from each paycheck, so there is administrative expense
- ❑ Contribution limit is \$10,500 for 2008 with \$2,500 catch-up for those over 50 years old
- ❑ Set-up deadline is October 1 of the current year
 - It should be established early to allow time for salary deferrals
- ❑ Salary deferrals must be deposited by the 30th day of the month following deferral
- ❑ Matching & non-elective contributions are due by business tax filing deadline, including extensions
- ❑ Employer must offer a 3% match or give a 2% mandatory contribution to eligible employees
- ❑ Employer can require eligible employees must have earned \$5,000 in each of any two prior years, but no age requirements
- ❑ Owner can also contribute to Roth IRA

3) SEP IRA



- ❑ Completely funded by employer
- ❑ Contribution limit is \$46,000 for 2008
- ❑ Set-up deadline is business tax filing deadline, including extensions
- ❑ Contribution deadline is business tax filing deadline, including extensions
- ❑ Contribution limit is 25% of compensation
- ❑ Owner can require eligible employees to be 21 years old, must have worked 3 out of 5 immediately preceding years, and earn at least \$500 in current year
- ❑ Owner can also contribute to Roth IRA

COMPARISON OF SIMPLE VERSUS SEP



	<u>SIMPLE</u>	<u>SEP</u>
Net Farm Income	100,000	100,000
Eligible Compensation	80,000	
Owner Contribution Rate	3%	25%
Owner Contribution Amount	2,400	20,000
Net Income for Owner Contribution	97,600	80,000
Owner Contribution	10,500	16,000
3% Match	2,928	0
Total Contribution	13,428	16,000
Total Funding Needed	15,828	36,000

RETIREMENT PLAN COMPARISON



- | | |
|--|---|
| <p>□ SIMPLE</p> <ul style="list-style-type: none"> - Operator can limit his cost to 3% match, so is less costly than SEP - Employee must take ownership in his or her retirement plan - Plan must be set-up by October 1 of contribution year - Extra administrative time for elective deferrals | <p>□ SEP</p> <ul style="list-style-type: none"> - Higher contribution limit - Works better if operator has no eligible employees - Can be established after end of year - Can be real expensive if you have employees |
|--|---|

OTHER COMMON PLANS



- Safe harbor 401(k)
 - Similar to SIMPLE, but with higher contribution limits
 - \$15,500 instead of \$10,500 for 2008
- Profit sharing
 - Lesser of 25% of earnings or \$46,000 in 2008
- Age weighted and comparability profit sharing
 - Greater contributions to older and more highly compensated participants
- Defined benefit
 - Contributions are not limited, but might be applicable for corporate shareholder/employee

SPECIAL TAX ISSUES FOR FARMERS



- | | |
|----------------------------------|---------------------------------|
| 1) Prepaid Expenses | 5) Gift of Farm Commodities |
| 2) Promissory Notes to Suppliers | 6) Commodities in lieu of Wages |
| 3) Deferring Crop Insurance | 7) Section 105 Plans |
| 4) Drought Sales of Livestock | 8) Health Savings Accounts |
| | 9) Income Averaging |

ACCOUNTING METHOD: ACCRUAL VS. CASH



- Accrual
 - Purpose is to correctly match income and expenses in the year that it is produced.
 - Great for Financial analysis, not necessarily for tax planning
 - Income averaging can reduce negative tax planning aspect
- Cash
 - Much more flexible for tax planning
 - More likely to have the ability to use the special tax planning opportunities detailed in this presentation.
 - Important to keep separate set of “accrual” financial statements
 - Good example would be the KFMA financial Reports

PREPAID EXPENSES



- Deduction of purchases paid in the current year that will not be used until the following tax year
- Must meet the following tests to qualify:
 - a) Cash basis taxpayer
 - b) The pre-payment is for an actual purchase and not a deposit
 - c) The pre-payment has a business purpose and is not merely for tax avoidance
 - d) Deducting the pre-payment does not result in a material distortion of your income
 - e) Deduction limit (50% of farm expenses)

PREPAID EXPENSES



- b) Criteria for purchase vs. deposit
 - Binding commitment to accept delivery of a specific quantity at a fixed price.
 - No right to refund of any unapplied payment credit at the end of the contract.
 - The seller cannot treat the payment as a deposit.
 - The seller cannot have the right to substitute other goods or products for those specified in the contract.

PREPAID EXPENSES



- c) Criteria that prepayment has a business purpose and is not merely for tax avoidance:
 - Must have a reasonable expectation of receiving some business benefit by prepaying for the supplies.
 - Examples:
 - paying for seed to assure that you get the varieties you prefer or receive discounts.
 - fixing maximum prices and securing an assured feed supply.
 - securing preferential treatment in anticipation of a feed shortage.
 - purchasing fertilizer or chemical to lock in the price for economic purposes.

PREPAID EXPENSES



- d) Determine that deducting the pre-payment does not result in material distortion of your income.
- Is the expense your customary business practice?
 - Is the expense in relation to past purchases?
 - Is the expense in relation to your income for the year?

PREPAID EXPENSES



- e) Deduction limit (50% of farm expenses)
- Your deduction for prepaid expenses may be limited to 50 percent of your other deductible farm expense for the year (all Schedule F deductions except for the prepays).
 - Exceptions:
 - total prepaid expense for the prior 3 years is less than 50 % of the total deductible farm expense
 - If one can show an unusual change in your business operation.

PROMISSORY NOTE TO SUPPLIER



- If a farm producer pays for a farm input by giving the supplier a promissory note, the producer cannot claim a current deduction for the inputs.
- Common examples:
 1. Seed
 2. Commercial feedlot bills
 3. Feed supplement



- Deductible only when the promissory note is paid.
- **Avoid limitation by financing from a third-party lender**

PROMISSORY NOTE EXAMPLE # 1



John farmer purchases seed costing \$30,000 from Biotech Seed Company. He paid for it with the proceeds of a loan obtained from First National Bank. Farmer can deduct the seed expense in the year of payment (assuming he satisfies the requirements of I.R.C. S464 and rev. Rul. 29-229).

PROMISSORY NOTE EXAMPLE #2



John farmer purchases seed costing \$30,000 from Biotech Seed Company. He signs a promissory note directly with Biotech Seed Company for the \$30,000 amount of the purchase. He makes no cash payment in the year of purchase.

According to rev. Rul. 77-257 and Chapman, Joe farmer will not be able to deduct the \$30,000 cost of the seed until the note is paid in cash.

PROMISSORY NOTE EXAMPLE #3



John Farmer purchases seed costing \$30,000 from Biotech Seed Company. He signs a promissory note with Easy Finance Company, a lending subsidiary of Biotech Seed. He makes no payment on the note in the year of purchase. If Biotech were a partnership and Easy were a branch of that partnership, John Farmer would not be allowed to deduct the cost of the seed in the year of the payment. He could claim a deduction in future years as payments are made on the promissory note.

If Biotech is a corporation and Easy is a wholly owned subsidiary of Biotech, it is not clear whether John Farmer can deduct the cost of the seed in the year of purchase. John Farmer may be able to successfully distinguish these facts from rev. Rul. 77-257 since Biotech and Easy are separate corporate entities. However, the IRS could argue that Biotech's ownership of easy requires the note to easy to be treated the same as a note to Biotech.

PROMISSORY NOTE OBSERVATION



In reading the fine print of several of the big seed company's finance agreement with the seed company's finance subsidiary, it states that late payment or defaulting on the note also makes the farmer forfeit all early pay and/or volume discounts he received from the selling company. Giving a subsidiary company the right to collect extra money on a contract will likely give IRS authority to disallow the deduction until the note is paid.

PROMISSORY NOTE PROBLEMS



- **REMEMBER!**
 - **When a payment is made to a finance subsidiary in the year after the purchase, be sure to claim this as a deductible farm expense for seed or feed, or you may overlook the deduction.**

CROP INSURANCE PROCEEDS



Taxpayers may elect to postpone reporting insurance proceeds from the year of damage to the following year. [Sec. 451(d) and reg. 1.451-6.]

The following criteria must be met in order to postpone reporting the proceeds as income:

1. Taxpayer must be on the cash method of accounting.
2. The taxpayer's normal business practice would have been to report the income from the damaged crop in any year following the damage or destruction.
3. A statement in support of the election to postpone reporting must be attached to form 1040 in the year the damage occurred. Merely indicating on the return that the proceeds are being deferred does not constitute an election. [IRS publ. 225, ch. 4.]

LIVESTOCK SALES DUE TO DROUGHT



Source: http://www.pioneerphonecoop.com/~mchumor/cow1_bframe.html

LIVESTOCK SALES DUE TO DROUGHT



- The gain from the sale of livestock sold early due to drought conditions may be deferred one year. [Sec. 451(e).]
 - Applies to both, feeder livestock and breeding stock.
 - County must be designated for assistance by the federal government
- The gain from the sale of breeding livestock could be reinvested within 4 years in similar property.
 - No requirement for federal assistance designation
 - *Example:* If a SW KS rancher sold all his cows due to drought in 2008, he will have until the end of 2012 to reinvest the proceeds in similar property.

LIVESTOCK SALES DUE TO DROUGHT



Rules To Be Eligible For Deferral

1. The taxpayer's principal business is farming.
2. The cash method of accounting is used.
3. Under normal business practices, the sale would not have occurred in the current year except for the drought.
4. The drought resulted in an area being designated as eligible for assistance by the federal government. [Reg. 1.451-7.]

LIVESTOCK SALES DUE TO DROUGHT



The gain to be postponed is equal to:

1. The total income realized from the sale of all livestock divided by the total head sold, multiplied by
2. The excess number of head sold because of the drought (e.g., Number of head sold in current year less average head sold in 3 most recent years).

LIVESTOCK SALES DUE TO DROUGHT



- Kevin is a cow-calf operator who over the past 3 years has sold raised calves as follows:

<u>Year</u>	<u>head</u>	
2005	105	
2006	110	
2007	100	
Total	315	Average 105

- In 2008, due to severe drought, Kevin was forced to sell, at \$600 per head, 165 raised calves due to a lack of availability of feed.

Result:

- Kevin sold 60 more animals than his previous 3-year average.
- The portion of the gain available for deferral is \$36,000
(60 excess head x \$600).

CHARITABLE GIFTS OF AG COMMODITIES



Cash method farm operators have an opportunity to make “pre-AGI” charitable contributions of commodity inventory, which is readily marketable by the charitable recipient.



KANSAS STATE UNIVERSITY
FOUNDATION

CHARITABLE GIFTS OF AG COMMODITIES



- ❑ The increased standard deduction (\$ 10,900 for a married joint return) has eliminated the tax advantage of charitable contributions for many farmers.
- ❑ A charitable contribution of unsold inventory removes the income before recognition, and avoids the need to claim a charitable contribution as an itemized deduction. A charitable gift of commodities also decreases self-employment tax, since the donated inventory does not end up reported on Schedule F of the tax return.

COMMODITY CHARITABLE GIFTS EXAMPLE # 1



- ❑ On Feb 1, 2008, Joe sells his 2007 bean crop and writes a \$3,000 check as a donation to his church. This is his only charitable donation for the year and he cannot itemize, so the donation saves him no income tax.
- ❑ On Feb 1, 2008, Ted donates 600 bushels of his 2007 **soybeans worth \$3,000 to his church**. Ted does not have to report the beans donated as income on his income tax return, so he has effectively received a deduction for the donation and has saved \$423 of self-employment tax for a **total savings of \$ 939** if he is in the 15 % Federal and 3.5% Kansas tax bracket.

COMMODITY CONTRIBUTIONS MECHANICAL REQUIREMENTS



- ❑ The taxpayer **must be a cash basis farmer**. An accrual basis farmer receives no benefit because he must report income on the commodity as raised or must assign basis to the grain.
- ❑ A **two-step transaction** must be utilized by first transferring the grain to the charity with evidence of the transfer, then let the charity's representative sell the grain.
- ❑ Only applies to an active farmer, **not crop share landlords**. They trigger the assignment of income principle.
- ❑ Grain contributions are much easier to perfect than livestock.

NON-CHARITABLE COMMODITY GIFTS



- ❑ Same as Charitable Gift for Farmer. For the donee:
 - tax basis zero if raised grain carryover
 - a capital asset, thus not subject to self-employment tax
 - Will pay only federal and state income tax on the gift
- ❑ Great Uses:
 - Supporting parents of the taxpayer.
 - Assisting with college costs for children or grandchildren of taxpayer.
 - Moving income to donee in a lower tax bracket
 - be aware of kiddie tax for children.



NON-CHARITABLE COMMODITY GIFTS TAX BENEFITS



- ❑ There is no income recognition by the donor upon the gift of inventory.
- ❑ The farmer/donor avoids federal and state income tax on the value of the gift and also avoids self-employment tax.
- ❑ Commodity should be raised in a prior year.
- ❑ The donor's tax basis (zero if raised grain) carries over to the donee, but will be a capital asset in the hands of the donee, thus not subject to self-employment tax. Thus the donee will pay only federal and state income tax on the gift.
- ❑ Gift also acts to reduce donor's estate value.
- ❑ Grain is much easier to gift than livestock.

AGRICULTURAL COMMODITY COMPENSATION



- Used to compensate wages for employees, not a gift

- A great tool for agricultural producers

COMMODITY COMPENSATION



- Benefits
 - Wages paid to agricultural employees in the form of commodities are not subject to FICA, FWHT, or FUTA.
 - FICA tax savings is the main motivation for commodity wages as it saves 7.65% for both the employer and the employee.
 - Ag labor paid in the form of commodities also does not count towards the \$ 20,000 quarterly threshold on cash wages which triggers FUTA tax on agricultural wages.
 - Commodity wages are not considered earned income for the social security benefit earnings limitation before full retirement age.

COMMODITY COMPENSATION



- Best for wages to:
 - children over 18 years of age
 - spouse, where the spouse is likely to draw SSA benefits based on the operator's earnings
 - may want to pay at least \$ 4,200 per year in cash wages for death & disability benefits
 - children or spouse of the primary shareholder in a family farm corporation.
 - key employees in excess of a base cash salary which achieves the desired level of SSA benefit coverage.

COMMODITY COMPENSATION



- Wage Guidelines
 - Written employee agreement should state that commodity compensation is defined as a percentage of the employer's overall production.
 - Employer transfers commodity to employee and values the commodity at the date of transfer to use on the employee's w-2.
 - Employee must hold the commodity for a reasonable period before selling and must separately pay for any storage or holding costs.
 - Employee sells the commodity, with the buyer's check issued directly in the name of the employee.
 - Employee records a gain or loss for the difference between the actual sale price and the w-2 value of the commodity at the time of transfer.

COMMODITY COMPENSATION



□ Pitfalls

- Never pay 100 percent of wages to a non-family member in commodities. Remember that social security also includes a death and disability benefit in addition to retirement income.
- Source of commodity must be an employer raised or produced commodity; not a commodity purchased to accomplish employee compensation.
- Employee dominion and control before the sale of the commodity is critical. The longer the employee holding period, the better.
- Employer should never repurchase the commodity from the employee.
- Very difficult to use livestock as a commodity wage. Grain is a much easier to adhere to all rules for commodity wages.



"YOU HAVE YOUR CHOICE OF A WEEKLY
PAY CHECK OR HEALTH INSURANCE."

BY BARBARA SMALLER

SECTION 105 MEDICAL REIMBURSEMENT PLANS



PURPOSE

- Provide a deductible farm expense for medical expense reimbursed to employees
- Allowable under IRC Section 105
- Saves self-employment taxes as compared to "HSA plans" and not as restrictive on upper limits

HOW

- Employ Spouse
- Give employees fringe benefits
- Must be non-discriminatory

- Common providers are Agri-Plan and Base

SECTION 105 PLANS



- If employee meets all of the rules, then the employee is eligible for the plan.
 - You may be less discriminatory in any of the above categories, but not more.

NON-DISCRIMINATION RULES

- Employee must work at least 25 hours per week.
- Employee must work at least 7 months per year.
- Employee must be at least 25 years old.
- Employee must have been on payroll for 36 months.
- Employees hired after inception of plan must be on payroll for 36 months before they are eligible.

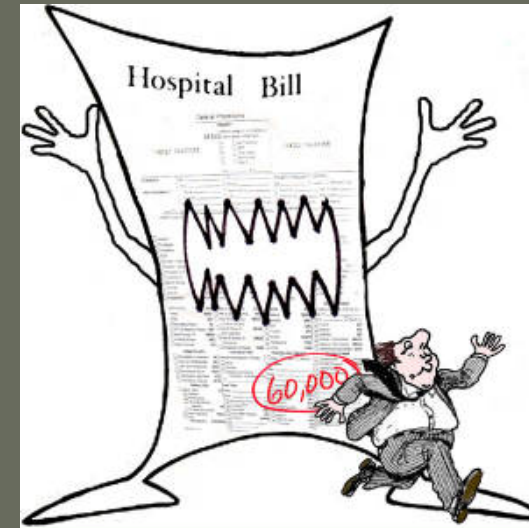
SECTION 105 PLANS



SPOUSE EMPLOYEES

- ❑ Be sure to have a valid employment agreement and job description.
- ❑ Be sure that spouse documents the hours worked and the type of farm duties performed.
- ❑ Be sure that the total compensation package of cash wages and fringe benefits is reasonable given the total hours worked or services provided.

HEALTH SAVINGS ACCOUNTS



HEALTH SAVINGS ACCOUNTS



PURPOSE

- ❑ To give individuals tax advantage from certain health care costs
- ❑ Ability to maintain a savings cushion to complement high-deductible health insurance plans.

ADVANTAGE

- ❑ Can deduct contributions from taxable income without itemizing (not farm income)
- ❑ Contributions can be made by individuals or employers

Example: For a young family in 2008. To be eligible their annual deductible must be between \$2,200 and \$11,200. Their maximum contribution is lesser of \$5,800 or their annual deductible.

For more information, see IRS Publication 969

HEALTH SAVINGS ACCOUNTS



- ❑ Recently many local banks have started offering Health Savings Accounts or your health insurance provider may recommend a vendor.

2008	Self-Only	Family
Maximum contribution, less than age 55	\$2,900	\$5,800
Maximum contribution, age 55 and older	\$3,800	\$6,700
Minimum annual deductible	\$1,100	\$2,200
Maximum annual deductible	\$5,600	\$11,200

INCOME AVERAGING



- An individual engaged in a farming business may elect to average his electable farming business income (EFBI) over the prior three years, the base years.

- Electable farm income:
 - does not include gain from the sale or other disposition of land
 - can include gain from the sale of equipment or breeding stock
 - can include landlord sharecrop income

- Exempt from Alternative Minimum Tax since 2004.

INCOME AVERAGING EXAMPLE



EXAMPLE 1:

John farmer has taxable income in 2008 of \$95,100, which is \$ 30,000 above the 15% tax bracket limit. All his income is from Schedule F (farm income). During 2005 to 2007, his taxable income was never within \$ 10,000 of the top of the 15% bracket.

By electing \$ 30,000 as his EFBI, he would carry back \$ 10,000 to each of the preceding 3 years, which would cost him only 15% instead of 25% .

Income averaging would save him \$ 3,000 (30,000 x 10%).

MAXING OUT SOCIAL SECURITY TAX EXAMPLE



EXAMPLE 2:

Joe farmer always maximizes his 15% tax bracket, and has \$200,000 more grain sales than normal in 2008. Rather than deferring the grain income to 2009, he is thinking about taking all the income in 2008.

- This would imply a taxable income of \$265,100 in 2008.
 - The taxable income above \$131,450 would be taxable at the 28 or 33% tax bracket.
 - Income averaging would keep income in the 25% bracket, which would save Joe \$ 7,250
 - Also, would be 9.7% savings on self-employed earnings over \$102,000, maximum social security taxable earnings.
-
- Conclusion:
 - Tax-wise not worth doing unless there is no chance of getting that income into lower tax brackets in future years.
 - Could be useful if other positive factors involved, such as price risk

SUMMARY



- Farmers have many special tax planning tools to utilize that many other taxpayers do not have available.

- Many of the planning tools are fairly complex and **you should always review them with your tax professional**