<COUNTY NAME>
2017 Annual Summary Meeting

<KFMA>

<K-STATE Research and Extension>

<Date>
<LOCATION>
<CITY>, KS
A special thank you to:

<SPONSOR(S)>

<AG AGENTS>

<COUNTY DIRECTOR>
KFMA Association
Net Farm Income - 2017

$94,071
$28,950
$54,418
$78,092
$30,517
$102,671
2017 State-wide Net Farm Income

<table>
<thead>
<tr>
<th>Region</th>
<th>Net Farm Income (Thousands)</th>
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</thead>
<tbody>
<tr>
<td>SW</td>
<td>$78</td>
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<tr>
<td>SE</td>
<td>$103</td>
</tr>
<tr>
<td>NC</td>
<td>$29</td>
</tr>
<tr>
<td>NW</td>
<td>$94</td>
</tr>
<tr>
<td>SC</td>
<td>$31</td>
</tr>
<tr>
<td>NE</td>
<td>$54</td>
</tr>
<tr>
<td>State</td>
<td>$63</td>
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</table>

Number of Farms in Analysis:

- SW: 50
- SE: 100
- NC: 50
- NW: 150
- SC: 100
- NE: 200
- State: 300
Comparison of Net Farm Income Across Associations & Years

Net Farm Income (Thousands)

- SE
- NE
- NW
- NC
- SW
- SC
- State

- 2015
- 2016
- 2017
- 5-Yr. Avg.
Value of Farm Production & Net Farm Income by County - 2017

(Tens of Thousands)

- Sedgwick
- McPherson
- Harvey
- Barton/Stafford
- Rice
- Harper/Kingman
- Reno
- Sumner
- Pratt

- Value of Farm Production
- Net Farm Income
Due to the small sample size of farms in the analysis in Barton, Stafford, Kingman, and Harper counties, the Barton and Stafford county data was combined and the Kingman and Harper county data was combined.
## Summary Statistics Comparison

<table>
<thead>
<tr>
<th></th>
<th>SC Association</th>
<th>Barton/Stafford County</th>
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<tbody>
<tr>
<td># Farms</td>
<td>147</td>
<td>20</td>
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<tr>
<td>Net Farm Income</td>
<td>$30,517</td>
<td>$59,023</td>
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<tr>
<td>Return to Labor &amp; Management</td>
<td>-$91,910</td>
<td>-$64,739</td>
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<tr>
<td>Livestock Value Produced</td>
<td>$49,552</td>
<td>$26,600</td>
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<tr>
<td>Value of Farm Production</td>
<td>$492,699</td>
<td>$481,034</td>
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<td>Cash Operating Expense</td>
<td>$386,880</td>
<td>$357,872</td>
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<tr>
<td>Total Farm Expense</td>
<td>$462,182</td>
<td>$422,012</td>
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<tr>
<td>Total Expense Ratio</td>
<td>0.9381</td>
<td>0.8773</td>
</tr>
<tr>
<td>Average Debt to Asset Ratio</td>
<td>0.1812</td>
<td>0.0905</td>
</tr>
<tr>
<td>Net Worth (12-31-17)</td>
<td>$2,104,980</td>
<td>$2,076,905</td>
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<tr>
<td>Total Crop Acres</td>
<td>1,723</td>
<td>1,861</td>
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<tr>
<td>Percent of Crop Acres Irrigated</td>
<td>13.24%</td>
<td>13.3%</td>
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<td>Total Pasture Acres</td>
<td>629</td>
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<tr>
<td>Machinery Investment/Crop Acre</td>
<td>$251.51</td>
<td>$272.27</td>
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<td>Machinery Cost/Crop Acre</td>
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<td>Crop Production Cost/Crop Acre</td>
<td>$243.67</td>
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<td>Fertilizer Cost/Crop Acre</td>
<td>$40.72</td>
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<td>Fuel Cost/Crop Acre</td>
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<td>$13.09</td>
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<td>Machinery Repairs/Crop Acre</td>
<td>$21.87</td>
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### Barton County Benchmark Ratios

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<tr>
<th>Category</th>
<th>County Avg</th>
<th>≤ 2.0</th>
<th>≤ 1.25 or less</th>
<th>≤ 20% or less</th>
<th>≤ 0.70 or more</th>
<th>≤ 0.10 or less</th>
<th>≤ 1% or less</th>
<th>≤ 4% or less</th>
<th>≤ 0.72 or more</th>
<th>≤ 0.11 or more</th>
<th>≤ 0.11 or more</th>
<th>≤ 0.10 or less</th>
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<tr>
<td><strong>Liquidity</strong></td>
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<td></td>
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<tr>
<td><strong>Solvency</strong></td>
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<td>Rate of Return on Farm Assets</td>
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<tr>
<td><strong>Efficiency</strong></td>
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## Summary Statistics Comparison

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<td>7</td>
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<td>($29,707)</td>
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<td><strong>Return to Labor &amp; Management</strong></td>
<td>-91,910</td>
<td>-120,080</td>
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<td><strong>Livestock Value Produced</strong></td>
<td>$49,552</td>
<td>$38,060</td>
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<td><strong>Value of Farm Production</strong></td>
<td>$492,699</td>
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<td><strong>Cash Operating Expense</strong></td>
<td>$386,880</td>
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<td><strong>Total Farm Expense</strong></td>
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<td><strong>Total Expense Ratio</strong></td>
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<td>13.24%</td>
<td>2.97%</td>
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<td><strong>Total Pasture Acres</strong></td>
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<td>934</td>
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<td><strong>Machinery Investment/Crop Acre</strong></td>
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<td>$177.48</td>
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<td>$36.28</td>
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<td>$16.35</td>
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<td><strong>Machinery Repairs/Crop Acre</strong></td>
<td>$21.87</td>
<td>$22.71</td>
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Harper County Benchmark Ratios

<table>
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<tr>
<th>Category</th>
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<th>County Avg</th>
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<td><strong>Liquidity</strong></td>
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<td>Rate of Return on Farm Assets</td>
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<td>Rate of Return on Farm Equity</td>
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<td><strong>Efficiency</strong></td>
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<td>SC Association</td>
<td>Harvey</td>
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<td>--------------------------------</td>
<td>----------------</td>
<td>----------</td>
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<tr>
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<td>0.9590</td>
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<td>Average Debt to Asset Ratio</td>
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<td>0.2619</td>
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<td>$2,104,980</td>
<td>$2,504,061</td>
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## Harvey County Benchmark Ratios

<table>
<thead>
<tr>
<th>Category</th>
<th>Ratio</th>
<th>County Avg</th>
</tr>
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<tbody>
<tr>
<td><strong>Liquidity</strong></td>
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<td></td>
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<tr>
<td>Operating Profit Margin Ratio</td>
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<td>Rate of Return on Farm Assets</td>
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<tr>
<td>Rate of Return on Farm Equity</td>
<td>-2.20%</td>
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<td>Interest Expense Ratio</td>
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<td>Net Farm Income Ratio</td>
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*Note: Values range from green (best) to red (worst).*
<table>
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<th>SC Association</th>
<th>McPherson</th>
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<tr>
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<td>147</td>
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<td>$30,517</td>
<td>$38,629</td>
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<tr>
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<td>-$91,910</td>
<td>-$114,017</td>
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<tr>
<td>Livestock Value Produced</td>
<td>$49,552</td>
<td>$77,857</td>
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<td>$2,104,980</td>
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# McPherson County Benchmark Ratios

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<th>Ratio Description</th>
<th>County Avg</th>
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<td>Operating Profit Margin Ratio</td>
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<tr>
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<td>Rate of Return on Farm Assets</td>
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<td>Rate of Return on Farm Equity</td>
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<tr>
<td></td>
<td>Depreciation Expense Ratio</td>
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<tr>
<td></td>
<td>Net Farm Income Ratio</td>
<td>0.0808</td>
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</table>

- **County Avg** indicates the average benchmark value for each ratio.
- The chart uses color coding to indicate performance levels, with green representing lower levels, yellow indicating middle ranges, and red signifying higher levels. Points are plotted to show the performance against the benchmark.
# Summary Statistics Comparison

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<td>$21.87</td>
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## Pratt County Benchmark Ratios

<table>
<thead>
<tr>
<th>Category</th>
<th>Ratio Description</th>
<th>County Avg</th>
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<td><strong>Liquidity</strong></td>
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<td>Rate of Return on Farm Assets</td>
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<td></td>
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<td></td>
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<td>0.1109</td>
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</table>

- **Green** indicates values within the county average range.
- **Yellow** indicates values below the county average.
- **Red** indicates values above the county average.

- **0.70 or more**
- **0.72 or more**
- **0.11 or more**
- **0.10 or less**
- **1% or less**
- **4% or less**
# Summary Statistics Comparison

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<th>Reno</th>
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## Reno County Benchmark Ratios

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<td>Depreciation Expense Ratio</td>
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<tr>
<td>Net Farm Income Ratio</td>
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- Green: 0.10 or less
- Yellow: 0.11 or more
- Red: 0.20 or more
- Orange: 0.25 or less
- Purple: 20% or less
- Blue: 50% or less
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<thead>
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<th>Rice</th>
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<td># Farms</td>
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<td>($8,119)</td>
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<td>$2,038,801</td>
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# Rice County Benchmark Ratios

<table>
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<tr>
<th>Category</th>
<th>Ratio</th>
<th>County Avg</th>
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<td>Working Capital Ratio</td>
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<tr>
<td>Debt to Asset Ratio</td>
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<tr>
<td><strong>Profitability</strong></td>
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<td><strong>Efficiency</strong></td>
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<tr>
<td>Operating Expense Ratio</td>
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</tr>
<tr>
<td>Interest Expense Ratio</td>
<td>0.0478</td>
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<tr>
<td>Depreciation Expense Ratio</td>
<td>0.1121</td>
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</tr>
<tr>
<td>Net Farm Income Ratio</td>
<td>-0.0120</td>
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</tbody>
</table>

- **Liquidity**
  - Current Ratio: 1.0573
  - Working Capital Ratio: 0.0140

- **Solvency**
  - Debt to Asset Ratio: 0.2462

- **Profitability**
  - Operating Profit Margin Ratio: -0.0833
  - Rate of Return on Farm Assets: -2.07%
  - Rate of Return on Farm Equity: -4.35%

- **Efficiency**
  - Operating Expense Ratio: 0.8521
  - Interest Expense Ratio: 0.0478
  - Depreciation Expense Ratio: 0.1121
  - Net Farm Income Ratio: -0.0120
## Summary Statistics Comparison

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### Sedgwick County Benchmark Ratios

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## Summary Statistics Comparison

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<td>$-103,447</td>
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<td>0.2461</td>
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### Sumner County Benchmark Ratios

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</tr>
<tr>
<td>Rate of Return on Farm Assets</td>
<td></td>
<td>-3.08%</td>
</tr>
<tr>
<td>Rate of Return on Farm Equity</td>
<td></td>
<td>-6.27%</td>
</tr>
<tr>
<td><strong>Efficiency</strong></td>
<td></td>
<td>0.8694</td>
</tr>
<tr>
<td>Operating Expense Ratio</td>
<td></td>
<td>0.62</td>
</tr>
<tr>
<td>Interest Expense Ratio</td>
<td></td>
<td>0.0592</td>
</tr>
<tr>
<td>Depreciation Expense Ratio</td>
<td></td>
<td>0.0975</td>
</tr>
<tr>
<td>Net Farm Income Ratio</td>
<td></td>
<td>-0.0261</td>
</tr>
</tbody>
</table>

- **Liquidity**: Ratio of current assets to current liabilities. Ratios below 1.25 indicate potential liquidity issues.
- **Solvency**: Ratio of debt to total assets. Ratios above 0.70 indicate solvency problems.
- **Profitability**: Measures of profitability. Ratios above 0% indicate profitability.
- **Efficiency**: Measures of operational efficiency. Ratios above the county average indicate efficiency improvements.
Analysis Factors
2017 Analysis Factors by Crop Acres

The chart above illustrates the analysis factors by crop acres for 2017, focusing on various income and production metrics. The x-axis represents acres in thousands, ranging from <800 to >2,400. The y-axis represents values in thousands of dollars.

- **Livestock Income**
- **Value of Farm Production**
- **Farm Net Income**
- **% Crop Acres Irrigated**

Each category is color-coded for clarity:
- **Yellow** for Livestock Income
- **Blue** for Value of Farm Production
- **Purple** for Farm Net Income
- **Gray** for % Crop Acres Irrigated

Key observations include:
- Smaller acreage categories (<800 and 801-1,200) have relatively lower values for each metric.
- Mid-range acreage categories (1,201-1,600 and 1,601-2,400) exhibit a moderate increase in values.
- The highest value is observed in the >2,401 acre category for both Value of Farm Production and % Crop Acres Irrigated.

This data suggests a positive correlation between larger crop acres and increased income and production values.
Crop Yields
S.C. Kansas Farm Management Association
Non-Irrigated Crop Yields, 2000-2017

Wheat  Corn  Milo  Soybeans
## Non-Irrigated County Yields

<table>
<thead>
<tr>
<th></th>
<th>WHEAT</th>
<th>CORN</th>
<th>SOYBEANS</th>
<th>MILO</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Barton/Stafford</strong></td>
<td>59.5</td>
<td>72.2</td>
<td>32.6</td>
<td>85.7</td>
</tr>
<tr>
<td><strong>Harper/Kingman</strong></td>
<td>38.4</td>
<td>--</td>
<td>--</td>
<td>--</td>
</tr>
<tr>
<td><strong>Harvey</strong></td>
<td>52.0</td>
<td>69.8</td>
<td>29.6</td>
<td>--</td>
</tr>
<tr>
<td><strong>McPherson</strong></td>
<td>53.4</td>
<td>79.6</td>
<td>31.4</td>
<td>73.5</td>
</tr>
<tr>
<td><strong>Pratt</strong></td>
<td>56.7</td>
<td>56.2</td>
<td>--</td>
<td>70.6</td>
</tr>
<tr>
<td><strong>Reno</strong></td>
<td>59.5</td>
<td>68.9</td>
<td>29.8</td>
<td>71.3</td>
</tr>
<tr>
<td><strong>Rice</strong></td>
<td>55.3</td>
<td>68.5</td>
<td>34.3</td>
<td>78.1</td>
</tr>
<tr>
<td><strong>Sedgwick</strong></td>
<td>55.4</td>
<td>69.4</td>
<td>33.3</td>
<td>--</td>
</tr>
<tr>
<td><strong>Sumner</strong></td>
<td>48.8</td>
<td>--</td>
<td>30.9</td>
<td>--</td>
</tr>
<tr>
<td><strong>SC Association</strong></td>
<td>55.3</td>
<td>68.6</td>
<td>31.2</td>
<td>74.3</td>
</tr>
</tbody>
</table>
## Irrigated County Yields

<table>
<thead>
<tr>
<th></th>
<th>WHEAT</th>
<th>CORN</th>
<th>SOYBEANS</th>
<th>MILO</th>
</tr>
</thead>
<tbody>
<tr>
<td>Barton/Stafford</td>
<td>--</td>
<td><strong>189.8</strong></td>
<td>58.8</td>
<td>--</td>
</tr>
<tr>
<td>Pratt</td>
<td>--</td>
<td><strong>214.5</strong></td>
<td>66.1</td>
<td>--</td>
</tr>
<tr>
<td>Reno</td>
<td>--</td>
<td><strong>210.2</strong></td>
<td>59.3</td>
<td>--</td>
</tr>
<tr>
<td>Rice</td>
<td>--</td>
<td><strong>187.2</strong></td>
<td>62.6</td>
<td>--</td>
</tr>
<tr>
<td>Sedgwick</td>
<td>--</td>
<td><strong>200.14</strong></td>
<td>63.0</td>
<td>--</td>
</tr>
<tr>
<td>SC Association</td>
<td>66.6</td>
<td>199.4</td>
<td>62.1</td>
<td>--</td>
</tr>
</tbody>
</table>

Yield (bu)
Farm Typing
2017 Farm Type for South Central Kansas

- Crop Non-Irrigated Farm: 63.3%
- Crop 20-60% Irrigated Farm: 20.4%
- Crop >60% Irrigated Farm: 6.1%
- Dairy: 4.8%
- Other: 5.4%
Comparison by 2017 Farm Type

- **Return on Equity**: 0.6%, -0.9%, -2.9%, -2.2%
- **Net Farm Income**: $49, $90, $50, $20, $31
- **Value of Farm Production**: $357, $882, $655, $438, $493
- **Farm Types**: Dairy Farm, Crop >60% Irrigated, Crop 20-60% Irrigated Farm, Crop Non-Irrigated Farm, All Farms

Legend:
- Purple: Net Farm Income
- Blue: Value of Farm Production
- Red: Return on Equity
Farm Revenue and Cost Comparisons
Government Payments vs. Crop Insurance
(As a percentage of Value of Farm Production)
Top 5 Farm Expenses, 2011-2017

- Fertilizer
- Chemical
- Seed
- Repairs
- Labor

Top 10 Farm Expenses, 2011-2017

Machine Hire
Cash Rent
Interest
Fuel
Crop Insurance

2013 2014 2015 2016 2017
What If...?

In 1984, interest was the #1 ranking farm expense.

<table>
<thead>
<tr>
<th>Year</th>
<th>Total Debt (12/31)</th>
<th>Interest Paid</th>
<th>Effective Interest Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1985</td>
<td>$163,652</td>
<td>$17,362</td>
<td>10.61%</td>
</tr>
<tr>
<td>2017</td>
<td>$411,494</td>
<td>$22,300</td>
<td>5.42%</td>
</tr>
</tbody>
</table>

What if average interest rates increased to values realized in 1985?

Interest paid per farm in South Central Kansas would increase to $43,656 with current debt levels, moving it from #8 to #4 in terms of highest ranking farm expenses.
No-Till versus Tilled Farms
Total Cost Comparison per Crop Acre, 2014-2017

- Fertilizer
- Seed/Crop Exp.
- Chemical
- Depreciation - Machinery
- Labor & Machine Hire
- Machinery Repairs
- Fuel
- Other
Total Cost Comparison Per Crop Acre, 2017

- Asset Charges: $80
- Fertilizer: $40
- Labor: $40
- Seed/Crop Exp.: $30
- Chemical: $25
- Depreciation/Farm Auto: $30
- Repairs: $20
- Fuel: $10
- Machine Hire: $10

Tilled vs. No-Till
Machinery Cost Comparison Per Crop Acre, 2017

- Repairs: $21 No-Till, $22 Tilled
- Machine Hire: $9 No-Till, $14 Tilled
- Fuel: $12 No-Till, $12 Tilled
- Depreciation/Farm Auto: $29 No-Till, $26 Tilled

Legend: No-Till = Purple, Tilled = Blue
Input Cost Comparison Per Crop Acre, 2017

- **Fertilizer**: $43 (No-Till) / $39 (Tilled)
- **Seed/Crop Exp.**: $44 (No-Till) / $32 (Tilled)
- **Chemical**: $50 (No-Till) / $30 (Tilled)
- **Crop Insurance**: $9 (No-Till) / $9 (Tilled)

Legend: □ No-Till □ Tilled
Machinery Cost Analysis
Machinery Cost Composition Per Acre, 2009-2017

- Machinery Repairs
- Machine Hire
- Gas-Fuel-Oil
- Farm Auto
- Depreciation

<table>
<thead>
<tr>
<th>Year</th>
<th>Machinery Repairs</th>
<th>Machine Hire</th>
<th>Gas-Fuel-Oil</th>
<th>Farm Auto</th>
<th>Depreciation</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>$24</td>
<td>$9</td>
<td>$10</td>
<td>$9</td>
<td>$20</td>
</tr>
<tr>
<td>2010</td>
<td>$23</td>
<td>$11</td>
<td>$10</td>
<td>$11</td>
<td>$22</td>
</tr>
<tr>
<td>2011</td>
<td>$22</td>
<td>$9</td>
<td>$10</td>
<td>$9</td>
<td>$22</td>
</tr>
<tr>
<td>2012</td>
<td>$24</td>
<td>$10</td>
<td>$20</td>
<td>$10</td>
<td>$28</td>
</tr>
<tr>
<td>2013</td>
<td>$26</td>
<td>$14</td>
<td>$19</td>
<td>$14</td>
<td>$33</td>
</tr>
<tr>
<td>2014</td>
<td>$23</td>
<td>$13</td>
<td>$15</td>
<td>$13</td>
<td>$33</td>
</tr>
<tr>
<td>2015</td>
<td>$28</td>
<td>$12</td>
<td>$12</td>
<td>$12</td>
<td>$35</td>
</tr>
<tr>
<td>2016</td>
<td>$23</td>
<td>$12</td>
<td>$13</td>
<td>$13</td>
<td>$34</td>
</tr>
<tr>
<td>2017</td>
<td>$22</td>
<td>$12</td>
<td>$13</td>
<td>$13</td>
<td>$26</td>
</tr>
</tbody>
</table>
Financial Efficiency Measures
Historical Income and Expense Ratio Breakdown, 2007-2017

<table>
<thead>
<tr>
<th>Year</th>
<th>Operating Expense Ratio</th>
<th>Depreciation Expense Ratio</th>
<th>Interest Expense Ratio</th>
<th>Net Farm Income Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td>64%</td>
<td>5%</td>
<td>6%</td>
<td>24%</td>
</tr>
<tr>
<td>2008</td>
<td>63%</td>
<td>4%</td>
<td>4%</td>
<td>27%</td>
</tr>
<tr>
<td>2009</td>
<td>68%</td>
<td>9%</td>
<td>9%</td>
<td>19%</td>
</tr>
<tr>
<td>2010</td>
<td>64%</td>
<td>9%</td>
<td>3%</td>
<td>24%</td>
</tr>
<tr>
<td>2011</td>
<td>68%</td>
<td>3%</td>
<td>3%</td>
<td>20%</td>
</tr>
<tr>
<td>2012</td>
<td>63%</td>
<td>8%</td>
<td>26%</td>
<td>25%</td>
</tr>
<tr>
<td>2013</td>
<td>62%</td>
<td>10%</td>
<td>3%</td>
<td>25%</td>
</tr>
<tr>
<td>2014</td>
<td>74%</td>
<td>12%</td>
<td>3%</td>
<td>11%</td>
</tr>
<tr>
<td>2015</td>
<td>83%</td>
<td>13%</td>
<td>3%</td>
<td>4%</td>
</tr>
<tr>
<td>2016</td>
<td>82%</td>
<td>14%</td>
<td>4%</td>
<td>5%</td>
</tr>
<tr>
<td>2017</td>
<td>78%</td>
<td>11%</td>
<td>5%</td>
<td>6%</td>
</tr>
</tbody>
</table>
Family Living
Family Living Analysis, 2007 - 2017

- Family Living Expenditures
- Income Tax
- Net Farm Income
Average Family Living Expenses, S.C. Association 2017

Average Family Living Expense = $70,307
Average Income – Self-Employment Tax = $17,504
Grand Total Family Living & Taxes = $87,811
<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Farm Income</td>
<td>$30,517</td>
</tr>
<tr>
<td>Management Depreciation</td>
<td>$53,003</td>
</tr>
<tr>
<td>TOTAL FARM CASH AVAILABLE</td>
<td>$83,520</td>
</tr>
</tbody>
</table>

.payload

<table>
<thead>
<tr>
<th>LESS:</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>* Current Liabilities</td>
<td>$ 61,447</td>
</tr>
<tr>
<td>* Non-Current Liabilities</td>
<td>18,477</td>
</tr>
<tr>
<td>TOTAL PRINCIPAL PAYMENTS</td>
<td>-79,924</td>
</tr>
</tbody>
</table>

.Net Farm Cash Flow Before Family Living               $3,596

<table>
<thead>
<tr>
<th>LESS:</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Family Living</td>
<td>70,307</td>
</tr>
</tbody>
</table>

NET CASH FLOW BEFORE INCOME TAX                        ($66,711)

*Principal payments were computed by dividing non-current liabilities by fifteen years, and current liabilities by three years. Debt considerations are made as of 12-31-16.
A look ahead…
Tax Cuts and Jobs Act of 2017

*This handout is based for education purposes only and every taxpayer needs to consult with their tax advisor on facts and circumstances

**Part of this information presented was given by permission from Roger McEowen Professor of Ag Law Washburn University

***Information is based as of May 15, 2018
# Single Taxpayers

<table>
<thead>
<tr>
<th>For Tax Year 2017</th>
<th>For Tax Year 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Income Range</strong></td>
<td><strong>Income Range</strong></td>
</tr>
<tr>
<td><strong>Tax Rate</strong></td>
<td><strong>Tax Rate</strong></td>
</tr>
<tr>
<td>$0 to $9,325</td>
<td>$0 to $9,525</td>
</tr>
<tr>
<td>10%</td>
<td>10%</td>
</tr>
<tr>
<td>$9,326 to $37,950</td>
<td>$9,526 to $38,700</td>
</tr>
<tr>
<td>15%</td>
<td>12%</td>
</tr>
<tr>
<td>$37,951 to $91,900</td>
<td>$38,701 to $82,500</td>
</tr>
<tr>
<td>25%</td>
<td>22%</td>
</tr>
<tr>
<td>$91,901 to $191,650</td>
<td>$82,501 to $157,500</td>
</tr>
<tr>
<td>28%</td>
<td>24%</td>
</tr>
<tr>
<td>$191,651 to $416,700</td>
<td>$157,501 to $200,000</td>
</tr>
<tr>
<td>33%</td>
<td>32%</td>
</tr>
<tr>
<td>$416,701 to $418,400</td>
<td>$200,001 to $500,000</td>
</tr>
<tr>
<td>35%</td>
<td>35%</td>
</tr>
<tr>
<td>$418,401 or more</td>
<td>$500,001 or more</td>
</tr>
<tr>
<td>39.6%</td>
<td>37%</td>
</tr>
</tbody>
</table>
## Married Filing Joint Returns and Surviving Spouse

<table>
<thead>
<tr>
<th>Income Range</th>
<th>Tax Rate</th>
<th>Income Range</th>
<th>Tax Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>$0 to $18,650</td>
<td>10%</td>
<td>$0 to $19,050</td>
<td>10%</td>
</tr>
<tr>
<td>$18,651 to $75,900</td>
<td>15%</td>
<td>$19,051 to $77,400</td>
<td>12%</td>
</tr>
<tr>
<td>$75,901 to $153,100</td>
<td>25%</td>
<td>$77,401 to $165,000</td>
<td>22%</td>
</tr>
<tr>
<td>$153,101 to $233,350</td>
<td>28%</td>
<td>$165,001 to $315,000</td>
<td>24%</td>
</tr>
<tr>
<td>$233,351 to $416,700</td>
<td>33%</td>
<td>$315,501 to $400,000</td>
<td>32%</td>
</tr>
<tr>
<td>$416,701 to $470,700</td>
<td>35%</td>
<td>$400,001 to $600,000</td>
<td>35%</td>
</tr>
<tr>
<td>$470,701 or more</td>
<td>39.6%</td>
<td>$600,001 or more</td>
<td>37%</td>
</tr>
</tbody>
</table>
## Married Filing Separately

<table>
<thead>
<tr>
<th>Income Range</th>
<th>Tax Rate</th>
<th>Income Range</th>
<th>Tax Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>$0 to $9,325</td>
<td>10%</td>
<td>$0 to $9,525</td>
<td>10%</td>
</tr>
<tr>
<td>$9,326 to $37,950</td>
<td>15%</td>
<td>$9,526 to $38,700</td>
<td>12%</td>
</tr>
<tr>
<td>$37,951 to $76,550</td>
<td>25%</td>
<td>$38,701 to $82,500</td>
<td>22%</td>
</tr>
<tr>
<td>$76,551 to $116,675</td>
<td>28%</td>
<td>$82,501 to $157,500</td>
<td>24%</td>
</tr>
<tr>
<td>$116,676 to $208,350</td>
<td>33%</td>
<td>$157,501 to $200,000</td>
<td>32%</td>
</tr>
<tr>
<td>$208,351 to $235,350</td>
<td>35%</td>
<td>$200,001 to $300,000</td>
<td>35%</td>
</tr>
<tr>
<td>$235,351 or more</td>
<td>39.6%</td>
<td>$300,001 or more</td>
<td>37%</td>
</tr>
</tbody>
</table>
# Heads of Household

<table>
<thead>
<tr>
<th>Income Range</th>
<th>Tax Rate</th>
<th>Income Range</th>
<th>Tax Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>$0 to $13,350</td>
<td>10%</td>
<td>$0 to $13,600</td>
<td>10%</td>
</tr>
<tr>
<td>$13,351 to $50,800</td>
<td>15%</td>
<td>$13,601 to $51,800</td>
<td>12%</td>
</tr>
<tr>
<td>$50,801 to $131,200</td>
<td>25%</td>
<td>$51,801 to $82,500</td>
<td>22%</td>
</tr>
<tr>
<td>$131,201 to $212,500</td>
<td>28%</td>
<td>$82,501 to $157,500</td>
<td>24%</td>
</tr>
<tr>
<td>$212,501 to $416,700</td>
<td>33%</td>
<td>$157,501 to $200,000</td>
<td>32%</td>
</tr>
<tr>
<td>$416,701 to $444,550</td>
<td>35%</td>
<td>$200,001 to $500,000</td>
<td>35%</td>
</tr>
<tr>
<td>$444,551 or more</td>
<td>39.6%</td>
<td>$500,000 or more</td>
<td>37%</td>
</tr>
</tbody>
</table>
## Estates and Trusts

**For Tax Year 2017**

<table>
<thead>
<tr>
<th>Income Range</th>
<th>Tax Rate</th>
<th><strong>For Tax Year 2018</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>$0 to $2,550</td>
<td>15%</td>
<td>$0 to $2,550</td>
</tr>
<tr>
<td>$2,550 to $6,000</td>
<td>25%</td>
<td>$2,550 to $9,150</td>
</tr>
<tr>
<td>$6,000 to $9,150</td>
<td>28%</td>
<td>$9,150 to $12,500</td>
</tr>
<tr>
<td>$9,150 to $12,500</td>
<td>33%</td>
<td>Over $12,500</td>
</tr>
<tr>
<td>Over $12,500</td>
<td>39.6%</td>
<td></td>
</tr>
</tbody>
</table>
The Tax Cuts and Jobs Act of 2017

Comparison of Individual & MFJ Tax Brackets:
Current (with Pease) vs Final GOP Tax Plan

Married Filing Jointly
- Current Law (2017):
  - 15%
  - 25%
  - 28%
  - 33%
  - 34%
  - 36.1%
  - 40.8%
- Tax Cuts & Jobs Act:
  - 12%
  - 22%
  - 24%
  - 32%
  - 35%
  - 37%

Individual
- Current Law (2017):
  - 15%
  - 25%
  - 28%
  - 33%
  - 34%
  - 36.1%
  - 40.8%
- Tax Cuts & Jobs Act:
  - 12%
  - 22%
  - 24%
  - 32%
  - 35%
  - 37%

TAXABLE INCOME
© Michael Kitces, www.kitces.com
The Tax Cuts and Jobs Act of 2017
## Capital Gains Rates

### Old Law - 2017

<table>
<thead>
<tr>
<th>Taxpayer’s Regular Income Tax Rate</th>
<th>Capital Gain Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>10% or 15%</td>
<td>0%</td>
</tr>
<tr>
<td>25%, 28%, 33%, or 35%</td>
<td>15%</td>
</tr>
<tr>
<td>39.6%</td>
<td>20%</td>
</tr>
</tbody>
</table>

### New Law - 2018

<table>
<thead>
<tr>
<th>Filing Status</th>
<th>0% Tax Rate Maximum Taxable Income Amount</th>
<th>15% Tax Rate Maximum Taxable Income Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Married Filing Jointly or surviving spouse</td>
<td>$77,200</td>
<td>$479,000</td>
</tr>
<tr>
<td>Head of Household</td>
<td>$51,700</td>
<td>$452,400</td>
</tr>
<tr>
<td>Married Filing Separately</td>
<td>$38,600</td>
<td>$239,500</td>
</tr>
<tr>
<td>All other Individuals</td>
<td>$38,600</td>
<td>$425,800</td>
</tr>
<tr>
<td>Estates and Trusts</td>
<td>$2,600</td>
<td>$12,700</td>
</tr>
</tbody>
</table>
Capital Gains Rate

LONG-TERM CAPITAL GAINS & QUALIFIED DIVIDEND RATES: CURRENT VS FINAL GOP TAX PLAN

<table>
<thead>
<tr>
<th>Taxable Income (Married Filing Jointly)</th>
<th>CURRENT LAW (2017)</th>
<th>TAX CUTS &amp; JOBS ACT</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>10%</td>
<td>10%</td>
</tr>
<tr>
<td>Ord. Income</td>
<td>15%</td>
<td>12%</td>
</tr>
<tr>
<td></td>
<td>25%</td>
<td>22%</td>
</tr>
<tr>
<td></td>
<td>28%</td>
<td>24%</td>
</tr>
<tr>
<td></td>
<td>33%</td>
<td>32%</td>
</tr>
<tr>
<td></td>
<td>35%</td>
<td>35%</td>
</tr>
<tr>
<td></td>
<td>39.6%</td>
<td>37%</td>
</tr>
<tr>
<td>Cap Gains/Qual Dividends</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td></td>
<td>15%</td>
<td>15%</td>
</tr>
<tr>
<td></td>
<td>18.8%</td>
<td>18.8%</td>
</tr>
<tr>
<td></td>
<td>23.8%</td>
<td>23.8%</td>
</tr>
</tbody>
</table>

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## C - Corporations

### Old Law - 2017

<table>
<thead>
<tr>
<th>Corporate Taxable Income</th>
<th>Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>$0 - $50,000</td>
<td>15%</td>
</tr>
<tr>
<td>$50,000 - $75,000</td>
<td>25%</td>
</tr>
<tr>
<td>$75,000 - $100,000</td>
<td>34%</td>
</tr>
<tr>
<td>$100,000 - $335,000</td>
<td>39%</td>
</tr>
<tr>
<td>$335,000 - $10,000,000</td>
<td>34%</td>
</tr>
<tr>
<td>$10,000,000 - $15,000,000</td>
<td>35%</td>
</tr>
<tr>
<td>$15,000,000 - $18,333,333</td>
<td>38%</td>
</tr>
<tr>
<td>Over $18,333,333</td>
<td>35%</td>
</tr>
</tbody>
</table>

### New Law - 2018

- Corporate Tax is a Flat Rate of 21%
# Standard Deduction/Personal Exemptions

<table>
<thead>
<tr>
<th>Filing Status</th>
<th>Standard Deduction - 2017</th>
<th>Standard Deduction - 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Married Filing Joint and QW</td>
<td>$12,700</td>
<td>$24,000</td>
</tr>
<tr>
<td>Head of Household</td>
<td>$9,350</td>
<td>$18,000</td>
</tr>
<tr>
<td>All Other Individuals</td>
<td>$6,350</td>
<td>$12,000</td>
</tr>
</tbody>
</table>

*The additional deduction for the elderly and the blind remains unchanged

<table>
<thead>
<tr>
<th></th>
<th>Personal Exemptions - 2017</th>
<th>Personal Exemptions - 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amount Per Person</td>
<td>$4,050</td>
<td>N/A</td>
</tr>
</tbody>
</table>

**Before new tax law was enacted, personal exemptions would have been $4,150 for 2018**
Standard Deduction/Personal Exemptions

![Chart comparing Standard Deduction under TCJA vs Current Law with Personal Exemptions](chart.png)
Miscellaneous Changes

Child Tax Credit

Old law:
• Taxpayer can claim nonrefundable child tax credit up to $1,000 per qualifying child

New law:
• The child tax credit increases to $2,000 per qualifying child

State Income and Personal Property Taxes

Old law:
• Taxpayer could claim an itemized deduction for amounts paid

New law:
• Taxpayer can claim an itemized deduction for amounts up to $10,000

*Business taxes are still 100% deductible
ACA Individual Mandate

Old law:
- Penalty for individuals not covered by health insurance that provide minimum essential coverage.
- *Still in effect for 2018 tax year*

New law:
- Effective *January 1, 2019* the tax imposed on individuals is reduced to zero

** Many of these tax changes are effective for tax year beginning after December 31, 2017 and before January 1, 2026 (In other words these are not permanent changes)
Net Operating Losses

Old Law:
- Net operating losses had two options, carry back or carry forward
  - Carryback had 5 year or 2 year election
  - Carryforward 20 year election

New Law:
- Carryback is only 2 year election
- Carryforward remains 20 year election
- Only allowing an offset against 80% of taxable income

Business-provided Meals

Old Law:
- Provision of food and beverages associated with the operation of a business were:
  - 100% deductible if provided on business premises
  - 50% deductible if provided off business premises

New Law:
- 50% deduction for food and beverages associated with a business operations whether on or off premises
- Zero is deductible after 2025

**Old Law:**
- Depreciable recovery period was 7 years for new or used machinery/equipment
- For *Expense Method Depreciation* (Sect. 179) deduction limit was $510,000 up to $2,030,000 of purchases

**New Law:**
- Depreciable recovery period is 5 years for new equipment and 7 years for used equipment
- Deduction limit is $1,000,000 up to $2,500,000 of purchases

**Bonus Deprecation**

**Old Law:**
- Was 50% Special Depreciation allowance for new property and farm buildings

**New Law:**
- Is 100% Special Depreciation for new or used property and farm buildings
Like-kind Exchanges

Old Law:
- For machinery exchanges only trade difference was accounted

New Law:
- The machine that is trade is now treated as a sale for income tax purposes
- The machine that was replaced is now subject to full depreciation

Example:
- Traded Tractor X for Tractor Y
- Trade Allowance for Tractor X $40,000
- Gross Purchase price for Tractor Y is $100,000

Old Law:
- Trade difference is reported ($100,000 - $40,000 = $ 60,000)
- Results in no gain to Tractor X
- Tractor Y is allowed $60,000 basis for depreciation

New Law:
- Tractor X reports $40,000 gain if no remaining basis
- Tractor Y reports $100,000 subject for depreciation
Payroll

- Withholding tables have changed in 2018 due to provisions that are no longer allowed.
- Therefore it will be prudent for employers and employees to review their withholdings.
- The overall tax liability might not be much different from previous years due to the fact that the standard deduction has doubled.
Crop Insurance

- Due to the current crop conditions, Farmers will have a greater chance for qualifying for crop insurance proceeds for the 2018 wheat crop
  - Due to tax reporting requirements the IRS will report crop insurance on the gross proceeds method
  - Many farmers will actually receive net proceeds after the premium has been deducted from the crop insurance companies
  - Due to the fact that the premiums are deducted it is important that you keep the paperwork that shows the gross proceeds and the premiums that are deducted
Qualified Business Income Deduction (QBI)(Ag-Related)

- Individual business owners (Sch. F) as well as owners with interest in a pass through entity (Partnerships, LLC’s, S-Corp.) are entitled to a 20% deduction of qualified business income
  - Beginning with 2018 tax year and running through the end of 2025 year
  - Allowed only for income tax purposes
  - Not allowed for purposes of self-employment tax
  - Reduces taxable income but not adjusted gross income
  - Does not include capital gains, dividends, interest, or any other non-business items
  - There is a difference in arriving at the QBI between the selling of grain at a coop and a non-coop
    - The overall calculation has several different steps at deriving QBI
    - The following examples will illustrate net calculation of QBI
    - Every Farmer has a different set of facts thus whether a farmer should sell to a coop or a non-coop depends on their specific situation (Price per Bushel, amount of Patronage Dividends, etc.)
  - Individuals with income more than $157,500 ($315,000 MFJ)) are subject to other limitations

*Does not include C-Corporations
**The deduction is computed by virtue of a complex formula (Final guidance from IRS is still needed)
QBI Example #1

- Married Couple with cow/calf operation
  - Sell $300,000 of raised breeding stock
  - Held for more than 2 yrs.
  - Ordinary income is $0
  - Taxable income is $300,000
  - No W-2 wages

*Individuals with income more than $157,500 ($315,000 MFJ)) are subject to other limitations*
### Example #1

<table>
<thead>
<tr>
<th>Step</th>
<th>Calculation</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Capital gains</td>
<td></td>
<td>$300,000</td>
</tr>
<tr>
<td>2. Ordinary Income</td>
<td></td>
<td>$0</td>
</tr>
<tr>
<td>3. Qualified Business Income (Net Farm Income)</td>
<td></td>
<td>$0</td>
</tr>
<tr>
<td>4. Taxable income</td>
<td></td>
<td>$300,000</td>
</tr>
<tr>
<td>5. QBI Deduction (20% X of Net Farm Income)</td>
<td></td>
<td>$60,000</td>
</tr>
<tr>
<td>6. Net Farm Income Less Capital Gains (3) – (1)</td>
<td></td>
<td>$0</td>
</tr>
<tr>
<td>7. Lesser of (5) or (6)</td>
<td></td>
<td>$0</td>
</tr>
<tr>
<td>8. 50% of W-2 Wages</td>
<td></td>
<td>N/A</td>
</tr>
<tr>
<td>9. 9% of Qualified Business Income</td>
<td></td>
<td>N/A</td>
</tr>
<tr>
<td>10. Lesser of (8) or (9)</td>
<td></td>
<td>N/A</td>
</tr>
<tr>
<td>11. Subtract (7) less (10) if below threshold ($157,500 S)($315,000 MFJ)</td>
<td></td>
<td>$0</td>
</tr>
<tr>
<td>12. Add Section 199A pass-through from cooperative</td>
<td></td>
<td>$0</td>
</tr>
<tr>
<td>13. Total Qualified Business Farm Income Deduction (11) + (12)</td>
<td></td>
<td>$0</td>
</tr>
<tr>
<td>14. Taxable Income after QBI (4) – (13)</td>
<td></td>
<td>$300,000</td>
</tr>
</tbody>
</table>
QBI Example #2

- Married couple with grain operation
  - Ordinary net farm income of $50,000
  - Taxable income is $75,000
    (Farm/Nonfarm income)
  - No W-2 wages
  - Section 199A pass-through from cooperative of $2,500

*Individuals with income more than $157,500 ($315,000 MFJ) are subject to other limitations*
### Example #2

<table>
<thead>
<tr>
<th>Step</th>
<th>Description</th>
<th>No W-2 Wages</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Capital gains</td>
<td>$0</td>
</tr>
<tr>
<td>2.</td>
<td>Ordinary Income</td>
<td>$50,000</td>
</tr>
<tr>
<td>3.</td>
<td>Qualified Business Income (Net Farm Income)</td>
<td>$50,000</td>
</tr>
<tr>
<td>4.</td>
<td>Taxable income</td>
<td>$75,000</td>
</tr>
<tr>
<td>5.</td>
<td>QBI Deduction (20% X of Net Farm Income)</td>
<td>$10,000</td>
</tr>
<tr>
<td>6.</td>
<td>Net Farm Income Less Capital Gains (3) – (1)</td>
<td>$50,000</td>
</tr>
<tr>
<td>7.</td>
<td>Lesser of (5) or (6)</td>
<td>$10,000</td>
</tr>
<tr>
<td>8.</td>
<td>50% of W-2 Wages</td>
<td>N/A</td>
</tr>
<tr>
<td>9.</td>
<td>9% of Qualified Business Income</td>
<td>N/A</td>
</tr>
<tr>
<td>10.</td>
<td>Lesser of (8) or (9)</td>
<td>N/A</td>
</tr>
<tr>
<td>11.</td>
<td>Subtract (7) less (10) if below threshold ($157,500 S)($315,000 MFJ)</td>
<td>$10,000</td>
</tr>
<tr>
<td>12.</td>
<td>Add Section 199A pass-through from cooperative</td>
<td>$2,500</td>
</tr>
<tr>
<td>13.</td>
<td>Total Qualified Business Farm Income Deduction (11) + (12)</td>
<td>$12,500</td>
</tr>
<tr>
<td>14.</td>
<td>Taxable Income after QBI (4) – (13)</td>
<td>$62,500</td>
</tr>
</tbody>
</table>
QBI Example #3

- Married couple with grain operation
  - Ordinary net farm income of $50,000
  - Taxable income is $75,000 (Farm/Nonfarm income)
  - $25,000 W-2 wages
  - Section 199A pass-through from cooperative of $2,500

*Individuals with income more than $157,500 ($315,000 MFJ)) are subject to other limitations
## Example #3

<table>
<thead>
<tr>
<th>Step Description</th>
<th>With W-2 Wages</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Capital gains</td>
<td>$0</td>
</tr>
<tr>
<td>2. Ordinary Income</td>
<td>$50,000</td>
</tr>
<tr>
<td>3. Qualified Business Income (Net Farm Income)</td>
<td>$50,000</td>
</tr>
<tr>
<td>4. Taxable income</td>
<td>$75,000</td>
</tr>
<tr>
<td>5. QBI Deduction (20% X of Net Farm Income)</td>
<td>$10,000</td>
</tr>
<tr>
<td>6. Net Farm Income Less Capital Gains (3) – (1)</td>
<td>$50,000</td>
</tr>
<tr>
<td>7. Lesser of (5) or (6)</td>
<td>$10,000</td>
</tr>
<tr>
<td>8. 50% of W-2 Wages</td>
<td>$12,500</td>
</tr>
<tr>
<td>9. 9% of Qualified Business Income</td>
<td>$4,500</td>
</tr>
<tr>
<td>10. Lesser of (8) or (9)</td>
<td>$4,500</td>
</tr>
<tr>
<td>11. Subtract (7) less (10) if below threshold ($157,500 S)($315,000 MFJ)</td>
<td>$5,500</td>
</tr>
<tr>
<td>12. Add Section 199A pass-through from cooperative</td>
<td>$2,500</td>
</tr>
<tr>
<td>13. Total Qualified Business Farm Income Deduction (11) + (12)</td>
<td>$8,000</td>
</tr>
<tr>
<td>14. Taxable Income after QBI (4) – (13)</td>
<td>$67,000</td>
</tr>
</tbody>
</table>
QBI Example #4

- Married Couple with cow/calf operation
  - Sell $300,000 of raised breeding stock
  - Held for more than 2 yrs.
  - Ordinary income is $0
  - Taxable income is $300,000
  - No W-2 wages
  - Section 199A pass-through from cooperative of $300,000

*Individuals with income more than $157,500 ($315,000 MFJ)) are subject to other limitations*
## Example #4

<table>
<thead>
<tr>
<th>Step</th>
<th>No W-2 Wages</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Capital gains</td>
<td>$300,000</td>
</tr>
<tr>
<td>2. Ordinary Income</td>
<td>$0</td>
</tr>
<tr>
<td>3. Qualified Business Income (Net Farm Income)</td>
<td>$0</td>
</tr>
<tr>
<td>4. Taxable income</td>
<td>$300,000</td>
</tr>
<tr>
<td>5. QBI Deduction (20% X of Net Farm Income)</td>
<td>$60,000</td>
</tr>
<tr>
<td>6. Net Farm Income Less Capital Gains (3) – (1)</td>
<td>$0</td>
</tr>
<tr>
<td>7. Lesser of (5) or (6)</td>
<td>$0</td>
</tr>
<tr>
<td>8. 50% of W-2 Wages</td>
<td>N/A</td>
</tr>
<tr>
<td>9. 9% of Qualified Business Income</td>
<td>N/A</td>
</tr>
<tr>
<td>10. Lesser of (8) or (9)</td>
<td>N/A</td>
</tr>
<tr>
<td>11. Subtract (7) less (10) if below threshold ($157,500 S)($315,000 MFJ)</td>
<td>$0</td>
</tr>
<tr>
<td>12. Add Section 199A pass-through from cooperative</td>
<td>$300,000</td>
</tr>
<tr>
<td>13. Total Qualified Business Farm Income Deduction (11) + (12)</td>
<td>$300,000</td>
</tr>
<tr>
<td>14. Taxable Income after QBI (4) – (13)</td>
<td>$0</td>
</tr>
</tbody>
</table>
QBI Example #5

- Married Couple with crop share rental
  - Net Rental Crop Income of $200,000
  - Ordinary income is $200,000
  - Taxable income is $200,000
  - No W-2 wages
  - Section 199A pass-through from cooperative of $10,000

*Individuals with income more than $157,500 ($315,000 MFJ)) are subject to other limitations*
### Example #5

<table>
<thead>
<tr>
<th>Step</th>
<th>No W-2 Wages</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Capital gains</td>
<td>$0</td>
</tr>
<tr>
<td>2. Ordinary Income</td>
<td>$200,000</td>
</tr>
<tr>
<td>3. Qualified Business Income (Net Farm Income)</td>
<td>$200,000</td>
</tr>
<tr>
<td>4. Taxable income</td>
<td>$200,000</td>
</tr>
<tr>
<td>5. QBI Deduction (20% X of Net Farm Income)</td>
<td>$40,000</td>
</tr>
<tr>
<td>6. Net Farm Income Less Capital Gains (3) – (1)</td>
<td>$200,000</td>
</tr>
<tr>
<td>7. Lesser of (5) or (6)</td>
<td>$40,000</td>
</tr>
<tr>
<td>8. 50% of W-2 Wages</td>
<td>$0</td>
</tr>
<tr>
<td>9. 9% of Qualified Business Income</td>
<td>$18,000</td>
</tr>
<tr>
<td>10. Lesser of (8) or (9)</td>
<td>$0</td>
</tr>
<tr>
<td>11. Subtract (7) less (10) if below threshold ($157,500 S)($315,000 MFJ)</td>
<td>$40,000</td>
</tr>
<tr>
<td>12. Add Section 199A pass-through from cooperative</td>
<td>$10,000</td>
</tr>
<tr>
<td>13. Total Qualified Business Farm Income Deduction (11) + (12)</td>
<td>$50,000</td>
</tr>
<tr>
<td>14. Taxable Income after QBI (4) – (13)</td>
<td>$150,000</td>
</tr>
</tbody>
</table>
QBI Example #6

- Married Couple with crop share rental
  - Net Rental Crop Income of $420,000
  - Ordinary income is $420,000
  - Taxable income is $420,000
  - No W-2 wages
  - Section 199A pass-through from cooperative of $10,000

*Individuals with income more than $157,500 ($315,000 MFJ)) are subject to other limitations
### Example #6

<table>
<thead>
<tr>
<th>Step Description</th>
<th>No W-2 Wages</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Capital gains</td>
<td>$0</td>
</tr>
<tr>
<td>2. Ordinary Income</td>
<td>$420,000</td>
</tr>
<tr>
<td>3. Qualified Business Income (Net Farm Income)</td>
<td>$420,000</td>
</tr>
<tr>
<td>4. Taxable income</td>
<td>$420,000</td>
</tr>
<tr>
<td>5. QBI Deduction (20% X of Net Farm Income)</td>
<td>$84,000</td>
</tr>
<tr>
<td>6. Net Farm Income Less Capital Gains (3) – (1)</td>
<td>$420,000</td>
</tr>
<tr>
<td>7. Lesser of (5) or (6)</td>
<td>$84,000</td>
</tr>
<tr>
<td>8. 50% of W-2 Wages</td>
<td>$0</td>
</tr>
<tr>
<td>9. 9% of Qualified Business Income</td>
<td>$7,560</td>
</tr>
<tr>
<td>10. Lesser of (8) or (9)</td>
<td>$0</td>
</tr>
<tr>
<td>11. Subtract (7) less (10) if below threshold ($157,500 S)($315,000 MFJ)</td>
<td>$0</td>
</tr>
<tr>
<td>12. Add Section 199A pass-through from cooperative</td>
<td>$10,000</td>
</tr>
<tr>
<td>13. Total Qualified Business Farm Income Deduction (11) + (12)</td>
<td>$10,000</td>
</tr>
<tr>
<td>14. Taxable Income after QBI (4) – (13)</td>
<td>$410,000</td>
</tr>
</tbody>
</table>
QBI (Special Complex)  
Example #7

• Single with grain operation
  □ Ordinary net farm income of $160,000  
    (before Sect. 179)
  □ Section 179 $150,000
  □ Taxable income is $250,000  
    (Farm/Nonfarm income)
  □ No W-2 wages

*Individuals with income more than $157,500 ($315,000 MFJ)) are subject to other limitations

**There is a special calculation if over the threshold of taxable income  
(based on W-2 wages and/or machinery purchases)
### (Special Complex) Example #7

<table>
<thead>
<tr>
<th>Step</th>
<th>Description</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Capital gains</td>
<td>$0</td>
</tr>
<tr>
<td>2.</td>
<td>Ordinary Income</td>
<td>$160,000</td>
</tr>
<tr>
<td>3.</td>
<td>Qualified Business Income (Net Farm Income)</td>
<td>$10,000</td>
</tr>
<tr>
<td>4.</td>
<td>Taxable income</td>
<td>$250,000</td>
</tr>
<tr>
<td>5.</td>
<td>QBI Deduction (20% X of Net Farm Income)</td>
<td>$2,000</td>
</tr>
<tr>
<td>6.</td>
<td>Net Farm Income Less Capital Gains (3) – (1)</td>
<td>$10,000</td>
</tr>
<tr>
<td>7.</td>
<td>Lesser of (5) or (6)</td>
<td>$2,000</td>
</tr>
<tr>
<td>8.</td>
<td>Lesser 50% of W-2 Wages or 25% W-2 Wages and 2.5% of machinery purchases ($150,000 Example)</td>
<td>$3,750</td>
</tr>
<tr>
<td>9.</td>
<td>9% of Qualified Business Income (Only if Coop Patronage)</td>
<td>N/A</td>
</tr>
<tr>
<td>10.</td>
<td>Lesser of (8) or (9)</td>
<td>$0</td>
</tr>
<tr>
<td>11.</td>
<td>Subtract (7) less (10) if below threshold ($157,500 S)($315,000 MFJ) (if above use (8))</td>
<td>$2,000</td>
</tr>
<tr>
<td>12.</td>
<td>Add Section 199A pass-through from cooperative</td>
<td>$0</td>
</tr>
<tr>
<td>13.</td>
<td>Total Qualified Business Farm Income Deduction (11) + (12)</td>
<td>$2,000</td>
</tr>
<tr>
<td>14.</td>
<td>Taxable Income after QBI (4) – (13)</td>
<td>$248,000</td>
</tr>
</tbody>
</table>
Thank you for coming & for participating!

<table>
<thead>
<tr>
<th>County</th>
<th>Agent</th>
<th>Director</th>
</tr>
</thead>
<tbody>
<tr>
<td>Barton</td>
<td>Alicia Boor</td>
<td>John DeWerff</td>
</tr>
<tr>
<td>Harper</td>
<td>Jenni Carr</td>
<td>Bret Mathes</td>
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<tr>
<td>Harvey</td>
<td>Ryan Flaming</td>
<td>Dale Friesen</td>
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<td>Kingman</td>
<td>Jake Renner</td>
<td>Allen Young</td>
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<td>Shad Marston</td>
<td>Cindy Baldwin</td>
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<td>Mark Ploger</td>
<td>Matt Novotny</td>
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<tr>
<td>Reno</td>
<td>Darren Busick</td>
<td>Jeff Schwertfeger</td>
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<tr>
<td>Rice</td>
<td>Wendy Hughes</td>
<td>Lee Scheufler</td>
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<tr>
<td>Sedgwick</td>
<td>Zach Simon</td>
<td>Mike Patry</td>
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<tr>
<td>Stafford</td>
<td>Glenn Newdigger</td>
<td>Kevin Alpers</td>
</tr>
<tr>
<td>Sumner</td>
<td>Randy Hein</td>
<td>Tom Norris</td>
</tr>
</tbody>
</table>

**Economists**
Clay Simons
Bryan Manny
Camille Claassen
Jonie James
Aaron Meisenheimer

**Staff**
Nancy Foran
Audrey Bornholdt
Donna Cummins
Sheryl Hamby
Louise McIntire
LeAnna Doane
Shirley Jaeger