

2023 Farm Income Tax Update

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Income Tax Brackets & Credits



2023 Federal Income Tax

- No exemptions
- Standard deduction
 - Single – \$13,850
 - Married filing joint (MFJ) – \$27,000
- Premium Tax Credit available for households above 400% of federal poverty level
 - Eligible for credit if second lowest cost silver plan is more than 8.5% of household income
- “Family glitch” fixed for 2023
 - Affordability of employer coverage now accounts for the cost of covering the employee and their family, not just the employee



2023 Federal Brackets - MFJ

Taxable Ordinary Income			Taxable Capital Gain Income		
		Tax Rate			Tax Rate
0	22,000	10.0%	0	89,250	0%
22,001	89,450	12.0%	89,251	553,850	15.0%
89,451	190,750	22.0%	553,851	+	20.0%
190,751	364,200	24.0%			
364,201	462,500	32.0%			
462,501	693,750	35.0%			
693,751	+	37%			



2023 Federal Brackets - Single

Taxable Ordinary Income			Taxable Capital Gain Income		
		Tax Rate			Tax Rate
0	11,000	10.0%	0	44,625	0%
11,000	44,725	12.0%	44,625	553,850	15.0%
44,725	95,375	22.0%	553,850	+	20.0%
95,375	182,100	24.0%			
182,100	231,250	32.0%			
231,250	578,125	35.0%			
578,125	+	37%			



2023 Depreciation

- **Reminder: No like-kind exchanges for personal property (TCJA)**
 - Treat equipment trades as a sale and outright purchase
- **§179 Deduction limit = \$1,160,000**
 - Investment limit = \$2,890,000 (deduction reduced \$1 for every \$1 over investment limit)
- **Bonus depreciation**
 - 80% in 2023 (60% in 2024, 40% in 2025, 20% in 2026, eliminated in 2027)
 - Bonus is the only option to quickly write off multi-purpose ag structures
- **Ordering rules limit “quick” depreciation for equipment purchases**
 - ≤\$1,160,000: all depreciation can be taken
 - \$1,160,000 to \$2,890,000: 80% amount over §179 taken
 - >\$4,050,000 eliminates §179 deduction, so only bonus is available (80%)



2023 Tax Credits

- **Child Tax Credit**
 - \$2,000 per child under 17 years old
 - Available if AGI is <\$400,000 MFJ (<\$200,000 single)
 - Refundable portion (via Additional Child Tax Credit) equals 15% of earned income over \$2,500 (max of \$1,600 per child)
- **Credit for Other Dependents**
 - \$500 per child 18-24 if a student or disabled
- **Child and Dependent Care Credit**
 - Credit equals percentage of qualified expense
 - Qualified expense limited to \$3,000 for one child or \$6,000 for two or more
 - 35% if AGI is \$15,000 or less
 - 20% if AGI is \$43,000 or more



2023 Retirement Plan Contributions

- **Traditional or Roth IRA Max = \$6,500 (\$7,500 if >49)**
 - May be limited if you participate in another plan
 - No age limit after 2020
- **SIMPLE IRA Max elective deferral = \$15,500 (\$19,000 if >49)**
 - Plus “employer” share of 3% (usually)
- **SEP Max = \$66,000**
 - Percentage of Schedule F income (up to ≈18.6%)
 - No elective deferral or catch-up contribution
- **401(k) Max = \$66,000 (\$73,500 if >49)**
 - Percentage of Schedule F income (up to ≈18.6%)
 - Elective deferral max = \$22,500 (\$30,000 if >49)



2023 Federal Income Tax

- Standard mileage rate
 - \$0.655 per mile for business miles
 - \$0.22 per mile for medical and moving miles
 - \$0.14 per mile for charitable miles
- Educator expense deduction = \$300
- Business meals deduction = 50%
 - Non-deductible beginning in 2026
 - Entertainment expenses not deductible



2023 Kansas Income Tax

- Unchanged since 2018
- Exemption amount – \$2,250 per exemption
- Standard deduction
 - Single – \$3,500
 - Married filing joint (MFJ) – \$8,000
- Itemized deductions allowed even if not itemizing on federal income tax return



2023 Kansas Brackets

Married Filing Joint			Single		
Taxable Income		Tax Rate	Taxable Income		Tax Rate
0	30,000	3.1%	0	15,000	3.1%
30,000	60,000	5.25%	15,000	30,000	5.25%
60,000	+	5.7%	30,000	+	5.7%



Kansas SALT Parity Act

- Certain pass-through entities can elect to pay Kansas income tax (at 5.7% rate) on behalf of partners/members/shareholders
- When payments are made, taxes are deducted by the entity as a business expense, potentially reducing SE tax
 - State taxes paid by individual are itemized deductions and subject to SALT limitations (\$10,000) at the federal level
 - Reported by entity on KS Form K-9 (KS had trouble processing these for tax year 2022)
- Annual election by the entity
- Penalties if estimated tax payments are not made by the entity
- Likely makes sense for profitable entities



2023 Gift & Estate Tax

- Annual exclusion amount for gifts is \$17,000 per person
- Estate tax exemption \$12,920,000
 - Inflation adjusted each year through 2025
 - Scheduled to return to pre-TCJA levels in 2026 (estimated to be \$6-7 million w/ inflation adjustment)
- Portability of unused exemption to surviving spouse
- No IRS “claw back” after 2025
- No Kansas estate tax



SECURE 2.0 Act



SECURE 2.0 Act

- Signed into law December 2022
- Replaces Saver's Credit with Saver's Match in 2027
 - Saver's Credit = credit against income tax for low-income taxpayers who contribute to a retirement plan
 - Saver's Match = now requires funds to be deposited into taxpayer's IRA or retirement plan
- Required Minimum Distributions (RMD)
 - Increases age for RMD from 70 1/2 to 73, effective 2023
 - Increases age for RMD to 75, effective 2033
- Increased retirement account catch-up contributions
 - Beginning 2025, increased for participants age 60-63



SECURE 2.0 Act

- Student loan payments
 - Employers can treat qualified student loan payments as contributions to retirement plans so they can make matching contributions to the employee's retirement plan
 - Available beginning in 2024, applies to 401(k) and SIMPLE IRAs
 - Intended to assist employees that must choose between student loans and retirement contributions
- Free rollover from 529 account to a Roth IRA
 - Subject to annual ROTH contribution limits
 - Limited to \$35,000 over beneficiary's lifetime
 - Effective beginning 2024
- Qualified Charitable Distributions indexed for inflation in 2024
 - \$100,000 in 2023



Corporate Transparency Act & FinCEN Ruling



CTA & FinCEN

- September 2022, the Financial Crimes Enforcement Network (FinCEN) issued rule 31 CFR Part 1010.380
 - Implements Section 6403 of Corporate Transparency Act (CTA)
 - CTA was part of the National Defense Authorization Act for Fiscal Year 2021
- Rule establishes Beneficial Ownership Information (BOI) reporting requirements, effective January 1, 2024
- Aid in protection of the U.S. financial system from illegal use
- Aid in law enforcement and tax investigations



CTA & FinCEN

- Rule imposes BOI reporting requirements on all non-exempt reporting companies
 - Domestic Reporting Companies
 - Foreign Reporting Companies
- Domestic reporting companies are:
 - A corporation
 - A limited liability company
 - Created by the filing of a document with a secretary of state or similar office of a jurisdiction within the United States
- 23 types of exempt entities; none would likely apply to Kansas farming entities



CTA & FinCEN

- Beneficial Owner includes anyone who directly or indirectly
 - Exercises substantial control over reporting company
 - Controls at least 25% of the ownership interest of reporting company
- Substantial control includes
 - Senior officer of the reporting company
 - Has authority over appointment or removal of senior officers or majority of the board
 - Directs, determines, or has substantial influence over important decision made by the reporting company
 - Company assets, organization, investments, business ventures, officer compensation, contracts, governing documents
 - Any other form of substantial control
- Exceptions for minors, employees, agents, lender



CTA & FinCEN

- **Company Applicant must also be reported**
 - Individual who directly files documents that create reporting company (attorney)
- **Reporting Beneficial Ownership**
 - Entities formed after January 1, 2024 must file within 30 calendar days of formation
 - Existing entities must file before January 1, 2025
 - Any change to required information must be reported within 30 calendar days
 - Inaccuracy must be reported within 30 calendar days after discovery of inaccuracy but also within 90 calendar days of inaccurate report



CTA & FinCEN

- **Information to be reported**
 - Full name of reporting company
 - Any trade name or DBA
 - Complete current address
 - State of jurisdiction of reporting company
 - IRS identification number
 - For beneficial owners:
 - Full legal name
 - Date of birth
 - Complete current address
 - Unique identifying number from non-expired passport, state ID, driver's license
 - Image of document containing unique identifying number



CTA & FinCEN

- No fee to file report
- Reports will be submitted electronically through a system on FinCEN's website (still under development)
- Beneficial Ownership Secure System (BOSS) is also under development (IT system that will be used to store BOI)



Questions?

