

Farm Income Tax Updates

AG LENDERS CONFERENCE – SEPTEMBER 2026
MARK DIKEMAN
EXECUTIVE DIRECTOR
KANSAS FARM MANAGEMENT ASSOCIATION



One Big Beautiful Bill Act

- Passed by Congress through reconciliation
- Signed by President Trump on July 4, 2025
- Extended or made permanent some existing tax provisions
- Some income tax adjustments took effect in 2025, others 2026



Individual Income Tax 2025 and forward



Individual Income Tax – 2025 and forward

- Personal exemptions permanently eliminated
- 2026 standard deduction of \$16,100 (single) or \$32,200 (MFJ)
 - Additional standard deduction of \$2,050* (single) or \$3,300* (MFJ) if over age 64 or blind
- New \$6,000 deduction for taxpayer and spouse 65 years or older (2025-2028)
 - Additional deduction, not added to standard deduction
 - Phased out by 6% of MAGI that exceeds \$150,000 (MFJ) or \$75,000 (single). Fully phased out at \$250,000 (MFJ) or \$175,000 (single)



Individual Income Tax – 2025 and forward

Senior Deduction:

- Taxpayers do not need to itemize to receive this deduction
- Replacement for “no tax on Social Security”
- Planning may be necessary if MAGI is close to or in the phase-out range
 - Timing of IRA distributions, rental income payments, etc.



Individual Income Tax – 2025 and forward

- Deduction for qualified tips for 2025-2028
 - Not an itemized deduction – taken on Form 1040 Schedule 1-A
 - Limited to \$25,000
 - Phased out at MAGI of \$150,000 (single) or \$300,000 (MFJ)
 - Qualified tips received by worker in an occupation which customarily and regularly receives tips after 12/31/24 (see [IRS.gov/TippedOccupations](https://www.irs.gov/TippedOccupations))
 - 2026 W-2 has been updated to include code TP (Total amount of qualified tips) in box 12a.
 - Tips are still subject to FICA (Social Security and Medicare)
 - Amount must be determined by the payor



Individual Income Tax – 2025 and forward

- Deduction for qualified overtime compensation for 2025-2028
 - Not an itemized deduction
 - Limited to \$12,500 (single) or \$25,000 (MFJ)
 - Phased out at MAGI of \$150,000 (single) or \$300,000 (MFJ)
 - Qualified overtime compensation must be required by Section 7 of Fair Labor Standards Act
 - Applies only to overtime compensation in excess of regular compensation
 - 2026 W-2 has been updated to include code TT (total amount of qualified overtime compensation) in box 12a



Individual Income Tax – 2025 and forward

- Qualified passenger vehicle loan interest deduction (2025-2028)
 - Only applies to not business interest expense
 - Not an itemized deduction, limited to \$10,000
 - Phases out at MAGI of \$100,000 (single) or \$200,000 (MFJ)
 - Qualified passenger vehicle loan interest:
 - New vehicle only, purchase after 12/31/2024 – VIN must be provided
 - At least 2 wheels, manufactured for use on public streets, roads
 - Car, minivan, van, SUV, pickup truck, motorcycle <14,000 GVWR
 - Final assembly in US – VIN first digit



Individual Income Tax – 2025 and forward

- SALT deduction limit made permanent, increased temporarily
 - Increased to \$40,400 for 2026 (annually increased by 1% until 2029)
 - Deduction reduced by 30% for MAGI over \$500,000 (annually increased by 1% until 2029)
 - Not reduced below \$10,000
 - Drops to \$10,000 after 2029
 - No impact on pass-through entity tax (PTET) which is useful in KS



Individual Income Tax – 2025 and forward

- 2026 child tax credit is \$2,200, annually adjusted for inflation
 - Retains higher income phaseouts of \$400,000 (MFJ) or \$200,000 (single)
 - Refundable portion (\$1,700) made permanent, adjusted for inflation
- Other dependent credit (\$500) made permanent
- Clean vehicle credits terminated (October 2025)
- Energy efficient credits terminated (mostly 2026)



Individual Income Tax 2026



Individual Income Tax – 2026

- Charitable Contributions –
 - Charitable contribution deduction up to \$1,000 (single) or \$2,000 (MFJ) **without itemizing**
 - If itemizing, only charitable contributions in excess of 0.5% of AGI are deductible



Individual Income Tax – 2026

- Itemized deductions phase out when income exceeds \$384,350 (single) or \$640,600 (MFJ) - bottom of 37% bracket
 - Phase-out is 2/37 of smaller of:
 - Itemized deduction otherwise allowed
 - Taxable income (without reduced itemized deduction) above bottom of 37% bracket
- Gambling loss deduction limited to 90% of losses and only to extent of gains



Individual Income Tax – 2026

- Child and dependent care credit expanded (2026)
 - \$15,000 AGI or less = 50% credit
 - \$43,000 - \$75,000 (single) or \$43,000 - \$150,000 (MFJ) = 35% credit
 - Over \$206,000 (MFJ) or \$103,000 (single) = 20% credit
 - Qualifying expense limit = \$3,000 for 1 child or \$6,000 for 2+ children
- Premium Tax Credit (PTC) (2026)
 - Advance payments required to be paid back no longer limited



Individual Income Tax – 2026

- Estate tax exemption \$15,000,000 (2026) and adjusted for inflation after 2026
 - Annual gift tax exclusion is \$19,000 per recipient for 2026



Business Income Tax 2026



Business Income Tax - 2026

- Qualified Business Income Deduction (QBID) made permanent
 - Phase out range (not amount) for high income earners increased to \$75,000 (single) and \$150,000 (MFJ)

	Phase-Out Range (2026)
MFJ	\$394,600 - \$544,600
Single	\$197,300 - \$272,300

- Minimum QBID of \$400
 - Trade or business with material participation
 - Aggregate qualified business income of at least \$1,000



Business Income Tax - 2026

- Special depreciation allowance (bonus depreciation)
 - 100% depreciation for property in service for 2026
 - Bonus by default, may elect not to utilize
 - Election out applies per class
 - Property with a recovery period of 20 years or less (nearly all depreciable ag property)
 - Can be utilized to generate a business loss



Business Income Tax - 2026

- Section 179 deduction - 2026
 - Deduction limit of \$2,560,000 million (up from \$1.22 million in 2024)
 - Investment limit of \$4,090,000 million (up from \$3.05 million in 2024)
 - Dollar-for-dollar reduction when purchases exceed limit
 - Both limits annually adjusted for inflation
 - Election to take 179 is property-by-property
 - Cannot be used to create a business loss



Business Income Tax - 2026

- Business meals for employees
 - Meals through eating facilities and provided for employer's convenience are *no longer deductible* except
 - Restaurants providing meals to employees
 - Meals required to be provided by commercial fishing vessels
 - Value of meals provided are included as income for the employee
 - Reimbursement of meals for employees while travelling are 50% deductible if through an accountable plan



Business Income Tax - 2026

- Information reporting
 - \$600 threshold for 1099 reporting (1099-MISC and 1099-NEC) increases to \$2,000 and adjusted for inflation after 2026
 - Also increases the backup withholding payment threshold



Business Income Tax - 2026

- Research & Development Credit
 - Research and development expenses can be immediately deducted instead of amortizing (can elect to amortize)
 - Applies to expenses after 2021
 - Can deduct remaining unamortized expenses from 2021 to 2024
- Employer credit for paid family and medical leave
 - 12.5% to 25% of wages paid during leave for
 - Child's birth, adoption, or foster care
 - Care for spouse, child, parent with serious health condition
 - Employee's serious health condition



Business Income Tax - 2026

- Employer provided childcare credit
 - Credit of 50% of qualified childcare facility expense for eligible small businesses (5-year average gross <\$25 million)
- Dependent care assistance
 - Assistance paid by employer is excluded from employee's income
 - Limit of \$7,500 excludable
- Excludable education assistance (\$5,250) can include student loan payments (was set to expire at end of 2025)



Business Income Tax - 2026

- Farmland sale tax installment
 - Farmland sold >7/4/25
 - Election to *pay tax* over 4 years in equal installments
 - Property must have been used for farming purposes (or leased to farmer) for substantially all of 10-year period prior to sale
 - Property must be sold to a qualified farmer and be subject to covenant that prohibits use for any purpose other than farming for 10-years
 - Individuals, trusts, entities



Trump Accounts



Trump Accounts

- Intended to “promote the long-term financial security of children”
- Passed as part of the One Big Beautiful Bill Act of 2025 (OBBBA)
- Federally-backed investment account for U.S. citizen children under the age of 18
- Accounts could be opened/established as of January 1, 2026, with funding allowed as of July 4, 2026
 - Established by filing IRS Form 4547 or at trumpaccounts.gov
- Children born between 1/1/2025 and 12/31/2028 provided for \$1,000 seed funding as part of a pilot program



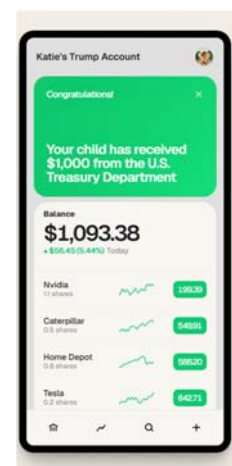
Trump Accounts, cont.

- As of July 27, 2026, 6.5-7 million children have registered for Trump Accounts, with approximately 1.5 million families/children claiming the pilot program contribution.
- The order of precedence for establishing a Trump Account is legal guardians, parents, adult siblings, and grandparents.
- BNY (Bank of New York Mellon Corporation) and Robinhood will be acting as the financial agent/brokerage/initial trustee. Activation information for those enrolled started going out in May.



Who can fund?

- Parents, family members, or others can contribute an aggregate of \$5,000 per child, per year. (Adjusted for inflation after 2027)
- There is no income limit on who can contribute
- Trump accounts do not have an earned income requirement
- Employers can contribute up to \$2,500 annually per employee (not per child), which does count towards the \$5,000 cap and is not taxable income (generally)



What is a Trump Account?

- Acts like a Traditional IRA with certain modifications. Withdrawals are taxable
- Funds in a Trump Account may only be invested in “certain eligible investments” (think mutual funds and ETFs of U.S.-based companies)
- Trump accounts are in the name of the child, with parents/guardians acting as custodians
- Distributions are not allowed prior to age 18. At age 18, distributions are still subject to the 10% early withdrawal penalty (until age 59 ½), except for eligible expenses



Tax Implications

	When Taxed	Tax Rate
Post-Tax Contributions – parents, grandparents, beneficiary	Exempt – already taxed	-
Pre-Tax Contributions – employers, charities, government	Time of Withdrawal	Ordinary Income
Investment Returns	Time of Withdrawal	Ordinary Income

This does not account for any penalties for early withdrawal (before age 59 1/2 unless after age 18 for an authorized purpose)



Example

	At Age 18	At Age 27	At Age 55
Contributing \$0 / Year	\$6,000	\$15,000	\$243,000
Contributing \$250 / Year	\$19,000	\$51,000	\$878,000
Contributing \$5,000 / Year	\$271,000	\$742,000	\$13,000,000

According to TrumpAccounts.gov, based on an account opening at birth with \$1,000 opening deposit and derived from historical S&P 500 averages.
“Actual results may differ and are not guaranteed.”



Trump Account Alternatives

- 529 Education Savings Plans / Accounts
- Coverdell Educational Savings Account (ESA)
 - Custodial Roth IRA
- UGMA* / UTMA* Custodial Accounts

What is the goal – education, general savings, retirement?

Does the child work for their farming parent or have earned income?

* UGMA – Uniform Gifts to Minors Act / * UTMA – Uniform Transfers to Minors Act



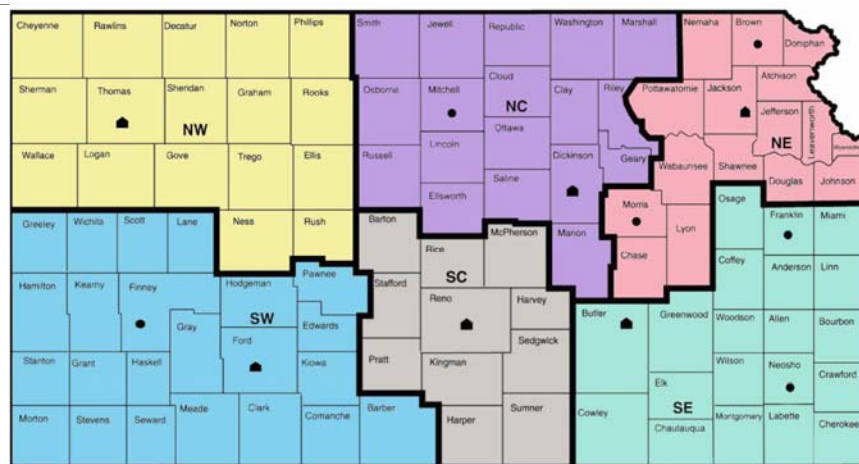
Kansas Farm Management Association

- Assist agricultural producers with
 - Accounting and record keeping
 - Accrual farm financial analysis
 - Benchmarking
 - Entity, estate, and transition planning
 - Income tax planning and management
 - Income tax preparation (through sister companies)
- 24 Extension Ag Economists in 11 offices throughout KS



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Questions?

Mark Dikeman
dikemanm@ksu.edu

Chelsea Plummer
ecplummer@ksu.edu

Kellen L. Liebsch
kellen@ksu.edu

www.agmanager.info/kfma



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