Taxation of Farmers and Agriculture

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AG Taxes Apply To

- **Crop Production**
  - Oilseed & Grain Farming
  - Vegetable & Melon Farming
  - Fruit & Tree Nut Farming
  - Greenhouse, Nursery & Floriculture Production
  - Other Crop Farming

- **Animal Production**
  - Beef Cattle Ranching & Farming
  - Cattle Feedlots
  - Dairy Cattle & Milk Production
  - Hog & Pig Farming
  - Poultry & Egg Production
  - Sheep & Goat Farming
  - Aquaculture
  - Other Animal Production

- **Forestry and Logging**
  - Including Forest Nurseries & Timber Tracts
Current Tax Rate – 2014

- **Income Tax MFJ**
  - Over $457,600 Rate 39.6%

- **Plus - Medicare Tax Rate**
  - On Earned Income Over $250,000 Rate .9%
  - On Net Investment Income Over $250,000 Rate 3.8%

- **Capital Gains Rates**
  - Short Term
  - Long Term
    - If Tax Rate 10% or 15% Rate 0%
    - If Tax Rate 25% to 35% Rate 15%
    - If Tax Rate 39.6% Rate 20%
Depreciation Expense

- Regular Methods
- IRC 179
  - Deduction Limit - $25,000
  - Phase out $125,000 - $150,000
  - Can be new or used
  - Up to business net income

- BONUS - NONE FOR 2014
IRS Issues

- **1099’s - For Business Services**
  - $600 Paid
  - Veterinarian Services
  - Day labor
  - Cowboys
    - Horse
    - Dog
    - Stock Trailers
  - Attorneys

- **Full Time vs Part Time Employees**
  - 40 hours vs 30 Hours
  - Contract Services Test
New Capitalization and Repair Rules

* Effective 1/1/2014 *

Impacts Majority of All Businesses

Any Deduction For...

- Repairs and Maintenance
- Materials and Supplies
- Rotable, Temporary and Spare Parts
- Improvement to Assets
- Changes or Modifications to Assets
Capitalization and Repairs Cont.

- $500 de minimis rule
- Materials and Supplies - On Hand
- Replacement
  - Damaged
  - Maintenance
- Change in Use - Materially Expands or Increases Use
- Restoration
IRS Audit Issue

- Proper Records and Supporting Doc’s
  - Separate Checking Accounts
  - Separate Credit Cards
  - QuickBooks
- Log of Activities
- Supporting Business use of Trucks
- Electronic Media
- Unreported Income - Examples
Business vs Hobby Losses

- Part Time Farmer
- Profit Motive
- Business Plan
- Run Like a Business
- Active vs Passive - Time Spent
- Personal use for Pleasure
- IRS - View
  - 9 Point Questions
- Separate Business Activities
Farmer’s Taxes

- Cash Basis
- Income - Tax Reporting
  - Raised
  - Purchased
  - Timber
- Income Deferral
  - Crop Insurance
  - Feed and Hay
  - Herd Reduction / Liquidation
Farmer’s Taxes Cont.

- Land Preparation Cost
- Uniform Capitalization IRC 263A
  - Pre-productive Period
    - Citrus / Vineyard
    - Blueberry
  - Cost subject to IRC 263A
- Row Crops
- Livestock
- Alternative Ranching - Deer Ranches
Farmer’s Taxes Cont.

- Domestic Production Activities
- Income Averaging
- Prepaid Farm Expense
- IC-Disc Corporation
- Employing your Children
- Sale of your Residence with Farm
- Taxpayer Identity Theft Fraud
Any Questions?

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