



Business Structure Basics for Your Farm

Introductions



Food Animal Concerns Trust (FACT) is a national nonprofit organization that works to ensure that all food-producing animals are raised in a humane and healthy manner.





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FACT's services to support livestock and poultry farmers include:

- Conference scholarships (ongoing)
- Customized handouts (ongoing)
- Free webinars (ongoing)
- Fund-a-Farmer Grants (not currently accepting applications)
- Humane Farming Mentorship Program (not currently accepting applications)
- Financial and Business Training (not currently accepting applications)

Our Presenter



Rachel Armstrong

Farm Commons







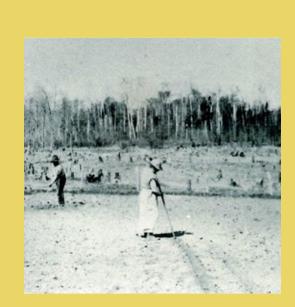
- We empower agricultural communities to address their own legal vulnerabilities, within an ecosystem of support
 - Educational resources: guides, workshops, webinars, podcasts, Q&A platform
 - Leadership development: solutions by and for farmers

Membership makes it possible! See if membership meets your needs for developing legal resilience in your community.





- Live in Duluth, MN
- I founded Farm Commons because I believe you deserve this information so you can develop resilience, consistent with your values.





• Use the Question box for questions as we go!

Folks say they want to learn about...

- Do multiple LLCs protect various aspects of the farm?
- What is the difference between a partnership and an LLC?
- How does limited liability work?
- ...and more!



- Which business structure is your farm organized as right now?
 - LLC
 - Corporation
 - Sole Proprietorship
 - Partnership
 - Nonprofit
 - Unsure
 - Something else



Sole Proprietorships and Partnerships

- This is the default business structure
- The moment you start selling a product or service, you have one of these!
 - Are you the owner? You have a sole proprietorship.
 - · Working with someone else? If so, you have a partnership



Sole Proprietorships and Partnerships

- Drawback: Personal assets are exposed to business liabilities.
- In a partnership: exposure is multiplied



Limited Liability Entities

• LLCs and Corporations protect personal assets from business liabilities!



Personal Assets ONLY are protected!

- Which business structures protect business assets from business liabilities?
 - · NONE.
- How does a farm protect business assets from business liabilities?
 - Insurance



Protection needs to be earned

- Separate bank accounts and clear balance sheets help earn the protection.
- Maintain filing obligations with the state.



Corporation or LLC?

- LLCs are more flexible than corporations...
 - Can have more than 100 members
 - Members can be other LLCs or corporations
 - Operating agreement and officers not required
- These points of flexibility are **not** very helpful.



A Tax Advantage?

- Tax forms are different but the tax effect tends to be the same between
 - LLCs
 - S Corporations.
- What is an S corporation?"
 - A corporation that has elected to be taxed under subchapter S, which stands for small business
 - Wide majority of small businesses will chose subchapter S taxation



Why Choose Subchapter S?

- <u>SOME</u> personal income <u>may</u> be taxable at the dividends rate rather than personal income rate.
- Generally useful where a farmer is making more in income from farming than the average farmer.
- BOTH LLCs and corporations can choose subchapter S taxation.





Question Break



How do we form an LLC or S corporation?

- File a form with your Secretary of State, generally.
 - List owners and contact information
 - List registered agent
- Not everyone is comfortable forming an LLC or S corporation.



Anti-Corporate Farming Laws

- Can restrict non-related persons from forming LLCs and corporations to lease farmland or conduct farming.
- Iowa, Kansas, Minnesota, Missouri, North Dakota, Oklahoma, South Dakota and Wisconsin



Nonprofits and Cooperatives

- Nonprofits: Useful if your farm is <u>exclusively</u> devoted to pursuits that are scientific, educational, or for "relief of the poor." (AND you do not compete with for-profit farms).
- Cooperatives: Decisions made via one member, one vote.



- Think of the last farm business you know that went out of business, failed, sold the assets, etc.
- What caused it? Please type in the chat box your answers.



Here's what no one said:

- No one ever says, "That farm failed because they chose an LLC and not an S corporation."
- The D's sink most farms: death, disagreement, debt, disability
- · What can we do about that?





Video Here



The biggest source of resilience?

- Write a governance document!!
- Checklists and models in the Farmers' Guide to Business Structures



- Discovering Resilience:
 - Learn the 10 legal best practices of a resilient farm or ranch business
 - · Create a customized action plan to develop legal resilience
 - On your own time or with a cohort of peers



- Access 100+ guides, models and checklists on a range of farm business law issues
- Take our advanced farm law course(s)
- Ask questions on our Q&A platform



- Take 30% off the annual membership fee with FACT30 coupon code.
 - Take advantage of it before December 2022







Any questions?



Upcoming webinars

April 6: Using Botanicals with Livestock

Grants, Scholarships, Training, Mentorship & More!

- Scholarships ongoing
- Customized handouts on the nutritional benefits of food from pastured animals Sign up for emails @ <u>foodanimalconcernstrust.org/</u>

Join us on social media







