

- NOVEMBER 29, 2018 -

Tax Tips for Livestock Farmers



- PRESENTED BY -
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Principal at Numerical

- HOSTED BY -



Food Animal Concerns Trust

Introductions



Food Animal Concerns Trust (FACT) is a national nonprofit organization that advocates for the safe and humane production of meat, milk, and eggs.



Larissa McKenna

Humane Farming Program Director

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Website: foodanimalconcernstrust.org/farmer

FACT's services for livestock and poultry farmers include:

- **Fund-a-Farmer Grants**
- **Conference scholarships**
- **Free webinars**
- **Humane Farming Mentorship Program**

Our Presenter



Tina Salandra, CPA

2018 New Tax Law

ELIMINATED

- No Personal Exemptions (was \$4,050 for each person)
- No Employee Business Expense Deductions
- No Job Hunting Deductions
- No Deduction for Investment Fees or Tax Preparation Cost
- No Deduction for Moving Expenses
- No HELOC Interest Deduction (includes pre-existing home equity loans)
- Alimony Deduction eliminated starting 2019.



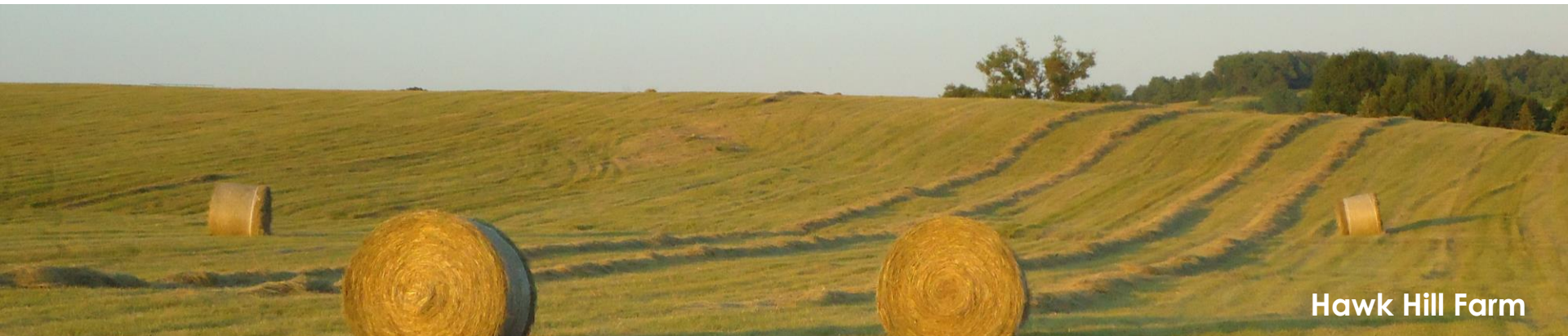
LIMITED

- **State & Local Taxes:** are limited to a total of \$10,000 deduction.
Includes: State & City Income Tax + Real Estate Taxes + Sales Taxes.
- **Mortgage Interest:** is limited to debt of 750K total (1st & 2nd Homes)
Pre-existing mortgages up to 1M, you can still deduct the interest.



EXPANDED

- **Child Tax Credit:** increases to \$2,000 per eligible child
The income threshold also increases to claim this credit. (200K SGL / 400K MFJ)
- **Standard Deduction:** \$12,000 Single & \$24,000 MFJ
This increase may knock out the benefit of other deductions.
- **Medical Expenses:** need to exceed 7.5% of your AGI, instead of 10%.
This law is Retroactive to 2017 & 2018, but then reverts to 10% again in 2019.
- **Charitable Donations:** may be deducted up to 60% of your AGI (50% prior law)



CONTINUES

- **Alternative Minimum Tax:** This 'extra' tax was not eliminated. However, the tax begins at a higher threshold.
- **3.8% Net Investment Income Tax:** Add'l tax on Interest, Dividends, Capital Gains, Rental Income, Pass-Thru Income, at income thresholds of 200K Single & 250K MFJ.
- **20% Lg Term Cap. Gain Rate:** applies at income above 426K SGL & 479K MFJ
- **500K Homesale Exemption** on your primary residence is unchanged
- **Retirement Contributions:** 401K, IRA, Roth, SEP, etc. remain unchanged

2017 TAX RATES

2018 NEW RATES

FEDERAL RATES: SGL MFJ

SGL MFJ

15% UP TO	37,950	79,500
25% UP TO	91,900	153,100
28% UP TO	191,650	233,350
33% UP TO	416,700	416,700
35% UP TO	418,400	470,700
39.6% OVER	418,400	470,700

12% up to	38,700	77,400
22% up to	82,500	165,000
24% up to	157,000	315,000
32% up to	200,000	400,000
35% up to	500,000	600,000
37% <u>Over</u>	500,000	600,000



9 Things the IRS Wants Farmers to Know

1. Valuation of Animals

- Livestock Purchased for Resale:
 - Cost is deducted in the year of sale
 - Incl: Freight for transporting from your Farm
- Dairy Livestock is Capitalized & Depreciated
- Hens & Baby Chicks Expensed in year purchased



2. Weather-related Sales

If you're forced to sell Livestock or Poultry, you may be able to postpone the gain from selling other animals in that year.



3. Farm Income Averaging

If your farm income is high in the current year, but low in 3 prior yrs., you may be able to lower your cur. yr. tax averaging. (It will not chg prior yr taxes.)



4. Rent received for use of your farmland

Classified as Rental Income, reported on Sch. E, not farm income on Sch. F.



5. Net Operating Loss

Deductible in the cur. yr. & any excess can be carried forward to future tax returns.



6. Insurance Proceeds

Insurance pymts for loss of Livestock for Resale =
Income. (Reported on Sch. F.)



7. Expenses

Must be “Ordinary & Necessary”, which means common & accepted in farming operations.



8. Hired Labor

Usually must be treated as an employee & Soc. Sec. & Medicare Taxes withheld from pay.

Wages incl: cash, Inventory, or Capital Assets (property)



9. Fuel Tax

You can take a Tax Credit for Federal Excise Tax on fuels used on your farm



Schedule F vs. Form 4797

Where To Report Sales of Farm Products

Item Sold	Schedule F	Form 4797
Farm products raised for sale	X	
Farm products bought for resale	X	
Farm assets not held primarily for sale, such as livestock held for draft, breeding, sport, or dairy purposes (bought or raised), equipment		X

Sale of Dairy Livestock purposes, Breeding, Draft, must be reported on Form 4797, not Sch. F.



Leasing Farm Property/Equipment

Reported as Rent Expense on Sch. F.

*Leasing your farmhouse you live in is not a farm expense.



Home Office

Allowable exp. If portion of your home is used exclusively & regularly for farm business.



Tenant Housing

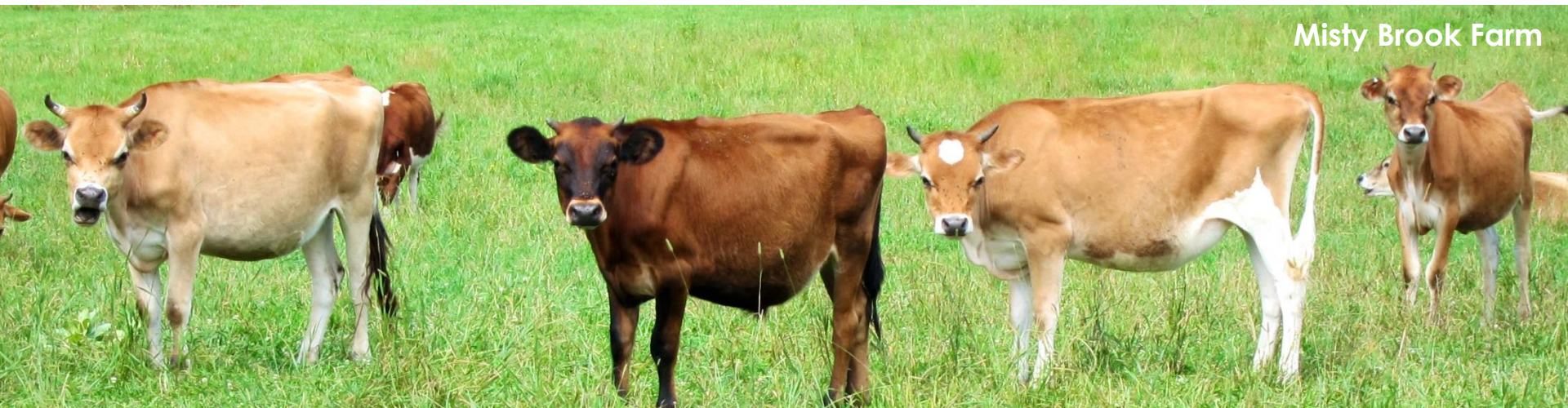
If you provide housing for hired help, you may deduct housing costs. Incl: Repairs & Maintenance, utilities, insurance, depreciation and furnishings.

East Fork Farm



Depreciation of Livestock

- Dairy, Draft, or Breeding Livestock can only be depreciated if not inventory. (inventory cannot be depreciated)
- Livestock RAISED (Cattle, Pigs, Poultry) has no depreciable basis b/c cost of raising them are Deductible expenses



Misty Brook Farm

ENTITY CHOICE

LLC (Limited Liability Company)

“S” Corporation

“C” Corporation



Questions & Answers

Please type your Q's into the chat bar



Henningstead Holsteins

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Upcoming webinars

- **December 11:** Direct Marketing Meat & Meat Processing
- **January 7:** Predator Protection for Poultry
- **January 14:** Predator Protection for Livestock
- **January 23:** Creative Leasing for Livestock Farmers
- **January 29:** New Zealand Method of Sheep Shearing
- **February:** Three part series on parasites in sheep & goats

Grants, Scholarships, Mentorship & More!

- **Mentorship program applications available in December**
- **Scholarships accepted on an on-going basis**

Sign up for emails @ foodanimalconcernstrust.org/farmer/

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