



# TAX UPDATES FOR MPCI PRODUCERS

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# AGENDA

- Quick Background on our Tax & Accounting
- OBBBA Changes - 1062 vs Installment
- OBBBA Changes - 179 and Bonus
- Other Changes
- Crop Insurance Deferrals
- Q & A

# SWANSON AGENCY TAX & ACCOUNTING

- Pendroy & Whitefish Offices
- Farm & Ranch Focused
- EA and CPA Led Tax & Accounting Team

# OUR TEAM & WHAT WE DO

## Experience + Capacity

- 1 CPA
- 2 Enrolled Agents
- 1 CPA-track preparer
- 40+ year tax veteran
- 3 dedicated support staff

## Our Services

- Payroll & Bookkeeping
- Tax Planning & Advisory
- Tax Compliance & Resolution

# SECTION 1062 – LAND SALE TAX DEFERRAL

## SECTION 1062 – WHAT IT DOES

- Applies to sales of qualified farmland
- Federal tax calculated year of sale
- Tax paid over 4 years
- No Interest Charged

## SECTION 1062 – WHO QUALIFIES

- Qualified farmland
- Buyer is an active farmer
- Land stays in farming for 10 years
- Binding covenant required

## SECTION 1062 – HOW IT WORKS

- Full gain reported in year of sale
- Only the tax payment is deferred
- Paid in 4 equal installments

# WHY IT MATTERS

- Reduces first-year cash strain
- Improves post-sale cash flow
- No seller financing required
- No buyer default risk
- Useful for sellers *and* buyers

# SECTION 1062 VS INSTALLMENT SALE

## SECTION 1062

- Cash Sale
- IRS Paid Over Time
- Fixed 4 Year Period
- Does not change total tax due

## INSTALLMENT SALE

- Seller-financed sale
- Buyer pays over time
- Buyer Default Risk
- Gain spread over contract

# SECTION 179 AND BONUS DEPRECIATION

# SECTION 179 & BONUS - QUICK REFRESH

## SECTION 179 EXPENSING

- Immediate Expensing Election
- Income Limited
- Placed In Service Required
- Can Be Carried Forward

## BONUS DEPRECIATION

- Automatically applied (opt out available)
- Not Income Limited
- Immediate Expensing
- Can generate a loss

## WHATS CHANGED WITH OBBA

- Higher Section 179 Limits
- Higher phase-out thresholds
- Bonus depreciation restored to 100%

## SECTION 179 CARRYFORWARD

- Unused 179 carried forward indefinitely
- Can be used immediately when income returns
- Offsets SE for Sole Proprietorships

# SECTION 179 VS BONUS VS MACRS

## SECTION 179

- Elective
- Income Limited
- Carryforward available
- High control (some, all or none)

## BONUS

- Automatic (opt out available)
- Not Income Limited
- Can create or increase losses
- Less Control than 179

## MACRS

- Default Depreciation Method
- Based off Asset Class Life
- Spreads deductions over time.

# CROP INSURANCE DEFERRAL

## GENERAL RULES FOR DEFERRING CROP INSURANCE

- Proceeds replace lost production
- Loss & Payment occurred during the tax year
- Crop NORMALLY sold in a later tax-year
- Election is irrevocable

## WHAT IS - AND IS NOT - DEFERRABLE

- YP - Generally Deferrable
- RP - Yield Portion generally deferable
- EU - Still Eligible based off YP/RP
- Prevented Plant - fact specific
- Replant - Not Deferrable
- SCO/ECO - not deferrable
- Malt Endorsement - generally not deferrable

## WHAT TO BRING YOUR TAX PRACTITIONER

- Loss Settlement Sheets (by crop/unit)
- Crop Insurance 1099
- Policy details if requested
- Confirmation crop is normally sold following year (50% rule)

## WHAT ARE OTHER OPTIONS

- Stockman Exchange
- Elevator Holding Income
- Prepaying expenses
- 179 Expensing

# Q & A

Tax Quick Questions