



SWANSON AGENCY

MONTANA ROOTS. FUTURE FOCUSED.

TAX UPDATES FOR MPC 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 deferrable
- 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