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1



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FARMER TAX \$CHOOL



Farm Specific Tax Code Benefits

Tuesday, January 25th, 2022

7pm – 9pm

Bonnie Collins and Liz Higgins

Cornell Cooperative Extension

CCE Farmer Tax School 3

Session Housekeeping

- Use the chat function (send a message to everyone or to just the hosts) to interact.
- You are muted & without video.
- Everyone received an email with tonight's materials. Paper mailings went out on Monday.
- Please complete the post-course survey (link to be shared in the chat and via email).
- We'll follow up with the recording via email.



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CCE Farmer Tax School 4

Session Housekeeping

- Did you miss out on our last three courses? Recordings and resources are available until January 31st, 2022!
- Email kaw249@cornell.edu
- Income Tax Planning for Farms that File a Schedule F – Three Sessions (\$25)
- Farm Financial Records for Decision Making and Tax Management (\$10)
- Tax Management for Beginning and Small Farm Businesses (\$10)



Small Farm Financials – Peer Learning Circles!

- Apply by February 15th
- Kick off event on February 24th
- Series of 5, peer discussion based learning circles
- State of your farm business, financial outcomes
- Free! But you will need to apply.
- <https://smallfarms.cornell.edu/2022/01/call-for-applications-farm-financial-peer-learning-circles/>



Disclaimer

This information is for educational and reference purposes only and is not a substitute for sound legal counsel and tax preparation. Cornell Cooperative Extension is dedicated to providing research-based information to our agricultural producers. Every effort has been made to provide correct, complete, and up-to-date recommendations. Changes occur constantly and human errors are possible.

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Farm Credit East, ACA

Jean Gallagher (Homer, NY Branch Manager)

Covering all of NYS - Find your local branch by visiting [FarmCreditEast.com](https://www.farmcrediteast.com)

Whether you're a small family operation or large agribusiness with diverse markets, we can provide the financial products, services and management support that will help you run your ag business smarter and better. Contact a local branch office to connect with one of our specialists in tax planning and preparation, financial record keeping, payroll processing, business consulting, and more.

607-749-7177

jean.gallagher@farmcrediteast.com

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NY FarmNet

Covering all of NYS

Always free, always confidential – we offer services for NY farms including financial analysis, business planning, and personal well-being. FarmNet has a network of consultants, who work one-on-one with farm families to resolve financial and personal issues.

For assistance, call 1-800-547-3276

nyfarmnet.org

nyfarmnet@cornell.edu

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As you navigate through the presentation, think about how to best utilize the information for your business.



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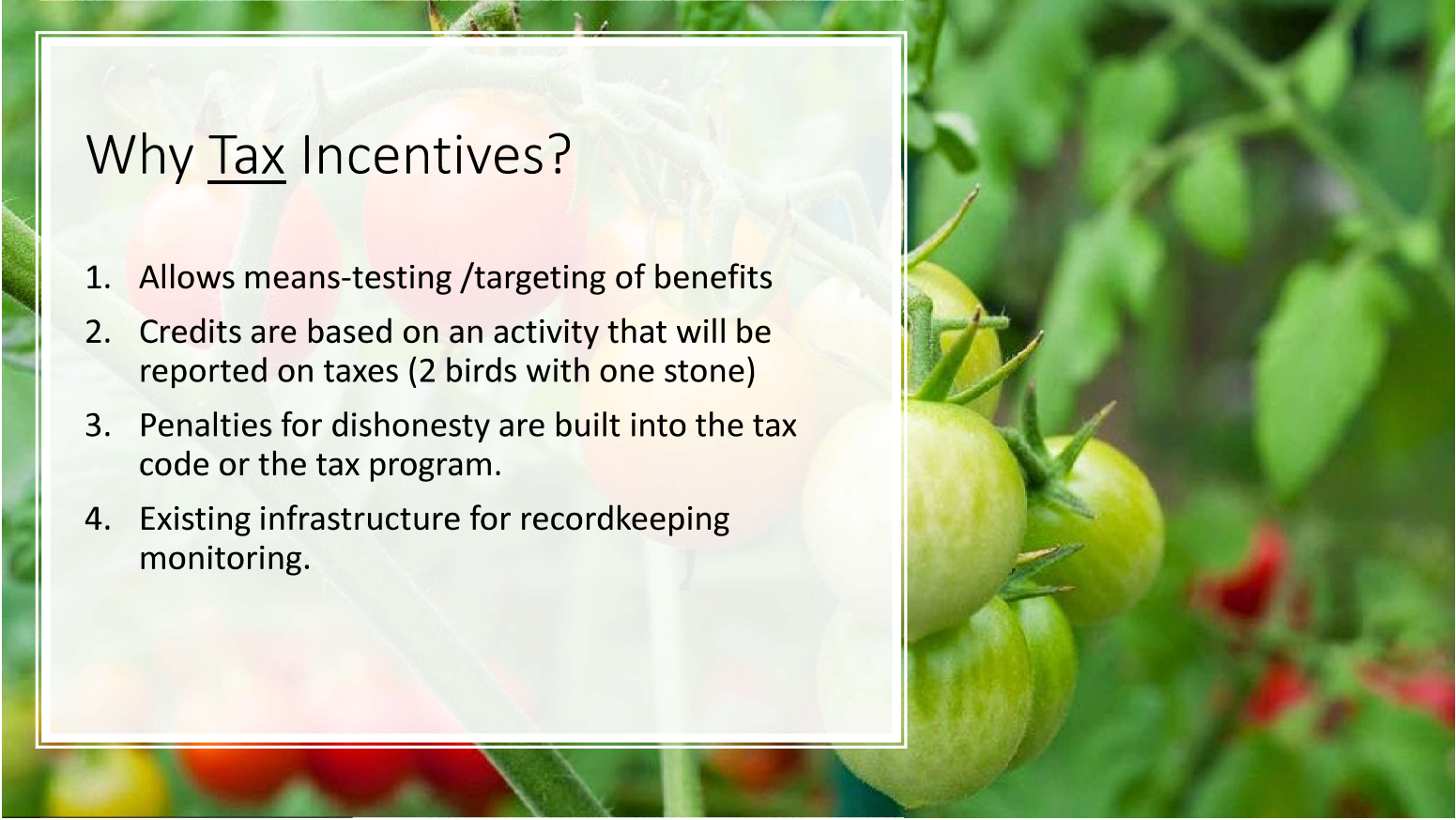
Tax Credits and Incentives for Farmers



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Why Tax Incentives?

1. Allows means-testing /targeting of benefits
2. Credits are based on an activity that will be reported on taxes (2 birds with one stone)
3. Penalties for dishonesty are built into the tax code or the tax program.
4. Existing infrastructure for recordkeeping monitoring.



Things to Consider

Eligibility for one program won't mean that you are eligible for a different program.

Programs can change annually – a tax advisor who is familiar with agriculture can make a big difference. But tax advisors might not be aware of tax programs that are not handled through your income tax return.

Join a commodity group, industry group, or an ag group like Farm Bureau. They keep track of legislation – including tax incentives – and this will help keep you aware of what is going on.

Also get on the mailing list for your local economic development office.




3 common tax incentive modes

Reductions in sales
or property taxes

State Income Tax
Return

Federal Income Tax
Return



Sales Tax & Property Tax

These programs reduce or eliminate taxes paid by commercial farms



Sales Tax (New York State)

Sales Tax Exemption for Commercial Agriculture Production: Form ST-125

NYS Sales Tax Exemption and Refund for Diesel Fuel or Gasoline used in Agriculture: Form FT-1004 (exempt) or Form FT-500 (refund for sales tax on petroleum products) and Form FT-420 (refund for motor fuel excise tax, petroleum business tax and sales tax on motor fuel)

Exemption of sales tax on items for resale: Form ST-120

Exemption on promotional materials: Form ST-121.2

Sales and Use Tax Exemptions for Alcoholic Beverage Tastings (NYS Dept. of Taxation and Finance)



Property Tax (New York State)

NYS Agricultural Assessment Program

Farm Building 10-year Tax Exemption

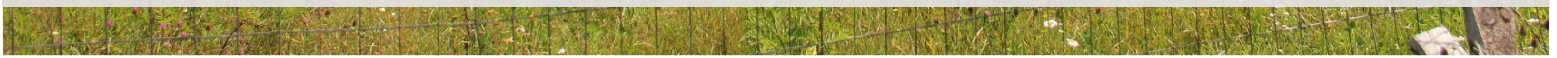
Farm Labor Camps and Temporary Greenhouse - Permanent Exemption

480a Forest Tax Law

RPTL Section 487: Solar, wind and other energy systems – 15 year tax exemption or PILOT (local govt can opt in or out)



New York State Income Tax Return



State Income Tax Credits

Farm Donations to Food Pantries Credit (NYS Taxation and Finance) – refundable tax credit (The amount of the credit is 25% of the fair market value of the qualified donations made to any eligible food pantry operating in New York during the tax year, not to exceed \$5,000 per tax year).

Farmers School Tax Credit (NYS Dept. of Taxation and Finance) – refundable The credit equals 100% of the school taxes paid on qualified agricultural property where the acreage does not exceed the base acreage amount (350 acres),

Conservation Easement Tax Credit (DEC) – refundable

Investment Tax Credit (NYS Taxation and Finance) – refundable for new businesses.

Historic Barn Rehabilitation Credit (NYS Taxation and Finance) – refundable for new businesses. (25% of the expenditures)

Employment Incentive Credit (EIC) (credits for expanding your workforce if you also qualify for the Investment Credit or the Historic Barn Rehabilitation Credit)

Farm Workforce Retention Credit (NYS Department of Taxation and Finance) – there are plans to extend the credit to 2025 and increase the amount (currently \$600 per worker)



State Income Tax Credits

Alcoholic Beverage Production Credit – refundable

Other State Tax Credits for Labor

- Hire a Veteran (must have been employed before January 1, 2022)
- Hire an Apprentice
- Hire an at-risk youth (age 16-24)
- Hire a disabled person

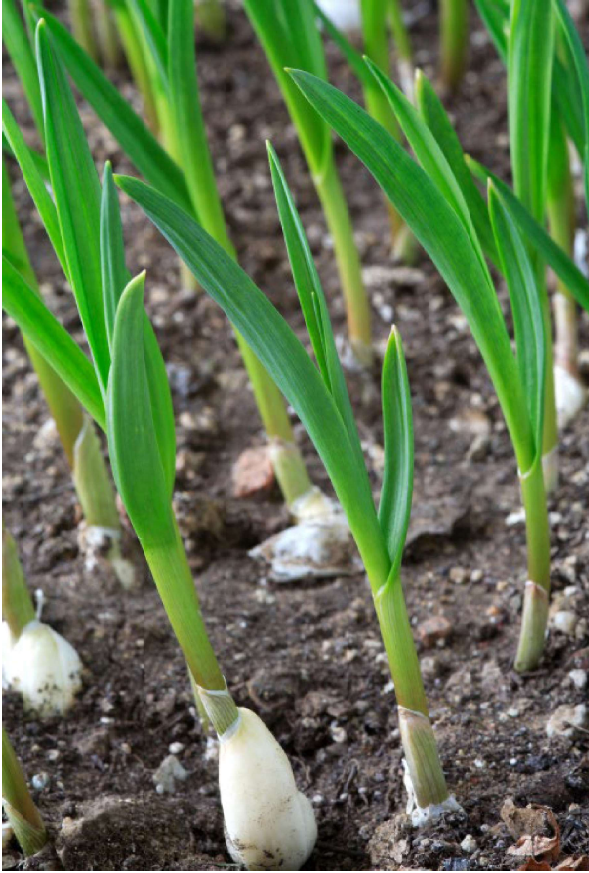
Excelsior Jobs Program (Empire State Development) – refundable

- Jobs Tax Credit – For Ag, must hire 5 new positions
- Excelsior Investment Tax Credit
- Real Property Tax Credit

Employee Skills Training Incentive Program (Empire State Development) – refundable (10:1 ratio of investment to training)



Federal Income Tax Return



Federal Tax Credits

Fuel Excise Tax Credits and Refunds (IRS) - refundable

Work Opportunity Tax Credit (US DOL) – not refundable

Federal Bonding Program (US DOL). Employers can receive fidelity bonds free of charge when hiring certain job applicants. The bonds reimburse the employer for any loss due to employee theft (\$5,000 up to \$25,000) and cover the first six months of employment at no cost to the job applicant or the employer (\$0 deductible).

Employee Retention Tax Credit (COVID-19 program that currently ends after 2021) – refundable tax credit. Rules and eligibility has changed – so if you were not eligible in the past look again.

Credit for Paid Sick and Family Leave due to COVID-19 or Vaccinations. (American Rescue Plan 2021) – refundable tax credit.

Questions?



Farm Specific Tax Code Benefits

Liz Higgins & Bonnie Collins

Agenda

Income Tax Benefits for Farmers

Tax Planning Strategies

Questions



1/25/2022

2



Introduction

Effective tax planning may result in the postponement and avoidance of income taxes. The objective of this presentation is to reduce taxes by taking advantage of beneficial tax law provisions, increasing or accelerating tax deduction or credits and making us of all the tax laws in a manner most beneficial to your farm.

<https://www.farmprogress.com/finance/end-year-farm-tax-planning-strategies-help-save-1/25/2022>
[money](#)

3



Income Tax Benefits for Farmers

Income Tax Benefits

- Depreciation Deduction
- Crop Insurance Proceeds
- Farm Income Averaging
- Net Operating Losses
- Loan Repayments
- Fuel And Road Use



1/25/2022

5

Depreciation Deduction



1/25/2022

6

1/25/2022

Crop Insurance Proceeds

7

1/25/2022

Farm Income Averaging

8

Net Operating Losses



1/25/2022

9

Loan Repayments



1/25/2022

10

Fuel and Road Use



11

Tax Planning



1/25/2022

12

Tax Planning Strategies

- Section 179 deduction. ...
- Bonus depreciation. ...
- Deferred sales. ...
- Income averaging. ...
- Prepaid expenses.

1/25/2022

13

Tax Planning Strategies

TAXABLE

- All farm operations, including cash rent for land and crop sharing
- Investment accounts
- Money market accounts
- Certificates of deposit
- Savings accounts

TAX DEFERRED

- Traditional retirement account (401(k), 403(b), 457, or IRA) or a pension plan

TAX ADVANTAGED

- Fund with after-tax money (Roth IRA)

<https://www.claconnect.com/resources/articles/2021/farmers-use-financial-and-tax-planning-to-balance-the-three-asset-buckets>

1/25/2022

14

Summary & Questions

You can't tax plan if you don't know where you are today. Aim to start planning for your taxes as soon as the tax year begins instead of scrambling at year end. Assess your financial health, evaluate your accounting process, and consult a tax preparer to help reach the goals you have for the coming year.

Thank You

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