

FARM Library

Financial and Risk Management Database

Improving farm management skills one topic at a time

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Why Do Farmers Pay First?

March 1st is approaching quickly and one comment I hear often is just how unfair it is that farmers have to pay their taxes before everyone else so I thought it was time to clear up that myth.

Farmers are actually the last group of taxpayers to pay into the system, not the first. One of the special rules that applies only to farmers and fishermen is the ability to avoid estimated taxes if they follow one of two options;

You can file an estimate by January 15th that will be 2/3 of what you will pay this year or 100% of last year's tax, whichever is less. Then you can file your tax return and pay any remaining tax by April 15th without penalty.

- Or -

You can file and pay your tax by March 1st without penalty.

If you are not a qualified farmer or fisherman, you must pay estimated taxes through payroll deduction or quarterly estimated taxes, to avoid penalty. If you fall into this category, you must have paid in 90% of this year's tax or 100% of last year's tax to avoid penalties. Wage earners pay this tax through withholdings on their paychecks. Non-farm businesses must file quarterly estimated taxes, usually in April, June, September and January to avoid these penalties. In other words:

A wage earner starts paying their 2019 taxes in January of 2019.

A non-farm business owner starts paying their 2019 taxes in April of 2019.

A qualified farmer doesn't have to pay any of their taxes until March of 2020.

So, as you get ready to pay your tax this year, you can be happy that you've been able to keep the money all year long. In fact, you might think about it as if the government has given you a zero-interest loan for 14 months, and you've been able to use that tax money as working capital all year. That's some pretty positive thinking, but there is truth to it.

