Nebraska Farm Business, Inc.

2020
August-September

COVID-19 Office Procedures

We would like to inform you of some of the measures we are taking to help protect both our employees and clients. In order to mitigate some concerns, we have put new COVID-19 policies in effect as of Monday, July 13th, 2020.

At this time, it is tough to know what the rest of this year will bring. Until conditions improve, there are a few adjustments that will affect you when you come to our office. When arriving for an appointment, we ask that you please wait in your vehicle and call the office to let us know you have arrived. We will then let you know when your consultant is ready for you to come in. The office phone number is (402) 464-6324. The phone number will be posted in the windows at the office. We will also be requiring masks to be worn in the office. We ask that you please bring a mask, however, if you do not have a mask, one will be provided.

We are planning on proceedings as normal, however if conditions worsen, the office will once again be closed to clients and we will travel at our discretion this summer and fall. If in person appointments are not an option, we would conduct all meetings over Microsoft Teams. Please remember that even if our office is open and we are traveling, you can always opt to have a video meeting.

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Accounting Reminder & Late Policy

Keep in mind bank statements for the first 8 months of the year are due by October 15th.

Any January-August statements received in our office after this date will be charged at double the hourly rate of $65/hour.

We prefer bank statements to be sent in monthly or quarterly so we can provide you with timely, updated reports.

PcMars

Please have your PcMars updated to version 3 by October 31st!

We do have a code that will give you a discount of $15 per set of books.

" **NFBI15** "

IRS Notices

With the IRS finally getting back to work after being shut down due to COVID-19, they are starting to send out notices. Some of these notices may have been printed months prior to their sending or post-dated with a date that is still in the future. If you receive an IRS notice, please contact your consultant or our office so we can make sure that it is legitimate. We will then be able to help with any action that needs to be taken in response.

CARES Act Implications on Tax Planning for Farmers

The CARES Act, passed in March of 2020, provided many changes that directly impacted farmers. It created both the Payroll Protection Program (PPP) and Economic Injury Disaster Loans (EIDL), which many farmers utilized. However, the CARES Act included several other provisions that didn't get as much attention. Farmers need to be aware of these as they go into tax planning this fall, as they could benefit their operations.

Net Operating Losses

The Tax Cuts and Jobs Act (TCJA) limited some choices we had when it came to Net Operating Losses (NOLs). Prior to 2018, most businesses could carry a loss back for two years, while farmers could go back 5 years. The Tax Cuts and Jobs Act eliminated the ability for non-farm businesses to carry losses back and limited farm loss carrybacks to 2 years and reduced the farm carryback from 5 years to 2 years. The CARES Act delayed the impact of the Tax Cuts and Jobs act until after December 31st, 2020.

In simpler terms, if you had net operating losses in 2018 or 2019, you may want to carry the loss back if you paid taxes in 2013-2017. The decision will be based on if the level of tax was higher in those years than in the future years. The tax brackets in those years were higher than what we expect to see in 2021 – 2025 due to the changes in the TCJA, but that is all subject to future tax law changes as well. The other benefit to carrying the loss back is the time value of the money. Having the refund in your hands now will increase cash flow and working capital rather than waiting for the benefit in future tax years.

This is obviously a complex issue that can be confusing with all the law changes we've been experiencing. If you had losses in 2018 or 2019, you need to discuss the pros and cons of both carrying the loss back and electing to carry it forward on your 2020 return.

Business Losses

A Net Operating Loss occurs when your business losses exceed your non-farm income, which results in negative total income on your return. The TCJA put a limit on business losses of $250,000 ($500,000 for Married Filing Jointly). Any loss greater than this limit is considered to be an Excess Business Loss. This means that if you are married filing jointly and your Schedule F was more negative than $500,000, the loss was limited. The CARES act suspends this rule for 2018-2020.

As a result, if your 2018 or 2019 return was affected by an Excess Business Loss, it will need to be amended. Even though it was prepared correctly at the time, the law is no longer in effect. This could change how much of an NOL you generate or could allow you to offset larger amounts of non-farm income.

Required Minimum Distributions

The CARES act suspended the requirement for individuals to take a required minimum distribution (RMD) from their retirement accounts. An RMD is usually required by an individual who is over the age of 70 ½ who has a tax deferred retirement account. The ability to not take a distribution allows for your savings to grow and reduce your taxable income for 2020.

As a side note, the SECURE Act of 2019 increased the RMD age to 72 starting in 2020, so if you turned 70 ½ in 2020, you will not be required to take an RMD until you turn 72.

Retirement Account Changes

The CARES act allows for individuals to take a qualified distribution (up to $100,000) that would not be subject to the 10% penalty for early withdrawals. The individual can also spread the income equally over three years to lower the tax implication of the withdrawal. If the money is replaced within three years, it can be treated as if it was a qualified rollover and the tax will not be due.

This provision may allow you to increase some working capital and cash flow for the next few years, but it's important to remember that if you plan on replacing it, you will have to generate cash flow from another area to avoid the tax.

Feeling Charitable in 2020?

As we all know, the Cares Act brought about a lot of changes. Many of these are creating tax planning opportunities for the 2020 tax year. Two of these beneficial changes are in regards to charitable giving.

Most farmers do not itemize deductions because they do not have enough qualifying expenses to beat the standard deduction of $24,800 for a married couple. For the 2020 tax year, the Cares Act is allowing a charitable giving deduction of up to $300 for those using the standard deduction. If you make cash donations in 2020, be sure to let your consultant know. If you make a donation of over $250, be sure to keep the letter from the organization that states your donation.

For those of you that routinely itemize either every year or every other year, the 2020 charitable deduction limit has been raised from 60% of AGI to 100% of AGI for most donations. For corporations, the limit has been increased from 10% of taxable income to 25%. Because not all donations qualify, please check with your consultant on who you can give to before taking advantage of this increased deduction.

Have you been donating your required minimum distribution from your retirement account?

Many people over 70 ½ have taken advantage of the tax strategy of donating their required minimum distribution (RMD) to charity, called a QCD (Qualified Charitable Distribution). In order to do a QCD, talk to your investment advisor, as the retirement company writes the check to the charity. In addition, be sure to tell your consultant if you do a QCD, as the 1099R does not give us this information. Although the 2020 the RMD has been waived, you can still donate your distribution to charity. Passed at the end of 2019, the SECURE Act changed the age you must begin to take a RMD at from 70 ½ to 72, however you can do a donation through your retirement at age 70 ½. Why would you want to do this? For those who give to their church or favorite charity every year, it reduces not only your taxable income, but also your adjusted gross income. Your adjusted gross income is used to calculate the percentage of your Social Security that is taxable, as well as the cost of your Medicare premiums.

If you are considering any special giving, 2020 may be a good year to do so. Talk to you consultant to see how you may qualify.

Employee Retention Credit

The CARES Act that was signed into law on March 27, 2020 included an Employee Retention Credit (ERC) for qualified employers. This credit allows for a 50% refundable payroll tax credit of up to $10,000 of qualified wages per employee ($5,000 maximum credit per employee).

The main qualification to be eligible for the credit is a decrease in gross sales by at least 50% in one calendar quarter of 2020 versus the same calendar quarter of 2019. This could easily happen with timing of grain or livestock sales by deferring income into another quarter. When we prepare year end payroll tax forms, we will likely need up to date accounting records to compare quarters for eligibility.

As the law is now, if you took a PPP loan you are not eligible for this employee retention credit. However, part of the stimulus package being debated could change things. This would include being eligible for the PPP and ERC together as well as larger credit amounts and less than 50% reduction in sales in the comparative quarters.

NFBI Office Updates

Over the last few months, we have had to make many adjustments in our office to ensure the safety of our employees. These adjustments have caused us to take on some new programs that have improved the efficiency of our office and will stick around in the future. While we are implementing these new programs, they are by no means required, and you can still feel free to do things the way you have in the past.

Microsoft Teams

Microsoft Teams is a video meeting program, very similar to Zoom. We will be using this program to host any future video meetings. You do not have to download the program in order to join a meeting. We would send you a link to the meeting, which you would be able to open online in your browser.

Microsoft Bookings

Microsoft Bookings is a program that allows you to schedule a meeting with your consultant online, instead of having to call into the office. **This can only be used for meetings at our office in Lincoln or video meetings. Meetings at remote locations will still be scheduled by your consultant**. There is a link to Bookings on both our website and Facebook pages.

After booking, you will receive an email confirming the appointment. It will include a link to reschedule or cancel the appointment. This must be done at least 24 hours before the scheduled appointment time.

Intuit Practice Management

We have started using Intuit Practice Management to help manage our work flow and improve communication in our office. One of the benefits this program provides is its ability to automatically send emails requesting the information needed for us to complete the services we provide to you. These emails will be from your consultant's email address.

In the past, some of you have used Intuit Link to upload your tax information to us. Intuit Practice Management may eliminate the need for Intuit Link in the future, however we plan on using a combination of the two for the 2020 tax year. Both Intuit Practice Management and Intuit Link are secure online portals, backed by our tax preparation software. We encourage you to use one of these programs, as they are both much more secure than simply emailing, texting, or faxing the information.

Thank you for bearing with us through all of these changes.

Technology Recommendations

Now that we have transitioned to doing much of our information transfer electronically, it may be beneficial to invest in a scanner. A scan of a document tends to be much clearer than fax or picture taken by a cell phone. It also tends to be more convenient when uploading information into one of our portals. If you are looking for a recommendation, there are two scanners that we have been using in our office that have treated us very well. These are:

Canon imageFORMULA P-215 II Scan-tini Mobile Document Scanner

Canon imageFORMULA DR-C225 II Office Document Scanner

Another piece of technology you may consider investing in is a web-cam. If you are working on a laptop, there is a very good chance it has one built in. However, if you are working on a desktop, this will come in handy if we do have to conduct video meetings. The Logitech brand was recommended to us by an IT professional and it is what we have been using in our office. You don't need to buy the most expensive one, but you probably shouldn't buy the cheapest one either. We have stuck with the ones around $100 for our use.

Payroll Tax Cut

You may have heard about the President signing an executive order for a payroll tax cut (holiday, deferral, etc.) as it is known by many different names. This takes affect September 1 and ends December 31. The first thing to know about this provision, as written, this is only a deferral. Therefore, consider this a short term, interest free loan that will have to be paid back in January. This is only a deferral of the employee's social security tax (6.2%), nothing on the employer side. There is much unknown about how all this will be finalized. It is not known if this will be optional to not withhold the 6.2%, how the payback will happen, what counts as compensation for this deferral, and many more questions. The President has said his goal is to make the deferral a permanent cut for the four months, meaning it would not have to be paid back. However, there is no way to know if and when this will happen. At this point, we suggest withholding as normal until it is determined if the deferral is required. This will reduce the burden of repayment on both employee and employer in January.

Form 2290-Heavy Highway Use Due August 31st

NFBI can e-file your 2290 Heavy Highway Use form AND get an IRS stamped Schedule 1 for you all within the same day! All we need back from you is a signed copy of the 8879, stating that you give us permission to e-file your 2290 return. Please do not hesitate to contact Anthony (Anthony@nfbi.net) with questions or comments.

Who needs to file the 2290?

- Anyone who drives a vehicle that has a gross weight of 55,000 lbs. or more over public roads—no matter if it is licensed to you or in a LLC, Corporation, Partnership, or held by another entity.

Has NFBI filed your 2290 in the past? All we need from you is...

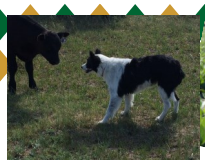
- Whether or not your information has changed since last year
- If you purchased or sold any trucks.

Let us know if you would like us to do it again, we will not automatically process without your acknowledgment.

Do you want NFBI to file your 2290 for the first time? What we need is...

- Your EIN Number (if your consultant doesn't have it). Don't have one? We can get one for you.
- VIN Numbers for the truck(s)
- Whether or not your truck(s) are suspended
    - If you drive your truck 7,500 miles or less for agriculture (5,000 miles or less for commercial use) during the tax period, you get to claim suspension.

Photo Contest—Extended



Nebraska Farm Business would like to expand our photo library! We use many photos in newsletters, articles, on the cover of our average books and client analysis books, as well as on our website.

In order to be entered into this year's photo contest, take photos of an ag related scene such as a crop field, cattle in a field/feedlot, sunset over a hay field, etc., and submit it to Chantelle by email at chantelle@nfbi.net by **August 31st.** Multiple submissions are welcome! A winner will be chosen and given a $50 Visa gift card.

***By submitting a photo(s) in the contest, NFBI has the right to use the picture in any future publications or on their website.**

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"Yielding Success Through Financial Management"

Nebraska Farm Business, Inc. will be closed on Monday, September 7th in observance of Labor Day. We wish everyone a happy and safe Labor Day!

NFB Crop Insurance Notes:

Wheat 2020 Harvest Price Set: For Revenue Protection policies, the Harvest Price for WHEAT has been set at $4.45 for 2020.

Projected Price for 2020 Wheat (last fall) is $4.48
Harvest Price for 2020 Wheat is $4.45

Your guarantee stays the same. You could collect from Revenue Loss OR Yield Loss.

Wheat 2020 Harvest: Contact your agent if you think there may be a loss. Contact your agent as soon as harvest is complete to report production bushels.

Wheat 2021:
Final Plant Date for Wheat: October 5th, 10th, or 15th*
(*Dates may vary depending upon location. Contact Brad for more info.)
Sales Closing for Wheat: September 30
Acreage Reporting Deadline for Wheat: November 15
Production Reporting Deadline for Wheat: November 14

Hail or Wind Losses on Spring Crops:
If you see any losses while checking crops or as you begin harvest, contact your agent—within 72 hours of discovery of loss. The earlier the better!

Crop-Hail CASH DISCOUNT available until 8/30:
Crop-Hail premiums will need to be paid by 8/30/20 in order to have cash discounts apply to your premium. After August 30, a full premium amount (without discount) will apply. If any questions, contact Brad. Multi-Peril is due at a later time.

Fall Harvest Preparation Notes :
Keep irrigated and non-irrigated bushels separated. Keep production records separate for each farm/section/unit. NEW crop should not be combined with OLD crop in a bin until an appraisal is completed. Contact Brad if 2019 grain is still in the bin, to allow for an adjuster to take measurements.

Have a safe and productive Fall Harvest!

Planting Wheat this Fall?
We can provide competitive rates and personalized service for your operation, no matter the size.
Give me a call today for a quote!

NFB Crop Insurance, Inc.

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