Newsletter

August 2023—September 2023

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Husker Harvest Days 2023

Be looking for a postcard from us in the mail!

The show will be held in Grand Island September 12th-14th, 2023. The hours of the show are as follows: Tuesday and Wednesday 8 a.m.-5 p.m. and Thursday 8 a.m.-4 p.m.

Don't forget to download the Husker Harvest Days app. It is available on App Store and Google Play, just search "Husker Harvest Days 2023."

Stop in, say "Hello!" and bring the postcard to our booth at HHD and you will be given a free gift.

OUR BOOTH IS LOCATED

In the Diversified Industries Building West. DIBW1707

HUSKER HARVEST DAYS®

Accounting Reminder

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 $110/hour. We prefer bank statements to be sent in monthly or quarterly so we can provide you with timely, updated reports.

Early Tax Planning

Tax planning is beneficial in years with high or low profit margins. Since many farmers had a larger than normal carryover gain from 2023; now might be a good time to meet with your consultant before harvest begins. Contact our office to make an early tax planning appointment.

Form 2290-Heavy Highway Use

Reminder: Please send in your signed 8879-EX 2290 Heavy Highway Use form by August 31st. Contact Brandon (brandon@nfbi.net) with questions or comments.

Closed

The office will be closed September 4th for Labor Day.

Welcome Our New Staff

Hannah Ley—Accounting Specialist

I grew up in Firth, Nebraska where every summer I helped throw bails at my neighbor's farm and helped with the horses. I also did one year of detasseling. My sophomore year in high school we moved to Lincoln. I worked at Nelnet for several years until I started working for the city of Lincoln and found my interest in accounting. I have taken some accounting classes through Doane College.

I am getting married in September, my married name will be Hannah Hrenchir. I also enjoy being very involved at my church in Pickrell.

Jared Robinson—Accounting Specialist

Born and raised in Lynchburg, Virginia, I've only been in Nebraska for a little under a year now. I graduated from Randolph College in Virginia with a degree in Business Administration. The farming world is admittedly new to me, but my family runs a tree service business that I've been a part of my whole life. I'm excited to learn more about the area and support the team here.

In my free time I'm really into technology and cars. I've built my own computer multiple times now and plan on one day restoring a 1970 Dodge Challenger and/or my dad's 1957 Chevrolet Bel-Air.

Nebraska Passes Pass-Through Entity Tax

By: Tina Barrett

In 2023, the Nebraska Legislature passed a bill that allows a partnership or S-Corp to elect to pay its state income taxes. Previously, because the income from the partnership or S-Corp is passed through to the owner, the owners of the entity paid the taxes at their own individual tax level.

In 2018, the federal government passed the Tax Cuts and Jobs Act (TCJA) which limited the itemized deduction for state and local taxes on the individual's return to $10,000. This prompted many states to adopt laws similar to the new Nebraska law to work around this limitation. Federal tax law allows entities to deduct state income taxes paid as an ordinary business expense, but for most states this has only been allowed for c-corporations since they were the only entity to pay their own taxes. The pass thru entity tax law expands that option.

A pass-through entity can make an irrevocable election each year by the due date of the tax return to pay the state income taxes for its owners. The tax is calculated at the highest individual tax rate (currently 6.84%). The owners then receive a credit for this tax paid which they will report on their individual return. The benefit comes because there is a federal tax deduction for the state tax paid. The drawback is the entity will need to make estimated tax payments (even if it is a farming partnership) starting January 1st, 2024 if they decided to make this election. The amount of the benefit will vary depending on the individual's federal tax rate.

Example:

Let's assume you have a land-owning partnership with taxable income of $150,000. If you make the election to have the entity pay the state tax, there would be a bill of $10,260. The individuals would not owe state tax and when they calculate federal taxable income, it would be lower by the $10,250 ($150,000 - $10,260 or $139,740). Depending on the individual's federal liability, the savings would range from 0% - 36% of the $10,260. The deduction will be an add-back on the state return (as all state tax deductions are) so there will be no tax savings on the state level.

Tax years 2018 – 2022

The Nebraska law allows this election to be made retroactively for tax years 2018 – 2022. The law charges the Tax Commissioner to come up with a way to retroactively make this election. The complexity of this method, the level of profitability and income brackets of the individuals will all play a role in the decision of whether to go back and make the election.

The federal tax deduction will be deductible when it's paid so if those four years tax is paid in 2024, that's when the deduction will be claimed. This means that there should be no need to amend any federal returns for 2018-2022.
The deadline to make the election for 2018-2022 is December 31st, 2025. We don't expect to be able to make this election retroactively until 2024 when the form is expected to be released.

Going forward
For out of state partners, filing the election removes the requirement for the individuals to file a Nebraska state return if they have no other Nebraska income. This could be a benefit to many out-of-state owners. On the other hand, if the entity is not going to have taxable income, there is no reason to make the election.
Owners with a filing requirement will report their share of the income on their Nebraska return and receive a credit for their share of the taxes paid by the entity. If their tax rate is lower than the maximum, the owner will receive the difference as a refundable credit.
The filing requirements for an annual election should not be extensive. The biggest change for entities will be the required estimated tax payments by the entity rather than letting the individuals work it out on their own. For farming entities who are not used to paying their taxes until the following year, the new schedule will be an adjustment.

Should you have an entity now?
The big question coming from this tax law will be should those who do not currently have a pass-through entity form one now. The answer is the age-old best tax answer: It Depends!
Whether or not this could benefit you will depend on your profitability level, your current structure, the size of your operation, etc. For example, if you are a profitable farming operation that currently files a Schedule F over the self-employment (SE) limit, it may be good to look at an S-Corp that could limit your SE tax liability and make your state taxes deductible. If you are organized as a joint venture with FSA though to get two payment limitations as a husband and wife, an S-Corp would limit your eligibility to one payment limitation. The tradeoff of tax saving could be less than the loss of future government program payments.
If instead you formed a partnership to get the entity tax deduction, you would still be eligible for two payment limitations (assuming a 50/50 partnership with a husband & wife) but you could be opening yourself to additional self-employment taxes.
Some of these questions could be answered when we receive instructions from the state as to how this will be administered but it will be important to talk with your tax advisor about your unique situation. As with any new law, the details are still being worked out.

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"Yielding Success Through Financial Management"

NFB Crop Insurance Notes:

Wheat 2023 Harvest Price Set: For Revenue Protection policies, the Harvest Price for WHEAT has been set at $8.55 for 2023.
Projected Price for 2023 Wheat (last fall) was $8.87
Harvest Price for 2023 Wheat is $8.55
With limited rainfall early spring and summer, and the decrease in prices, there is a good chance of a revenue loss. Be sure to contact me asap, to ensure you get a claim filed.

Wheat 2023 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 2023:
Final Plant Date for 2024 Wheat: October 5th, 10th, or 15th*
(*Dates may vary depending upon location. Contact Brad for more info.)
Sales Closing for 2024 Wheat: September 30
(*Be sure to get wheat on your policy by this date, if planting this fall.)
Acreage Reporting Deadline for Wheat: November 15
Production Reporting Deadline for Wheat: November 14

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.

Chopping Silage?
Contact your agent BEFORE chopping silage for an appraisal to be completed.

Pasture Range & Forage (PRF) Coverage?
PRF coverage sign-up deadline is Dec. 1st. PRF is designed to allow you to buy protection for losses of forage produced for grazing or harvested for hay. If you are a livestock producer or utilize ground for haying, grazing, this may be a great option for you!

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 8/30/23 in order to have 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 2023 grain is still in the bin, to allow for an adjuster to take measurements.

Brad Heinrichs
Crop Insurance Specialist
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