



## Field Notes for The Week Of

1-9-2023

### New Year Tax Considerations

2023 is rolling on like a rushing river, rushing waters is just what I faced early Tuesday January 3<sup>rd</sup> while doing my feeding and heading to work. Bridges, culverts, and field drainage systems were put to the test this past week as many parts of the county received four inches of rain and in some areas saw even more than that! With the rain was very unseasonable warm weather making some pastures and lawns green up a little. As would be expected fieldwork was very minimal but I did talk to a few producers who were taking the downtime to get some barn cleaning and even some fence row cleaning done. Livestock managers continue to stay busy keeping animals afloat, dry, and healthy. Even though farm chores might slow a little during these dark days of winter there is one tool getting a workout, the pencil, budget sheet, calculator, and the trusty shoebox with the stories of 2022! Tis the season, tax season that is and if you are like me, I much rather dig a fence post hole by hand than try to find all my recipes and invoices. The farm office is one place farmers hate to spend too much time in but at the end of the day, it might actually make you more money than spending the day in the tractor (doesn't take \$5.00 diesel fuel to run as well). Tax time for small businesses is not fun because most operators take strides to do as much of them as possible to save money. Government regulations and tax laws can be confusing, and some opt to pay a CCA or Attorney to handle it. If you choose to file your own taxes this winter here are some key considerations.

- **Consider income averaging-** This is a tool that IRS officials say farmers underutilize. Taking the average of your total farm income can help avoid going into a higher tax bracket. This could be helpful if you sold more grain at harvest or might of sold two crops in one season.
- **Deduction of Equipment purchase-** Section 179 allows a maximum amount of \$1,080,000 placed in service in 2022. Equipment purchased must be on-site and ready to use before it can be depreciated.
- **Think of your future during good years-** I often hear farmers talk about having to spend money at the end of the year to avoid paying Uncle Sam. Farmers traditionally purchase inputs such as fertilizer and seed early to get discounts and spend some extra cash. Purchases of a new pickup truck, tractor, or other equipment are common practice as well. I had a marketing professor in college that always joked farmers were afraid to make money. If 2022 was a good marketing year and you made money, consider investing money in retirement accounts or even benefits to employees or partners.
- **Confused, go to the tax guide-** Publication 225 IRS farmers tax guide is a great resource to find the answers to many of your tax questions. Go to [irs.gov/pub/irs-pdf/p225.pdf](https://irs.gov/pub/irs-pdf/p225.pdf) to learn more.

