

FARM MANAGEMENT SERVICES, INC.

310 Washington St
 PO Box 622
 Concordia, KS 66901-0622
 785-243-1854



The



REPORT

Farm Management Services, Inc.

fmsi@ksfmsi.com

FMSI Summer 2020 Update

Although the 2019 tax filing season won't officially be finished until July 15th, we're far enough along to declare we have survived! The COVID-19 shutdowns have presented enormous challenges to everyone the last few months but it looks like the worst of the pandemic is now in our rear-view mirror. We appreciate our clients being so cooperative and understanding while we operated with limited staff in order to comply with the Governor's orders – thank you!

Signup for the USDA's Coronavirus Food Assistance Program (CFAP) runs from now until August 28th. ***If you are eligible for assistance, we encourage you to get in and get signed up.*** Many of the local FSA offices are doing the enrollment electronically or scheduling individual appointments for producers. Give your local office a call to get started. We'll provide a brief overview of the CFAP as it pertains to our Midwestern clients:

CFAP Overview

The CFAP provides assistance to producers of agricultural commodities who have suffered a 5% or greater price decline or who had losses due to market supply chain disruptions due to COVID-19 and face significant market costs.

CFAP payments are subject to a per entity/per person limit of \$250,000. However, unlike other FSA programs, these limits have been expanded to limited liability entities such as Corporations, LLCs, LPs, etc. Normally these entities would be subject to one payment limit, however; each owner who spends at least 400 hours/year of either active labor or management will qualify for one additional payment limit up to a maximum of 3 payment limits or \$750,000.

Also, you will receive 80% of your total allowed payment amount. The remaining 20% will be paid if sufficient funds are available. Remaining funds will be allocated on a pro-rata basis if maximum funding is not available.

Many farmers will appreciate the assistance whereas other farmers will be locked out of any assistance because they grew the wrong crop in 2019. Eligible commodities include the following:

- Dairy
- Non-Specialty Crops: Corn, Oats, Sorghum, Soybeans, Sunflowers
- Livestock: Cattle, Hogs, Sheep

Dairy: Payment will be based on certified milk production for the first quarter of 2020. However, note, that any milk production priced under a forward contract at any time during the first quarter is ineligible. The CARES Act payment rate is \$4.71 per hundred weight. The CCC payment rate is \$1.47 per hundred weight. *Continued on Page 2*

Additional information about the CFAP program is available at www.farmers.gov/cfap

ALSO IN THIS ISSUE:

- * Quicken vs. Quickbooks
- * Farmers Gift Giving Guide

Gift Giving, Continued

What if you gave a commodity to your church instead of cash? An example follows:

Adam and Eve would like to donate \$5,000 to their church during 2020. If the market price of the grain is \$4.00 per bushel, they would need to deliver 1,250 bushels to the elevator and transfer ownership of those bushels to their church. A grain gift of \$5,000 would **save** Adam & Eve **\$1,416**.

Consider supporting your church or favorite charity with a commodity contribution rather than writing a check. It will likely result in some tax savings – visit with your FMSI Fieldman if you have any questions.

	\$5,000 CASH Contribution	\$5,000 GRAIN Contribution
Spouse W-2	\$ 50,000	\$ 50,000
Interest & Dividend Income	\$ 1,250	\$ 1,250
Schedule F Farm Income	<u>\$ 55,000</u>	<u>\$ 50,000</u>
Total Income	\$106,250	\$101,250
50% SE Tax	<u>(\$ 3,886)</u>	<u>(\$ 3,532)</u>
Adjusted Gross Income	\$102,364	\$ 97,718
2020 Standard Deduction	(\$ 24,800)	(\$ 24,800)
Qualified Business Income Deduction	<u>(\$ 10,223)</u>	<u>(\$ 9,294)</u>
Taxable Income	\$ 67,341	\$ 63,624
Income Tax	\$ 7,686	\$ 7,240
SE Tax	<u>\$ 7,771</u>	<u>\$ 7,065</u>
Total Federal Tax	\$ 15,457	\$ 14,305
Total KS Tax	\$ 4,107	\$ 3,843
Total Federal & KS Tax Due	<u>\$ 19,564</u>	<u>\$ 18,148</u>

CFAP, Continued

Non-Specialty Crops: Producers will be paid based on inventory subject to risk held as of January 15, 2020. A single payment will be made based on 50% of a producer's total production **OR** the 2019 inventory as of January 15, 2020, whichever is smaller, multiplied by 50% and then multiplied by the commodity's applicable payment rates. The following table lists eligible non-specialty crops and payment rates for CFAP:

Commodity	Unit of Measure	CARES Act Payment Rate	CCC Payment Rate
Corn	Bushel	\$0.32	\$0.35
Oats	Bushel	\$0.15	\$0.17
Sorghum	Bushel	\$0.30	\$0.32
Soybeans	Bushel	\$0.45	\$0.50
Sunflowers	Bushel	\$0.02	\$0.02

Livestock: A single payment for livestock will be calculated using the sum of the producer's number of livestock sold between January 15th - April 15th, 2020, multiplied by the payment rates per head; **AND** the highest inventory number of livestock between April 16th - May 14th, 2020, multiplied by the payment rate per head. The following table lists eligible livestock and payment rates for CFAP:

Livestock	Eligible Livestock	Unit of Measure	CARES Act Part 1 Payment Rate	CARES Act Part 2 Payment Rate
Cattle	Feeder Cattle: Less than 600 lbs	Head	\$102.00	\$33.00
	Feeder Cattle: 600 lbs or more	Head	\$139.00	\$33.00
	Slaughter Cattle: Fed Cattle	Head	\$214.00	\$33.00
	Slaughter Cattle: Mature Cattle	Head	\$92.00	\$33.00
	All Other Cattle	Head	\$102.00	\$33.00
Hogs & Pigs	Pigs: Less than 120 lbs	Head	\$28.00	\$17.00
	Hogs: 120 lbs or more	Head	\$18.00	\$17.00
Lambs & Yearlings	All Sheep Less than 2 Years Old	Head	\$33.00	\$7.00

A Farmer's Gift for Giving Tax Savings for Grain Contributions

The standard way of giving to your church or favorite charity is giving a cash donation. To receive this cash for the donation a farmer must first sell a commodity, deposit the money in the bank, and then write a check to the charity. This income is reported on Schedule F and therefore increases taxable income and self-employment tax.

In order to receive a tax deduction for this contribution you must itemize this donation on Schedule A. However, the standard deduction for 2020 is now \$12,400 for single people and \$24,800 for married filing jointly. So, for the vast majority of farmers, the standard deduction is more than the itemized deductions, and there will be no tax deduction for the cash contribution. Even if you itemize, you will be subject to self-employment tax on the sale of the grain.

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Quicken vs. Quickbooks Desktop vs. Quickbooks Online Which one is best for me?

Some people find themselves scrambling when it comes time to turn in information for taxes. Did I turn in all of my expenses and income so that my tax preparer can prepare an accurate return? Many people turn to bookkeeping software to get their finances in order. Not only does this give their tax preparer organized information, it also gives the client a clear picture throughout the year of where he/she stands financially. With this, comes some confusion on which software is best for each person and situation.

Three popular options are **Quicken**, **Quickbooks Desktop** and **Quickbooks Online**. Each has different features to fit your needs.

Quicken has been around since 1983 and has made many upgrades over the years. Quicken is a desktop product geared to manage individual and family finances by tracking your account balances, transactions, investments, loans and personal budgets. While it is a desktop product stored on your computer, it is now available only with a subscription meaning that in most cases you will be paying a fee each year rather than a one-time purchase. Quicken is sufficient for most operations where an accurate balance sheet isn't necessary.

Quickbooks Desktop, designed for small businesses, was introduced in 1992. This software is the most popular option chosen by our firm and clients. While it was designed for small businesses, Quickbooks Desktop can also be utilized for individuals and families. In addition to many of the same features offered with Quicken, Quickbooks Desktop has the capability to track bills and inventory, and to create and send customer invoices. The ability to have unlimited companies is one of the distinct features available that allows clients to keep personal and business books separated. Quickbooks Desktop is a one-time fee and not a subscription.

Quickbooks Online (QBO) was launched in 2001. While it has many of the features available in Quickbooks Desktop, it is a cloud-based subscription service. QBO has the capability to integrate with other apps such as PayPal and Square to offer seamless payment transactions. The look and feel of QBO is quite different from Quickbooks Desktop. Performance is based on your internet strength which may not be beneficial depending on where you are in rural Kansas. Depending on how many transactions you have, the additional lag time could end up costing quite a bit of wasted time.

Perhaps you like the thought of your files being easily accessible in the cloud, but want the features of Quickbooks Desktop? **Right Networks** allows us just that flexibility. While there is a subscription fee for Right Networks, a Quickbooks Desktop license only needs to be purchased every three years. This allows for the client and our office to have access to the same Quickbooks Desktop file at the same time providing maximum support.

We have Quickbooks Pro-Advisors available for assistance regardless of which option you choose. If you decide that you want no part of trying to figure out which software to use and how to use it, we provide in-house bookkeeping services as well. We take the hassle off of your plate so that you can focus on the day-to-day operations of your home or business. Contact your FMSI Fieldman for further details.



Be sure to support your local 4-H and FFA exhibitors this summer whether in person or via social media.

Yes, we are accepting new clients.

We are often asked if we have time to serve additional clients. We are a growing firm, and we would appreciate your referrals. If you are pleased with our services, please mention us to your friends and business contacts.

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