

FARM MANAGEMENT SERVICES, INC.

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



<https://www.facebook.com/ksfmsi/>

«COMPANY»
«CONTACT»
«ADDRESS1»
«CITY», «STATE» «ZIP»

529 Education Savings Plan

A 529 education savings plan is a tax-advantaged investment vehicle designed to pay for the beneficiary's educational expenses. There are no income restrictions when it comes to opening a 529 account – the owner designates a beneficiary who will receive the funds (i.e. child, grandchild, niece/nephew, etc.). The designated beneficiary can be amended as needs change (i.e. grandparents helping multiple grandkids). Annual contribution limits are up to \$75,000 (\$150,000 married couple) per beneficiary in a single year.

Tax Savings: There is no federal income tax deduction when contributions are made, but Kansas does give you an income tax deduction of up to \$6,000 per year per beneficiary. The investment is allowed to grow tax-deferred and withdrawals are tax-free as long as the money is used to pay for qualified K-12 tuition, college tuition, required fees/computers/books & equipment.

If you have questions about whether a 529 Education Plan is a good option for your family, visit with your Fieldman.

This newsletter is published as a service to our clients and friends. Additional copies are available upon request and on our website www.ksfmsi.com. The information is of a general nature and should not be acted upon without further details and / or assistance.

The



REPORT

Farm Management Services, Inc.

fmsi@ksfmsi.com

FMSI Summer 2021 Update



The 2020 tax filing season is officially behind us and we're all looking forward to a more "normal" summer in 2021. Navigating through the COVID pandemic, helping clients work through Payroll Protection Program (PPP) loan applications, watching a new administration enter the White House, figuring out who has received their stimulus money and who hasn't.....the past 12 months have truly been historic for us all. We appreciate our clients for being so cooperative and understanding as we worked through the last year – **thank you!**

2021 Expanded Child Tax Credit

The American Rescue Plan Act (ARPA) of 2021 expands the Child Tax Credit for the 2021 calendar year. The expanded credit means:

- The credit amounts increase to \$3,600 per child under age of 6, \$3,000 per child between the ages of 6-17
- Credit phased out for incomes over \$150,000 (MFJ), \$112,500 (HOH), and \$75,000 (All Others)
- The credit for qualifying children is fully refundable, which means that taxpayers can benefit even if they don't have earned income or owe any income taxes
- The credit will include children who turn 17 in 2021
- Taxpayers may receive part of their credit in 2021 (advance payments) before filing their 2021 tax return

The advance payments of the 2021 Child Tax Credit will be made regularly from July through December to eligible taxpayers who have a main home in the USA for more than half the year. Advance payments will be estimated from information included in eligible taxpayers' 2020 tax returns (or 2019 returns if the 2020 return is not filed and processed yet). By July 1, the IRS will open an online portal which will allow taxpayers to "opt out" of receiving the child tax credits early.

New Fieldman

We are excited to announce that Ryan Anderson joined our team in August 2020 as a Fieldman. Ryan graduated from Kansas State University with a B.S. in Ag Economics. He grew up on a family farm on the Cloud/Republic County border raising grain & cattle and even milking cows once upon a time. Ryan joins FMSI after spending the last 20 years in the agriculture equipment industry. Ryan, his wife Stephanie, and 4 kids Luke, Layla, Brynn, and Brooklyn live in Concordia.

Welcome!

ALSO IN THIS ISSUE:

- * Key Word for 2021 — Inflation
- * IRA Reminder
- * Donor Advised Funds
- * Meal Deductions
- * 529 Plans

Key Word for 2021 – Inflation

The COVID-19 crisis has caused not only loss of life and jobs across the globe, but we are now experiencing escalating prices for many raw materials (lumber, steel, rubber, etc.) because of the shutdowns. The result is some amazing inflationary graphs of lumber & steel rebar:

Lumber price per thousand board feet

Random Lengths Framing Lumber Composite Price

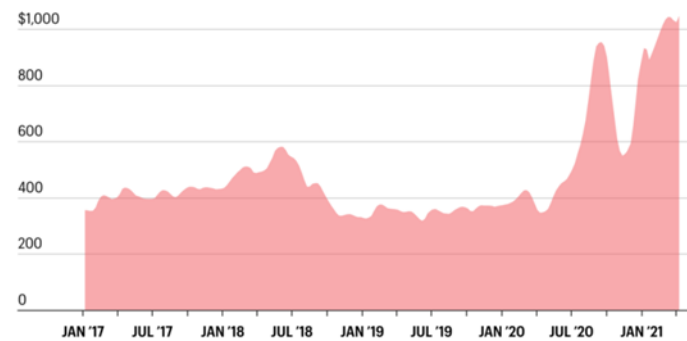


CHART: LANCE LAMBERT • SOURCE: RANDOM LENGTHS

FORTUNE



In the case of lumber, this price increase to over \$1,000 per thousand board feet, is being driven by a supply decrease as COVID-19 restrictions reduced production from sawmills. At the same time, Americans stuck at home in quarantine took on home renovations and DIY projects increasing the demand for timber. The issue was made worse by low interest rates and tight existing home inventory. The demand for new homes is so high that even during an economic crisis we hit a 14-year high in new housing starts in December.

The increased cost of steel has translated to higher machinery & vehicle costs. Again, the disruption in the supply chain has caused backlogs for new items being manufactured. A client recently told me they ordered a new pickup and were told it may be 18 months before they receive it! This kind of delay is historic and is causing lots of frustrations for consumers.

It appears these inflationary pressures will continue for a while. Thankfully, the market prices for grain and livestock have also increased. The question is.....**will the increased revenue be enough to offset the increased input costs?** Time will tell, but taking advantage of pricing opportunities and controlling input costs will definitely be critical management techniques for 2021.

IRA / Retirement Account Reminders

If you have retirement funds held in a tax-deferred account (Traditional IRA, SEP IRA, 401K, 403b, SIMPLE IRA, etc) you must start taking out the Required Minimum Distribution (RMD) amount once you reach a certain age. The SECURE Act passed in December 2019 requires that your first RMD must be taken by April 1st of the year after you turn 72. Subsequent RMD's must be taken by December 31st of each year. If you fail to take your RMD, you'll have to pay a penalty of 50% of the RMD amount.

What about my Roth IRA? Roth IRA's do not require distributions until after the death of the owner.



Tax Smart Giving – Donor Advised Fund

If you are charitably minded and want to make sure you maximize the tax benefit of your giving, or if you are looking at a high tax liability year and want an option to lower that liability, setting up a Donor Advised Fund might be an option for you.

A Donor Advised Fund (DAF) is a tax preference investment account that is earmarked for charitable giving. With a DAF you donate to the fund and then determine to which charitable entity and how much you donate at any time in the future. You can donate cash and get an immediate tax deduction. Once you have contributed the cash, you can deduct the full amount of your donation in that tax year regardless of how much is actually allocated to that year. For example, you could make a \$45,000 contribution in 2021 and instruct the DAF to distribute \$15,000/year for the next 3 years to your local church. The \$45,000 contribution becomes part of your itemized deductions in 2021. Here is how that would compare to making \$15,000 contributions each year (Married, Filing Joint):

By making the \$45,000 contribution up front, the taxpayer saves \$2,424 over the next 3 years. The charity being support-

	\$45,000 CONTRIBUTION			\$15,000/YEAR CONTRIBUTION		
	2021	2022	2023	2021	2022	2023
ADJ GROSS INCOME	\$100,000	\$100,000	\$100,000	\$100,000	\$100,000	\$100,000
ITEMIZED/STD DED	(\$45,000)	(\$ 24,800)	(\$24,800)	(\$24,800)	(\$24,800)	(\$24,800)
TAXABLE INCOME	\$55,000	\$75,200	\$75,200	\$75,200	\$75,200	\$75,200
FEDERAL TAX DUE	\$6,205	\$8,629	\$8,629	\$8,629	\$8,629	\$8,629

ed doesn't see any change in their annual receipt of \$15,000/year.

Once money is placed in a DAF, the funds are irrevocable and cannot be returned to the donor. These funds can also be used as a conduit for appreciated stock donations. In other words if you have a stock that has appreciated in value, you can donate the stock to the fund just like cash. By donating the stock you will not have the liability of the capital gains on the appreciation as long as it has been held for over a year. For example let's say you purchased \$100 of ABC stock. It has appreciated and is now worth \$1,000. If you donate ABC stock you will not pay capital gains on the \$900 of appreciation and you are able to deduct the full value \$1,000 of your donation.

Another option for our farm clients is to donate grain or livestock into a DAF. For more information and a more comprehensive list of benefits you should contact your Fieldman, but remember in some circumstances a Donor Advised Fund may be a good option for your charitable giving and your tax planning.

2021 & 2022 Meal Deductions

As part of the Consolidated Appropriations Act signed into law on December 27, 2020, the deductibility of business meals has changed. Food and beverage purchases will be 100% deductible if purchased **from a restaurant** in 2021 and 2022 – an increase from the 50% deduction limit in 2020. To be deductible as a business expense, the food or beverages must not be lavish or extravagant and the taxpayer or employee of the taxpayer must be present at the restaurant. Unfortunately, this 100% deduction is limited to "dining out" only.



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.