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Cash and Tax Planning for 2018

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As harvest 2018 consumes most of your attention take some time to review your accounting records in anticipation of planning for the end of the year. Some in Illinois experienced excellent yields and some had hoped for a bit more. With proper consideration and planning you may be able to better achieve a target level of taxable income.

To Increase Taxable Income for 2018

If your review of your accounting records reveals this year's income is lower than usual and you expect next year's to be higher, you may find it wise to increase this year's income by considering the following:

1. Sell grain and livestock in 2018 rather than holding them over to next year. Don't delay livestock sales in animals are at your desired market weight.
2. Consider initiating a Commodity Credit Corporation (CCC) loan prior to the end of year and then electing to report CCC loans as income. Make the election to report CCC Loans as income on the tax return.
3. Consider delaying the payment of expenses you might typically pay in the fall – seed, fertilizer, lime, fuel. The first choice should be to delay payments of expenses with no cash discount or minimal finance charges.
4. Consider depreciating limestone and heavy applications of fertilizer instead of deducting them in the current year.
5. Be sure to collect all custom work fees, rents, and other amounts due to you prior to the end of the year.
6. Inquire about delaying payment on items like large repairs made near the end of the year.
7. If you have off-farm investments, consider selling investments that have a gain.

To Decrease Taxable Income for 2018

If you feel that this year's income will be greater than it will be next year, the following are some ideas that will lower this year's taxes:

1. For grain and livestock that must be marketed this year, sign a deferred payment contract to lock in the terms of the sale, but defer receipt of the proceeds.
2. If you've incurred a crop insurance loss, elect to defer reporting of crop insurance proceeds if normal practice is to sell in the following year and you meet all of the qualifications.
3. Make purchases of operating inputs (feed, seed, fuel, fertilizer, chemicals, supplies) that are to be used next year. See IRS Publication 225 – The Farmers Tax Guide for more information on deducting prepaid expenses.
4. Purchase equipment and make large dollar repairs this year rather than next. The appropriate depreciation may be taken for equipment not used this year as long as it is delivered to the farm and available for use. If you plan to take advantage of the IRS Code Section 179 Expense Election keep in mind that the purchase must be in your possession and available for service before year end. Signing a contract with the equipment dealer and making payment is not enough. For example, if you purchase a planter on December 29, 2018, make sure the planter is delivered to you before December 31. You do not have to use the planter, but it must be available for use.
5. Pay any interest that has accrued up to the end of the year even though it may not be due until next year. You may **NOT** deduct prepaid interest, insurance or cash rent.
6. If you have not established a retirement plan consider doing so this year. There are numerous options available to you. The type of plan you choose will determine the maximum contribution. If you have employees, some plans require you to make a contribution for them as well. Available plans include the traditional IRA, Roth IRA, SEP IRA and SIMPLE IRA. The traditional IRA, Roth IRA and SEP IRA can be set up as late as the due date of the tax return. If you are considering establishing a retirement plan, you should consult with your financial advisor to ensure you meet all of the requirements for the plan.