

# BARNYARDS & BACKYARDS

## RuralTax.org offers free ag tax, risk management resources

The subject of tax management can be overwhelming for many reasons, especially from a production agriculture standpoint.

The massive size of the federal tax code and its accompanying regulations, along with the number of hours it takes to comply, can seem difficult, especially for new and beginning producers. While tempting to hand-off responsibility to an accountant, tax management should be an integral

part of farm management, as well as risk management planning.

Accounting for federal income and self-employment taxes in farm planning and decision-making is important for many reasons. First and foremost, the outcome should be to maximize after-tax income. Proper planning and understanding can help work more effectively with an accountant or financial adviser. This planning can help address production and financial issues before they become major problems. Federal farm programs, including some crop insurance programs, are increasingly linked to information found in a producer's tax return.

RuralTax.org was developed by academic professionals from several universities, with an emphasis on providing current information on taxes (income and self-employment) for farmers, ranchers, extension educators, and others. The site includes informative articles and links to a number of agricultural tax topics and an in-depth tax guide for small and medium-size farms.

### Small Farm Tax Guide

The overall depth and scope of the tax code can be overwhelming, especially to new and beginning producers. While taxes may not be of foremost concern when making production decisions, chances are that most, if not all, production decisions will have tax implications. From a risk management perspective, accounting for much of the uncertainty in day-to-day decisions is important when it comes to taxes, which will in turn help maximize after-tax income.

The Small Farm Tax Guide is one of the highlights of RuralTax.org. This comprehensive resource from the Land Grant University Tax Education Foundation covers many aspects of income and self-employment taxes as applied to production agriculture. According to the Small Farm Tax Guide, the two most common mistakes farm and ranch managers make are ignoring the tax consequences of their decisions (reducing after-tax income by not taking advantage of tax reduction opportunities) and focusing so much on reducing taxes for the business that after-tax income suffers.

The goal of tax planning should be to maximize after-tax income, which is not the same as minimizing taxes paid. The guide begins with a

- Free online course designed to increase ag producer understanding of taxes and tax issues.
- Visit RightRisk.org, select the course from the Courses menu.

review of basic farm management including sections on budgeting, financial statements, time value of money, and marginal analysis. This helps the reader build a basic management foundation before moving into tax issues.

From there the tax guide gives an overview of farm taxes and what qualifies as farm income and deductible expenses, followed by chapters on how to manage income timing and other tools to manage tax liability. The tax guide finishes by discussing buying and selling farmland, tax implications of farm losses and financial distress, and tax reporting.

### Covers Wide Range of Tax Topics

The Tax Topics section of RuralTax.org covers over 35 topics, each containing peer-reviewed articles. These articles discuss issues ranging from an introduction to federal income tax forms, weather-related losses and disaster implications, estate tax issues, and implications of leasing versus buying machinery and equipment.

Topics of particular interest to new and beginning producers include startup costs (tax implications) and defining who is a farmer for tax purposes. Other topics of current interest include estate and gift tax issues and employing family members.

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### FOR MORE INFORMATION

RuralTax.org is an excellent resource to learn more about agricultural taxes, the risk associated with taxes, and how they affect ag businesses.

There is always more to learn when it comes to tax issues, regardless of knowledge level. RuralTax.org has links to resources such as the University of Illinois FarmDoc and Tax School programs, as well as sample tax forms and IRS Farm Tax guides.

Visit RightRisk.org for more information on tax planning and risk management.

### AVAILABLE AT RIGHTRISK.ORG

- 7 Risk Analytics tools
- Allows for a more full accounting of risk in business operations by allowing the user to enter a range of data for expected outcomes in several tools
- Covers a wide range of risk management topics including forage leasing, budgeting, and machinery cost accounting.



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## Body condition score indicates cow's nutrition level, reproductive performance

A beef cow's nutritional needs can depend on many factors such as cow size, age, and reproductive stage. Nutrition can also depend on temperature, wind, and time of year.

This article is to encourage producers to use the body condition scoring system (BCS) when managing the nutritional needs of their beef herds. Supplemental feed is usually the biggest expense ranchers deal with and should always be central to the discussion of how and when to make management decisions. This article focuses on how closely nutrition is tied to reproduction efficiency and how ranchers might use a simple process to look at and evaluate their animal's nutrition all year long.

BCS has been around for a long time and without a doubt is underutilized in the ranching business.

- BCS is:
- Scoring system from 1-9,
  - Indicator of nutritional status,
  - Estimator of energy reserves, and
  - BCS is linked with reproductive performance (percent open, calving interval, calf vigor).

### The Rule of 83!

This author believes every cattle rancher should think about and plan for the number 83 every year! This represents the number of days a cow has between when she calves and when she needs to get bred to maintain a yearly calving interval.

Note that as we manage with BCS and start evaluating how that affects reproductive performance, we really aren't talking about single animals – we are talking about statistics dealing with entire herds. This is why BCS can be such a valuable tool for cattle ranchers. BCS is simple to use and there has been enough work done we understand how BCS affects cattle.

Research tells us cattle with a BCS score of less than 4 will have poor reproductive performance, and a cow with a score above 5 is desirable. The following numbers are important to think about in nutritional management.

Body Condition Score			
BCS	< 4	5	>5
% Heat	62%	88%	98%

*Percent in heat within 80 days after calving*

Why do cattlemen care about a cow's body condition? A 20-40 percent increase in cows' cycling and getting bred within the 83-day window may be seen. Each ranching business would have to decide exactly how much that is worth economically and how they might use BCS in an economical management setting, but a 20-40 percent increase is a big deal!

Ranchers could use the BCS system as often as they see their cows. A recent publication produced by the University of Wyoming Extension addresses how cattle producers might be able to better use the BCS scoring system.

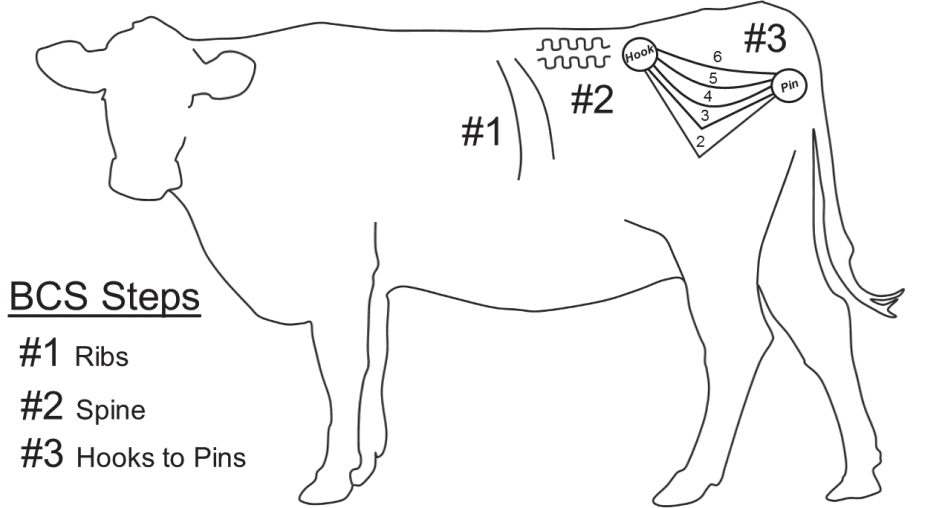
The publication outlines three steps ranchers can do at a glance to evaluate a cow's BCS. These three easy steps evaluate ribs, spine, and hooks-to-pins in a systematic and repeatable process. The publication can be found at <http://bit.ly/wyobodyscore>.

The guide explains the steps the following way:

### Three Easy Steps

1. Look at the last two ribs. BCS is less than 5 if they are easily visible.
2. Look at the spine. BCS is 3 or less if the individual vertebrae are visible.
3. Look at the shape between the hooks and pins. How shallow or strong the U or V shape is can determine the BCS score between 2-6.

BCS scores cattle from 1-9, and ranchers can get more in-depth with their scoring; however, if ranchers can use this simple three-step method, they can monitor their cattle almost on a daily basis to manage what condition they want their cattle at breeding time.



### BCS Steps

- #1 Ribs
- #2 Spine
- #3 Hooks to Pins

**Three-Step Body Condition Score (BCS) guide for beef cattle. Step 1 – Look at the last two ribs. If apparent, BCS < 5. If not apparent, BCS ≥ 5. Step 2 – Look at spine. If visible, BCS ≤ 3. Step 3 – Look at shape between hooks and pins. Shallow U - BCS = 6, Strong U - BCS = 5, V Shape - BCS = 4, Strong V - BCS = 3, Very Strong V - BCS = 2.**



**BCS = 3:** Last two ribs are visually apparent, so BCS < 5; spine is visible, so BCS ≤ 3; shape between hooks and pins is a strong V, so BCS = 3.

Managing nutrition is tricky because nutrition can change from year-to-year depending on weather and feed quality and many other things taking place in a cow herd as far as health. BCS scores don't need to stay constant throughout the year. Doing so would not make sense economically, and it's probably good for the animals and probably good from a reproductive standpoint that physiologically a cow's BCS score moves up and down. BCS scores above a 5 are desired if we want cows bred for optimum reproductive efficiency.

A cow would have to gain 80-100 lbs., depending on cow size, to go up one BCS score. Putting that kind of weight on an animal doesn't happen overnight. This is when the management takes place. Gaining weight is certainly easier at different times of the year, and feed quality and availability has a huge effect on weight gain. All this is tied to economic viability and at the end of the day is something ranchers can plan for and work on any time of year.

Nutrition and reproduction should be management topics regularly evaluated and discussed on ranches. Look at the publication online or visit your local extension office. They will be able to help you find a copy.

One word of warning: once you start looking at cows this way, you will constantly be making judgments on how fat or thin your neighbor's cows are. Good luck!

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