

RIGHT RISK™

RIGHT RISK NEWS

Starting 2021 on the Right Foot

DATES TO REMEMBER

Spring-planted crops
sales deadline:
- March 15, 2021

Noninsured Crop
Disaster Assistance
Program (NAP)
Deadline for springseeded
forage and all other crops
- April 1, 2021

For more information see:
<https://www.rma.usda.gov>
<https://www.fsa.usda.gov>

This can be a busy time of year for many farmers and ranchers. Calving and lambing season may be in full swing, feeding and other chores are carried out in cold weather, and tax returns are completed and filed. In addition, there are a plethora of meetings, conferences, and other educational opportunities.

Finalizing last year's financial records in order to file tax reports and analyze the business, is not a fun task to consider. Some farmers and ranchers are required to file their tax returns by March 1st, while others have until a later date. Filing deadlines depend, in part, on business form (sole proprietorship, partnership, etc.) and any estimated taxes paid throughout the year.

The procedures and rules pertaining to tax filings did not change much in 2020 for the less complicated businesses. New guidance from the Internal Revenue Service and rulings by the U.S. Tax Court may impact all businesses, especially those with a more complex structure or operation.

2020 Changes in Tax Code

The CARES Act, other legislation, and executive orders all resulted in changes to the internal revenue code, both temporarily and permanently, as well as created new opportunities for business owners.

Selected Tax Law Changes for 2020

- Coronavirus Food Assistance Program – CFAP and CFAP2 payments received must be included in gross farm income.
- Standard Mileage Rate – \$0.575 per business use mile.
- Section 179 Expense Election – the maximum amount that may be deduct is \$1,040,000. This limit is reduced if the cost of property placed in service during the tax year exceeds \$2,590,000.
- Net Operating Loss – taxpayers are allowed to carryback for 5 years NOLs arising from tax years 2018, 2019, and 2020.
- Maximum Net Earnings – the maximum net self-employment earnings subject to the social security portion (12.4%) of self-employment tax is \$137,700.
- Schedule SE – a new part II allows self-employed persons to calculate a maximum amount of SE tax payments which may be deferred.
- Credits for Self-Employed Persons – new refundable credits are available to certain self-employed persons impacted by the coronavirus.

The Paycheck Protection Program (PPP) expanded the Small Business Administration's (SBA) loan program for small employers and eligible self-employed individuals impacted by COVID-19. Loans were designed to be forgiven if program requirements were met. Forgiven loan proceeds are excluded from gross income and expenses paid with PPP loan proceeds remain deductible. The rules pertaining to PPP loan forgiveness, qualified uses, and tax ramifications are evolving – sometimes on a daily basis. It is critical that business managers stay abreast of the issues and seek appropriate counsel. Two good resources, among many, are <https://ruraltax.org> and <https://www.calt.iastate.edu>.



How Much Risk is Right for You?

Review Financial Performance

This is also a good time to review last year's financial information and make changes for the coming year. A business owner should question if the business made money? Where might revenues have been increased and/or expenses been cut? What enterprises or departments generated profits or losses? Are there strategies for reducing tax liabilities?

The foundation of business management is financial records which are complete, accurate, detailed, and legible. Complete and accurate financial records are needed to file tax returns, develop financial statements, obtain loans, and guide management decisions over the coming year.

They should be reviewed each year and adjustments made as appropriate. A few tweaks may be all that is needed, or a new chart of accounts may be required to meet desired objectives.



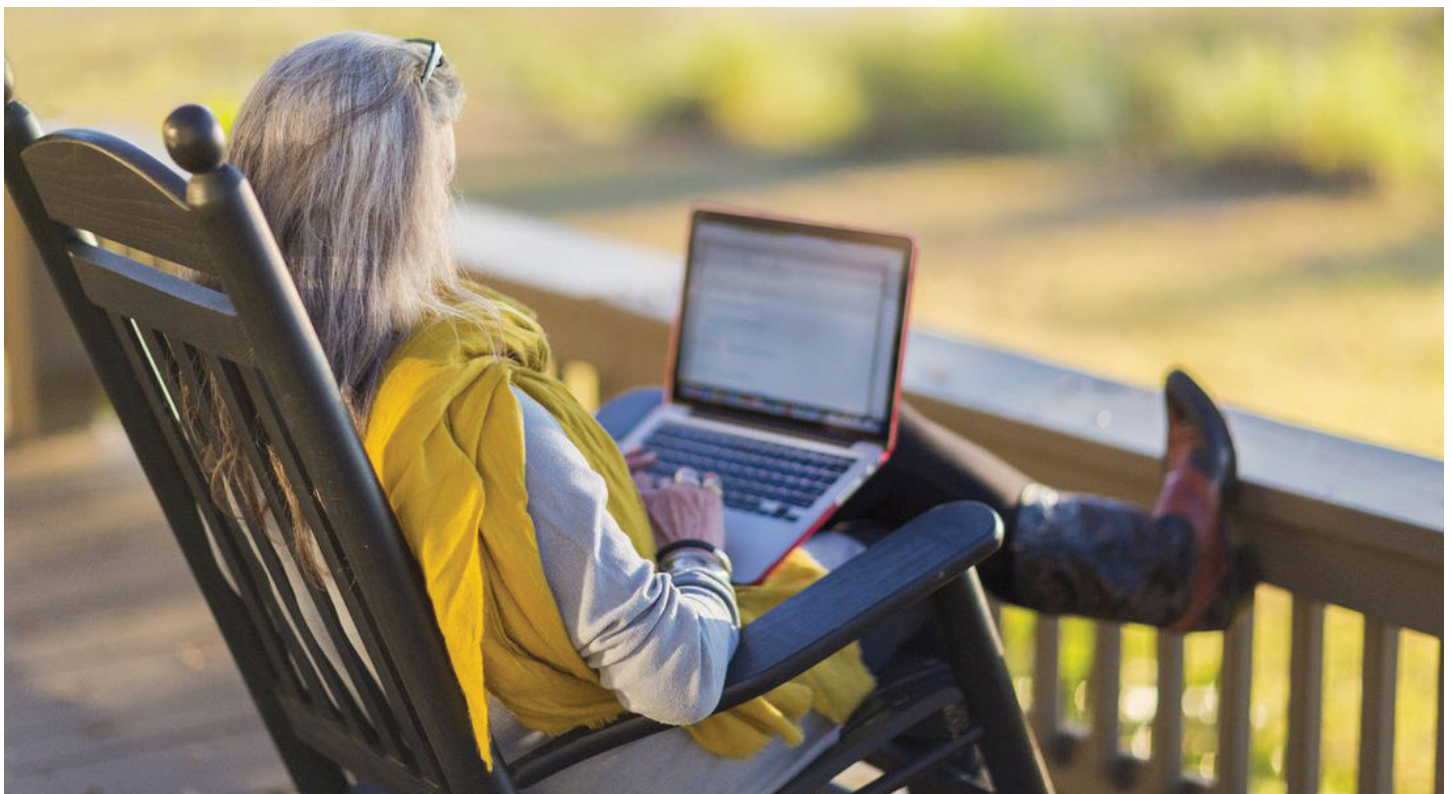
Completion of the four financial statements – balance sheet, statement of cash flows, income statement, and statement of owner equity – will help the manager determine profitability, measure changes in net worth, and monitor revenues and expenses. The financial statements may have no relation to income tax reports and tax liabilities. However, complete financial statements can help the manager better understand the options for adjusting the amount and timing of tax liability.

Cash Flow Statement

The cash flow budget developed last year should be adjusted to reflect actual cash in-flows and outflows. From this the manager will be able to quickly and easily see how much money was brought in and how much money was spent each period and if there were any unexpected or missing sales or purchases. The previous year's statement of cash flows can be a valuable resource for developing a profitable road map for the coming year.

Income Statement

The income statement, also called a Profit and Loss Statement or P&L, is used to calculate the profitability of a business over the past year. One developed using the cash method of accounting will measure income and expense items when the





cash changes hands. An income statement developed using accrual accounting matches the revenues from the period's production to the actual expenses associated with generating that revenue, including non-cash transactions to provide an accurate estimate of profitability.

Balance Sheet

A balance sheet should be completed at the beginning or end of each year. Balance sheets completed at the same time each year provide a measure of business performance over time. Some business owners and managers develop a "book value" balance sheet, a "market value" balance sheet, or both. It is important to note that the information on the balance sheets

does not indicate why those values changed – only that they did change.

All business owners must file tax reports each year. Complete, accurate, detailed, and legible financial records are required to do so. Those same records should then be used to conduct a year-end financial analysis. Did the business truly make money? How might the business improve? Is net worth increasing or decreasing over time? Consult professional counsel – lender, attorney, tax preparer, wealth advisor, insurance agent, and others – prior to implementing a particular management strategy.



~ OTHER RIGHTRISK NEWS ~

NEWS RELEASE - DEC. 7 | RIGHTRISK

Federal Reserve Beige Book: Summary on the Agricultural Sector

Most Federal Reserve Districts have characterized economic expansion as modest or moderate since the prior Beige Book period. However, four Districts described little or no growth, and five narratives noted that activity remained below pre-pandemic levels for at least some sectors. Reports tended to indicate higher than- average growth of manufacturing, distribution and logistics, homebuilding, and existing home sales, although not without disruptions . . .



NEWS RELEASE - DEC. 16 | RIGHTRISK

Ag Lending Update: Ag Banks Trim Farm Lending

Farm loans outstanding at commercial banks declined in the third quarter and non-performing loans edged slightly higher. Reduced lending at agricultural banks contributed most significantly to the further decline in outstanding loan balances. Alongside lower levels of farm debt, delinquency rates on agricultural loans continued to trend higher at a gradual pace. Agricultural loan balances at commercial banks continued to decrease in the third quarter, according to Call Report data. Most of the recent decrease was driven by non-real estate loans, which were nearly 5% less than the previous year, the largest drop in more than 15 years . . .

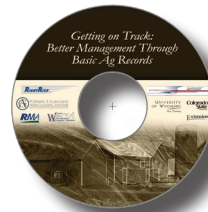


For more see: [RightRisk.org\News](https://www.RightRisk.org/News)

HIGHLIGHTED COURSE

Getting On Track: Better Management Through Basic Ag Records is a two-hour, internet-based course including four vignettes titled: Preserving The Tradition, Putting All Your Eggs in One Basket Get the Max From Your Tax, and 4-H Gone Hog Wild.

Other topics covered include: Why keep records?, Basic record keeping 5 easy steps, Keeping production records, Keeping financial records, Schedule-F, Where do I go from here? A glossary, frequently asked questions, and resource links are provided, along with example records systems and much more...



To access the course see: <http://RightRisk.org> > **Courses** > **Getting on Track: Better Management Through Basic Ag Records.**

	December 1 Social Media Post <i>Machine Risk Calculator RightRisk</i>		December 17 Social Media Post <i>Enterprise Risk Analysis</i>
	December 3 Social Media Post <i>Understanding Risk In Agriculture</i>		December 22 Social Media Post <i>Risk Navigator RightRisk</i>
	December 8 Social Media Post <i>Multi-Temporal Risk Analyzer RightRisk</i>		December 24 Social Media Post <i>Getting On Track: Better Management Through Basic Ag Records</i>
	December 10 Social Media Post <i>Risk Scenario Planning</i>		December 29 Social Media Post <i>Evaluating LRP Coverage via RightRisk Analytics</i>
	December 15 Social Media Post <i>RDFinancial RightRisk</i>		December 31 Social Media Post <i>Basic Financial Statements</i>

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How much risk is right for you and your operation?

