

TelFarm Newsletter

Volume 22, Issue 2

Fall 2022

Important Dates for Year-End

Late October:

If you are on Pc Mars or Quick-Books and would like your accounting records reviewed prior to receiving tentative reports, please submit a backup or accountant copy to the TelFarm Center by Monday, October 24, 2022. Files received after this date will not be reviewed, they will only be printed as is for tentative tax documents. If you submit them for review and have resulting updates to your books, please re-send an updated copy of your books by Monday, November 7, 2022.



- Tentative Tax Planning Package
- Depreciation Schedule

We will only print accounting reports for clients that have submitted books/records to us completed through at least September. All clients will still receive tentative depreciation schedules and tax planning handouts as long as your account is paid for 2022.

made during tax planning meetings to TelFarm upon completion.

- Enrollments due by Monday, December 19, for 2023 year if you need supplies to start off January 2023. (A signed enrollment contract is needed to get supplies)

January:

- Employers prepare W2s and give to employees and SSA by January 31, 2023 as well as Form 943 to the IRS.
- Furnish 1099s to recipients and 1099-MISC for employee compensation to the IRS by January 31, 2023.

Early November:

Accounting and depreciation transactions are due in the TelFarm office on or before Monday, November 7, 2022 (must be in office by then, not postmarked by) in order for you to receive:

- Cash Flow Report

Week of Thanksgiving:

Items mailed to clients:

- Tentative Tax Planning Packages and Depreciation Schedules
- 2023 Enrollment Contracts

December:

- Tax planning meetings by Farm Business Management Educators. Submit your changes in accounting and depreciation

February:

Tax Package Deadline - final 2022 records are due at the TelFarm office on or before Monday, February 6, 2023 in order for you to have some time to file and pay taxes by March 1, 2023 to the IRS.

TelFarm Users Group Resumes

Are you interested in improving your Pc Mars bookkeeping skills? Do you have questions on how to do certain transactions? Would you like an opportunity to talk to other TelFarm cooperators about ag issues? Consider joining the TelFarm Users Group.

We will be meeting via Zoom web conferencing once a month from November to April. All meetings are on Thursdays from 1-2 pm.

User Group Dates:

November 10th

December 15th

January 26th

February 16th

March 16th

April 13th

Please contact the TelFarm office or your MSU Extension Educator to get the Zoom meeting link for these sessions. If you don't have fast enough internet to join the video conference, you can call into the meeting on your phone to hear the meeting and engage that way. Different topics are covered at each session and come from participant suggestions.

Tax Management for 2022

By: Roger Betz & Stan Moore, MSUE Farm Business Management Agents

Have you conducted a preliminary estimate of your tax liability for 2022? Depending on numerous issues, your taxable income may be unusual this year. It could be very high or low. Unprecedented Covid related government program payments were received in 2020 and 2021. Most people did not receive significant payments in 2022, like in 2020 or 2021. Tax planning is critical to avoid surprises in March and April when income taxes are due. With up-to-date TelFarm records, you can know exactly where you are and what needs to be done before year end to achieve your income tax liability objective.

As we all know, input cost of fuel, fertilizer, chemicals, repairs, machinery, purchased feed items and labor cost have all gone up. At the same time, crop, milk and livestock product prices have all been higher as compared to previous years. Farmers may have gotten caught with the higher input cost, but had contracted

sales at lower prices. Others may have booked or prepaid input cost early at relatively good prices and benefited from the high sale values.

Another important question is “What are input cost and commodity prices likely to be for your operation in 2023?”

Typically, the best tax management strategy is to keep taxable income about the same each year. The ability of most farmers to use cash accounting for income tax reporting provides tremendous flexibility. We want to utilize our “zero cost” or low-cost tax brackets and take advantage of various tax credits. Our goal is to “Get the maximum income as possible through the tax system at the lowest cost possible over time”. The “over time” part is tricky, as we must try to predict the future. How much room do you have to push taxable income forward, “down the road”, by delaying sales and prepaying expenses? What will tax rates be?

If your farm income is high for 2022, farm income averaging (Schedule J) may be a viable tool to use. Schedule J allows you to pull income out of a higher tax bracket, this year, and spread equally over the previous three years. There may be unused or portions of lower income tax brackets from those prior years. You can also amend tax returns three years back, using Schedule J to push income back all the way to year 2016. If you have significant low unused brackets or portions of brackets, it is worth consideration. Most tax preparers software will evaluate income averaging to the previous three years, but may not evaluate Schedule J back 6 years.

If you are interested in taking a look at your estimated income tax liability for 2022 and developing your tax management plan, please contact the MSU Extension Farm Management Agent for your area.

Wishing you a safe harvest season this fall!



2021 Farm Financial Benchmarking Results

Highlights from the Michigan Farm Business Summary

The Michigan Business Analysis Summary is the summarized financial report from TelFarm co-operators participating the year-end FinAn business analysis. You can view the complete report at the TelFarm Program website: <http://www.canr.msu.edu/telfarm/business-analysis-summaries/>

This is a gauge of the financial performance of the average Michigan farm completing the Finpack FinAn business analysis through MSU Extension.

The Farm Business Summary is divided into three Whole Farm Analyses subsets: 1) All Participating Farms - Whole Farm Report, 2) Crop Farms Only - Whole Farm Report, and 3) Dairy Farms Only - Whole Farm Report. There are also “cost of

production” enterprise reports for corn, soybeans, alfalfa hay, winter wheat, and dairy enterprises.

Farms are included as “crop” or “dairy” if over 70% of their gross farm income comes from their crop sales or milk sales/dairy cattle sales, respectively.

	2017	2018	2019	2020	2021
All Farms					
Net Farm Income	\$88,196	\$49,912	\$125,800	\$192,016	\$268,246
% Return on Farm Assets (FMV)	1.5	0.3	2.4	4.3	6.6
Net Worth Change (FMV)	\$144,431	\$(33,400)	\$120,909	\$195,109	\$392,701
Debt Replacement Margin	\$(43,204)	\$(76,817)	\$7,108	\$92,522	\$183,655
Crop Farms					
Net Farm Income	\$77,293	\$144,619	\$109,096	\$180,455	\$308,225
% Return on Farm Assets (FMV)	1.7	2.8	2.0	4.4	8.7
Net Worth Change (FMV)	\$161,552	\$89,049	\$85,966	\$192,335	\$514,525
Debt Replacement Margin	\$(44,737)	\$10,987	\$(57,994)	\$90,370	\$239,350
Dairy Farms					
Net Farm Income	\$142,861	\$(38,078)	\$234,603	\$315,943	\$271,739
% Return on Farm Assets (FMV)	2.3	-1.8	2.9	4.8	4.7
Net Worth Change (FMV)	\$96,628	\$(228,101)	\$222,378	\$290,274	\$278,801
Debt Replacement Margin	\$(30,734)	\$(192,271)	\$105,962	\$189,010	\$142,821

Interpretations

The average 2021 farm financial results were higher than any of the last five years. Average 2021 net farm income was \$268,246. The next highest annual net farm income was 2020 at \$192,016. The strong crop yields and sale prices played a large role in the results (see average corn yields and prices on the next page). Many farms participated in gov-

ernment programs, including one-time COVID support programs, that had carry-over forgiveness into 2021. These programs also contributed significantly to the results. This was the largest government support received per farm in the last five years, especially if they had significant hired labor that qualified for reimbursement programs.

This all contributes to an average net farm income that is the highest in the last five years. Expected responses should result in paying down debts and building net worth to be able to react to future challenges and opportunities and making any needed machinery and building purchases.

2021 Benchmarking Results, cont.

Reported Average Corn Yields and Sale Prices (All Farms)					
	2017	2018	2019	2020	2021
Avg. Corn Yield bu/ac	157	154	159	165	185
Avg. Corn Sale \$/bu	\$3.68	\$3.72	\$4.18	\$3.81	\$4.27

Crop Farms

The average crop farm’s net farm income was \$308,225, which was the highest over the last five years. They also showed an impressive increase in net worth. The crop farms benefited from the higher grain prices and strong yields for 2021, as well as the government programs. The grain prices are even higher in 2022 and the grain yields appear to be progressing well too. Unfortunately, the soaring crop input expenses are going to have a huge impact on the net farm incomes, so the level of net farm income remains cloudy in 2022.

Dairy Farms

The average dairy farm had another good year at \$271,739 net farm income, although not quite as strong as 2021. After several years of lower profits, the rebound in 2020 and 2021 is very good for the health of Michigan dairy farms. The dairy farms in this analysis averaged \$17.85 per cwt of milk, which was a bit higher than any of the past five years; 2020 - \$16.62, 2019 - \$17.41, 2018 - \$14.81, and 2017 - \$17.18. Dairy farms also benefited from the crop sale prices on excess crop yields, as well as the benefits of the government programs. So far in 2022, higher milk prices appear to be supporting even higher dairy farm net incomes in 2022 even with the higher feed, fertilizer, and other crop expenses.

Enterprise Analysis

Enterprise Analysis calculates the cost of production and then is adjusted by government payments received and unpaid operator labor. Crop enterprises include corn, corn silage, alfalfa hay, soybeans, and winter wheat. Crop enterprise reports are sorted by owned and cash rent as well as by net return. For some crops, there were not enough farms for the enterprise report.

Dairy is the only livestock enterprise with enough farms to produce an enterprise report. The cost of milk production is calculated on both a per cow basis and on a per hundredweight of milk basis.

MSU is officially closed on these days:

- Thanksgiving — November 24 & 25
- Christmas — December 23-26
- New Years— December 30-January 2

Current PcMars Software Version is 3.0.6.0

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