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December 2016

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## LIKE US ON FACEBOOK

Several clients already follow us on Facebook. To encourage other Facebook users to join the fun we are going to offer an incentive to all clients that like us on Facebook already or do so by the end of tax season, April 18, 2017.

In April 2017 we will randomly choose six clients that like us on Facebook to win a Yeti prize. If you don't know what Yeti is they make high quality coolers and drinkware for the outdoors.

One client will receive a Yeti cooler and five others will receive a Yeti tumbler. Find us on Facebook at [facebook.com/corporatefarmerinc](https://www.facebook.com/corporatefarmerinc) and simply hit the Like button to be entered to win.

Our Facebook page is a great way to stay on top of what is going on at Corporate Farmer. We try to link or post current items relating to tax law changes, IRS news and many other topics related to agriculture.

Like us today for your chance to win!

*- I will honor Christmas in my heart, and try to keep it all year. – Charles Dickens*

## FARM ECONOMY OUTLOOK

Farmland prices continue to fall and the decrease in net farm incomes is blamed for this drop. Values for quality ag land in the central Corn Belt have declined about 3% in the past year through the third quarter of 2016. This marks the fourth straight quarter of annual declines, the first time for such a streak since 1986-1987.

Not all states are reporting decreases. Indiana was up 1% and Wisconsin 2% but Illinois was off 4% and Iowa down 5% for the period. Even steeper declines were reported in the Central and Southern Plains. Kansas cropland was down 14 to 17%, Oklahoma down 4-8%, Nebraska down 5% while western Missouri was up 2%.

Colorado and Wyoming was mixed, with dryland down 2% and irrigated up 3%.

Cash rents are down, too. In Nebraska and Kansas rents were reportedly off 10% for both dryland and irrigated cropland. Illinois, with a 2016 state-wide average of \$220, is off 3.5% from last year and down 5.5% from 2014. The average cash rent in Iowa for 2016 was reportedly \$235, down 6% from the year earlier and off 10% from 2014.

Despite the lower cash rents and a decrease in some input costs for 2017, Fed banks note that loan demand is still on the rise, with the biggest portion of new borrowing being for operating capital and not for land purchases.

Expect even tougher cash rent negotiations for 2017. A recent *Pro Farmer* survey found the 14% of farm tenants say they "absolutely will" walk away from their lease if the price is not lowered and another 30% report that they "probably will" walk if the rate does not come down next year. Further, 24% of farmers responding expect 2017 cash rent to decline 10 to 19% while 46% expect a decline of less than 10%. Interestingly, 24% of farmers expect no change in their cash rents next year.

*- The two most joyous times of the year are Christmas morning and the end of school. – Alice Cooper*

## 2017 COLA ADJUSTMENTS

The IRS has begun releasing cost-of-living adjustments to the key deductions and updated tax brackets for next year. The following is a breakdown of those that might impact you next year.

No changes for 2017 to the amounts you can contribute to a 401(K) or IRA. Deferrals to a 401(K) will remain at \$18,000. Taxpayers who are not covered by pension plans and have enough earned income may contribute and deduct up to \$5,500 to either a Regular or Roth IRA

account with no change from 2016. The catch up contribution of \$1,000 also remains the same for individual over the age of 50.

**Tax Brackets for 2017  
Married, Filing Jointly:**

If taxable income is:	The Tax is:
Not over \$18,650	10% of the taxable income
Over \$18,650 but not over \$75,900	\$1,865 plus 15% of the excess over \$18,650
Over \$75,900 but not over \$153,100	\$10,452.50 plus 25% of the excess over \$75,900
Over \$153,100 but not over \$233,350	\$29,752.5 plus 28% of the excess over \$153,100
Over \$233,350 but not over \$416,700	\$52,222.50 plus 33% of the excess over \$233,350
Over \$416,700 but not over \$470,700	\$112,728 plus 35% of the excess over \$416,700
Over \$470,700	\$131,628 plus 39.6% of the excess over \$470,700

The personal exemption for 2017 remains at \$4,050 but the standard deduction for various types of taxpayers has been increased.

Filing Status	Standard Deduction
Married, Filing Jointly	\$12,700
Head of Household	\$9,350
Single	\$6,350
Married, Filing Separately	\$6,350

The election to expense certain depreciable assets (Code Section 179) is now indexed for inflation as well. Therefore, the amount allowed for 2017 will be \$510,000. This limit is reduced by the amount of assets placed in service during the year which exceeds \$2,030,000. In other words, if an individual taxpayer has purchases of more than \$2,540,000 in 2017 they will not be eligible for the Section 179 deduction.

For an estate of a decedent dying in calendar year 2017, the basic exclusion amount increases to \$5,490,000 for determining the amount of the unified credit against the estate. However, the gifting limit is unchanged for next year at \$14,000. Gifts of less than this amount are not included in the total amount of taxable gifts made during the tax year.

Finally, Health Saving Accounts (HSA) contribution limits for 2017 are relatively. For families the limit remains \$6,750 with a catchup for individuals 55 or older of \$1,000. However, the contribution limit for single individuals is up to \$3,400 for 2017, a \$50 increase from 2016.

*- Christmas is a season not only of rejoicing but of reflection. – Winston Churchill*

**21<sup>ST</sup> CENTURY CURES ACT**

President Obama signed into law the 21<sup>st</sup> Century Act on December 13, 2016. The Senate on December 7th passed the bill by a 94-to-5 vote. The bill passed in the House on November 30 by a 392-to-26 vote.

Among other things, the bill would allow certain small businesses to use qualified Health Reimbursement Accounts (HRAs) without Patient Protection Affordable Care Act (PPACA) -related penalties. Certain limits to the accounts would apply, however, such as an annual cap of \$4,950 per year (\$10,000 for families). Further, the employee must provide proof of minimum essential coverage. And the employer must not be an applicable large employer as defined under the PPACA, nor offer a group health plan to any of its employees.

Traditionally, many small businesses provided a health benefit to their employees through an HRA. In Rev. Rul. 61-146, 1961-2 CB 25, the IRS determined that if an employer reimburses an employee's substantiated premiums for non-employer sponsored hospital and medical insurance, the payments are excluded from the employee's gross income. The exclusion also applies if the employer pays the premiums directly to the insurer.

After Congress passed the PPACA, the IRS released Notice 2013-54, I.R.B. 2013-40, 287, which described these arrangements as employer payment plans. Therefore, they are considered to be group health plans subject to the PPACA's market reforms, including the prohibition on annual limits for essential health benefits and the requirement to provide certain preventive care without cost sharing. Failure to comply with the PPACA's market reforms triggers excise taxes under Code Sec. 4980D. The excise tax reaches \$100 per affected individual per day. In Notice 2015-17, I.R.B. 2015-14, 845, the IRS provided transition relief from the penalties

but the relief expired after June 30, 2015.

The HRA requirements for qualified small businesses within the bill would apply to years beginning after December 31, 2016. Further, transition relief provides that the relief under Notice 2015-17 will be treated as applying to any plan year beginning on or before December 31, 2016. President Obama has said that he intends to sign the bill as soon as it reaches his desk

*- Christmas, my child, is love in action. Every time we love, every time we give, it's Christmas. – Dale Evans*

## **SOCIAL SECURITY BENEFITS TO INCREASE .3% IN 2017**

The Social Security Administration just announced that social security benefits will increase by .3% beginning in January 2017. The increases for the last couple of years have been less than 1% and although this is a low increase, it is still an increase. A person currently collecting \$1,500 per month will see a \$4.50 increase in their payments.

The news regarding the wage base for 2017 is much worse. It will increase from \$118,500 to \$127,200. This means an additional \$8,700 of wages will be subject to the 12.4% FICA tax or a possible increase of \$1,078.80 for self-employed farmers or \$539.90 for employees/employers.

The quarters of coverage levels has also increased from \$1,260 to \$1,300. This is the amount of wages or earned income to receive one quarter of credit. For many farmers facing losses this year that want to receive at least some social security credit should elect the optional farm self-employment method. Under this option, even if you have a loss, you can elect to pay social security for a minimum of four quarters of coverage. The self-employment tax associated with this option would be less than \$800 for the year, but will gain you four quarters credit for social security benefits.

*- He who has Christmas in his heart will never find it under a tree. – Roy L. Smith*

## **TAX REFORM TALK CONTINUES**

Members of both parties in Congress have been highlighting tax reform plans as of late, and the work continues even after Congress adjourned. House Ways and Means Republicans have been invited by Chairman Kevin Brady, R-Tex., to attend a two-day policy conference at the Library of Congress on December 14 and 15, Ways and Means' Communication Director Emily Schillinger told Wolters Kluwer on December 13. At the same time, Democrats have put forward various

proposals for tax reform, as well.

### **House**

"Tax is the focus on Wednesday and healthcare is the focus on Thursday," Schillinger told Wolters Kluwer. "Members of the committee want to make sure we are able to hit the ground running when President-elect Trump is in the White House."

Ways and Means Chief Tax Counsel Barbara Angus previously confirmed tax reform legislation is currently being crafted to be ready in early 2017. The bill is expected to largely be derived from the House GOP "Better Way" tax reform blueprint released in June.

### **Senate**

According to Senate Majority Leader Mitch McConnell, R-Ky., comprehensive tax reform could occur through the budget reconciliation process. Republican lawmakers anticipate two budget resolutions in 2017, McConnell said in a December 12 news conference. The first resolution will concern repealing the Patient Protection Affordable Care Act (PPACA) (P.L. 111-148) and the second, expected sometime in spring, will be dedicated to tax reform, he added.

The budget reconciliation process could help ensure tax legislation's path to the White House. Under the reconciliation process, only 51 Senate votes are necessary to pass legislation, instead of the normal 60-vote requirement under the filibuster rule. Although the process could potentially be available to Republicans in 2017, it comes with limitations and cannot be used multiple times, Joint Committee on Taxation (JCT) Chief Thomas A. Barthold has said.

McConnell stated during the news conference that he prefers tax reform efforts not exacerbate the federal deficit. "My preference on tax reform is that it be revenue neutral to the government," he added.

Meanwhile, Sen. Benjamin Cardin, D-Md., has introduced the Progressive Consumption Tax Bill (Sen 3529). Cardin's bill would create a consumption tax to replace the federal income tax. "Our tax code should be fair for families and employers. It should help make American-based businesses more competitive and our nation's economy stronger," Cardin said.

*- Christmas is joy, religious joy, an inner joy of light and peace. – Pope Francis*

## **OFFICE HOURS FOR DECEMBER**

Our office will be closed early on December 23 and all day on the 26 for Christmas. We will also be closed early on the 30 and all day on January 2 for New Years.





## REFERRAL CREDIT

Refer a friend or neighbor to Corporate Farmer and receive \$250 off your next renewal if they end up signing up for our services. This is a great opportunity to lower your expenses and help someone you know. It's as easy as contacting the office with the names of farmers that might be interested in meeting with us and we will send you a voucher if they give us a try.

*- Christmas is the day that holds all time together. –  
Alexander Smith*

## TAX SEASON BEGINS JAN. 23, 2016

IRS has announced that it will begin accepting and processing electronic and paper returns on Monday, January 23, 2017. The deadline to submit 2016 tax returns will be Tuesday, April 18, 2017. The traditional April 15, 2017 deadline falls on a Saturday and because Washington, D.C., will celebrate Emancipation Day the following Monday, Friday, April 17, 2017, the deadline has been pushed to Tuesday, April 18, 2017.

Taxpayers claiming certain tax credits should expect a longer wait for refunds. The IRS is required to hold refunds claiming the Earned Income Tax Credit and the Additional Child Tax Credit until February 15, 2017. Factoring in weekends, the President's Day holiday and the processing time taken by financial institutions, the IRS cautioned that many affected taxpayers may not have actual access to their refunds until the week of February 27.

The IRS also urged taxpayers to keep copies of their prior-year tax returns for at least three years and reminded those who are changing tax software products this filing season that they will need their adjusted gross income from their 2015 tax return in order to file electronically. In addition, Electronic Filing Pin is no longer an option.

**MERRY CHRISTMAS TO EVERYONE  
AND A HAPPY NEW YEAR FROM  
CORPORATE FARMER!**

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