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June 2018

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OFFICE CLOSED JULY 4TH

## FORM 2290

Taxable highway motor vehicles with a gross weight of 55,000 pounds or more which are required by state law to be registered must be reported on Form 2290 – *Heavy Highway Vehicle Use Tax Return*. This return covers vehicles in use from July to June of the following year. The current period runs from July 1, 2017 to June 30, 2018.

Form 2290 must be filed by the last day of the month following the month of first use. For example, if the truck is in use on July 1, 2018, then the form is due no later than August 31, 2018. However, if the truck is unregistered and not in use by the beginning of the reporting period, then filing would not be required until it is registered and put back into use.

Please keep in mind that states will not allow you to renew the registration on your vehicle without a copy of the filed Schedule 1, which is submitted with Form 2290. Many of our clients forget about filing this form until the registration on the vehicle is due, typically in January, and scramble to do so before late fees start for past due registration.

In the past, the IRS was good about sending out forms to those who have filed Form 2290. However, they may or may not send you a post card letting you know of the upcoming filing dates. The IRS still allows paper filing but prefers that the form be filed electronically. Currently this cannot be done directly through the IRS website. There are several third-party vendors that provide this service for a fee.

For commercial truckers there is a tax per truck based on the vehicles weight. Farm trucks are exempt from the fee so long as the truck is driven less than 7,500 miles per year. The exempt vehicle must still be reported on Form 2290 but there is a box to check under Part III

stating the limited usage and categorized as W on Schedule 1.

You can download the form on the IRS website and mail it to one of the following addresses:

**With** full payment

Internal Revenue Service  
PO Box 804525  
Cincinnati, OH 45280-4525

**Without** payment due

Department of the Treasury  
Internal Revenue Service  
Cincinnati, OH 45999-0031

Many of the local IRS offices have closed or are no longer accepting walk-in business. If you are near an office that still provides this service you can take Form 2290 there for filing. However, several clients have reported long waits or not getting served before the office closes for the day and having to reschedule.

Mailing is not dependable and can take a long time to process due to worker shortages at the IRS. We recommend filing online through one of the third-party vendors. Typically we refer clients to [www.simpletrucktax.com](http://www.simpletrucktax.com). They are cheap and have proven to be dependable in the past.

- *Do what you can, with what you have, where you are* – **Theodore Roosevelt**

## BOOKKEEPING REMINDER

Several of our clients have fallen behind with their books. This is common after tax filing season and through planting. Now that the crops are in it is important to get the books caught up prior to harvest.

As we make farm visits we've noticed a significant drop in income. Therefore, having current figures will be important as we try to determine exactly how much income to take before the end of the year.

*- Agriculture is our wisest pursuit, because it will in the end contribute most to real wealth, good morals, and happiness. – Thomas Jefferson*

## PASSTHROUGH DEDUCTION GUIDANCE EXPECTED SOON

The IRS could issue guidance on the new Code Sec. 199A passthrough deduction in a “couple of weeks,” Acting IRS Commissioner David Kautter has reportedly said. Kautter, speaking on June 8 at the University of Virginia 70th Annual Conference on Federal Taxation, announced that the release of the proposed regulations would likely be earlier than originally expected.

Previously, Kautter estimated that the IRS would release the passthrough deduction guidance sometime in July.

### Passthrough Deduction

The new passthrough deduction was enacted under the Tax Cuts and Jobs Act last December. The new law provides a 20 percent deduction for income from pass-through entities. The deduction is limited by certain controversial factors including business activities, wages paid by the business, and property values.

### Section 199A Guidance

Kautter has said that the “complex” passthrough deduction will be a significant challenge for taxpayers and practitioners, according to several reports. Moreover, Kautter expects that the proposed passthrough guidance will not answer every question practitioners have, an IRS spokesperson previously told Wolters Kluwer.

“We are focused primarily on aggregation rules, antiabuse rules, the general rules, and then the definition of specified services,” Kautter said at the tax conference. Additionally, Kautter is reportedly hopeful that the passthrough deduction guidance will be finalized this year.

*- To everything there is a season and a time to every purpose under the heaven....a time to be born & a time to die; a time to plant and a time to pluck up that which is planted. – Ecclesiastes 3:1-2*

## SENATE FARM BILL RELEASED

The Senate Agriculture Committee will take up the 2018 farm bill this week, amid early expectations that “bipartisan” support for the legislation may carry it across the finish line — unlike an effort that failed last month in the House.

The new farm bill, officially known as the Agriculture Improvement Act of 2018, covers everything from farm subsidies and food stamps to trade and rural

development policy. Farmer assistance includes commodity payment programs, as well as subsidized crop insurance.

The Senate farm bill — all 1,000-plus pages of it — was released jointly Friday by Kansas Republican Senator Pat Roberts, chairman of the Agriculture Committee, and Democratic Michigan Senator Debbie Stabenow, the ranking member.

The Senate legislation comes as the farm economy is under pressure and agriculture is in the cross hairs of a growing trade war with China, Mexico and others. The House failed to pass a farm bill last month, due to an immigration squabble amongst Republicans.

“Given the Senate bill is coming out and going into the markup in a bipartisan fashion means there’s a reason to be very pleased and optimistic,” said Andrew Walmsley, congressional relations director for American Farm Bureau Federation, the nation’s largest farm organization. “We’re hoping to break the farm bill free in the House with some type of agreement around immigration.”

At the same time, Walmsley defended farm subsidies as a safety net for producers, and added that it helps the rural economy. He also said they are particularly important today, given strains in the farm economy and trade issues.

“I can tell you on the ground, our folks are hurting, are concerned, and you look at all the uncertainty out there from what Mother Nature throws out you to what we’re seeing on trade,” Walmsley said. “Farm programs that provide risk management are vitally important to provide some certainty these days.”

The farm bill is usually renewed every five years, and the current version is set to expire Sept. 30. Senate Majority Leader Mitch McConnell (R-KY) has indicated he wants to get the farm bill through the upper chamber before the July 4 recess.

“Whether it’s low prices, over burdensome regulations, or unpredictable trade markets, it’s no secret that farmers and ranchers are struggling,” Roberts said in a statement Friday. “That’s why we need a Farm Bill that works for all producers across all regions. Simply put, our producers need predictability — and that’s just what our bill provides.”

Purdue University agricultural economist Chris Hurt said net farm incomes are similar to what they were 15 years ago on a dollar basis (not adjusted for inflation). “So if somebody has been working for 15 years, how would

you feel if your income was similar to 15 years ago," he said.

### What's in the Bill?

The Senate farm legislation contains programs targeting rural America, including expanding high-speed internet in rural communities and fighting the opioid epidemic with prevention and treatment efforts. Also, it provides support for farmer veterans and new farmers starting careers in agriculture. There's also funding to bolster biodefense preparedness efforts to protect United States agriculture and food.

Still, the lion's share of the farm bill's funding is devoted to programs such as food stamps, or the Supplemental Nutrition Assistance Program (SNAP). Total benefits paid out last year by SNAP exceeded \$63 billion, and went to more than 42 million participants.

The House failed to pass an \$867 billion farm bill last month after a group of conservative GOP lawmakers joined Democrats in opposing the legislation. The main reason the conservative Republicans rejected it was a fight within the party over immigration. Democrats in the House, though, opposed the bill over changes the GOP leadership sought to SNAP.

Specifically, the GOP leadership in the House sought tougher work requirements for SNAP participants in the farm bill. The White House also has been pushing for tougher work requirements for public assistance programs that target low-income Americans, including food stamps and public housing assistance.

In April, President Donald Trump signed an executive order that required agencies across the federal government review current work requirements, and to begin introducing more stringent ones.

The Senate draft farm bill doesn't include those tougher work requirements for SNAP participants, but keeps intact those that now exist in statute. The fact the Senate version leaves out the stricter work requirements means there's still work to be done to bridge differences between the Senate and House bills.

*- Farming looks mighty easy when your plow is a pencil and you're a thousand miles from the corn field. – Dwight D. Eisenhower*

## FORM 720 INSTRUCTIONS

As part of the Affordable Care Act, medical reimbursement plans are treated as self-insured health plans and are subject to a small excise tax. The tax is reported on Form 720 and must be mailed during the month of July every year. For the year 2016 the tax is \$2.08 per covered person for the plans ending prior to

October 1, 2015 or \$2.17 for plans ending on or after October 1, 2015 and before October 1, 2016. This fee is deductible under code 596 as it is a type of a payroll tax.

The worksheet should be completed and returned to Corporate Farmer. Sometime after July 1, 2016, you will receive a Form 720 in the mail along with instructions on where to file the return. This return cannot be e-filed and you will need to enclose a payment.

A medical reimbursement plan is a plan where a business, whether a C corporation, an S corporation or partnership, either reimburses the employee for their medical expenses or pays them directly. A shareholder of a corporation or a partner in an LLC or partnership is considered to be an employee.

The shareholder or partner and their spouse who can also be a shareholder or partner should go on the line number ONE. Line number TWO is for shareholder's children or other dependents covered under your businesses' medical reimbursement plan. These would only be the number of children or other dependents for whom you have paid medical expenses.

Line number THREE is for non-shareholders covered. This means any employees of the corporation, LLC or partnership for which the corporation pays wages and also covers their medical expenses. These could be adult children or unrelated parties who work for you.

The last line covers spouses or the dependent children of any non-shareholder employees which are covered by your company's medical reimbursement plan. This would include any non-employee who is covered under an employee's family plan.

There is a MINIMUM fine of \$135 for non-compliance with the reporting of Form 720 taxes on medical reimbursement plans so we recommend you file and pay the applicable fee.

Please keep in mind that you can no longer provide a medical reimbursement plan if you have more than one employee. Therefore, if your total number of persons covered is greater than one and they are not all part of the same family, you should discontinue the plan immediately or face being assessed the penalty of \$100 per employee per day. This is the case whether or not the plan is available to all employees or not.

The worksheet for preparation of Form 720 is on the next page. Please remove it and return it to our offices and we will complete the return and return it to you for filing.

*- Farming is a profession of hope. – Brian Brett*



# FORM 720 WORKSHEET

Employer's Name \_\_\_\_\_

\_\_\_\_\_

Tax ID # \_\_\_\_\_ - \_\_\_\_\_ - \_\_\_\_\_

Address \_\_\_\_\_

\_\_\_\_\_, \_\_\_\_\_

Do You have a Medical Reimbursement Plan?

Yes \_\_\_\_\_ NO \_\_\_\_\_

Plan ending date?

Prior to October 1, 2017?

On or After October 1, 2017?

If you do not know it is likely your tax year end for the previous tax year. For individuals that would be December 31, 2017 and the fiscal year for corporations.

Total Number of Covered Employees \_\_\_\_\_

1307 6th St. SW #1  
Mason City, IA 50401

**CORPORATE  
FARMER**

