

"Farm Bill" Update Tax Update

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Farm Program Update

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Background

Federal farm bill legislation is two years overdue.

There have been repeated calls for increased support in the next farm bill, particularly as crop prices have fallen over the past three years.

Provisions in the reconciliation bill and increases in farm program spending at the expense of food assistance is unprecedented.

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Overview

\$120 billion in budget cuts over 10 years to agriculture and food programs by cutting food assistance programs by \$186 billion, while increasing farm support by \$62 billion and other programs approximately \$4 billion.

The bill doubles funding for USDA's trade promotion programs.

Immediate Provisions

For covered commodities, the new law makes changes immediately for the 2025-31 crop years.

It increases support levels for Price Loss Coverage (PLC), Agriculture Risk Coverage (ARC) and commodity marketing loans.

Makes changes to payment limit and eligibility rules beginning right away for the 2025 crop year.

Provides for the addition of new base acres in 2026.

Reference Price Increases

The statutory reference prices for PLC generally increase from 10% to 20%.

EXAMPLE: Corn increases from \$3.70 to \$4.10 per bushel, The effective reference price for corn for 2025 was already higher than that based on a moving average formula, but an increase in the formula from 85% to 88% of the moving average and an increase in the cap on the effective reference price moves everything higher, and the corn reference price for 2025 moves from \$4.26 to \$4.42 per bushel.

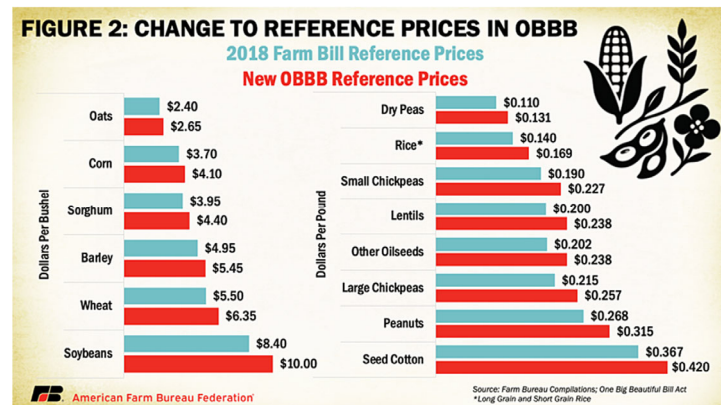
Reference Price Increases

The effective reference price for soybeans moves from \$9.66 to \$10.71.

The effective reference price for wheat moves from \$5.56 to \$6.36 per bushel.

The statutory reference prices also increase automatically under a formula tied to inflation beginning in 2032.

Statutory Reference Price Increases



Effective Reference Price Increases

TABLE 2. 2025 EFFECTIVE REFERENCE PRICE CALCULATIONS
 BASED ON 2019/20-2023/24 MARKET YEAR AVERAGE (MYA) PRICES AND REFERENCE PRICES
 August 12, 2025 1/

A	B	C	D	E	F	G	H	I	J	K	L
Commodity	Marketing Year	Unit	2025 Reference Price	115% of 2025 Reference Price	2019/20 MYA Price	2020/21 MYA Price	2021/22 MYA Price	2022/23 MYA Price	2023/24 MYA Price	88% of 3-year avg. dropping high and low prices	Lower of (E) or (Higher of D or K)
Wheat	Jun. 1-May 31	Bushel	\$6.34	\$7.30	\$4.68	\$5.05	\$7.61	\$8.83	\$6.96	\$5.76	\$6.35
Barley	Jun. 1-May 31	Bushel	\$5.45	\$6.27	\$4.68	\$4.75	\$5.31	\$2.40	\$7.39	\$5.12	\$5.45
Oats	Jun. 1-May 31	Bushel	\$2.65	\$3.05	\$2.82	\$2.72	\$4.55	\$4.62	\$3.92	\$3.31	\$3.05
Peanuts	Aug. 1-Jul. 31	Pound	\$0.3150	\$0.3623	\$0.2050	\$0.2100	\$0.2430	\$0.2680	\$0.2690	\$0.2115	\$0.3150
Corn	Sep. 1-Aug. 31	Bushel	\$4.10	\$4.72	\$4.56	\$4.53	\$6.00	\$6.64	\$4.55	\$4.42	\$4.42
Grain Sorghum	Sep. 1-Aug. 31	Bushel	\$4.40	\$5.06	\$2.24	\$5.04	\$5.94	\$5.94	\$4.93	\$4.67	\$4.67
Soybeans	Sep. 1-Aug. 31	Bushel	\$10.00	\$11.50	\$8.52	\$10.80	\$13.30	\$14.20	\$12.40	\$10.71	\$10.71
Dry Peas	Jul. 1-Jun. 30	Pound	\$0.1310	\$0.1507	\$0.0964	\$0.0984	\$0.1620	\$0.1600	\$0.1520	\$0.1204	\$0.1310
Lentils	Jul. 1-Jun. 30	Pound	\$0.2375	\$0.2731	\$0.1670	\$0.1820	\$0.3560	\$0.3440	\$0.4040	\$0.2587	\$0.2587
Canola	Jul. 1-Jun. 30	Pound	\$0.2375	\$0.2731	\$0.1450	\$0.1840	\$0.3280	\$0.2980	\$0.3430	\$0.2127	\$0.2375
Large Chickpeas	Sep. 1-Aug. 31	Pound	\$0.2565	\$0.2950	\$0.1280	\$0.2330	\$0.3650	\$0.3560	\$0.3680	\$0.2798	\$0.2798
Small Chickpeas	Sep. 1-Aug. 31	Pound	\$0.2265	\$0.2605	\$0.1500	\$0.2020	\$0.3330	\$0.3270	\$0.3570	\$0.2529	\$0.2529
Sunflower Seed	Sep. 1-Aug. 31	Pound	\$0.2375	\$0.2731	\$0.1050	\$0.2130	\$0.3390	\$0.2780	\$0.2120	\$0.2062	\$0.2375
Flaxseed	Jul. 1-Jun. 30	Bushel	\$13.3000	\$15.2950	\$9.1600	\$11.1000	\$26.0000	\$17.5000	\$12.1000	\$11.9387	\$13.3000
Mustard Seed	Sep. 1-Aug. 31	Pound	\$0.2375	\$0.2731	\$0.1660	\$0.2670	\$0.3110	\$0.4210	\$0.4390	\$0.2930	\$0.2731
Rapeseed	Jul. 1-Jun. 30	Pound	\$0.2375	\$0.2731	\$0.2020	\$0.3360	\$0.4880	\$0.2160	\$0.2000	\$0.1813	\$0.2375
Safflower	Sep. 1-Aug. 31	Pound	\$0.2375	\$0.2731	\$0.1090	\$0.2150	\$0.2550	\$0.3330	\$0.4040	\$0.2355	\$0.2375
Orzote	Sep. 1-Aug. 31	Pound	\$0.2375	\$0.2731	\$0.2420	\$0.3940	\$0.3360	\$0.2590	\$0.2400	\$0.2174	\$0.2375
Sesame Seed	Sep. 1-Aug. 31	Pound	\$0.2375	\$0.2731	\$0.1200	\$0.3700	\$0.3900	\$0.4100	\$0.4000	\$0.3403	\$0.2731
Seed Cotton 2/	Aug. 1-Jul. 31	Pound	\$0.4200	\$0.4830	\$0.2058	\$0.3393	\$0.4625	\$0.4533	\$0.3949	\$0.3483	\$0.4200
Rice (long grain)	Aug. 1-Jul. 31	Pound	\$0.1690	\$0.1944	\$0.1300	\$0.1260	\$0.1360	\$0.1670	\$0.1590	\$0.1235	\$0.1690
Rice (med/short grain) 3/	Aug. 1-Jul. 31	Pound	\$0.1690	\$0.1944	\$0.1460	\$0.1310	\$0.1390	\$0.1820	\$0.1720	\$0.1297	\$0.1690
Rice (temperate japonica)	Oct. 1-Sep. 30	Pound	\$0.2433	\$0.2796	\$0.1460	\$0.2260	\$0.3190	\$0.4090	\$0.2230	\$0.2253	\$0.2433

MYA Price=National average price received by producers during the 12-month marketing year.

1/ Source for MYA Price: National Agricultural Statistics Service (NASS), Agricultural Prices.

2/ Seed cotton price is a weighted average of upland cotton and cottonseed prices.

3/ Medium/short grain excludes temperate japonica rice.

ARC Increases

ARC increases: The guarantee increases from 86% to 90% of the benchmark revenue (moving average yield times moving average price).

The maximum payment rate increases from 10% to 12% of the benchmark revenue.

Enrollment Decision

The changes to PLC and ARC will take effect immediately.

Producers will not be required to change their enrollment decision for 2025. Instead, the program will pay producers the higher of the payment rate under either PLC or ARC-CO (ARC at the county level) for the 2025 crop year (paid Oct. 2026).

The annual PLC vs. ARC enrollment decision will return in 2026.

Livestock Provisions

Livestock producers will receive 100% indemnities for livestock lost to predation and 75% compensation for animals lost to weather events or disease. Indemnities also will be available for losses involving unborn livestock.

Dairy Margin Coverage (DMC) is increased to cover up to 6 million pounds of milk produced.

Payment Limits

Payment limits would increase from \$125,000 to \$155,000 for individuals and \$310,000 for married couples and then the payment limit would increase based on adjustments for inflation.

The bill also eliminates income caps for farmers or entities that draw at least 75% of their income from agriculture or forestry.

LFP Program

In the Livestock Forage Disaster Program (LFP), payment rates under a D2 drought designation will increase.

Instead of a one-month payment for D2 drought for **eight** consecutive weeks during the grazing season, the payment rates include a one-month payment for D2 for **four** consecutive weeks and a two-month payment for D2 for any seven of eight consecutive weeks.

Other Provisions

Other targeted provisions are touched in the bill.

There are other provisions usually addresses in a “typical” farm bill that are not included.

There is talk in Congress of putting together a “skinny farm bill” with these other “typical” provisions.

2025/26 Payment Projections for payments in Oct. 2026

TABLE 3. PROJECTED 2025 PRICE LOSS (PLC) COVERAGE PAYMENT RATES
BASED ON EFFECTIVE REFERENCE PRICES, PROJECTED 2025/26 MARKET YEAR AVERAGE (MYA) PRICES AND 2025 NATIONAL AVERAGE LOAN RATES
September 12, 2025 1/

A	B	C	D	E	F	G	H	I	J
Commodity	Marketing Year	Publishing Dates for the Final 2025/26 MYA Prices	Unit	2025 Effective Reference Price	Projected (P) or Final (F) 2025/26 MYA Price	2025 National Loan Rate	Projected (P) or Final (F) 2025 Effective Price	Projected (P) or Final (F) 2025 PLC Payment Rate	Maximum 2025 PLC Payment Rate
Wheat	Jun. 1-May 31	June 30, 2026	Bushel	\$6.33	\$5.10 P	\$3.38	\$5.10 P	\$1.23 P	\$2.97
Barley	Jun. 1-May 31	June 30, 2026	Bushel	\$5.45	\$5.30 P	\$2.30	\$5.30 P	\$0.15 P	\$2.95
Oats	Jun. 1-May 31	June 30, 2026	Bushel	\$3.05	\$3.10 P	\$2.00	\$3.10 P	\$0.00 P	\$1.05
Peanuts	Aug. 1-Jul. 31	August 31, 2026	Pound	\$0.3150	\$0.2500 P	\$0.1775	\$0.2500 P	\$0.0650 P	\$0.1375
Corn	Sep. 1-Aug. 31	September 30, 2026	Bushel	\$4.42	\$3.90 P	\$2.20	\$3.90 P	\$0.52 P	\$2.22
Grain Sorghum	Sep. 1-Aug. 31	September 30, 2026	Bushel	\$4.67	\$3.70 P	\$2.20	\$3.70 P	\$0.97 P	\$2.47
Soybeans	Sep. 1-Aug. 31	September 30, 2026	Bushel	\$10.71	\$10.00 P	\$6.20	\$10.00 P	\$0.71 P	\$4.51
Dry Peas	Jul. 1-Jun. 30	July 31, 2026	Pound	\$0.1310	\$0.1370 P	\$0.0615	\$0.1370 P	\$0.0000 P	\$0.0695
Lentils	Jul. 1-Jun. 30	July 31, 2026	Pound	\$0.2587	\$0.3840 P	\$0.1300	\$0.3840 P	\$0.0000 P	\$0.1287
Canola	Jul. 1-Jun. 30	July 31, 2026	Pound	\$0.2375	\$0.2200 P	\$0.1009	\$0.2200 P	\$0.0175 P	\$0.1366
Large Chickpeas	Sep. 1-Aug. 31	September 30, 2026	Pound	\$0.2798	\$0.3330 P	\$0.1400	\$0.3330 P	\$0.0000 P	\$0.1398
Small Chickpeas	Sep. 1-Aug. 31	September 30, 2026	Pound	\$0.2529	\$0.3010 P	\$0.1000	\$0.3010 P	\$0.0000 P	\$0.1529
Sunflower Seed	Sep. 1-Aug. 31	September 30, 2026	Pound	\$0.2375	\$0.2305 P	\$0.1009	\$0.2305 P	\$0.0070 P	\$0.1366
Flaxseed	Jul. 1-Jun. 30	July 31, 2026	Bushel	\$13.3000	\$13.5000 P	\$5.6504	\$13.5000 P	\$0.0000 P	\$7.6496
Mustard Seed	Sep. 1-Aug. 31	September 30, 2026	Pound	\$0.2731	\$0.4100 P	\$0.1009	\$0.4100 P	\$0.0000 P	\$0.1722
Rapeseed	Jul. 1-Jun. 30	July 31, 2026	Pound	\$0.2375	\$0.3000 P	\$0.1009	\$0.3000 P	\$0.0000 P	\$0.1366
Safflower	Sep. 1-Aug. 31	September 30, 2026	Pound	\$0.2375	\$0.2200 P	\$0.1009	\$0.2200 P	\$0.0175 P	\$0.1366
Crambe	Sep. 1-Aug. 31	September 30, 2026	Pound	\$0.2375	\$0.3600 P	\$0.1009	\$0.3600 P	\$0.0000 P	\$0.1366
Sesame Seed	Sep. 1-Aug. 31	September 30, 2026	Pound	\$0.2731	\$0.3300 P	\$0.1009	\$0.3300 P	\$0.0000 P	\$0.1722
Seed Cotton 2/	Aug. 1-Jul. 31	September 30, 2026	Pound	\$0.4200	\$0.3425 P	\$0.2500	\$0.3425 P	\$0.0775 P	\$0.1700
Rice (long grain)	Aug. 1-Jul. 31	October 30, 2026	Pound	\$0.1690	\$0.1200 P	\$0.0700	\$0.1200 P	\$0.0490 P	\$0.0990
Rice (med/short grain) 3/	Aug. 1-Jul. 31	October 30, 2026	Pound	\$0.1690	\$0.1250 P	\$0.0700	\$0.1250 P	\$0.0440 P	\$0.0990
Rice (temperate japonica)	Oct. 1-Sep. 30	January 29, 2027	Pound	\$0.2433	\$0.2000 P	\$0.0700	\$0.2000 P	\$0.0433 P	\$0.1733

MYA: Price-national average price received by producers during the 12-month marketing year.
1/ F= Final MYA prices-Source: National Agricultural Statistics Service (NASS), Agricultural Prices on the publishing dates listed under column C. MYA prices for commodities without scheduled publishing dates are generally published near the end of the noted month. P=Projected MYA prices-Source: USDA's World Agricultural Supply and Demand Estimates and Interagency Commodity Estimates Committee Minutes.
2/ Seed cotton price is a weighted average of national upland cotton and cottonseed prices. The 2025/26 marketing year for upland cotton is August 1, 2025 to July 31, 2026. Marketing year for cottonseed is August 1, 2025 to February 28, 2026.
3/ Medium/short grain excludes temperate japonica rice.
SOURCE: USDA

2026 ARC-PLC Elections

NDSU Farm Bill Calculator will be online for producers help determine the election for 2026/27 payments made Oct. 2027.

Other Farm Programs in 2025

Economic Commodity Assistance Program (ECAP)

Eligible acreage, commodities, and ECAP payment rates (per acre):

BARLEY	\$21.67	RICE	\$76.94 (LONG AND MEDIUM)
CHICK-PEAS	\$31.45 (SMALL) \$24.02 (LARGE)	SORGUM	\$42.52
CORN	\$42.91	SOY-BEANS	\$29.76
COTTON	\$84.74 (UPLAND & EXTRA-LONG STAPLE COTTON)	WHEAT	\$30.69
LENTILS	\$19.30	OIL SEEDS	
OATS	\$77.66	CANOLA	\$31.83
PEANUTS	\$75.51	CRAMBE	\$19.08
PEAS	\$16.02	FLAX	\$20.97
		MUSTARD	\$11.36
		RAPESEED	\$23.63
		SAFFLOWER	\$26.32
		SESAME	\$16.83
		SUNFLOWER	\$27.23

85% was paid
14% more to be paid

ECAP payments based on 2024 planted acres.

Up to \$10B allocated (American Relief Act)

Paid March 19 to August 15, 2025.

SOURCE: USDA

Supplemental Disaster Relief Program (SDRP)

SDRP COVERAGE LEVEL	
CROP INSURANCE LEVEL	ADJUSTED SDRP COVERAGE LEVEL (PERCENT)
Catastrophic coverage	75
More than catastrophic coverage but less than 55 percent	80
At least 55 percent but less than 60 percent	82.5
At least 60 percent but less than 65 percent	85
At least 65 percent but less than 70 percent	87.5
At least 70 percent but less than 75 percent	90
At least 75 percent but less than 80 percent	92.5
At least 80 percent	95

NAP ASSISTANCE STAGES	
NAP COVERAGE LEVEL	ADJUSTED SDRP COVERAGE LEVEL (PERCENT)
Catastrophic coverage	75
50 percent	80
55 percent	85
60 percent	90
65 percent	95

For stage 1, the total SDRP payment to indemnified producers will not exceed 90 percent of the loss and an SDRP payment factor of 35 percent will be applied to all stage 1 payments. If additional SDRP funds remain, FSA may issue a second payment.

Stage 1: SDRP payments to producers that collected crop insurance indemnities in 2023 and 2024. It increases the coverage level. Calculated payments are limited to 35% at this time.

A future Stage 2 is planned for those that were uncovered or had shallow losses.

Up to \$16B allocated (American Relief Act)

SOURCE: USDA

Crop Insurance Update

Crop Insurance

Federal premium subsidy levels increase from 3 to 5 percentage points.

As a result, the federal subsidy for buy-up coverage changes from the current 38% to 64% of total premium to 41% to 69% of total premium based on buy-up coverage level.

Supplemental Coverage Option (SCO) insurance policy also increases coverage level to 90% instead of 86%.

The ECO subsidy for 2026 is being increased to 80%.

Margin Coverage Option

New Margin Coverage Option (MCO). It's similar to SCO & ECO, but with an added factor of input costs.

Determining the Margin, Inputs Included:
diesel, natural gas, diammonium phosphate (DAP), urea and potash.

You **can't** take MCO & ECO together.
You **can** take MCO with PLC or ARC.

Subsidy Changes

Premium Support

2025 Subsidy Rates

	0.500	0.550	0.600	0.650	0.700	0.750	0.800	0.850
Basic Unit	0.6370	0.6400	0.6430	0.6460	0.6490	0.6520	0.6550	0.6580
Optional Unit	0.6370	0.6400	0.6430	0.6460	0.6490	0.6520	0.6550	0.6580
Enterprise Unit	0.8000	0.8000	0.8000	0.8000	0.7700	0.7400	0.7100	0.6800

Basic Units & Optional Units

Levels 55 – 75% + 5%

Levels 80 – 85% + 3%

Enterprise Units

Levels 75 – 85% + 3%

2026 Subsidy Rates

Premium Subsidy Rates by Coverage Level								
	50%	55%	60%	65%	70%	75%	80%	85%
Optional Unit	67%	69%	69%	64%	64%	60%	51%	41%
Basic Unit	67%	69%	69%	64%	64%	60%	51%	41%
Enterprise Unit	80%	80%	80%	80%	80%	80%	71%	56%

HUB

Beginning Farmer Additional Subsidy

Beginning Farmer or Rancher (BFR) Benefit

Expands Eligibility from 5 to
10 Years

Subsidies for
CY 1 - 4

Years	New Rate	Old Rate
0 – 2	15%	10%
3	13%	10%
4	11%	10%
5	10%	10%
6-10	10%	0%

HUB

Farm Income Tax

Only two and a half months to do planning

Depreciation Tax Provisions

Updated and expanded 100% bonus depreciation for equipment purchases and makes it permanent.

A new special depreciation allowance also was created for 100% depreciation of nonresidential property which will include manufacturing facilities built before 2031. That provision includes language implying the bonus depreciation can be applied for buildings used for agricultural and chemical production.

The bill increases the Section 179 deduction to \$2.5 million for any business buying \$4 million or less in equipment.

QBID and Interest Tax Provisions

The 20% Qualified Business Income Deduction (QBID) for qualified business income for sole proprietors and pass-through businesses (including agricultural cooperatives and their patrons) is made permanent.

Business Interest Deduction Limit: The Act permanently restores the provision computing the business interest deduction limit without deducting for depreciation, amortization, or depletion, which could benefit businesses by allowing them to deduct more interest.

Rural bankers: 25% deduction on interest income from qualified rural real-estate loans

This provision adds Section 139L to the IRS Code, aims to stimulate lending in rural and agricultural communities.

Who's eligible: FDIC-insured banks, state- and federally regulated insurance companies, certain bank and insurance holding company subsidiaries, Farmer Mac.

What loans qualify? The exclusion applies to interest income from loans made after July 4, 2025, that are secured by "rural or agricultural real estate".

The exclusion does not apply to refinanced loans made before enactment date.

Borrower benefits: The tax benefit is for the lender, the savings are intended to be passed on to farmers and rural borrowers through more competitive interest rates.

Lenders should consult with tax professionals.

Estate Tax and Capital Gains Provisions

Estate tax exemption is increased and made permanent: The estate and gift tax exemption is permanently increased to \$15 million per individual (and \$30 million per couple), indexed for inflation after 2026.

Farmland sales deferral: A new provision allows landowners selling farmland to another "qualified farmer" to defer capital gains taxes over four annual installments. Incentivizes the sale of farmland to actively engaged farmers and mitigate the "lock-in effect" where landowners might hold onto land solely for basis step-up at death.

1099 Changes

1099-NEC current law:

Must file if pay \$600 or more in a calendar year (law since 1954)
fine up to \$310 per missing form, or if intentionally not filing the greater of \$660 per form or 10% on reported amount

New law after for 2026 tax year and later:

Threshold jumps to \$2000, In 2027 it is indexed for inflation

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Farm Net Operating Losses (no changes)

A net operating loss (NOL) **will not** refund any self-employment tax

Farmers: 2 year NOL carry back

Carry back can only offset 80% of taxable income

\$500K carry back limit MFJ

\$250K carry back limit for singles

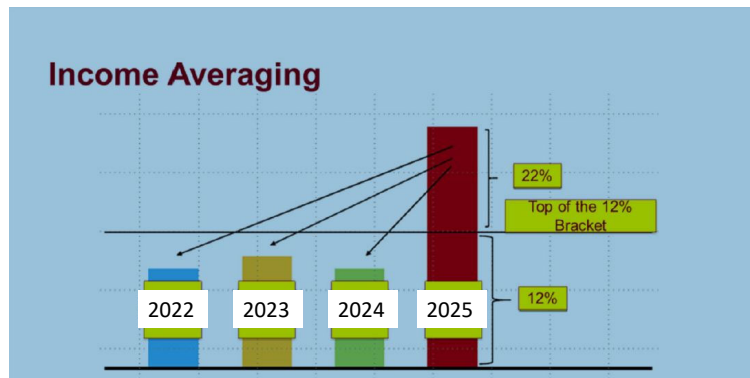
Carry forward indefinitely

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Income Averaging (Schedule J) Underutilized

IRS study: could have saved 23% on taxes on average if used income averaging



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March 1 Farmer/Fisherman Filing Date

Can make deposit by Jan 15 and then pay by April 15

Must pay in 100% of last year tax liability or 2/3 of this year's tax liability to avoid penalty

Can file on April 15 and pay interest penalty from March 1 to April 15 (Form 2210F)

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Reporting Crop Insurance Proceeds

Only the physical crop loss proceeds **can** be deferred

Revenue proceeds from revenue policies **cannot** be deferred

Forced Livestock Sales

Two IRS provisions for deferral:

IRC 1033(e)

IRC 451(g)

Involuntary Conversion of Draft or Breeding Animal IRC Sec 1033(e)

- A livestock producer who sells more draft, breeding, or dairy animals than normal due to weather-related conditions may defer recognition of the gains for up to two years.
- The animals must be replaced within two years with other animals used for identical purposes.
- This applies only to the number of animals sold in excess of normal business practices.
- Declaration of a disaster area is not necessary, but the producer must be able to show that weather-related conditions forced the sale of more livestock than would normally be sold.
- If there is a federal disaster declaration the replacement period is four years.
- The Secretary of the Treasury can extend the period further if the drought persists three years or more.
- Tax basis of the replacement livestock is equal to the basis in the livestock sold plus any additional amount invested in the replacement livestock that exceeds the proceeds from the sale.
- If the animals are not replaced, or if replacement cost is less than the gain from their sale, the difference must be reported as a gain for the sale year by amending the tax return. The return will be subject to additional tax and interest.
- It is a dollar for dollar replacement not head for head.

Deferral of Income for One Year of Sale of Market Animals IRC Sec 451(g)

- Livestock producers using the cash method of accounting can elect to defer for one tax year the income of any qualified livestock sold due to weather-related conditions.
- The area must be federally recognized and declared as eligible to receive federal assistance.
- It is not necessary for the animals to be raised or sold in the declared disaster area, just that a weather-related event caused the area to receive federal disaster designation and caused the sale of the animals.
- Only livestock sales in excess of normal business practice qualify for deferral.
- The animals are not replaced and the elected gain is simply put off to the next year.

Forced Livestock Sales Tax Strategy

Use section 1033(e) for cows (breeding livestock)

Use section 451(g) for calves

Deferred Payments to the Next Tax Year

Can defer crop and livestock sales into future tax years

At risk if grain elevator or sales barn goes bankrupt, you are at the bottom of the list of creditors

North Dakota has a credit-sale contract indemnity fund

Deferred Payments Tax Strategy

When doing tax planning, can opt out of deferring on a contract by contract basis

May be advantages to have several contracts

IRS Publication 225 “Farmers Tax Guide”

Contact your tax professional!

Questions?

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