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### **Year End Tax Considerations**

It has certainly been a year of challenges. COVID-19 triggered widespread economic harm. Because of these disasters, most farmers received some unexpected payments in 2020. These payments kept many farmers afloat through a very tough year, but proper management of this income is important to maximize its benefit. This unusual year makes end-of-the year planning with a trusted advisor more important than ever.

The Coronavirus Food Assistance Program was created by the USDA to compensate farmers for losses associated with COVID-19. CFAP 1, unveiled in May of 2020, compensated producers through a combination of \$9.5 million in CARES Act funding and \$6.5 million in Commodity Credit Corporation funding. The first round of payments issued in June with the second round paid in August. As of mid-October, approximately \$10 billion had been paid to farmers through CFAP 1, with nearly 10 percent of those payments made to Iowa farmers.

CFAP 2 was announced September 18, with applications allowed through December 11, 2020. CFAP 2 may issue up to \$14 billion in additional payments to farmers. USDA had issued \$6 billion in CFAP 2 payments by the third week of October, with Iowa farmers receiving \$604 million of those payments. Farmers must include CFAP payments in gross income (subject to self-employment tax) for the year in which they are received. They are reported on lines 4a and 4b of IRS Form 1040, Schedule F

Farmers concerned about this income bunching, can defer income from the sale of crops or livestock in the year of the sale by deferring receipt of payment until the following year through a deferred payment contract. Under such contracts, a farmer can sell a commodity in 2020, but will not receive payment (or trigger income tax liability) until 2021. One of the best features of these contracts is their flexibility. If when filing tax returns for the 2020 year it would benefit the farmer to recognize income from the deferred price contract in 2020, the farmer can elect to report constructive receipt of the income in 2020, the year of the sale. Many farmers, like most Americans, received economic impact payments, also called "stimulus payments," in 2020. These were \$1,200 payments (\$2,400 for a couple) and \$500 for children under 17 years of age. These payments are not included in gross income and will not generate tax liability.

Many farmers also received Paycheck Protection Program loans in 2020. When forgiven, the proceeds of the loan are not included in gross income and will not be subject to taxation. Current guidance from the Department of the Treasury, however, provides that expenses paid with the loan (if it is forgiven) are not deductible. There is broad support for Congress to change this rule, but it is unclear whether that will happen. In the meantime, it may be best for farmers to wait to apply for forgiveness until more is known. Some farmers also received EIDL advances in the amount of \$1,000 per employee (up to \$10,000). These advances (called grants by SBA) reduce PPP loan forgiveness. Because the CARES Act does not exclude EIDL grants from gross income (as it does a forgiven PPP loan), these grants should be reported in gross income absent guidance to the contrary.

Farmers have a number of tools available to help manage their tax liability. Some of these options, however, are only available through year-end.

Avoiding income spikes and dips prevents overall income from being taxed at unnecessarily high tax rates. Some common techniques farmers may use to avoid this problem include income averaging, prepaying expenses, making contributions to retirement accounts, gifting grain to a charity, carefully timing the purchase or sale of assets, entering into or electing out of deferred payment contracts, and properly managing depreciation and expensing decisions. Farmers should consult with their advisors to discuss their best options.

David G. Hallauer  
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### ***Liebig's Law***

Liebig law of the minimum is a principle developed in agricultural science in 1840 that applies to many of our current management approaches. It states that growth is dictated not by total resources available, but by the scarcest resource or what's known as a limiting factor.

How does it apply? Any time we look at either a production issue – whether something isn't growing as well as it should or we'd like to determine how to grow it better – looking at this principle can be of value.

In many of our cool season grass systems, for example, phosphorous is a limiting nutrient (according to soil test results). This principle simply means that we can apply lots of nitrogen, but may not get the desired rate of response if phosphorous levels are limited for some reason.

We see some of the same effect in nitrogen uptake levels when applying sulfur in corn production. Preliminary results of a study at the at the Kansas River Valley Experiment Field at Rossville showed increases in N uptake when sulfur was applied, likely linked to the balance of nitrogen and sulfur within the plant. In that study, the highest sulfur application rate significantly increasing yield when compared to applications of urea alone (results can be found online at <https://newprairiepress.org/kaesrr/vol6/iss9/10/> ).

Sometimes, the issue isn't a nutrient, and the production question doesn't relate to field crops – but it doesn't matter. The principles of Liebig's Law can still apply, and that means exploring multiple factors when grass, field, or fruit and vegetable crops don't perform up to expectation.

To be fair, it can be almost impossible to flush out the scarcest resource in many cases. Fact is, there may even be multiple resources that are scarce. There can even be resource scarcity that we can't manage. Sunlight or in some cases moisture are both examples.

Next time something isn't growing as well as you'd hoped, start noting all the resources that go in to getting that plant to survive, let alone thrive. It likely won't be difficult to see the principle of Liebig's Law at work.

Cindy Williams  
Meadowlark Extension District  
Food, Nutrition, Health, and Safety

### **Rethink Your Soup**

One of this season's favorite foods---soups---can also be one of the unhealthiest. Most cans of soups have way too much sodium.

It's clear that Americans have a taste for salt—90% of us consume too much of it. A teaspoon of salt is 2325mg of sodium and the average American consumes 3400 mg of sodium each day. Everyone should reduce their sodium intake to less than 2,300 milligrams a day. Adults age 51 and older, African Americans of any age, and individuals with high blood pressure, diabetes, or chronic kidney disease should further reduce their sodium intake to 1,500 mg a day.

Sodium has shown to increase high blood pressure. High blood pressure is known as the “silent killer” because one in three adults has it, but 21% do not know it. High blood pressure is a concern to health professionals because of its connection to two of the nation's biggest killers---heart disease and stroke---but is also linked to osteoporosis, dementia, kidney failure, blindness, sexual dysfunction, and sleep apnea. Reducing the sodium Americans eat by 1,200 mg per day on average could save up to \$20 billion a year in medical costs.

It can be challenging to reduce sodium in the diet because it can be included in foods that otherwise seem healthy. Some foods that you eat several times a day, such as bread, add up to a lot of sodium even though each serving is not high in sodium. There are steps that you can take, however, to reduce sodium in your diet.

1. Most of the sodium Americans eat is found in processed foods. Eat highly processed foods less often and in smaller portions—especially cheesy foods, such as pizza, cured meats, such as bacon, sausage, hot dogs, and deli/luncheon meats; and ready-to-eat foods, like canned chili, ravioli, and soups.
2. Cook more often at home---where you are in control of what's in your food.
3. Fill up on veggies and fruits at every meal and snack. Fresh and frozen are both nutritious.
4. Choose more fat-free or low-fat milk and yogurt in place of cheese, which is higher in sodium. Choose fresh beef, pork, poultry, and seafood, rather than those with salt added. Choose unsalted nuts and seeds.
5. Cut back on salt little by little---and pay attention to the natural tastes of various foods. Your taste for salt will lessen over time.
6. Keep salt off the kitchen counter and the dinner table. Use spices, herbs, garlic, vinegar, or lemon juice to season foods or use no-salt seasoning mixes. Try black or red pepper, basil, curry, ginger, or rosemary.
7. Read the Nutrition Facts label and the ingredients statement to find packaged and canned foods lower in sodium.
8. Ask for low-sodium foods when you eat out. Restaurants may prepare lower-sodium foods at your request and will serve sauces and salad dressings on the side so you can use less.
9. Pay attention to condiments. Foods like soy sauce, ketchup, pickles, olives, salad dressings, and seasoning packets are high in sodium. Have a carrot or celery stick instead of olive or pickles. Use only a sprinkling of flavoring packets instead of the entire packet.
10. Boost your potassium intake which is found in vegetables and fruits, such as potatoes, beet greens, tomato juice and sauce, sweet potatoes, beans (white, lima, kidney), and bananas. Other sources of potassium include yogurt, clams, halibut, orange juice, and milk.
11. Tell the food industry you want them to reduce sodium in their products. Put your money where your mouth is and purchase foods lower in sodium.

Nancy Nelson  
Meadowlark Extension District  
Family Life

### **Journaling Personal History**

Thanks to the mystery person who dropped off at the Extension office a newspaper clipping of one of my columns from the 1990's. It started out, "One year at Christmas time I gave my grandmother a fabric-covered, blank journal book for writing her memoirs. From time to time, she tells me she has been recording stories of her childhood and earlier days."

Now that I'm a grandmother, I have plenty to write or tell. I've updated that column to share again. Personal history is also a part of our world history, and particularly essential for an understanding of women's lives.

The following questions are a guide to discovering more about the history of your grandmother, mother, aunt or older friend. As you listen to answers you will develop 'new' questions of your own. Ask her to share photographs, letters, keepsakes and documents that are important to her and will help you understand her life.

Where was she born? Who were other members of her family? What does she know about her ancestors? Where did her family live? How long did they live in her birthplace? How long in the same house or apartment? Who were her favorite relatives or role models?

What was her schooling? What books or magazine did she read? How else did she get information (radio, newspaper, television)? What did she do for fun? Who were her friends? What did the family do together?

Who did the housework in her family? Did she marry? How did she meet her husband? What was her wedding like? Were there any special customs or beliefs observed? Where did they live after marrying?

Did she have children soon after marriage, or later? How much time was spent with her husband? How was time spent with other women? Who were her best friends? Did she belong to any clubs (church, groups, civic organization, social groups)?

What were her happiest times (achievements, special trips, events, celebrations)?

What world or national events most affected her (wars, epidemics, economic downturn, political movements)?

When did her children leave home? How did her life change? How did she feel about it?

If she was employed outside the home what sort of work did she do? For how long?

When did she retire? How did she feel about it?

How does she feel about her life now?

Why not take the time to help someone record an oral history this winter or write your own journal to share? It's a wonderful way to learn about family history and build stronger family relationships.