TelFarm Newsletter

Volume 25, Issue 2 Fall 2025

Important Dates for Year-End

Submitting books for review:

If you are on Pc Mars or QuickBooks and would like your accounting records reviewed prior to receiving tentative reports, **please submit a backup file to the TelFarm Center by Monday, November 3, 2025.** 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 10, 2025.**

Early November:

Accounting backups and depreciation transactions (Form 3) are due in the TelFarm office on or before **Monday, November 10, 2025** (must be in office by then, not postmarked by) in order for you to receive:

- Tentative Tax Planning Package
- Depreciation Schedule

We will only print accounting reports for clients that have submitted books/records to us completed through October or later. All clients will still receive tentative depreciation schedules and tax planning handouts as long as your account is paid for 2025.

November 24:

Items mailed to clients:

- Tentative Tax Planning Packages and Depreciation Schedules
- 2026 Enrollment Contracts

December:

- Tax planning meetings by Farm Business Management Educators. Submit your changes in accounting and depreciation made during tax planning meetings to TelFarm upon completion.
- Enrollments due by **Friday, December 12, for 2026 year, if you need supplies to start off January 2026.** (This is for those on the handwritten record system.)

January:

- Employers prepare W2s and give to employees and SSA by January 31, 2026 as well as Form 943 to the IRS.
- Furnish 1099s to recipients and 1099-MISC for employee compensation to the IRS by January 31, 2026.

February:

Tax Package Deadline - final 2025 records are due at the TelFarm office on or before **Monday, February 9, 2026** in order for you to have some time to file and pay taxes by **March 1, 2026** to the IRS.

Changes Affecting Farmers From the OBBBA

The One Big Beautiful Bill Act (OBBBA) became law on July 4, 2025. The act impacts a very wide array of areas and is nearly 900 pages in length. Below are a few items changing the income tax law, which will have varying levels of impact for some our farmers. We recommend keeping in contact with your tax professionals to assist in navigating these changes for your farm.

Health Insurance and the ACA Premium Tax Credit Cut

Sole proprietors are not normally eligible for a group health insurance plan. These individuals must buy their own insurance, either with a provider offering an ACA Marketplace plan or go through the individual healthcare market. The Marketplace insurance plans allow for a calculated Premium Tax Credit if the household income falls below 400% of the poverty level under the Affordable Care Act. The OBBBA did not extend this premium tax credit and is set to expire at the end of 2025. This can be a significant percentage of the total health insurance plan cost under ACA Marketplace.

Overtime Tax Exemption

When non-ag workers are working more than 40 hours per week, overtime pay is required. This is not the case for agricultural labor where overtime pay is not required. Hence agricultural labor is not eligible for the tax exemption on any overtime payment above the normal wage payment. Only "required" overtime payments are eligible.

Meals Deduction Cut

In 2025, 50% of the cost of meals provided for the "convenience of employer" are deductible. In 2026 and after, employers can no longer deduct any cost of meals offered to ensure the workers remain on-site and available.

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Changes Affecting Farmers From the OBBBA, Continued

Postponement of Gain on the Sale of Farmland

The OBBBA creates a new election through which individuals selling farmland property to a qualified farmer can choose to pay their taxes on the gain in four equal annual installments. This election is available to individuals, trusts, and entities that have either farmed the property or leased it to a qualified farmer for 10 years prior.

Bonus Depreciation/Section 179 Expense Election

Special Bonus Depreciation has been restored on MACRS qualifying property with a recovery period of 20 years or less. The OBBBA permanently increases bonus depreciation to 100 percent of property basis acquired after January 19, 2025 as a depreciation election. The act also kept the "old" 40% option as an election so both are available. Section 179 Expense Election limit is increased to $2.5 million, adjusted annually for inflation. The Section 179 Expense Election qualifying property investment limit is raised to $4 million, adjusted annually for inflation.

Qualified Improvement Property

A new class of depreciable non-residential real property called "qualified improvement property" allows a 15-year class life rather than the 39-year class life for other non-qualifying improvements and purchases. These Qualified Improvement Property (Or QIP) purchases are eligible for bonus depreciation and Sect 179 expense election. QIP represents qualifying improvement expenses and internal upgrades made to commercial buildings by the owner. Refer to IRS Publication 946, "How to Depreciate Property" for more information.

Senior Citizen Deduction

For the tax years 2025-2028, seniors receive an additional $6,000 deduction. If married and both are over 65, then they both receive the $6,000 deduction.

Child Tax Credit

The OBBBA permanently creates an enhanced child tax credit of $2,200 (beginning in 2025 and adjusted for inflation thereafter) for qualifying children under 17.

Overview of Lady Bird Deeds in Michigan

By: Chris Bardenhagen, MSUE Farm Business Management Educator

Note: This article is not intended to replace legal advice. Always work with an attorney to develop a lady bird deed, as the language used is critical and there are many legal pitfalls.

A Lady Bird Deed, also known in Michigan as an Enhanced Life Estate Deed, provides a relatively simple method of transferring real property upon death. Lady bird deeds (LBDs) are often used for gifting the primary residence of a person, known as the "grantor", to their children or other family members. In many cases, that residence is the grantor's main asset, and the use of an LBD can avoid the need for a trust. While a LBD needs to be carefully drafted by an attorney to avoid certain legal pitfalls, they are less expensive to develop than a trust.

The LDB names one or more "beneficiaries" (known also as the remainder owners, or grantees) who will receive the property upon the grantor's death. However, during their lifetime, the grantor holds an unrestricted power to live in the house, use it as they wish, encumber the property, change the beneficiary, sell or otherwise convey the real estate. This makes a LBD similar to a revocable trust—the grantor retains the full right to change it at any time during their life.

If the grantor dies and has not changed the beneficiary or conveyed the property, then the property will transfer to the named beneficiary (or beneficiaries). This method of transfer-upon-death keeps the property out the probate estate, making for a smooth transition from one generation to the next.

Legal authority. While an assortment of laws come to bear on the topic, the starting basis of authority for LBDs stems from the Michigan Land Title Standards, Section 9.3. This standard allows someone to hold a life estate, exercise complete control over it during their lifetime, but to gift it to a named beneficiary if it has not been conveyed by the time the grantor dies. The use of LBDs as a planning technique is well supported by court decisions. In particular, the Supreme Court affirmed the use of LBDs in Department of Health and Human Services v. Rasmer (501 Mich. 18, 903 N.W.2d 800 (Mich. 2017)), noting that a LBD is "… an estate-planning tool to avoid probate."

Benefits. LBDs are somewhat unique in their operation and provide numerous benefits under the law. These include stepped-up basis, ability to qualify for Medicaid long-term care benefits, and property tax capping if the LDB is drafted correctly.

Stepped-up basis. The beneficiary of a LBD will receive a stepped-up

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Overview of Lady Bird Deeds in Michigan, Continued

tax basis for the real estate received. The basis will become the fair market value of the property at the time of the grantor's death. This means that if the beneficiary or beneficiaries sell the property shortly after they receive it, they will not likely have a large tax bill to contend with and can keep most proceeds to themselves. For a further explanation of how stepped-up basis works generally, see this MSU Extension article on the topic. For more details on the nexus of LBDs and stepped-up basis, see this 2024 Michigan Bar Journal article.

Medicaid. The LBD is a very important tool for many people's long-term care planning toolbox.

The creation of a LBD is not considered to be a transfer for purposes of Medicaid's 5-year lookback period. This is because grantor holds unrestricted rights to use, encumber, or sell the property during their lifetime. And if the property is the principal homestead residence of the grantor, it is not considered as a countable asset under the Medicaid rules. In fact, the LBD can be executed before or after any Medicaid benefits have started.

After the grantor's death, the property will be transferred to the beneficiary(s), and under current rules will not be "recoverable" by Medicaid. This is because the property transferred through the LBD is technically not considered to be part of the grantor's probate estate. Therefore, someone can qualify for Medicaid benefits and, using a LBD, can still leave their primary residence to a child, relative, or friend.

Property tax. For property tax purposes, the creation of the LBD does not create an "uncapping" event. This is because the initial deed is not considered a transfer (Michigan Tax Tribunal Docket #433005, December 2013). A transfer does not occur until after the grantor's death, when it passes to the beneficiary. Similarly, if the property is the principal residence of the grantor, the principal residence property tax exemptions will continue to apply.

When the property passes to the beneficiary, if the beneficiary is a spouse or family member, the property will not be considered a transfer, and no uncapping will occur under MCL 211.27a(7)(d). Under this statute, family members include the grantor or grantor's spouse's "mother, father, brother, sister, son, daughter, adopted son, adopted daughter, grandson, or granddaughter."

However, a word of caution. Currently there is a question of whether a LBD naming the grantor's trust will cause an uncapping event, even if the trust grants the property to a qualifying family member under MCL 211.27a(7)(d). To be safe, at the time of this writing, LBDs should be written to go straight to the qualifying family member(s) in order to avoid uncapping. Currently, a bill is in the Michigan legislature that would allow the uncapping exemption to apply also to a grantor's trust, if the beneficiary(s) are made up solely of qualifying family members.

Ag concerns. Lady bird deeds have potential application in farm estate planning. Due to the complexity involved in farm transfer planning, it is critical to work with an estate planning attorney, ideally one who has expertise with farm businesses. A couple of the important considerations follow.

First, while the grantor of a LBD retains all the control over the real estate that they had before, it would be prudent to connect with the township at hand once the deed is made. That way the appropriate affidavit for the qualified agricultural property tax exemptions can be filed. In the event that the township authorities consider the LBD to be a "transfer," this will help ensure that there are no interruptions or confusion related to the exemption.

Second, because of the high value of farmland, the full value of a farmhouse and the land it sits on often might not fit within the Medicaid equity cap. In order to qualify for Medicaid, the total equity of a home that will be considered a "non-countable" asset is capped at $730,000 for 2025 (see this American Council on Aging website for related information). This means that the value of the parcel would need to be determined, and further planning may be needed when the principal residence is associated with farmland. For the contact information of attorneys that work specifically on Medicaid and long-term care planning for farm estates, contact author Chris Bardenhagen at bardenh1@msu.edu.

Other concerns. It is important to keep in mind that with a lady bird deed, the real estate is reachable by the grantor's creditors. This means for example that if mortgage payments aren't made as necessary, the bank can potentially force a sale. Also, an LBD could potentially trigger a bank's "due on sale" clause. For these reasons, an LBD might not be ideal for a property that has substantial liens on it.

Finally, consider putting the beneficiary(s) on the insurance policy for a home. Otherwise, once the grantor dies, their insurance will not cover natural disasters or fires that occur between their death and the beneficiary's obtaining of insurance. This is because the grantor no longer owns the property. Listing the beneficiary(s) on the policy ensures coverage remains in place.

Read the article online Here.

Elevate Your Market Prices with Grain Gains

Grain Gains: An Introduction to Grain Marketing is a new online course from MSU Extension

The most important goal of any farm business is to be profitable. For farms that raise grain, maximizing profits start by establishing what good prices are and creating market strategies to secure them. To help farm managers in identifying and securing good prices and market strategies, MSU Extension has launched a new online course on grain marketing.

Grain Gains: An Introduction to Grain Marketing is a self-paced virtual course that will aid you in understanding the fundamental principles involved in grain marketing. It includes a review of the commodity markets, the use of pricing decision tools, and how to develop a marketing plan to fit your specific farm needs. Whether you're new to marketing or looking for a refresher on key concepts, this course will help build your comfort and confidence in marketing grain for your farm business.

Course Overview:

The course includes a mixture of short video presentations, informational articles and hands-on activities to enhance educational learning. Course content is separated into four units with several sub-unit modules:

Unit 1: Grain Marketing Environment
Unit 2: Pricing Decision Tools
Unit 3: Pricing Decision Chart and Market Scenarios
Unit 4: Creating a Grain Marketing Plan

At the conclusion of the course, participants who visit all content modules and fill out an evaluation for each unit will have access to a Certificate of Completion. *Note: Participants are not required to fill out unit evaluations to access course content.*

Early Registration Discount Through 2025!

With the launch of this new resource, registration is being offered at an introductory price of $25 through December 31, 2025. On January 1, 2026, registration will increase to the regular price of $50. The registration fee is a one-time payment for life-time access to the course and its content. Registration instructions can be found on the Grain Gains course homepage.

Grain Gains is part of MSU Extension DEMaND Series and expands upon concepts described in MSU Extension Bulletin: E-3416: Introduction to Grain Marketing.

Scan QR Code to take you to their webpage.

MSU is officially closed on these days:

Thanksgiving —
November 27 & 28
Year End Break —
December 25-January 2
MLK Day—
January 19

Current PcMars Software Version is 3.0.7.1

TelFarm Center
Morrill Hall of Agriculture
446 W Circle Dr Rm 414
East Lansing, MI 48824
Phone: 517.355.4700
Email: telfarm@msu.edu
Website: www.canr.msu.edu/telfarm

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