

TelFarm Newsletter

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Summer 2024

TelFarm Participation Awards

Congratulations to the following farms for reaching these milestones last year and thank you for working with us!

75 Years—

- Bakerlads Farms—Clayton
- Stakenas Farms, Inc—Freesoil

50 Years—

- Goldenview Farms, LLC—Mendon
- Jenkins Family Farms, LLC—Kalkaska
- Ricksgers Ranch—Alden
- Wardin Brothers Dairy—Hemlock

25 Years—

- Quincy Swiss Farm—Quincy
- Jem-Lot Dairy, LLC—Westphalia
- Kent & Tamara Inniger—Middleton



Entity Corporate Transparency Act Reporting

A new, and bothersome, “entity owner” reporting requirement took effect on January 1, 2024 to aid in preventing money laundering and corrupt financial transactions. This new Corporation Transparency Act (CTA) requires beneficial owners of a qualifying business entity to report name, date of birth, address, and “unique” identification to the federal Financial Crimes Enforcement Network (FinCEN) at: www.fincen.gov/boi. The FinCEN also provides a compliance guide for small entities: <https://www.fincen.gov/boi/small-entity-compliance-guide>. Reach out to your attorney, if you need assistance in

complying with the CTA reporting.

It is important to note that an appeal was filed on March 11. Without a successful appeal, all existing qualifying entities must comply by January 1, 2025.

A helpful information guide is available from the Center for Ag Law & Taxation, Iowa State University: <https://www.calt.iastate.edu/blogpost/small-entities-must-file-new-beneficial-ownership-information-reports-2024>

Entity Types	Required Reporting
LLC	Yes
General Partnership	No
Sole Proprietorship	No, unless Corp or LLC
Limited Partnership	Yes
S Corporation	Yes
C Corporation	Yes
Trust	Not unless it is required to file with the Secretary of

Income Tax Issues with Inherited Property

When an individual dies, an estate is setup to handle the transfer of assets, according to the deceased wishes. An executor is named to oversee the process. Trusts may be used to expedite the process, but the income tax treatment is essentially the same. A trust can also transfer ownership, prior to death and still allow for "life use" until death. A trust can reduce the estate tax liability. However, tax liability is not usually an issue, since the estate tax individual exclusion currently is \$13,610,000 per person. A larger issue with estate planning may be to protect the assets from being "consumed" by long-term health care expenses.

A priority should be to appraise inherited assets, as it will establish a new income tax basis as to the fair-market-value on the date the owner dies. This "setup in basis" is extremely important as this amount is deducted from the sale value to determine the taxable gain generated by the sale of items in the future. This is very important for farm assets.

Assets that may receive a step-up in the tax basis

are:

- Breeding livestock, buildings & improvements, machinery & equipment
- Growing crops and feeder livestock
- Supplies, i.e. fuel, seed, feed, fertilizer, etc
- Land, stock, and investments

What Needs to Be Done

When you start recording transactions after the date of death, it's recommended to start a new set of books to keep post death transactions separate from those prior to death. You may also need to start a new checking account, depending on the situation. This establishes clearly who is taxed and what transactions have occurred. The newly established stepped-up cost basis values will be used with the new set of books. Call the TelFarm office at 517-355-4700, if you have any questions with the process of creating a new set of books.

The stepped-up values are now deducted when the inherited crop or livestock are sold. Remember a

growing crop value also has an inherited basis. The appraised value of fuel in storage tanks, fertilizer, feed, and other supplies on hand can also be deducted. The stepped-up value of all stored crops in inventory are deducted upon sale of the stored crop or when fed. Machinery and buildings receive a new depreciable life using the new appraised value, but "Direct Expensing" and "Bonus Depreciation" cannot be used. Only MACRS depreciation is allowed.

Land and investments also receive appraised "stepped-up" basis values that are carried on the books and can be used when sold or gifted.

Estate Planning Note

The holding of untaxed assets like inventoried crops, livestock and machinery can be a very significant estate planning tool for minimizing income taxes. The assets will receive a new appraised cost basis at fair-market-value when inherited without paying any income tax. Trusts can also receive the stepped-up appraised value for a new cost-basis if used in the estate planning.

Spotlight: The Wardin Family Farm in Hemlock

Contributed by Cheri Burk and Dennis Stein

In 1974, Wilfred and Paul Wardin first enrolled in the TelFarm program. They recorded their transactions on paper journals and mailed records to be reviewed.

Then, they operated a dairy farm, Wardin Brothers Dairy, which dates to 1893 when the current

owners' great-grandparents came from Germany and started the farm in Saginaw County.

They were an award-winning, registered Holstein dairy farm, and were the first in the county to have power milkers. In 1968, a new barn and milk parlor was built, capable of handling 200 cows at one time. However, dairy industry changes and milk substitute competition, along with nearing retirement, influenced their decision to focus on crop farming. In 2019, the dairy was discontinued, relocating 125 cows to a dairy in Wisconsin. After the cows left the farm in 2020, the freestall barn



that held the cows was heavily damaged due to a sheer force windstorm.

The 4th generation brothers, Joel and Matt Wardin, currently operate the Wardin Brothers farm of 1,200 acres of no-till corn, wheat and specialty non

-gmo soybeans in addition to a 30-head cow-calf operation. According to Joel Wardin, no-till has been their practice for over 50 years, adopted to save the time of working ground that could be instead devoted to the dairy operations. He added that once started, it's hard to go back to working ground. A third brother, Mike, has retired to Texas, but still returns to check in on the family farm from time to time.

Matt's son Sam is the primary beef operator, while Joel's son Matthew also works on the farm. Mrs. Wardin, Wilfred's wife, age 92, still lives at the

farmhouse and is a partner in the original business.

Barb Wardin, Matt's wife, has been the bookkeeper for the last 35 years and currently uses Pc Mars supported by TelFarm. She has worked with MSU Extension staff Bill Hamilton, Dennis Stein (for over 25 years), Corey Clark and now Cheri Burk. Dennis and Cheri met with Joel and Barb at the farm recently where their 25-years of TelFarm enrollment certificate remained on display in their office. When asked why they value the program, Barb commented that she appreciates the knowledge and great customer service of TelFarm staff John Jones, Stephanie Lelo and others throughout the years.



L to R: Matt, Mike, Joel Wardin

Value of sending records for review by TelFarm

One of the perks of being a TelFarm participant, is the ability to send in your farm records for review by the TelFarm staff. For Pc Mars and QuickBooks users, this can have a significant impact on your taxes and financial management.

In the review, the most common things we find for correction are:

- Transactions that were accidentally recorded to the wrong account code
- Improperly recorded asset purchases and sales
- Setup and recording of liabilities
- Issues with patronage dividends from coops
- Items that should be recorded to non-farm codes

We recommend everyone send in your records to us, at least quarterly, to help catch some of these vital things. If you need help sending them to us, please call or email us and we can walk you through the process.

Roger Betz's Retirement

Roger Betz retired from MSU Extension on January 1, 2024, after serving 42 years as a Farm Business Management Educator and Eaton County Extension Ag Agent, having played a crucial role in the TelFarm Program and other farm business management extension work. In 2020, Roger was given the Outstanding Service to MSU Extension Award,

MSU-Extension's highest Educator honor.

Although retired from full-time, Roger has been consulting on special situations that need his experience and knowledge. The majority of his time is now spent working and managing his farm near Eaton Rapids with the help of his grand-nephew, Luke. Roger also likes to head to Chicago with his wife,

Alice, to see their young grandkids.

The TelFarm Program has benefited greatly from Roger's talents and support. We wish him all the best in his years ahead.

Feel free to call the TelFarm Center if have any questions or concerns during this transition to your new TelFarm supporting Farm Business Management Educator.



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The TelFarm Center will be closed on Thursday, July 4th and Monday, September 2nd

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