

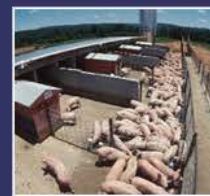


# Crop Insurance Tax Reporting Options

Gary Hoff

ghoff@illinois.edu

University of Illinois





# Deferral

## Yes or No



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# Basic Deferral Rules

- **50% crop deferral history.**
- **Must elect on return.**
- **Must identify specific crop.**
- **Must use cash method of accounting.**
- **Payment must be due to yield loss.**
- **Deferral limited to one year.**

<b>Acronym</b>	<b>Name</b>	<b>Type</b>	<b>Qualify</b>
RP	Revenue protection	Individual revenue	No
YP	Yield protection	Individual yield	Yes
GRP	Group risk plan	County yield	No
GRIP	Group risk income plan	County revenue	No
CAT	Catastrophic insurance	Individual yield	Yes

# Loss Calculation

<b>Approved corn yield</b>	<b>170 bu./ac</b>
<b>Base corn price</b>	<b>\$6.50/bu.</b>
<b>Harvest price</b>	<b>\$5.75</b>
<b>Actual yield</b>	<b>100 bu./ac</b>
<b>Coverage level</b>	<b>75%</b>
<b>Anticipated income</b>	<b><math>170 \times \\$6.50 = \\$1,105</math></b>

Revenue guarantee =  $((170 \times \$6.50) * 75\%) = \$828.75$

Actual revenue =  $((100 \times \$5.75) =$  575.00

Insurance claim = 253.75

- **Total loss = anticipated income – actual income (\$1,105 - \$530) = \$575**
- **Physical loss = yield loss × harvest price (70 bu./ac. × \$5.75) = \$402.50**
- **Price loss = base price – harvest price × approved yield (\$6.50 - \$5.75) × 170 = \$127.50**

- **Physical loss percentage = physical loss ÷ total loss**
- **$\$402.50 \div \$530.00 = 75.94\%$**
- **Insurance due to physical loss**
- **$\$253.75 \times 75.94\% = 192.70$  (can defer)**
- **Price loss =  $(\$253.75 - \$192.70) = \$61.05$**
- **Cannot defer**

# Does it make sense to defer?

- Will “Bush Tax Cuts” be extended?
- Are you a high income taxpayer?
- Have you projected your 2013 income?





IRC	2012 Provision	2013 Provision
§1 Income tax brackets	10, 15, 25, 28, 33, 35%	15, 28, 31, 36, 39.6%
	Dividends taxed at capital gain rates	Dividends taxed as ordinary income
§1(h) Capital gains	0% if in 15% or lower bracket, 15% if in higher bracket	10% for lower brackets, 20% for higher brackets. If asset held > 5 years brackets are 8% and 18%.
§63 Standard deductions	MFJ gets 200% of S standard deduction	MFJ gets 167% of S standard deduction

# Current 2013 Tax Changes


IRC	2012 Provision	2013 Provision
§68 Itemized deduction	No reduction	HI taxpayers reduced 3% of AGI above certain level (80% maximum reduction)
§151(d) Personal exemption	No reduction	Phased out for HI taxpayers
§2001 Estate tax	35% rate above \$5.12 million	55% rate above \$1 million
§2505 Gift tax	35% max. rate; \$5.12 mil exemption	55% max rate; \$1 mil exemption

IRC	2012 Provision	2013 Provision
§168(k) Bonus depreciation	50% on new purchases	No bonus depreciation
§179 Expensing	\$139,000 limit	\$25,000 limit
§3101-3111 FICA and SECA	4.2% for employee and 10.4% for self-employed	6.2% for employee and 12.4% for self-employed
§1411(a) Medicare tax on investment income	0% on net investment income	3.8% on HI taxpayers
§3101(b)(2) Medicare tax on earned income	Not change	Additional .9% on earned income for HI taxpayers.



	<b>2012 with Deferral</b>	<b>2012 w/o Deferral</b>	<b>2013 w/o Deferral</b>	<b>2013 with Deferral</b>
Int. & Div.	\$50,000	\$50,000	\$50,000	\$50,000
Sch. F	<u>100,000</u>	<u>310,000</u>	<u>100,000</u>	<u>310,000</u>
<b>Total Income</b>	<b>\$150,000</b>	<b>\$360,000</b>	<b>\$150,000</b>	<b>\$360,000</b>
SE Tax Adj.	<u>(7,063)</u>	<u>(10,976)</u>	<u>(7,065)</u>	<u>(10,978)</u>
<b>AGI</b>	<b>\$142,937</b>	<b>\$349,024</b>	<b>\$142,935</b>	<b>\$349,022</b>
Exemptions	(7,600)	(7,600)	(7,800)	(2,652)
Std. Deduction	<u>(11,900)</u>	<u>(11,900)</u>	<u>(10,150)</u>	<u>(10,150)</u>
<b>Taxable Income</b>	<b>\$123,437</b>	<b>\$329,524</b>	<b>\$124,985</b>	<b>\$336,220</b>

	<b>2012 with Deferral</b>	<b>2012 w /o Deferral</b>	<b>2013 w/o Deferral</b>	<b>2013 with Deferral</b>
Taxable Income	\$123,437	\$329,524	\$124,985	\$336,220
Income tax	\$22,919	\$85,649	\$27,124	\$97,623
SE tax	12,283	19,753	14,130	21,955
AMT	2,545	8,578	0	0
HI Medicare	<u>0</u>	<u>0</u>	<u>0</u>	<u>2,227</u>
Total Federal Tax	\$37,747	\$113,980	\$41,254	\$121,805

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- §179 drops to \$25,000
  - No bonus depreciation



- **Hold off filing your return as late as possible.**
- **File April 15 or file an extension if Congress has not made a decision.**







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