

CFAES

Join us for the next
FARM OFFICE LIVE

COLLEGE of FOOD, AGRICULTURAL, and ENVIRONMENTAL SCIENCES

April Topics:

- Legislative and Case Law Update
- Farm Insurance Issues
- “What is a ‘Taxable Gross Receipt’ under Ohio’s Commercial Activity Tax?”
- Inflation and Interest Rates: An Update Including a Closer Look at Agricultural Machinery and Equipment
- Crop Budgets/Income Outlook for '23
- Avoid Chance by making 2023 Record Keeping Goals

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Register once and receive links to join future programs

Each session includes timely updates and Q&A time on topics of interest.



THE OHIO STATE UNIVERSITY
EXTENSION

Featuring:

Bruce Clevenger
Peggy Hall
Jeff Lewis
Robert Moore
Barry Ward

April 21 10:00 – 11:30 AM

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ag law and farm management resource
partner.*

farmoffice.osu.edu

Today's Teaching Team

CFAES



Peggy Hall, JD
Attorney
OSU Ag Law Program



Robert Moore MS, JD
Attorney
OSU Ag Law Program



Jeff Lewis, JD
Program Coordinator
OSU Income Tax Schools

Today's Teaching Team

CFAES



Barry Ward, MS
Assistant Professor, Leader
Production Business Management



Bruce Clevenger, MS, CCA
Associate Professor, Field Specialist
Farm Management

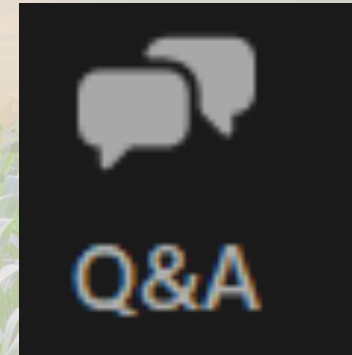


**Slides and a recording for today's presentation can
be found at:**

go.osu.edu/farmofficelive

Questions??

- ❖ Feel free to submit questions at any time using the Q/A feature at the bottom of your screen.
- ❖ You can also email questions to each presenter.
- ❖ We will try to answer as many questions as we can at the end of the presentation.





Please help us by completing today's evaluation

https://osu.az1.qualtrics.com/jfe/form/SV_5yFq5D0d8tm6z2K

Legal Update

Peggy Kirk Hall
Assoc. Professor and Director
OSU Agricultural & Resource Law Program

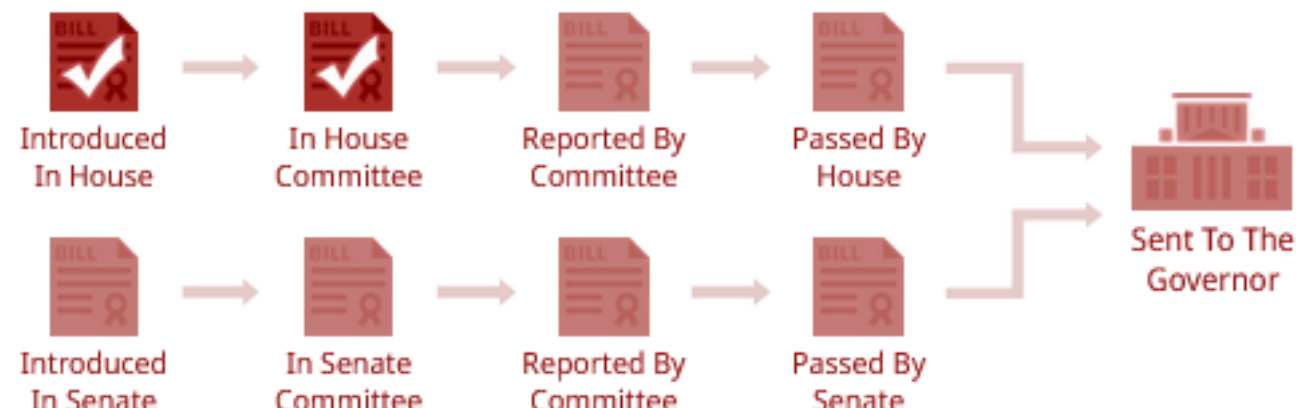


THE OHIO STATE UNIVERSITY
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Supreme Court of Ohio Law Library

Ohio H.B. 64 – Eminent Domain Revisions

Primary Sponsors



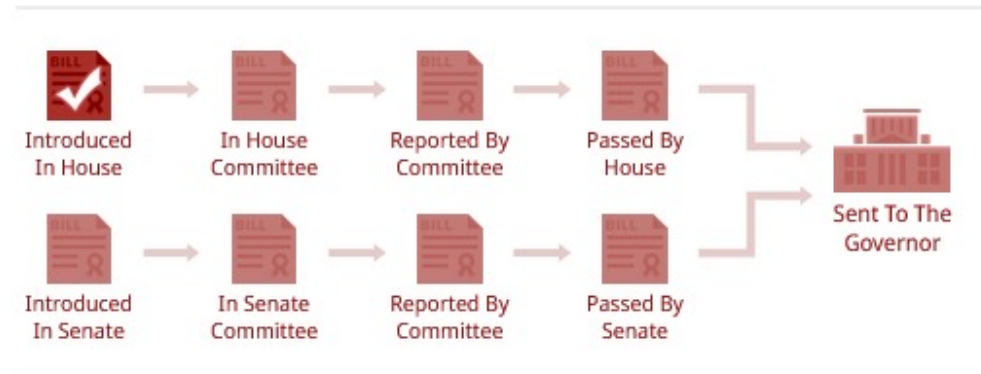
- No action since second hearing before House Civil Justice Committee March 14, 2023.

Ohio H.B. 64 – Eminent Domain

- Voids appropriations that do not follow statutory procedures.
- Increases agency's burden of proof to "clear and convincing evidence" for public use, authority, inability to agree on a voluntary purchase, and necessity for a taking.
- Narrows presumptions made in favor of agency regarding necessity.
- Prohibits agency from reducing an offer or arguing for a lower valuation.
- Expands attorney fee, cost, and expense awards for landowners.
- Provides landowner the right to sue for "inverse condemnation" if agency did not use required appropriation process and requires award of attorney fees, costs, and expenses.
- States that recreational trails are not a valid "public use" for eminent domain purposes.

H.B. 95 – Agricultural Commodity

Primary Sponsors



Proposes several changes to Ohio's Grain Indemnity Fund:

- Increases several timelines for 100% fund reimbursements.
- Adds recovery for delayed price agreements made not more than two years prior to a handler's suspension.
- Changes coverage for certain deposits to flat 75% from 100% for first \$10K and 80% for remaining.

S.B. 111 – Agriculture – Introduced April 19

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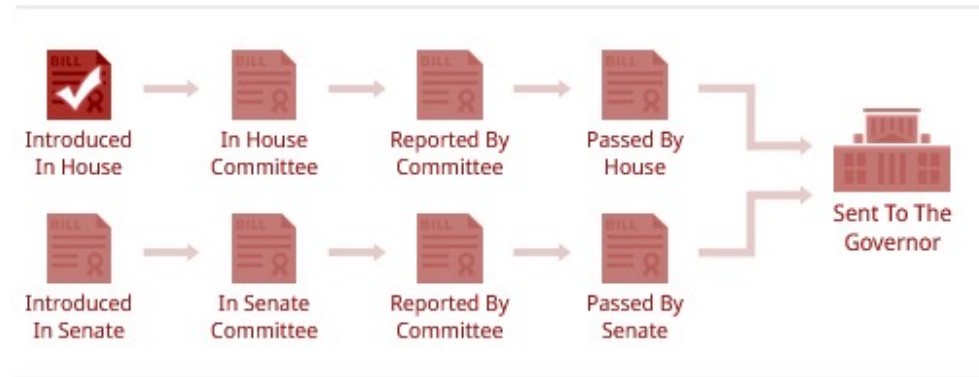


Paula Hicks-Hudson

Cosponsors

SENATORS

Nickie J. Antonio
Hearcel F. Craig
William P. DeMora
Catherine D. Ingram
Michael A. Rulli
Tim Schaffer
Kent Smith
Vernon Sykes



1. Exempts temporary greenhouses from Ohio Building Code.
2. Allows total acreage of CAUV land to include tracts that are not contiguous if owner's use is part of a single operation in the same county.
3. Establishes Urban Farmer Youth Initiative Pilot Program with Ohio Dept of Education, OSU and Central State to educate young people in urban areas on farming and agriculture
 - Appropriates \$250K for two years to fund the program.

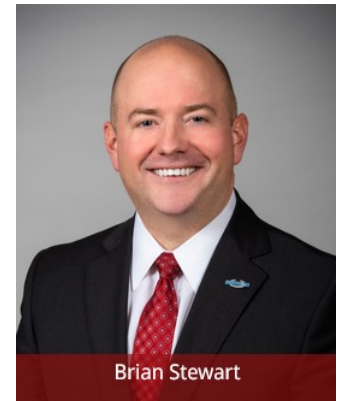
HB 33 – State Budget – Income Tax

- Eliminates an income tax bracket by collapsing the current 3.226% bracket to 2.765%.
- Reduces the rate of the combined bracket to 2.75% for those making up to \$92,000.

HB 33 – State Budget – Agriculture

- | | FY 2023 | FY 2024 |
|--------------|----------------|----------------|
| • ODA Budget | \$ 192,984,100 | \$ 196,773,400 |
| • H2Ohio | \$ 69,018,000 | \$ 69,114,000 |
- \$14 M to create the Meat Processing Investment Program Fund in Dept. of Development to provide grants for capital investment for animal processors.
 - Requires ODA to issue a raw milk retail license if the product is only sold at the retailer's farm or a farmer's market.

SJR 2 – Constitutional Amendment



- Requires 60% vote to approve a constitutional amendment
- Accompanying bill (S.B.92) would place the question on an August 8 special election and includes a \$20 million appropriation
 - Passed in Senate March 19.
- Companion bill in House (HJR 1) passed out of Constitutional Resolutions Committee April 19.

Beyond Ohio



Colorado Consumer Right to Repair Agriculture Equipment Act

First state law in the U.S.

- Requires equipment manufacturers to make software documents, diagnostic tools and repair manuals available to farmers and independent repair technicians beginning January 1, 2024.
- 11 other states are currently considering similar legislation.

Waters of the United States (WOTUS) Update

- Attempt to void the rule in Congress has failed
 - President Biden vetoed the resolution
 - House vote to override of veto failed (227 to 196; 63 votes shy of 2/3rd majority needed)
- Federal courts are divided on injunction requests
 - *Texas v U.S. EPA* - Texas and Idaho injunction granted – March 19
 - *Kentucky v. U.S. EPA* – Did not issue injunction for Kentucky – March 31
 - *West Virginia v. U.S. EPA* – Injunction granted in 24 states (not including Ohio) – April 12
- Still waiting for the U.S. Supreme Court
 - Decision in *Sackett v. U.S. EPA* wetlands case expected soon
 - May shed light on issue of EPA authority
- Will Congress take further action and try to define WOTUS?

Dakota Rural Action v. USDA

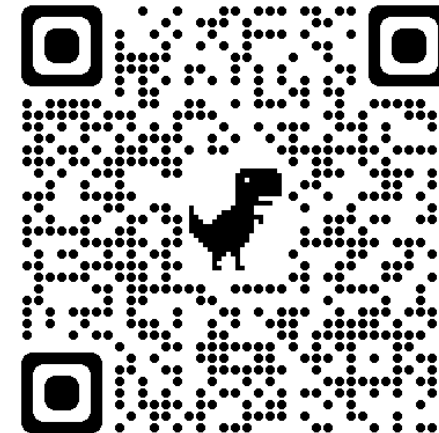
- Vacated a Farm Service Agency rule that exempts medium sized Confined Animal Feeding Operation loans from environmental review under the National Environmental Policy Act.



Please complete a legal needs survey!

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A 10-minute survey to help us identify legal needs and target our legal resources.



Farm Insurance Issues – Part II

Robert Moore
Attorney Research Specialist
Agricultural and Resource Law Program

Texas Dairy Farm Fire Kills 18,000 Cows





Would my farm
be covered?



Livestock is Insured by Basic or Broad Coverage

- k. "Livestock", but for this property the Basic or Broad Covered Causes of Loss are the only Covered Causes of Loss.

But we do not cover "livestock" while:

- (1) In the custody of a common or contract carrier;
- (2) At public stockyards, sales barns or sales yards; or
- (3) At packing plants or slaughterhouses.

Covered for Fire

B. Covered Causes Of Loss - Basic

Subject to the provisions in Section A., when Basic is shown in the Declarations, Covered Causes of Loss means the following:

1. Fire Or Lightning

We will not pay for loss of or damage to buildings, or contents usual to a tobacco barn, if that loss or damage:

- a. Results from the use of open fire for curing or drying tobacco in the barn; and
- b. Occurs during, or within the five-day period following, open-fire curing or drying.

Covered for Explosions

3. **Explosion**, including the explosion of gases or fuel within the furnace of any fired vessel or within the flues or passages of such a vessel from which the gases of combustion pass.

But under Coverages **E**, **F** and **G** this Cause of Loss does not include loss or damage caused by or resulting from:

- a. Explosion of alcohol stills, steam boilers, steam pipes, steam engines or steam turbines owned or leased by you, or operated under your control;
- b. Electric arcing;
- c. Rupture or bursting of water pipes;
- d. Rupture, bursting or operation of pressure relief devices; or
- e. Rupture or bursting due to expansion or swelling of the contents of any building or structure caused by or resulting from water.

Paid Actual Cash Value for Cattle

4. Valuation

In the event of loss of or damage to covered "farm personal property," we will settle at actual cash value as of time of loss, but we will not pay more than the amount necessary for repair or replacement.

Limit of Insurance for Cattle

Coverage E - Scheduled Farm Personal Property

| Item No. | Description | Covered Causes of Loss | Limit of Insurance |
|----------|-------------|------------------------|--------------------|
| 001 | CATTLE | Broad | \$ 1,000 |

There are Many Livestock Coverages and Exceptions

16. Attacks On Covered Livestock By Dogs Or Wild Animals

This Cause of Loss does not include loss or damage:

- a. To sheep; or
- b. Caused by dogs or wild animals owned by you, your employees or other persons residing on the "insured location."

17. Accidental Shooting Of Covered Livestock

This Cause of Loss does not include loss or damage caused by you, any other "insured," your employees, or other persons residing on the "insured location."

Buildings Have Special Coverage

COVERAGE G - FARM STRUCTURES

| Loc No. | Bldg No. | Description | Causes of Loss | DED | Rebuilding Clause | Limit of Insurance |
|---------|----------|---------------------------------|----------------|----------|-------------------|--------------------|
| 001 | 01 | MOBILE HOME | Special | \$ 1,000 | N | \$ 5,000 |
| 001 | 02 | BARN #1 | Special | \$ 1,000 | N | \$ 149,000 |
| 001 | 03 | BARN #2 | Special | \$ 1,000 | N | \$ 92,000 |
| 001 | 04 | BARN #3 | Special | \$ 1,000 | N | \$ 34,500 |
| 001 | 05 | FEED BIN #1 | Special | \$ 1,000 | N | \$ 4,500 |
| 001 | 06 | FREE STALL BUILDING | Special | \$ 1,000 | N | \$ 137,500 |
| 001 | 07 | MORTON BUILDING | Special | \$ 1,000 | N | \$ 92,000 |
| 001 | 08 | SHED #2 | Special | \$ 1,000 | N | \$ 9,500 |
| 001 | 09 | SHED #1/SHOP | Special | \$ 1,000 | N | \$ 81,500 |
| 001 | 10 | COMMODITY BARN | Special | \$ 1,000 | N | \$ 17,000 |
| 001 | 11 | SILLO #3 | Special | \$ 1,000 | N | \$ 46,000 |
| 001 | 12 | GRAIN BIN #3 | Special | \$ 1,000 | N | \$ 53,500 |
| 001 | 13 | SILLO #4 | Special | \$ 1,000 | N | \$ 70,500 |
| 001 | 14 | GARAGE & SHED | Special | \$ 1,000 | N | \$ 46,000 |
| 001 | 15 | SILLO #2 | Special | \$ 1,000 | N | \$ 34,500 |
| 001 | 16 | SILLO #1 | Special | \$ 1,000 | N | \$ 34,500 |
| 001 | 17 | GRAIN BIN #1 | Special | \$ 1,000 | N | \$ 39,500 |
| 001 | 18 | GRAIN BIN #2 | Special | \$ 1,000 | N | \$ 13,000 |
| 001 | 19 | CATTLE BARN/OFFICE | Special | \$ 1,000 | N | \$ 300,000 |
| 001 | 20 | POLE BARN | Special | \$ 1,000 | N | \$ 34,500 |
| 011 | 01 | METAL ROOF FRAME BARN 1 | Special | \$ 1,000 | N | \$ 51,000 |
| 011 | 02 | CATTLE BARN | Special | \$ 1,000 | N | \$ 35,500 |
| 011 | 03 | METAL ROOF METAL IMPLEMENT SHED | Special | \$ 1,000 | N | \$ 33,500 |
| 011 | 04 | METAL GRAIN BIN 1 | Special | \$ 1,000 | N | \$ 8,000 |
| 011 | 05 | 14,000 BU GRAIN BIN | Special | \$ 1,000 | N | \$ 33,500 |

Buildings are Covered for Fire and Explosion

D. Covered Causes Of Loss - Special

1. We will not pay for loss or damage caused by or resulting from:

a. Fire, if that loss or damage is sustained by buildings or contents usual to tobacco barns as the result of using open fire for curing or drying tobacco in the barn, and occurs:

(1) While tobacco is being fired; or

(2) Within the five-day period following tobacco firing in the barn;

Explosions not addressed
in Special Coverage

Paid Replacement Value for Buildings

i. If the Limit of Insurance on the damaged structure is at least 80% of its full replacement cost as of the time of loss, we will settle the loss based on the smallest of the following amounts:

- (1) The cost to replace the damaged part of the structure with material of like kind and quality and for like use;
 - (2) The amount actually and necessarily spent to repair or replace the structure; or
-

(3) The applicable Limit of Insurance.

If the structure is rebuilt at a new premises, the cost described in Paragraph **B.1.b.** is limited to the cost that would have been incurred if the structure had been rebuilt at the original premises.

The cost of repairs or replacement does not include the increased cost attributable to enforcement of any ordinance or law regulating the construction, use or repair of any property.

Co-Insurance

- A farm policy will include a minimum coverage amount that you must provide for your assets
- If you do not insure your assets for at least the minimum amount, some of the risk of the loss is transferred to you. You become a co-insured.
- This is to protect the insurance carrier from asset values being under-reported by the insured.

Co-Insurance Provision

c. If the Limit of Insurance on the damaged structure is less than 80% of its full replacement cost as of the time of loss, we will settle on the basis of Paragraph (1) or (2) below, whichever is larger:

(1) The actual cash value, as of time of loss, of the damaged part of the structure; or

(2) A proportion of the cost to repair or replace the damaged part of the structure, without deduction for depreciation. This proportion will equal the ratio of the applicable Limit of Insurance to 80% of the cost of repair or replacement. The cost of repairs or replacement does not include the increased cost attributable to enforcement of any ordinance or law regulating the construction, use or repair of any property.

However, we will not pay more than the applicable Limit of Insurance, regardless of whether Paragraph (1) or (2) above applies.

Buildings Have Special Coverage

COVERAGE G - FARM STRUCTURES

| Loc No. | Bldg No. | Description | Causes of Loss | DED | Rebuilding Clause | Limit of Insurance |
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| 011 | 05 | 14,000 BU GRAIN BIN | Special | \$ 1,000 | N | \$ 33,500 |

Co-Insurance Example – Mobile Home

- Insured for \$5,000
- Replacement value is \$20,000
- 80% insurance requirement
- Required insurance coverage is \$16,000
- $\$5,000 / \$16,000 = 31.25\%$
- Insurance will pay \$6,250 (31.35% of \$20,000)
- Under-insuring cost \$13,750

Co-Insurance – Avoid Taking On Risk

- Work with your insurance agent to understand your policy's minimum coverage requirement
- Make sure itemized property are valued correctly
- Do not understate the value of assets in an attempt to keep premiums down

Are You Covered?

- Review the list of possible activities or assets that may not be covered under a standard farm policy
- List will be available at farmoffice.osu.edu
- Review the list and mark any activities or assets that apply to you. Provide to your insurance agent to ensure you are covered.
- Almost any activity or asset can be covered with the addition of an endorsement to the policy

Are You Covered?

- ☐ Agritourism
- ☐ Aircraft application of pesticide/fertilizer (own or custom)
- ☐ Aircraft for personal use
- ☐ ATV/side x side/recreational vehicle
- ☐ Barns and structures that are not currently being used or are in disrepair
- ☐ Confined animals
- ☐ Custom application of pesticides or fertilizer
- ☐ Custom farm operations such as planting or harvesting
- ☐ Drones – scouting
- ☐ Drones – application of pesticides/seed
- ☐ Embryos stored or in recipient animal
- ☐ Exotic or non-domesticated animals
- ☐ Farm Markets
- ☐ FFA/4-H Projects
- ☐ Hauling crops, goods or cargo for others
- ☐ Holding products for customers after payment (seed, hay, inputs)
- ☐ Horse boarding, riding or training services

Are You Covered?

- ☐ Hunting leases or other paid recreational uses
- ☐ Leasing buildings or structures to others
- ☐ Livestock of others in your care, custody or control
- ☐ Manure digester/ methane collection
- ☐ Non-owned livestock
- ☐ Off-premises use of ATV/recreational vehicles
- ☐ Oil/gas wells
- ☐ Pesticide/fertilizer drift
- ☐ Pick-Your-Own
- ☐ Ponds with docks, diving boards
- ☐ Portable buildings or structures, including greenhouses
- ☐ Pulling tractor/truck
- ☐ Purchased feed/seed/inputs purchased but not picked up/delivered
- ☐ Radio or TV Antennas
- ☐ Rental property
- ☐ Rental of grain bins
- ☐ Sale of “Altered” food products such as bratwurst or sausage blends
- ☐ Sale or production of food or other consumable goods
- ☐ Showstock or high value livestock

Are You Covered?

- ☐ Showstock or high value livestock
- ☐ Solar panels
- ☐ Swimming pool
- ☐ Tractor shows/parades
- ☐ Tours (paid or unpaid)
- ☐ Using borrowed equipment
- ☐ Using rented equipment
- ☐ Unoccupied houses
- ☐ Valuable refrigerated or frozen products
- ☐ Valuable or important information on computers
- ☐ Watercraft
- ☐ Wind turbines
- ☐ Website or online presence that collects money or stores customer information.
- ☐ Your own farm goods in transit (produce, grain, livestock)

Questions?

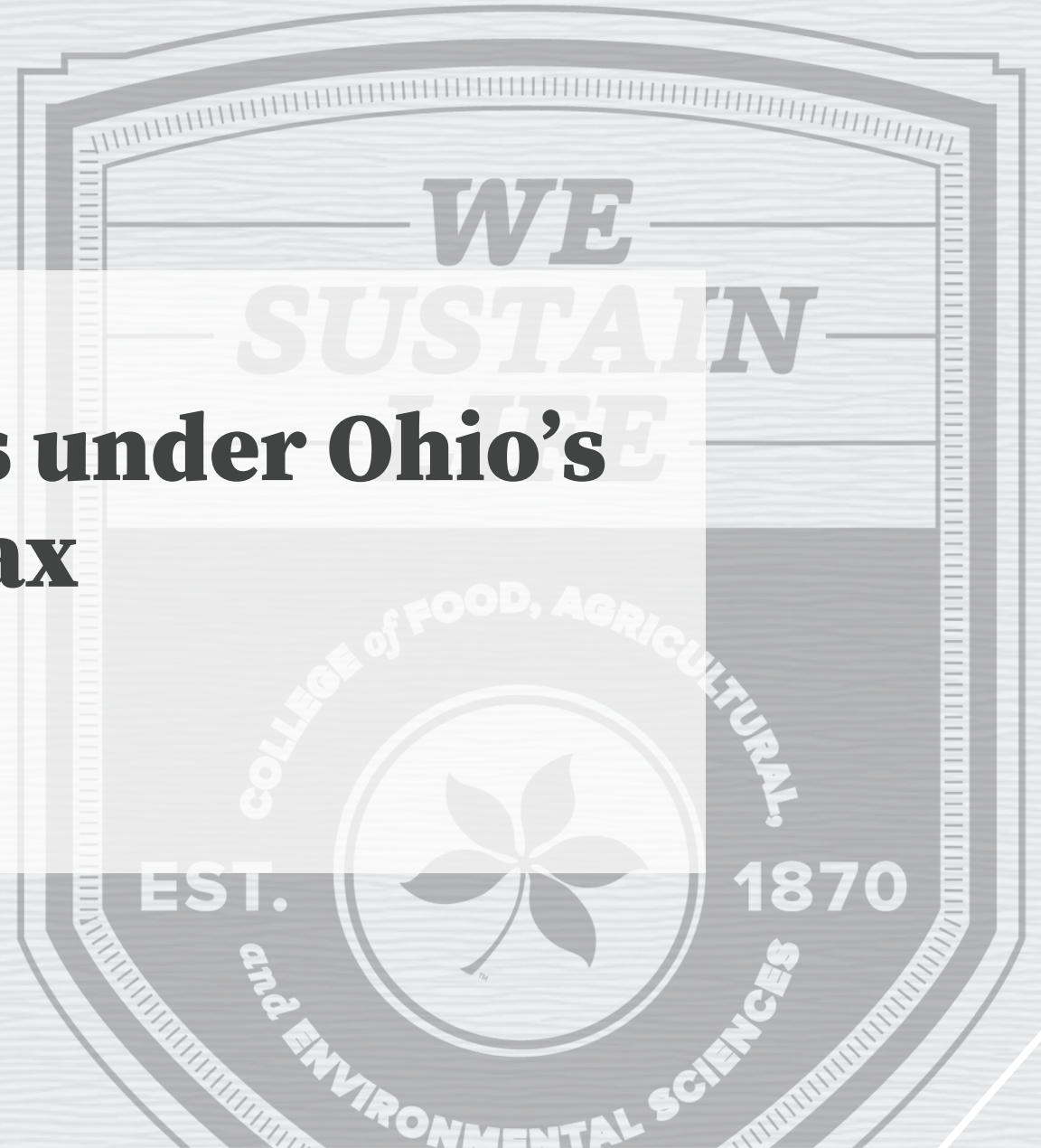
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Taxable Gross Receipts under Ohio's Commercial Activity Tax

JEFFREY K. LEWIS, ESQ



THE OHIO STATE UNIVERSITY
EXTENSION



Commercial Activity Tax (“CAT”)

- Tax imposed on conducting business in Ohio
- Applies to any individual or business entity required to register for or pay Ohio taxes
 - Exclusions:
 - Nonprofits
 - Governmental Entities
 - Taxpayer’s with less than \$150,000 in “Taxable Gross Receipts”

Our focus: What are “taxable gross receipts?”

Determining “Taxable Gross Receipts”

The Process

Did I earn
proceeds/income?

Are those proceeds
“gross receipts?”

Are those “gross receipts”
considered “taxable gross
receipts?”

Step 1: Determine “Gross Receipts”

- Ohio Revised Code Section 5751.01(F) broadly defines “gross receipts”
 - *The total amount realized by a person, without deduction for the cost of goods sold or expenses incurred, that contributes to the production of gross income of the person, including the fair market value of any property and any services received, and any debt transferred or forgiven as consideration.*
- In other words, a gross receipt is anything that contributes to a taxpayer’s gross income which includes proceeds from the sale of goods or services and income generated from rentals and leases.

Step 1: Determine Gross Receipts

Exclusions

- However, not everything that increases a taxpayer's income is included in Ohio's definition of gross receipts.
- Ohio Revised Code Section 5751.01(F)(2) provides a full list of items excluded from the definition of gross receipts.

| | |
|--|--|
| <ol style="list-style-type: none"> 1. Interest Income. 2. Dividends and distributions; distributive or proportionate shares. 3. Receipts from the sale or transfer of capital assets (I.R.C. § 1221) or assets used in the trade or business (I.R.C. § 1231). 4. Proceeds from the repayment, maturity, or redemption of an intangible. 5. Receipts from a repurchase agreement or loan. 6. Contributions received by a trust, plan, or other arrangement. 7. Compensation. 8. Stock issuance. 9. Life insurance proceeds. 10. Gifts or charitable contributions. 11. Money awarded from litigation. 12. Agent’s commission, fee, or other remuneration. 13. Returns and allowances. 14. Receipts from worthless or uncollectible debts (“bad debts”). 15. The sale of an account receivable. 16. Qualified uranium receipts. 17. Certain gross casino revenue. 19. Receipts realized from the sale of agricultural commodities by an agricultural commodity handler. 20. Qualifying integrated supply chain receipts. 21. Certain dyed diesel fuel purchases by railroad companies. 22. Certain receipts related to the sale of tangible personal property and capital equipment in megaprojects. 23. Certain sports gaming receipts. | <ol style="list-style-type: none"> 24. Tax refunds. 25. Pension reversion. 26. Contributions to capital. 27. Sales or use tax collected. 28. Receipts of an employer from payroll deductions relating to the reimbursement of the employer for advancing money to an unrelated third party on an employee’s behalf. 29. Cash discounts allowed and taken. 30. Excise taxes collected. 31. Sale or transfer of a motor vehicle as customer preference (car dealers only). 32. Receipts from a financial institution for services provided to the financial institution in connection with the issuance, processing, servicing, or managing loans or credit accounts. 33. Funds or received or used by mortgage brokers. 34. Property, money, and other amounts received by Professional Employer Organizations (“PEOs”) from client employers. 35. Amounts retained as a commission by persons holding permits to conduct horse-racing meetings. 36. Qualifying distribution center receipts. 37. Certain receipts for disaster work completed during a disaster response. 38. Receipts from the sale or transfer of a mortgage-backed security or a mortgage loan by a mortgage lender. 39. Excess funds received from the Ohio Bureau of Workers’ Compensation. 40. Any receipts for which the tax imposed by CAT is prohibited by law. |
|--|--|

A Closer Look...

Interest Income.

- ✓ Interest earned from a credit sale (like the monthly interest earned on an installment contract) is a gross receipt
- ✗ Interest earned on a savings account is not a gross receipt.

Dividends and Distributions.

- ✗ Dividends or distributions paid to the taxpayer is not a gross receipt (this includes “patronage dividends” of a cooperative).
- ✗ The value of any distributive shares or proportionate shares received by the taxpayer by virtue of being a member or partner of a pass-through entity or partnership is not a gross receipt.

A Closer Look. . .

1221 Assets (“Capital Assets”) are excluded from Gross Receipts

- Section 1221 of the Internal Revenue Code describes those personal assets generally held by a taxpayer, whether or not connected to a trade or business, and used for personal or investment purposes.
- Capital Assets **do not** include:
 - Inventory
 - Depreciable property used in a taxpayer’s trade or business
 - Real property used in a taxpayer’s trade or business
 - Accounts or notes receivable acquired by the taxpayer in the ordinary course of business, including the sale of the taxpayer’s inventory.
 - Other certain types of tangible property.

A Closer Look. . .

Section 1231 Property is Excluded from Gross Receipts

- Section 1231(b) of the Internal Revenue Code describes “property used in the trade or business” and is often referred to as Section 1231 property.
- Section 1231 property includes:
 - Depreciable property
 - Certain types of real property not excluded under Section 1221
 - Timber, coal, and iron ore that are still in the ground
 - Livestock held by the taxpayer for draft, breeding, dairy, or sporting purposes
 - Unharvested crop on land, which is sold simultaneously to the same person

A Closer Look...

Section 1231 Examples

- ✗ A farmer selling land, including the crops growing on the land, can exclude receipts from the sale if both the crops and land are simultaneously sold to the same person.
- ✓ A farmer who harvests corn for sale must include the proceeds from the sale of the corn in their gross receipts.
- ✗ Proceeds from the sale of livestock that are used for draft, breeding, dairy, or sporting purposes are excluded from gross receipts.

A Closer Look...

Section 1231 Examples

- ✓ Cattle raised for slaughter **are not** considered Section 1231 property, instead they are viewed as inventory. Therefore, a farmer who finishes steers in a feed lot for slaughter must include the proceeds earned in their gross receipts.
- ✗ A taxpayer who sells acreage including standing timber can exclude the receipts from this sale from CAT.
- ✓ A taxpayer who cuts timber for the purpose of selling it in the taxpayer's trade or business must include the receipts from this transaction in its gross receipts.

A Closer Look. . .

More Section 1221 and 1231 Asset Examples

| Sale or transfer of. . . which is subject to CAT: | Sale or transfer of . . . which is <u>NOT</u> subject to CAT: |
|---|---|
| <ul style="list-style-type: none">• Accounts receivable• Supplies used in taxpayer's business• Fishing pole sold by retailer• Inventory• Extracted mineral• Poultry• Fish• Harvested crops | <ul style="list-style-type: none">• Personal residence• Personal car• Delivery truck (not part of inventory)• Fishing pole sold at yard sale• Personal sailboat• Golf clubs sold at yard sale• Unextracted oil sold with land• Cattle (livestock; non-inventory)• Farmland with growing crops |

A Closer Look...

Compensation.

- ✗ All compensation received by an employee, a former employee, or an employee's legal successor (i.e. the employee's estate) is not included in that employee's gross receipts.
- ✓ Any compensation reported on a 1099 furnished to the taxpayer must be included in the taxpayer's gross receipts.

Contributions to Capital

- ✗ Any funds that a taxpayer receives that are properly treated as contributions to capital are excluded from gross receipts.
 - **Example:** If a partner makes a cash contribution to the capital of the partnership, the partnership (as the taxpayer) does not have to include the cash contribution in its calculation of gross receipts.

Step 2: Determine “Taxable Gross Receipts”

- After a taxpayer has calculated its gross receipts, the taxpayer must then determine its “taxable gross receipts.”
- A “taxable gross receipt” is a gross receipt that is situated (or sourced) to the state of Ohio.
- **General Rule:** If a purchaser enjoys the benefit of the good or service in Ohio, the gross receipt is sourced to Ohio.

Step 2: Determine “Taxable Gross Receipts”

Real Property:

- Gross rents and royalties
- Sale or transfer

- If the property is located in Ohio, those receipts are sourced to Ohio. Receipts from real property not located in Ohio are not taxable gross receipts.

Tangible Personal Property:

- Gross rents and royalties
- Sale or transfer

- *For gross rents and royalties*, if the tangible personal property is located or used in Ohio, it is a taxable gross receipt.
- *For the sale or transfer of tangible personal property*, the property is sourced based on where the property is ultimately received after all transportation has been completed. Therefore, only tangible personal property that is ultimately received in Ohio is a taxable gross receipt.

Other Services

- The general rule is that the service is sourced based on the benefit to the purchaser. Receipts stemming from services performed in Ohio are taxable gross receipts. Receipts from services performed outside the state of Ohio are not taxable gross receipts.

Tax Period

- A taxpayer only has to include the taxable gross receipts for the current tax period.
- Tax period is based on taxpayer's method of accounting.
 - Cash method
 - Accrual method

Example: A farmer that enters into a deferred payment contract with the local grain elevator.

- *If using cash method:* The farmer only counts the gross receipt in the year in which payment is received.
- *If using accrual method:* The farmer counts the gross receipt in the year in which the farmer entered into the deferred payment contract.

Conclusion

- Determining a taxpayer's "taxable gross receipts" is only part of the puzzle.
- The amount of "taxable gross receipts" determines a taxpayer's additional obligations under the CAT.
- For more information about a taxpayer's obligations under the CAT, please visit the Ohio Department of Taxation's website for the Commercial Activity Tax: <https://tax.ohio.gov/business/ohio-business-taxes/commercial-activities/cat-general-information>

Inflation and Interest Rates

An Update Including a Closer Look at Agricultural Machinery and Equipment

Barry Ward

Ohio State University Extension

Leader, Production Business Management

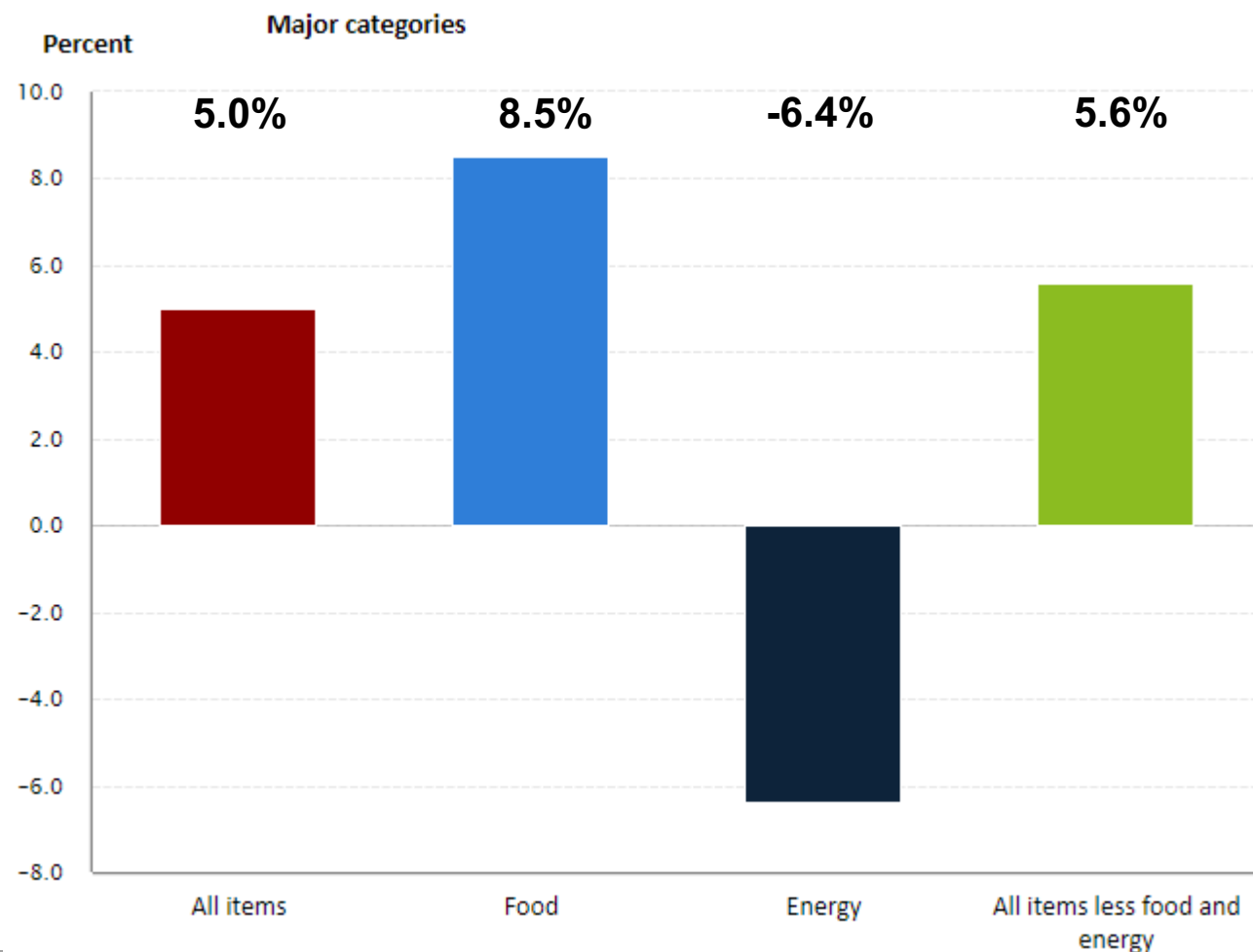
Inflation – Consumer Price Index (CPI)



Inflation – Consumer Price Index (CPI)

Source: U.S. Bureau of Labor Statistics

March '23 - Not Seasonally Adjusted



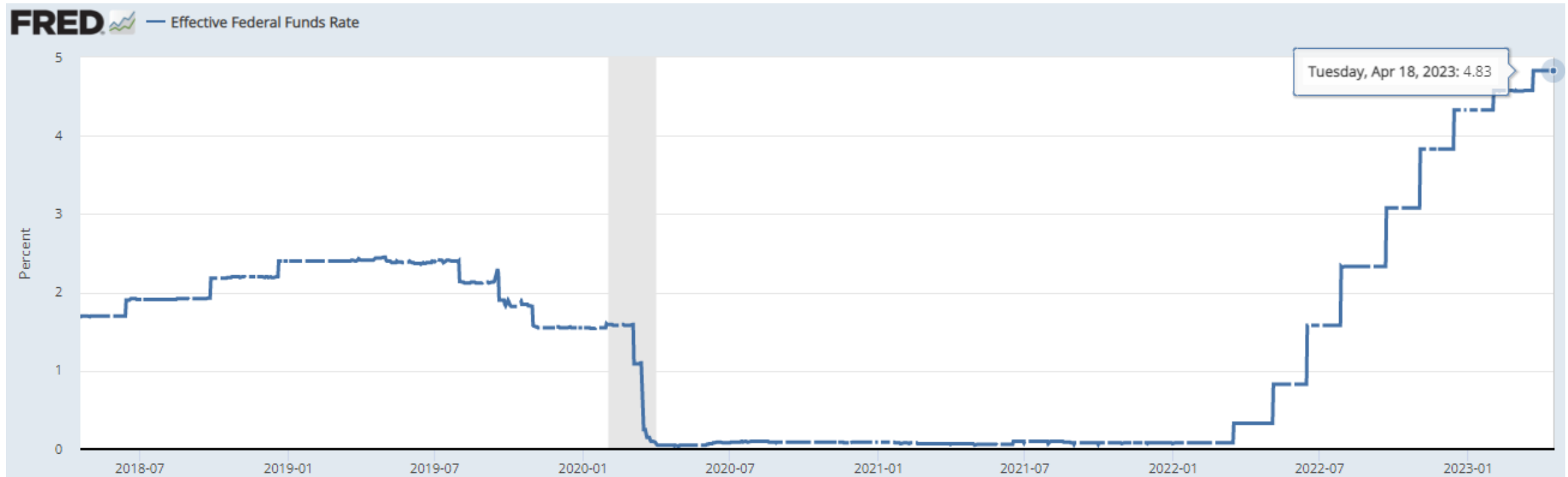
Fed F.O.M.C. – Target Rate Change by Month

Source: Federal Reserve

- ✓ March 0.25% Increase > Range 0.25 – 0.50%
- ✓ May 0.50% Increase > Range 0.75 – 1.0%
- ✓ June 0.75% Increase > Range 1.5 – 1.75%
- ✓ July 0.75% Increase > Range 2.25 – 2.5%
- ✓ September 0.75% Increase > Range 3.00 – 3.25%
- ✓ November 0.75% Increase > Range 3.75 – 4.00%
- ✓ December 0.50% Increase > Range 4.25 – 4.5%
- ✓ January 0.25% Increase > Range 4.5 – 4.75%
- ✓ **February 0.25% Increase > Range 4.75 – 5.00%**

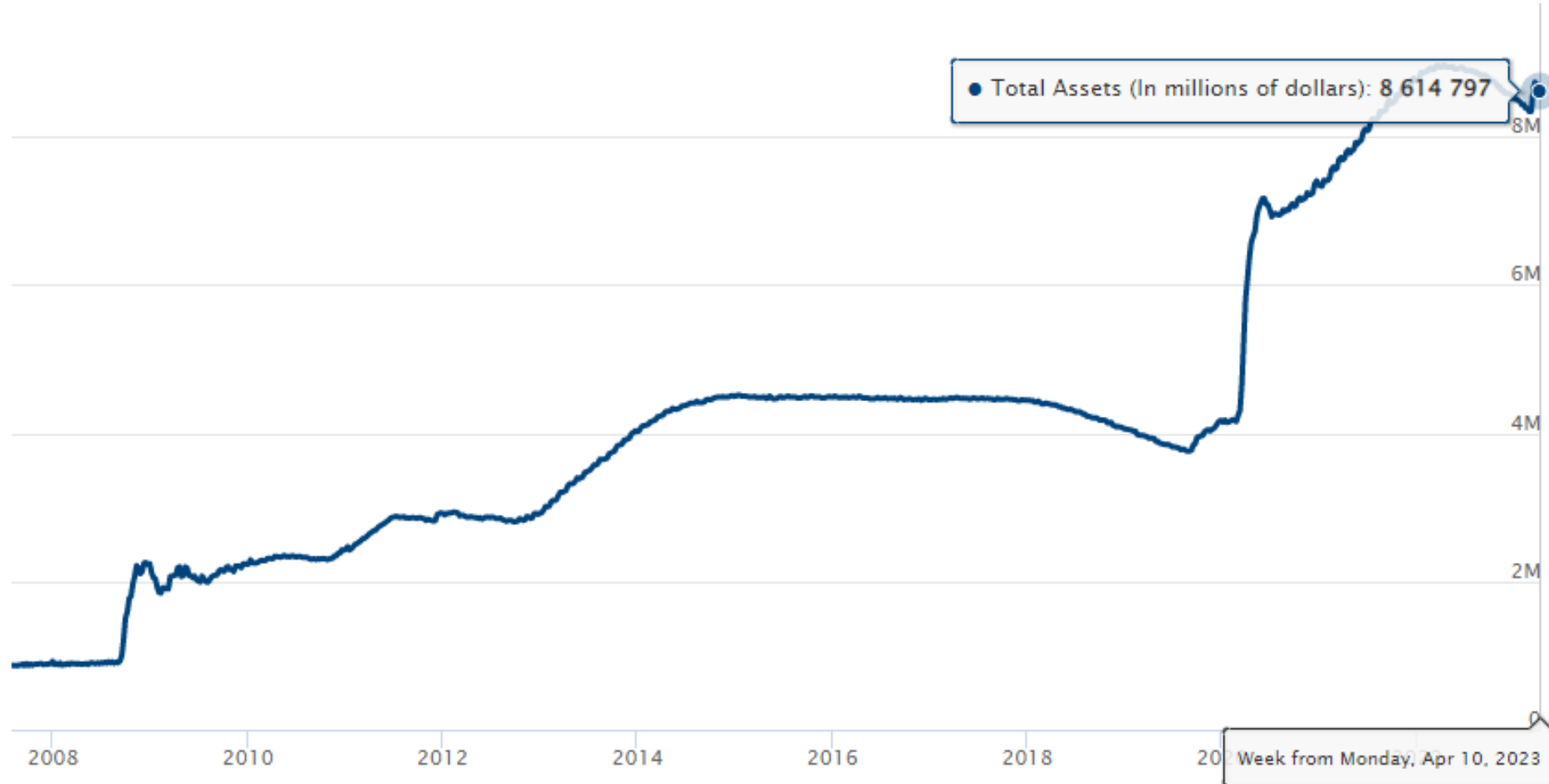
Federal Funds Effective Rate

Source: Federal Reserve Bank of St. Louis



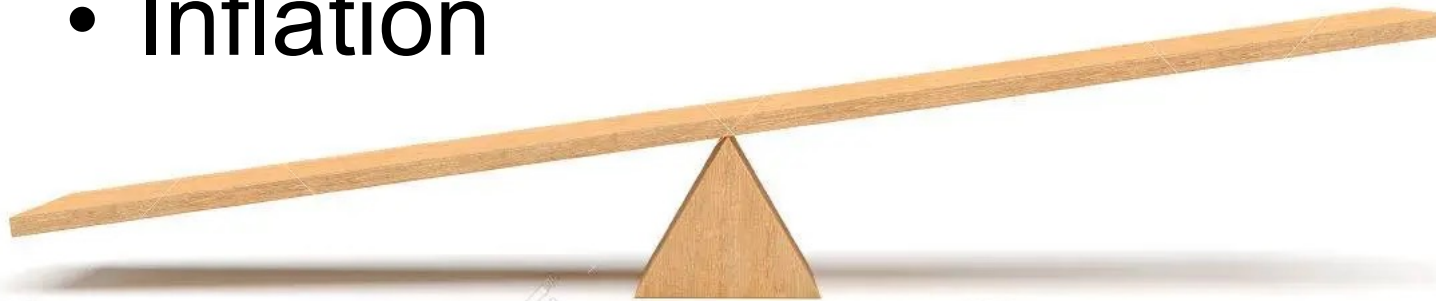
Fed - Unwinding/Shrinking Balance Sheet

Source: Board of Governors FOMC

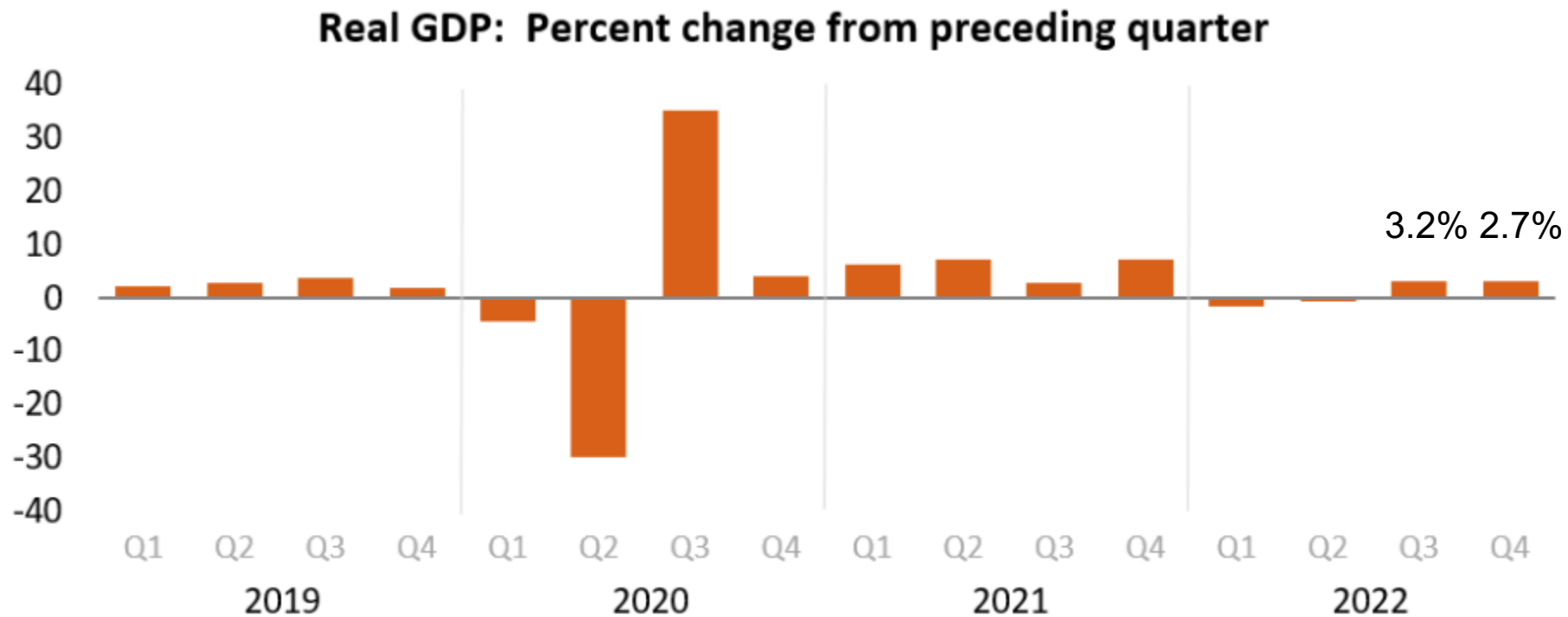


Fed Decision-Making Near Term

- Inflation
- Regional Bank Concerns
- Recession Concerns



Gross Domestic Product (GDP)

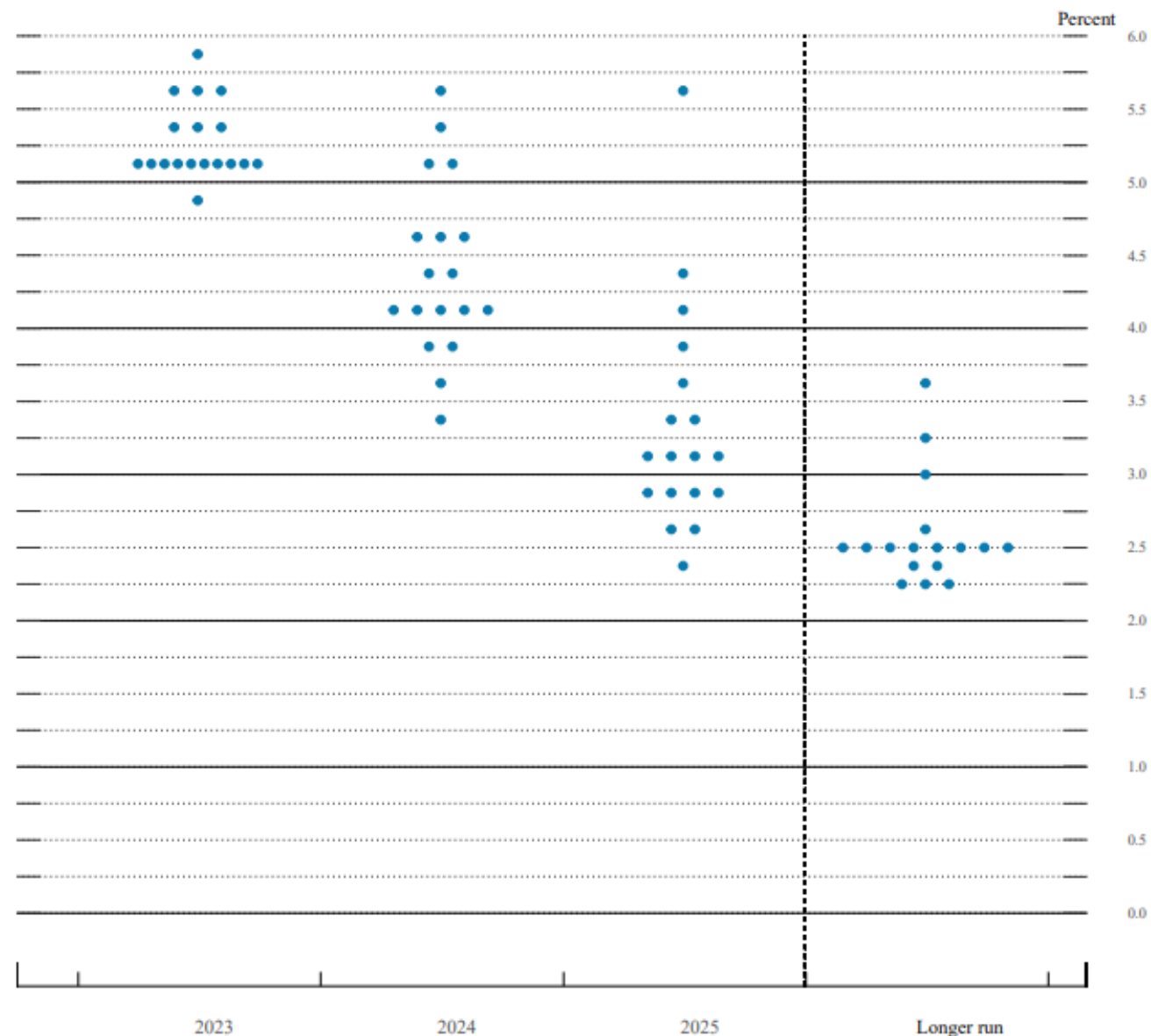


U.S. Bureau of Economic Analysis

Seasonally adjusted annual rates

Fed Outlook Dot Chart

FOMC Participants'
Assessments of Appropriate
Monetary Policy: Midpoint of
Target Range or Target Level for
the Federal Funds Rate

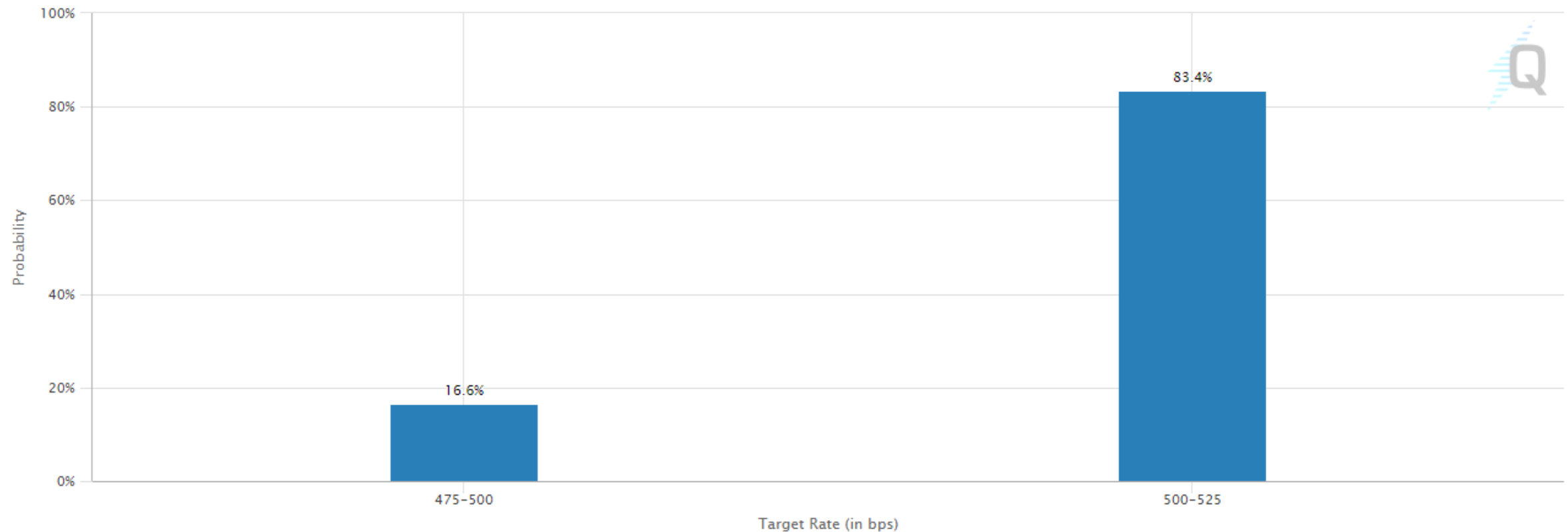


CME FedWatch Tool

Source: CME Group

TARGET RATE PROBABILITIES FOR 3 MAY 2023 FED MEETING

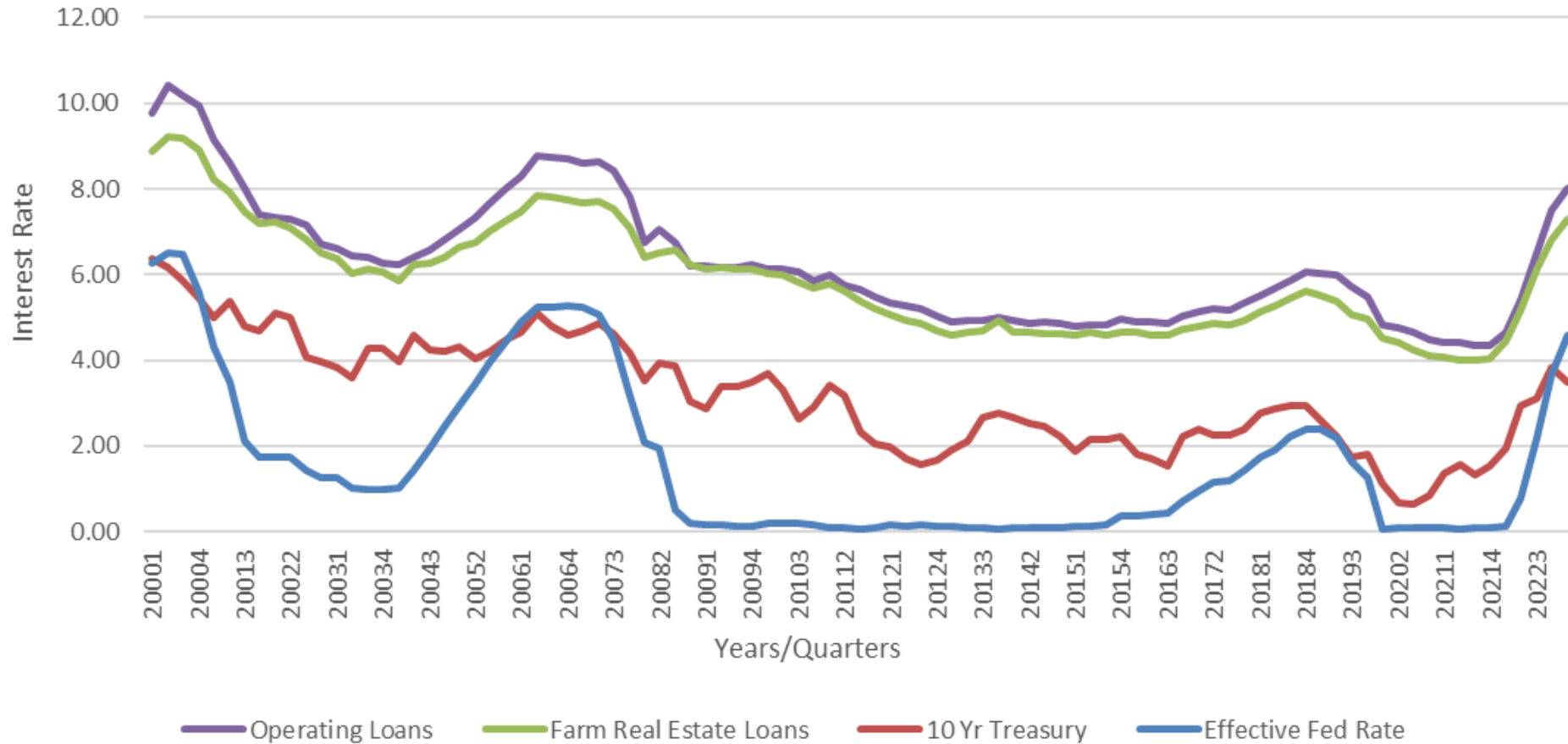
Current target rate is 475-500





Interest Rate Trends

Federal Reserve Bank of Chicago - Seventh District Credit Conditions
Federal Reserve Economic Data - Federal Reserve Bank of St. Louis Yahoo
Finance





U.S. Treasuries – 10 Year Treasury Yields

Source: CNBC





Credit Conditions Fed Seventh District Ag Banks

Credit Conditions Fed 7th District Ag Banks

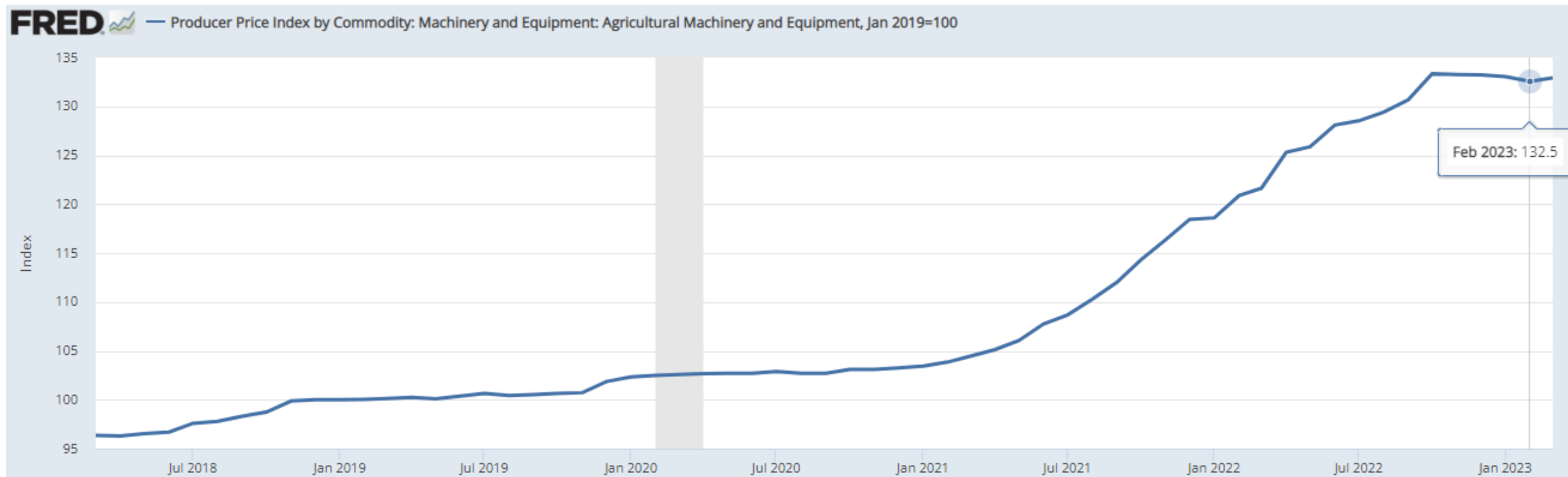
| | | Operating Loans percent | Feeder Cattle percent | Real Estate percent |
|-------------|------------------|-------------------------------|-----------------------------|---------------------------|
| 2021 | Oct-Dec | 4.34 | 4.53 | 4.03 |
| 2022 | Jan-Mar | 4.64 | 4.74 | 4.44 |
| | Apr-June | 5.42 | 5.53 | 5.17 |
| | July-Sept | 6.52 | 6.58 | 6.13 |
| | Oct-Dec | 7.50 | 7.54 | 6.80 |

Credit Conditions Fed Seventh District Agricultural Banks

| | | Loan Demand Index | Funds Availability Index | Repayment Rates Index | Loan - Dep. Ratio percent |
|-------------|------------------|-------------------------|--------------------------------|-----------------------------|---------------------------------|
| 2021 | Oct-Dec | 76 | 152 | 153 | 67.2 |
| 2022 | Jan-Mar | 83 | 148 | 159 | 65.0 |
| | Apr-June | 82 | 129 | 133 | 67.0 |
| | July-Sept | 91 | 96 | 121 | 68.2 |
| | Oct-Dec | 82 | 102 | 131 | 70.6 |

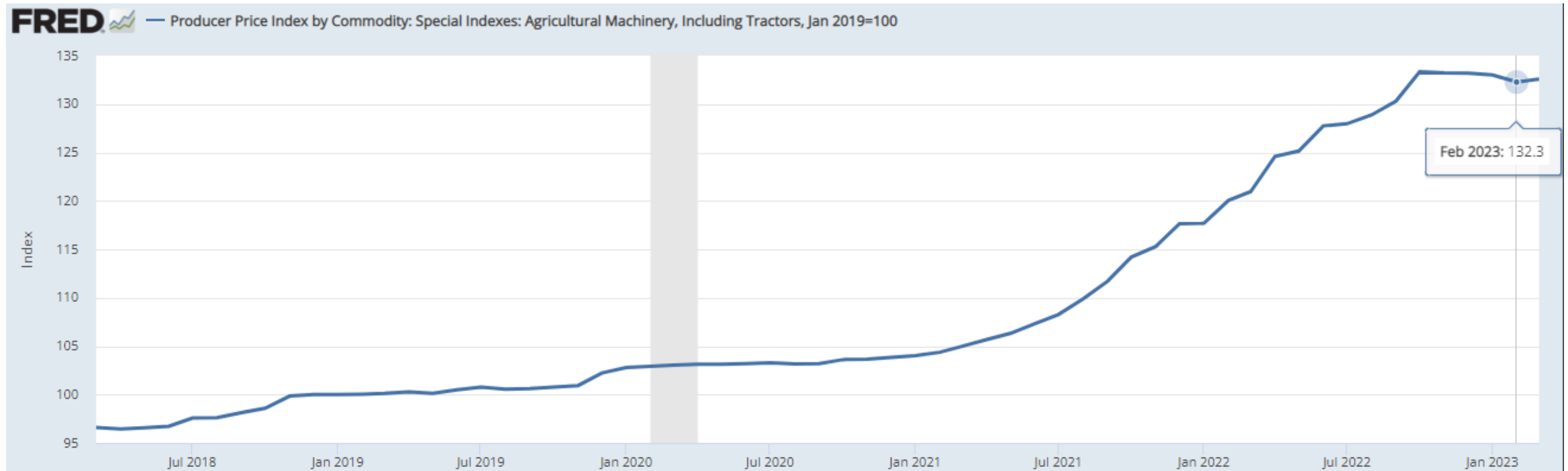
Producer Price Index by Commodity: Machinery and Equipment: Agricultural Machinery and Equipment

Source: Federal Reserve Economic Data (FRED) St. Louis Fed



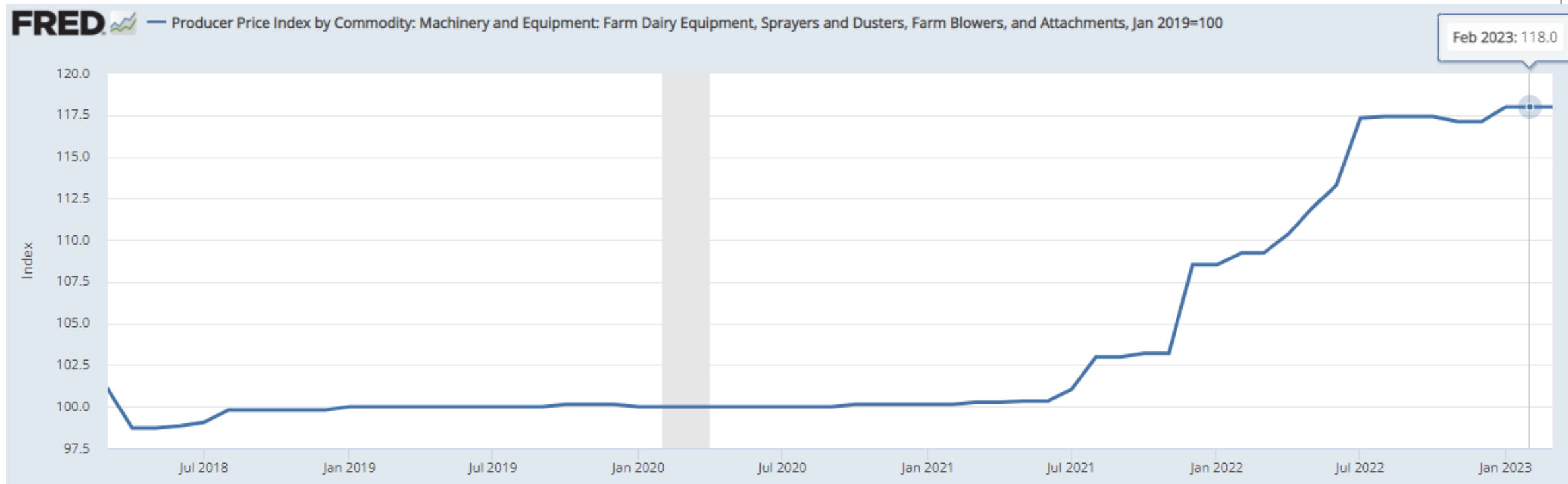
Producer Price Index by Commodity: Machinery and Equipment Agricultural Machinery and Equipment, Including Tractors

Source: Federal Reserve Economic Data (FRED) St. Louis Fed



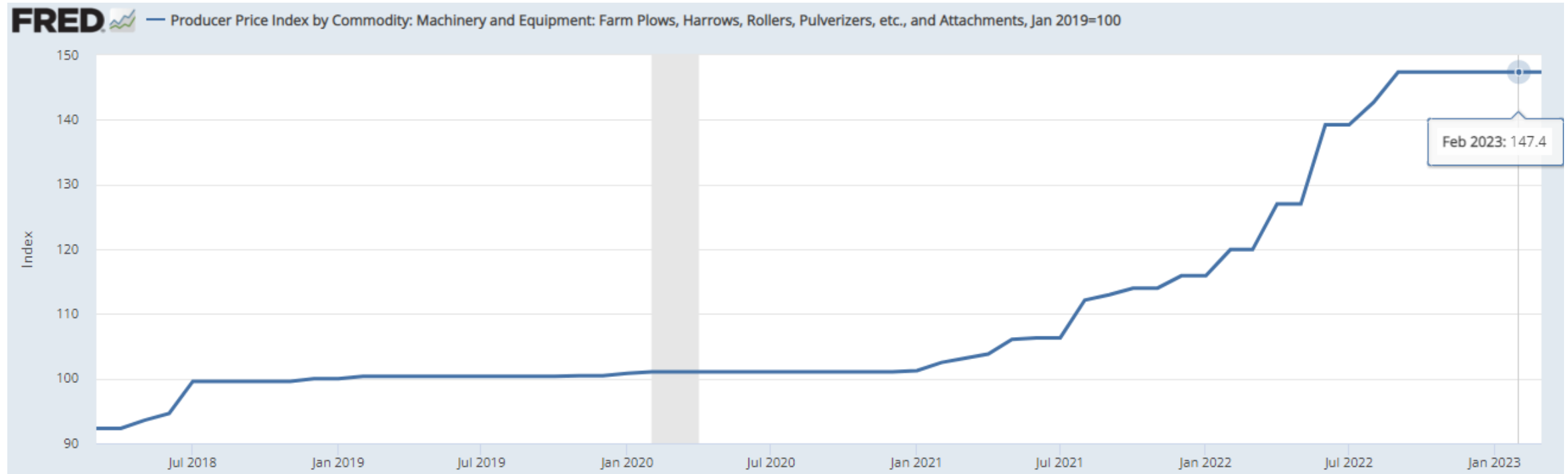
Producer Price Index by Commodity: Machinery and Equipment Farm Dairy Equipment, Sprayers & Dusters, Farm Blowers, Etc.

Source: Federal Reserve Economic Data (FRED) St. Louis Fed



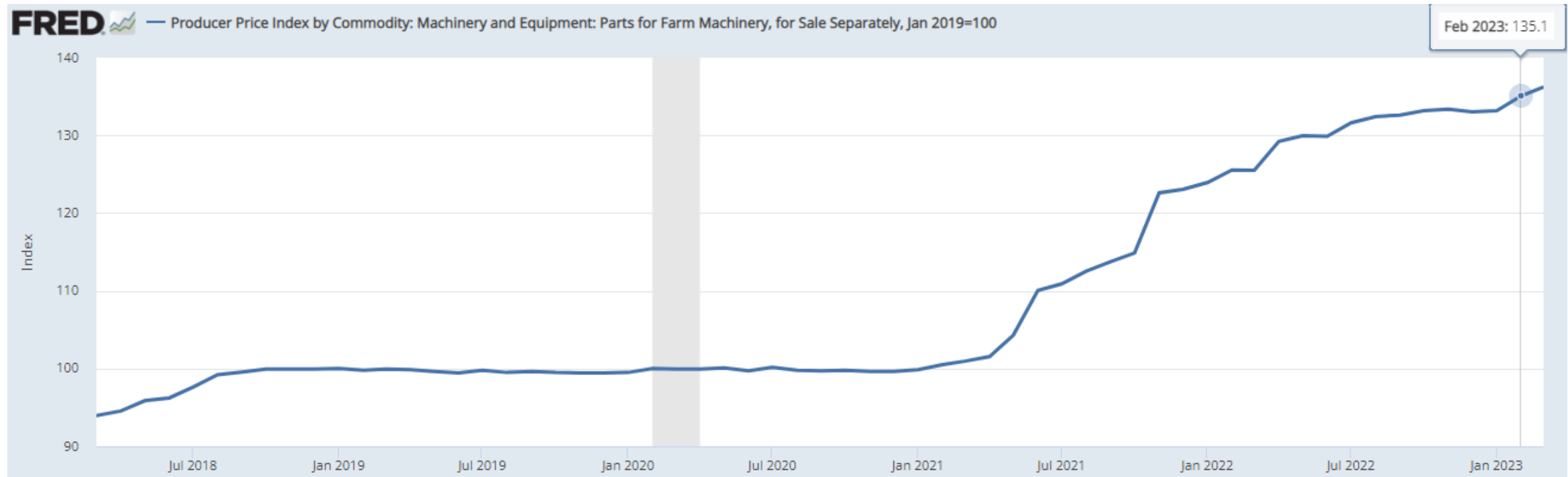
Producer Price Index by Commodity: Machinery and Equipment Farm Plows, Harrows, Rollers, Pulverizers, etc.

Source: Federal Reserve Economic Data (FRED) St. Louis Fed



Producer Price Index by Commodity: Machinery and Equipment Parts for Farm Machinery, for Sale Separately

Source: Federal Reserve Economic Data (FRED) St. Louis Fed



Input Costs and Budgets

Energy Information Administration

Short-Term Energy Outlook

EIA April 2023

| | 2021 | 2022 | 2023 | '22-'23 | '21-'23 |
|---------------------------------|-------|--------|--------------|---------------|---------|
| WTI Crude (\$/brl) | 68.21 | 94.91 | 79.24 | -23.0% | 16.2% |
| Brent Crude (\$/brl) | 70.89 | 100.94 | 82.95 | -25.4% | 17.0% |
| Gasoline (\$/gal) | 3.02 | 3.97 | 3.42 | -18.2% | 13.2% |
| Diesel (\$/gal) | 3.29 | 5.02 | 4.11 | -27.7% | 24.9% |
| Natural Gas (\$s/MMBtu) | 3.91 | 6.42 | 2.94 | -89.0% | -24.8% |
| U.S. Real GDP (% Change) | 5.9% | 2.1% | 1.1% | | |

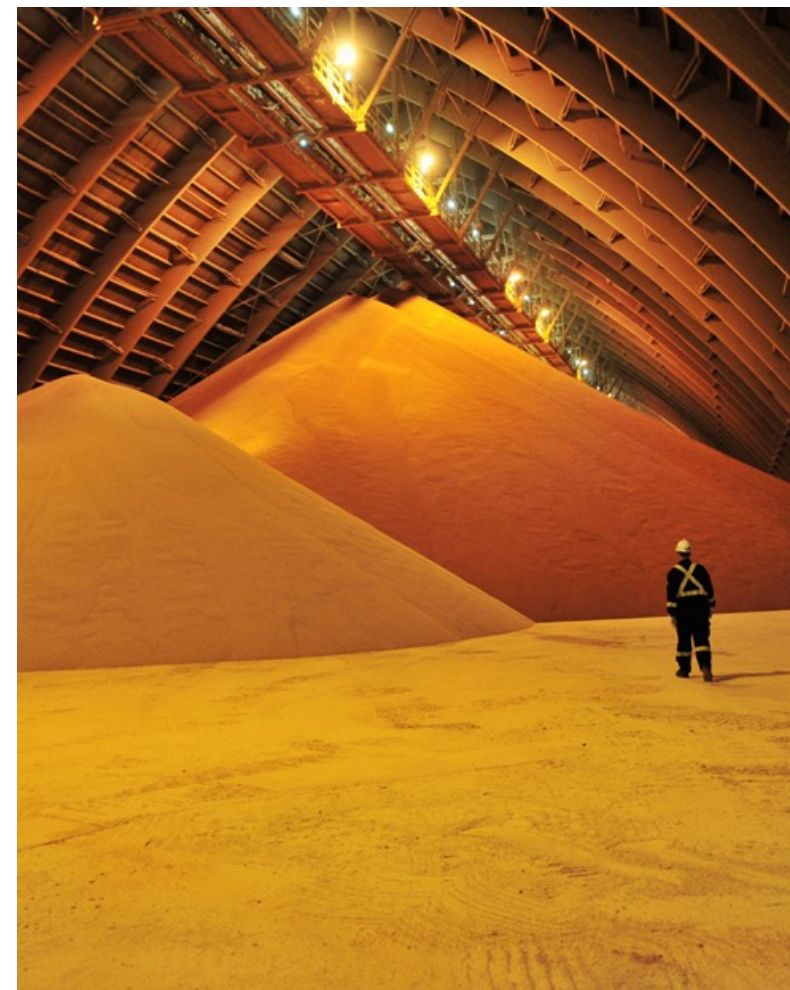
Source: EIA

DTN Fertilizer Price Survey 4/14/23

Source: DTN

DTN Fertilizer Price Survey 4/14/23

| OHIO | High | Low | Avg | Prev. | # |
|------------------|------|-----|-----|-------|---|
| UAN 28% | 578 | 380 | 473 | 455 | 5 |
| Urea | 740 | 490 | 598 | 598 | 6 |
| MAP 11-52-00 | 848 | 760 | 800 | 797 | 6 |
| Potash | 610 | 550 | 573 | 573 | 6 |
| Starter 10-34-00 | 875 | 780 | 828 | 828 | 5 |



Ohio Crop Enterprise Budgets 2023

Input Costs

- ✓ Seed Cost: +5%
- ✓ Diesel Price: \$3.75 / gallon
- ✓ Crop Protection
Chemical Cost: Flat

- ✓ Fertilizer Prices:
 - ✓ NH₃ \$900/T
 - ✓ 28% \$400/T
 - ✓ MAP \$750/T
 - ✓ Potash \$550/T

- ✓ Machinery & Equipment / Repairs: +20%
- ✓ Interest Rates / Carrying Charges: Higher
- ✓ Rents: Higher



| CORN BUDGET - 2023 | | | |
|-----------------------------|-----------------------|-----------------------|------------|
| | | Yield in bushels/acre | |
| Receipts | | 184 | 220 |
| Corn Price | \$5.40 /bushel | \$991.98 | \$1,190.38 |
| ARC/PLC + Ad Hoc | | \$0.00 | \$0.00 |
| Variable Costs | | | |
| Seed Cost | | \$115.60 | \$122.83 |
| Fertilizer+Soil Amendment | | \$185.92 | \$207.19 |
| Chemicals (Crop Protection) | | \$51.03 | \$51.03 |
| Fuel | | \$24.75 | \$24.75 |
| Repairs | | \$33.75 | \$33.75 |
| Crop Insurance | | \$30.00 | \$40.00 |
| All Other | | \$174.61 | \$201.19 |
| Total Variable Costs / Acre | | \$615.66 | \$681.19 |
| Fixed Costs | | | |
| Labor and Management | | \$90.10 | \$100.02 |
| Machinery Cost | | \$93.20 | \$93.20 |
| Land Rent | | \$228.00 | \$283.00 |
| Total Costs / Acre | | \$1,048.13 | \$1,178.59 |
| Returns | | | |
| Return Above Total Costs | | -\$56.15 | \$11.79 |
| Return Above Variable Costs | | \$376.32 | \$509.18 |
| Return to Land | | \$171.85 | \$294.79 |

SOYBEAN BUDGET - 2023

| | | Yield in bushels/acre | |
|-----------------------------|-----------------|-----------------------|----------|
| Receipts | | 57 | 68 |
| Soybean Price | \$12.80 /bushel | \$723.20 | \$867.84 |
| ARC/PLC + Ad Hoc | | \$0.00 | \$0.00 |
| Variable Costs | | | |
| Seed Cost | | \$69.60 | \$69.60 |
| Fertilizer+Soil Amendment | | \$68.63 | \$81.10 |
| Chemicals (Crop Protection) | | \$78.07 | \$78.07 |
| Fuel | | \$20.84 | \$20.84 |
| Repairs | | \$28.78 | \$28.78 |
| Crop Insurance | | \$24.00 | \$29.00 |
| All Other | | \$46.76 | \$53.82 |
| Total Variable Costs / Acre | | \$336.67 | \$360.06 |
| Fixed Costs | | | |
| Labor and Management | | \$55.96 | \$63.19 |
| Machinery Cost | | \$74.59 | \$74.59 |
| Land Rent | | \$228.00 | \$283.00 |
| Total Costs / Acre | | \$709.28 | \$799.89 |
| Returns | | | |
| Return to Total Costs | | \$13.92 | \$72.94 |
| Return to Variable Costs | | \$386.53 | \$507.78 |
| Return to Land | | \$241.92 | \$355.94 |

| WHEAT BUDGET - 2023 | | | |
|-----------------------------|-----------------------|-----------------------|-----------|
| | | Yield in bushels/acre | |
| Receipts | | 74 | 89 |
| Wheat Price | \$6.70 /bushel | \$495.80 | \$594.96 |
| ARC/PLC + Ad Hoc | | \$0.00 | \$0.00 |
| Variable Costs | | | |
| Seed Cost | | \$47.88 | \$47.88 |
| Fertilizer+Soil Amendment | | \$108.68 | \$131.03 |
| Chemicals (Crop Protection) | | \$13.18 | \$13.18 |
| Fuel | | \$15.00 | \$15.00 |
| Repairs | | \$18.56 | \$18.56 |
| Crop Insurance | | \$15.00 | \$18.00 |
| All Other | | \$66.06 | \$74.32 |
| Total Variable Costs / Acre | | \$284.36 | \$317.96 |
| Fixed Costs | | | |
| Labor and Management | | \$49.09 | \$54.05 |
| Machinery Cost | | \$43.16 | \$43.16 |
| Land Rent | | \$228.00 | \$283.00 |
| Total Costs / Acre | | \$617.60 | \$711.16 |
| Returns | | | |
| Return Above Total Costs | | -\$121.80 | -\$116.20 |
| Return Above Variable Costs | | \$211.44 | \$277.00 |
| Return to Land | | \$106.20 | \$166.80 |

Crop Enterprise Budgets 2023

| | | Corn | Soybeans | Wheat |
|-----------------------------|------------|------------|------------|-----------|
| Receipts | bu/A Price | 184@\$5.40 | 57@\$12.80 | 74@\$6.70 |
| Crop Revenue | | \$991.98 | \$723.20 | \$495.80 |
| ARC/PLC + Ad Hoc | | \$0.00 | \$0.00 | \$0.00 |
| | | | | |
| Variable Costs | | \$615.66 | \$336.67 | \$284.36 |
| | | | | |
| Returns | | | | |
| Return Above Variable Costs | | \$376.32 | \$386.53 | \$211.44 |
| Return Above Total Costs | | -\$56.15 | \$13.92 | -\$121.80 |
| Return to Land | | \$171.85 | \$241.92 | \$106.20 |



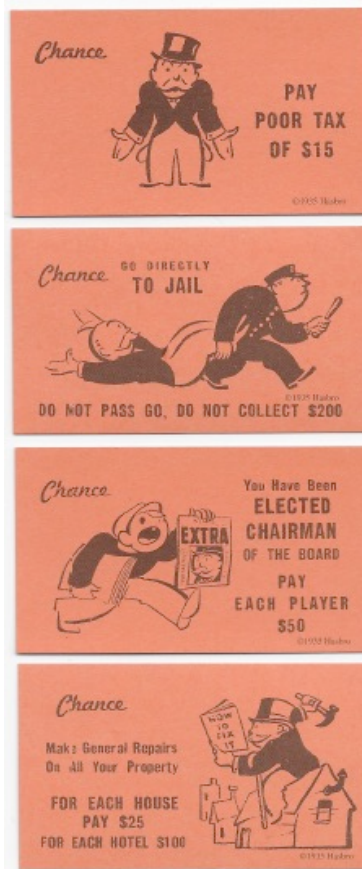
Avoiding Chance By Making 2023 Record Keeping Goals

Wm. Bruce Clevenger
Ohio State University Extension
Field Specialist, Farm Management

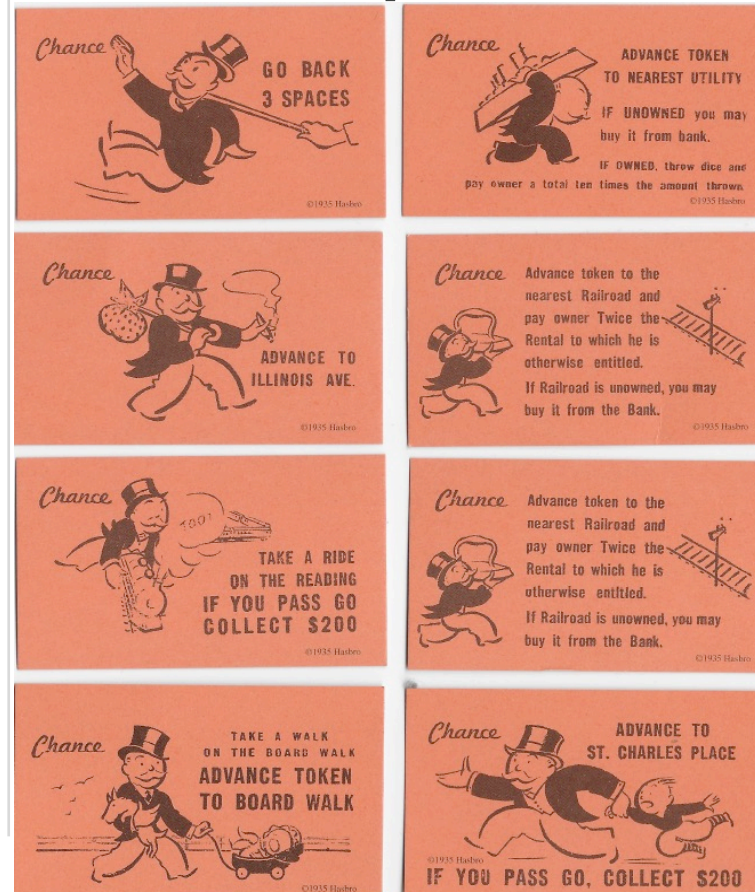
What are the Chances?



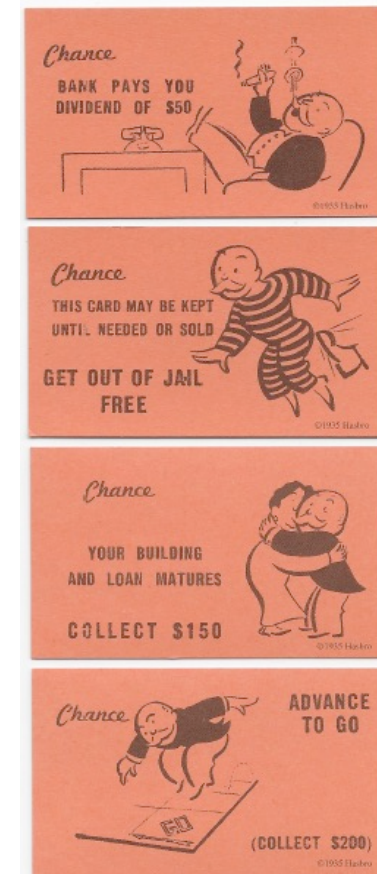
Negative



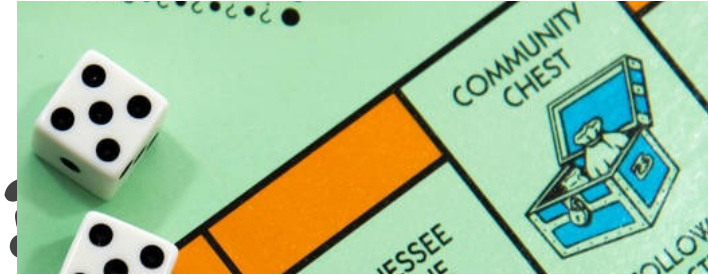
It Depends



Positive



Community Chest Odds:



Negative



Positive



Decisions throughout the Year

- End of Year Tax Planning
- Cost of Production
- Target Marketing Price
- Farm tasks – who, what, when, where
- Keep or Add Enterprises
- Prioritize ROI



Why are Decisions Tough?

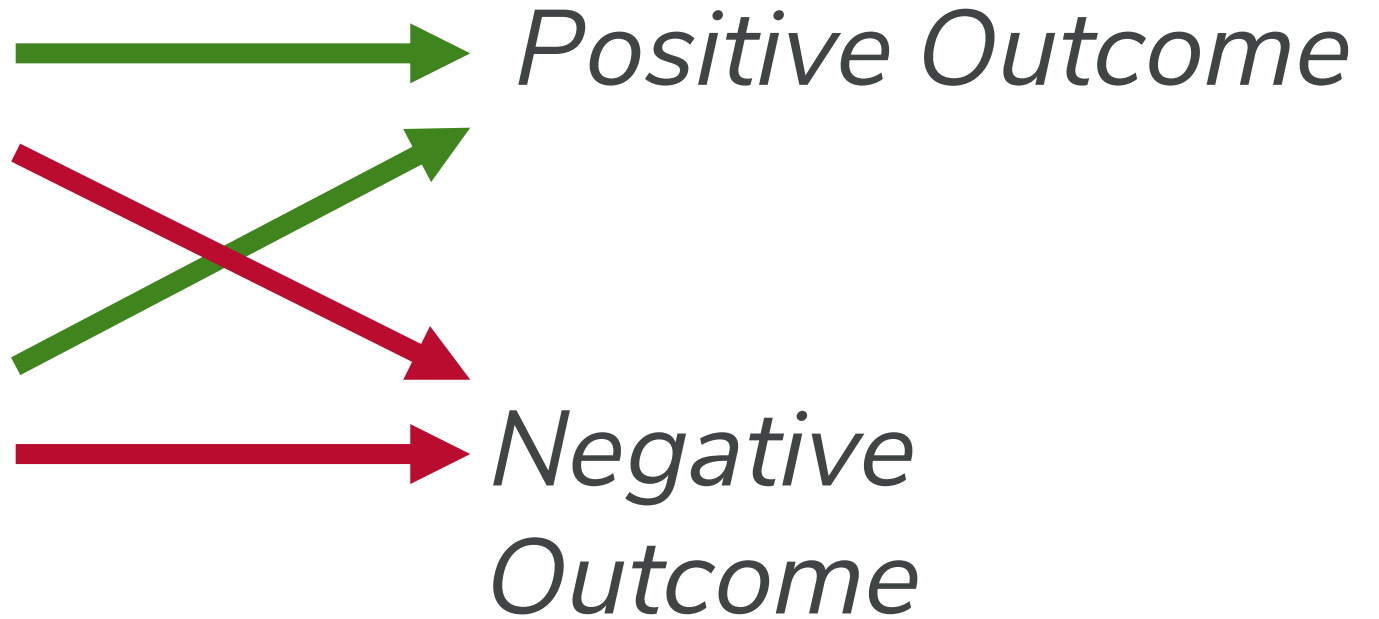
- Lack of accurate information
- Emotions involved
- Misery of Indecisiveness
 - Looking for Confirming Evidence
 - False Hopes
 - Disproportional weights
 - Sunk-Cost Conscious



Good Decision-Making vs. Outcomes

Good
Decision-
Making

Bad
Decision-
Making



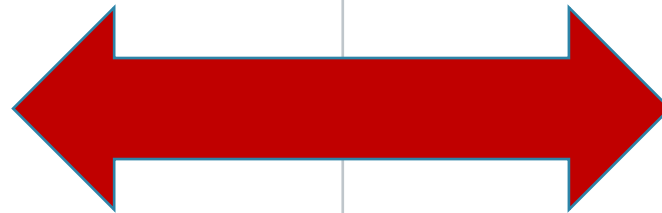
Record Keeping

Accounting

- Financial Bookkeeping
- Income and Expenses
- Tax Return

Non-Accounting

- Production Records
- Activities
- Observations



Production Record Keeping

Non-Accounting Records

Production Record Keeping

Non-accounting

- Crops
- Livestock
- Home-Based Foods (fruits, veg, meat, poultry)
- Agritourism



Livestock Production Records

Cow/calf & Cattle, Swine, Poultry, Sheep/Goat

| Maternal (dam) | Paternal (sire) | Growth |
|---|------------------------------|--------------------------|
| | <u>Whole-Herd Records</u> | |
| Pregnancy % | Pregnancy % | Pounds Weaned per Female |
| Live Birth % | Dam/Sire Ratio | Pounds of Feed Fed |
| Weaning % | | Pounds Marketed |
| Cull % | | Pounds Feed / Pound Gain |
| | <u>Individual ID Records</u> | |
| Bred Exposure (1 st , 2 nd , etc) | Breeding Soundness Exam | Birth Weight |
| Number Born | Breed and Type | Weaning Weight |
| Birthing Difficulty (1-4) | Coverage % | Market Weight |
| Pounds Weaned | Health/Medication | Average Daily Gain |

Crop & Food Production Records

Corn, Soybean, Wheat, Forages, Vegetables, Fruit, etc

| Agronomy | Production/Inventory | Marketing & Risk Management |
|---------------------------|-----------------------|-----------------------------|
| Planting & Harvest Dates | Harvest Yield | Forward Contracts |
| Soil Test Results | Stored Grain/Forages | Crop Insurance |
| Fertilizer/Manure Apps | Raised Feed | USDA-FSA Enrollment |
| Chemical Apps | Input Inventory | Lease Agreements |
| Crop Genetics/Traits | Machinery | Other Insurance |
| Crop Rotation/Cover Crops | Maintenance | Food Safety Training/SOP |
| Pest Observations | Equipment & Tools | Certificates |
| Equipment Settings | Farm Drainage Systems | Verifications |

Agritourism Production Records

Corn Maze, Farm Zoo, Agritainment Activities, Tours, etc

| Customer Experience | Logistics | Staffing |
|--------------------------|-----------------------------|-------------------------|
| Pictures on Social Media | Car Traffic Flow In/Out | Number of Guests |
| Content of Pictures | # of Cars Waiting | Number of Staff |
| Ave # People in Line | Time Cars in Line to Parked | Injuries per Guest |
| Max Wait Time | Guest per Hour / Activity | Activity Repair per Day |
| Guest Reviews | Peak Hour & Day | |
| Guest complaint | | |





Where to Start?

Production Records

- Set a goal to measure 2-3 production measures in the next 9-12 months
 1. Determine the market animal average daily gain from wean to market.
 2. Determine the actual cost of drying corn at the elevator; total cost and cost per bushel.
 3. Determine the machinery maintenance needs/schedule for the next 12 months
- Determine what needs measured/observed
 1. Animal ID, market weight (group or individual), weaning weight, days wean to market.
 2. Scale/Sale tickets, moisture discount paid, shrink, total gross delivered, net bushels sold
 3. Machinery inventory, last regular service, prevent maintenance observations
- Evaluate – was the goal reached? – Mark the calendar

Summary and Thank You!

- Making Record Keeping do More than a Tax Return
- Use Records to Make Decisions
- Set 2-3 Record Keeping Goals for 2023
- Improving Performance with Data

<https://farmoffice.osu.edu/>

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COLLEGE OF FOOD, AGRICULTURAL,
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Wm. Bruce Clevenger

Ohio State University Extension
Field Specialist, Farm Management

Associate Professor
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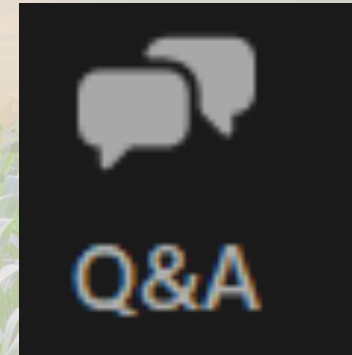


**Slides and a recording for today's presentation can
be found at:**

go.osu.edu/farmofficelive

Questions??

- ❖ Feel free to submit questions at any time using the Q/A feature at the bottom of your screen.
- ❖ You can also email questions to David Marrison at marrison.2@osu.edu
- ❖ We will try to answer as many questions as we can at the end of the presentation.





Please help us by completing today's evaluation

https://osu.az1.qualtrics.com/jfe/form/SV_5yFq5D0d8tm6z2K