

2024 Farm Income Tax Update

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Income Tax Brackets & Credits



2024 Federal Income Tax

- No exemptions
- Standard deduction
 - Single – \$14,600
 - Married filing joint (MFJ) – \$29,200
 - Increases if you (or a spouse) is over age 65 or legally blind
- Premium Tax Credit available for households above 400% of federal poverty level - continued
 - Eligible for credit if second-lowest cost silver plan (benchmark plan) is more than 8.5% of household income



2024 Federal Brackets - MFJ

Taxable Ordinary Income			Taxable Capital Gain Income		
		Tax Rate			Tax Rate
0	23,200	10.0%	0	94,050	0%
23,201	94,300	12.0%	94,051	583,750	15.0%
94,301	201,050	22.0%	583,751	+	20.0%
201,051	383,900	24.0%			
383,901	487,450	32.0%			
487,451	731,200	35.0%			
731,201	+	37%			



2024 Federal Brackets - Single

Taxable Ordinary Income			Taxable Capital Gain Income		
		Tax Rate			Tax Rate
0	11,600	10.0%	0	47,025	0%
11,601	47,150	12.0%	47,026	518,900	15.0%
47,151	100,525	22.0%	518,901	+	20.0%
100,526	191,950	24.0%			
191,951	243,725	32.0%			
243,726	609,350	35.0%			
609,351	+	37%			



2024 Depreciation

- **Reminder: No like-kind exchanges for personal property (TCJA)**
 - Treat equipment trades as a sale and outright purchase
- **§179 Deduction limit = \$1,220,000**
 - Investment limit = \$3,050,000 (deduction reduced \$1 for every \$1 over investment limit)
- **Bonus depreciation**
 - 60% in 2023 (40% in 2025, 20% in 2026, eliminated in 2027)
 - Bonus is the only option to quickly write off multi-purpose ag structures
- **Ordering rules limit “quick” depreciation for equipment purchases**
 - ≤\$1,220,000: all depreciation can be taken
 - \$1,220,000 to \$3,050,000: 60% amount over §179 taken
 - >\$4,270,000 eliminates §179 deduction, so only bonus is available (60%)



2024 Tax Credits

- **Child Tax Credit**
 - \$2,000 per qualifying child under 17 years old
 - Available if AGI is <\$400,000 MFJ (<\$200,000 single)
 - Refundable portion (via Additional Child Tax Credit) equals 15% of earned income over \$2,500 (max of \$1,700 per child)
- **Credit for Other Dependents**
 - \$500 per qualifying child 17-24 if a student or disabled
- **Child and Dependent Care Credit**
 - Credit equals percentage of qualified expense
 - Qualified expense limited to \$3,000 for one child or \$6,000 for two or more
 - 35% if AGI is \$15,000 or less
 - 20% if AGI is \$43,000 or more



2024 Retirement Plan Contributions

- Traditional or Roth IRA Max = \$7,000 (\$8,000 if >49)
 - May be limited if you participate in another plan
 - No age limit after 2020
- SIMPLE IRA Max elective deferral = \$16,000 (\$19,500 if >49)
 - Plus “employer” match of 3% (usually)
- SEP Max = \$69,000
 - Percentage of Schedule F income , up to about 18% (depending on income)
 - No elective deferral or catch-up contribution
- 401(k) Max = \$69,000 (\$76,500 if >49)
 - Percentage of Schedule F income, up to about 18% (depending on income)
 - Elective deferral max = \$23,000 (\$30,500 if >49)

NOTE: **Phaseouts may apply** if you **or your spouse** participate in an **employer sponsored plan**



2024 Federal Income Tax

- Standard mileage rate
 - \$0.67 per mile for business miles
 - \$0.21 per mile for medical and moving miles
 - \$0.14 per mile for charitable miles
- Educator expense deduction = \$300
- Business meals deduction = 50% (same as 2023)
 - Non-deductible beginning in 2026
 - Entertainment expenses not deductible



2024 Kansas Income Tax

- Changed for the first time in many years with SB1
- Amends tax rates and collapses tiers
- Exemption amount –
 - Single - \$9,160
 - Married filing joint (MFJ) - \$18,320
 - Dependents - \$2,320
- Standard deduction
 - Single – \$3,605
 - Married filing joint (MFJ) – \$8,240



2024 Kansas Income Tax

- Modifies taxability of social security benefits – eliminates income limit of \$75,000
- Increases the existing household and dependent care tax credit from 25% to 50% of the federal credit



2024 Kansas Brackets

Married Filing Joint			Single		
Taxable Income		Tax Rate	Taxable Income		Tax Rate
0	46,000	5.2%	0	23,000	5.2%
46,001	+	5.58%	23,001	+	5.58%



2023 vs. 2024 Kansas Bracket Comparison

2023			2023		
Married Filing Joint		Tax Rate	Single		Tax Rate
Taxable Income			Taxable Income		
0	30,000	3.1%	0	15,000	3.1%
30,001	60,000	5.25%	15,001	30,000	5.25%
60,001	+	5.7%	30,001	+	5.7%

2024			2024		
Married Filing Joint		Tax Rate	Single		Tax Rate
Taxable Income			Taxable Income		
0	46,000	5.2%	0	23,000	5.2%
46,001	+	5.58%	23,001	+	5.58%



Dollars and Cents – Example 1

- Single Kansas filer with \$25,000 gross income

2023		2024	
Gross Income	\$25,000	Gross Income	\$25,000
- Standard Deduction	\$3,500	- Standard Deduction	\$3,605
- <u>Exemption Allowance</u>	<u>\$2,250</u>	- <u>Exemption Allowance</u>	<u>\$9,160</u>
Taxable Income	\$19,250	Taxable Income	\$12,235
<u>Marginal Tax Brackets</u>		<u>Marginal Tax Brackets</u>	
\$15,000 Taxable Income * 3.1% = \$465		\$12,235 Taxable Income * 5.2% = \$1,196	
\$4,250 Taxable Income * 5.25% = \$223			
Kansas State Tax = \$688		Kansas State Tax = \$636	



Dollars and Cents – Example 2

- Single Kansas filer with \$50,000 gross income

2023		2024	
Gross Income	\$50,000	Gross Income	\$50,000
- Standard Deduction	\$3,500	- Standard Deduction	\$3,605
- <u>Exemption Allowance</u>	<u>\$2,250</u>	- <u>Exemption Allowance</u>	<u>\$9,160</u>
Taxable Income	\$44,250	Taxable Income	\$37,235
<u>Marginal Tax Brackets</u>		<u>Marginal Tax Brackets</u>	
\$15,000 Taxable Income * 3.1% = \$465		\$23,000 Taxable Income * 5.2% = \$1,196	
\$15,000 Taxable Income * 5.25% = \$788		\$14,235 Taxable Income * 5.58% = \$794	
\$14,250 Taxable Income * 5.7% = \$812			
Kansas State Tax = \$2,065		Kansas State Tax = \$1,990	



Dollars and Cents – Example 3

- Married Filing Jointly (MFJ) Kansas filers with \$150,000 gross income and 2 dependents

2023		2024	
Gross Income	\$150,000	Gross Income	\$150,000
- Standard Deduction	\$8,000	- Standard Deduction	\$8,240
- <u>Exemption Allowance</u>	<u>\$9,000</u>	- <u>Exemption Allowance</u>	<u>\$22,960</u>
Taxable Income	\$133,000	Taxable Income	\$118,800

Marginal Tax Brackets
\$30,000 Taxable Income * 3.1% = \$930
\$30,000 Taxable Income * 5.25% = \$1,575
\$73,000 Taxable Income * 5.7% = \$4,161

Marginal Tax Brackets
\$46,000 Taxable Income * 5.2% = \$2,392
\$72,800 Taxable Income * 5.58% = \$4,062

Kansas State Tax = \$6,666

Kansas State Tax = \$6,454



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Kansas SALT Parity Act

- Certain pass-through entities can elect to pay Kansas income tax (at 5.7% rate) on behalf of partners/members/shareholders
- Modification in 2024 Kansas income tax rates did NOT change the 5.7% rate, as per K.S.A. 79-32,287.
- When payments are made, taxes are deducted by the entity as a business expense, potentially reducing SE tax
 - State taxes paid by individual are itemized deductions and subject to SALT limitations (\$10,000) at the federal level
 - Reported by entity on KS Form K-9 (KS had trouble processing these for tax year 2022)
- Annual election by the entity



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Kansas SALT Parity Act

- Penalties if estimated tax payments are not made by the entity
- Likely makes sense for profitable entities, but less valuable as the rates did not change with tax rate modifications
- SALT Parity Act can be HIGHLY confusing for all involved
 - Kansas Department of Revenue (KDOR), taxpayers, etc.



2024 Gift & Estate Tax

- Annual exclusion amount for gifts is \$18,000 per person. Spouses filing jointly can split gifts and gift \$36,000 per recipient per year.
- Estate tax exemption \$13,610,000
 - Inflation adjusted each year through 2025
 - Scheduled to return to pre-TCJA levels in 2026 (estimated to be \$6-7 million w/ inflation adjustment)
- Portability of unused exemption to surviving spouse (DSUE)
- No IRS “claw back” after 2025
- No Kansas estate tax



Corporate Transparency Act & FinCEN Ruling



CTA & FinCEN

- September 2022, the Financial Crimes Enforcement Network (FinCEN) issued rule 31 CFR Part 1010.380
 - Implements Section 6403 of Corporate Transparency Act (CTA)
 - CTA was part of the National Defense Authorization Act for Fiscal Year 2021
- Rule establishes Beneficial Ownership Information (BOI) reporting requirements, effective January 1, 2024
- Aid in protection of the U.S. financial system from illegal use
- Aid in law enforcement and tax investigations



CTA & FinCEN

- On March 1, 2024, a federal district court in Alabama entered a final declaratory judgement citing the CTA as unconstitutional.
 - A Notice of Appeal was filed on March 11, 2024 by the Justice Department, on behalf of the Department of the Treasury
- According to the Financial Crimes Enforcement Network (FinCEN), they will continue to implement the CTA as required by Congress, while complying with the court's order.
- All reporting companies are **STILL** required to comply with the law and file beneficial ownership reports, unless a plaintiff or party of *National Small Business United v. Yellen*.
 - Members of the National Small Business Association



CTA & FinCEN

- Beneficial Owner includes anyone who directly or indirectly
 - Exercises substantial control over reporting company
 - Controls at least 25% of the ownership interest of reporting company
- Substantial control includes
 - Senior officer of the reporting company
 - Has authority over appointment or removal of senior officers or majority of the board
 - Directs, determines, or has substantial influence over important decision made by the reporting company
 - Company assets, organization, investments, business ventures, officer compensation, contracts, governing documents
 - Any other form of substantial control
- Exceptions for minors, employees, agents, lenders



CTA & FinCEN

- Information to be reported

- Full name of reporting company
- Any trade name or DBA
- Complete current address
- State of jurisdiction of reporting company
- IRS identification number
- For beneficial owners:
 - Full legal name
 - Date of birth
 - Complete current address
 - Unique identifying number from non-expired passport, state ID, driver's license
 - Image of document containing unique identifying number



CTA & FinCEN

- Reporting Deadlines:

- Existing Entities (those in existence before 1/1/2024): must file before **January 1, 2025**
- New Entities: 90 calendar days from notification that creation and/or registration is effective. Those created on or after January 1, 2025 will have 30 calendar days to register.
- Any changes to the required information will also require an updated report within 30 days (ownership, name, etc.)



Questions?



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