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Citrus Notes

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Inside this Issue:

Dear Growers,

Next week there will be a Citrus Thermotherapy Field Day in Ft. Pierce. Don't forget about signing up for the new statewide citrus BMP, it has to be done before the end of the year. The Annual Meeting of the Florida State Horticultural Society will be held in June. We still have a few of The 2014 Citrus Spray Guides available and I have copies at both my county offices. We have also done a quick discussion in the effect of soil pH on the availability of NP&K. In agricultural tax planning this month, residential gain exclusion. Lastly, catch up on the latest pesticide news and information.

Enjoy the issue,

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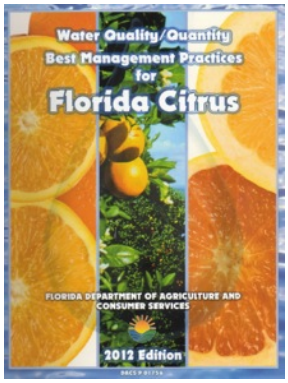
Citrus Thermotherapy Field Day

On Wednesday, April 30, 2014 there will be a Citrus Thermotherapy Field Day to be held at the USDA Agriculture Research Service Center in Fort Pierce. The field day will begin at 9 AM and lunch will be provided, but you must first register and provided transportation is limited first 70 registrants.

Four more information contact Parker Platts at 772-462-1628 or e-mail him at pplatts@ufl.edu. I have also enclosed the flier for the field day with the field day schedule.

Statewide Citrus BMP



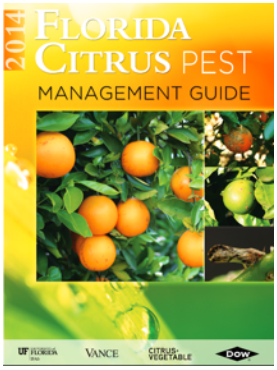
I know about a year or so ago the new statewide Citrus BMP Manual was released from the Florida Department of Agriculture and Consumer Services, Office of Ag Water Policy. This manual was designed to encompass the regional BMPs into a single manual to address best management practices for Florida citrus production. For growers who have previously signed a notice of intent for the Ridge Nitrogen Rule (best management practice), they will now need to sign up before the end of this year (December 31, 2014) to the new statewide citrus BMP.

Copies of this new statewide Citrus BMP Manual are available here at the County Extension Office in Bartow.

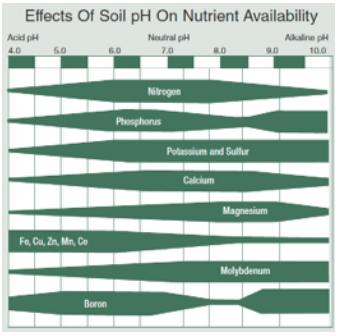
The Florida State Horticultural Society Annual Meeting

The 127th annual meeting of the Florida State Horticultural Society will be held at the Marriott Suites on San Key in Clearwater Beach, Florida from June 1 to June 3, 2014. For more information, including registration please go to the Florida State Horticultural Society's website at ***fshs.org***. At this website you can find registration information and links to hotel accommodations for the annual meeting. You can also pay your annual membership dues through the same website and review previously written articles that have been published in the Proceedings.

2014 Citrus Pest Management Guides



Just a reminder that we still have few copies left of the 2014 Citrus Pest Management Guides available here at the office in Bartow. These copies are available for you to pick up at your convenience.



Back to the Soil pH Discussion

Back in the February 2014 issue of Citrus Notes, we discussed the influence of soil pH on nutrient availability. This month we will further discuss the specific fate of nitrogen, phosphorus and potassium in soils that have elevated pH values (due to calcium carbonate). This discussion also assumes that these effects would be similar to conditions in the wetted zone where micro-sprinkler irrigation has raised soil pH.

Soil pH can affect several reactions involving nitrogen in the soil solution and the efficiency use of this nitrogen by plants. Nitrification, the conversion of ammonium to nitrate is done by soil bacteria and is most rapid in soils with a pH between seven and eight. Nitrification in the soil is nearly zero at a soil pH of five. So simply put, if a grower is using ammonium nitrate as a nitrogen source, then at a pH between seven and eight

the ammonium would be rapidly converted to nitrate. This would result in the nitrogen applied to be significantly susceptible to leaching due to the quick conversion of the ammonium nitrogen to the more soluble nitrate. At a lower soil pH, the ammonium in this ammonium nitrate would be more slowly converted to nitrate due to the reduced activity of soil bacteria. This reduction in the rate of ammonium to nitrate conversion would result in more of the nitrogen remaining in the ammonium form that is less susceptible to leaching.

In addition, soils with elevated pH values can cause the loss of nitrogen due to volatilization of ammonia (NH_3) to the atmosphere. This volatilization of nitrogen occurs when ammonium sources of nitrogen are applied to a soil surface with pH values greater than 7. In the management of nitrogen applied to soils, when pH values are above seven, there is a greater loss of nitrogen when ammonium forms of nitrogen are used.

Growers can better manage these potential ammoniacal losses of nitrogen by lowering the soil pH to slow the conversion to nitrate and reduce volatilization. Volatilization can also be reduced by incorporating this ammoniacal nitrogen in the soil by cultivation or irrigation. Using irrigation to incorporate ammonium forms of nitrogen in a high pH soil can result in additional leaching due to the faster conversion of this ammonium to nitrate by soil bacteria.

The availability of phosphorus in calcareous soils is also limited. The amount of phosphorus in a soil is closely related to the availability of this phosphorus to plants. In higher pH soils phosphorus reacts with soil calcium resulting in a decreased solubility of phosphorus (process called phosphorus fixation). In this situation the availability of phosphorus is determined by the amount of soluble phosphorus applied and any phosphorus that is released from that fixed phosphorus. Application of soluble phosphorus in these soils will only be available to plants for a short time due to the rapid phosphorus fixation at high soil pH. In this situation lowering the soil pH will decrease the amount of fixed phosphorus, resulting in the availability of additional previously insoluble phosphorus.

Potassium availability in high pH soils is difficult to achieve due to the occupation of the nutrient holding sites of the soil particle surface by excessive calcium. The occupation of these exchangeable soil particle sites will suppress uptake of potassium by citrus trees due to competition between calcium and potassium for the exchangeable soil particle sites. Although potassium would normally be available for plant uptake at a higher soil pH, this afore mentioned competition with soil calcium can negate this availability. Lowering the soil pH in this situation will lead to an overall reduction of the exchangeable sites of the soil particle that could be occupied by potassium (K^+) or other basic cations (calcium and magnesium). Potentially in the situation of elevated soil calcium levels, increasing the soil applied potassium or making foliar applied water soluble potassium containing fertilizers would be options. If you choose to increase the soil applied potassium, it should be noted that these applications to higher pH soils can result in additional soil leaching of potassium.

Agricultural Tax Planning - Residential Gain Exclusion

(Author: Thomas J. Bryant, CPA is Senior Tax Partner, Beasley, Bryant & Company, CPA's, P.A., Lakeland, Florida (863) 646-1373).

Section 121-Residential Gain Exclusion

Under Section 121 of the Internal Revenue Code (IRC) taxpayers may **claim** an **exclusion** of up to $500,000 for joint filers ($250,000 for single filers) of **gain realized** from the sale of the taxpayer's **principal** residence. Generally, the taxpayer must have owned and used the property as the principal residence for periods aggregating two years or more during the five year period ending on the date of the sale. In addition, the taxpayer cannot have used the gain exclusion during the two-year period preceding the date of sale.

A taxpayer that uses part of his personal residence for business, such as a home office or rental income property, **does not** need to allocate the basis of the property and the amount realized between the business portion of the home and the residence portion, but gain must be recognized to the extent of any allowable depreciation taken after May 6, 1997.

If a **separate part of the property** was used for business purposes or as rental income property, **the rules are different.** For example, if a taxpayer separates a

portion of the dwelling for business use with a separate entrance, other improvements, and business associates or employees have access to the business portion of the property when the taxpayer is not present, the business portion **would not** be considered part of the principal residence. Generally, if the **separate** portion of the property is used for business or rental purposes in the year of the sale, the taxpayer must treat the sale of the property as two separate sales, a residence sale and the business or rental property sale.

Sale with Adjacent Vacant Land

Many farmers have land adjacent to their dwellings which may include a grove of trees, personal pasture and other recreational land that is part of the farmer's principal residence and is **not** farm business property.

This land qualifies for the exclusion if:

- The property is adjacent to the land containing the farmhouse;
- The farmer owned and used the vacant land as part of his principal residence;
- The farmer sells the farmhouse in a sale that meets the requirements of IRC Section 121 less than two years before or two years after the sale of the vacant land; and
- The requirements of IRC Section 121 have otherwise been met with respect to the vacant land.

Land that has been actively farmed or rented during the look back period **does not qualify for the exclusion**.

Some Examples of the Above

1. Bill and Mary decide it is time to sell their farming business. The farm site consists of 25 acres of land including their principal residence, a general purpose business shed, machine shop, and farm equipment shed. About 20% of the land is the principal residence which includes the dwelling, a yard, and a grove of trees. The farm site is sold for $500,000 and Bill and Mary must allocate the sale proceeds on a reasonable basis between the residential portion of the property (including the dwelling, yard and grove of trees) and the farmland and other farm buildings. Assuming a reasonable allocation results in $100,000 of the sale proceeds allocable to the residential portion of the property and $400,000 to the farmland and farm buildings, only the $100,000 allocated to the residential portion of the property qualifies for the Section 121 exclusion. The remaining $400,000 is reported on Form 4797 or Schedule D, reduced by the allocated basis.

2. Joe, a grove grower, uses several rooms of his residence as his farm office. The business office represents about 20% of the total residence. Since May 7, 1997, Joe has claimed $5,000 of total depreciation attributable to his office-in-home. Joe sells his residence, resulting in a gain of $160,000. Joe is not required to allocate the $160,000 gain between the office-in-home portion and the remainder of the residence. Rather, he is only required to recognize the $5,000 of depreciation as gain. The remaining gain of $155,000 is excludable under the Section 121 rules. However, had Joe physically separated the business potion of the dwelling with a separate entrance etc. from the principal residence portion, he would have been required to recognize $32,000 of gain (20% of $160,000).

Like-Kind Exchanges

Revenue Procedure 2005-14 (Rev. Proc. 2005-14) provides guidance to taxpayers **who qualify for both** the deferral of gain on the exchange of like-kind properties under IRC Section 1031 and the exclusion of principal residence gain under IRC Section 121. The Rev. Proc. only applies if both the former residence and the replacement property have at least a portion of the property used in a trade or business or held for investment.

Determining Gain or Loss

There are three important terms in determining the gain or loss on the sale of a home, the "selling price", the "amount realized", and the "adjusted basis". The "selling price" of the residence is the total amount received including cash, notes, debts assumed by the buyer, and any property received. The "amount realized" is the selling price less selling expenses (commissions, legal fees, and advertising). The "adjusted basis" in the home is the cost, plus capital improvements, minus

depreciation claimed after May 6, 1997. The "amount realized' less the "adjusted basis" is the taxpayer's realized gain or loss. A loss on the sale of a principal residence is a personal expense and **is not** deductible.

Summary

Arriving at a Section 121 exclusion when a farmhouse is part of a farm site sale rests on determining the proper amount of realized gain attributable to the personal residence, which in most cases includes more than just the dwelling.

For more information on this topic and other tax planning for farming, please contact me at (863) 640-2008 or Tom@beasleybryantcpa.com and /or Ryan Beasley at (863) 646-1373 or Ryan@beasleybryantcpa.com.

For information on other relevant topics visit our website at www.beasleybryantcpa.com .
We at Beasley, Bryant & Company, CPA's, P. A. are experienced in agricultural business problems, tax issues or concerns, and are here to help you.

Pesticide News & Information

Agriculture Commissioner Crisis Exemption for Belay Insecticide

Commissioner Putnam, of the Florida Department of Agriculture and Consumer Services (FDACS), released an announcement week before last on a crisis exemption for Belay insecticide for use as a soil drench on bearing citrus trees ranging from 5 to 9 feet in height. The Belay product growers are currently using is the 50 WDG formulation. The crisis exemption is for a new formulation of Belay insecticide 2.13 SC, and this is the material for use on bearing citrus. Growers wanting to apply Belay to bearing 5 to 9 foot tall trees need to have the 2.13 SC formulation and possess both the crisis exemption declaration signed by Commissioner Putnam, along with the pending section 18 label that is still under review by EPA.

The following links are to the signed crisis exemption and the section 18 label:

http://ffva.informz.net/ffva/data/images/4-8-14-SECTION-18-CITRUS-CRISIS-DECLARATION.pdf

http://ffva.informz.net/ffva/data/images/4-8-14-SECTION-18-CITRUS-CRISIS-LABEL.pdf

Citrus Thermotherapy Field Day

The Latest on Thermotherapy and its Effects on HLB

Presentations and Field Demonstrations

Wednesday 04/30/14

USDA/ARS

9:00 Dr. Harold Browning CRDF - Welcome

9:05 Parker Platts UF/IFAS Extension - Tent Structure Concepts

9:10 Dr. Yong-Ping Duan / Dr. Melissa Doud, USDA-ARS - Thermotherapy to Mitigate HLB

9:30 Dr. Reza Ehsani, IFAS-CREC - Short Time Thermotherapy Using Supplementary Heat

9:50 Question and Answer

USDA Farm

10:15 Field Trial Demonstrations

11:15 Lunch

12:15 Departure to Edsall Site

Edsall Groves

12:45 Field Trial Demonstrations / Tenting Examples - David McKenzie

2:15 Return to USDA

USDA/ARS Fort Pierce

9:00 am - 2:15 pm

Lunch Provided

Register Before April 22nd

First 70 Guaranteed Transportation

Contact: Parker Platts
Phone: 772-462-1628
Email: pplatts@ufl.edu

2001 South Rock Road

From SR 68-Orange Ave. - South on King's Hwy., West on Picos Rd., South on Rock Rd.

From SR 70 - Okeechobee Rd. - North on King's Hwy., West on Pruitt Research Center Rd., North on Rock Rd.

CRDF Citrus Research and Development Foundation, Inc.

UF IFAS Extension UNIVERSITY of FLORIDA

St. Lucie County Florida

Indian River County Florida