

Citrus Notes

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Dear Growers,

This month is turning out to be a busy one for growers. We will start off with the International Research Conference on HLB - Grower Day which will be held on Wednesday, March 6th. The following week we will have our March OJ Break to be held at the Citrus Research and Education Center in Lake Alfred. The OJ Break will cover the new Statewide Citrus Best Management Practices (BMP) manual. Then in the first week of April the 2013 Florida Citrus Growers' Institute will be held down in Avon Park. We have included information on how to receive your Citrus Health Management Area block ID number. We still have copies of the 2013 Citrus Spray Guide here at the office. I wrote a review article on citrus root growth, along with some thoughts on how this could interact with what we know about HLB. We have our monthly Tax Planning article and the Pesticide News and Information Section.

Enjoy,

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3rd International Research Conference on HLB Grower Day

Attached you will find a flyer with additional information on the HLB Research Conference Grower Day to be held on Wednesday, March 6, 2013, at the UF/IFAS Citrus Research and Education Center in Lake Alfred. The Grower Day is a collection of salient points and take home messages from the four day International Research Conference on HLB held in Orlando earlier this month. The program is free, but you must pre-register and that information is contained in the attached flyer. I would also suggest that you take a look through the abstracts of the presentations which are available on-line at the following website: <http://irchlb.org/files/74c98989-2bd2-4222-b.pdf>. I believe this will give some insight into the breath and depth of HLB research that is currently ongoing.

March OJ Break - New Statewide Florida Citrus BMP Meeting - Lake Alfred CREC



Over the past few years the Florida Department of Agriculture and Consumer Services' (FDACS), Office of Agricultural Water Policy (OAWP), in conjunction with the Florida Department of Environmental Protection (FDEP) have developed a number of Best Management Practices (BMP) manuals for Florida agriculture. Their latest effort was to combine all the current regional BMP's for Florida citrus into one comprehensive document. This new Statewide Florida citrus BMP manual has now been approved.

So what does this mean for growers? For growers currently signed up for Florida Ridge Citrus BMP, you will now have to sign up for this statewide citrus BMP. You will have up to two years to comply, but I would strongly suggest that the sooner the better. This immediacy will demonstrate to interested parties of our collective commitment to maintaining Florida water quality standards.

To help with this process we will be holding an OJ Break at the UF/IFAS Citrus Research and Education Center in Lake Alfred on Wednesday, March 13, 2013, beginning at 10:00 a.m. We will have Jemy Hinton from the UF/IFAS BMP implementation team, Jessica Stempien with the FDACS, OAWP to cover cost share opportunities for growers participating in the BMP program and Dr. Kelly Morgan from the UF/IFAS Southwest Florida Research and Education Center to cover the opportunity for growers to integrate their weather station data into the UF/IFAS FAWN weather network.

If you participate in the BMP, the OAWP will cost share on the purchase and installation of specific weather stations that have the ability to be integrated into the FAWN weather network. Think about not having to run to the grove to check you thermometer or the rain gauge. Most of the practices that are included in the Citrus BMP are cultural practices that you are currently doing, and signing up will allow you to cost share on a number of projects that otherwise may be cost prohibitive at this time.



2013 Florida Citrus Growers' Institute

The 2013 edition of the Florida Citrus Growers' Institute will be held at South Florida State College (formally known as South Florida Community College) on Tuesday, April 2, 2013. The program will begin at 8:00 a.m. We are in the process of making final corrections to the brochure that will be available next week.

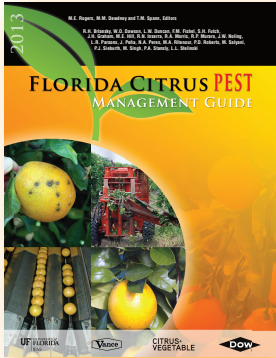
Citrus Health Management Areas (CHMA's) Grove ID Numbers Available



Recently there has been an increase in the number of growers asking about their block ID # within the CHMA program. Since there are no names associated with the public data being produced by USDA and FDACS, the block ID # is how grove owners identify their specific grove. The link below goes to an FDACS

website that contains contact information for the CHRP offices located throughout the state. The CHRP offices have the grove owner names associated with each block ID #. Growers that don't know their block ID # can contact their local CHRP office and get the block ID # for their grove.

<http://www.freshfromflorida.com/pi/pec/pec-dist-map.html>



2013 Citrus Pest Management Guides

We now have copies of the 2013 Citrus Pest Management Guides available here at the Bartow Extension office. I also have left a few copies at the Hillsborough County Extension Office

in Seffner. Please call the front desk at 813-744-5519 to insure availability before making a trip to Seffner.

Citrus Root Growth, HLB and Fruit Drop

In Florida, citrus root growth typically begins in the spring after the spring flush when soil environmental conditions become favorable. The timing of this root flush can be from late winter (February) to early spring (April). Subsequent major citrus root flushes occur after the completion of our major vegetative shoot flushes (figure 1). Some citrus root growth occurs

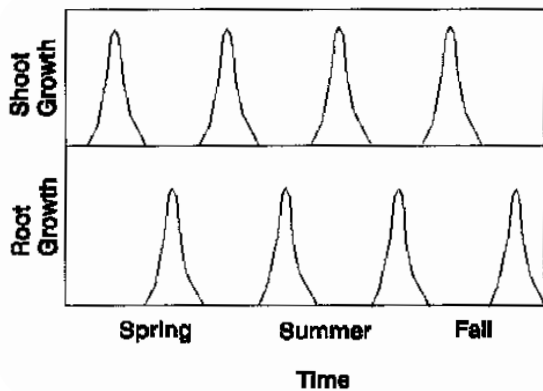


Figure 1. Cyclic nature of citrus root growth. From: Citrus root growth and soil pest management practices, J.W. Noling, UF/IFAS ENY617.

anytime the soil environmental conditions are favorable, but the major ones occur after the shoot flushes. This alternation of root and shoot growth is thought to be related to competition for carbohydrate allocation within the citrus tree. There has also been some indication of a biennial pattern to citrus root growth in addition to the annual cycles. This biennial pattern may inversely influence the amount of citrus root growth from year to year.

Studies have shown the the minimum temperature at which root growth in citrus occurs is 54°F. In other controlled experiments, maximum citrus root growth occurs at temperatures between 78 and 90°F. In growth chamber studies, citrus root growth increased monthly as the soil temperatures increased through the summer with the most active root growth occurring when soil temperatures went above 80°F. Root growth rapidly declines as soil temperatures drop in the fall and winter (figure 2).

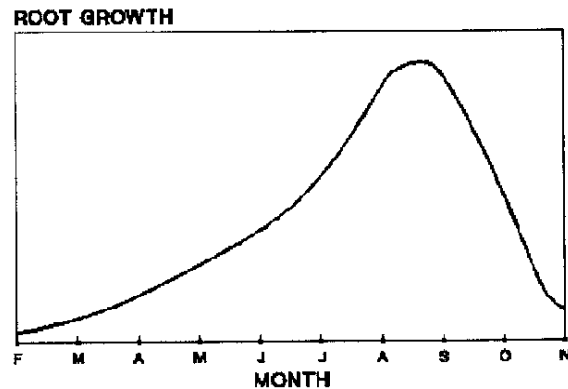


Figure 2. Annual monthly increase in citrus root growth. From: Citrus root growth and soil pest management practices, J.W. Noling, UF/IFAS ENY617.

This yearly variability in soil temperatures and environmental conditions can also greatly affect the amount of citrus root growth. Root growth during the year serves to expand and replace citrus roots that are no longer functioning. It is thought that the majority of fibrous root turnover occurs during the winter months.

So here are my thoughts, based on the cycled nature of citrus root growth i.e., that in the spring vegetative growth precedes root growth and that alternation of vegetative shoot and then root growth continues with a root flush occurring at the end of the growing season after the last shoot growth of the season. Could the

observation that the new foliar HLB blotchy mottle symptom development (blocked phloem) which occurs above ground in the late summer into the winter, be an indication that the carbohydrates in those shoots are no longer moving into the root system resulting in an accelerated decline in functioning roots and root starvation? Would this late season decline in functioning roots result in one less root flush per year, resulting in less roots to uptake water during the late summer into the winter. Could this be a potential plausible explanation for the approximate 30% reduction in the roots of citrus trees infected with HLB (recent research). Then could this additional root stress potentially result in citrus tree water stress causing defoliation and fruit drop?

We are still searching for the answers and by no means is this the only theory. Researchers are continuing to examine the affects of HLB on the root system of citrus trees, and we will gain additional information from these studies. I do think if we review some of what we now know, we might be able to come up with some ideas on how we might be better able to alleviate some of the stress to HLB infected citrus tree.

Agricultural Tax Planning - Proposed Regulations Issued on 3.8% & 0.9% Surtax

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

The IRS in early December released proposed regulations on the new 3.8% and 0.9% Medicare surtax. This is a new **surtax** on wealthier taxpayers that was a surprise to many Americans. As unpleasant as it may be, **this new surtax is law and became effective January 1, 2013.** Here are the basics of the new surtax.

The Surtax

The surtax was passed in 2010 to help fund "ObamaCare" but has received little attention, as with many of the other fees and costs associated with the health care act. Specifically, it is a Medicare surtax of **3.8%** on **investment income** for individuals with adjusted gross income (AGI) **above \$200,000 and couples filing jointly with AGI above \$250,000.** The surtax also applies to estates and trusts but with a much lower threshold. In addition, there is also a Medicare surtax of **0.9%** imposed on **earned income** above the same AGI amounts listed above. The U S Treasury Depart-

ment has indicated that final regulations on this new Medicare surtax may not be issued for at least another 12 months. The proposed regulations are effective for tax years beginning after December 31, 2013, **but taxpayers may rely on the proposed regulations to comply with the new surtax as of January 1, 2013.**

For individuals, including couples filing jointly, the 3.8% surtax is imposed on the lesser of:

1. "net investment income" (NII) or
2. the excess of "modified adjusted gross income" (MAGI) over the threshold amounts, \$200,000 and \$250,000 stated above. (Note- these thresholds are not adjusted for inflation.)

For trusts and estates, the 3.8% surtax is imposed on the lesser of:

1. undistributed NII, or
2. the excess of adjusted gross income over a threshold of \$11,650 (for 2013, about \$12,000 after adjusted for inflation.)

Modified Adjusted Gross Income

Modified adjusted gross income for most taxpayers is simply adjusted gross income or line 37, Form 1040. For those taxpayers taking a foreign earned income exclusion (a Sect. 911 adjustment) MAGI would be adjusted gross income plus the foreign earned income exclusion.

Net Investment Income Subject to the 3.8% Surtax

Net investment income **includes** but is not limited to: interest, dividends, non-qualified annuity distributions, rental and royalty income, passive activity income, and net capital gain derived from the disposition of property. Investment income **does not include:** salaries, wages and bonuses, distributions from IRAs or qualified plans, self employment income, Social Security Benefits, alimony, gain on the sale of an active interest in a partnership or S corporation, and tax exempt interest. However, rental income of real estate professionals who **materially participate** in a business generating rental income is generally not subject to the 3.8% or

the 0.9% surtax. Taxpayers subject to the 3.8% surtax cannot offset current rental income with prior year's loss carryforwards. A log or other written evidence must be maintained to prove material participation. There are several tests for meeting the "material participation requirement, one being involved at least 100 hours in the rental activity for the year and this being not less than anyone else participating in the rental activity. Taxpayers who are not real estate professionals are subject to the 3.8% surtax, even if active participants in their rental activities.

Deductions, credits or offsets allowed in determining NII for regular income tax purposes are also allowed in determining NII subject to the surtax.

To summarize, there is no 3.8% surtax imposed if NII is not present or if MAGI never exceeds the threshold amounts.

Surtax Planning Opportunities

There are a number of effective strategies to minimize this 3.8% surtax and I have listed a few of those below. However, always do the math to insure the strategy provides an overall economic benefit.

- Sale of capital assets under the installment sales method.
- K-1 earnings for S corporation owners who **materially participate** appear **not** to be subject to either the 3.8% surtax on NII or the 0.9% surtax on earned income. **Passive** owners would be subject to the 3.8% surtax. Investment income which is separately stated on Form K-1 would be subject to the 3.8% surtax. In general, material participation is taking an active part in the operation of the business; planting and caring for orchards, maintaining the property, harvesting and marketing the product. Passive activity in an investment in the business, but not participating in the operation.

The Surtax on Earned Income

Earlier in this article I mentioned 0.9% surtax on earnings such as salaries, wages, bonuses etc. In prior years

workers paid a Medicare tax of 1.45%. Beginning in 2013 high –income individuals will pay another 0.9% on earnings over \$200,000. The threshold is \$250,000 for couples filing jointly. Employers are required to withhold the 0.9% surtax. The newly issued proposed regulations provide guidance for employers and individuals on reporting the tax, the process for employers to make adjustments of underpayments and overpayments of the surtax, and the process for employers and employees to file refund claims for the overpayment of the surtax. Employers are required to withhold the surtax on **only the employee's wages paid in excess of \$200,000 in a calendar year** and may not take into consideration other factors that affect the taxpayers surtax liability such as filing status or other wages or compensation. Employees may not request employers to withhold the 0.9% surtax on wages paid of \$200,000 or less, but can request additional withholding or regular income tax if , for example, their total household wages will exceed the married filing jointly threshold of \$250,000. Taxpayers will report the 0.9% surtax on their Form 1040, pay any additional tax due, or claim a refund of overpaid surtax. The 0.9% surtax also applies to self-employment income. There is no employer match of the 0.9% surtax. **Taxpayers will only be subject to either the 3.8% or the 0.9% surtax, but not both on the same income.**

Partnerships

K-1 earnings of partners who materially participate in the business are not subject to the 3.8% surtax **but** would be subject to the 0.9% surtax on earned income. Passive partners are just the opposite.

For material participants, only sales of investment property would be subject the 3.8% surtax. For passive partners, any and all gain or loss would be included in calculating NII.

Summary

I have attempted to cover the main points of this new surtax that took effect on January 1, 2013. However, the proposed regulations have only been out for several months, thus additional interpretations could impact the implementation of the surtax. Additionally, these are proposed regulations. I will keep you updated as more information or details become available.

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



Pesticide News and Information

Silver Fabric Treatment in Court

As the U.S. Court of Appeals for the Ninth Circuit weighed whether to sign off on an Environmental Protection Agency (EPA) approval of a pesticide sewn directly into clothes and other fabrics, it appeared the decision might turn on a scientific distinction familiar to parents everywhere: the difference in chewing habits between a 1-year-old infant and a 3-year-old toddler.

Judges Jay Bybee and Jerome Farris' paternal instincts seemed to come into play as they debated with lawyers for the Natural Resources Defense Council, the Environmental Protection Agency and the pesticide manufacturer about how a young child's teeth, gums, saliva and swallowing could affect ingestion of invisible nanosilver particles. "We may have more saliva but less swallowing" with a 1-year-old, Bybee said. "We have more drooling." "We need a drooling study," he joked.

The issue in *Natural Resources Defense Council v. EPA* was whether the EPA properly granted conditional registration for Swiss manufacturer HeiQ's antimicrobial product AGS 20 under the Federal Insecticide, Fungicide and Rodenticide Act. The product contains microscopic particles of silver that are applied to, or sewn inside, textiles like clothes, blankets and pillowcases, to suppress bacteria growth. The NRDC attorney Catherine Rahm argued that the EPA erred by assuming in its risk assessment that 3-year-olds would be the most vulnerable consumers. "Infants are more likely than any other subgroup to chew on fabrics that could contain this pesticide," Rahm told the court.

Rahm also stated that EPA routinely distinguishes between infants and children in its studies. The agency's claim that 3-year-olds chew more aggressively than infants is unsupported by the record, she argued. In-

fants have "hard gums," Rahm said, and "on the other side of the ledger, infants have a lot more saliva, so for all we know that's a more important factor for extracting a pesticide." "It may be and I'm not going to speculate on it," Farris said, "but with the saliva, out comes everything that's inside that mouth."

When Matthew Henjum of the Justice Department's environmental defense section took the lectern, Bybee, a father of four, counseled him not to spend much time arguing NRDC doesn't have standing to bring its claim. "We've got affidavits in the record from parents who said 'Look, we're very concerned about this,'" Bybee said. For challenges to EPA rule making, "the standards for standing are just not that high."

Bybee and Farris also encouraged Henjum and Benjamin Shatz, an attorney for HeiQ, to skip the waiver argument. Farris suggested the court did not want to rule on hyperprocedural grounds, "and then we find out, 'uh oh, a lot of babies are going to suffer.'" On the merits, Henjum argued that EPA made extremely conservative assumptions, modeling a 3-year-old who wore textiles treated with AGS 20 while simultaneously chewing on them. The agency has a long-standing practice of treating 3-year-olds as the most vulnerable consumer to textiles, he added. "This is a presumption EPA has developed over time based on its institutional expertise," he said, and validated in this instance by an independent advisory panel of scientists.

Bybee wanted to know if the product would come with a warning label. "Actually," said Shatz, "the idea here is that because this is an added feature of the product, it would be revealed, maybe not so much as a warning, but as part of the advertising. "It's going to be called something other than AGS 20," Bybee said. "It's going to be called 'super coating that makes you not stinky.' And that's very different from saying, 'This contains nanosilver that you don't want to let your infants chew on.'" (*Law.com*, 1/16/13).

Bystander Exposure

The EPA has announced that bystander levels of concern may be exceeded for the insecticide chlorpyrifos (Lorsban®) when remodeled with software designed for fumigant reassessment. Although the majority of chlorpyrifos use is in western states, meteorological data from a number of cities around the nation were

modeled with the software. For example, when considering a turf application that would theoretically occur in Bradenton, Florida (at 4 lb a.i./A – the current maximum single application rate) the estimated whole field buffer is approximately 700 feet and a 2,215 foot maximum buffer would be needed to ensure that 95% of the time the air concentration to which bystanders are exposed is not higher than the lung cholinesterase inhibition target concentration. The EPA is accepting comments from those with data addressing bystander exposure on the eRulemaking portal under the docket EPA-HQ-OPP- 2008-0850. (*Federal Register*, 2/6/13).

James Inhofe (R-OK) and John Boozman (R-AR). (*USAgNet*, 1/31/13).

Pesticide Permit Applications

Senators Pat Roberts (R-Kan.) and Mike Johanns (R-Neb.) have introduced legislation to eliminate a burdensome, costly and redundant Environmental Protection Agency (EPA) permit requirement for applications of pesticides. At issue is the January 2009, Sixth Circuit Court of Appeals opinion in *National Cotton Council v. U.S. Environmental Protection Agency*, that requires certain pesticide applications to be permitted under the Clean Water Act. The National Pollutant Discharge Elimination System (NPDES) permit is now in addition to any label requirements or restrictions already placed on the use of a pesticide under the Federal Insecticide, Fungicide and Rodenticide Act (FIFRA). Since early in 2012, the EPA has enforced a now permanent rule in response to the Sixth Circuit Court ruling requiring approximately 35,000 pesticide applicators to get permits to cover about 500,000 applications per year. The EPA estimates determined the permit rule will cost states, local entities and pesticide applicators \$50 million and require one million hours to implement per year. Senator Roberts and Johanns' bill, S. 175, ensures Clean Water Act permits are not needed for the applications of pesticides and amends FIFRA by stating that no permit shall be required for the use of a pesticide that is registered under FIFRA. Roberts introduced the same legislation in the last Congress where it was blocked from consideration on the Senate floor. Also in the 112th Congress, the House and the Senate Agriculture Committee passed similar legislation, H.R. 872, with strong bipartisan support. The bill has the following original cosponsors: Senators Jerry Moran (R-KS), Roy Blunt (R-MO) John Barrasso (R-WY), John Thune (R-SD), Chuck Grassley (R-IA), David Vitter (R- LA), Michael Enzi (R-WY),

International Research Conference on Huanglongbing - Grower Day

Salient Points and Take Home Messages

Wednesday, March 6, 2013

RSVP is required to attend the conference.

UF-IFAS Citrus Research and Education Center
Ben Hill Griffin Hall
700 Experiment Station Road
Lake Alfred, Florida 33850

Agenda

- 8:45 am Registration (handled by FCM)
- 9:15 am Welcome
- 9:30 am Entomology – Michael Rogers
- 10:15 am Plant Pathology – Megan Dewdney
- 11:00 am Horticulture – Steve Futch
- 11:45 am Researcher panel – Entomology,
Plant Pathology, Horticulture groups
- 12:15 pm Grower perspective on HLB research
progress – Jerry Newlin
- 12:30 pm Lunch, sponsored by FCM
- 1:15 pm After-lunch discussions, as needed



Photo Credit: <http://thecitrusfruits.blogspot.com/>

To register, please contact
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Meeting is sponsored by:
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