UF | UNIVERSITY of FLORIDA | IFAS EXTENSION

Citrus Notes

Polk County Extension Service
PO Box 9005, Drawer HS03 • Bartow, FL 33831-9005
(863) 519-1052, email: wcoswalt@ufl.edu

Hillsborough County Extension Service
5339 County Road 579 • Seffner, FL 33584-3334
(813) 744-5519, **Ext. 54131**

Vol. 14-01

January 2014

Inside this Issue:

Dear Growers,

Make plans to join us for our Annual Citrus Pest Management Guide Update, OJ Break in February. Copies of the 2014 Citrus Pest Management Guide are now available here at the Polk and Hillsborough County Extension offices and at the OJ Break. We have also begun the program planning process for the 2014 Florida Citrus Growers' Institute to be held in April. There is a new website for beekeepers and citrus growers designed to foster better communication between industries. Information and a link to the website is included in the honey bee and psyllid article. Don't forget to coordinate your psyllid control sprays within your CHMA's, especially during this time before bloom and the spring flush. In February there will be a certified pile burner course held in Immokalee. In agricultural tax planning this month, we look at the domestic production activities deduction. Lastly, catchup on the latest pesticide news and information.

Chris Oswalt
Citrus Extension Agent
Polk/Hillsborough Counties
863-519-1052
P.O. Box 9005, Drawer HS03
Bartow, FL 33831-9005

February OJ Break - Pest Management Guide Update

Our February OJ Break is scheduled for Thursday, February 13, 2014 at the Stuart Conference Center here in Bartow. The meeting will begin at 9:00 a.m. with check-in and the program begins at 9:15 a.m. This is our annual citrus pest management guide update meeting. We have a number of great speakers (all from the UF/IFAS Citrus Research and Education Center) lined up with Dow AgroSciences and Linda Lindenberg being our lunch sponsor.

Dr. Evan Johnson, has been working on trying to better understand the effect of HLB on the growth and longevity of citrus root systems. His work has looked at the changes and seasonal differences in the growth of citrus root systems on symptomatic and asymptomatic citrus trees.

Dr. Jim Graham, will be presenting information on what growers should know about bicarbonates and citrus root health.

Dr. Ron Brlansky, has the latest information on determining the cause of sand hill decline, young tree decline or what we call citrus blight. As a warm up Dr. Brlansky provided an article included in the newsletter on the subject.

Dr. Michael Rogers, will go over and highlight changes made in the 2014 Florida Citrus Pest Management Guide and cover a growing concern, psyllid control during the bloom period. This will include information related to bees and bee safety.

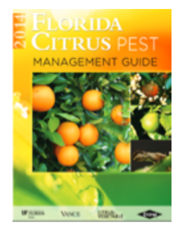
We have submitted the applications for CEU's for both the Restricted Use Pesticide (RUP) license and for the Certified Crop Advisory (CCA) designation.

In order to provide lunch, we need to have you register for the meeting by Tuesday, February 11, 2014. You can register by calling Gail Crawford at 863-519-1042 or emailing her (dorothyc@ufl.edu) with your name or the names of those attending. Again we would like to thank Linda Lindenberg and Dow AgroSciences for sponsoring our lunch.

Citrus Blight Update

Even with HLB causing major production problems in the Florida citrus industry, citrus blight (a disease of unknown cause) still presents a problem in some groves. At the February Polk County OJ Break, Dr. Ron Brlansky from CREC will report on recent results on the use of sequencing and bioinformatics and the identification of virus sequences from trees with citrus blight, as well as, from healthy trees in the same grove. Analysis of these sequences have shown identities to sequences of known pararetroviruses. Ron will discuss proposed further research on these viruses in relation to citrus blight.

2014 Citrus Pest Management Guides



The 2014 edition of the Citrus Pest Management Guide is now available. Copies are available at our Bartow or Seffner Extension offices, or you can pick one up at the February OJ Break in Bartow. The Guide is also available on the web at the following: http://www.thegrower.com/florida-citrus-pest-management-guide/.

2014 Florida Citrus Growers' Institute

The 2014 Florida Citrus Growers' Institute will be held on Tuesday, April 8, 2014 at South Florida State College in Avon Park. We will have the program brochure and registration information available in the very near future. Please mark your calendars for this premiere UF/IFAS educational event.

Psyllid Control and Honey Bees

The following link for the Florida Bee Protection website is provided by the Florida Department of Agriculture and Consumer Services.

http://www.freshfromflorida.com/Divisions-Offices/Agricultural-Environmental-Services/Consumer-Services/Florida-Bee-Protection/Information-for-Growers.

The website has an online map showing the locations of beekeepers with hives in specific areas. The completeness of this information is only as good as the information added by the participants. I know that most growers that allow beehives on their properties should already know this information, but you might find some that you didn't expect.

Citrus Health Management Areas (CHMA's)

Getting an early jump on Asian citrus psyllid (ACP) populations is important in keeping these populations from building up on the spring flush. To aid in the pursuit, CHMA information can be found at the following website: http://www.crec.ifas.ufl.edu/extension/chmas/index.shtml. Once at this site, you can view the psyllid population data collected beginning in September 2011 to the last survey cycle of December 2013. This information can be displayed in a graphical or map format.

If you want better resolution of the information go to the CHMA Sectional Mapping Program. Once you have signed up you can log-in and see CHMA maps for each survey cycle down to the STR. This information includes changes in each STR from the last survey cycle in an easy readable map format.

Certified Pile Burners Course

Dr. Mongi Zekri asked if we could circulate the following information about his next Certified Pile Burners Course. The course will be held on Tuesday, February 4, 2014 from 8:00 a.m. to 5:00 p.m. at the Southwest Florida Research and Education Center in Immokalee. This course requires that you preregister and pay the course fee in advance.

Additional information and registration materials can be obtained by contacting Dr. Zekri by phone at 863-674-4092 or by email at maz@ufl.edu.

Agricultural Tax Planning - Domestic Production Activities Deduction

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

A tax deduction for producing income, hard to believe but true. It is the Domestic Production Activities Deduction (DPAD). This allows taxpayers to claim a tax deduction, based on a percentage of their domestic production. However, there is one other general requirement; taxpayers must also have paid W-2 wages.

Section 199 Deduction

A taxpayer is allowed a deduction from taxable income, or in the case of an individual, to arrive at Adjusted Gross Income (AGI), equal to a percentage of the taxpayers Qualified Production Activities Income (QPAL). **This is commonly referred to as a Section 199 deduction**. The percentage is 9**%** and is applied to the lesser of, the taxpayer's QPAI for the year; or the taxable income of the taxpayer (for individuals AGI). QPAI in general is the taxpayer's Domestic Production Gross Receipts (DPGR) for the year less the sum of the cost of goods sold applicable to such receipts; other deductions, expenses or losses directly allocable to such receipts; and a ratable portion of other deductions and expenses not directly allocable to such receipts. DPGR may be gross receipts from any lease, rental, license, sale, or other disposition of Qualified Production Property (QPP) which is manufactured, produced, **grown**, or extracted by the taxpayer in whole or in a significant part within the United States. Farmers, who grow and produce tangible personal property such as fruit from orchards or vines, vegetables and grain, qualify for this deduction. The deduction may be claimed on Form 8903, Domestic Production Activities Deduction.

The W-2 Wage Limitation

The second requirement, payment of wages. The amount of the deduction cannot exceed 50% of the Form W-2 wages of the taxpayer for the year. The 50%

wage limitation is based on only those wages **<u>properly allocable to DPGR</u>**. The IRS has provided three alternative methods for calculating the limitation. These methods tend to limit the deduction for taxpayers paying wages not subject to FICA or federal income tax withholding, such those paid in commodities or other non-cash payments. **Children under 18 employed in agriculture** are exempt from FICA and federal withholding and thus wages paid to these employees cannot be included in calculating the wage limitation.

Planning comment: Farmers in some cases, which do not have sufficient Form W-2 wages to permit a total or partial deduction, may pay small amounts of wages to family members (other than children under 18) who work on the farm in an uncompensated manner to maximize the deduction. However, the additional FICA cost to the taxpayer must be compared to the additional deduction to determine if there is an overall benefit.

<u>Qualifying Activities for the Production Deduction</u>

We have already stated that producing or growing tangible personal property, clearly qualifies for the DPAD. However, only <u>one party</u> can claim the DPAD and that party must also be the owner of the property. Service activities and wholesale or retail activities do not qualify. Activities such as storage, handling or other processing activities, other than transportation, do qualify as production activities. Cooperatives and grain operators typically own the agricultural products they store and handle, thus those gross receipts qualify. Business interruption insurance, government subsidies, and payments not to produce are treated as gross receipts and thus qualify, Also, crop insurance and FSA subsidies qualify as production receipts. There is a de minimis rule that allows a taxpayer with less than 5% of total gross receipts from items other than DPGR, to treat <u>all</u> gross receipts as qualifying DPGR and avoid any allocation between DPGR and non-DPGR.

<u>Allocation between DPGR and non-DPGR</u>

If taxpayers do find it necessary to allocate between DPGR and non-DPGR, the IRS has provided three methods of allocating apportioned deductions to arrive at qualified production activities income attributable to DPGR.

The **small business simplified overall method** (one of the three) is available to small business taxpayers with average gross receipts of $5 million or less, or taxpayers with <u>under</u> $10 million of gross receipts who are eligible to use the cash method of accounting. Under this method, taxpayers may use DPGR and non-DPGR to apportion all deductions including costs of goods sold.

<u>Pass-through and Agricultural Cooperatives</u>

The deduction is available to pass-throughs such as S corporations, partnerships, and estates and trusts, although the deduction is applied at the shareholder, partner, or beneficiary level. The wage limitation for pass-through entities is also computed at the owner level. An individual taxpayer may benefit from this if he is operating a farm that has no W-2 wages, but whom also owns an interest in an S corporation or partnership that has W-2 wages in a qualifying production activity. The taxpayer is able to use the pass-through wages from the qualifying S corporation or partnership to increase or be eligible for a Section 199 deduction in connection with his farm activity. The DPAD for cooperatives can be somewhat confusing. In its simplest terms, patronage dividends received from agricultural or horticultural cooperatives are not DPGR and do not generate a Section 199 deduction. Under the regulations, agricultural cooperatives may choose to claim the Section 199 deduction, or pass some or all of it to its patrons.

<u>Summary</u>

The Section 199 deduction may be more complicated than it appears at first look. Once you get into the regulations, there is a lot to consider. I have focused on the basics but certainly not all of the activities that may qualify for the deduction or the many complications that can arise in interpreting the regulations, especially in the area of cooperatives. If you have the two necessary items, U.S. production income and pay W-2 wages, you should at least investigate this deduction.

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.

Pesticide News & Information

HLB News

The U.S. Department of Agriculture (USDA) announced the creation of a new, unified emergency response framework in December to address Huanglongbing (HLB), a serious disease of citrus that affects several U.S. states and territories. The new framework will bring together USDA's Animal and Plant Health Inspection Service (APHIS), Agricultural Research Service (ARS) and National Institute of Food and Agriculture (NIFA), along with state departments of agriculture and the citrus industry into a Multi-Agency Coordination (MAC) Group for HLB. It will provide industry with a single contact for all the federal and state entities that work on citrus issues and better enable the collective to collaborate on policy decisions, establish priorities, allocate critical resources, and collect, analyze, and disseminate information. The HLB MAC Group will also help coordinate Federal research with industry's efforts to complement and fill research gaps, reduce unnecessary duplication, speed progress and more quickly provide practical tools for citrus growers to use. (USDA, 12/12/13).

FDACS Honey Bees and Citrus Growers

The outcome of September meetings held by the Florida Department of Agriculture and Consumer Services regarding citrus grove spraying and non-target effects on honey bees has been a promulgation of guidelines that serve to inform affected parties of planned spray schedules. The four-page voluntary guidelines were released recently and serve to increase cooperation between beekeepers and citrus growers over issues such as dates and locations of hive placements, pesticide spraying schedules and liability. (TheLedger.com, 12/6/13).

EU Annuls Withdrawn Registration

In a seemingly pointless case the General Court of the European Union said in December that the EU Commission had failed to follow the bloc's rules when approving the Amflora® potato, which is genetically modified to produce extra starch for use in the paper industry, and annulled the registration. While Amflora® is no longer grown in Europe - BASF withdrew the product in 2012, citing opposition to the technology - the ruling may raise new concerns about the EU's complex and much-criticized approval system for GMO crops.

The Commission first proposed the cultivation and sale of Amflora® in 2007, following a positive scientific assessment by the European Food Safety Authority (EFSA). Following the failure of EU government ministers and officials to approve or reject the proposal, the Commission exercised its power to grant approval unilaterally in 2010. But in its judgment, the General Court said that following the publication of an updated scientific opinion by EFSA in 2009, the Commission should have submitted new proposals for approval by EU governments rather than simply adopting its 2007 version. “The Commission infringed the procedural rules of the systems for authorising GMOs in the European Union,” the court concluded.

A BASF statement said the ruling vindicated its decision two years ago to move the BASF Plant Science headquarters to the United States and stop the development of genetically modified seeds for commercialization in Europe. “The ruling underscores that it was the right decision in January 2012 to focus our plant biotechnology activities on markets with future relevance.” BASF added the potato was deemed safe by the EFSA and that the court ruling was about procedures and not about the scientific appraisal of the product. (Reuters, 12/13/13).