

Citrus Notes

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Dear Growers,

Make plans to join us for the 2014 Florida Citrus Growers' Institute to be held on April 8, 2014 in Avon Park. There is also an "Open House" over at the USDA's Ft. Pierce Lab in April. The 2014 Citrus Spray Guides are still available and I have copies here at my offices. Check out the article on label language interpretative guidance. The article provides a link to information on pollinator protection label statements. In agricultural tax planning this month, federal taxes - 2014. Lastly, catch up on the latest pesticide news and information.

Enjoy the issue,

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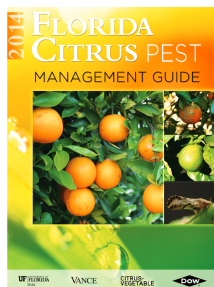
2014 Florida Citrus Growers' Institute

The 2014 Florida Citrus Growers' Institute will be held on Tuesday, April 8, 2014 at South Florida State College in Avon Park. Attached is the program brochure and registration information. The registration deadline is this Friday, April 4, 2014.



USDA Annual Open House

The USDA in Ft. Pierce will be holding their annual open house on Wednesday, April 2, 2014 from 11:00 a.m. to 3:00 p.m. The Horticultural Research Laboratory is located at 2001 S. Rock Road in Ft. Pierce. For more information you can call the Lab at 772-462-5800.



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. The Guide is also available on the web at the following: <http://www.thegrower.com/florida-citrus-pest-management-guide/>.

Citrus Insecticide Label Language Interpretive Guidance

I recently received notice that a new document written by the Florida Department of Agriculture and Consumer Services provides interpretive guidance on pollinator protection label statements. This information can be found at the Florida bee protection website at: <http://www.floridabeeprotection.org/>. The link to the document is on the righthand side of the webpage under the "hot topics" section.

Agricultural Tax Planning - Federal Taxes - 2014

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This article takes a look at the federal income tax laws in effect for 2014. New tax legislation in 2014 is highly unlikely. Congress has surprised us before, but don't be too anxious about any proposed tax legislation this year. However, there is always the possibility of retro active legislation that could be passed in 2015, but taking effect in 2014. Setting these possibilities aside, let's look at what the current tax law is for individuals and businesses.

General

Higher income taxpayers have been saddled with the majority of the tax increases that took effect in 2013, and it appears this may still be the trend in any new tax legislation enacted in the next few years. Some of these tax increases were part of the Affordable Care Act (ObamaCare) and others were enacted by additional legislation. Most of the increases are in individual taxes, but there are also changes in business taxes.

Individual Taxes

The most striking changes in individual taxes, beginning in 2013, were the new income tax bracket of **39.6%** and the **Medicare surtaxes of 0.9% and 3.8%**.

Tax Brackets – There are seven individual income tax brackets, the lowest being 10% and the highest 39.6%. For 2014, the highest tax bracket of 39.6% is imposed on taxable income over **\$406,750 for single filers** and over **\$457,600 for taxpayers filing jointly**.

Medicare Surtax of 0.9% - The Medicare surtax of 0.9% is imposed on earned income and self-employment tax over \$200,000 for singles and \$250,000 for joint filers. The surtax applies to employees only and is withheld by the employer on wages over \$200,000.

Medicare Surtax of 3.8% - The 3.8% Medicare surtax on investment income applies to the lesser of:

- Net investment income (NII) or,

- The excess of the taxpayer's Form 1040 modified adjusted gross income (MAGI) over a threshold of \$200,000 (250,000 if married filing jointly).

Net investment income includes, but is not limited to gross income from dividends, interest, royalties, annuities, rents (not earned in the ordinary course of a business), and gains from the sale of property not used in a trade or business.

Capital Gain Rates – The maximum tax rate for long-term capital gains of higher income taxpayers is 20%. The thresholds for the maximum 20% rate are the same as those for the 39.6% individual income tax rate.

Personal Exemption – The personal exemption amount is indexed for inflation each year and the amount per exemption in 2014 is **\$3,950**. However, just as in 2013 there are phase-out limitations.

Itemized Deductions – Itemized deductions are also limited as they were in 2013, but these thresholds have also been indexed for inflation. The standard deduction amount for 2014 for joint filers is \$12,400 and \$6,200 for singles and marrieds filing separately.

Medical and Dental – Medical and dental expense deductions must now exceed 10% of adjusted gross income, as was the case in 2013. For persons age 65 and over, the limit is still 7.5%.

Social Security Wage Base Limit – The wage limit for withholding Social Security tax for 2014 is \$117,000.

Business Tax Changes

50% Bonus Depreciation – The **50%** Bonus Depreciation rules expired as of December 31, 2013, **and were not reinstated**.

Section 179 Expensing – The Section 179 Deduction is still available, but at a much lower amount. For 2014 the deduction limit is **\$25,000**, and the phase-out range is **\$125,000 - \$150,000**, significantly lower than the comparable amounts for 2013 of \$500,000 and \$2,000,000 - \$2,500,000.

New Capitalization and Repair Regulations – Another extremely significant area of federal income taxation coming into play in 2014 and arguably the most significant due to the expansiveness and complexity of the regulations are the **New Capitalization and Repair Regulations effective as of January 1, 2014**. As you may be aware, the effective date of these regulations was extended for two years. Listed below are some examples of the new regulations.

Materials and Supplies – These expenditures can be currently deducted even when values are significant, if consumed within a twelve month period. Examples are fuels, lubricants, filters, belts and hoses, and other short-life items.

De Minimis Rule – The general rule is that any item under \$500 can be currently expensed. A policy must be in place and elected annually by the taxpayer. Expensing of these lower cost assets does not affect the Section 179 expensing limits.

Partial Disposition Loss – Taxpayers claiming a loss on removing a portion of an asset are required to capitalize any replacement of the portion removed.

Change in Use – Expenditures that adapt an asset to a new or different use must be capitalized. Some examples are a pole barn converted to a work shop with the installation of wiring, lighting and equipment, a pole barn converted to a milking parlor, and a storage shed converted to an office.

Betterments – An expenditure that **materially** expands or increases the capacity or efficiency of an existing asset also must be capitalized. A major addition to an existing building would require capitalization. Expenditures that increase efficiency only marginally would not be a capital improvement, such as replacing a 1hp pump on a well with a 2hp pump.

Restoration Expenses – Expenditures that restore an asset to a like-new condition after its class life has expired would generally be considered a restoration, such as a John Deere 40/20 tractor to a like-new condition. Similar work done during the assets class life might be considered a repair. The definitions of a restoration are not as clear as some

other provisions of the regulations and will most likely cause controversies and challenges with the IRS over their interpretation.

Implementation is now here and all of us must address these new regulations, regardless of the challenges and complexities inherent in these new rules. We as ranchers and farmers are affected by these regulations.

Other Items

The standard mileage rate for trade and business travel is 56 cents for 2014, a slight change from 2013.

A benefit for some taxpayers was the new safe harbor method of computing the office-in-home deduction beginning in 2013, \$5 times the square feet of qualified use up to 300 square feet.

For those of us in the agricultural business the benefits of these provisions in the tax law are still available and should be considered in your tax planning and preparation:

- income averaging,
- income deferral and,
- deduction of prepaid expenses

We all know that the government is looking for more tax dollars. An area that may see more attention by the IRS in coming years is the hobby versus business losses, especially if the activity in question is not full time. This is often referred to as the “hobby loss trap” and I will address this issue again in a later article.

Summary

The most significant changes are the loss of Bonus Depreciation, reduced Section 179 Expensing, and the new Capitalization and Repair Regulations. Tax planning is the key to keeping your tax liability as low as possible. Address the new capitalization rules as soon as possible as they will require significant time and effort in most cases. As earlier stated, the federal government is looking for more tax dollars, and will focusing on individuals with incomes over \$200,000/\$250,000.

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



EPA Proposes Changes to WPS

The Florida Department of Agriculture and Consumer Services (FDACS) will be hosting a meeting with growers and grower organizations to provide an overview of the recently proposed changes to U.S. Environmental Protection Agency's (EPA) Worker Protection Standard (WPS). The purpose of the meeting is to better inform the grower community on the WPS proposals and the comment submission process. Mr. Richard Pont with the U.S. EPA, Office of Pesticide Programs will be making a presentation and answering questions regarding the changes. The meeting will be held on April 3, 2014 at 9:30 AM-12:00 PM at the Citrus Research and Education Center (CREC), located at 700 Experiment Station Rd., Lake Alfred, FL. Please note that the public is strongly encouraged to submit their comments to the docket via Regulations.gov. For more information about EPA's WPS proposals go to: <http://www.epa.gov/oppfead1/safety/workers/proposed/index.html>.

Proposed changes include:

- Increased frequency of mandatory trainings (from once every five years to annually).
- Expanded mandatory posting of no-entry signs for the most hazardous pesticides.
- First time-ever minimum age requirement: Children under 16 will be prohibited from handling pesticides, with an exemption for family farms.
- No-entry buffer areas surrounding pesticide-treated fields for protecting workers and others.

- Measures to improve the ability to enforce compliance.
- Respirator use must be consistent with the OSHA standards.
- Make available to farm workers or their advocates (including medical personnel) information specific to the pesticide application, including the pesticide label and Safety Data Sheets.