

# Citrus Notes



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*Dear Growers,*

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*The presentations from this past year's 2014 Florida Citrus Growers' Institute are now available on the Citrus Agents Website. The Florida Department of Agriculture and Consumer Service's, Florida Forestry Service has introduced a Longleaf pine program for landowners and Polk County is included. Dr. Albrigo asks if you have specific information on the dates of this past spring's citrus bloom he would appreciate you providing this to him. I also included two hurricane forecasts for your review, and the agricultural tax planning article this month goes over new repair and maintenance regulations. One last reminder, Citrus Expo 2014 is in August and pre-registration is now open.*

*Enjoy the issue,*

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## **2014 Florida Citrus Growers' Institute Program Now Available Online**



The video presentations, along with printed copies of the Institute presentations, are now available online at the Citrus Agents website (<http://citrusagents.ifas.ufl.edu>). The 2014 program link is on the right side of the home page.

You can also view all the Institute programs back to 2008 by following the following link: [http://citrusagents.ifas.ufl.edu/archived\\_presentations/index.htm](http://citrusagents.ifas.ufl.edu/archived_presentations/index.htm).



## **Longleaf Pine Landowner Incentive Program Now Accepting Applications**

Tallahassee, FL - Florida Commissioner of Agriculture, Adam H. Putnam, announced today that the Florida Department of Agriculture and Consumer Services' Florida Forest Service is now accepting applications for the Longleaf Pine Landowner Incentive Program. The sign-up period will run from May 19-June 27 and is available for non-industrial private forest landowners.

"Longleaf pine forests once covered a vast range from Texas to Virginia but that has been greatly reduced," said Commissioner Putnam. "With the help of private landowners across Florida, we can work together to restore the environmental benefits and natural beauty that come with this important natural resource."

Longleaf pine forests are highly valued for their resistance to damage by insects, disease, wildfire and storms. They are also favored for their yield of high-quality wood products, biological diversity and scenic beauty. The goal of this program is to increase the acreage of healthy Longleaf pine ecosystems in Florida by helping non-industrial private forest landowners make the long-term investment required to establish and maintain this valuable ecosystem.

The Longleaf Pine Landowner Incentive Program is offered for private lands in Florida counties located west of the Apalachicola River and counties adjacent to the Ocala or Osceola National Forests (map at: <http://www.freshfromflorida.com/Divisions-Offices/Florida-Forest-Service/For-Landowners/Programs/Longleaf-Pine-Private-Landowner-Incentive-Program>).

The program provides incentive payments for the following:

- \* Improving timber stand
- \* Controlling invasive species
- \* Conducting prescribed burning operations
- \* Planting Longleaf pine
- \* Establishing native plant understory
- \* Conducting mechanical underbrush treatments

To obtain an application form, contact a local Florida Forest Service office or visit [www.FloridaForestService.com](http://www.FloridaForestService.com). All qualifying applications will be evaluated and ranked for funding approval. This program is supported through a grant from the National Fish and Wildland Foundation with funding from the Southern Company, the U.S. Forest Service, The Nature Conservancy, the Natural Resource Conservation Service and the U.S. Fish and Wildlife Service.

## **2014 Citrus Bloom Dates Needed**

Dr. Gene Albrigo wanted to collect some citrus bloom observations from this past spring. The new bloom time spray protocol requests that many pesticides not be used from 10% open flowers until 90% petal fall. We would like to accumulate data on how long growers found this interval was in their groves this past bloom period. If you have records of this for blocks of citrus, that you will share, please send the cultivar and general location (nearest city, town or county) plus the 10% and 90% dates. If you happened to have recorded the beginning date of the leaf flush, please send that also. We will not use these data associated with a grower name.

We have money to improve the citrus flowering monitor to include predictions of leaf flush beginning and 10% open flowers. Your help is greatly appreciated.

Please send information to [albrigo@ufl.edu](mailto:albrigo@ufl.edu).

## NOAA 2014 Hurricane Season Outlook

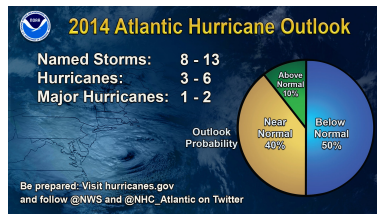
(From: [http://www.noaanews.noaa.gov/stories2014/20140522\\_hurricaneoutlook\\_atlantic.html](http://www.noaanews.noaa.gov/stories2014/20140522_hurricaneoutlook_atlantic.html))

In its 2014 Atlantic hurricane season outlook issued today, NOAA's Climate Prediction Center is forecasting a near-normal or below-normal season.

The main driver of this year's outlook is the anticipated development of El Niño this summer. El Niño causes stronger wind shear, which reduces the number and intensity of tropical storms and hurricanes. El Niño can also strengthen the trade winds and increase the atmospheric stability across the tropical Atlantic, making it more difficult for cloud systems coming off of Africa to intensify into tropical storms.

The outlook calls for a 50 percent chance of a below-normal season, a 40 percent chance of a near-normal season, and only a 10 percent chance of an above-normal season.

For the six-month hurricane season, which begins June 1, NOAA predicts a 70 percent likelihood of 8 to 13 named storms (winds of 39 mph or higher), of which 3 to 6 could become hurricanes (winds of 74 mph or higher), including 1 to 2 major hurricanes (Category 3, 4 or 5; winds of 111 mph or higher).



These numbers are near or below the seasonal averages of 12 named storms, six hurricanes and three major hurricanes, based on the average from 1981 to 2010. The Atlantic hurricane region includes the North Atlantic Ocean, Caribbean Sea and Gulf of Mexico.

Gerry Bell, Ph.D., lead seasonal hurricane forecaster with NOAA's Climate Prediction Center, said the Atlantic – which has seen above-normal seasons in 12 of the last 20 years – has been in an era of high activity for hurricanes since 1995. However, this high-activity pattern is expected to be offset in 2014 by the impacts of El Niño, and by cooler Atlantic Ocean temperatures than we've seen in recent years.

“Atmospheric and oceanic conditions across the tropical Pacific are already taking on some El Niño characteristics. Also, we are currently seeing strong trade winds and wind shear over the tropical Atlantic, and NOAA's climate models predict these conditions will persist, in part because of El Niño,” Bell said. “The expectation of near-average Atlantic Ocean temperatures this season, rather than the above-average temperatures seen since 1995, also suggests fewer Atlantic hurricanes.

## Colorado State University (CSU) Hurricane Season Forecast

The June 2014 hurricane forecast from the Tropical Meteorology Project of CSU and Drs. Philip J. Klotzbach and William M. Gray provided the following information for this hurricane season.

Their forecast also predicts a below average hurricane season. They indicate the Atlantic Ocean remains cooler than normal, but the transition to El Niño has slowed lately. The forecast has the formation of 10 named storms, four that develop into hurricanes and of these four, one will become a major hurricane of category 3 or higher on the Saffir/Simpson scale.

Some of the more interesting probabilities compare the coastal landfall of at least one major hurricane.

### Probability of Hurricane Landfall

Area	Predicted	Last Century Average
Entire U.S. Coastline	40%	52%
U.S. East Coast including Florida	22%	31%
Gulf Coast from Florida Panhandle to Brownsville	23%	30%

So as you can see by comparison, both forecasts for this year's Atlantic hurricane season are very similar in the number of named storms, hurricanes and major hurricanes.

The complete forecast is available at: <http://tropical.atmos.colostate.edu/forecasts/2014/june2014/jun2014.pdf>.



## **Citrus Expo 2014**

This year's Citrus Expo will be held from August 13-14, 2014 at the Lee Civic Center in North Ft. Myers. Grower pre-registration is now open and can be accessed at: <http://www.citrusexpo.net/index.html>.

### ***Agricultural Tax Planning - The New Repair and Maintenance Regulations***

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

In September of 2013, the IRS issued final regulations governing repairs and capitalization of tangible property. These new rules are commonly referred to as the "repair and maintenance" regulations. However, despite the common name, these regulations are much broader than repairs and cover the treatment of any expenditure related to all types of tangible property. These regulations change how business assets, repairs and supplies will be handled and affect virtually all businesses. The regulations address the tax treatment of amounts paid to acquire, produce, or improve tangible property, when payments may be expensed, and when they must be capitalized.

The new regulations **must be adopted** for taxable years beginning on or after January 1, 2014. Taxpayers, at their discretion, may apply these final regulations or the former temporary regulations to years 2012 and 2013.

The regulations cover 5 main areas:

- Materials and supplies;
- Repairs and maintenance;
- Capital expenditures;
- Amounts paid for the acquisition or production of tangible property; and
- Amounts paid for the improvement of tangible property.

### **Unit of Property (UOP)**

The new regulations focus on the concept of a "unit of property". A UOP is generally defined as consisting of all components of property that are functionally interdependent, and provide special rules for determining the unit of property for buildings, plant property and network assets. Buildings consist of a number of units of property including the building shell and other components, such as electrical systems, plumbing systems, and HVAC, to name a few. Buildings and their components will be covered in a later article.

Plant property is defined as functionally interdependent machinery or equipment (other than network assets) that is used to perform a process, function or other activity. The acquisition of plant property will also be discussed in a future article. This article will briefly discuss the first two areas, materials and supplies, and repairs and maintenance.

### **Materials and Supplies**

Incidental materials and supplies may be deducted when purchased. These are items for which no records of consumption are kept and expensing does not distort income. The cost of non-incidental materials and supplies are generally deducted in the first tax year used or consumed. Materials and supplies are defined in the regulations as tangible property used or consumed in the taxpayer's business that is not inventory and that is:

- Fuel, lubricants, water and similar items that are reasonably to be consumed within 12 months or less, beginning when first used in the taxpayer's operations;
- A component that is purchased to maintain, repair, or improve a unit of property, but is not acquired as part of any single unit of tangible property;
- A unit of property that has a useful life of 12 months or less;
- A unit of property costing less than \$200 (\$100 under the temporary regulations); and

- Any items identified by the IRS as materials or supplies in published guidance.

Generally, rotatable and temporary spare parts are considered materials and supplies and are deducted in the year used or consumed unless the taxpayer elects an optional method of accounting for the parts. Some examples of materials and supplies are cleaning supplies, fertilizers, herbicides, hoses, small tools, etc.

### **Repairs and Maintenance**

The regulations allow a current deduction for repairs and maintenance to property. The general rule defines repairs and maintenance in a negative way, that is, they are currently deductible if not otherwise required to be capitalized. Amounts paid for “betterments”, “restorations” and “conversions” are not repairs and maintenance and therefore must be capitalized.

The regulations do provide a safe harbor for routine maintenance. Under this safe harbor, routine maintenance and repairs are defined as work that is expected to be performed at least once during the class life of the property. **Routine maintenance is expensed when paid.** For citrus groves, this would include hedging, topping and skirting; weed control; spraying; cleaning and inspecting; and repairing of equipment and watering systems. The safe harbor rules under the final regulations include buildings if the taxpayer expects to perform such maintenance more than once over a 10 year period.

### **The De Minimis Safe Harbor Rule**

The de minimis rule permits a current deduction of any single item up to \$500 in cost. The taxpayer must have a written policy in place before the start of the taxable year and the policy must be elected each taxable year. Under the final regulations, the policy applies to all qualifying property, including materials and supplies. The limit is \$5,000 for businesses with audited financial statements or where the business is required to produce financial statements for a governmental agency other than the IRS. The regulations permit a business to use an expense amount in excess of the safe harbor amounts, but the business must defend the higher amount upon audit.

### **Summary**

The purpose of this article and the future articles on these new regulations is to introduce the reader to the comprehensive and very complex rules that must be followed by all taxpayers that use or produce tangible property. As stated at the beginning of this article, these regulations change how businesses handle the tax treatment of acquiring, repairing and maintaining tangible property. Future articles will focus on the remaining three main areas.

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

For information on other relevant topics visit our website at [www.beasleybryantcpa.com](http://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***

#### **CAST Releases Labeling Report**

A new issues paper addressing the topic of labeling foods produced with GM products has been released by the Council for Agricultural Science and Technologies (CAST). The paper, titled “The Potential Impacts of Mandatory Labeling for Genetically Engineered Foods in the United States,” examines the scientific, legal and economic ramifications of requiring that food containing genetically engineered ingredients be labeled as such. It comes on the heels of the April 23<sup>rd</sup> passage by the Vermont legislature of a bill that would make that state the first to mandate labeling of “GMO” or genetically engineered foods.

Lead author on the paper is Alison Van Eenennaam, a geneticist and Cooperative Extension specialist in animal genomics and biotechnology at the University of California, Davis. “Mandating process-based food labeling is a very complex topic with nuanced marketing, economic and trade implications depending upon how the labeling laws are written and how the

market responds,” Van Eenennaam said. Co-authors on the paper are Bruce M. Chassy, a food science professor emeritus at the University of Illinois at Urbana-Champaign; Nicholas Kalaitzandonakes, an economics professor at the University of Missouri, Columbia; and lawyer Thomas P. Redick from Global Environmental Ethics Counsel, LLC.

Noting that such labeling would be based, not on differences in the content of the crop or food product but on the way it was produced, Van Eenennaam and her co-authors conclude that there is no scientific reason for singling out the process of genetic engineering for mandatory process-based labeling. They maintain that voluntary labeling programs, such as the Non-GMO Project, motivated by market influences rather than government regulation, currently provide interested consumers with the choice to select non-genetically engineered foods in the United States. They suggest that state-based labeling laws may run into legal challenges related to interstate commerce, international trade, federal authority over food labeling and First Amendment protection of “commercial speech.”

In terms of economics, they project that mandatory labeling of genetically engineered foods would increase U.S. food costs. Just how much food prices might rise would depend on how food manufacturers and retailers respond to mandatory labeling. The authors project that the impact on food prices would be substantial if food processors decide to switch to non-GMO ingredients to avoid labeling requirements, as has been the case in other countries following the introduction of mandatory GE labeling. The cost increases would be less if processors instead opt to label all of their food products as containing genetically engineered ingredients. (UC Davis, 4/28/14).

### **WPS Changes**

Speaking to a conference of the crop protection industry, William Jordan, deputy director for programs at the EPA's Office of Pesticide Programs, said the agency's proposed revisions to its worker protection standard would result in “fairly modest” cost increases for industry that would be outweighed by the benefits of reducing pesticide exposures. The worker protection

standard proposal, released in February, would increase the frequency of mandatory training from once every five years to annually, prohibit children under the age of 16 years from handling pesticides, establish no-entry buffer areas surrounding pesticide-treated fields to prevent exposure, and expand safety training. Jordan said the EPA estimates that the proposed rule to update the worker protection standard would cost nationally between \$62 million and \$73 million annually with the cost to large farms approximately \$340-400 per year and small farms \$130-150 per year. The Agency is estimating that about 3,000 incidents per year could be eliminated if the proposed revisions to the worker protection standard are adopted and followed, resulting in \$5 million to \$14 million in benefits from preventing acute pesticide exposures. Jordan was questioned about these estimates, as EPA's preamble to the proposed rule states repeatedly that the agency cannot quantify the benefits of the proposed revisions. The comment period on the worker protection standard proposal currently is scheduled to close on June 17<sup>th</sup>, but the agency already has been asked to extend the deadline by 90 days. (Western Farm Press, 4/21/14).