

## **Don't let 2009 tax planning go by wayside**

Written by Gothenburg Times  
Wednesday, 25 November 2009 22:49 -

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While many Nebraska farmers are still trying to finish up with harvest, now also is the time to start thinking about year-end tax planning, says the Nebraska Farm Business Association director.

While there isn't a whole lot new to do, it is still important for farmers and ranchers to pay close attention to the usual deductions, said Tina Barrett, director, Nebraska Farm Business Association.

"2009 has provided opportunities for higher than average profitability," Barrett said. "While not as high as in 2008 or 2007, these higher incomes may be harder to manage due to carryover of income from 2007 and 2008."

Farmers and ranchers still can take advantage of the Section 179 Expense Election. This election allows the write-off of the first \$250,000 in depreciation of assets that were bought in 2009.

This means purchases like tractors, combines and most farm equipment and breeding livestock can be written off in the year of purchase.

"Some assets that don't qualify include machine sheds and purchases from related parties, such as buying a tractor from Dad," Barrett said.

The bonus election, which was reinstated with the 2008 Economic Stimulus Package, also still exists.

Any brand new assets or breeding livestock not used in someone else's herd counts for a 50 percent write-off, she said.

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The bonus can be used with the 179 Expense Election, but the 179 election has to be used first.

The bonus election can apply only to brand new assets, while the 179 election can be applied to used equipment. The bonus also can be used to accelerate the depreciation of a machine shed, but it must be put up and in use in 2009 for it to qualify.

"Be sure to work with a farm tax adviser before the end of the year to make sure all advantages are received," Barrett said.

Farmers and ranchers can also, as always, pre-pay major inputs, such as seed and chemical, but remember, it will result in fewer deductions for next year.

"Many times we defer or pre-pay something one year thinking the next year may be a bad one," she said. "When we have a few good years in a row, it can start a snowball effect of always needing to find bigger pre-paids or deferring even more income to next year."