Year-End Tax Planning for Farmers: Strategies to Save and Prepare for the Year Ahead

A Practical Guide for Agricultural Producers

As the end of the year approaches, farmers and agricultural business owners have an opportunity to evaluate their financial position, identify potential tax savings, and prepare for the year ahead. From managing crop inventory and timing expenses to exploring industry-specific tax incentives, proactive planning can help support both short-term cash flow and long-term financial goals.

The following strategies represent just some of the tax planning opportunities available to agricultural operations that should be discussed with your tax advisor.



YEAR-END STRATEGIES

GRAIN & CROP INVENTORY STRATEGIES

Review stored or unsold inventory before year-end to determine whether to sell and recognize income now or push the sale into the next year. Accrual basis taxpayers can defer accepting sale contracts while cash basis taxpayers can simply defer receiving payment.

CROP INSURANCE PROCEEDS

If you received crop insurance proceeds, you could elect to defer recognizing that income until the following year. Keep in mind that this only applies to cash basis taxpayers.

PREPAYING EXPENSES

Consider prepaying for operational expenses that will be utilized in the next 12 months. This can be especially helpful if you plan your cropping season ahead of time and can plan your usage of inputs like fertilizer, chemicals, and fuel in the upcoming year. This is also beneficial if you prepay to vendors that offer prepay discounts.

ACCELERATED DEPRECIATION & SECTION 179

Evaluate equipment or building upgrades that can be placed in service before year-end to utilize Section 179 expensing or bonus depreciation. Careful planning should be done to avoid making capital purchases purely for a write-off and ensure that capital expenditures align with cash flow needs.

YEAR-END PREPARATION

RECONCILIATIONS

Make sure your bank accounts, lines of credit, and vendor accounts (like John Deere or co-ops) are reconciled and up to date.

UPDATE VENDOR RECORDS

Review your expense accounts and your vendor lists to ensure you have the vendor's information correct. This will help you with any year-end tax forms, like 1099s, that will need to be sent in January.

OTHER TAX PLANNING

EXCESS NUTRIENT DEDUCTION

You can use a third-party analyst to assess the residual value of existing nutrients in the soil and instead of lumping all land costs into non-depreciable real estate. A portion of the purchase price and can be assigned a fertility value and depreciated.

AGRICULTURAL R&D TAX CREDITS

Technology-driven or experimental practices – such as testing novel seed varieties, custom irrigation efficiency tech, or modified packing/processing methods can sometimes qualify for Research and Development (R&D) tax credits.

1062 FARMLAND SALE TAX DEFERRAL

With the enactment of Section 1062 under the One Big Beautiful Bill Act, taxpayers who sell or exchange "qualified farmland property" to a "qualified farmer" may elect to pay the net income tax attributable to the gain over a 4-year period in equal installments rather than paying all the tax in the year of the sale. This provision is designed to encourage the continued use of farmland for agricultural purposes by easing the tax burden on such sales.

USE QUICKBOOKS AS YOU PREPARE FOR YEAR-END

Accurate, up-to-date financial records are essential for effective year-end planning. In addition to reconciling accounts and updating vendor information, farmers should review their financial reports to better understand their income, expenses, and overall financial position. SEK's QuickBooks services can help agricultural businesses streamline bookkeeping, maintain accurate records, and access reliable financial information to support tax planning and day-to-day decisions.

PLAN AHEAD WITH SEK'S AGRIBUSINESS SERVICES TEAM

Every agricultural operation is unique, and the right tax strategies depend on your business's financial circumstances and long-term goals. Whether you're evaluating year-end purchases, exploring available deductions and credits, or looking to improve your financial recordkeeping, we're here to help.

If you have questions or would like to learn more, contact SEK's Ag Services team to discuss opportunities to minimize your tax liability, strengthen your financial position, and plan for the year ahead.

CONTACT OUR TEAM



Bradley Kearns, CPA
Member of the Firm
Chambersburg, PA
717.263.3910
bkearns@sek.com



Ryan Leppo, CPA, MBA
Member of the Firm
Chambersburg, PA
717.263.3910
rleppo@sek.com



Denver Martin, CPA
Member of the Firm
Hagerstown, MD
301.733.5020
dmartin@sek.com



Aaron Althouse, CPA
Manager
York, PA
717.900.2021
aalthouse@sek.com



Nick Chapman, CPA
Manager
Hagerstown, MD
301.733.5020
nchapman@sek.com



Nathan Garber
Staff Associate
Chambersburg, PA
717.263.3910
ngarber@sek.com



Darian Hufcut, EA, MAcc
Senior Associate
Chambersburg, PA
717.263.3910
dhufcut@sek.com



Seth Miller, CPA
Supervisor
Hanover, PA
717.637.5915
smiller@sek.com



Catherine Vickers, CPA
Staff Associate
Hagerstown, MD
301.733.5020
cvickers@sek.com

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