

## FARM MANAGEMENT SERVICES, INC.

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### Keep Us In The Loop

The phrase “**Knowledge is Power**” is very applicable to our role as your tax/financial advisor. We want to give our clients the best guidance for their particular situation....but in order to provide good counsel, we must be kept “in the loop”. If you’ve experienced a major life event (birth, death, divorce, adoption, etc.) please let your Fieldman know as these occurrences can change your income tax situation considerably. These events not only affect your income tax situation, they can also impact your estate plan.

In addition to family changes, if you’re thinking of starting a new entity....please visit with your Fieldman **before** committing to move forward. Choosing an entity type has a significant impact on your tax liability. The process of starting up a new entity is fairly quick and easy. However, if a poor entity choice is made at the beginning, it can be expensive and time-consuming to change things later on.

This newsletter is published as a service to our clients and friends. Additional copies are available upon request and on our website [www.ksfmsi.com](http://www.ksfmsi.com). The information is of a general nature and should not be acted upon without further details and / or assistance.

The



REPORT

Farm Management Services, Inc.

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### FMSI Summer 2022 Update 40th Year Anniversary

Farm Management Services, Inc. began offering accounting and tax preparation services in 1982. Thanks to our loyal clients and great employees we have continued to grow and our 15 employees now serve over 1,000 farm families in Kansas, Nebraska and surrounding states. Thank you for continuing to trust FMSI with your accounting, tax preparation, payroll, and estate planning needs – we look forward to the next 40 years!

Wheat harvest has progressed quickly across Kansas and while yield results have been spotty, it has been encouraging to watch our clients sell wheat for \$8.00-\$10.00+ per bushel. The fall crops are hurting in western Kansas due to the ongoing drought. Things look reasonably good throughout most of our area as we have received timely rains thus far. We encourage our clients to look for good pricing opportunities as we progress closer to fall harvest.

The Federal Reserve is raising interest rates at a steady pace in an effort to slow down inflation. Rising inflation erodes your purchasing power on your farm as well as the purchasing power of every consumer. When consumers have less money to spend, they will alter their buying habits. It will be interesting to see how quickly discretionary consumer spending slows down in response to these rising prices. The interest rate environment has changed dramatically in the last 12 months. Today the 12-month US Treasury is yielding 2.83% compared to 0.08% one year ago. Similarly the 30-year mortgage rate is 5.63% today compared to 3.13% just 12 months ago. Having a good relationship with your lender is more critical as these higher interest rates will take a larger portion out of your profit margin.

### End of an Era

Our dear friend and colleague Quentin C. Smith, unexpectedly went home to be with the Lord on May 18, 2022. Many of our clients have had the privilege of working with Quentin since he began serving rural Kansas farmers in 1973. We appreciate the outpouring of support we’ve received from our clients as we cope with this loss.

### New Website & Email Addresses

Our new website [www.farntaxpro.com](http://www.farntaxpro.com) will be live beginning August 1, 2022.

Additionally, our email addresses will be updated to correspond to the website. For example, [brian@farntaxpro.com](mailto:brian@farntaxpro.com) instead of [brian@ksfmsi.com](mailto:brian@ksfmsi.com). We’ve chosen to update our website address as it better reflects our market niche. Go take a look!

#### ALSO IN THIS ISSUE:

- \* March 1st Filing Issues
- \* New Employees
- \* Mileage Rate Update
- \* E-Signing Tax Returns
- \* Roth IRAs

## ***March 1st Filing Issues***

A farmer who files and pays all of their income tax liability by **March 1** is not required to make estimated tax payments throughout the year - this is commonly called the farmer tax due date rule. However, each year it becomes more difficult to get returns prepared and filed before March 1<sup>st</sup> as we're typically waiting for clients to receive W-2's, 1099's and K-1's in a timely manner. If you're a qualified farmer and the return won't be filed by March 1<sup>st</sup>, here are your options:

- 1) Make an estimated tax payment by January 15<sup>th</sup> – amount is the lesser of 100% of the prior year tax liability or 2/3 of this year's tax liability. If you make this payment, then you're not required to file your return until April 15<sup>th</sup> and there is no penalty.
- 2) Don't make estimated payments and incur the penalty. It is called a "penalty" since that sounds worse than calling it an "interest charge" which in fact it is. It is currently based on a 3% interest rate from January 15 until the date of payment.

For example, assume your 2021 tax was \$5,000 and you expect to owe \$20,000 for 2022. You are required to pay \$5,000 on January 15, 2023 and you can pay the remaining \$15,000 on April 15, 2023 with no penalty. Or simply pay \$20,000 on April 15, 2023 plus a penalty of about \$100 if you don't want to take the time to make the January 15 estimate payment. Visit with your Fieldman if you have specific questions about your options.

## ***We Are Growing / New Employees***

We are excited to announce the addition of three new team-members to our FMSI family!

**Kacey Roe** is a new staff accountant joining FMSI in May 2022. Kacey is a Concordia native and she graduated from Kansas State University with a Bachelor's Degree in Marketing. Kacey joins FMSI after spending the last 7 years in the agricultural implement industry. Kacey, her husband Michael, and their 3 kids live just outside of Concordia.

**Dustin Newlin** joined our team in June 2022 as a Fieldman. Dustin graduated from Kansas State University with a Masters Degree in Ag Economics. Dustin grew up on a family farm southwest of Concordia raising grain. Dustin joins FMSI after spending the last 13 years in the Cooperative sales industry. Dustin, his wife Casey, and 3 children live on the outskirts of Concordia.

**Amanda Jones** is joining us July 18, 2022 as a staff accountant. Amanda holds a Bachelors Degree in Business Administration/Accounting from McPherson College and a Masters of Education Degree in Sports Management from Wichita State University. Amanda is a Clyde, Kansas native and joins FMSI after serving in various accounting roles in the Newton/Wichita area for the last 7 years. Amanda, her husband Eric and 2 kids live in Belleville.

## ***Mileage Rate Change***

For the first 6 months of 2022, the standard mileage allowance for business travel was \$0.585. **Effective July 1, 2022** that amount will increase to **\$0.625** for the last 6 months of the year. IRS raised the rate in response to the significant increases in fuel prices. The mileage rate for medical travel and military moves also increases by \$0.04 to **\$0.22** per mile. The rate used when driving for charity remains at **\$0.14** as that amount is fixed by law.

## ***E-Signing Tax Returns***

Electronic Signatures (E-Signatures) became legal to use on October 1, 2000 when Congress passed the Electronic Signatures in Global and National Commerce Act (ESIGN Act). Industry adaptation to E-Signatures began very slowly 20 years ago, but has recently become more prevalent. Until just a few years ago, the IRS remained opposed to accepting e-signatures for Form 8879 *IRS E-File Signature Authorization*, which many will recognize as the document the IRS requires tax preparers to collect from taxpayers before transmitting the tax return to IRS.

Recently some accounting firms have started offering the option to E-Sign tax returns; this past tax season FMSI offered the E-Signature option to a few clients in order to test out the system. The feedback we received from clients was very positive, so the E-Signature option will be offered to all our clients for the 2022 tax return season.

With the E-Signature method, the completed tax return is emailed to the client for electronic signature. After answering some security questions, the client reviews and then electronically signs the return. FMSI receives notice that you've E-signed the return and we then transmit the return to the IRS. You would have the ability to print or save your return as a PDF file on your personal computer. This method is secure and much faster than waiting for hard copies to be mailed through the US Postal Service. Any taxes due will be debited directly from your bank account, thus eliminating the possibility of your check being lost in the mail. We anticipate that many clients will choose this method going forward.

Don't worry – we won't force anyone into E-Signatures.....if you prefer the paper method there won't be any changes to how your return has been signed in the past. We want to utilize new technology for improved efficiencies – but we will always take into account our client's preferences. Please visit with your Fieldman if you have questions about E-signatures.

## ***Roth IRA's for Working Child or Grandchild***

It's rare for a teenager to be thinking about saving for retirement or buying a home when they start their first job. Yet, that first job can be a great opportunity to teach your teenager how a ROTH IRA can be a valuable savings tool in their pursuit of future goals. For the 2022 tax year, you have until April 17, 2023 to contribute up to \$6,000 or the child's earnings for the year, whichever is lower. The money grows tax-free inside the ROTH account. The amount paid-in counts toward your \$16,000-per-donee gift tax exclusion.

This ROTH IRA is typically a custodial account in the child's name with a parent or grandparent listed as the custodian. Contributions to a ROTH IRA are made on an after-tax basis, which means the **withdrawal of principal contributions** can be made at any time, for any reason, free of taxes and penalties. Earnings grow tax-free, although nonqualified **withdrawals of earnings** are generally taxed as ordinary income and may incur a 10% early-withdrawal penalty.

A withdrawal is considered qualified if the account is held for at least 5 years and the distribution is made after age 59 ½ or as a result of the account owner's disability or death, or to purchase a first home (up to a \$10,000 lifetime limit). Penalty-free withdrawals can also be used to pay for qualified higher-education expenses; however, regular income taxes will apply.

Contributing funds into your child or grandchild's ROTH IRA is an estate-planning option to consider – contact your Fieldman if you have questions regarding this strategy.

*Yes, we are accepting new clients.*

We are often asked if we have time to serve additional clients. We are a growing firm, and we would appreciate your referrals. If you are pleased with our services, please mention us to your friends and business contacts.