



Tax Considerations when Working with Producers Under Financial Distress

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Rural Tax Education

RuralTax.org



- Website hosted by Utah State University
- Material developed, managed, and owned by the **National Farm Income Tax Committee**
- Informational Material on Ag, Timber, and Rural Tax topics include but not limited to:
 - Disaster/Weather Losses
 - Treatment of Government Payments
 - Farm Losses and Hobby Rules
 - Self-Employment Taxes
 - Estate and Gift Taxes
 - Like Kind Exchanges
 - Depreciation
 - Etc...



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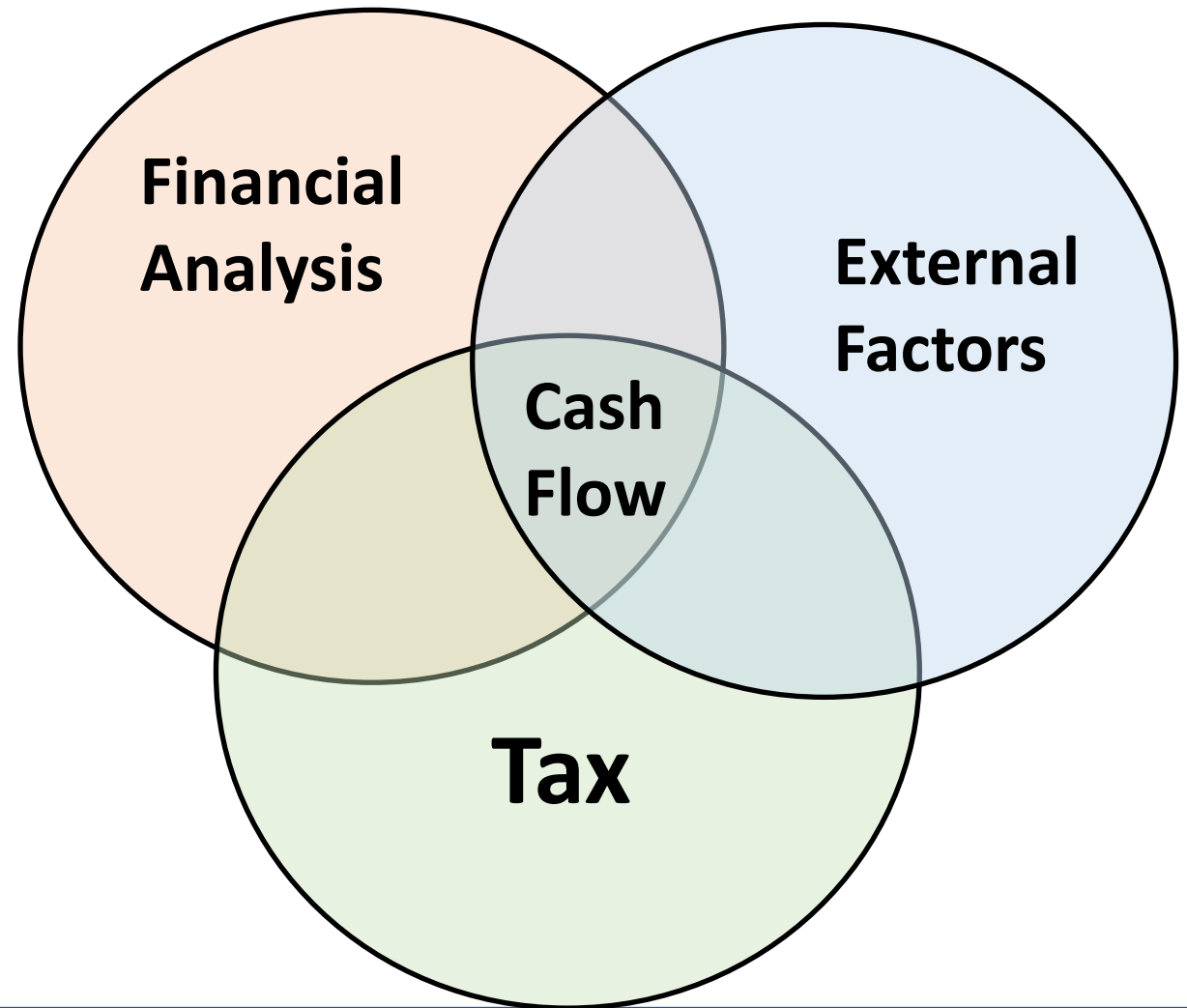


Topics Addressed

- Motivation
- Tax Consequences
- Connection to Farm Financial Analysis
- Tax Management
- Example
- Education resources

Motivation

- Turbulence (e.g. disasters, prices, input costs)
- Unexpected tax liabilities
- Cash flow
- Family living



Potential Tax Consequences

- Tax decisions from previous years may increase the tax burden for the current taxable year.
 - Deferred tax, accelerated depreciation, etc.
- Selling assets with low tax basis
 - Depreciation recapture
 - Capital Gains

Potential Tax Consequences

- Deferred tax
 - Omitted from most Balance Sheets
 - Current assets:
 - income
 - self-employment tax
 - 15.3% < \$184,500
 - Non-current assets:
 - Capital gains
 - Depreciation recapture
- Tax consequences

2026		
Married filing Jointly		
Rate	Above	Top
10%	\$ -	\$ 24,800
12%	\$ 24,800	\$ 100,800
22%	\$ 100,800	\$ 211,400
24%	\$ 211,400	\$ 403,550
32%	\$ 403,550	\$ 512,450
35%	\$ 512,450	\$ 768,700
37%	\$ 768,700	And Up

Potential Tax Consequences

- Sell 100 cows @ \$2,500 each
 - No tax basis
- \$250,000 additional taxable income
- \$22,665 additional tax with no other income.
 - $(250,000 - \$98,900) * 15\%$

2026 Long Term Capital Gains Rates

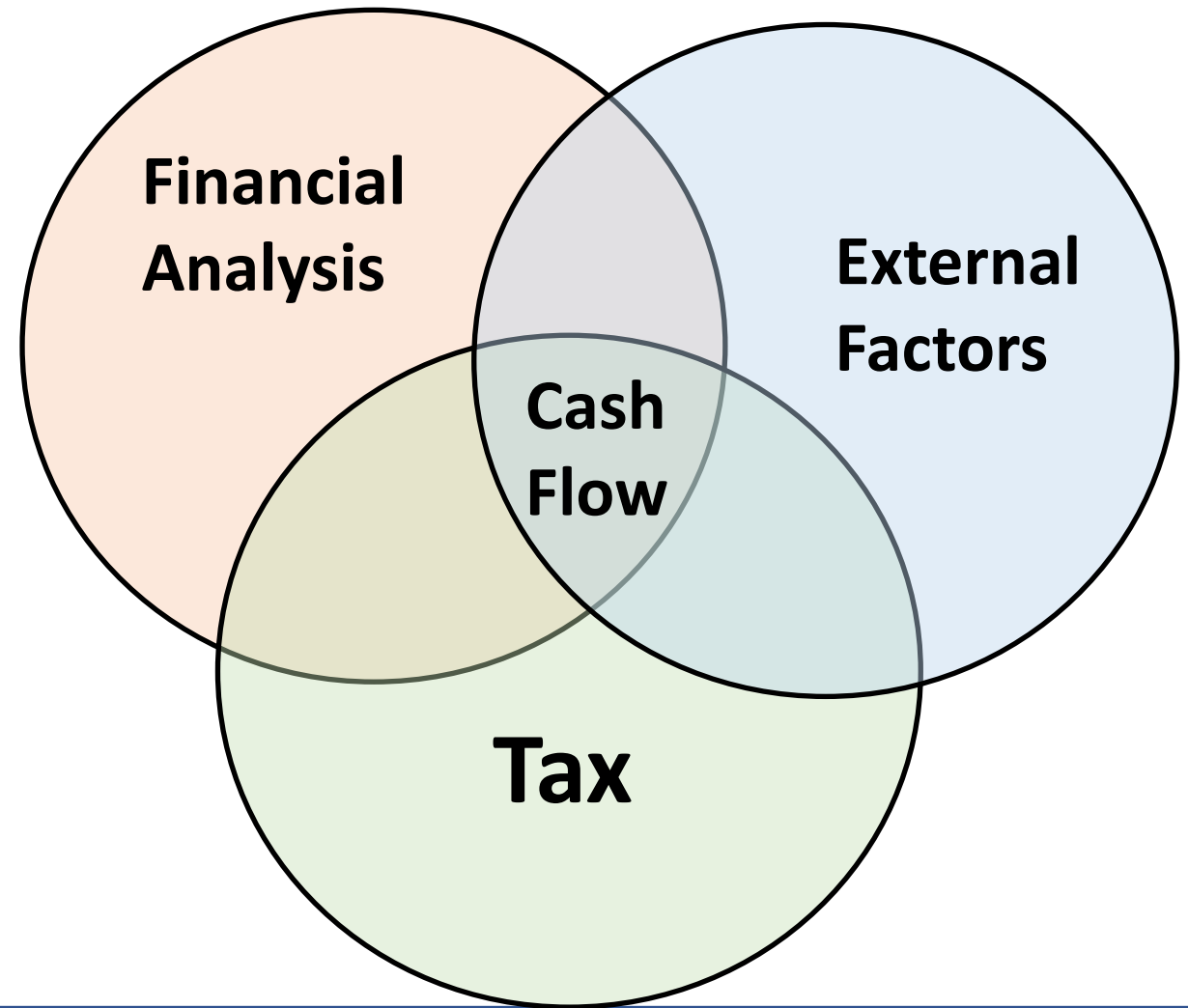
Married Filing Jointly		
Rate	Above	Top
0%	\$ -	\$ 98,900
15%	\$ 98,900	\$ 613,700
20%	\$ 613,700	And Up

Tax Management

- Weather related sales of livestock
- Before year end
- After year end
- Depreciation
- Prepays.
- Small farm tax and record keeping document
- Tax estimator Tool

Farm Financial Analysis

- Cash Flow
- Tax liability
- Tax management
- Usually do not know their numbers.



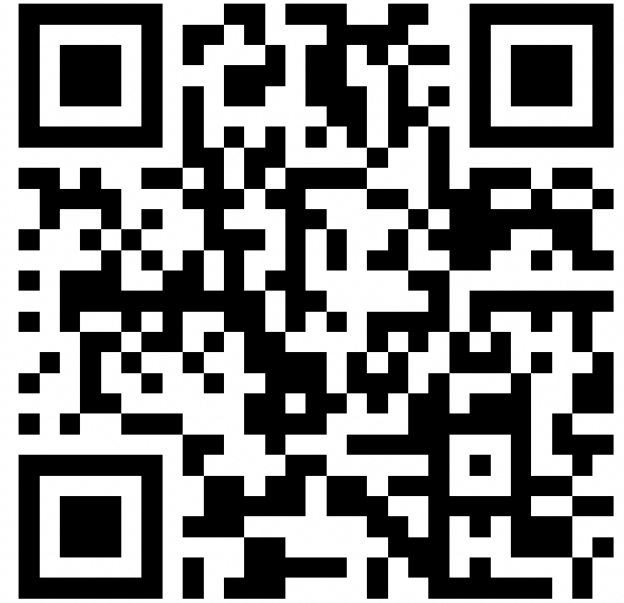
Stress - Communication

- Affected physically and mentally
- Typically don't process things as well as expected.
 - Easily overloaded.
- Organize information
 - Help process options
- Develop a Discussion Summary
 - Timely follow-up with a written communication reviewing the discussion is critical.
- Regional centers for farm stress network.

<https://www.nifa.usda.gov/grants/programs/farm-ranch-stress-assistance-network-frsan>

Resources

- IRS Publication 225: The Farmers Tax Guide
 - On IRS.gov use the search box
- RuralTax.org
 - Tax topics – short articles
 - Collections of topics (i.e. new farmer, disaster, etc.)
 - Links to webinars on Farmers.gov
- Farmers.gov/taxes
 - Information
 - Videos (webinar recordings)



<https://extension.usu.edu/ruraltax/financial-distress>

Picture sources

- Picture from Utah State University Extension photo gallery accessed April 2026.