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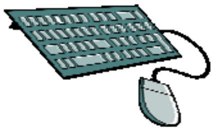

Quick Tips

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In this issue:

How will the new tax bill affect me?

Eileen St. Pierre, The Everyday Financial Planner and JC Hobbs, OSU Extension Specialist

The new tax bill, The Tax Cuts and Jobs Act, exceeds 500 pages. While the cut in the corporate tax rate is permanent, cuts to individual tax rates are temporary. They expire in 8 years at the end of 2025. This means your taxes will go up in 2026 if these cuts are not made permanent.

Here are a few of the major changes:

- The standard deduction will increase to $12,000 for singles and $24,000 for married couples filing jointly. It's estimated that 94% of us will be better off taking the standard deduction than itemizing. That should make filing your taxes much simpler for those who no longer have to fill out Schedule A.
- Personal exemptions are suspended until Jan. 1, 2026. Under prior law, taxpayers subtracted $4,150 from income for each person claimed as an exemption on the tax return. To reduce the current adverse tax impact of this change on families, the child tax credit was increased (see the next item).
- The child tax credit will double to $2,000 per child. Up to $1,400 of the total credit will be refundable for low income taxpayers but there are income limitations. Refundable means you receive the $1,400 credit even if you do not owe any taxes. In addition, certain non-child dependents may qualify for a $500 credit but it is not refundable.
- NOTE: The changes to the standard deduction, personal exemption, and child tax credit rules should be a benefit to most families, but likely not all.
- The deduction of alimony and separate maintenance payments will not be deductible for any divorce or separation agreement signed and executed after December 31, 2018. In addition the recipient will not be taxed on this income as well. There is not a change in the treatment of these payments for tax years prior to January 1, 2019.
- Except for the military, you will no longer be able to deduct moving expenses.
- Your deduction for property, state, and local income taxes is capped at $10,000.
- The penalty for not having minimal essential health insurance coverage under the Affordable Care Act mandate) will be repealed beginning January 1 2019. This repeal of the individual mandate is permanent. The remainder of the Affordable Care Act will continue to be in effect.

Most provisions of the law go into effect beginning in 2018. Some items will take effect in 2019. Be sure to visit with your tax advisor to determine how this new tax law will affect your income taxes over the next several years.

Have ideas for upcoming newsletters or Quicken questions that you would like to have answered?

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Signs and Symptoms of Debt Problems

Lori J. Shipman, Paraprofessional

Loan delinquencies and farm bankruptcies nationally are revealing liquidity and solvency issues, so it is worth reviewing some financial behaviors that may accompany debt problems. If positive and focused efforts are made, the overwhelming effects of debt can be deterred, and options are more readily available to correct actions.

Behavior patterns of overspending and restricted repayment capacity can be the result of financial emergencies due to catastrophic events or a trigger from negative emotional responses. The sooner that a person/business in a stressful situation can accept and take appropriate proactive action the more likely the debt situation can be controlled.

For people/businesses where debt is a problem, there are some emotional stages and steps that can lead to a destructive path. During economic downturns or financial stress, it is important to watch for the signs and symptoms that can lead to more problems and, at best, only kick the problems down the road.

Debt Denial: The symptoms of debt denial:

- Underestimate or lack clear numbers for total debt
- Leave bills unopened and/or hidden out of sight
- Avoid telephone calls for fear of collection calls
- Open additional credit cards to cover costs
- State or assume that everyone else is in the same situation, so it is ok.

Denial is a defense mechanism for the brain. It protects the ego and rationalizes financial mistakes. It keeps the problem out of sight of others who can be affected. What it leads to is more interest, fees, and debt problems. Financial problems reveal themselves at some point and at times in a public fashion (lawsuits, bankruptcy proceedings, etc.).

Debt Stress: "Stress" as defined by Hans Selye in 1936 is, "the non-specific response of the body to any demand for change." A 2016 American Psychological Association study showed that 72% of Americans said that they were stressed about money and 22% said they felt "extreme" stress over their finances. Stress is a broadly cast term, but it can manifest in such ways as:

- Unrestful sleep
- Loss of focus
- Constant worry

Stress is generally referred to as a negative reaction; however, the reaction can be a sign that change is needed and create a positive change. A tough situation means changes are needed, but it does not define a person.

Debt Fear and Panic: Financial worries are a trigger for anxiety issues. The physiological state may lead to fight or flight mode with physical symptoms such as:

- Increased heart rate
- Shortness of breath
- Headaches
- Shaking

A stressed person's state of mind may lock into a negative and out-of-control feeling. Debt problems may lead to negative talk or health issues.

Debt Anger: Anger is a secondary emotion, meaning that prior to anger arising, often other emotions fuel the fire. In financial situations, it can be denial, loss of honor because obligations are not met, betrayal, and frustration. Anger can be displayed as:

- Blame others for bills coming in (bank denied my loan, it's their fault)
- Mad at lack of income (wheat prices are low is why I'm in this situation)
- Mad that family/business has basic needs or unusual circumstances that are adding to the problem (medical care, clothing, food, etc.)
- Generally unhappy with life.

This emotional barrage can ruin relationships and or cause more physiological effects such as migraines, heart disease, and reduced resistance to infections. Anger lashes out and causes things to be said or done that are hurtful and unnerving.

Debt Depression: When someone follows down the path of the above signs and symptoms of financial problems and begins to be overwhelmed, depression can set in. Body chemistry and state of mind have been changed and relationships can begin to suffer. If this hopelessness sets in, it is easy to avoid social interactions. If someone is not able to do normal activities, like get up in the morning and get going, or things that brought them joy are no longer interesting, then it is

Signs and Symptoms of Debt Problems (cont.)

time to seek professional help. Seek religious, mental health, or physician assistance. Asking for professional help is the first step to get past this and realize that life will be ok on the other side of this situation.

This spiral of debt emotions is a coping, but negative mechanism. People with financial responsibilities and those around them need to stay cognizant of this trap.

The power of information and learning to manage situations instead of becoming victims of circumstance will help agricultural producers to keep moving forward. Not all financial choices and decisions are easy to make, but problem avoidance will not lessen the blow. It could inflate the stakes.

2018 Rules for Section 179 Expensing and Bonus Depreciation

J C. Hobbs, Oklahoma State University, Assistant Extension Specialist

Passage of the Tax Cuts and Jobs Act (TCJA) has resulted in changes in both the rules for the Section 179 Expensing Election and the Additional First Year (Bonus) Depreciation for the 2018 tax year. The following discussion presents the rules for 2018 that apply to both the Section 179 Expensing Election and Bonus Depreciation provisions.

The Section 179 Expensing Election has been expanded and the new provisions have been made permanent for this and future tax years. The Section 179 Expensing Deduction allows a business to write off (much like depreciation) all or a part of the cost of qualified business use property in the year the property is purchased and placed in service. The maximum amount that can be expensed for 2018 is $1 million of the cost of qualifying property with a phase-out threshold beginning at $2,500,000 of qualifying property investment. The phase-out affects the amount that can be expensed as explained in this example. Ron Rancher purchases a total of $2,600,000 of depreciable property that qualifies to be expensed using Section 179. The $1,000,000 maximum amount is reduced by $100,000 ($2,600,000 - $2,500,000). Thus he can only expense $900,000 of the total $2,600,000 investment in depreciable property in 2018. Qualifying property includes business property such as new or used machinery, equipment, cattle feeders, a single purpose livestock or storage facility and purchased breeding livestock. Both the amount that can be expensed and the phase-out threshold are indexed annually for inflation beginning after 2018

The TJCA also modifies the Additional First-Year (Bonus) Depreciation rules for new or used business assets that were both purchased and placed into service after September 27, 2017. Bonus depreciation rules have been extended but were not made permanent; however, they now include both new and used assets. For assets purchased and placed into service after September 27, 2017 and before January 1, 2023, 100% of the cost of new or used business assets can be depreciated in the year of purchase. For the 2023 through 2026 tax years the allowable percentage declines by 20 percent annually. For example, the allowable percentage for 2023 is 80 percent. For 2018, if Ron Rancher purchases and places in service a feed truck costing $60,000, he can take a bonus deprecation deduction of $60,000. Unlike the Section 179 rules, there is not an investment limit on the amount of Bonus Depreciation that can be utilized in any one year.

The Section 179 expensing rules for 2018 have been made permanent and the annual amount allowed and the investment limit will be both be indexed for inflation for the 2019 tax year and future years. However, the Additional First Year or Bonus Depreciation has only been extended through the 2026 tax year. Beginning January 1, 2016 and beyond, Bonus depreciation will end. The percentage amount for bonus deprecation declines in 2028 to 80 percent. For 2024, the percentage is 60 percent; for 2025 the percentage is 40 percent and for 2026, the percentage is 20 percent. Bonus depreciation expires for the 2017 income tax year.

For additional information about these and all other depreciation rules and how they apply to your specific situation, contact your tax advisor.

Tools to Stay Strong in Financial Tough Times

Lori J. Shipman, Paraprofessional

There are tools and options available to help keep financial situations above water. If you are aware of trends in agriculture you know there are times of decent prices, times of high land prices, and then there are times of outrageous feed and fuel prices, high interest rates, and low commodity prices. To stay in control of your future, it takes planning, follow through, and realistic expectations. Here are some tools available to agricultural producers.

1. Take charge, keep in touch with your actual financial status. If you are a Quicken user, you can track debt and payments, income and expenses. The budget feature (See Budgeting in the Quicken manual) allows the development of a budget to use past numbers to show trends and adjust for future changes to know the ups and downs of income and increase in input costs, and debt payment timing. You can formulate a spending plan (protect the most important assets and take care of the family needs and develop a plan for other bills).

2. Learn the fine art of negotiation for a win/win solution. Since you have a clear picture of where you are financially, you can discuss with lenders and vendors that you see a situation developing. Discuss what you see as a reasonable payment plan and see what they have to offer. Realize they are also in business to make a profit. However, if you show reasonable and well thought out information they are more likely to see your plan as realistic. Have you considered developing a payment budget plan for utilities that would give even payments over a period of time decreasing expense spikes, locking in fuel, seed, or fertilizer costs when it is beneficial, or requesting reasonable extensions of loan payments, restructuring or refinancing loans? These are more likely to be available options before or early in a crunch period, so get on this earlier rather than later.

3. A financial stressor can become your shining moment to make personal/business changes that will lead to a successful outcome. Clear and healthy decisions keep you and your business forging forward instead of dwelling on what should have been. Focus on what you can do, what can be done, and who can assist. You can find your passion, change ineffective practices, and move forward.

4. Your health and wellness is key. Self-medicating with extra busyness, alcohol, drugs, or other self-defeating activities will only add to the problem. Seek positive social interaction, eat healthy, and get some exercise. If you will take up to 30 minutes a day to give yourself a natural endorphin boost through exercise and focused time, you can overcome negative thoughts and boost your immune system. Stress can cause health issues and that is the last thing you want during troubled times. Rest is necessary, farming is a high risk business, and your attentiveness and safe practices are important.

5. Use of risk management planning tools can help you sleep well at night. Business leaders possess various levels of risk tolerance. If you are aware of cost of production, you will have a better feel for what is needed for yield, inputs, and price to make a profit. Crop insurance, puts and calls, or other financial risk management tools are there to help cover costs in weather catastrophes and protect prices. They come with a price tag, so make sure that you approach these risk management tools with information and guidance. Determine an affordable premium price to potential payout for your needs and level of risk tolerance. Create a rainy day or emergency fund that you can rely on in the short-term for tough times, as we all know they will happen even the most unexpected.

6. A new generation of agricultural producers are looking to niche markets to find premium income streams. Common business savvy is still important, know the market, input costs, labor issues, and potential opportunities and threats. Diversifying can help to absorb the ups and downs of other enterprises, but lack of focus in diversifying can add to the problem. Extra busyness does not always result in good outcomes. Crowdfunding and research grants are becoming more common in agricultural niche markets. This is a concept that traditional farmers may not see as beneficial and there is a learning curve for this as well. Off-farm income, specialty products, seed sales, change in production practices and equipment usage, etc. are more traditional ways for gaining income. The point is that there are more options available than we often realize. Farmers often underrate the skills they have mechanics, welders, planners, event managers, etc.

7. Keep relationships strong or even stronger. In the previous article, “Signs and Symptoms of Debt Problems”, the actions and practices of someone

Tools to Stay Strong in Financial Tough Times (cont.)

spiraling down is that they tend to alienate others and become self-absorbed. Rely on communication skills to keep relationships connected and strong. In working with farm families, it is often revealed that emotions and lack of effective communication skills is a symptom or even plays a role in the cause of debt issues. You can bring in a trained person that can facilitate communication and develop tools for communications. Sometimes it is all about how something is said that can make or break a conversation and relationships. You may have heard the term "I" language, but do you know how to use it and understand why this approach can garner better responses? Engage a neutral third-party meeting facilitator can help keep emotions in check and discussions moving forward for business meetings. Just be prepared that good communication can bring up topics that people tend to suppress in their relationship dynamics. So, it can be tough to learn to communicate. Clarity of communication is key to moving forward as problems are identified and dealt with instead of suppressed and negative consequences.

There are other tools, and risk management, and production practices to use. The point of this article is to point out that options are available. Nothing is a quick fix, so remain positive and focus on forward movement and reasonable changes. The wonderful thing is that there is so much out there, if we do our evaluation, assess risk, plan, and adapt. You can survive tough times and at times survival is not the same as the initial vision, and that is okay.

For mediation services to negotiate issues in agriculture contact the Oklahoma Agriculture Mediation Program at https://www.ok.gov/triton/contact.php?ac=183&id=159 (800-248-5465).

Online Financial Management Resources for Farmers/Ranchers

Producers seeking to hone their financial management skills will be interested in the OSU Department of Agricultural Economics' online farm financial management website. Resources include a series of short videos, publications, software tools and webinars on agricultural financial management topics and selected production topics. This course can also be used by Farm Service Agency borrowers to earn certification for FSA Borrower Training. Participants must successfully complete 18 required topics in one of two paths (crop or livestock as appropriate for their situation) plus 7 additional topics, required activities, and pass subject-related quizzes to earn FSA Borrower Training credit. The course fee of $150 is payable in advance and participants have up to 2 years to complete training. Please contact Brent Ladd (brent.ladd@okstate.edu or 405-744-6159) to access the online course.

Course videos and recorded webinars may also be accessed on YouTube at: https://www.youtube.com/playlist?list=PLmAQSnDxrwxI2_u2PNmBK84bT_o4ZQYZ0 or by searching YouTube for "OSU Agecon."

Save the Date! Oklahoma's Statewide Women in Agriculture & Small Business Conference, August 9-10, 2018

Mark your calendars for the upcoming annual statewide conference for women in agriculture and small business on August 9-10. The 2-day conference offers a variety of sessions to assist participants in successfully managing risk for their families, farms and/or business.

The 2018 conference will feature three keynote speakers: Dr. Janeal Wyn Yancey, professor and author of the popular Mom at the Meat Counter blog; Rebecca Long Chaney, author and rancher, who will share her keynote "Dare to Risk Life Change" which highlights the trials and tribulations during a life-changing adventure on a million-acre cattle ranch in the Australian Outback; and Marcy Luter, management development training coordinator at Meridian Technology Century, will share her expertise on how to make better choices in life and work.

Concurrent sessions are offered from four tracks—agriculture, beginning farmer, alternative enterprises and business and finance—with participants able to choose whatever session is of most value to them.

Registration will be $50 per person by August 3 or $60 at the door (includes 2 lunches, breaks, and breakfast Friday). For more information visit **http://okwomeninagandsmallbusiness.com/** or contact Sara Siems at 405-744-9826.

Updated Quicken Manual for Farm/Ranch Use

Continued low commodity prices are placing increasing financial stress on producers. Whether a client is facing financial stress or not, a good information system helps them take advantage of opportunities and better manage financial challenges. For any farm or ranch, a strong foundation includes well-organized financial and production records that are kept up-to-date.

Quicken is one tool that helps people better monitor and manage their finances. It is a relatively low cost personal financial record-keeping tool not made specifically for agricultural producers. However, it can easily be adapted for farm/ranch use. Step-by-step instructions and other informational resources to assist producers in learning to use Quicken have been updated for Quicken 2018 and are available on the OSU Quicken website: http://agecon.okstate.edu/quicken/

Producers can use an accounting tool such as Quicken to keep better financial records and improve the information available for making decisions. Entering transactions with income/expense labels (called a category in Quicken) allows users to easily summarize cash flow by month, quarter or year. Using an additional label, a tag, allows the producer to track costs and measure financial performance by enterprise (for example, cow-calf, stocker, wheat, canola, cotton, 4-H projects). Farm and non-farm income and expenses can also be distinguished using tags. Quicken automates the process of summarizing farm records for sharing with lenders and other stakeholders as well as for tax preparation.

Lenders interested in helping improve their clients' record keeping and farm management decisions may contact their local extension educators about co-hosting "hands on" computer workshops to show its application.

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This newsletter provides farm financial management information and Quicken instructions for farmers and ranchers. Quicken instructions are written using Quicken Deluxe 2018. However, most features are available on previous releases of Quicken Deluxe, but may use slightly different. steps to achieve the same function.

www.agecon.okstate.edu/quicken