

**WASHBURN**  
UNIVERSITY  
SCHOOL OF LAW

**LEGACY, LAND AND TAX STRATEGIES**

**CROP QUEST  
GROWER FOCUS  
DODGE CITY, KS  
FEBRUARY 11, 2026**

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1

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  - Other resources
  - Substack
    - *Rural Practice Digest*
    - [mceowenaglawandtax.substack.com](http://mceowenaglawandtax.substack.com)



2

2



## Deducting Residual Fertilizer Supply



3

3



## Background

- **Farmland is comprised of many components**
  - Soil
  - Mineral rights
  - Water rights
  - Air rights

4



## The Concept

- **The deduction for residual fertilizer is based on the idea that the "excess" or "unexhausted" nutrients (like phosphorus and potassium) in the soil at the time of purchase or inheritance are a separate, depletable asset from the land itself.**
  - The new owner is permitted to deduct or amortize the value of this asset over its presumed useful life (e.g., 3-7 years) as the nutrients are used up by crops.

5

5



## Excess Fertility on Purchase or Inheritance (TAM 9211007)

- **Establish presence and extent of fertility**
- **Show the level of soil fertility applied by prior owner**
- **Provide a basis upon which to measure the increase in soil fertility**
- **Provide evidence indicating periods over which the residual fertility will be exhausted**
- **Follow up in *MSSP Guideline on Grain Farmers (July 1995)***

6



## Presence of Extent of Fertility

- **In almost all cases need a formal agronomist report**
  - Soil tested at time of purchase/inheritance will establish amount by prior owner
    - Delay may decrease the value of the fertility

7



## Soil Reports

- **Typical cost varies depending on depth of report.**
- **Can occur at any point in time?**
  - Theoretically, yes, if the crops grown and level of fertility applied is known

8



## Form 3115?

- **Seeing a large increase in use of Form 3115 to “catch-up” on missed amortization of excess fertility**
  - No direct instructions on form
- **Use guidance similar to depreciation catch-up?**
- **If it works, can allow for full deduction in many cases**

9

9



## The “Safe” Position

- **If the land was purchased or inherited within the last three years and the taxpayer failed to claim the residual fertilizer deduction on the original return**
  - File Form 1040-X to take the deduction on Schedule F, Line 32

10

10



## Rules for Allocation

- **Section 1060 requires allocation of purchase price of “business”**
  - An “applicable asset acquisition”
  - Reported on Form 8594
- **However, most land is not a business**
  - No formal allocation required
  - Unless in contract
- **Seller and Buyer can allocate differently**

11



## Calculating the “Excess”

- **Step 1: Determining a baseline**
  - The process begins with a professional agronomist or soil scientist establishing the critical level or baseline for the specific farmland
    - The baseline is defined by the critical level of the primary residual nutrients, typically Phosphorus (P) and Potassium (K).
      - The critical level is the scientifically determined soil nutrient concentration at which adding more of that nutrient no longer provides an economic yield response for the intended crop. In other words, it is the point where the soil has “enough is enough” nutrients for optimal yield

12

12



## “Critical Level”

- **This level is not a generic number; it is often field-specific and is based on...**
  - Soil type
  - Scientific research

13

13



## Calculating the “Excess”

- **Step 2:**
  - Once the critical level is set, the actual nutrient levels in the purchased/inherited soil must be measured.
    - **Grid Sampling:** The agronomist takes field-specific soil samples as close as possible to the date of acquisition, before any new fertilizer is applied
    - **Lab Analysis:** The samples are analyzed by a certified lab to determine the concentration of available nutrients (P, K, and sometimes other micronutrients like Zinc or Sulfur). The results are converted into standard units, usually pounds per acre (lbs/acre)

14

14



## Calculating the “Excess”

- **Step 3:**
  - The excess is calculated by comparing the lab-tested nutrient concentration against the established critical level (baseline).
    - The excess quantity of residual fertilizer is the amount of nutrients above the critical level.
      - Only this "excess" amount is considered the depletable asset that the prior owner built up through prior fertilization practices and is therefore eligible for deduction.

15

15



## Calculating the “Excess”

- **Step 4:**
  - The value of the excess pounds is determined by multiplying the quantity by the reasonable replacement cost of that nutrient
    - The cost used is for the nutrient itself, not the retail cost of a blended fertilizer product. Historical pricing data is often used to ensure the valuation is defensible.
    - This calculation yields the FMV of the residual fertilizer.

16

16



## Calculating the “Excess”

- **Step 5:**
  - The final, deductible amount is subject to a limitation:
    - The deduction cannot exceed the portion of the farm's purchase price that is reasonably allocated to the residual fertilizer supply.
  - For example:
    - If the calculated FMV of the excess fertility is \$3,000 per acre, but comparable land *without* excess fertility is valued such that only \$2,500 per acre of the total purchase price is logically attributable to the residual fertilizer, the deduction should be capped at \$2,500 per acre.

17

17



## To Be Clear - Amount of Deduction

- **Deduction may be *less* than agronomist's report**
- **If purchase price is less than land in area without excess fertility plus excess fertility on land, then allocation required**
  - Based on FMV

18



## “Section 180” Deduction – Where to Claim on Return

- **Section 180 allows farmer to deduct fertilizer**
  - Election is made by simply deducting it on Schedule F, line 17
- **Deduction is allowed to farmer**
  - Cash rental landlords can’t deduct fertilizer including excess fertility on purchase of land
    - Doing a crop share in first year or two of purchase allows deduction
    - Then switch to cash rent

19



## Timely Filed Return

- **Section 180 election must be made on timely filed return**
  - Including extensions
  - Irrevocable election (requires IRS consent)
- **If no Section 180 deduction made**
  - Capitalize fertilizer and deduct over useful life

20

20



## But What About Residual Fertility?

- **Report directly on Schedule F (in my opinion)**
  - There is no Code section to report on Form 4562
  - Most states that audit these returns review Form 4562
    - For code 180
  - It's really depletion (for which there is no Form
    - Line 32 (Other expenses) of Schedule F

21



## Typical Amortization Periods

- **We typically see capitalized fertility deducted**
  - 60% in year 1
  - 30% in year 2
  - 10% in year 3

22



## Beneficial Ownership

- **If farm tenant purchases the land, then typically no deduction**
- **If farmer wants deduction explain that there is immediate recapture of amount in year 1, and amortization over many years**

23



## Potential for Recapture

- **The primary situation that triggers recapture is the sale of the farmland *before* the value allocated to the residual fertilizer has been fully depleted by farming operations.**
  - When the property is sold, the amount of the selling price that is attributable to the remaining (unamortized) residual fertility value must be recaptured as ordinary income.
- **Death eliminates recapture**

24

24



## Pasture/Range Land

- **Difficult to determine any excess fertility**
- **Minimal amounts of fertility in pasture or rangeland compared to crop land**
- **If the nutrients were there, it would likely not be pasture or range land**

25



## Cost Segregation

- **Actually, seeing more reports of higher values for range land than crop land**
- **Likely have to tamp down allocations**
  - No more than 30-40% of cost of land
  - After allocations for buildings and other improvements

26



## Audits

- **Aware of about 20 audits so far**
- **No change in all audits that I am aware of**
  - Reason??
  - Largest deduction in excess of \$40 million

27

27



## Navigating 2026 Tax and Policy Strategies for Farmers and Ranchers



28



## Basic Points

- **OBBBA is the most significant shift in ag policy in decades**
  - Made numerous TCJA provisions permanent
  - Expansion of farm “safety net”

29



## Strategic Opportunities

- **Higher reference prices**
  - Raises the floor on PLC payments
- **ARC guarantee expansion**
  - Narrows the “deductible” for revenue losses
- **Base acre reset**
- **Marketing assistance loans**
  - Increase by 10 percent
- **Change in the “escalator formula used to determine ERP**
  - This is the actual price floor used to trigger PLC payments

30

## New Statutory Reference Prices

Wheat	\$6.35 per bushel
Corn	\$4.10 per bushel
Grain Sorghum	\$4.40 per bushel
Barley	\$5.45 per bushel
Oats	\$2.65 per bushel
Long Grain Rice	\$16.90 per hundredweight
Medium Grain Rice	\$16.90 per hundredweight
Soybeans	\$10.00 per bushel
Other Oilseeds	\$23.75 per hundredweight
Peanuts	\$630.00 per ton

\*Based on the context provided

31

## Effective Reference Price Calculation Changes



### Minimum ERP Base Increased

Increases the minimum Effective Reference Price (ERP) base to 88% from the current 85%



### Maximum Increase Maintained

Maintains the current maximum increase from 115% of statutory reference price



### Automatic Reference Price Increase

Automatic .5% increase in statutory reference price beginning with 2031 crop year



### Price Cap Retained

Can't exceed 113% of current statutory reference price

These changes aim to provide stability and predictability in the minimum price support for farmers while maintaining reasonable limits on the maximum reference price.

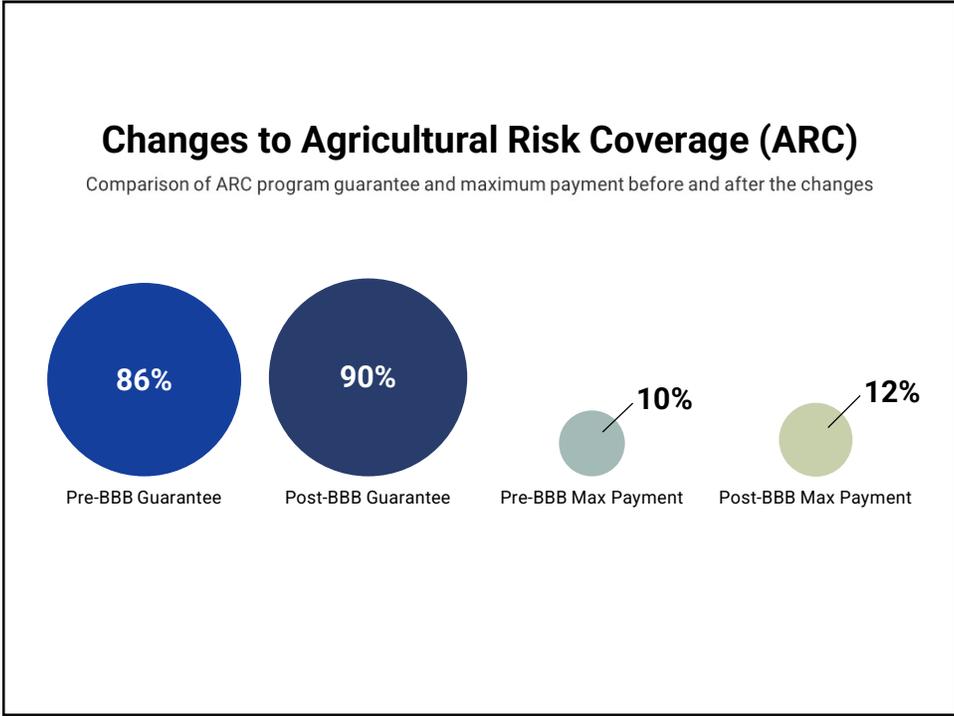
32

**Updates to Effective Reference Prices and ARC Benchmark Prices**

Commodity	Units	Effective Reference Prices				ARC Benchmark Prices			
		Current	One Big Beautiful Bill			Current	One Big Beautiful Bill		
		2025	2025	Percent Change	Level	2025	2025	Percent Change	Level
Wheat	Bushel	\$5.56	\$6.35	14%	\$0.79	\$5.78	\$6.28	9%	\$0.50
Barley	Bushel	\$4.95	\$5.45	10%	\$0.50	\$5.06	\$5.49	9%	\$0.43
Oats	Bushel	\$2.76	\$2.89	8%	\$0.23	\$3.23	\$3.44	6%	\$0.21
Peanuts	Pound	\$0.2875	\$0.3150	19%	\$0.0475	\$0.2302	\$0.2635	23%	\$0.0533
Corn	Bushel	\$4.26	\$4.42	4%	\$0.16	\$4.33	\$4.52	5%	\$0.20
Grain Sorghum	Bushel	\$4.51	\$4.67	3%	\$0.16	\$4.56	\$4.77	5%	\$0.21
Soybeans	Bushel	\$9.66	\$10.71	11%	\$1.05	\$10.47	\$10.95	5%	\$0.48
Dry Peas	Pound	\$0.1163	\$0.1210	13%	\$0.0147	\$0.1228	\$0.1329	8%	\$0.0101
Lentils	Pound	\$0.2297	\$0.2587	13%	\$0.0290	\$0.2965	\$0.2876	8%	\$0.0211
Canola	Pound	\$0.2054	\$0.2375	16%	\$0.0321	\$0.2140	\$0.2336	9%	\$0.0196
Large Chickpeas	Pound	\$0.2477	\$0.2798	13%	\$0.0321	\$0.2777	\$0.3003	8%	\$0.0226
Small Chickpeas	Pound	\$0.2190	\$0.2620	19%	\$0.0339	\$0.2520	\$0.2739	9%	\$0.0219
Sunflower Seed	Pound	\$0.2015	\$0.2375	18%	\$0.0360	\$0.2015	\$0.2259	12%	\$0.0244
Flaxseed	Bushel	\$11.53	\$13.30	15%	\$1.77	\$11.79	\$13.23	12%	\$1.44
Mustard Seed	Pound	\$0.2317	\$0.2684	16%	\$0.0367	\$0.2684	\$0.3001	5%	\$0.0137
Rapeseed	Pound	\$0.2015	\$0.2375	19%	\$0.0360	\$0.1776	\$0.2138	20%	\$0.0362
Safflower	Pound	\$0.2275	\$0.2375	4%	\$0.0100	\$0.2337	\$0.2477	6%	\$0.0139
Crambe	Pound	\$0.2100	\$0.2375	13%	\$0.0275	\$0.2124	\$0.2223	5%	\$0.0099
Sesame Seed	Pound	\$0.2317	\$0.2684	16%	\$0.0367	\$0.3326	\$0.3480	5%	\$0.0154
Seed Cotton	Pound	\$0.3870	\$0.4300	14%	\$0.0530	\$0.3484	\$0.3880	11%	\$0.0396
Rice, Long Grain	Pound	\$0.1400	\$0.1690	21%	\$0.0290	\$0.1258	\$0.1521	21%	\$0.0263
Rice Med/Short Grain	Pound	\$0.1400	\$0.1690	21%	\$0.0290	\$0.1296	\$0.1530	18%	\$0.0234
Rice, Temp. Japonica	Pound	\$0.1990	\$0.2434	22%	\$0.0444	\$0.2202	\$0.2417	10%	\$0.0216


Sources: USDA FSA, One Big Beautiful Bill Act, Terrain

33



34

## Example of New Rules

- **Benchmark Revenue**  
The benchmark revenue remains the same at \$1,200 under both the old and new rules.
- **Harvest Revenue**  
The harvest revenue remains the same at \$950 under both the old and new rules.
- **Maximum Payment**  
The maximum payment has increased from \$120 under the old rules to \$144 under the new rules.
- **Calculated Payment**  
The calculated payment has increased from \$82 under the old rules to \$130 under the new rules.
- **Guarantee**  
The guarantee has increased from \$1,032 under the old rules to \$1,080 under the new rules.
- **Payment Allowed**  
The payment allowed has increased from \$82 under the old rules to \$130 under the new rules.

35



## Electing ARC-CO?

- **OBBBA narrows the loss threshold required to trigger a payment**
  - 90% guarantee
  - Max. payment is 12.5% of benchmark revenue
  - Basic point:
    - The ARC guarantee is high enough that it acts as a “shallow loss” insurance policy under a producer’s crop insurance

36

## Increased Crop Insurance Coverage



**90% or 95% coverage**  
 Aggregated across multiple commodities – 90% or based on area revenue/yield – 95%



**Increases SCO coverage to 90%**  
 Up from 86% in previous years



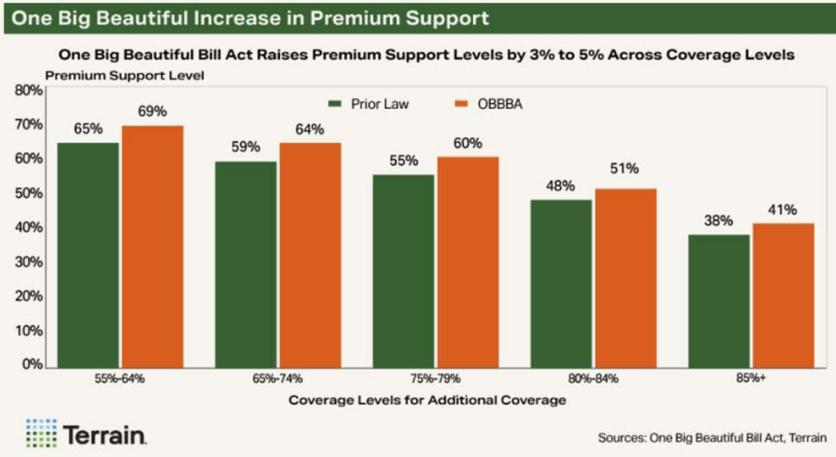
**Increases SCO premium subsidy to 80%**  
 Up from 65% in previous years



**Now Allows SCO for farmers who elected ARC**  
 Expands program eligibility

The increased coverage, higher subsidy, and expanded eligibility provide enhanced risk management options for farmers.

37



38

## Enrolled Acres in PLC and ARC

Covered Commodity	Price Loss Coverage (PLC)		Agriculture Risk Coverage - County (ARC-CO)		Coverage - Individual (ARC-IC)	Total Enrolled Base Acres	National Average PLC Yield From USDA
	Enrolled Base Acres	Total	Enrolled Base Acres	Total			
Barley	3,013,886	2,260,417	25,775			5,300,078	54.73
Canola	456,609	991,141	1,570			1,449,320	1,656.00
Chickpeas, Large	17,401	55,415	100			72,916	1,394.00
Chickpeas, Small	4,633	16,467	222			21,322	1,424.00
Corn	15,302,675	75,556,669	718,184			91,577,528	140.76
Crambe	549	2,228	0			2,777	1,184.00
Dry Peas	145,058	278,192	5,327			428,577	1,821.00
Flaxseed	54,648	172,593	615			227,857	1,929.00
Grain Sorghum	4,257,103	4,050,919	13,084			8,321,106	61.90
Lentils	97,263	178,001	4,229			279,493	1,208.00
Mustard Seed	8,987	15,734	234			24,955	705.00
Oats	681,168	1,351,724	5,916			2,038,809	51.94
Peanuts	2,325,496	32,801	69			2,358,366	3,526.00
Rapeseed	987	1,442	0			2,429	1,466.00
Rice-Long Grain	3,740,349	21,946	50			3,762,345	6,292.00
Rice-Med Grain	161,451	1,681	0			163,132	6,292.00
Rice-Temp Japonica	231,966	121,325	289			353,580	6,292.00
Safflower	44,044	29,198	306			73,547	1,085.00
Seed Cotton	10,003,153	1,183,263	2,239			11,188,655	1,755.59
Sesame Seed	2,603	2,764	0			5,367	317.00
Soybeans	3,001,530	48,884,947	329,418			52,215,894	40.44
Sunflower Seed	366,226	1,226,631	8,039			1,600,896	1,440.00
Wheat	26,372,851	34,275,552	395,868			61,044,271	41.48
<b>Grand Total</b>	<b>70,290,637</b>	<b>170,711,049</b>	<b>1,511,534</b>			<b>242,513,220</b>	

39

## Analysis of National Extra 2025 "PLC" Payments

Covered Commodity	Total Enrolled Base Acres	National Average PLC Yield From USDA	Old Effective Reference Price	New Effective Reference Price	Estimated August 2025 MYA Price for 2025 Crop	Projected PLC Payments Based on Old EFR	Projected PLC Payments on New EFR	Total Gross Per Acre Payment	Extra Gross Per Acre on Average
Barley	5,300,078	54.73	\$4.95	\$5.45	\$5.30	\$0	\$43,510,990	\$8.21	\$8.21
Canola	1,449,320	1,656.00	\$0.2054	\$0.2375	\$0.2100	\$0	\$66,002,042	\$45.54	\$45.54
Chickpeas, Large	72,916	1,394.00	\$0.2477	\$0.2798	\$0.2950	\$0	\$0	\$0.00	\$0.00
Chickpeas, Small	21,322	1,424.00	\$0.2190	\$0.2529	\$0.2170	\$0	\$0	\$0.00	\$0.00
Corn	91,577,528	140.76	\$4.26	\$4.42	\$3.90	\$4,640,553,023	\$6,703,035,477	\$73.20	\$22.52
Crambe	2,777	1,184.00	\$0.2100	\$0.2375	\$0.3600	\$0	\$0	\$0.00	\$0.00
Dry Peas	428,577	1,821.00	\$0.1163	\$0.1310	\$0.1510	\$0	\$0	\$0.00	\$0.00
Flaxseed	227,857	1,929.00	\$0.2059	\$0.2375	\$0.2133	\$0	\$10,622,110	\$46.62	\$46.62
Grain Sorghum	8,321,106	61.90	\$4.51	\$4.67	\$3.70	\$417,211,924	\$499,624,156	\$60.04	\$9.90
Lentils	279,493	1,208.00	\$0.2297	\$0.2587	\$0.4060	\$0	\$0	\$0.00	\$0.00
Mustard Seed	24,955	705.00	\$0.2317	\$0.2684	\$0.4100	\$0	\$0	\$0.00	\$0.00
Oats	2,038,809	51.94	\$2.76	\$2.99	\$3.10	\$0	\$0	\$0.00	\$0.00
Peanuts	2,358,366	3,526.00	\$0.2675	\$0.3150	\$0.2500	\$145,522,962	\$540,513,858	\$229.19	\$167.48
Rapeseed	2,429	1,466.00	\$0.2015	\$0.2375	\$0.3000	\$0	\$0	\$0.00	\$0.00
Rice-Long Grain	3,762,345	6,292.00	\$0.1400	\$0.1600	\$0.1300	\$236,726,760	\$923,234,364	\$245.39	\$182.47
Rice-Med Grain	163,132	6,292.00	\$0.1400	\$0.1690	\$0.1350	\$5,132,130	\$4,898,483	\$213.93	\$182.47
Rice-Temp Japonica	353,580	6,292.00	\$0.1990	\$0.2434	\$0.2100	\$0	\$74,305,859	\$210.15	\$210.15
Safflower	73,547	1,085.00	\$0.2275	\$0.2375	\$0.2200	\$598,492	\$1,396,482	\$18.99	\$10.85
Seed Cotton	11,188,655	1,755.59	\$0.3670	\$0.4200	\$0.3419	\$493,031,540	\$1,534,094,154	\$137.11	\$93.05
Sesame Seed	5,367	317.00	\$0.2317	\$0.2684	\$0.3300	\$0	\$0	\$0.00	\$0.00
Soybeans	52,215,894	40.44	\$9.66	\$10.71	\$10.10	\$0	\$1,288,082,560	\$24.67	\$24.67
Sunflower Seed	1,600,896	1,440.00	\$0.2015	\$0.2375	\$0.2260	\$0	\$26,510,836	\$16.56	\$16.56
Wheat	61,044,271	41.48	\$5.56	\$6.35	\$5.30	\$658,350,254	\$2,658,722,179	\$43.55	\$32.77
<b>Grand Total</b>	<b>242,513,220</b>					<b>\$6,597,137,085</b>	<b>\$14,404,553,550</b>	<b>\$59.40</b>	<b>\$32.19</b>

40



## ARC/PLC Decision Matrix

- **No ARC/PLC signup until after the 2026 planting season**
  - Must know your “math”
  - Table on page 3
- **Know your scenario**
  - Market slump
  - “Localized disaster”
  - “Balanced risk”

41

## Adding Base Acres to the Farm

- |  |  |
|--|--|
| <ul style="list-style-type: none"> <li>• <b>1-Time Opportunity</b><br/>Farmers can add base acres for the first time in this program</li> <li>• <b>Non-Covered Commodities</b><br/>Farmers can include up to 15% non-covered commodities such as fruits and vegetables in their base acre additions</li> <li>• <b>National Acreage Cap</b><br/>The total national acreage addition is capped at 30 million acres</li> <li>• <b>Pro-Rata Allocation</b><br/>If the national cap is exceeded, acreage additions will be pro-rated</li> </ul> | <ul style="list-style-type: none"> <li>• <b>Historical Plantings</b><br/>Base acre additions will be based on 2019-2023 average plantings</li> <li>• <b>Underserved Farmers</b><br/>There are no restrictions based on underserved farmer status</li> <li>• <b>Prevent Plant Acres</b><br/>Prevent plant acres will be counted as planted acres for the program</li> <li>• <b>Cotton Base Incorporation</b><br/>Old cotton base will be incorporated into the calculation</li> </ul> |
|--|--|

42



## Estimated Allocation of Base Acres

Pre-OBBBA Base						
Commodity	2019-23 Average Planted Acres	2019-23 Average Enrolled Base	Ratio Base to Planted Acres	New Base	Final Post OBBBA Base Acres	Ratio Base to Planted Acres
Corn	94.05	91.31	97.1%	10.43	101.74	108.2%
Wheat	49.80	62.30	125.1%	6.94	69.24	139.0%
Soybeans	84.10	51.68	61.5%	7.68	59.36	70.6%
Seed Cotton	12.17	10.72	88.1%	1.52	12.24	100.6%
Sorghum	6.13	8.56	139.6%	0.85	9.41	153.5%
Barley	2.76	5.32	192.8%	0.67	5.99	217.0%
Rice	3.13	4.55	145.4%	0.16	4.71	150.5%
Peanuts	1.56	2.44	156.4%	0.17	2.61	167.3%
Other Crops	8.83	6.27	71.0%	1.58	7.85	88.9%

43



## Planning Tips for 2026 Elections

- The “Base Acre” bump
- SCO layering
- The “knowledge” advantage
- Entity attribution

44

## Equitable Treatment of Pass-through Entities



**Partnerships**  
Partnerships, including general partnerships and joint ventures, are not subject to payment limits.



**LLCs without corporate election**  
Limited Liability Companies (LLCs) that do not elect corporate status are not subject to payment limits.



**S Corporations**  
S Corporations are not subject to payment limits.



**Payment Limit Exemption**  
The payment limit exemption is based on the number of "full" active owners in the farm operation

FSA will need to issue transition guidance on when and how this will be implemented

45

## Equitable Treatment of Pass-through Entities

**No Payment Limit for Qualified Pass-Through Entities**  
Any entity taxed as a partnership, LLC not electing corporate status, S corporation, general partnership, or joint venture will not be subject to a payment limit. It will be based on number of "full" owners.

**C Corporations Subject to One Payment Limit**  
C corporations will be subject to a single payment limit, unlike pass-through entities.

**General Partnerships Subject to AGI Limits**  
General partnerships will be subject to the Adjusted Gross Income (AGI) limits, like other pass-through entities.

**Changes to AGI Definition**  
The definition of Adjusted Gross Income (AGI) is likely to undergo major changes, which could impact the eligibility for benefits.

46

## C Corporation Payment Limits



**One Payment Limit**  
C corporations remain subject to one payment limit even with multiple owners



**Consider S Corporation**  
May want to consider switching to an S corporation if possible payments exceed multiple current payment limits of \$155,000 per year

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47

## Payment Limit Increase Details



**Payment Limit Increase**  
Bump to \$155,000 from current \$125,000



**Effective Year**  
Effective for 2025 crop year



**Payment Timeline**  
To be paid October 2026 or later



**Inflation Indexing**  
Indexed to inflation starting with 2026 crop year

The increased subsidy will provide more support for farmers, helping them navigate market challenges and uncertainties.

48

## Broadening the Definition of Farming



### Gains on sale or trade of farm equipment

Profits from selling or trading in farm equipment now count towards farm income.



### Agri Tourism

Income from offering farm-based experiences and attractions to visitors is now included.



### Direct-to-consumer marketing of farm products

Earnings from selling farm goods directly to consumers, such as at farmers markets, are now considered farm income.

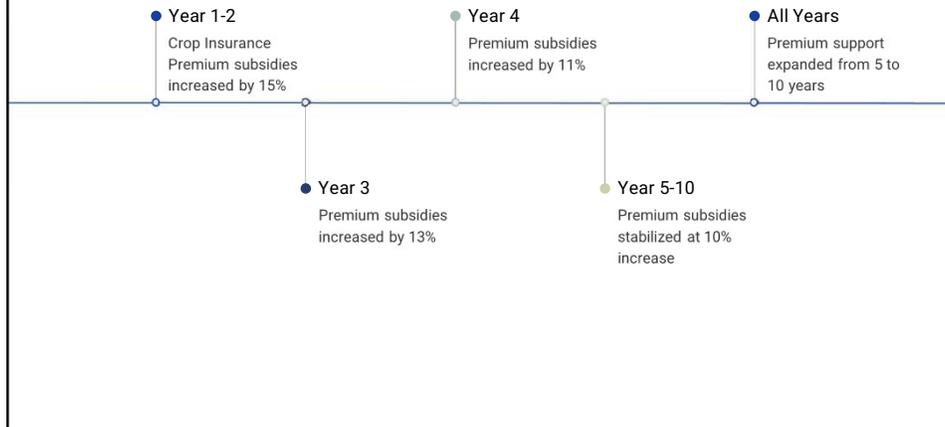
These changes make it much easier for a wider range of agricultural operations to qualify as a 'farmer' for farm program payment purposes.

Loan Rates Updated for 2026 and Later					
Commodity	Units	Current	One Big Beautiful Bill		
			2026-31	Percent	Level
Wheat	Bushel	\$3.38	\$3.72	10%	\$0.34
Barley	Bushel	\$2.50	\$2.75	10%	\$0.25
Oats	Bushel	\$2.00	\$2.20	10%	\$0.20
Peanuts	Pound	\$0.1775	\$0.1950	10%	\$0.0175
Corn	Bushel	\$2.20	\$2.42	10%	\$0.22
Grain Sorghum	Bushel	\$2.20	\$2.42	10%	\$0.22
Soybeans	Bushel	\$6.20	\$6.82	10%	\$0.62
Dry Peas	Pound	\$0.0615	\$0.0687	12%	\$0.0072
Lentils	Pound	\$0.1300	\$0.1430	10%	\$0.0130
Canola	Pound	\$0.1009	\$0.1110	10%	\$0.0101
Large Chickpeas	Pound	\$0.1400	\$0.1540	10%	\$0.0140
Small Chickpeas	Pound	\$0.1000	\$0.1100	10%	\$0.0100
Sunflower Seed	Pound	\$0.1009	\$0.1110	10%	\$0.0101
Flaxseed	Bushel	\$5.6504	\$6.2160	10%	\$0.57
Mustard Seed	Pound	\$0.1009	\$0.1110	10%	\$0.0101
Rapeseed	Pound	\$0.1009	\$0.1110	10%	\$0.0101
Safflower	Pound	\$0.1009	\$0.1110	10%	\$0.0101
Crambe	Pound	\$0.1009	\$0.1110	10%	\$0.0101
Sesame Seed	Pound	\$0.1009	\$0.1110	10%	\$0.0101
Upland Cotton	Pound	\$0.5200	\$0.5500	6%	\$0.0300
ELS Cotton	Pound	\$0.9500	\$1.0000	5%	\$0.0500
Rice, Long Grain	Pound	\$0.0700	\$0.0770	10%	\$0.0070
Rice Med/Short Grain	Pound	\$0.0700	\$0.0770	10%	\$0.0070
Rice, Temp. Japonica	Pound	\$0.0700	\$0.0770	10%	\$0.0070



Sources: USDA FSA, One Big Beautiful Bill Act, Terrain

## Increasing Support For Beginning Farmers & Ranchers



51



## Permanent Tax Provisions and 2026 Enhancements

- **Bonus depreciation restored to 100%**
- **Sec. 179 enhanced**
- **QBID made permanent at 20%**
- **Estate and gift tax applicable exclusion is \$15 million**

52



## QBI

New minimum deduction for active businesses. A new minimum QBID of \$400 (indexed for inflation beginning in 2027) is added for qualifying taxpayers that meet the following criteria

- ◆ Must have at least \$1,000 in business income
- ◆ Business must be an active business that the taxpayer participates in, as defined by IRC §469(h)

53



## Bonus Depreciation §70301

For purchases after **January 19, 2025**, the OBBBA makes the following changes.

100% expensing is now permanent for qualified property.

Transitional election for reduced expenses in the first taxable year ending after January 19, 2025.

- 40% for most properties having a recovery period of 20 years or less
- 60% for long-production-period property or certain transportation assets

Used property eligibility

Special rule for certain fruit- and nut-bearing plants

54



## Coordinating Farm Program Policy and Tax Provisions

- **See Table on p. 5**



55



## Action Items for 2026

- **Base acre audit**
- **Asset acquisition review**
- **Entity structure check**

56



## Integrating Commodity Payments with Tax Strategies

- **What's coming in 2026?**
  - SDRP payments
  - Farmer Bridge Assistance payments
  - Enhanced commodity payments in fall of 2026

57



## Integrating Commodity Payments with Tax Strategies

- **The “base acre” capitalization strategy**
- **Qualified pass-through entity optimization**
- **QBI synergy**
- **Utilizing marketing assistance loans properly**

58



## “Take Home” Planning Points

- Using bonus and Sec. 179 together optimally
- Increase base acres optimally
- Use the “high floor” safety net”
- Leverage the \$15 million exclusion
- Use new I.R.C. §1062

59



## 2026 Planning Calendar



60

## Concluding Comments



61



## THANK YOU!

- **Contact Information**

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62