

Navigating 2026 Tax and Policy Strategies for Farmers and Ranchers

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I. Overview - The 2026 Opportunities

The One Big Beautiful Bill Act (OBBBA) represents the most significant shift in agricultural policy in decades. By making several Tax Cuts and Jobs Act (TCJA) provisions permanent and dramatically expanding the "Farm Safety Net" through the Commodity Title, the Act provides a unique window for multi-year wealth preservation.

II. Strategic Opportunities in the OBBBA Commodity Title

The OBBBA strengthens the safety net by increasing statutory reference prices and enhancing the Agriculture Risk Coverage (ARC) and Price Loss Coverage (PLC) programs.

- **Reference Price Hikes:** Statutory reference prices for major commodities (corn, soybeans, wheat) have increased by 10% to 21%, effectively raising the floor for PLC payments.
- **ARC Guarantee Expansion:** The ARC-CO (County) guarantee increased from 86% to 90% of benchmark revenue, significantly narrowing the "deductible" for revenue losses.
- **The "Base Acre" Reset:** USDA will allow the allocation of up to 30 million new base acres based on 2019–2023 planting history.
 - **Strategy:** Producers without historical base acres can now access ARC/PLC payments for the first time starting in the 2026 crop year.
- **Marketing Assistance Loans (MAL):** Loan rates have increased by 10% (e.g., Corn to \$2.42/bu, Soybeans to \$6.82/bu), providing enhanced liquidity and a higher price floor for stored grain.

The OBBBA significantly alters the "escalator" formula used to determine the Effective Reference Price (ERP). This is the actual price floor used to trigger PLC payments.

Under previous law, the ERP was the higher of the Statutory Reference Price (SRP) or 85% of the 5-year Olympic Average. The OBBBA increases this to 88% and raises the floor (SRP) itself.

Note: The ERP cannot exceed 113% of the SRP (previously 115%). But, remember, in high price years, the ERP can still exceed the SRP, providing a higher floor.

2026 Benchmarks: Corn and Soybeans

Using 2020–2024 Market Year Average (MYA) prices for the 2026 crop year calculation:

Commodity	Statutory Ref. Price (SRP)	2026 Est. Effective Ref. Price (ERP)	% Increase over 2018 Farm Bill
Corn	\$4.10 / bu	\$4.36 / bu	~11%
Soybeans	\$10.00 / bu	\$10.50 / bu	~19%
Wheat	\$6.35 / bu	\$6.35 / bu	~15%

For producers electing ARC-CO, the OBBBA narrows the loss threshold required to trigger a payment.

- **90% Guarantee:** The revenue guarantee is now 90% of the Benchmark Revenue. This is up from 86%.
- **Payment Band:** The maximum payment is increased to 12.5% of the benchmark revenue.
- **Coordination Tip:** Because the ARC guarantee is now so high, it effectively acts as a "shallow loss" insurance policy that sits below a producer's crop insurance (e.g., RP or SCO). This makes ARC/SCO layering significant for 2026 risk management.

Risk Management & Crop Insurance (RMA) Enhancements

- **Enhanced Subsidy Rates:** The government's share of premiums has increased by 3–5 percentage points, making 90% and 95% coverage levels more affordable.
- **Beginning Farmer & Rancher (BFR) Extension:** Eligibility for BFR benefits (higher subsidies) is extended from 5 years to 10 years.
- **Supplemental Coverage Option (SCO):** The premium subsidy for SCO increased to 80%. In 2026, producers can use the Enhanced Coverage Option (ECO) to effectively reach 90% coverage with high subsidy support.

2026 ARC vs. PLC Decision Matrix

Based on the USDA's 61-page final rule (7 CFR 1412) published on January 12, 2026, the enrollment landscape for the 2026 crop year has shifted from a "projected" deadline to an "information-first" model. This means that the previous April 15, 2026, deadline mentioned in early drafts has been officially suspended for the 2026 crop year to accommodate the administrative reset of 30 million base acres. Thus, there won't be any ARC/PLC signup until *after* the 2026 planting season, and FSA is prioritizing the verification of the 2019-2023 planting history to assign the 30 million new acres. Because producers will likely know their actual 2026 yields before the new (TBD) deadline, the "Election" is no longer a gamble—it is a math problem.

Note: For the 2025 crop (payments in Oct 2026), USDA will automatically pay the higher of ARC or PLC. This does NOT apply to 2026; a manual election is required for 2026 payments.

Observation: The following decision matrix is a practical guide for the 2026 election. A key "planning alpha" under the OBBBA is that for the first time, producers can layer ARC and SCO (Supplemental Coverage Option) simultaneously—a combination previously prohibited.

Feature	Price Loss Coverage (PLC)	Agriculture Risk Coverage (ARC-CO)
Primary Protection	Deep price protection against systemic, multi-year price stagnation.	Revenue protection against localized yield drops or moderate price dips.
Trigger Mechanism	Market Year Average (MYA) price falls below the ERP.	Actual County Revenue falls below 90% of the Benchmark Revenue.
2026 "Sweet Spot"	High-production areas with stable yields where the ERP (\$4.36 Corn/\$10.50 Beans) provides a high floor.	Areas with variable weather/yields (non-irrigated) or where county yields may dip significantly.
Maximum Payment	Calculated as: $(ERP - MYA) \times PLC \text{ Yield}$	Capped at 12.5% of the Benchmark Revenue (up from 10%).
SCO Compatibility	Yes. Can buy SCO to cover up to 90% of area revenue.	Yes (new for 2026). OBBBA allows SCO/ARC layering for maximum "wrap-around" coverage.

Three Scenarios: Which Program Wins?

Scenario A: The "Market Slump" (High Yields / Low Prices)

- **Outlook:** National prices drop significantly below the ERP (e.g., Corn at \$3.90).
- **Winner:** PLC Because PLC is tied to fixed reference prices (\$4.36 for Corn), it provides a deeper floor when yields remain high. In this scenario, ARC's revenue-based trigger may not pay at all if high yields offset the price drop.

Scenario B: The "Localized Disaster" (High Prices / Low Yields)

- **Outlook:** Prices stay strong, but a county-wide drought or flood slashes yields by 20%.
- **Winner:** ARC-CO. PLC will pay \$0 because the price is above the reference floor. ARC-CO will trigger a payment because the 90% revenue guarantee was breached by the yield loss.

Scenario C: The "Balanced Risk" (Moderate Price/Yield Dips)

- **Outlook:** Prices and yields both dip by 10-12%.
- **Winner:** ARC-CO. Under the OBBBA, the 90% trigger means ARC-CO pays much sooner than it used to. It captures "shallow losses" that PLC misses entirely unless the price drops below \$4.36/\$10.50.

Practitioner Planning Tips for 2026 Elections

- **The "Base Acre" Bump:** For the 30 million new base acres allocated in 2026, the PLC yield will default to the county average if no historical yield exists. On highly productive ground, this makes PLC a very attractive, "hands-off" revenue generator for these newly minted acres.
- **SCO Layering (The Ultimate Wrap):** Under the OBBBA, producers can now pair ARC with SCO. A producer can use ARC to protect the 90%–100% revenue band and SCO to protect the 86%–90% band, effectively subsidizing their risk management at an 80% federal rate.
- **The "Knowledge" Advantage:** Since signup is delayed, use the March 15 Crop Insurance deadline to lock in your Revenue Protection (RP) and SCO. Then, wait for the FSA to open 2026 enrollment (likely Fall 2026) to make the final ARC/PLC election based on your actual bin-run yields.
- **Entity Attribution:** Ensure the election is signed by all members of the S-Corp or LLC. Under the new Qualified Pass-Through Entity rules, each "actively engaged" member can now qualify for an individual \$155,000 payment limit (inflation-indexed).

III. Permanent Tax Provisions and 2026 Enhancements

The OBBBA eliminates the "sunset" uncertainty of 2025 and introduces new agricultural-specific tax tools.

- **Bonus Depreciation & Sec. 179:**
 - **100% Bonus Depreciation:** Restored permanently for assets placed in service after January 19, 2025.
 - **Section 179:** Increased to a \$2,560,000 million deduction limit with a \$4,090,000 phase-out threshold for 2026.
- **Qualified Business Income (QBI - I.R.C. §199A):**
 - Made permanent at the 20% level for sole proprietors and pass-throughs.
 - 2026 Update: Increases the phase-in range for limitations to \$150,000 (MFJ), allowing more high-income producers to qualify for the full 20% deduction.
- **Estate & Gift Tax Exclusion:**
 - The basic exclusion amount is set at \$15 million per person for 2026 (indexed for inflation).
 - **Planning Tip:** This provides a massive window for "step-up in basis" planning and gifting land to the next generation without incurring federal tax.

IV. Coordination: Synergizing Policy & Tax Provisions

The most sophisticated planning involves using Commodity Title payments to drive tax-advantaged investments. Consider the 2026 PLC and ARC calculations under the OBBBA. The interaction between these "safety net" payments and permanent tax provisions like Section 179 and QBI is the cornerstone of 2026 agricultural tax planning.

Objective	Policy Trigger (OBBBA)	Tax Coordination Strategy
Liquidity Management	Increased MAL Loan Rates	Use 10% higher loan proceeds for operating capital while deferring grain sales into a lower-tax year.
Capital Reinvestment	PLC/ARC "Bridge" Payments	Direct the \$11B Farmer Bridge or ARC payments into equipment upgrades to trigger 100% Bonus Depreciation.
Entity Optimization	New Payment Eligibility Rules	OBBBA allows each active owner in an LLC/S-Corp to qualify for individual \$155,000 payment limits. Ensure the structure reflects "active engagement" to maximize subsidies and QBI.
Succession Planning	New Farmland Installment Rules	Under IRC §1062, sellers of farmland to qualified farmers can now elect to spread capital gains over 4 years, even if paid in a lump sum.

Action Items for 2026

1. **Base Acre Audit:** Review 2019–2023 planting history to ensure all available new base acres are captured at the FSA office. Note that PLC yield is often defaulted to 90% of the county average if historical records are missing. This makes the “base acre audit” even more critical.
2. **Asset Acquisition Review:** Evaluate 2026 machinery needs early. With 100% bonus depreciation permanent, the timing of "placed in service" is less of a cliff but remains vital for offsetting high-income years.
3. **Entity Structure Check:** Confirm that S-Corps or LLCs are optimized to allow each member to hit the new \$155,000 payment limit independently.

V. Integrating Commodity Payments with Tax Strategies

The influx of OBBBA payments, expected to hit peak levels in October 2026 for the 2025 crop, and Stage 2 Supplemental Disaster Relief Program (SDRP) payments and Farmers Bridge Assistance payments all landing in farmer’s checking accounts in 2026, requires proactive tax positioning.

Note on SDRP:

According to the USDA’s Jan. 12, 2026, guidance and the regulatory text in 7 CFR 760, the final enrollment deadline for both Stage 1 and Stage 2 of the Supplemental Disaster Relief Program (SDRP) is April 30, 2026. Because Stage 2 is significantly more "manual" than Stage 1, there are several filing nuances to be considered.

SDRP Filing Essentials: Stage 1 vs. Stage 2

Feature	Stage 1 (Indemnified)	Stage 2 (Uncovered/Shallow)
Form Name	FSA-526	FSA-504
Mailing Status	Pre-filled forms were mailed to producers.	Not mailed. Producers must request from FSA.
Alterations	Prohibited. Any change to pre-filled data voids the form.	Allowed. Producers must enter missing production/yield data.
Primary Goal	Streamlined "Top-off" for insured losses.	Covers the "Gap" (losses that didn't hit the 2023/24 indemnity trigger).
Quality Loss	Standard grading only.	Enhanced. Includes forage nutrient decline (TDN/RFV).

1. The "Base Acre" Capitalization Strategy

With 30 million new base acres being allocated in 2026, many farms will see a sudden increase in "program wealth."

- **Strategy:** Use the increased 2026 payment certainty to secure financing for such things as drainage tile or irrigation pivots.
- **Tax Play:** These improvements qualify for 100% Bonus Depreciation (permanent under OBBBA), allowing the taxpayer to wipe out the tax liability of the ARC/PLC payments in the same year.

2. Qualified Pass-Through Entity (QPTE) Optimization

The OBBBA created a new definition for "Qualified Pass-Through Entities."

- **Higher Limits:** QPTEs (certain S-Corps/LLCs) enjoy higher payment limits based on the number of "actively engaged" members.
- **QBI Synergy:** Ensure the entity pays enough W-2 wages or holds enough unadjusted basis in property (UBIA) to maximize the I.R.C. §199A (QBI) deduction on those OBBBA payments.

3. Marketing Assistance Loan (MAL) Liquidity Deferral

With MAL loan rates increased (Corn to \$2.42; Soybeans to \$6.82), producers can take a non-recourse loan on harvested grain.

- **Strategy:** Take the loan in Q4 2026 for immediate cash flow but defer the actual sale of the grain to 2027.
- **Result:** The producer gets the liquidity of a sale today without the 2026 tax hit, while the higher loan rate provides a stronger "downside" safety net.

Summary of Key 2026 Changes

Feature	2018 Farm Bill	OBBBA (2026)
Corn SRP	\$3.70	\$4.10
Soybean SRP	\$8.40	\$10.00
ARC Guarantee	86%	90%
Payment Limit	\$125,000	\$155,000 (indexed)
Bonus Deprec.	Sunset to 0%	100% (Permanent)

VI. Primary "Take Home" Planning Points

1. Maximize the "Triple Play" of Accelerated Depreciation

The OBBBA removes the "cliff" producers feared for 2026 by making 100% Bonus Depreciation permanent (retroactive to property placed in service after Jan. 19, 2025).

- **Strategy:** Combine this with the expanded Section 179 limit (now \$2,560,000) with a \$4,090,000 phase-out) and the new Qualified Production Property deduction for agricultural buildings.
- **Practitioner Tip:** Use these tools to offset the expected surge in October 2026 ARC/PLC payments, effectively turning "tax dollars" into "tiling, grain bins, or equipment equity."

2. Capture the "Base Acre Reset" Wealth

The 2026 crop year introduces a massive one-time opportunity: the allocation of 30 million new base acres based on 2019–2023 planting history.

- **Strategy:** Identify those who have been "planting fence-row to fence-row" but lacked historical base. This reset creates government-guaranteed revenue streams on land that previously had none.
- **Practitioner Tip:** This increases the underlying value of the land. Ensure that' FSA acreage reports are bulletproof before the 2026 sign-up deadline to lock in these new revenue rights.

3. Exploit the "High-Floor" Commodity Safety Net

The ERP for corn and soybeans has moved significantly higher (to \$4.36 and \$10.50 respectively).

- **Strategy:** Because the "floor" is now closer to the cost of production, clients can take more aggressive market positions. Additionally, the ARC-CO guarantee has been "tightened" from 86% to 90%, significantly reducing the loss a farmer must absorb before a check is triggered.
- **Practitioner Tip:** This increased certainty allows for more aggressive use of Section 199A (QBI) planning, as income stability makes it easier to project and hit the wage/UBIA thresholds needed for the full 20% deduction.

4. Leverage the New \$15M Estate "Green Light"

The 2026 sunset was the biggest threat to family farms; the OBBBA replaced it with a permanent \$15 million per person (indexed) exclusion.

- **Strategy:** The "fear-based" gifting of 2025 is over. Focus instead on basis step-up planning. With a \$30 million exemption for couples, most family farms can now afford to hold land until death to wipe out capital gains for the next generation.
- **Practitioner Tip:** Review existing "SLATs" or "GRATs" created in 2024–2025. They may now be unnecessary or even counter-productive if they prevent a step-up in basis at death.

5. Deploy the "Farmland Installment Sale" Election

A "sleeper" provision in the OBBBA (I.R.C. §1062) allows sellers of qualified farmland to spread capital gains over 4 years, even if they receive the cash in a single lump sum.

- **Strategy:** This is a powerful tool for retiring farmers selling to the next generation. It allows the seller to stay in lower tax brackets (e.g., the 15% cap gains bracket instead of 20%) while the buyer gets immediate title and a clear balance sheet.
- **Practitioner Tip:** Ensure the sale includes a 10-year agricultural restrictive covenant, as this is a strict requirement to qualify for the 4-year tax spread.

VII. 2026 Agricultural Planning Calendar

To help farmers stay on track, consider the following strategic planning calendar. This timeline incorporates the Jan. 12 USDA final rule and the permanent tax provisions established by the OBBBA.

Date	Deadline / Milestone	Strategy Action Item
Jan 12, 2026	USDA Final Rule Released	Suspension of the April 15 ARC/PLC signup deadline announced; 30-million acre reset begins.
Jan 15, 2026	Conservation Batching	National deadline for first funding round of EQIP, CSP, and ACEP.
Jan 31, 2026	Specialty Crop Deadline	Deadline for the Food Safety Certification for Specialty Crops (FSCSC) 2025 program.
Feb 28, 2026	Farmer Bridge Payments	\$11 Billion FBA Payments expected to hit accounts; prioritize for 2026 operating capital or equipment upgrades.
Mar 15, 2026	Crop Insurance Deadline	Major Deadline. Must lock in RP, SCO, and ECO. Note the new 80% federal subsidy for SCO.
Apr 30, 2026	SDRP Disaster Relief	Deadline to apply for Stage 1 and 2 Supplemental Disaster Relief Program (SDRP) payments.
July 15, 2026	Acreage Reporting	Ensure 2026 planted acres are reported precisely; this data will anchor the upcoming ARC/PLC election.
Sept 2026	Expected ARC/PLC Signup	The "Delayed Window" is expected to open once FSA assigns new base acres. Election is no longer a gamble.
Oct 2026	2025 Program Payouts	ARC/PLC payments for the 2025 crop year arrive. (Note: Auto-pilot pays the higher of ARC/PLC).
Dec 31, 2026	Tax Year-End	Finalize equipment "placed in service" to utilize 100% Bonus Depreciation.

VIII. Conclusion

The 2026 landscape for farmers and ranchers is no longer defined by the looming anxiety of "sunsets," but by an unprecedented era of policy permanence and enhanced liquidity. The OBBBA has fundamentally re-engineered the agricultural economy, moving away from the speculative risks of the past toward a model of data-driven certainty. With the USDA's suspension of the spring signup deadline, producers have been handed a rare "information advantage," allowing them to marry actual harvest data with the most robust safety net in decades. Success in this new environment requires a departure from traditional "siloes" thinking; risk management and tax planning must now be viewed as a single, integrated strategy. By capturing the wealth of the base acre reset, exploiting the \$15 million estate exclusion, and leveraging permanent 100% bonus depreciation, producers are not just surviving a season, they are fortifying their operations for generations to come. As the 2026 crop year unfolds, the primary "take home" for the agricultural practitioner is clear: the window for multi-year wealth preservation is wide open, provided one has the precision to execute the necessary coordination strategies.