Episode Five Transcription

Here We Grow Podcast

Speaker 1 (00:14):
Welcome to here We Grow, a grassroots podcast by Southwest Georgia Farm Credit, focused on education and inspiring growth down on the farm at home, and in rural communities. Whether you're a farmer or farm, her advocate, land lover, or southern dweller, we have industry experts and homegrown leaders ready to share their insights with you. Thanks for listening.

Speaker 2 (00:38):
Here we grow again with episode five of our new podcast. I'm your host, Billy Billings, a relationship manager with Southwest Georgia Farm Credit. Today we welcome back Farm Credit Relationship manager, Brent Harold from episode four and a new guest, Mr. Ashley Gardner CPA. They're here with me in the studio to share their insights and expertise on farms and transition succession planning and financial planning for the long-term success of your farm or agriculture operation. Grant, Ashley, thanks for joining me.

Speaker 3 (01:05):
Hello, Billy. I appreciate you letting me be here.

Speaker 4 (01:08):
Hey, Billy. Hey, Ashley. Appreciate y'all being here and coming, and look forward to a good podcast today.

Speaker 2 (01:13):
Welcome. Hey, appreciate y'all joining me today. Today we're just gonna as I said, talk about a few things that seem common knowledge to us, but our borrowers or future borrowers or local farmers may, may need help with Ashley. You're first on my list today. I'm gonna let you kind of take the floor for a minute. Ashley Garner is a partner at Yemen's and Gardner CPAs and is a licensed certified public accountant in Georgia and Florida. He has practiced public accounting for 26 years and is a member of the American Institute of CPAs, a member of Georgia Society of CPAs, and Florida's Institute of CPAs. He was raised on a farm in southern Decatur County, Georgia, and happily serves agriculture and agribusiness clients in southwest Georgia and Florida's Big Bend regions. Thanks, Ashley.

Speaker 3 (01:56):
Thank you, Billy. I appreciate you letting me be here

Speaker 2 (01:58):
Today. Thanks for joining us. So, as I said, I'm gonna give you the floor for a minute. Just, tell us about what you see in your day-to-day work more, more so with your agriculture customers, and then maybe some of the challenges that they, that might be coming down the pipeline for them.

Speaker 3 (02:13):
Well, I guess when it comes to succession planning one of the first questions or what drives people to my office is what do I need to do, to save taxes or save on the estate tax? And right now we can kind of give a pleasant surprise for that answer is, is most people don't have an estate tax issue. Currently, the estate tax is, has an exemption worth 12 million, a little more than 12 million, and with a married couple that's 24 million, unfortunately, those amounts are set to be cut in half in 2026. So we, we have to kinda watch the political agenda and the legislation that may be coming outta Congress to see if those amounts are, are made permanent or not. With, one exception, the estate exemptions have never decreased over the years. In 2010, the estate tax was

repealed and in 2011 it was brought back and that was the only time we've had a decrease in the exemption amounts.
Speaker 3 (03:10):
So it's, we're kind of curious to see what Congress is going to do if they're going to keep these elevated estate exemptions higher or if they will revert to half the current amount in 2026. So for the most part though either a 12 million or 24 million exemption is, is a gracious amount for most farmers to avoid having an estate tax issue. So the next question we ask as well is if we don't have an estate problem, what do you want to happen? And surprisingly, that's a much harder question for our client to answer. And it's one that, that I, I think takes a family discussion and, and some family time too, to decide is, is if, if dad or mom's no longer here, what do we want to happen and, and how we're gonna keep the farm together. And that's something that while we're, we're tax council and, and we, we kind of come in playing that role of helping determine what the answer to that question is, that that is a much harder question to answer.
Speaker 2 (04:15):
Okay. another question I get all the time is 10 31 exchange one, can it be applied? And, and for my little knowledge of 10 31 Exchange, my customers come to me and they've, they've sold a property whether in state or outta state for a certain amount, and they're trying to, I guess, dodge or pass on the capital gains or income tax. Is that correct?
Speaker 3 (04:38):
Yes. We've had some changes recently to the kin Exchange rules, the section code section 10 31, like you said, and now kin exchange rules no longer apply to personal property, but they do continue to apply to real estate. So swapping off a, piece of farmland or, or a building or something certainly qualifies for kin exchange treatment. And what happens in that situation is, you're not getting out the income tax on selling the land, but you're deferring it by buying replacement property. But ultimately, if that property, that replacement property is ever disposed of, that deferred income tax will come back into play, and you'll owe it. So it is a good way, to defer taxes. A lot of people think that you're getting out the tax and that is not always the case.
Speaker 2 (05:25):
Okay. All right. We're gonna circle back on one little aspect that is very prevalent in everyone's taxes if you're involved in agriculture, and that is the depreciation of your assets. So Ashley, can you just comment on what you see, What are common depreciation schedules, and what are any recommendations as far as depreciating, your farm equipment and farm assets?
Speaker 3 (05:49):
So we have a very important tax provision that's expiring at the end of the year. I'm not aware of any potential legislation that would extend it. So it's, it's certainly noteworthy and, and needs to be realized before the end of the year. But we have what's called bonus depreciation on your federal tax return, which allows you to immediately expense without any limitation the cost, of most farm machinery equipment. Most farm buildings can be deducted immediately, so that expires at the end of the year. We've had bonus depreciation for so long as I can't remember a time without it. We've had it for probably a decade or longer. So it's interesting to see if the government's gonna allow this provision to expire at the end of this year. Now, even though bonus depreciation may expire, we also have what's called section 1 79 expensing.

Speaker 3 (06:38):
And as long as the business operation has a profit, you can choose to also deduct the same equipment that you can under bonus depreciation. It's also important to note that the state of Georgia and, and other states do not recognize bonus depreciation. So even though you can deduct a new tractor on your federal tax return does not necessarily mean you can deduct it on your state return. Although section 1 79 expensing will apply to both returns. So it's important to recognize the bonus depreciation is there, but also determine which is more appropriate, the bonus expensing or the section 1 79 dispensing to kind of maximize those deductions on both your federal and your state income tax returns.
Speaker 4 (07:17):
<Inaudible>. Yeah, that's very helpful, thank you. You know, between now and the end of the year, Ashley, we'll get a lot of visits from farming operations that are having this same conversation as they're looking to renovate their line of equipment and, and trying to decide on whether to lease it or, or take out a loan or, or perhaps pay cash. And so between now and the end of the year, we usually recommend a farming operation sit down with their CPA. Do you, is that prevalent now? Do most operations come and, and have some tax planning toward the end of the year?
Speaker 3 (07:50):
Yes, and we encourage 'em to, because a lot of, a lot of clients won't understand when their peanuts redeemed outta the loan program and when income is triggered from that redemption, they don't understand the deductibility of, of their equipment or, or when's the proper time to deduct it. There are many times when we'll, we'll sit down and they'll buy a new p a new tractor, which is eligible for the bonus depreciation or bonus dispensing, but we decide to, to expense that over five or seven years depending on the asset because that's more beneficial to 'em. Mm-hmm. <Affirmative>. So deducting everything up front may not be the right answer for everybody. So it's important to kind of know what the options are and, to kind of maximize those deductions, for tax savings.
Speaker 4 (08:32):
You know, one pitfall we experience a lot of times is we work with cash flows, not necessarily net income. It is the same thing. And so if they come to you and depreciate a piece of equipment out, but next year they have another tax bill and no depreciation, then we have a double crimp on the cash flow.
Speaker 3 (08:51):
That? I try to warrant every one of my clients. I, I'm not sure it always registers with them, but when you finance a piece of equipment, deducting it up front you always have to be aware that next year you have to earn a profit to have the money to pay the loan back, but there's no additional deduction that year, so you're having to pay tax on the money you don't have anymore, which is always difficult, <laugh>. So I prefer, to try to match the deduction for a piece of property with the cash flow for the payments. Now there are times when, because of tax matters or the client just decides to, we'll go ahead and expense something up front even though it's not paid for. But I prefer to match, the tax deductions with the cash flow. It makes budgeting for

taxes, makes paying those taxes a lot easier when you have the money in the bank account to, pay 'em, versus having to pay back on a note.

Speaker 4 (09:41):

We're getting set up at Farm Credit, we're doing more leases and it that seems to react that, how, how does the lease come into effect if a farmer and operation comes into you and, and tells you they want the lease a piece of equipment or a building?

Speaker 3 (09:56):

Well, there are two types of leases that we deal with. In, tax law, we have an operating lease and a capital lease. So to not get into too much detail, let's say that at the end of the lease there's a dollar buyout provision, that's a capital lease. We can go and treat it as if you bought that property and financed it. And we can deduct a property using bonus depreciation or section 1 79 expensing if we choose to, versus a capital lease. The most we can deduct is the amount of the annual lease payment. So from, an accountant's or a tax accountant's perspective, it's the timing of the deduction. Now, obviously, in your world, finance, we're looking at cash flow and, and, and interest rates and that sort of thing to figure out which is the best deal. But when it comes, to a pure tax decision, we always wanna look a little deeper, and determine what type of lease it is and, what the timing of the deduction is going to be. In many cases, someone will lease a tractor under, an operating lease expecting to deduct the full cost of the tractor, and, and we tell 'em no, we're only limited to the amount of the lease payment. Which can be kind of disappointing when they counted on that to help control their taxes for that year.

Speaker 4 (10:58):

But something like a metal building. What, what's the usual depreciation life on, on a metal building?

Speaker 3 (11:06):

It depends on the use of it. If it's a single-use agricultural building versus a multi-use. So we're looking at a chicken house or a grain bin compared to a barn mm-hmm. <Affirmative>, so that could be up to 15 years, could be 10 years depending on the use of it. But typically, your recovery period is 10 to 15 years on a farm building.

Speaker 4 (11:25):

Well, when we're presented with the opportunity to either lease or purchase and finance, usually what we're doing is, is putting together, a lease proposal and then an amortization schedule to send to their CPA. Is there anything else that we need to be looking at and putting together for them to bring to you?

Speaker 3 (11:44):

I think always having an upfront conversation. So, once the least documents are signed and the money's changed hands, it's hard to, it's hard to provide guidance and input. Right. It's hard to go back. That's right. Y'all tend not wanna shred that paper once it's been signed. So I think having an upfront conversation to, to it may be the best, sometimes the best form of financing does not lead to, to the best form of tax treatment. And just realized that up front, and I tell my clients all the time, there's always a non-tax reason to do something. You just need to understand there's gonna be tax consequences. And, I've seen some, great lease opportunities were, where the absolute best answer was to lease it, even though it may limit some tax deductions. That was the

best means of financing for that particular transaction. But I tend to have those conversations after it's too late and, and having it upfront or, or having, you know, saying, Hey, can you, have you had discussed this with your accountant and, and making sure this is the ramifications are understood is, is awful important.
Speaker 4 (12:44):
Do you have any idea what percentage of farming operations come to you, for tax advice? Maybe beforehand, before, the transaction's taking place? You've hit on that several times.
Speaker 3 (12:57):
I was gonna say it's 1e-05% <laugh>. That's an estimate, not an absolute calculation, but yeah, it, it's typically the accountant's, the last thought of you don't think of the accountant until he tells you you need to write a check to the government. So having that upfront discussion, most of the time this comes up during tax planning where at least we have a month or so to, correct an issue or, or buy another piece of equipment that corrects a previous decision. So it's not always too late to discuss the fact, but it sure gives me a lot more options to advise you with before you enter into a transaction.
Speaker 2 (13:35):
One another thing I want to hit on is talking about the prepayment of expenses for the next year. I've got a ton of farmers that, that do this practice and it's, it's all great until what I tell 'em, I guess the final year. There's always gotta be a final year where you, you don't have another year to carry those expenses into where prepay for the next year. What, have you seen in your firm or with your experiences of I guess, the bad side of that sword?
Speaker 3 (14:02):
There is a misconception about the prepayment provision and the tax law is, as many people assume, you can just make a deposit payment to the fertilizer vendor or, or to some other supplier. You're required, to make a prepayment for very specific merchandise, for so many pounds of fertilizer at such and such price. And many times the prepayment is done wrong because it's just an open credit on there, on their account with the supplier. It is not a prepayment for a specific purchase. So there is some exposure for most of the farmers that, that don't understand that provision in an audit situation. So it is important to purchase a specific lot of, merchandise or, or fertilizer or whatever it may be that they're buying. But just creating a credit balance on the account's payable statement doesn't qualify as a prepayment. It's also very important to realize, that prepayments do not get you out of taxes. You're kicking the can down the road. And most farmers, their ultimate tax goal is to pay zero taxes. You know, I do not wanna pay taxes is what I hear over and over most commonly. And, when they're making money, when they, when they are profitable,
Speaker 3 (15:14):
All that's doing is kicking the can down the road and they may kick it down the road in 10 or 20 years, but ultimately, that reconciliation has to come. And the further you kick it, the bigger the bill's gonna be. And many times that we have an unfortunate, I hate to say many times that's not the case, but we do have a few times when there's been, an unfortunate series of events where a farmer just cannot continue to farm. He gets sick, he gets down or disabled then, and of course, this is unexpected. He contends to continue kicking the can, but all of a sudden can't kick it

anymore. So all those prepayments, all those income deferrals, all the peanut loans hit in one year and it's created a sizable tax bill. And not only
Speaker 3 (15:57):
Would it put, any money at risk that that may, they may have in the bank, but also puts any land at risk because the government can come in? If they can't pay the bill, then they can put a lien on the property. So a profitable venture should be paying some tax, and I think it's important to pay some Social security taxes. Social security is, is kind of a political game right now because they're saying it's gonna run outta money. And a lot of people think they'll never get their social security benefit, but I think if, if social security did go in a way, they'll be rights in the streets. So I think that program's here to stay and, not only for yourself when you hit retirement, but also as a means to protect against disability and for your family and your survivors. I think it's important to have some Social security benefits paid. So prepayments are great, deferral of income is great, and great tax planning tools, but just to have this mentality where I'm not gonna pay any tax can get you in a very bad situation in the future and can prevent you, from having some social security benefits for yourself or your family should you become disabled.
Speaker 4 (17:01):
As you know, Ashley, usually at the end of the tax year the first quarter of the next year is when farming operations are coming in and they're looking for their operating notes. It is, it is very helpful if on their balance sheet, on their financial statement, there's an entry that shows those prepaid expenses, otherwise, they're counted somewhat, almost toward double as the current farming year. And so it, it makes it's not a true picture. So when a client comes to you and, and you, you perform your tax pre your tax plan and is there some paperwork that you can provide to the lender may be some draft paperwork that can go along and, and, and give us a skeleton of kind of where you're going, an outline of where you're headed with that, that we can use.
Speaker 3 (17:50):
So as a small local firm or regional firm in our area, the most common type of financial statement we issue is an income tax basis financial, which mirrors the tax return. It deducts all those prepayments, but it does not show the deferred revenue or, or any crop inventory on hand. But working with different lenders like Farm Credit we can determine the financing needs and we can, we can make adjustments to those financial statements and they would show prepaid expenses on the balance sheet versus on the income statement, which of course would, would, would increase revenue and, and show the asset that the farmer has. Also, crops on hand, many times cotton crops are not sold until the next year. Peanuts are in the warehouse and those don't show up as an asset on the tax return, but we can't adjust and, and have departures is what we call 'em in our, that's our official lingo, a departure from the income tax bases of accounting. And we can reflect those assets on the farmer's books to give you a better idea of what the cash flow is for the year.
Speaker 4 (18:53):
That would include dividends from co-ops that are not yet paid out.
Speaker 3 (18:58):

That's right, exactly. If we have that information now, that's a little harder to come by. We don't have the books and records of the co-op, but some of them do provide, that information to us and we can put that on the books and show those assets as well.
Speaker 4 (19:10):
And sometimes, they give us a hint of what's expected to be marketed, even if 100% of the crop has not been sold. So we realize it's not an exact science, but it does get us closer to, being able to work with someone's finances.
Speaker 3 (19:24):
And you're right, it does show a tax return does not always show, the current year's profitability, but making those adjustments on a financial statement can give both the farmer and the lender a better idea of what happened during the year.
Speaker 4 (19:36):
You know, one point we always try to make too is when someone fills out of balance sheet is to have that and their income statement, or in this case we're talking about their tax return, begin and end on the same date or the same point in time so that all, all the entries are accurate.
Speaker 3 (19:52):
Yeah. And that's generally what we do is have a December 31st year in, we have a couple of farmers who, who prefer to do their, their budget on, on a crop year mm-hmm. <Affirmative>, and, and we accommodate that when necessary. But by far, most of our clients use a December 31st year in and they would mirror the tax return
Speaker 4 (20:09):
That's usually most helpful for us too. And now there are so many different cycles on most farming operations. It's not a seed in the ground and six months later you've sold
Speaker 3 (20:17):
It. That's right. Farming is diversified, and you know, having just one crop line does exist anymore.
Speaker 4 (20:23):
No,
Speaker 2 (20:25):
Very nice. Well, if this is your first episode tuning in, we wanna advise y'all to go back and listen to our previous episodes. We brought in industry experts across the southeast that I mean can help customers from different perspectives or points in their business venture. And today we're joined by Mr. Ashley Garner he's CPA here in southwest Georgia. Next on is Mr. Brt Harrell. For those of you that did not tune in last week, Mr. Brt was born and raised here in Decatur County. He is a graduate of Georgia Southern University, this farm for 25 years, and has served as a lender and relationship manager at Southwest Georgia Farm Credit for now 15 years. He also serves as a chairman of the Decatur County Agricultural Committee. Welcome back, Brent.
Speaker 4 (21:08):
Thank you for having me. Billers good to be here today.
Speaker 2 (21:11):

Yes, sir. All right. Well, like last week and this week we're gonna give you the floor for a minute to kind of tell kind of your personal experiences as well as work experiences, and then we'll kind of tie it back in what, what Mr. Ashley just said.
Speaker 4 (21:23):
Well, well thank you. Ashley's one of them, the CPA profess, he's a professional that I would include here. I would probably also include an attorney to seek legal advice too on a succession plan. There are some points that probably, you know you need to consider. All parties need to be identified. That's one of the things. And, some of those parties that we may overlook sometimes, or landlords and, and tenants mentioned family and what their wants and wishes are for, the future of the farm. And, so all those folks have to get together and decide on what works for them. And once they do, I would, I would recommend reducing that to riding. A written agreement will help everybody follow through on what they on doing their part and, get what's expected of them, and just have something to refer back to and make sure that operations are headed like it needs to be and were planned to be.
Speaker 4 (22:21):
You know, I guess as, as a farming operation starts to mature and a person begins to look at turning that operation over or retirement or you know, one of the two's gotta happen. So one example would be a pecan operation. You know, maybe a mature orchard is, needs some renovation, but if a farmer's getting close or considering retirement, then dropping money into it may not be a, he may not feel like that's a good investment. And so if he's got a stable succession plan there, then both parties would probably benefit from that renovation and they would make a decision that would carry the operation on for many years. Mm-hmm. <Affirmative>
Speaker 3 (23:05):
And what the brand said about putting in writing is, is very important. And I think it's also important to discuss this while mom and dad are still here. A lot of times that can be a very awkward discussion to have with family is, is what's gonna happen when we're not here. So many times, once mom or dad passes, there's a surprise and, and it, it, it can complicate things and it can make things difficult with the survivors and the heirs trying to fulfill mom and dad's wishes when they weren't, you know when it did come to 'em as a surprise?
Speaker 2 (23:35):
Oh, most definitely. We were talking about it maybe less in the last episode or two episodes ago. I mean, most of the people at these young beginning small farmer meetings have gray hair on 'em. And so we are entering a point in agriculture and at least in South Georgia and in the southeast where there, there's gonna have to be a new generation that steps to the plate. And the conversation is better to be had now than later. Like I said, while mom and dad are still here, even if mom and dad still have a plan laid out, I mean, there's a pause period once that day comes. So, I mean, talk it out now and put it on paper and it makes things easier down the road. Another question I get all the time when dealing with different structures for your business, when you when you're dealing with say, s corpse LLCs, can you kind of give a quick, I mean, rundown of what you see or what are the advantages of few advantages of each of those?
Speaker 3 (24:34):

What we're finding today is most farming operations because of U S D A payment limitations are being operated as general partnerships. And that has created some complexities when it comes to tax issues because of the social security or the self-employment tax that applies to a general partnership. And we end up having a multi-tiered operation where we have a general partnership. We have some LLCs that own the general partnership, and then we have some individuals that own the LLCs. And of course, you know, most farmers' offices have their dashboard or the pickup truck, and trying to keep all that straight from the dashboard can be a little complicated. So you know, typically when it comes time to count heads from the U S D A for payment limitation purposes, they want to have some risk for some exposure, to the farm operation and the farm debt.
Speaker 3 (25:25):
So with an S corporation or an LLC, taxes, and S corporation, we don't get the same headcount within the same number of operators as we would if we had a general partnership. So in this case, the general partnership typically comes out better when you have more than one payment limitation for our, for our farm activity. Some other issues that, we deal with especially when it comes to succession planning with entity choice, is we have a lot of farmers, who, whose goal is to keep the farm together, even though not all the heirs or not all the children will be participating in the farm in the future, but they don't want to, they don't want to leave sections of the land to each child and enrich the farm breaking up or falling apart. So they'll use a trust where the heirs that are going to continue to, to farm conduct the farming operation, but all the children or all the heirs can benefit, from the value provided by the trust
Speaker 4 (26:23):
Actually. Does bringing in a succession plan as a member of an LLC, does complicated, or does it make it easier, what's your experience?
Speaker 3 (26:31):
Well, again, we're going back to most of these entities or general partnerships if there's more than one payment limitation mm-hmm. <Affirmative>, so introducing an LLC would complicate that and potentially reduce the number of payment limitations available to, a farmer. So if the, if the idea behind, if the structure of the farming operation is designed to maximize payment limitations, yes, an LLC or an S corporation would complicate that. Now, when it comes to succession planning there are some estate planning techniques that we can use with an LLC such as some discounts related to the value of the farm that would potentially reduce the value of the farm below the estate tax amount or reduce the amount of estate taxes that could be owed. So there are some trade-offs there, but generally, for operations, an LLC could interfere with, a plan to maximize payment limitations. That's a good point.
Speaker 2 (27:26):
Very much so. At what point of size operation do you advise that a biased point of view? Do you advise them to come to speak with the CPA?
Speaker 3 (27:35):
Well, obviously, for income tax preparation, and a big part of, a farmer's financial, financial plan would include tax planning. Farmer farm income comes in, you may spend the money on crops one year, but not recognize the income for the next year. And, without proper planning or, or

proper participation of those taxes you could write yourself a much larger check than what's necessary, especially with the complexities of having a general partnership where self-employment tax comes into play. It's possible that you could lose a hundred thousand dollars one year, and the next year you make a hundred thousand dollars, you don't owe any income tax because of the nature of the loss being carried forward. But you'd owe $15,000 in social security taxes and have it made a dime simply because, of the year when the income occurred. So I do think it's important that, that farmers have some idea of, the tax complexities that apply to the farming operation and, and the timing of income and deductions to kind of keep those checks to the government to a minimum.
Speaker 2 (28:34):
Oh, most definitely. I mean, in a time where margins are tighter than ever in agriculture speaking from experience being one that wanted to push, push doing my taxes to the max, I've profited or benefited from going to a CPA now. And if you're tuning in today and maybe you're on the fence, at least just go have the conversation. Like, like coming in to see Brant and me then, at the office. You don't have to get along with us that day. You don't have to sign up and use the CPA that day. But, it helps to build your knowledge a little bit, and then it will be able to, you don't have to pull the trigger that day necessarily. You just gonna build your knowledge of your operation, and the tax benefits out there. And it just, makes you a better businessman, businesswoman going down the road.
Speaker 3 (29:17):
And I think any, certainly my office will, and I think most of my colleagues in town will you know, provide an initial consultation, allow you to come in and, and ask your questions and see if you're comfortable with the person. And I think that's awful and very important or awful important to, to make sure you're comfortable with your advisor, that you can ask questions and, and get answers. You can understand.
Speaker 2 (29:37):
All right, y'all, one thing we're gonna bring up from earlier on in this episode is the discussion of succession planning and kind of how and when to bring that conversation up and cross that bridge. I'm seeing that personally at our family farm, you know, at what, at what point is the time to hand over the keys? And it comes from both ends. I mean, it has to, the ones that are holding the keys have to be ready to turn it over, and there's a perfect time for that. But there's also a time where the person being handed the keys needs to step up and do a little bit more than historically has been done, whether it's just being more involved in the day-to-day operations because you have to, you have to prove to them, the head honchos of the operation currently that, that, that you're ready. So Brant and you're, and your, in your past experiences, what have you seen, what, what have your customers asked of you and, and when they get done talking with you, whom should they formally speak with to get that process rolling?
Speaker 4 (30:31):
Probably one of the best succession plans that I've been involved in, involved in matriarch. And it was actually somebody that was outside of the family that had been working for him, for several years. And, and the patriarch started looking out three to five years and, and wanted to bring in a succession plan who was an employee that had been with him and done a really good

job and really had a lot of buy-in on the success of it. And again, the farmer's family members didn't, did not want to come back and farm, but all of the parties were in agreement that they wanted to keep the farm together and the whole operation. There was actually some co-op stock involved real estate involved and equipment and the, and the family, the farmer set it up where the succession, the successor started coming in and actually sitting down with her and looking at the financials and making financial decisions.
Speaker 4 ([31:30]):
So not, so they were also, they were learning what was going out on out at the farm and cultivating management out there, but they were learning the books and, and they were that way they were set up for success all the way around. And I think the farmer probably went about it in a good way in that they were willing, to turn over the reins. There wasn't any drawback or hold back or anything. They were very happy that that go forward simply because both of 'em had talked and realized what they wanted out of it. And the farmer wanted a continued income, but, you know, he'd been in the business for 40 plus years and he just really had put a lot of time and effort and gone through some hard times and experienced some good times, and he just wanted to see the out operations succeed.
Speaker 4 ([32:18]):
And it was a great starting point for the young man coming in behind him. So, that succession plan is still in place. Both parties are happy. Some of the lands that they were renting, they had, they went out and got long-term land leases. They had worked through equipment ownership and trading of that equipment. And the farmer, I believe earned, kept a salary coming out of the farm for a while, and along had some retirement income from the purchase of those assets. And it, it was somewhat a, at a reduced, reduced price just simply for his with equity that he'd put in over the years. Let's add one other thing to that the farmer and the successor both agreed to have conversations over a two-year period. So they went through the farming cycle they talked about the ins and outs and ups and downs, and they agreed to meet on a quarterly basis and just kind of go over what had happened and how they would've handled it. Had they, had they moved forward on that succession plan at that point? So they really had a nice written agreement. When it came time for, the succession plan to take place,
Speaker 3 ([33:36]):
I had a gentleman who explained to me, and pretty practical terms, the difficulty or the obstacles to implementing a secession plan. And, he said that once you wipe somebody's butt, you really don't care what their opinion is <laugh>. And, and that seems to be one of the barriers to, especially legacy farms when you're passing it down from one generation to the next is, is, is the son or the daughter may be involved in the farm, but they're only involved in the agricultural part of it. , the plant, the crops, or the tending of the livestock. They're not involved in the business aspect of it. Dad takes care of that and, he never lets loose of those reigns. So if something were to happen to dad unexpectedly the children are not prepared, to step into those shoes and, and fulfill that.
Speaker 3 ([34:20]):
They're not, they're not searching on, on U S D A programs. They're not searching for how to deal with lenders in the banks. They're not searching for how to deal with landlords because dad

always took care of that. One of the most successful succession plans that I've seen, and, in this case, both generations are still farming and still, still active on the farm, is, is the farmer, the father set up his son with his own small farm. He acquired him, helped him acquire some land, and, just left, that those acres to the son to farm. He had to come up with his own financing, he had to come up with his own you know, agricultural, you know, policy or, or, or how what he was gonna plant when he was gonna plant it deal with the vendors and, and the suppliers himself. And, one day when the farm does pass down to the sun, he's gonna be in a great position to continue and keep it going.

Speaker 2 (35:11):

I completely agree. And going back on an article y'all worked together on a few years ago on our website just rereading it. I mean, there are some things that even as a lender I don't know that are, are taxable and employee retention credits paid sick and family leave, FSA program payments, crop insurance payments, all things like this are, are small things that you can let slip through the cracks if you're not dealing with a professional and are definitely worth. And sometimes we'll pay the bill that, it costs to file the tax returns with, some professionals. So don't shorthand your operation and try to do it all yourself. We're, I'm the most guilty of that statement right there. But it pays off in the long term and allows for some growth.

Speaker 3 (35:54):

And some of those programs were, were related specifically, to the pandemic relief that the government provided, such as the payroll protection program, loans, and PPP, those are pretty well over with, but there is still time to claim the employee retention credit. And we're actually working on that now here towards the end of 2022. And that those that credit, which can be a decent size amount of money available to them, to employers, not just farmers, but all employers are still available to claim.

Speaker 2 (36:25):

All right. As we conclude today, I wanna say one thing. An operation's financial health is crucial to its overall success and longevity. So that's why it's important to engage in business planning such as farm tax preparation as well as strategic planning for the future of your operation is so essential when planning for its resiliency and future generations. Well y'all, it's my favorite time of the year. It's definitely falling. The leaves are falling off. I mean, that concludes today's podcast. So, Ashley and Bryant, we appreciate y'all joining us today. To read a transcript of today's podcast, visit our website at SWGAfarmcredit.com, and make sure you subscribe to your favorite podcast app to get notified of our new episodes, as well as follow us on Facebook and Instagram for great industry resources. Thanks for listening and happy harvest.