

One Big Beautiful Bill: Understanding the Northeast Agricultural Impact

Monday, July 21, 2025



FARM CREDIT EAST

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One Big Beautiful (Agricultural) Bill

July 21, 2025



Qualified Business Income (QBI) Deduction

QBI deduction permanent

No change for farmers



Example

2024 Tax Return Items	Amount
Sch F Gross Income	\$700,000
Sch F Expense (including wages)	\$(525,000)
Gain on sale of Raised Cows (Form 4797, Part 1)	\$90,000
Gain on Equipment Sales (Form 4797, Part 3)	\$26,000

Qualified Business Income =
\$201,000

Qualified Business Income (QBI)

1 Patronage dividends \$ 2,380.37	OMB No. 1545-0118		Taxable Distributions Received From Cooperatives
2 Nonpatronage distributions \$ 0.00	Form 1099-PATR (Rev. January 2023)		
3 Per-unit retain allocations \$ 628,771.73	For calendar year 2024		
4 Federal income tax withheld \$ 0.00	5 Redeemed nonqualified notices \$ 0.00	Copy B For Recipient This is important tax information and is being furnished to the IRS. If you are required to file a return, a negligence penalty or other sanction may be imposed on you if this income is taxable and the IRS determines that it has not been reported.	
6 Section 199A(g) deduction \$ 32,064.84	7 Qualified payments (Section 199A(b)(7)) \$ 0.00		
8 Section 199A(a) qual. items \$ 0.00	9 Section 199A(a) SSTB items \$ 0.00		
10 Investment credit \$ 0.00	11 Work opportunity credit \$ 0.00		
12 Other credits and deductions \$ 0.00	13 Specified Coop <input type="checkbox"/>		

www.irs.gov/Form1099PATR

Department of the Treasury - Internal Revenue Service



Section 1062 Farmland Sales

4 years to pay the tax

When?

For Who?



Farmland Sale Example

\$4,000,000 gain on farmland for 2026 sale

Tax: \$750,000 tax due 4/15/27

Farmland Sale Example

\$4,000,000 gain on farmland for 2026 sale

Option 1: \$750,000 tax due 4/15/27

Option 2: \$187,500 tax due 4/15/27

\$187,500 tax due 4/15/28

\$187,500 tax due 4/15/29

\$187,500 tax due 4/15/30

\$58,431 Net Present Value Saved!!!

Farmland Sale Example

\$4,000,000 gain on farmland for 2026 sale

\$950,000 total tax due on 2026 1040

\$750,000 tax due from sale of farmland

Payments:

- \$387,500 tax due 4/15/27 (only farmland has deferral)
- \$187,500 tax due 4/15/28
- \$187,500 tax due 4/15/29
- \$187,500 tax due 4/15/30

Farmland Sale Requirements

Qualified Farmland

Sold to a Qualified Farmer

Each of 4 payments due on 4/15 starting the year after the sale takes place.

Applies to sales in tax years beginning after July 4, 2025

Qualified Farmland

1.) Meets one of these two requirements:

The property has been used by the taxpayer as a farm for farming purposes, or

The property has been leased by the taxpayer to a qualified farm for farming purposes during substantially all of the 10-year period ending on the date of the qualified sale or exchange; and

2.) New owner will continue to farm/lease to farmer for 10 years under a covenant or other restriction

Qualified Farmer

Individual actively engaged in farming within the meaning of section 1001(b) and (c) of the Food Security Act of 1986 (7 U.S.C. 1308-1(b) and (c)) (Code Sec. 1062(d)(3), as added by the OBBB Act).

Estate Tax

\$15MM permanent exemption (\$30MM couple)

*Beware of state estate considerations!

*Discount planning

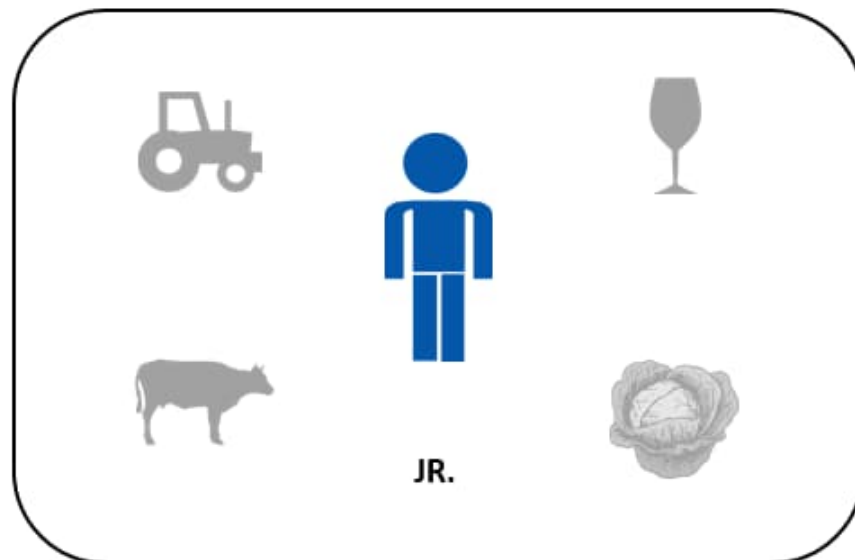
State	Threshold	Top Rate
New York	\$7,160,000	16%
Connecticut	\$13,610,000	12%
Maine	\$6,800,000	12%
Massachusetts	\$2,000,000	16%
Rhode Island	\$1,770,000	16%
Vermont	\$5,000,000	16%



SR.

Estate is worth **\$15 Million**

Tax Basis is now **\$15 Million**



JR.

NPV of Future Tax Savings?

Business Interest Limitation 163(j)

Deductible interest expense can't exceed:

Business interest income for the taxable year
+

30% of the taxpayer's **Adjusted Taxable
Income (ATI)** ****EBITDA**** +

Floor plan financing interest expense

Only applies >\$31MM for previous 3 years
(election out)



Reduced Tax on Overtime

\$12,500 (\$25,000 MFJ) on overtime

\$150,000 (\$300,000 MFJ)

2025-2028 + Reporting requirements

Required OT under section 7 of FLSA



Reduced Tax on Tips

Up to \$25,000

Reporting requirements

2025-2028

\$150,000 (\$300,000 MFJ)



Enhanced deduction 65+

\$6,000 (65+)

2025-2028

\$75,000 (\$150,000 MFJ)



Depreciation

SECTION 179

- 3,5,7,10,15 Year Property
- \$2,000,000 Deduction Limit
- \$4,000,000 Investment Limit
- New OR Used Property

BONUS DEPRECIATION

- 3,5,7,10,15,20 Year Property
- No Deduction Limit
- No Investment Limit
- New OR Used Property

Bonus Depreciation

Transitional rule

Taxpayers may elect for this year

100% after 1/19 or 40%

Includes planted/grafted (i.e.
orchards/vineyards)



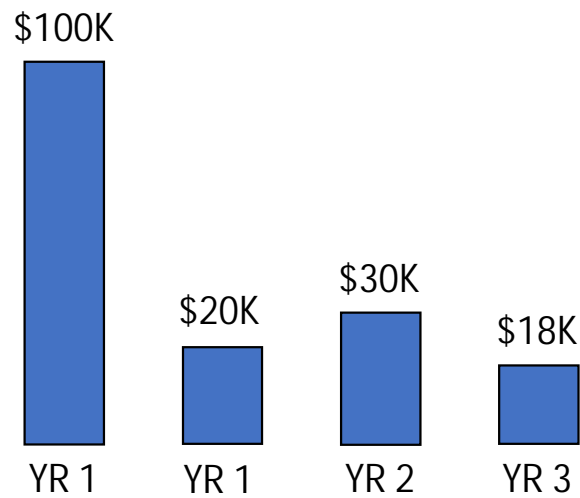
Bonus Depreciation

New 100% depreciation for qualified production property

Includes manufacturing, production (agricultural/chemical) or refining of tangible personal property



Example:



Year 1:	Vines/Posts
Years 1-3:	Fert/Labor/etc.
Year 4:	Harvest Grapes

Can use SDA on year 1 plantings for 100% write off
--

New York Example

Joe Farmer purchased \$100,000 of new farm equipment from the dealer. Joe decides not to utilize section 179 for tax planning purposes.

The equipment purchased from the dealer is eligible for ITC.

Joe Farmer is eligible for a **\$20,000 refundable ITC** from New York State. On the other hand, had he used section 179 on the farm equipment purchased from the dealer, he would not be eligible for ITC.

Maine and Connecticut

Similar expanded planning opportunities



Various Provisions

Enhanced child tax credit

Mortgage interest deduction -\$750,000

Deductibility of certain car interest -\$10,000

Clean energy credits



State and local tax deduction (SALT)

\$10,000 increased to \$40,000, increased
by 1% through 2029

\$500,000 income limit

PTET may still make sense



Example

Real estate taxes	\$10,000
State income taxes	\$30,000
Charitable contrib.	\$5,000

\$45,000

*Fully deductible BUT may be better off with standard deduction + PTET

\$31,500 standard deduction +
\$30,000 PTET
\$61,500
(*State considerations)



Employee Retention Credit

Q3/Q4 claims after 1/31/2024 disallowed

6-year statute from the latter:

- A.) date return filed or
- B.) treated as filed or
- C.) date which claim for
credit/refund made



Feature	Trump account	UGMA/UTMA	529 Account
Seed Money	\$1,000 (2025-2028 babies)	N/A	State specific
Ownership	Child	Child	Account owner
Deductions for contributions	None	None	State specific
Federal qualified expenses	Traditional IRA rules	Anything	Higher education, K-12, apprenticeships, etc.
Contribution limits	\$5,000	None	State specific (additional gifting considerations)
Tax treatment of qualified expenses	Ordinary income tax (+10% penalty unless exception)	Kiddie tax rules	Tax-free withdrawals for qualified expenses

1099s

1099-NEC: \$2,000 threshold (2026)

1099-K: >\$20,000 and >200 transactions



Charitable deductions

\$1,000 (\$2,000 MFJ) deduction for non-itemizers
(2026)

Floor for itemizers (.5% individuals) (2026)

Modified Pease Limitation



Qualified Small Business Stock (QSBS)

Expansion of stock sale tax exclusion

50% - 3 years

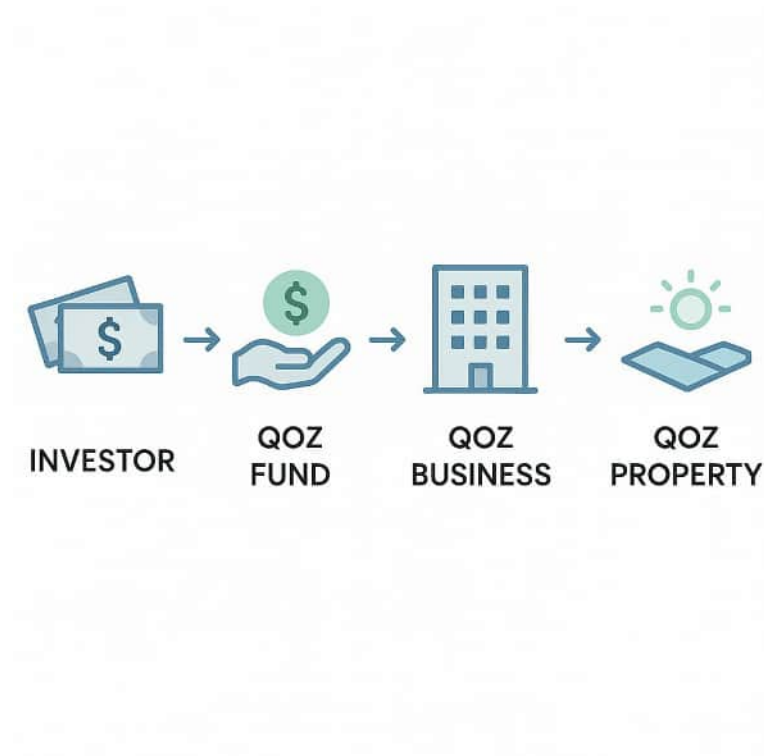
75% - 4 years

100% - 5 years

*Farm businesses not eligible



Qualified Opportunity Zones



Ability to defer capital gains



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Clean Fuels Production Credit

Through 2029

Feedstocks produced or grown in North America (2026)



Student Aid Eligibility

Starting with the 2026-2027 award years

Excluded assets include:

- A) a family farm on which the family resides
- B) a small business with no more than 100 full-time or full-time equivalents (or any part of such a small business) that is owned and controlled by the family or
- C) a commercial fishing business and related expensed, including fishing vessels and permits owned and controlled by the family.



Farm Program Overhauls

New \$155,000 payment limitation

Pass-through entities, treated similarly to general partnerships

>75% AGI from farming, ranching, silviculture, \$900K limit is N/A

Planning Pointer: Entity selection



Crop Insurance Premium Support

RP/YP Basic and Optional Units

Coverage Level	Current	NEW
85%	38%	41%
80%	48%	51%
75%	55%	60%
70%	59%	64%
65%	59%	64%
60%	64%	69%
55%	64%	69%
50%	67%	67%

New Language

Example

Producer buys 75% coverage level policy

Subsidy level = 60%

Liability = \$650/acre

If total premium is \$40/acre

Gov. subsidized \$23 in premium

Producer pays \$17/acre in premium

RP/YP Basic and Optional Units

Coverage Level	Current	NEW
85%	38%	41%
80%	48%	51%
75%	55%	60%
70%	59%	64%
65%	59%	64%
60%	64%	69%
55%	64%	69%
50%	67%	67%

New Language

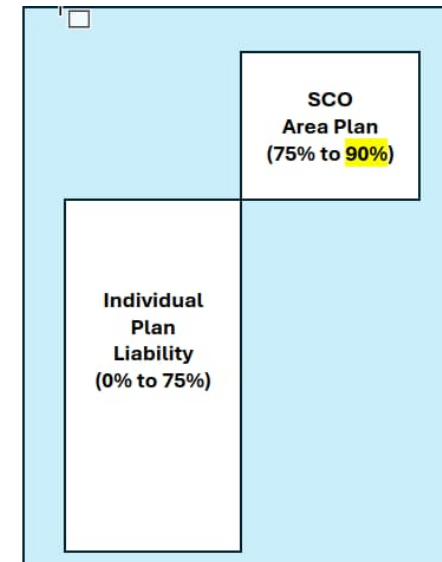


Area-based crop insurance

Supplemental Coverage Option (SCO)
area-based coverage increased to 90%
(from 86%)

SCO subsidy increased to 80% (from 65%)

New Language SCO		
	Old	NEW
Coverage Level Increase	86%	90%
Subsidy Increase	65%	80%



Beginning Farmer and Ranchers Benefits

Increased premium assistance

15% years 1 & 2

13% year 3

11% year 4

10% year 5=10



Farm Service Agency Dairy Margin Coverage

Formally Extended through 2031

Increased Tier 1 Production To 6,000,000 lbs.

Update Baseline Production To Use 2021-2023

25% Premium Discount For Multi-Year Enrollment



Farm Service Agency Commodity Program Reference Prices

Commodity	Current Reference Price	New Reference Price
Wheat (bu)	\$5.50	\$6.35
Corn (bu)	\$3.70	\$4.10
Grain sorghum (bu)	\$3.95	\$4.40
Barley (bu)	\$4.95	\$5.45
Oats (bu)	\$2.40	\$2.65
Long grain rice (cwt)	\$14.00	\$16.90
Medium grain rice (cwt)	\$14.00	\$16.90
Soybeans (bu)	\$8.40	\$10.00
Other oilseeds (cwt)	\$20.15	\$23.75
Peanuts (ton)	\$535	\$630
Dry peas (cwt)	\$11.00	\$13.10
Lentils (cwt)	\$19.97	\$23.75
Small chickpeas (cwt)	\$19.04	\$22.65
Large chickpeas (cwt)	\$21.54	\$25.65
Seed cotton (lb)	\$0.367	\$0.042



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Farm Service Agency Updating Base Acres

"Up to 30 Million Additional Base Acres"

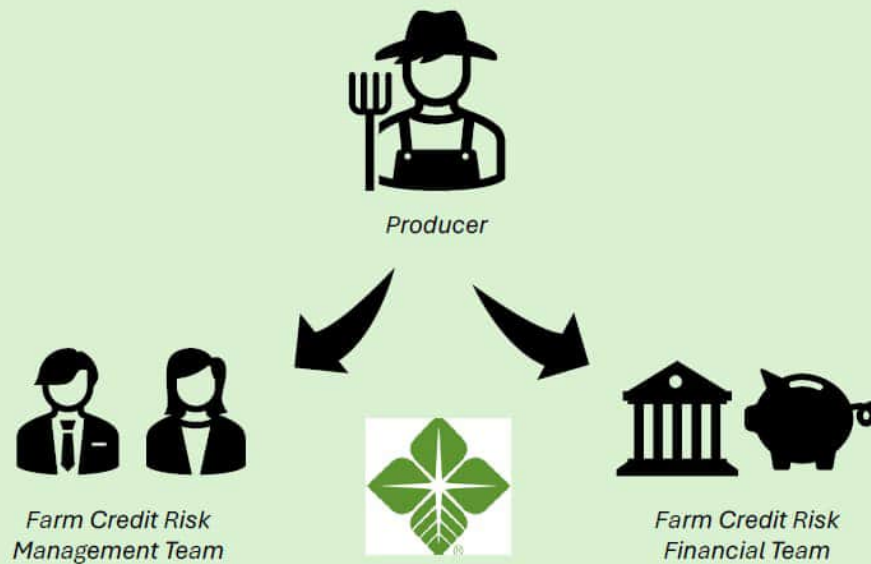


FSA Sending Farmers Letters In Early 2026
Letter Includes Proposed "New Base Acres"
Base Acres will be based on your 2019-2023 planting
Elect to Accept or Decline Through FSA

Next Steps

What should producers do?

Work with their Farm Credit partners to see how these changes could impact their personal risk management decisions!



Additional Information



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TODAY'S HARVEST BLOG

Proactive Strategies for Business Success: Protecting your investment with crop insurance>

While we can't predict the future, we can certainly plan for the unexpected, and crop insurance is an important tool to help producers do just that. Ag businesses that are eligible for crop or livestock insurance should consider the value risk management tools can provide. So, what are the next steps for protecting your investment with crop insurance?

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Farm Credit East Presents Webinar on the One Big Beautiful Bill's Impact on Northeast Agriculture>

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One Big Beautiful Bill's Impact on Northeast Agriculture: Agricultural Changes>

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QUESTIONS ?



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