

## Taxation Tidbit: Traditional IRAs and Pensions – IRD

Traditional IRAs and pension plans are very common components of individual retirement plans and estates. While most investors are aware of the tax consequences associated with distributions from these accounts during life – very few are familiar with the tax consequences to their estate or to their heirs. The distribution of traditional IRAs and pensions from a decedent’s estate needs to be given special consideration because they constitute what is termed “income in respect of decedent”, commonly referred to as IRD.

IRD properties are assets whose income will have to be recognized as income, in amount and character, by heirs the same as the decedent would have – had the decedent received the proceeds prior to death. For example, if Sr. X had \$100,000 of funds in a traditional IRA he would have had to recognize the \$100,000 as taxable income if he had withdrawn the funds from the IRA. Likewise, if Sr. X dies and leaves the \$100,000 IRA to Jr. X, then Jr. X will have to recognize the \$100,000 as taxable income when he receives the funds from the IRA.



Most assets passing through an estate receive a step-up in tax basis to their fair market value date of death. This step-up in tax basis essentially eliminates any appreciated gain accrued during ownership of the decedent from being passed through to the heirs who receive the appreciated assets. IRD assets do not receive this step-up in tax basis and are therefore subject to tax, in the hands of the heirs, the same as it would have been taxed to the decedent prior to their death. **The important point to understand is that the consequences of IRD are applicable whether or not the estate is taxable**, i.e., the consequences of IRD are the same whether the IRD asset passed through a small or large estate.

If you intend to leave some assets to charity at your death, a strategy becoming increasingly popular is to leave the IRA or pension to the charity. The charity, due to its tax status, will not have to recognize the receipts from the IRA or pension as taxable.

Too many people unaware of the IRD classification of traditional IRAs and pensions leave these assets to a spouse or children and leave other savings or assets to the charity – when in fact they should probably do just the opposite.

If you have a traditional IRA and/or pension in your portfolio, there are significant planning opportunities and challenges to be considered. This is definitely an area of financial and tax planning where professional advice can pay handsome dividends.

**Source:** *Parman R. Green, Ag Business Mgmt. Specialist*

## Beef cattle recordkeeping

Many beef cattle producers do not like recordkeeping. While almost everyone has some type of financial recordkeeping system for tax purposes, many cattle producers do not keep records on animal production within their herds. Unfortunately for those folks, they are missing important financial or production information that could increase income or assist with management decisions.

Production records do not have to be complicated in order to be useful. Calving records are the first step and there are three options: (1) write down the date the first calf is born, (2) write down the number of calves born each day of the calving season, or (3) individually identify each calf and record its' date of birth and dam.

Option one opens up age and source verified marketing possibilities. It takes a little planning, time, and effort to do the paperwork and get the ear tags for age and source verification, but the payoff, at least in past years, has been well worth the effort. This is about the closest thing to free money that exists in the cattle business and all that is needed initially is to write a date down on a calendar.

Option two collects information that may be useful in troubleshooting breeding or performance problems. Group calves on paper into 21-day calving intervals. The goal is to have as many calves as possible born during the first or second 21-day period of the calving season. Older calves are almost always the heaviest calves, so having more calves born early in the calving season should increase the pounds of calf sold off the farm. Holes in the calving distribution calendar may indicate bull or cow fertility problems or other management issues needing attention. Calving distribution information allows for formation of management groups, especially for feeding and breeding purposes.

Option three allows for more precise management of the herd. It opens the possibility of using computer recordkeeping systems to track bull, cow, calf, and overall herd performance. Individual animals can be identified as replacement prospects based on the production records of their dams, or animals can be identified for culling based on performance or other criteria.

The usefulness of production records cannot be overemphasized. However, simply collecting data is a worthless exercise. Records do need to be studied and the information they contain needs to be used in order for the effort to be worthwhile.

If you are looking for a method of keeping production records, many county extension offices have the "Red

Books" available for purchase. These books contain places to record most of the annual activities that occur on a beef operation. Contact your local extension center if you are interested in purchasing a red book.

**Source:** *Gene Schmitz, Livestock Specialist*

## 300 bushel corn

The world population is expected to reach 9 billion people by possibly 2030. In order to feed this population it is predicted that corn will need to average 300 bushel per acre to feed them. Over the last 55 years, the average rate of increase in corn yield has been 1.9 bushels per acre. At that rate, U.S. corn growers should be able to reach the average yield by about 2086. To reach 300 bushel per acre by 2030 would require a rate of annual yield increase of 7.5 bushels per year for the next 19 years.

A yield of 300 bushels per acre and over is being reached by individual growers today; however the expected average yield nationwide in 2011 is about 146 bushels per acre. The physiological yield components necessary to produce 300 bushels per acre are not too far out of reach today. Potential ear size is easily 1,000 kernels with today's hybrids, and with a harvest population of 30,000 plants per acre and a kernel weight at 85,000 kernels per 56-pound bushel, you would produce 356 bushels per acre. If some farmers are already producing 300 bushels per acre and more today, what can other growers do to push their yield into that range? Bob Neilson, Extension corn specialist at Purdue, discussed yield influencing factors. Neilson stated that once the seed is planted, the crop is subjected to a season-long array of yield-influencing factors, most of which are stresses that reduce yield potential. The key to improving yields put simply is to sharpen your focus on identifying the yield influencing factors "specific" to your farm. There are no "silver bullets" or "one-size-fits-all" solutions. Following are "yield influencing factors":



1. Field drainage – The adequacy of field drainage greatly influences whether corn will produce 200 bushel plus yield or nothing or somewhere in between.
2. Irrigation – Fields with soils that dry out too quickly will respond to supplemental water.
3. Hybrid selection – Identify hybrids that have good yield potential and can tolerate a wide range of growing conditions. Evaluate hybrid performance across several locations.

4. Manage crop residue in no-till – Enables drying/warming of surface soils, facilitates effective planter operation and improves crop emergence/stand establishment.
5. Avoid soil compaction – soil compaction can limit root development and thus nutrient and water uptake.
6. Continuous corn or not – Continuous corn does not yield as well as rotation corn.
7. Nitrogen management – Efficient use of nitrogen includes avoiding fall nitrogen applications, avoiding surface applications of urea-based fertilizers without incorporation and adopting sidedress nitrogen application programs.
8. Disease management – Warm, humid conditions during the summer months are conducive for the development of several important foliar fungal diseases. Managing these diseases gives the plant a greater potential to produce.

Nielson summarized that more consistent yields do not require “rocket science” but a lot of common sense agronomic principles that work together to minimize the usual crop stresses that occur every year and allow the crop to better tolerate uncontrollable weather stresses. Corn has its highest yield potential on the day it is planted. Everything that happens after that will determine how much yield potential is preserved.

**Source:** *Wayne Crook, Agronomy Specialist*

## Mobile apps changing the face of farm management

Smart phones and tablet computers are a popular craze among the younger generation. These forms of mobile computing devices are reaching the farm and may help manage an operation throughout the year through specific applications (apps in modern technology lingo). For producers who want to use their smart phone or tablet computer beyond just checking e-mail, texting or browsing the internet, here’s a list of some agriculture specific apps with descriptions and compatible mobile devices.

### Agronomy Apps

Agrian Mobile Information Center - Enables access to Agrian’s pesticide label database anywhere, anytime. Search by product name, registered states, pest(s) controlled and specific product use rates. (iPhone, iPod Touch, iPad)

Farm Progress Growing Degree Days.- Measures the maturity of a crop by viewing current and past growing degree days data for a specific farm’s location. (Android,

BlackBerry, iPhone, iPod Touch)

Corn Planting Calculator - Calculates the correct corn seed spacing in inches as well as the cost per acre by using the row width, seeds per bag, population per acre, and cost per bag. (iPhone, iPod Touch)

Grain Shrinkage Calculator - Calculates the number of bushels after the moisture removal from field to storage. (Android)



NPIPM (Northern Plains Integrated Pest Management) Soybean Guide - Provides current management options for insect and other arthropod pests affecting major field crops grown in North Dakota, South Dakota, Nebraska, Iowa, Minnesota and Kansas. (Android, iPhone, iPod Touch, iPad)

### Commodity Pricing Apps

#### Farm Futures Mobile from

Pioneer - Offers access to news, weather, quotes, cash bids and more wherever you are. (Android, iPhone, iPod Touch, iPad; soon on BlackBerry)

KIS Futures - Allows users to track prices on commodity futures and options and gives a detailed snapshot of high, low, last and net change of multiple markets-options. (iPhone, iPod Touch, iPad)

### Precision Ag Apps

ArcGIS by ESRI - Extends the reach of a GIS from the office to the field. Users can query the map, search and find interesting information, measure distances and share maps with others. (Android, iPhone, iPad, Windows Phone 7)

AGRIplot - Automatically calculates the area enclosed by plotted points. One can even take pictures associated with a landmark or interest point for a visual representation. (iPhone, iPod Touch, iPad)

Precision Earth - App for collecting and displaying soil samples in the field. (iPhone, iPad)

iCropTrak -Application to collect geospatial field data. (iPad)

SoilWeb - Provides GPS-based, real-time access to USDA-NRCS soil survey data. The app retrieves graphical summaries of soil types associated with the user’s current geographic location. (Android, iPhone)

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## **Tank Mix Apps**

Mix Tank from Precision Laboratories - Assists users in determining the mixing sequence for pesticides, adjuvants and foliar products. (iPhone, iPod Touch, iPad)

TankMix from DuPont - Allows users to calculate the amount of product or water needed to treat a specific field area, as well as the amount of product needed to get the volume-to-volume ratio. (iPhone, iPod Touch, iPad)

## **Some Other Apps**

DTN/Progressive Farmer - Provides agriculture news, market data, interactive charts, cash grain prices, and real-time agriculture weather information (iPad)

AgWeb News & Markets from Farm Journal - Provides latest in agriculture news and advice from AGWEB.com (iPhone, iPod Touch, iPad)

Weather Channel - Features customizable local weather applications, including an ag app where growers can access soil moisture conditions, precipitation reports, forecasts, wind speed and direction. (Android, iPhone, iPod Touch, iPad)

This list of apps is not all inclusive; you are invited to inform us of others. Please send corrections or additions to this list to shannond@missouri.edu. Mention of specific apps does not imply recommendation or endorsement by University of Missouri Extension over other apps not on this list.

**Source:** *Kent Shannon, Natural Resource Engineering Specialist*

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