

AG TAX TIDBITS



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Bottomline Tidbits

Prevented Planting Payments – Taxable This Year or Next?

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Given this year's delayed planting season many farmers will be receiving insurance proceeds for prevented planting. Code Section 451 provides an election for cash-method taxpayers to postpone payment of tax on crop insurance and disaster payments to the year following the year of a crop loss. Producers can utilize this election to help avoid the excess bunching of income. To qualify for this election, the producer must establish that under normal business practice the income from the crop would have been included in gross income for any taxable year following the year of the crop loss.

If you choose to utilize the election to postpone, report the amount of insurance proceeds received on line 8a of Schedule F, but do not include it as a taxable amount on line 8b. Check the box on line 8c and attach a statement to the return detailing the election requirements. A listing of information to be included on the attachment can be found in the "Farmer's Tax Guide" IRS Publication 225.

The election under Code Section 451 cannot be utilized if the crop insurance or disaster payment is received in the year following the loss. Additionally, Code Section 451 does not allow a producer to accelerate reporting the payment (to the previous tax year) if the payment is received the year following the crop loss.