Recommendation #18
Subcommittee: Access to Capital
Submitted by: Bradley Guse

Beginning farmer modernization proposal

The capital required to enter the dairy industry creates a barrier to entry and a challenges their ability to be successful. While programs exist at both the USDA – Farm Service Agency (FSA) and Wisconsin Housing and Economic Development Authority (WHEDA) , each of them has limitations when it comes to supporting entry. The first is limitation is in the new farmer's entry into operations through ownership in a Corporation, LLC or LLP structure. This is often times a more efficient way for a new farmer to transfer ownership and should be facilitated rather than limited. Secondly, where those entities are not used, shared facility arrangements and rules with regards to what constitutes an operating entity, impacts borrower eligibility. We recommend that both WHEDA and FSA make appropriate changes to their programs making additional new farmers eligible for use of their programs addressing the areas identified.

Recommendation #19
Subcommittee: Access to Capital
Submitted by: Bradley Guse

Emerging technologies

An executive summary of Nutrient Environmental Technology Programs is attached as a starting point for this recommendation.

Recommendation #20
Subcommittee: Access to Capital
Submitted by: Jon Accola

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Farm Savings Account

Based off the premise that farmers could use a way to delay paying taxes on farm income for a specified period. The Farm Savings Account (FSA) would allow them to save income in good years and use this income in years when farm income is down.

There have been numerous programs such as this introduced over the last 10-20 years. Sen Charles Grassley introduced a similar program in a bill that never made it to passage. The idea has been intriguing since it uses the same thought process as the tax deferred retirement accounts most of us use today.

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The FSA is another risk management tool that farmer could use. In the most basic form, it does not generate any more revenue than the interest income that would accumulate in the "tax deferred saving account". Some of the ideas brought forth in years past had incentives and matching funds tied to these savings accounts.

Taxes would be deferred on the funds in the FSA until the funds are needed as income or the time limit has been reached for having the funds in this tax deferred account.

The primary thought process is that at the end of good income years farmers use their excess cash to make capital purchases to reduce their tax burden. In most all business' purchasing an item solely for the purpose of reducing taxes is usually not the best use of funds. There are many factors that go into making purchases of equipment and other capital items. Most notably is that there is a plan and a budget to follow that most likely was developed many months or even years ago.

The programs that have been introduced previously had specific limits on the percent of gross income that could be contributed each year. Some even had a maximum contribution which would limit the potential benefit to the largest farmers. There was also discussion using this program to help offset income in low farm income years.

We do know that most farmers have the ability to do income averaging that could produce similar tax savings to what has been proposed above. Once again this takes planning and the ability to know what your current tax liability might be at any point in time during the year.

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