Tracy Ellingson

From: Adam W. Drinkall <adam.drinkall@fbfm.org>
Sent: Friday, May 19, 2017 8:00 AM
To: Kent Vickre
Subject: 2-A-1 Adam Drinkall professional papers
Attachments: winter 2016.pdf

Kent,

Here is my submission for the Association Newsletter that I put together.

Thanks,
Adam

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ILLINOIS FBFM

Blackhawk FBFM

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Inside this issue:

Deadline Change for 1099 Submission

In January 2017 changes have been made to the dates when W-2s and 1099s are required to be submitted to the appropriate government agencies. The old date of February 28th has now been pushed up to January 31st. This clearly has an impact on all of us, as well as companies that provide these document-generating services to you. There will be a much larger need to obtain employee information, as well as verifying the information's accuracy in a timely manner. The time constraints create more of a "get it right the first time" mentality as the buffer period in which to make changes has almost disappeared.

The fines and penalties involved in late filings have also changed. Under the previous law, the penalty per form that was not properly filed was $100. Under the new law, the penalty is $250. Under prior law, if the filing was corrected within 30 days, the penalty was $30. Under the current law, it's been increased to $50. Likewise, if the filing is corrected by August 1st, the new law fines someone $100. As opposed to the $60 fine under the previous law.

Finally, if the IRS deems the non-filing is intentional, the offender is hit with a $500 fine. This should speak to those of you that have "potential" 1099 recipients that "don't want one". It is your responsibility to send them one if they meet the criteria. Fail to file 10 forms and the penalties can exceed $5,000 depending on the situation. In a nutshell, there is less time to obtain accurate information, prepare the documents, and submit them. While at the same time, the penalties for not meeting the aforementioned time frames have been increased.

All of this is the result of the Protecting Americans from Tax Hikes (PATH) Act of 2015. Legislation designed to reduce fraud. Essentially, the IRS wants all the documentation before the tax returns start rolling in and the IRS starts issuing refunds.

With all of this being said, be diligent about getting all the needed information to prepare the documents. Make sure all relevant information has been obtained for those new recipients in advance of the checking your book in. We will again provide you with a form *for you* to fill out if we are preparing 1099s and W-2s for you but we need them to our office, possibly before you have your book check-in, in January to allow time to get them back to you for review and for you to mail them out to the recipients.

Procrastinate too much and one is setting up themselves up for incurring many unnecessary fines and penalties from the IRS. FBFM will have to charge accordingly for late filed forms.

Illinois Payroll Withholding Changes

In the summer newsletter, we presented an article explaining the new changes for those of you with Illinois payroll. As this is a major change for some of you, we felt that it was important to highlight the changes one more time.

- Beginning 1/1/17, ALL withholding accounts will be QUARTERLY FILER and monthly pay.
- There will be no more annual filers or quarterly or annual payments.
- All returns will be filed quarterly.
- All payments will be made monthly.

Quarter	Months included	Quarter ends	IL-941 is due
1	January, February, March	March 31	April 30 (May 1 for 2017)
2	April, May, June	June 30	July 31
3	July, August, September	September 30	October 31
4	October, November, December	December 31	January 31

Monthly IL-501 payments are due by the 15th day of the month following the month in which the tax was withheld.

The Form IL-941, Illinois Withholding Income Tax Return, has been updated for the 2017 tax year. Changes on the 2017 Form IL-941 include:

Line C has been added to Step 2 to verify compliance with the Illinois Secure Choice Savings Program Act (820 ILCS 80/1, *et seq.*). For more information go to *illinoisretirement.gov.*

Step 4 has been updated to include a section for entering required withholding information for each month of the quarter. Step 4 (see below for example) has entry lines for the amount of income tax withheld based upon the day the compensation was paid (payroll dates). This change will assist taxpayers with reporting the correct amount of income tax withheld during the quarter.

Step 4: Tell us about the amount withheld (Do **not** leave this section blank.)

2 **Enter the exact amount of Illinois Income Tax you actually withheld from your employees or others on the date you paid the compensation.**

2a First month of quarter (*i.e., January for 1st quarter; April for 2nd quarter; July for 3rd quarter; and October for 4th quarter*)

Day	Amount	Day	Amount	Day	Amount	Day	Amount
1	______ . ___	9	______ . ___	17	______ . ___	25	______ . ___
2	______ . ___	10	______ . ___	18	______ . ___	26	______ . ___
3	______ . ___	11	______ . ___	19	______ . ___	27	______ . ___
4	______ . ___	12	______ . ___	20	______ . ___	28	______ . ___
5	______ . ___	13	______ . ___	21	______ . ___	29	______ . ___
6	______ . ___	14	______ . ___	22	______ . ___	30	______ . ___
7	______ . ___	15	______ . ___	23	______ . ___	31	______ . ___
8	______ . ___	16	______ . ___	24	______ . ___		

Total Illinois Income Tax withheld this month. (Add Section 2a, Lines 1-31.) → 2a ______ . ___

Important:

• Failure to complete Step 4, in addition to all required sections of the Form IL-941, could result in assessment of penalties for filing a return that cannot be processed.

• Failure to make your IL-501 payments by the due dates for your assigned schedule could result in late payment penalties.

Illinois Actually Made It Easy

https://mytax.illinois.gov

The secure website is a perfect place to make your tax payments, check notices, file numerous tax forms, obtain your IFTA decals and much more. Simply go to the website above and create an account by clicking on the "Sign up Now!" button. For your business, sign up using your FEIN (federal employer ID). Businesses will really find this site useful as you can make withholding payments, file 941's and keep track of those pesky IL tax notices that are nearly impossible to figure out.

In order to create a MyTax Illinois business account (using your FEIN), you must also register with the state to do business. This can be done by filing Form REG-1, also available at the website. Then proceed through the Sign up Now! screens to create your account. The site enables filing and paying of numerous taxes, including sales tax, excises tax, withholding income tax and business income tax.

Individuals may also create a MyTax-Illinois personal account. From the mytax.illinois.gov home page, select the 'Individuals' tab at the top of that page. Next, select 'Request a Letter ID' at the bottom of the left-hand side under 'Individual Income Tax-related Items'. You will need to enter your social security number and one other ID number, likely your driver's license number. You will receive your letter ID in the mail which will then be used to allow you to create your personal MyTaxIllinois account. As with the business account, you can make payments, track notices, etc.

Now is a good time to create these accounts so that you are ready to comply with the new IL payroll rules beginning in 2017. Illinois is hopeful in integrating the unemployment functions of IDES to this site in the future too!

Blackhawk Board of Directors

Common Estate Planning Mistakes of Farmers

Have you thought about your current plan? Do you have a plan? Here are some common problem areas that we notice in no particular order.

1. Simply not doing anything!- This problem is a wide range- from not having any wills, power of attorneys or estate in place if/when something should happen to you to having one that is seriously outdated. Anytime there is a birth or death of a of child, a marriage or divorce of named in the will/trust, any major changes in tax law, a significant change in income or wealth, or a change in your objectives your estate plan should be looked at.

2. Title and Ownership of property that doesn't reflect your estate planning goals- For instance, improper use of jointly held property- if land are held in joint tenancy and one tenant dies it transfers to the other owner. This also happens with joint bank accounts. Make sure your retirement account and life insurance beneficiaries are consistent with how you wish to have those assets distributed after death. Sometimes your estate plans change but these beneficiaries have not been updated to your current wishes.

3. Leaving everything to the surviving spouse when you have large net worth- This strategy would only apply if your joint estate would be above the estate tax exclusion (currently $5.45 million per person)- or if you ever expected to inherit a large amount or win the lottery! This strategy is used to optimize the marital deduction and preserve 2x the estate tax exclusion for a couple. Portability of the unused exclusion could be used at the time of the 1st spouse death.

4. Thinking you have insufficient wealth to worry about estate planning- Sometimes our farmers forget to think of the appreciation of their assets. Depending on the amount of acres you own and the going rates for land, this and the life insurance proceeds could be enough to think about doing some sort of planning.

Estate Mistakes - continued

5. Accounting for lack of liquidity of farms- The biggest asset on the farm is normally the land. Liquidity planning may be necessary so there is enough cash for pre-death and post death. For instance, if you need cash to pay estate or income taxes following a death or beneficiaries- will there be enough cash for these circumstances so you don't have to sell the income generating asset? Insurance is often used as a liquidity planning tool. It is effective strategy to fund a buy-sell agreement and also generate cash to pay estate taxes.

6. Not understanding the difference between "fair" and "equal"- We see this in situations all the time. There is no right or wrong answer here, it's your money and you can leave it to whomever you wish. Parents sometimes have trouble understanding these are 2 different terms. Equal means if you have 4 children everyone might inherit ¼ share across the board. Some instances, parents deem something else as "fair" and not necessarily equal to the farming heirs and the non-farming heirs. This is merely a note to let you know that both are options but those words do not necessarily mean the same thing.

7. Not doing the basics in preserving records and key documents- It is helpful to store key documents in a secure place, and a place that someone will know where to find them when the time comes. This includes, wills, trusts, deeds, tax returns and etc. It may be helpful to give your executor or trustee copies of wills or trusts or to tell them where they might be located.

If you have questions on if you should revisit your estate plan, please feel free to ask your fieldman or contact your attorney. Making sure the issues above are addressed can go a long way to help insure a more successful estate or business plan and make that transition go as smooth as possible.

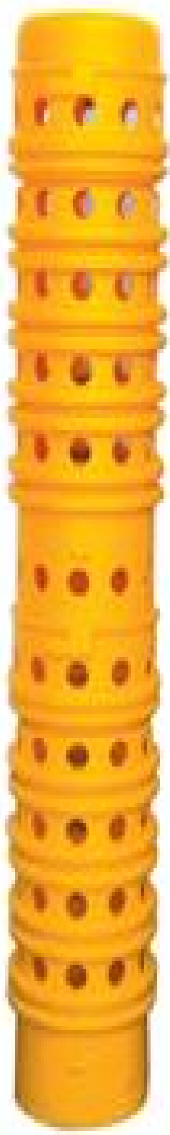
Getting Started

Perhaps the hardest part of estate planning is talking about it. Putting your wishes into words is especially difficult when you haven't yet put any thought into what you want. Adding to the challenge may be blending your estate wishes with your spouse's wishes.

"Keeping the Farm in the Family" is a presentation developed by Thrivent Financial to help get the estate planning process started. Blackhawk FBFM is co-hosting small group meetings with local Thrivent Financial associates to help you get your estate planning started. See the enclosed insert for your invitation. Then call to make your reservation. If you cannot attend on December 13, but would like to attend a later session, please call so we are sure to let you know when other sessions are scheduled.

The staff members at FBFM and Thrivent Financial don't pretend to have the answers to all of your estate planning questions, but we want to be facilitators and catalysts in getting your estate plan started. Call Rod Gieseke at 815-238-8582.

Tile On Rented Ground



The benefits of farmland tiling have been well documented. In many cases, a 10 to 15% yield increase can been seen in the first year. GPS technology provides farm operators and land owners the ability to easily identify poorly drained portions of fields and show how a lack of drainage impacts yields are in those areas.

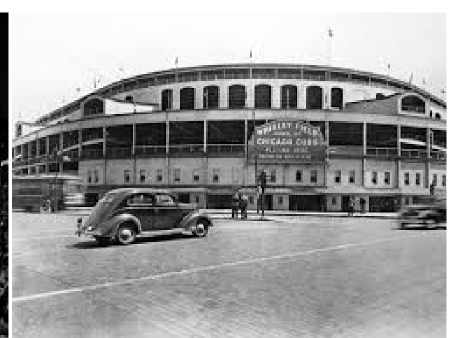
The cost of tile installation can be expensive. Many older landlords are reluctant to invest additional dollars of their money if they are concerned about their ability to recover the entire cost in their lifetime. There are options available to possibly help both parties benefit from tile installation.

- The tenant and landlord can split the cost. The tenant pays for the tile and the landlord pays for the installation. Both parties enter into a long term (7 to 10 years) lease agreement with rent representing an improved (well drained) property. Both parties would depreciate their share of the expenses. The tenant pays for any needed repairs during the lease period. If the land is sold before the end of the lease, the landlord agrees to reimburse the tenant a proportional percentage of the tenant's unrealized initial costs.

- The tenant pays for all of the costs. Again, a long term lease is entered into, but under this scenario, the rent would be based on an unimproved (tiled) basis. The tenant would depreciate all of the costs that would be incurred. After the lease expires, the rent is based on the improved value. If the property is sold before the end of the lease, the tenant is again proportionally reimbursed for the unrealized share of the initial expenses.

- In the limited amount of crop share leases in our area, if the tenant pays for any of the tiling costs, a similar reimbursement procedure should be established. A long term lease should be set, and reimbursement to the tenant should occur if the lease does not reach its' conclusion.

If both parties aren't comfortable establishing leases in the 7 to 10 year range, that time frame should still be used in determining any tenant reimbursement should the tenant discontinue farming the improved property. No matter what type of potential reimbursement terms are agreed to, it is highly encouraged that the terms should be included in any written lease document.



Retirement Income and Social Security

Many are aware you may start receiving Social Security benefits at the age of 62. You may only receive $15720 of earned income however if receiving social security benefits without paying back any of those benefits. If you go over that amount you will payback one dollar back for every 2 dollars over that amount of $15720.

There is a strategy for minimizing the negative effect of taking benefits before the full retirement age. You could plan on receiving earned income at the $15720 level in one year and the following year receive earned income above that amount and possibly pay back some benefits. Not having to pay back benefits for both years and just one may be a possible strategy.

Earned income is money received for working; such as self-employment income and wages. All other income such as Social Security, pensions, rental income, interest income or dividends are not used in the calculations how much benefits are required to be paid back. You may receive Medicare benefits at the age of 65 regardless of when you start to receive Social Security.

Full retirement age is 66 for those folks born between 1943 and 1955. At that age you can earn as much as you want without any payback of benefits. Almost all of the time the greatest amount of social security benefits that can be received is if you wait until 70 to draw.

As far as receiving retirement benefits from IRA's, self-employed pension plans or pension received from off farm jobs there are different age requirements. Those types of accounts you may start receiving at the age 59 ½ without the early withdrawal penalty of 10%. That income is then taxed as ordinary income. Retirement income as well as Social Security is not taxed by the state of Illinois presently. A plus for you!

At the age of 70 1/2 retirement benefits must be started. At that time, those withdrawals are called the "Required Minimum Distribution" or RMD. This is based on your life expectancy and amount of funds in that account. These distributions could be donated to a qualifying charity to satisfy that requirement. If you wish to have your RMD given to a qualifying charity you cannot receive the money first. This is an important point. It must go directly to that charity. If you choose this option, your distribution from that retirement account would not have to be reported as income on your tax return and likewise, no deduction for the charitable contribution.

Another planning opportunity if you are over 59 ½ or if you are close to that age is forward planning of what farm income may be. If having a large farm income year, one could contribute as much as is allowed to your retirement account and if in year two you can keep farm income down you could receive a distribution of retirement income. Possibly the distribution could be in a lower tax bracket and also not be taxed by Illinois in year two.

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Better Management Through Better Records

Jenny Doty, Field Staff

As the newest field staff to join the Blackhawk FBFM Association, I'm honored to bring my enthusiasm for farm financial success and resiliency to the work I will do on your tax returns and financial statements. I come to FBFM motivated to help farmers thrive. This motivation is derived in part from my recent work with direct-marketing vegetable producers in northern Illinois and southern Wisconsin. I assisted them with business planning and financial record-keeping systems. I also executed a successful fundraising campaign to establish a matched-savings program for beginning farmers. I designed and launched this program to serve four farm families a year, allowing them to match their cash savings at a 1:1 ratio.

I could be a resource for you at FBFM on topics related to value-added farm business planning and financing. As a professional member of the University of Wisconsin's Food Finance Institute, I volunteer regionally with food and farm entrepreneurs, assisting them with a plan for growth that anticipates cash flow and financing needs. I also freelance as a grant writer for farmers, specializing in drafting applications for the USDA Value-Added Producer Grant program.

The other source of my passion for resilient farms is from the farm work I have done over the years. I started out as a field hand on a farm in Boone County, Illinois, hand-cultivating and hand-harvesting 40 acres of vegetables as part of a 12-person crew. More recently I worked on dairy farms in Stephenson County; I milked at the Hunziker farm and also at the Winkelbauer farm. Lastly, I help my husband farm 400 acres of corn in Lee County. No matter the type of farm, I esteem the farmer's hard work and invaluable contribution to our community!

As for formal education, I have a M.S. in Agricultural Economics from Michigan State University and a B.A. in Biology from Truman State University. I'm originally from St. Louis, Missouri and now live in Winnebago County. In my free time I take sheepherding lessons with my Border Collie.