

# Don't Expect to File Early this Season

By Lori Lemmer

With tax reform still being finalized by the IRS, it is highly unlikely that the IRS and tax software systems will have their computer programs updated to allow for any early filing. March 1<sup>st</sup> filing deadlines for farm and ranch returns may also be unrealistic. Even if the software updates do come through by mid-February, your preparer's ability to accurately prepare your return by March 1<sup>st</sup> could be inhibited.

A farm or ranch tax return does not incur an estimated tax penalty as long as the farmer pays AND files their return by March 1<sup>st</sup>. There is an easy solution to this problem. The normal required estimated tax payment for a farm return is to pay only one payment on January 15, 2019 for the 2018 tax year. This required payment is the **lesser** of:

- 2/3 of this year's estimated tax liability, or
- 100% of last year's tax owed

Just because you are a farmer or rancher by description, does not necessarily mean you are a March 1<sup>st</sup> filer. In order to file by March 1<sup>st</sup>, you need to be a Qualified Farmer under IRS rules. In general, this means that at least two-thirds of your gross income from all sources is from farming. Wages, interest & dividend income, gross business and rental income, your distributive share of gross income from any K-1's are just a few of the non-farm components that are part of the calculation. Losses are not included. If you file joint, you need to take your spouse's income into consideration also.

As you can see, even with low commodity prices this year, it is important to get a year-end estimate to potentially avoid any interest or penalties.

Due to the complexity of the new tax law changes and tax form changes, tax preparers are expecting to spend more time processing returns which could potentially mean an

increase in your tax prep fee. Keep in mind, although tax reform brings about more complication of returns, many will see a lower tax liability than in the past.

The bottom line—we at Kaup's Financial Advisors Inc., we will do everything we can to continue with prompt filing, but we could be limited by software delays due to the reform. We continue to strive for timely and accurately filed returns and look forward to working with you in these challenging years.

Thanks,

Lori Lemmer  
Income Tax Preparer

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