

Some Quick Year-End Tax Tips

By Lori Lemmer

With 2019 coming to an end, now is a great time to make some easy and smart tax moves to help lower your tax bill and possibly increase your tax refund when you file your taxes.

- Make sure to pay your kids. If you are a schedule F farmer (or a Schedule C business owner) with children under the age of 18, make sure to pay them what they really earned this year. Children with no other income can earn about \$12,000 this year tax-free and the wages paid are completely deductible and even better, no payroll taxes are owed. Also, the child can take those earnings and contribute \$6,000 to a Roth IRA account.
- If you do not use the itemized deduction and plan on giving money to your church or other charity at year-end, consider giving a commodity gift instead. This helps reduce your taxable income (you are still allowed the standard deduction) and reduces your self-employment tax burden if you are a Schedule F farmer.
- On a similar note, consider gifting grain to your child. You reduce your self-employment tax and if they hold the grain for at least one year after harvest, they will qualify for long-term capital gains treatment. If you make this gift, be sure to gift a prior year crop, not the current year crop.
- If you are 70 ½ or over and have not taken your required minimum distribution from your IRA, consider making a direct gift to a charity. This can save taxes by reducing your adjusted gross income and therefore reduce your taxable income. This ensures the deduction. If giving cash, you may not receive a tax benefit due to the fact that the itemized deduction may not exceed the standard deduction.
- Consider selling some grain on a deferred payment contract. This gives you flexibility after year end if you need to pull some income back into 2019.
- Remember that prepaid expenses must be for a specific quantity of a specific product. If your prepaid invoice simply shows “deposit” or “prepayment”, have your provider give you a correct invoice reflecting what was actually purchased.

These are just some quick year-end tax tips to remind you of a few things to do before the end of the year. As always, please check with your tax preparer for your own unique situation.

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