

Tax & Credit Changes

Tax extenders, bonus depreciation, estate tax,
Dodd-Frank and bank consolidation among topics discussed.

by **Troy Smith**, field editor



Even when you win, it's not over." South Dakota rancher Bill Slovek offered that statement as a warning to National Cattlemen's Beef Association (NCBA) members attending the organization's Tax & Credit Committee meeting Jan. 29. Slovek chairs the committee, which met in San Diego, Calif., during the 2016 Cattle Industry Convention & NCBA Trade Show.

Slovek's truism seemed particularly appropriate as NCBA staffer Kent Bacus reviewed 2015 and the twists and turns of the ever-changing U.S. tax code. In retrospect, Bacus called it a good year. For one thing, the House of Representatives voted to fully repeal the federal estate tax — the so-called death tax. The Senate had not taken up the measure, but Bacus called the House action a good sign.

"It was a full House vote. There were no empty seats," stated Bacus. "It was an important vote to have on the record."

According to Bacus, NCBA had pressed Congress to act on expired tax extenders. Action was slow in coming, but passage of the *Omnibus Appropriations Bill* was favorable for agricultural producers because it included a permanent extension of Section 179 expensing. This allows a taxpayer to deduct the cost of certain types of personal property in the same year that purchases were made.

Such purchases, including expenditures for agricultural equipment and farm/ranch vehicles, would otherwise have to be depreciated over time.

Bacus said the best news is that the extension of Section 179 is permanent, as is the conservation easement tax credit. Bonus depreciation for the purchase of new capital assets, including agricultural equipment and buildings, was reinstated for five years only.

"Of course, all of that could change under a new administration," warned Bacus, adding that NCBA would continue to lobby for bonus depreciation permanence and permanent repeal of the death tax. Bacus said NCBA has allies — more than 40 organizations representing all facets of production agriculture — that are helping in the fight for comprehensive tax reform.

Among the guest speakers heard at the meeting was accountant Tommy Irvine, who reminded cattlemen of tax code provisions related to forced sales of livestock as a result of drought or other natural disaster. Irvine said tax treatments applicable to disaster-related sales in excess of normal business practices include one-year deferral of reportable gain. Gain from the sale of breeding stock can be postponed by purchasing replacement stock within two years — four years if the producer's area is deemed a federal disaster area.

The committee also heard from Ed Elfmann, representing the American Bankers Association (ABA), who said community banks are suffering from the increased regulations imposed by the Dodd-Frank Act. Elfmann said the 848-page legislation has resulted in more than 13,000 pages of rules, requiring volumes of burdensome paperwork from banks — and the Act is not fully implemented yet. Elfmann said bank compliance with Dodd-Frank makes the cost of financing bank customers higher.

The ABA contends that increased regulations have led to increased bank consolidations and a decrease in the issue of some types of loans, including residential financing. According to Elfmann, it is feared that small- to medium-sized banks may also become leery of agricultural loans. He said a downturn in the agricultural economy could cause bank regulators to view loans to farmers and ranchers as worrisome risk. He appealed to NCBA for help, not in pushing for repeal of Dodd-Frank, but for changes that would allow tailoring of regulations to fit bank size and activity.



Editors note: Troy Smith is a cattleman and freelance writer from Sargent, Neb. This article was written as part of Angus Media's online coverage of the Cattle Industry Convention & NCBA Trade Show. For additional coverage, visit the Newsroom at www.4cattlemen.com.

Never quit

Navy seal shares a life built on successful missions.

Former Navy SEAL Rob O'Neill was greeted with applause as he took the stage at the second general session of the 2016 Cattle Industry Convention. O'Neill, who has been active in more than 400 combat missions around the globe and was part of the SEAL team that killed Osama bin Laden, opened his remarks saying, "I hate al-Qaeda. I hate ISIS. I love beef."

O'Neill shared several stories from his grueling SEAL training and his life-and-death experiences from his combat missions. He noted that lessons learned in combat can be applied to strategies for achieving success in daily life. Among his advice to the audience:

- **Hone your people skills.** SEALs are trained and work in teams that rely on one another in high-stress situations, O'Neill shared. "We learned people work harder if appreciated. ... No one wants to work for a jerk."
- **Recognize planning vs. being over-prepared.** O'Neill pointed out there is no such thing as a perfect plan, and often people over-plan for things that will never happen.

"Life is what happens around you while you are making the perfect plan," he said. He encouraged planning and preparation, but advised having the ability to adapt and adjust to survive and be successful.

- **Learn how to take emotion out of professional decision-making process.** O'Neill shared how in stressful situations most people react emotionally. He advised, "Often your initial reaction [to something] is the wrong reaction. Take a second to make an informed decision. I tell my guys, 'Don't react. Do respond.'"
- **Never quit.** O'Neill noted that combat — and life — can be grueling. "Remind yourself you are not having a bad life; you are having a bad day," he emphasized. "Never quit; it will get better." Watch a documentary with O'Neill sharing his experiences in his own words at www.robertjoneill.com. O'Neill also asked audience members to visit YourGratefulNation.org to learn more about efforts to assist veterans after active duty. Of the organization, O'Neill concluded, "It's all part of making America great again."

— by **Kindra Gordon**, field editor