

2018
March

a view from the WINDMILL



2018 TAX CUTS AND JOBS ACT

Pass Through Income Deduction

The 2018 Tax Cuts and Jobs Act will have some significant impacts on landowners. As it is written now, there is an available deduction equal to 20% of your business or rental income if you meet the following requirements:

- Operated as a sole proprietor, LLC, partnership or S corporation
- Total taxable income is below \$315,000 if married, or \$157,500 if single
- Deduction phases out over this level, with other calculations factoring in

The 20% deduction can also be listed as a separate line item on your tax return, whether the personal return is itemized or not.

Capital Gains and 1031 Exchanges

Capital gains taxes remain largely unchanged, though long term capital gains rates no longer match the income tax brackets. This means the capital gains brackets will remain where they would have been. 1031 exchanges, or exchanges of like-kind assets to avoid paying capital gains taxes, remain in place, but only for real estate exchanges.

Lower Individual Tax Rates

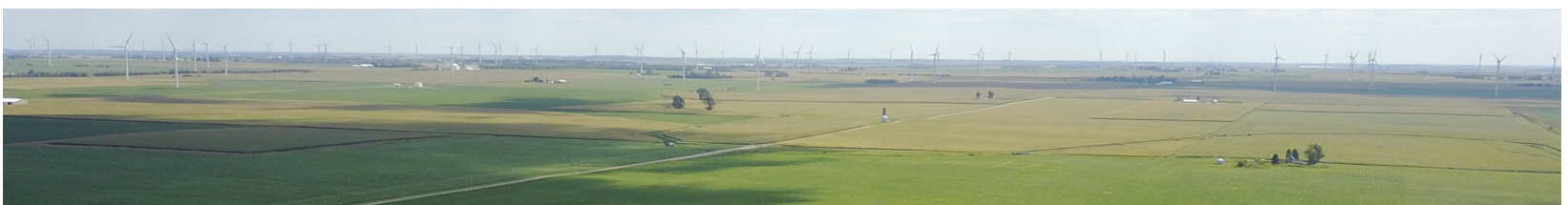
Table 1: New Tax Bracket Limits

Rate	Single Filer	Married Filer
10%	\$9,525.00	\$19,050.00
12%	\$38,700.00	\$77,400.00
22%	\$82,500.00	\$165,000.00
24%	\$157,500.00	\$315,000.00
32%	\$200,000.00	\$400,000.00
35%	\$500,000.00	\$600,000.00
37%	Top	Top

Table 2: Old Tax Bracket Limits

Rate	Single Filer	Married Filer
10%	\$9,525.00	\$19,050.00
15%	\$38,700.00	\$77,400.00
25%	\$93,700.00	\$156,150.00
28%	\$195,450.00	\$237,950.00
33%	\$424,950.00	\$424,950.00
35%	\$426,700.00	\$480,050.00
39.6%	Top	Top

Continued on next page



Other Changes/Non-Changes

The Federal Estate Tax (40% rate) exemption doubled from \$5.6 million to \$11.2 million. State and local tax deductions are limited to \$10,000; however, property taxes paid on business assets (i.e. farmland) are still fully deductible as a business expense. Eliminating the rental exemption for self-employment taxes was proposed in the original House bill, but was not included in the final bill.

The Corporate tax rate is 21%, but very few farms are held in C corporations. There are many other changes that may apply to your personal tax return. Consult with a tax professional to see how all the changes may affect you in 2018. Largely, this tax bill is a big win for farmland investors.

These reflect our interpretation of the current bill, though it is still subject to rules and regulations. Be sure to consult your tax professional and stay updated for possible changes.

COMPANY NEWS

Steve Wright joined FarmFirst, LLC as a Professional Farm Manager and Real Estate Specialist in February 2018. Steve has been a Farm Manager for 30 years for Bank One, JP Morgan, and Farmers National Company. Steve just completed a term as President of the Indiana Society of Farm Managers and Rural Appraisers.

Steve enjoys playing golf and spent many years refereeing high school sports. But, what he really enjoys is managing farms! We are delighted to welcome Steve to the FarmFirst team. You can contact Steve at (765) 426-1782 or swright@farmfirstllc.com.

LAND VALUES ON THE RISE

Unlike the cold weather, the farmland market really heated up over the winter. After a relatively quiet couple of years as the market cooled, there have been a number of strong sales in recent months. In West Central Indiana we have seen land changing hands through both private transactions and public auctions. These sales have indicated a small bounce in the market year over year. The increase has been less than 5%, but has done well to stabilize the overall downward trend we have seen over the last few years. High-quality farmland has seen sale prices of \$9-10,000 per acre, while average-quality land has been in the \$8,000 per acre range. This trend reflects what has been happening across much of the Corn Belt, with strong sales recently in Iowa and Illinois as well.

This recent upward trend is probably attributable to high yields that have given farms strong revenues despite relatively low commodity prices. We have also seen quite a bit of recent buying interest from off-farm investors. Many of these investors were not participating in the market when it was at its highs. As the farmland market has come down, these investors have gotten back into buying mode.

Going forward, the outlook for owning investment-grade farmland is still strong. Commodity prices seem to have stabilized and cash rents have settled in with them. The recent tax bill should be very friendly to both farmers and real estate investors. The biggest concern going forward is interest rates. Land values obviously track closely to farm revenues, but interest rates can be just as important. Land values are inversely correlated to interest rates, meaning that as rates go up, land values come down. Rising interest rates cause a lower demand for land due to the increased cost for the large amount of capital needed to invest in farmland. This will be the most important factor to keep an eye on in the future.

EASTER EGGS

Eggs have long been a symbol of rebirth and new life. From a Christian perspective, eggs at Easter symbolize Jesus' emergence from the tomb and the Resurrection. All who believe in Jesus' death on the cross and resurrection as an atonement for our sins are reborn and given new life.

The tradition of decorating eggs for Easter dates back to the 13th century. The earliest eggs were hen or duck eggs decorated at home in bright colors. Some say the custom was started because eggs were a forbidden food during the Lenten season. People would decorate eggs to signify the end of the penance and fasting period. Then they would eat the decorated eggs on Easter as a celebration.

If you and your family participate in the tradition of decorating eggs for Easter, there is a good chance those eggs come from Indiana. The Hoosier State ranks third nationally in egg production, with more than 7 billion eggs produced in 2014.

It is not surprising Indiana would rank so highly being the home state to Rose Acre Farms, the second-largest egg producer in the United States. Rose Acre Farms produces close to 440 million dozen eggs per year.

Indiana's corn and soybean production also contributes to the state's high output of eggs. Feed represents around 65 percent of the cost of an egg. So instead of shipping grain to the hens, producers have chosen to operate in Indiana where feed ingredients are more accessible. Egg-laying hens in Indiana consume 20,500,000 bushels (574,000 tons) of corn and 287,000 tons of soybean meal annually, according to the Indiana State Poultry Association.



In his great mercy he has given us new birth into a living hope
through the resurrection of Jesus Christ from the dead

1 Peter 1:3

Happy Easter



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FarmFirst, LLC

Real Estate Services

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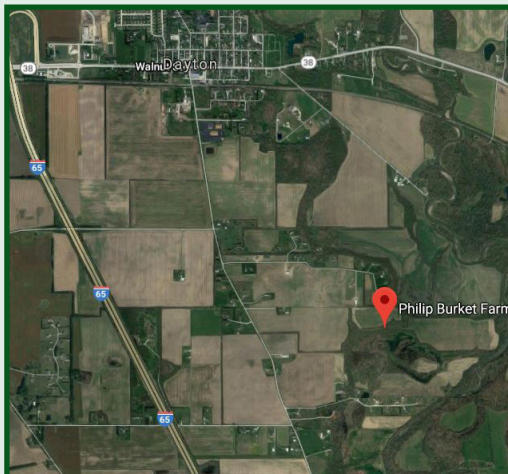
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FEATURED LISTINGS



Tippecanoe County, Indiana
South of Dayton

120 total acres :: 80 tillable, 40 wooded

Great recreational and income property outside of Lafayette

Jasper County, Indiana
Hanging Grove Township
320 total acres :: 316 tillable
SOLD for \$9,070/acre

Boone County, Indiana
Harrison Township
443.29 total acres :: 426 tillable
SOLD for \$9,000/acre

**Visit farmfirstllc.com or
call for more information**