

Farmers and Landowners

Take Advantage of Tax Laws

New tax legislation was enacted in late 2015. This law has several important provisions in it that will affect the farmer and landowner with their drainage decisions.

The bonus depreciation deduction has been reinstated for drainage systems installed before **January 1, 2020**. For property placed in service prior to January 1, 2018 the bonus depreciation rate is 50%. The rate drops to 40% for drainage systems placed in service in 2018 and drops to 30% for 2019. The expensing election under Sec. 179 has also been increased to \$500,000 for 2016. This provision has been made permanent with an annual adjustment for inflation.

The cash rent landlord also has a unique opportunity with these provisions. Normally he would not be allowed to use the Sec 179 write-off and have only the 15 year depreciation write-off available. The bonus depreciation provision allows him to write-off a significant portion of the drainage system in one year.

The farmer landowner or crop share landowner previously would have used a lesser Sec 179 deduction and the 15 year depreciation write-off. The new provisions allow him to use a very large Sec. 179 deduction and/or the bonus depreciation deduction. Either method used can accomplish a full 1 year write-off of the drainage investment.

Since the bonus depreciation provisions sunset in 2019, the farmer/landowner should give serious consideration to accelerating his drainage projects in this window to take advantage of this important tax break. This provision could yield a significant reduction in the cost of the drainage system when you net the tax benefits.

Please consult your tax advisor to see how you can benefit from these new provisions.