

NIKKI'S NEWSLETTER



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Marshall County's Agriculture and Natural Resources Update

The heat wave is here. As the bass on Kentucky lake move to deeper water, I migrate to the closest shade tree. The wheat loads are headed to the elevator and my understanding is that they are full! As we move into July, there are some really good field days and programs coming up. Check these out:

July 13: **KATS School Spray Clinic** - 8:30-12:30 AM UK Research and Education Center in Princeton (Registration required, call office)

July 15: **Summer Annual Forage Field Day** - 5:00 to 8:00 PM UK Research & Education Center in Princeton (Page 5)

July 22: **Small Diversified Farm Series** - 6:00 PM, Grand Rivers Community Center, 155 W Cumberland Ave (Page 6)

July 27: **Corn, Soybean, and Tobacco Field Day** – 8:00 AM to 1:30 PM, UK Research & Education Center in Princeton

July 31: **Plant and Pots Workshop** - 10:00 AM, Marshall County Resiliency Center in Benton (Page7)

August 12: **Dark Tobacco Twilight Tour** – 5:30 PM, West Farm, Murray State University, 336 Robertson Road North in Murray

I hope everyone has a cool and happy Fourth of July. Don't forget to take a second to remember what we are celebrating. Here's to freedom and independence! 🇺🇸 1776 🍷

KDA 2021 RINSE AND RETURN SCHEDULE

July 7th @ Nutrien Ag., 1266 Brewers Hwy Benton Ky.

September 27th @ C.F.I Equipment, 10950 US-62, Calvert City



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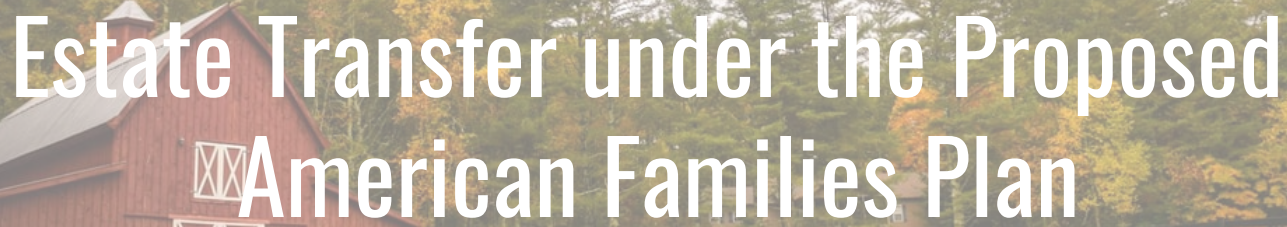
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Estate Transfer under the Proposed American Families Plan

Jerry Pierce, Agriculture Economics Program Coordinator

On May 28th the Biden Administration released a general explanation of its proposed tax changes. This includes an explanation of proposed changes in the American Families Plan that would tax transfers of appreciated property by gift or upon death, tax capital income for high-income earners at ordinary rates, increase the top marginal income tax rate, and apply the 3.8-percent Medicare tax to all trade or business income of high-income taxpayers, including transfer of assets.

Transfers of appreciated property by gift or at death will be treated as “realization events” which require recognition of gain. That is, the transfer will be taxed like a sale. The gain is taxable to the one making the gift or to the estate of the one who dies (decedent). The proposal would apply to gifts and deaths beginning in 2022.

There would be no adjustment or step-up in basis to fair market value at death when calculating the transfer tax. The purpose is to tax the appreciation or gain in value of assets that have not been taxed before. Gain is calculated by subtracting the adjusted basis from fair market value at the time of gift or death as if the property were sold. Adjusted basis is the original cost plus improvements minus depreciation. See the article Proposed Gift and Estate Tax Changes by Laura Powers in last month’s Economic and Policy Update.

The transfer tax is not an estate tax, but a new tax on the unrealized gain at the time of death or gifting. Both transfer tax and estate/gift tax will apply to property passed by death or gifting. Current state and Federal estate taxes continue to apply and would not be changed by the proposal. Basis in assets would continue to be automatically adjusted or “stepped-up” to fair market value at death before estate taxes are calculated. The transfer tax would be deductible on the decedent’s estate tax return.

Exclusions Under the Proposal

Property transferred by a decedent to a U.S. spouse or to charity would not be subject to the transfer tax, but it would not receive step-up in basis. The basis of the decedent would be gifted or “carried over” to the one receiving the property. Charitable deductions would not be valued at fair market value but at the decedent’s basis in the property.

There is a \$1 million per person exclusion from recognition of gains on property transferred by gift or held at death. The exclusion is portable to a surviving spouse. Any portion not used by one spouse can be used by the surviving spouse, making the exclusion effectively up to \$2 million per married couple. The current \$250,000 per person exclusion for gain on a principal residence still applies to all residences. The exclusion remains portable to the decedent’s surviving spouse, effectively making it \$500,000 per couple. Gains on tangible personal property such as household furnishings and personal effects (excluding collectibles) are exempt.

Example 1:

Farmer and spouse die in 2022. Fair market value of the estate is determined to be \$5 million. Basis in assets totals \$2 million. Gain is \$3 million. Gain on the residence is under \$500,000. After subtracting the couple’s \$2 million personal exclusion the amount subject to transfer tax is \$1 million.

Example 2:

Same circumstances except that the farmer and spouse gift the property in 2022. The amount subject to transfer tax is the same: \$1 million.

Basis for the Person Receiving the Property

The recipient receives a step-up to fair market basis in property received by inheritance. In Example 1 the recipient basis in the property is \$5 million.

Continued on page 3

The total basis of property acquired by gift would have two components. The recipient would receive the donor's basis for the property covered by the \$1 million per person exclusion. The amount of property not covered by the personal exclusion would receive a step-up to fair market basis. In other words, the amount of the gift that is taxable to the donor gets the stepped-up in basis for the recipient. The recipient basis in property gifted in Example 2 would be \$3 million: fair market value in the amount taxed (\$1 million) plus mom and dad's original basis in the amount not covered by their personal exclusion (\$2 million).

Payment of the Tax

The proposal does not provide instructions for tax calculations, but it does give some clues. The following example, based on the examples above, provides a rough estimate of the tax due on the transfer tax based on the information given in the proposal. In both examples above, the taxpayers are assumed to file as married filing jointly because 1) both spouses in Example 1 died in the same year or 2) spouses were assumed to be living at the time of the gift in Example 2. No other income is included in the calculations.

Example 3:

The first \$1 million of the gift would be taxed at capital gains rates, resulting in about \$163,170 in Federal tax, plus \$38,000 in additional Medicare tax. The remaining \$2 million would be subject to ordinary tax rates with the changes in top rate and bracket and the additional Medicare tax. The total tax due on the \$3 million would be about \$840,595.

Payment of the tax for certain family-owned and operated farms and businesses would not be due until the business is sold or ceases to be family-owned and operated. No definition of family has been given. The authors' original definition of family is those related by lineal descent: from grandparent to parent to children. The proposal provides for a 15-year fixed-rate payment plan for the tax on appreciated assets transferred at death, other than liquid assets. Family-owned and operated farms and businesses electing to defer payment do not qualify. The Internal Revenue Service is authorized to require security when reasonable. That is, the IRS may take out a lien on the property to secure the tax-deferred or the 15-year tax payment.

Other Provisions that may Affect Estate Transfer

The top marginal individual ordinary income tax rate increases from 37 to 39.6 percent. The income threshold for reaching the top income tax bracket is lowered. For example, the top bracket for married filing jointly would drop from the current \$628,300 to \$509,300. For those filing as single, the top bracket falls from \$523,600 to \$452,700.

Long-term capital gains and qualified dividends of taxpayers with adjusted gross income of more than \$1 million would be taxed at ordinary income tax rates for the amount that exceeds \$1 million. Current capital gains rates range from zero to 20 percent. This would include the tax on transfer of assets by death or gift. Effective April 28, 2021. Apply the additional 3.8 percent Medicare tax to all trade or business income of high-income taxpayers with adjusted gross income of \$400,000 or more, including transfer of assets. Repeal the deferral of gain from like-kind exchanges (Section 1031) for amounts exceeding \$500,000. Applies to exchanges completed in tax years beginning after December 31, 2021.

Effects on Kentucky Farms

Farm data from farms participating in the Kentucky Farm Business Management program were examined to identify balance sheets with basis in assets, especially basis in land. A total of 320 farms in the program were identified. Of those, 160 (50%) appear to have a taxable amount after the exclusion. That is, subtracting adjusted basis from fair market value listed on the balance sheet resulted in a gain greater than the \$1 million personal exclusion for the owner or the \$2 million exclusion for the owner and spouse. Fair market value averaged \$8.4 million. The taxable amount ranged from \$14,000 to nearly \$28 million. The average amount subject to the transfer tax was about \$3.08 million.

These are commercial-sized, family-operated Kentucky crop and livestock farms. The average farm operates 2,044 acres. The farmer owns 418 acres (20 percent) and rents the other 1,626. The average Schedule F Income reported was \$65,514.

The typical Kentucky family farm uses a large portion of rented farmland. The average KFBM farm owns 27% of the land used for production and rents the other 73%. The transfer tax will apply to individual landlords as well. The family farming operation will be adversely affected if it is unable to retain use of this rented land because the transfer tax prompts its sale.

Some landlords are family members that are no longer actively involved in the farm. Depending on how broadly family-owned and family-operated are defined the family farm exclusion may not apply to these landowners at their deaths. There are other specific provisions in the American Families Plan that will impact gift and estate transfers and will change or limit the way estate planning may be carried out. For more information see:

General Explanations of the Administration's Fiscal Year 2022 Revenue Proposals
"Green Book" Details President's Tax Reform Proposals by Kristine A. Tidgren

It May be a Good Time to Sell Your Mature Hardwood Timber

Chad Niman and Bobby Ammerman, UK Forestry Specialists

June 29th, 2021

If you have purchased a sheet of plywood or a 2 X 4 stud from your local lumber yard or box store recently you very likely have noticed that wood product prices have skyrocketed. The demand for wood has been on the increase and the prices for timber and lumber have risen along with the products. Kentucky forests are dominated by hardwoods, so products like plywood and 2 x 4 studs made from softwood forests typically do not impact stumpage or timber prices in our state. However, Kentucky landowners do appear to be benefiting from current hardwood markets.

Hardwood lumber prices have been drastically increasing and a few species are performing exceptionally well. Yellow-poplar and quarter sawn chestnut oak are currently setting records for prices paid. Yellow-poplar is a species that makes up a high percentage of the volume in our forests and according to the Hardwood Market Report, yellow-poplar FAS (first and second grade) lumber is averaging \$1,250 per thousand board feet currently - up 70% from a year ago. There has also been a sharp increase in red oak FAS lumber - increasing from \$735 per thousand board feet a year ago to \$1,280 currently, a 74% increase. There has been great concern with red oak markets since the trade wars began back in 2018. Domestic demand for red oak has declined significantly over the last decade and much of that demand had been replaced by developing markets in Asia. The trade wars dramatically reduced that demand. Red oak is a very important species in our forests as it represents nearly 18% of the volume growing in Kentucky. It is vitally important to the woodland owner community and the wood industry to have strong markets for red oak. The significant presence of red oak impacts harvesting and landowner's ability to manage their timber properly.

As markets for lumber improved, so has the demand for hardwood logs. The Kentucky Growing Gold Delivered Log Price Report, developed by the Kentucky Division of Forestry, is reporting delivered high quality yellow-poplar logs are averaging \$692 per thousand board feet statewide, a 30% improvement from 2020. Delivered red oak logs have improved 51% for the higher quality logs and 29% for medium quality. It needs to be pointed out that while most wood products are experiencing much better markets this is not universally true, specifically for low grade logs. The closure of a paper mill in Northeast Tennessee has significantly impacted the price and volume of pulp wood (low grade logs) being sold from Kentucky forests. This situation is of much concern. Limited low grade markets hinder Kentucky sawmill's ability to move its byproducts and the landowner's ability to manage their timber. A lack of low grade markets could literally shut down sawmill production in the state.

At the beginning of the COVID pandemic, demand for wood products dropped considerably as housing starts dropped. Despite the forest industry being deemed essential, parts of the supply chain were limited or closed due to state governments shutting down operations for public safety reasons. Labor shortages have been an ongoing issue in the Kentucky Forest Sector and continue as not all displaced employees have returned to the workforce putting pressure on parts of the supply chain struggling to come back online. One example is the Kentucky logging sub-sector, which was already under stress and is currently desperate for employees. The fear is that parts of the supply chain may never return. As the supply chain has struggled, demand has continually increased with housing shortages and stimulus checks helping many homeowners to start home remodeling projects.

The supply chain reacted to the reduced demand from the initial onset of the pandemic by constricting and now that demand has improved, the supply chain has been severely strained. Demand is not necessarily higher than it was before the pandemic, but with the supply chain struggling to catch up, prices for wood products have increased drastically. If you are a woodland owner with mature timber, it might be a good time to consider selling—if it fits in with your overall woodland management plan. If you do not have a woodland management plan please consider getting one to help guide the harvest. However, finding a logger to do the harvest could be a challenge. Consider hiring a consulting forester (<https://kacf.org/>) as they can make sure landowners get the most value for their timber while protecting the future of the woodlands and its intrinsic values. In addition, the Kentucky Division of Forestry has foresters who can assist landowners in the management of their timber resources -

<https://eec.ky.gov/Natural-Resources/Forestry/forest-stewardship-program-and-landowner-services/Pages/default.aspx>.

SUMMER ANNUALS:

THE GOOD, THE BAD, & THE UGLY.



Summer Annual Forage Field Walk

July 15, 2021 5-8pm

Registration & dinner at 4:30pm, free to attend!

Pre-register by scanning QR code or by visiting:

<https://2021summerannualfieldwalk.eventbrite.com>

TOPICS:

FERTILITY - GRAZING MANAGEMENT - ESTABLISHMENT

PEST CONTROL - ECONOMICS - VARIETY TRIALS

NITRATE & PRUSSIC ACID TESTING - SPECIES

UNIVERSITY OF KENTUCKY RESEARCH AND EDUCATION CENTER

1205 HOPKINSVILLE ST, PRINCETON, KY 42445-0469

QUESTIONS? BRANDON.DOOLEY@UKY.EDU OR 513-814-6809

HAVE A SMALL
DIVERSIFIED FARM? WANT
TO EXPAND THAT FARM
INTO A BUSINESS
VENTURE?



College of Agriculture,
Food and Environment
Cooperative Extension Service

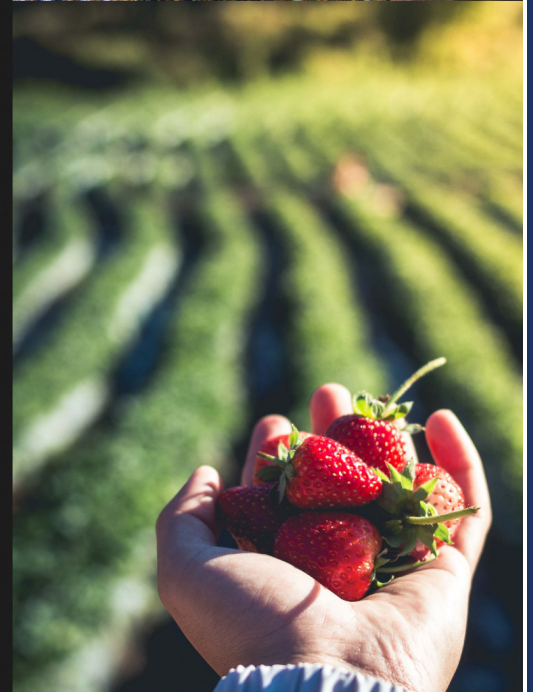
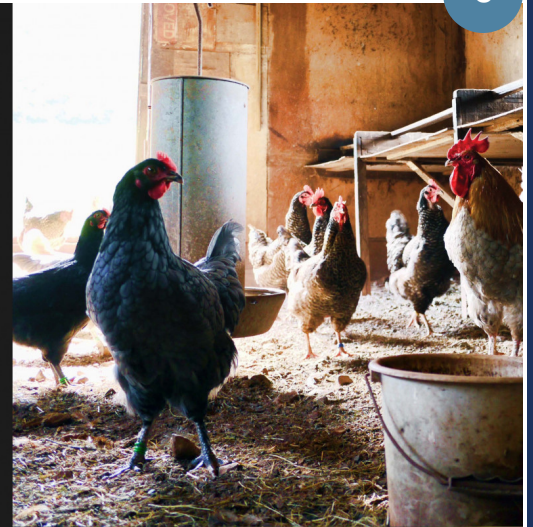
SMALL DIVERSIFIED FARM SERIES

GRAND RIVERS COMMUNITY CENTER
155 W CUMBERLAND AVE
GRAND RIVERS, KY
6:00 PM

July 22nd Soils and Fertility

CALL YOUR COUNTY EXTENSION OFFICE TO REGISTER:

Caldwell: 270-365-2787 Marshall 270-527-3285
Calloway: 270-753-1452 McCracken: 270-554-9520
Crittenden: 270-965-5236 Trigg 270-522-3269
Livingston 270-928-2168





Plant & Pot

Join us at Marshall County Resiliency Center to paint a pot and plant your very own houseplant to take home with you FOR FREE.

Sign up quick because we only have 18 spots! This is a family friendly event and we will have free coffee!

Where: Marshall County Resiliency Center
1012 Main Street, Suite C
Benton, KY 42025

When: Saturday, July 31st, 2021
10am-11:30am

Registration
QR Code:



Beverages and paint supplies provided by Marshall County Resiliency Center - Plants and soil provided by University of Kentucky Extension Office - Pots provided by Marshall County Health Department



Creamy Avocado Cucumber Salad

1 ½ cups diced cucumber	1 cup diced yellow pepper	2 tablespoons balsamic vinegar
1 teaspoon dried basil	1 cup chopped fresh parsley	1 tablespoon fresh lemon juice
1 cup diced tomato	1 cup chopped fresh mint	Salt and pepper, to taste
1 cup diced sweet onion	1 tablespoon olive oil	

Wash fresh ingredients. **Remove** cucumber ends and peel if skin is tough or bitter. **Slice** lengthwise, **remove** large seeds, if needed, and finely **dice**. **Place** diced cucumber in a colander over a bowl, **sprinkle** evenly with basil, **stir** and let **stand** 15 minutes. Finely **dice** and **chop** tomato, onion, avocado, yellow pepper, parsley, and mint. **Place** in a large bowl and **add** cucumber.

Drizzle with olive oil, balsamic vinegar, and lemon juice. **Toss**, **add** salt and pepper to taste, and **serve**.

Yield: 8, 1-cup servings

Nutritional Analysis:

70 calories, 3.5 g fat, 0.5 g saturated fat, 0 mg cholesterol, 10 mg sodium, 9 g carbohydrates, 3 g fiber, 2 g protein, 3 g sugars, 0 g added sugars.



Kentucky Cucumbers

SEASON: June to September

NUTRITION FACTS:

Cucumbers are naturally high in water. A 1/2-cup serving contains only 7 calories.

SELECTION: Choose firm, fully green cucumbers with no yellowing or soft spots. Slicing cucumbers, suitable for eating, are 6 to 9 inches long with small, white spines on the surface that rub off easily. Pickling cucumbers are smaller and have, black spines on the surface.

STORAGE: Store unwashed cucumbers in the refrigerator for up to a week. Sliced cucumbers should be tightly wrapped and refrigerated up to three days.

PREPARATION: Wash under cool, running water to remove visible dirt. Slice. You may want to remove the seeds in mature cucumbers by cutting lengthwise and scooping seeds from the center with a spoon.

PRESERVING: Follow recipe instructions. Four pounds of cucumbers yield 5 to 6 pints of pickles.

KENTUCKY CUCUMBERS

Kentucky Proud Project

County Extension Agents for Family and Consumer Sciences

University of Kentucky, Dietetics and Human Nutrition students

July 2019

Source: www.fruitsandveggiesmatter.gov

Buying Kentucky Proud is easy. Look for the label at your grocery store, farmers market, or roadside stand. <http://plateitup.ca.uky.edu>

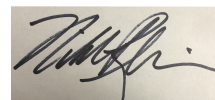


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College of Agriculture,
Food and Environment
Cooperative Extension Service

For more information go to:
<http://marshall.ca.uky.edu/AgNaturalResources>
or follow us on Facebook @marshallcountyanr



Marshall County
Agriculture and Natural
Resources Agent