

Nebraska Farm
Business Inc.

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Yielding Success Through
Financial Management

November Breakfast & Lunch Meeting

Our breakfast meeting will be November 1st, at 8:00 am. We'll be cooking by 7:30, so feel free to come early! Also, we will be doing a lunch meeting as well. We will start the presentation at 11:30 with lunch to follow. We will be presenting the same information but offer the option of a different time.

This month we will be discussing the new tax laws that have been passed in the last few months as well as the standard reminders for fall tax planning.

With the new tax laws on the books, there are several things that pertain specifically to farmers & ranchers. We will have sorted through the specifics and give you what you need to know.

Fall tax planning continues to

be one of the most valuable services we offer as simple planning can save thousands of dollars in taxes. We will also discuss many of the simple



things we can do to help you pay the least amount of tax over the course of your business!

Breakfast Menu:

Pancakes
Scrambled Eggs
Bacon, Sausage
OJ/Coffee

Lunch Menu:

Pork Chops, Potatoes
Tea/Coffee

If you know you're coming, we'd love to know ahead of time, but R.S.V.P.'s are not required!

- Your NFBI Staff

New Office Staff

We have two new data entry staff in our front office. If you have called in or stopped by lately you may have noticed. We welcome them to our staff and hope you give them a warm hello when you visit or call.

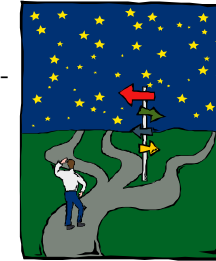
I am Jill Ullman. I have spent the last 12 years working part-time from home & raising 4 children. I am grateful to be in the "working world" around adults and doing work that stays "put away" and doesn't need picked up every 15 minutes. I really look forward to meeting & working with our clients. I've always held a special regard for our hard working farmers & ranchers.

My name is Katie Bossung. I have been with NFBI for almost a month and love it! I am not a farm girl but I am trying to learn. The more I get into this job, the more I learn! All of the clients I have met so far are wonderful and I can't wait to meet the rest of you for fall visits and breakfast. See you soon!

Yielding Success Through Financial Management

Fall Tax Planning Appointment Reminders

A postcard with your fall tax planning visit time and place will soon be in the mail, for those who are signed up for a visit. Most of the visits will be in our office or at a central location. If the assigned time is not agreeable with you, please notify us right away and adjustments will be made as feasible.



We're Ready to Point You
Down the RIGHT Path For
Tax Management!

Instructions follow for all clients. Please find the category that would suit your operation.

Hand-Kept Books

Please do the following prior to your visit:

1. Record all receipts and expenditures to date in your account book.
2. Add and balance all income and expense pages.
3. Prepare a summary page of your income and expenditures (year-to-date).

OR

Rather than doing items 2 and 3 above, you may elect to bring your record book to our office at least 8 working days ahead of the scheduled

visit. Books only (not binder) may be delivered or mailed to:

Nebraska Farm Business, Inc.
3815 Touzalin Ave, Suite 105
Lincoln NE 68507-1600

OR

Nebraska Farm Business, Inc
attn: Bonita Schuster
Gage County Extension Office
1115 West Scott
Beatrice NE 68310-3514

Mail-In Accounting

For members using the computer mail-in accounting system, please submit your most recent month(s) data to us at least 5 working days ahead of your visit. (We may indicate on your postcard if additional time is needed because of scheduling, travel time, holidays, etc.)

Home Computer

For home computer members, bring (1) year-to-date transaction list, (2) a current income statement and (3) a current balance sheet to the visit. If you are using AgCHEK or PCMars and are coming to Lincoln, you can bring your disc and we'll print the reports for you. You'll want to ensure you have a good backup before coming.

Volume 6, Issue 2

October 2006

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Special points of
interest:

- Year-End Reporting Forms Are Available on Our Website— See Page 2.
- See Page 3 for the Newest in Tax Law Changes.
- Plan to attend November's Breakfast Meeting on Year-End Planning and Tax Law Update.

Fall Tax Planning Appointment, Cont.

(Continued from page 1)

You may want to email the file ahead of time to us. Feel free to call one of our staff members and they can help you through the process.

EVERYONE: When we meet, please be prepared to provide the following information:

1. A summary of all non-farm income and expense items which are not listed in your account book (such as interest income, wages received, etc.).
2. An estimate of additional farm income and expenses which will be realized prior to year-end. Don't forget your current checkbook and register so that transactions occurring after your books were closed may be included.
3. 2006 production information (acres, bushels per farm, etc.). Our worksheet has been included for your use prior to the appointment.
4. An estimate of current inventory (livestock and crops) and amounts contracted, if any.

- Your NFBI Staff

Some Common Record-Keeping Errors

We can avoid many year-end problems by careful review of business records now prior to fall visits! The following are a few common "errors" or "omissions":

1. **Commodity Wages Paid:** Enter the total value of the Commodity on date of transfer to employee as both a "sale" and as "labor expense". Indicate that the labor expense is a "Commodity Wage".
2. When capital purchases are "dealer financed", those transactions often do not flow through your checking account. Therefore, record the amount borrowed as "Loan Proceeds", and as a "Capital Purchase". Also, provide copy of purchase agreement to your consultant.
3. Record "Quantities" on all sales and purchases of grain and livestock.
4. Record Co-op Patronage Dividend "Equity" received as well as cash paid.
5. Separate Breeding and Feeding livestock sales and purchases.
6. If you treat sealed grain as a "sale", record CCC receipts as a "Grain Sale". When redeemed, enter as "business expense (cost of sale)" and the resulting cash sale as "Grain Sold".
7. Because of reconciliation problems, please secure, if possible, a loan activity report from 1-1-06 to the present on all operating loans as well as other loans with your lending institution.
8. When questions arise, feel free to call the NFBI office and/or make a list of issues to be reviewed with your consultant when you meet!

- Your NFBI Staff



Careful Planning Can Keep Our Tax Plan From Falling Short!

Year-End Forms

All the forms you will need for year-end reporting to us, such as:

- Crop Production Sheet
 - W-2 Info. Sheets
 - 1099 Info. Sheets
 - Analysis Gathering Sheets
- have been posted on our website: <http://www.nfbi.net>, under the "Client Info" section.

Thanksgiving

Just a reminder that we will be closed Thanksgiving Day and the following Friday. Please remember this when sending in your accounting for appointments following the holiday as we may need an extra day to ensure it is processed prior to your appointment.

- Your NFBI Staff

2006 Tax Law Changes

There were three major pieces of tax legislation passed in 2006 and many of the changes will affect the 2006 tax year. Here is a summary of some of those changes that may affect you.

Drought Sales of Livestock

History: In 2002, they changed the law to extend the two year replacement provision for breeding livestock sold due to drought conditions to four years. Since that four year period is now up and the drought is still continuing despite the fall rains, they have again made an adjustment to the law.



Current Law: You now have the four years or one year after the drought ends to replace the animals. How do we know when the drought is over? The drought will be over, for IRS standards, when there is a 12 month period ending August 31st with no drought conditions. The drought conditions will be measured by the National Drought Mitigation Center and can be viewed at www.drought.unl.edu. The IRS will post a list of eligible counties for the continued extension on its website after August 31st each year.

Lower Capital Gains Rates

This year's law changes extended the 5% & 15% capital gains rates for two more years from 2008 through 2010. This includes

qualified dividend income (or dividends from domestic corporations) through 2010 as well.

While this is good news, the previous law had set the capital gain rates for those in the 10% & 15% ordinary income tax bracket at 0% for 2008. The really good news is that they extended that from 2008 through 2010, so we now have the possibility of getting capital gains at 0% for three tax years. This will certainly be something we discuss as we move closer to 2008 with corporations who have retained earnings built up inside the corporation.

Section 179 Extension

The increased limits for the Section 179 expense election was also extended in the law changes this year. In previous law, the amount was set to return to the \$25,000 level after 2007.

The new law extended the \$100,000 limit (indexed for inflation) for two more years on those assets purchased before 2010. For 2006, the indexed limit is \$108,000.

Charitable Pension Donations

For 2006 and 2007 only, a provision has been added to law that allows you to contribute up to \$100,000 from your IRA to a tax-exempt organization. This allows

you to contribute your required minimum distribution or a flat distribution to your church or other qualified charity and with no tax consequences. You must be age 70 1/2 to take advantage and the distribution must be made directly from the account to the charitable organization. In the past, the distribution would have to be included in gross income and you would be qualified to take a charitable donation, to the extent of limitations and phase-outs. Under this law, there is no concern for limitations or phase-outs of the deduction and no charitable deduction on your return since the income will also be excluded.



Charitable Cash Donations

History: Prior to the law change, it was allowable to deduct cash given with no receipt if the amount was small.

Current Law: The law changed this year so that no deduction can be taken for contributions made in cash without a receipt detailing the name of the donee organization, the date of the contribution and the amount of the contribution. A cancelled check or bank record will continue to provide the required documentation.



- Your NFBI Staff