
KENTUCKY FARM BUSINESS MANAGEMENT PROGRAM STATE NEWSLETTER

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2850-B Pembroke Road, Hopkinsville, Kentucky 42240

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Kentucky Farm Business Management Program

Tim Woods
Extension Coordinator
859-257-7276

Jerry Pierce
Program Coordinator
859-537-6655

Bluegrass Association
Curtis Mahnken
859-879-6809

Lincoln Trail Association
Jonathan Shepherd
270-737-4799

Ohio Valley Association
Christa Hofmann
270-827-1395
Suzy Martin
270-685-8480

Pennyroyal Association
Rush Midkiff
270-842-5823
Evan Conrad
Michael Forsythe
Bart Peters
270-886-5281

Purchase Association
Jennifer Rogers
270-562-2022

Dairy Initiative
Lauren Omer
270-842-5823

Hiring New Employees

By: Bart Peters

Hiring a new employee can often be a difficult decision. Once that decision has been made and a new employee has reported for work, there are several pieces of paperwork which need to be completed. This applies to all employees whether hired on a temporary or permanent basis, and whether part-time or full-time.

The first item to complete is Form I-9, Employment Eligibility Verification, commonly called the I-9. This form documents that each new employee (both citizen and non citizen) hired after November 6, 1986, is authorized to work in the United States. In other words, your employee is providing proof to you that they are either legal citizens or legal aliens authorized to work here. The most common identification forms are a driver's license and Social Security card or a passport of their country. A more detailed list of what is acceptable is provided on the form.

The form should be filled out within 3 days of employment and remain on file with the employer. The form is not required to be filed with any agency, but will have to be provided in the case of a Department of Labor audit. All employers of H2A labor should be familiar with this document; however it does apply to all employers and employees. The form is available at

www.uscis.gov.

The next item to complete is a W-4. This is a common IRS form where information is recorded for the completion of the employee's paycheck. It is a basic form which asks for the employee's address, SSN, marital status, and the number of exemptions claimed. An employee is entitled to fill out a new form during the year if their tax filing status has changed and they want their withholdings to be adjusted. This form remains on file with the employer and is not required to be filed with the IRS. The form is available at www.irs.gov.

The State of Kentucky has a similar form known as a K-4. The employee would only need to fill this out if they are claiming a different number of exemptions or a different filing status. In most cases, a W-4 will be sufficient; however the K-4 should be made available if needed. Again, this form remains on file with the employer and is not required to be filed with the Kentucky Department of Revenue. The form is available at www.revenue.ky.gov.

The last form to file is the Kentucky New Hire form. Although effective on July 1, 1997, most farm employers may be unaware of this form. This form must be completed within 20 days of employment. Also, anyone hired in the past 180 days should have a form completed. It can be completed by faxing the form or filing online. It is a very basic form and requires no additional information to be collected from the employee. The employer will have to complete this form, not the employee. The stated purpose of this form is to "speed up the child support withholding income order process and expedite collection of child support from parents who change jobs frequently." The web site is: www.kynewhire.com. Although not stated on the web site, the employer may be contacted if the employee is being sought by child support officials.

All of these forms can be completed quickly if the employer has blank copies on hand. The completion of these forms is required by law and is meant to protect both the employee and the employer.

Tax Law Changes for 2009 The American Recovery and Reinvestment Act of 2009

By: Rush Midkiff

The American Recovery and Reinvestment Act of 2009 passed by congress and signed by President Obama contains a few tax changes that may benefit farms.

The new law extends the \$250,000 Section 179 expenses that we had during the 2008 tax year through 2009. Taxpayers should be aware that the \$250,000 amount is reduced when the total cost of qualified property placed in service for 2009 exceeds \$800,000. The Kentucky Section 179 limit remains at \$25,000.

The 50% first year bonus depreciation deduction for qualified new property placed in service has also been extended through 2009. This combined with the increased Section 179 expense provides a significant amount of depreciation expense available during 2009.

This new law also reduces the waiting period to 7 years from 10 years for S-Corporations wanting to sell property before the 10 year waiting period for built in gains. This is for any sale that takes place in 2009 or 2010.

First time home buyers may qualify for up to an \$8,000 credit under this new law. The credit will expire on November 29, 2009. A taxpayer can take a 10% tax credit on the purchase of a first home up to \$8,000. The credit does not have to be paid back unless you sell the house within 36 months of purchasing, or if the taxpayer stops using the home as his or her principal residence.

These are only a few selected highlights from the American Recovery and Reinvestment Act of 2009. Always consult with your tax preparer before making any tax decisions.

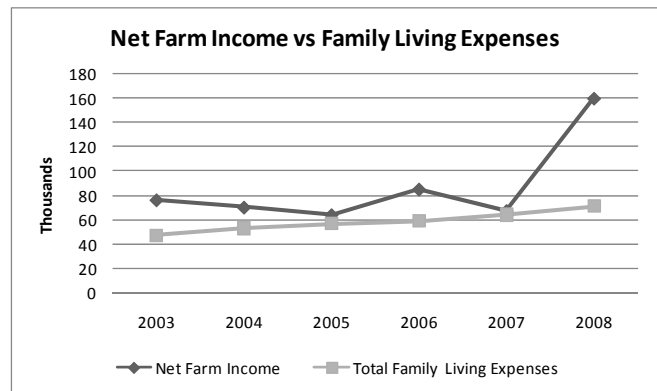
Farm Family Living Expenses Continue to Rise

By: Jennifer Rogers

A depressed economy in 2008 did not depress the level of family living expenses among farm families according to data collected on 88 farms participating in the Kentucky Farm Business Management Program. Family living expenses continued to increase, as did net farm incomes.

Kentucky farms, in general, experienced an exceptional year during 2008, with unprecedented prices for several crops and reasonable yields. This allowed the farm families to escape many of the pressures resulting from the falling American economy. When the farm is doing well, making money, much of the focus on limiting family living expenses can be lost, because there is money flowing. However, keeping tabs on family living expenses is vital to the sustainability of the farm. When money leaves the farm for family living it is not available for operating expenses, capital replacement, and debt repayment. If family living is not in check, a farming operation can actually end up in a worse financial position, despite a good net farm income.

Total family living expenses were \$71,742 in 2008, this is a 10.7% increase over 2007. Of the \$6958 increase from 2007 to 2008, \$4442 was spent on non-capital expenses (contributions, life insurance, medical expenses, and expendables), while \$2516 was an increase in capital expenditures (vehicle, home improvements). This increase in capital expenditures was very significant, 71% more than the amount spent on the same items in 2007. Farm families experienced incredible net farm incomes during 2008, with an average of \$160,390. These high levels of farm income provided more money to spend throughout the operation, including family living.



During 2008, farm families did experience a reduction in non-farm income, down \$7542 or 19%. This could be assumed to be part of the down swing in the U.S. economy, resulting in fewer jobs, and reduced hours at those remaining jobs. Net non-farm income was at its lowest level since 2003 on the farms studied.

Higher net farm incomes in 2008 allowed family living expenses to increase without feeling any pressures on the farm level. When there is more money being made it is foreseeable that living expenses will increase as well. The problems arise when farm incomes begin to drop and family living expenses do not decrease accordingly. Falling prices and farm revenue are likely in 2009. When family living expenses exceed the combination of farm and non-farm income farm families are forced to supplement with savings and loans.

While family living expenses do not impact whether the farm is making money at its productive units, family living expenses can rob the farming operation of all-important cash to pay for inputs, service loans, and renew equipment. It is important for farm families to realize the impact that family living has on the operation, and be sure to keep living expenses in check, especially when it is foreseeable that net farm incomes could fall from one year to the next.

Welcome New KFBM Specialists

We are all excited to welcome the new members of our staff. Since our last newsletter we have added three new specialists: Jonathan Shepherd – Lincoln Trail Association, Bart Peters – Pennyroyal Association, and Lauren Omer – KDDC/Dairy Initiative. We wanted to take this opportunity to introduce them to all of our cooperators.



Jonathan D. Shepherd – Lincoln Trail Association

Jonathan replaced the retiring Rick Costin as the Farm Analysis Specialist in the Lincoln Trail Association on January 5, 2009. Jonathan is originally from Lexington, Kentucky and has some farming experience with tobacco, corn and soybeans. He received his Bachelors and Masters degrees from the University of Kentucky in Agricultural Economics. Jonathan is married to his lovely wife, Claire, and they have two young sons, Elijah and Charles. Given that Jonathan started this job in January, we are thankful that he survived his first processing season and is sticking around for more. Jonathan said that his favorite part of the job so far has been the farm visits and getting to know his cooperators.

Bart Peters – Pennyroyal Association

We are very excited to have Bart back as a specialist in the Pennyroyal Association. Many of you may remember Bart as he was an area specialist from 1993 to 2001, serving in both the Bluegrass and Pennyroyal Associations during that time frame. During his vacancy from farm analysis Bart worked as a farm manager for Cundiff Farms in Trigg County, Kentucky. Bart is married to his wife Holly and now has two teenage daughters, Lindsey and Macy. Bart is originally from Princeton, Kentucky and received his Bachelors and Masters degrees from the University of Kentucky in Agricultural Economics. Bart started his second career with KFBM on April 13, 2009.

Lauren Omer – KDDC/Dairy Initiative

Upon the recent resignation of Kassie Celsor we were very lucky to hire Lauren Omer to replace her in the position working with our new dairy farms. Lauren started on July 1, 2009, overlapping a month with Kassie to learn the cooperators and the job. Lauren is from Sturgis, Kentucky, in Union County where she grew up on a row crop and beef cattle farm. Lauren received her bachelor's degree in Ag. Business from Murray State University and her Masters degree in Ag. Business from the University of Tennessee. Even though Lauren went to school in Tennessee she is still a UK basketball fan and enjoys her hobby of raising registered Angus cattle.

Recent KFBM Publications

The following recent publications are available from your specialist or on the KFBM website (www.uky.edu/Ag/KFBM/).

- 2008 KFBM Annual Summary
- 2008 KFBM Family Living Study
- Pennyroyal Association – ACRE Program Newsletter



University of Kentucky
Department of Agricultural Economics
400 Charles E. Barnhart Bldg.
Lexington, KY 40546-0276

Phone: 859-257-5762

Fax: 859-323-1913

<http://www.ca.uky.edu/agecon/>

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