For Immediate Release

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Farm Financial Standards Council Encourages Retaining Cash Accounting

The Farm Financial Standards Council says it encourages retention of cash method accounting for tax purposes for farmers as opposed to proposed changes adopting accrual accounting for smaller farm and ranch operations. According to Jim Kelm, Council president, the group's executive committee prepared this position statement: *The Farm Financial Standards Council recommends that the accrual method of accounting should be considered for management purposes. However, for income tax purposes, the Council believes that the cash method currently allowed for farmers and ranchers should be retained. Switching to the farm accrual method could subject agricultural producers to much larger swings in income due to dramatic market changes that might occur at year-end.*

On March 12, 2013, the House Ways and Means Committee issued a discussion draft regarding various tax reform ideas. One of the ideas discussed was the elimination of the cash method of accounting for farmers unless they met one of the following exceptions:

- The farmer is a natural person (i.e. sole proprietor). This type of taxpayer would be allowed to retain the cash method of accounting no matter the amount of farm sales
- Any other taxpayer (corporation, S corporation, partnership, et al) would be allowed to use the cash method of accounting until sales reach $10 million. At that point, they would be required to switch to the accrual method.

Kelm noted that the proposed changed has sparked a good deal discussion on social media and in agricultural media. Representative David Camp, (R-Mich), chairman of the House Ways and Means Committee says his committee will pass a reform bill by year's end, and Member-only meetings are reportedly taking place. In any case, Kelm notes, farmers and ranchers should contact their accounting firm or tax preparer to stay abreast of actions that may happen regarding this tax reform suggestion.

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