

# MESSENGER-INQUIRER

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**Farm Update**  
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**AGRICULTURE & NATURAL RESOURCES  
EDUCATION**  
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**October 18, 2025**

## **Farm Finance and Income Tax Management**

My article last week focused on the current profit period in beef cattle farming and some thoughts about offsetting income taxes by taking full depreciation of capital expenses in a single year. Purchasing items is not the only way to reduce taxable income in profitable years. The University of Kentucky Ag Economics team of Jonathan Shepard and Kenny Burdine, along with David Bilderback of the University of Tennessee, continued last week's topic with an explanation of reducing taxable income with retirement contributions.

A Simplified Employee Pension Plan (SEP) is a tool that allows a business to contribute to SEP-IRAs for its employees. This means that if you are self-employed, you could make these contributions for yourself. There are nuanced rules around SEPs that must be understood. For example, you must make contributions for all the eligible employees. This universal participation sometimes is a deterrent for operations that have multiple employees. It is advised to consult a qualified individual to understand how a SEP may work in your business or how to structure your business to make a SEP work best. In general, SEPs are easy to set up and operate, and they provide a lot of flexibility. In good financial times, you can contribute more, and in tighter times, you can contribute less. Of course, there are contribution limits, limitations on other retirement

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instruments used, and numerous other things to be aware of. This reinforces the need to work with a qualified advisor.

Another option for consideration is contributing to a traditional individual retirement account (IRA). For 2025, IRA contribution limits are \$7k for those under the age of 50 and \$8k for those 50 or older. IRAs are subject to income limitations and coordination requirements with other retirement plans but can provide some tax savings. Investing in a Roth IRA is another option. While these do not lessen current tax savings, depending on your goals, overall strategies, and beliefs about future income levels and tax policy, they could provide overall long-term tax benefits.

Another option would be simply to maintain more cash reserves for personal contingencies. While Certificate of Deposits (CDs) rates are not quite as good as they were a year ago, they still serve as a low-risk investment that does yield some return.

There is also the option to invest in the stock market. It is advised to work with a financial advisor to align investments with your personal goals and risk tolerance.

Another consideration is to simply maintain more working capital in your operation. Yes, there are trade-offs or opportunity costs associated with maintaining a higher cash balance but sometimes peace of mind offsets those costs, especially in uncertain times. Retaining more cash allows you to take advantage of opportunities as they come about (i.e., cash discounts on inputs, farmland that may become available, etc.). And liquid savings vehicles like money market and savings accounts are paying more attractive interest rates than they were just a few years ago. Plus, having a higher liquidity position means that you do not have to borrow as much money to operate, which can reduce overall operating costs.

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## **Beef Cattle Update Meeting**

Make plans to join us on Thursday, October 30, at 6:00 p.m. at the Extension office for the fall Beef Cattle update and county association meeting. The guest speaker for the evening will be Kevin Laurent, Beef Cattle Extension Specialist at the University of Kentucky, speaking on updates in the market and bale grazing systems. 2025 marked another successful year of the 4H/FFA feeder calf program. Students who participated will be recognized for their accomplishments. A Beef Quality and Care (BQCA) training will also be offered at 4:00 p.m. BQCA certification is a prerequisite for participating in the CPH60 sales and for beef cattle-related projects requesting reimbursement in the County Agricultural Investment Program. November 30 is the deadline to request a funding application and to have the project completed. A list of all funding categories and items eligible for reimbursement within each category is available online at <https://www.kyagr.com/agpolicy/2025-Program-Guidelines-and-Applications.html>. The earliest date of purchase allowed is December 14, 2024. Go online to make sure you don't miss an opportunity to receive reimbursement for a project/purchase that might be eligible.

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