

Farmers, Tax Incentives Can Ease the Pain of a Smaller Farm Bill

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As 2018 approaches, one of the main topics of discussion in the agriculture industry is the upcoming farm bill. What can we expect from Congress? Will there be adequate funding for popular crop insurance or conservation programs?

While expectations are high that Congress will pass a farm bill next year, it appears likely that funding will be constrained. With near record low commodity prices and a smaller farm bill, it's more important than ever for the agriculture sector to pay attention to what tax incentives are available for its benefit.

The agriculture industry is the lifeblood of much of America dating back to our agrarian history. We can't overlook the critical role it plays in keeping our country fed, fueled and clothed. It's why I want to draw attention to a powerful but often overlooked tax credit known as the Research and Development Tax Credit.

Many businesses remain unaware of the R&D Tax Credit and its benefits. However, incentives like the R&D Tax Credit are crucial. Valuable tax credits, such as this one, allow farmers, ranchers and other producers to keep dollars in their pockets.

In my new role as chairman of agriculture at alliantgroup, I am consistently amazed by how many people involved in the agriculture industry are not

aware of how the R&D credit can work for them or why they are such great candidates for this incentive. We work with small and medium-sized businesses from the entire agriculture sector—just to name a few, farmers, ranchers, breweries, dairy processors, farm equipment manufacturers and food processors—to help them claim powerful tax incentives.

The R&D Tax Credit in particular is an effective tool for rural development. The money saved on taxes then can be reinvested into expanding operations, hiring more talent and purchasing new equipment or even spent on Main Street. One cheese producer used their savings from the R&D Tax Credit to start distributing their products in new states. A food processor took advantage of this credit and went on to develop new products and hire additional agronomists.

To give another example, we worked with a dairy farm that developed new electrical components for their line of cattle cooling products. The dairy company received \$163,000 in federal and state credits for designing the new components.

I have come to realize that the name of the Research and Development Tax Credit is a misnomer. This credit is really meant to stop the outsourcing of agricultural production and reward agribusinesses for keeping work in the United States. It is important to realize that

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this credit is about keeping agricultural production in the United States, not conducting groundbreaking research. Therefore, any business in the agriculture sector that has operations in the United States may potentially be eligible.

The R&D credit is under-utilized because farmers and ranchers are busy running their businesses and are generally unaware that this credit exists for their benefit. However, farmers, ranchers and other agricultural producers are already doing exactly what they need to do to qualify. Businesses are earning this credit for their day-to-day activities like experimenting with new fertilizer or improving harvesting equipment or techniques. There are hundreds of ways for agribusinesses to qualify for the R&D Tax Credit, and in many instances, companies are missing out on tax credits that could significantly impact their business.

Agriculture is something I hold close to my heart. I have always said that any day I get to work on ag issues is a good day for me. The agriculture sector is facing lean times, and every business should take advantage of the federal and state tax incentives available to them.



Mike Johanns was the U.S. Secretary of Agriculture from 2005-2007 as well as the Governor of Nebraska from 1999-2005 and the state's U.S. Senator from 2009-2015. As alliantgroup's Chairman of Agriculture, Johanns brings more than 30 years of experience at virtually every level of government and a strong background in both agriculture and economic development. As the Secretary of Agriculture, he managed 18 different agencies, opened or expanded access to 40 international markets and was responsible for multiple agricultural breakthroughs as a negotiator for the Doha Development Round.