

WTNS Radio OSU Extension Update for January 30, 2023
Healthy People. Healthy Finances. Healthy Relationships.

On today's OSU Extension update for Healthy People, Healthy Finances, & Healthy Relationships we'll talk about farm family finances, and as always look at some upcoming programs from OSU Extension.

All families can benefit from budgeting and having a spending and savings plan. Budgeting for farm families can be a bit unique compared to families with the steady cash flow of set salary incomes. Small farms are their own kind of unique. Usually off-farm income will supplement family living expenses, but sometimes the farm and family finances are all jumbled together in one account. How do you know when it is time to have a separate checking account for the farm?

One of the first questions to ask is "what type of farm are you?" Are you a hobby farm (not for profit) or are you farming for profit? The IRS has several factors to consider to help you tell the difference. Among other factors, you are farming for profit when you:

- Operate the farm in a businesslike manner (which should include how you manage the finances, taxes, insurance, etc.)
- Are spending time and effort on farming
- Experience losses because they are beyond your control or normal for starting an operation
- Have knowledge needed to carry on farming activity
- Make a profit some years
- Are not operating for personal pleasure or recreation

One reason the type of farm matters is because farms are granted certain exemptions and exceptions that can help with tax deductions. If you are farming because you enjoy it, yet you lose money year after year without actively trying to find improved methods to make a profit, then this is a hobby farm. A Schedule-F should not be filed for this recreation activity.

There are many benefits to good record keeping on the farm. It helps you monitor the progress of your farming business. This allows you to track sources of receipts to keep track of deductible expenses. Having a good system is rewarded this time of year as you prepare your tax return. And if there are ever questions, your accurate records will support items reported on tax returns.

Just as important as keeping good farm records is keeping good records of our household expenses and income. Having two separate accounts for the farm and the household can help give us the most accurate picture.

According to David Widmar at Agricultural Economics Insights, average family living expenses for Kansas farms was \$35,000 per year during the early 2000s. Correlating with the farm economy boom, farm living expenses turned higher and peaked at \$74,400 in 2014. Four categories – food purchased, household operation, personal recreation, and health insurance – account for 57% of total expenses. Results in Illinois from 2019 show family living expenses were \$84,340.

Do those numbers surprise you? Keep in mind this is the average. Remember this total has nothing to do with farm expenses. How does this compare for your family? Do you know your numbers? Who do you have on your team? Some key team members are your accountant, insurance professional, tax or other financial advisor, and attorney. How often do you check in with them to review your long-term goals?

Even more important is communicating as a family about the finances on the farm and in the household. This is the perfect time of year to do this. Look at the balance sheet for last year and decide what changes you plan to make this year. As a family, set one or two important goals and establish regular check-ins to make sure you are on track together.

And now let's look at some upcoming programs from OSU Extension. Several programming dates for 2023 have been set. If you are interested in food safety training, eating with diabetes, or personal and family finances, be sure to check out our website, coshocton.osu.edu.

OSU Extension is hosting a three-part webinar series on “Starting a Food Business,” to help producers wanting to sell home-based and farm-raised foods directly to consumers and retailers. Last week over 100 people from around Ohio participated in the first Start-Up Basics Webinar. I hope you'll join me for the next free webinar, *Selling Home-Based Foods* on February 28. Find details and the registration link at go.osu.edu/foodbusiness.

In closing, at OSU Extension, we are proud to work for Coshocton County to help educate and improve our families, farms, and businesses. Please feel free to contact OSU Extension for more information at 740-622-2265 or visit our website at coshocton.osu.edu. Make it a healthy day!