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# What's Happening with Ag Taxes in 2024 and What to Expect at the End of the Tax Cuts and Jobs Act

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# Topics

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- Special Depreciation Allowance (Bonus Depreciation)
- Section 179 Expense Deduction
- Qualified Business Income Deduction
- Estate Tax Exemption Amount
- Standard Deduction vs Itemized Deductions
- Personal Exemption Deductions

# Special Depreciation Allowance (Bonus Depreciation)

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- Allowed percentages to change
  - 2024 – 60% depreciation allowance
  - 2025 – 40% depreciation allowance
  - 2026 – 20% depreciation allowance
  - 2027 – sunsets and goes away unless congress acts to change it
- New or used property qualifies that is purchased and placed in service during the tax year

# Special Depreciation Allowance (Bonus Depreciation)

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- \$100,000 tractor purchase
- Amount of Bonus Depreciation allowed for 2024 = \$60,000  
(100,000 x 60%)
- Amount of Regular MACRS Depreciation allowed for 2024  
= \$8,000 ((100,000 – 60,000) x 0.200)
- Total Depreciation allowed for 2024 = \$68,000 (60,000 +  
8,000) results in greater taxable income and SE Tax
- Legislation to bring back to 100% Bonus: passed in the  
House but stalled in the Senate

# Section 179 Expense Deduction

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- 2024 allowed amounts for qualifying equipment
- \$1,220,000 deduction limit
- \$3,050,000 phase-out threshold
- Also limited to the amount of taxable income
- Purchase of the \$100,000 tractor could be expensed to the amount of \$100,000 if business taxable income is  $\geq$  \$100,000

# Section 179 Expense Deduction

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- \$100,000 tractor purchase
- Assume 200,000 of net farm income
- Expensing amount allowed for 2024 = \$100,000
- Compare to Bonus: only \$68,000 of depreciation allowed for 2024
- \$32,000 difference
- Tax management needed to determine the best option

# Bonus Depreciation v Section 179

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- Presumption: Bonus Depreciation is used unless the taxpayer elects not to use
- Regular MACRS depreciation is then used unless the Sec. 179 Expensing Election is made
- Tax planning will be changing from now until Bonus sunsets (work with your tax preparer to determine the best tax management option)

# Qualified Business Income Deduction

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- The 20% Qualified Business Income (QBI) Deduction sunsets on Jan. 1, 2026
- It applies to sole-proprietorships, partnerships, and S-corporations (pass-through entities)
- The maximum tax rate for C-corporations (21%) was made permanent
- QBI deduction created to ensure equity in taxes for all businesses

# Estate Tax Exemption Amount

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- For 2024, the estate tax exemption is \$13,610,000 per person (adjusted annually for inflation)
- Portability is maintained for the deceased spouse's unused exemption which can be used by the surviving spouse
- The 2024 exemption with portability is \$27,220,000
- The amounts will cut in half for deaths occurring in 2026 and later years (Projected; \$15,000,000 exemption in 2026 for a married couple)

# Standard Deduction and Exemptions

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- TCJA doubled the standard deduction beginning Jan. 1, 2018 and suspended personal and dependency exemptions from 2018 to 2025
- The increased standard deduction and suspended exemptions sunsets Jan. 1, 2026
- 2024 standard deduction is \$14,600 for single and \$29,200 for married filing joint taxpayers
- 2024 personal exemption is suspended

# Standard v Itemized Deductions

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- To itemize versus use the standard deduction, taxpayer must have total itemized deductions in excess of the standard deduction
- For 2024, a taxpayer filing a joint return must have more than \$29,200 of deductions in order to itemize (\$14,600 for single taxpayers)
- Projected: For 2026, the standard deduction is expected to be \$7,600 for single and \$15,200 for married filing joint taxpayers

# Personal Exemption Deductions

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- TCJA suspended the personal and dependency exemptions beginning Jan. 1, 2018
- The suspended exemptions sunset Jan. 1, 2026
- Projected: For 2026, the dependency exemption is expected to be \$5,250

# Additional Thoughts

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- Be sure to consult you tax advisor to further evaluate the impact of these changes on your individual tax return.
- What will happen with state legislation created as a work around or conforming to the TCJA provisions.
- Questions and Comments

# Contact Information

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