FARMER CAMPUS

Insurance, Loans and Tax Provisions: Disaster Financial Preparedness for Farmers

Farm Bill programs are accessed through the Farm Service Agency (FSA). Natural Resources Conservation Service (NRCS) and the Risk Management Agency (RMA). Farm Bill programs are accessed through the Farm Service Agency (FSA). Natural Resources Conservation Service (NRCS) and the Risk Management Agency (RMA). Below is an overview of assistance programs related to losses from wildfires.

Insurance

Crop Insurance: Multi Peril Crop Insurance provides coverage to growers for naturally occurring perils, including wildfires.

Federally Subsidized Multiple-peril Crop Insurance

- Administered by the Federal Crop Insurance Corporation under the USDA.
- Covers a broad range of perils.
- Must be purchased before planting crops.

State-regulated private crop insurance

- Covers a narrower variety of perils, such as hail and fire
- Not reinsured by the FCIC
- More flexibility, may be purchased anytime during the growing season

Noninsured Crop Disaster Assistance (NAP)

- Provides assistance to producers of non-insurable crops to protect against natural disasters resulting in lower yields and crop losses.
- Basic coverage, relatively inexpensive and deeply discounted for beginning, limited resource, and historically underserved producers.
- Requires recordkeeping you may not otherwise keep
- Doesn’t fully compensate for crop losses; intended to mitigate the cost of disasters and lessen the need for emergency legislation when a natural disaster occurs.
- Limited to $125,000 per crop year, per individual or entity with basic coverage

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Loans

The FSA Emergency Loan Program is triggered when a natural disaster is designated by the Secretary of Agriculture or declared by the President. The loans assist producers who suffer qualified farm related losses directly caused by the disaster.

- Eligibility, Payments, and Enrollment
- 30% reduction in production on a primary crop in a designated or contiguous county
- 30% reduction in price for flood damaged crops may also be eligible
- Physical loss to livestock, livestock products, real estate, or chattel property
- Can borrow up to 100% of actual production or physical losses to a max of $500,000
- Must qualify and requires record keeping and reporting

Tax Provisions

Generally, casualty losses from federally declared disasters are deductible during the tax year of loss.

Federal Casualty Losses: Covers loss of personal-use property due to a federally declared disaster. limited to the amount not covered by insurance. (State level declaration).

Disaster Losses: Covers loss of personal-use, individual business or income-producing property due to a federally declared disaster in an area eligible for assistance. (County level declaration)

Qualified Disaster Losses: Covers loss of personal-use property attributable to a major disaster declared under the Stafford Act. (empowers FEMA)

Note:

- You may deduct federally declared disaster area losses the year before the loss occurred. Time limit to make this election applies
- Requires proof of ownership or interest, when casualty occurred, and the loss was a result of the casualty, and any recovery.

- Loss equal to the lessor of Adjusted Basis before the casualty or the decrease in FMV of the property, both reduced by any recovery received.
- For business or income producing property, loss is Adjusted Basis minus salvage value minus recovery received.
- Calculation can be complicated; methods of valuation may vary, under certain circumstances the cost of repairs or clean may factor in FMV.
- Consult your tax advisor.