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The year 2013 should be another strong one for agricultural equipment sales, thanks to a Jan. 1 change in the federal tax law, as well as overall strength in commodity markets and accumulated farm financial strength.

Tom Vandendriessche, a farmer and Certified Public Accountant with Dana F. Cole & Co. in Marshall, Minnesota, says the change in the last hour of the fiscal cliff negotiations in Washington, D.C., will have a huge impact on farmers in 2013.

Vandendriessche has numerous clients who were skeptical about what 2013 would bring for equipment purchases. He confirmed the law change on Jan. 4 and contacted his numerous clients by phone. Many were relieved, he says.

"It makes a world of difference in terms of planning for people," Vandendriessche says. The law was retroactively reinstated to Jan. 1, 2012, allowing farmers to use up to $500,000 in the Section 179 write-off for new or used equipment. The law had allowed $500,000 in 2011, but had dropped to $139,000 in 2012, before the retroactive change.

Others in the business echo his comments. Mike and Mark Ballard are co-owners of Dakota Farm Equipment Inc. of Dickinson, N.D., with dealerships there and in Beach, Bowman and Elgin in North Dakota, and Lemmon, S.D. The Ballards say the new farm equipment market has been strong in the past few years because of the strong commodity market.

Mike Ballard says lots of good used combines are on the market, but fewer good used tractors. And there are plenty of good used balers on the market because of the poor hay crop in 2012.

Steve Schmidt, who farms south of Mandan near St. Anthony, N.D., says the tax change makes it more beneficial to move equipment. Schmidt conducted his fifth annual community consignment sale on Dec. 15. It was a big success, with 249 bidders and 20 consignors who sold numerous pieces, including 17 tractors.

"It's a dramatic change, again," says Vandendriessche, who farms with his brother Dan, a CPA for a separate firm in Marshall. "They were expecting it to go down to $25,000, which is an absolute pittance in the farm sector."

Buying equipment is comparable to buying fertilizer or seed, Vandendriessche says. When purchased or even financed, the farmer now has the opportunity to write off any denomination he wants, up to $500,000 in 2012 or 2013.

"We did a lot of year-end planning," Vandendriessche says. "That's not set in stone. The farmer still has that option, depending how much equipment he bought, to take that option." The option of expensing will depend on the farmer's income situation at a particular point in time. The deduction can be a direct reduction of overall gross income for tax purposes.

"This is only a federal law, not in Minnesota," Vandendriessche cautions. "In Minnesota, they don't accept an accelerated write-off method. They go back to the five-year life of the equipment, but it's a timing difference."

Vandendriessche has a few clients in the Dakotas and in Iowa. South Dakota has no state income tax and North Dakota's is less than Minnesota's. State income taxes overall have a lesser impact than the federal income tax. The change is "not only a feather in the hat for the farmers, but also for the implement dealers," Vandendriessche says. "The whole thing about 'stimulus and job creation' has been good for the farm sector."

Vandendriessche says there is an overall cap. If a farmer or small businessman spends

Vandendriessche says. "We want to stimulate that, and that's what's happening."

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Small Business