

Getting the Most Out of Your Farm Tax Return

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Don't Be Afraid of Tax Season

- Turbo Tax versus an Accountant
 - Get a program with the Schedule F
- www.irs.gov for Tax Publications
 - Farmers' Tax Guide
 - Business Use of the Home
 - Travel, Entertainment, Gift and Car Expenses
 - Self-Employment Tax
- 1-800-829-0115 for Tax Questions

Income and Expenses

- Keeping good records is key!
- You don't have to be afraid of showing income on your taxes if you have done a good job keeping track of your expenses.
 - Quickbooks, Hand-ledger, etc.
- Take all deductions and depreciations available to you.
 - Deduction versus depreciation

Business Structure

- Sole-Proprietorship, Partnership, or Corporation
 - Schedule C, Form 1065, or Form 1120
- Regardless of which form you fill out, the Schedule F is your base document for most expenses.
- Self-employment tax- farm option
 - One actual annual payment versus estimated quarterly payments.

Schedule F Basics

- Principal product and product code.
- Accounting method- cash versus accrual
- Federal Employer Identification Number
- Income
 - Sale of goods
 - Government program payments
 - Custom hire work
 - Crop insurance proceeds

**SCHEDULE F
(Form 1040)**

Department of the Treasury
Internal Revenue Service

Profit or Loss From Farming

▶ Attach to Form 1040, Form 1040NR, Form 1041, Form 1065, or Form 1065-B.

▶ See instructions for Schedule F (Form 1040).

OMB No. 1545-0074

2007

Attachment
Sequence No. 14

Name of proprietor _____ Social security number (SSN) _____

A Principal product. Describe in one or two words your principal crop or activity for the current tax year. _____

B Enter code from Part IV _____

C Accounting method: (1) Cash (2) Accrual _____

D Employer ID number (EIN), if any _____

E Did you "materially participate" in the operation of this business during 2007? If "No," see page F-2 for limit on passive losses. Yes No

Part I Farm Income—Cash Method. Complete Parts I and II (Accrual method. Complete Parts II and III, and Part I, line 11.)

Do not include sales of livestock held for draft, breeding, sport, or dairy purposes. Report these sales on Form 4797.

1	Sales of livestock and other items you bought for resale	1			
2	Cost or other basis of livestock and other items reported on line 1	2			
3	Subtract line 2 from line 1	3			
4	Sales of livestock, produce, grains, and other products you raised	4			
5a	Cooperative distributions (Form(s) 1099-PATR)	5a		5b Taxable amount	5b
6a	Agricultural program payments (see page F-3)	6a		6b Taxable amount	6b
7	Commodity Credit Corporation (CCC) loans (see page F-3):				
a	CCC loans reported under election	7a			7a
b	CCC loans forfeited	7b		7c Taxable amount	7c
8	Crop insurance proceeds and federal crop disaster payments (see page F-3):				
a	Amount received in 2007	8a		8b Taxable amount	8b
c	If election to defer to 2008 is attached, check here <input type="checkbox"/>	8c		8d Amount deferred from 2008	8d
9	Custom hire (machine work) income	9			9
10	Other income, including federal and state gasoline or fuel tax credit or refund (see page F-3)	10			10
11	Gross income. Add amounts in the right column for lines 3 through 10. If you use the accrual method, enter the amount from Part III, line 51	11			11

Part II Farm Expenses—Cash and Accrual Method.

Do not include personal or living expenses such as taxes, insurance, or repairs on your home.

12	Car and truck expenses (see page F-4). Also attach Form 4562	12				25	Pension and profit-sharing plans	25		
13	Chemicals	13				26	Rent or lease (see page F-6):			
14	Conservation expenses (see page F-4)	14				a	Vehicles, machinery, and equipment	26a		
15	Custom hire (machine work)	15				b	Other (land, animals, etc.)	26b		
16	Depreciation and section 179 expense deduction not claimed elsewhere (see page F-5)	16				27	Repairs and maintenance	27		
17	Employee benefit programs other than on line 25	17				28	Seeds and plants	28		
18	Feed	18				29	Storage and warehousing	29		
19	Fertilizers and lime	19				30	Supplies	30		
20	Freight and trucking	20				31	Taxes	31		
21	Gasoline, fuel, and oil	21				32	Utilities	32		
22	Insurance (other than health)	22				33	Veterinary, breeding, and medicine	33		
23	Interest:					34	Other expenses (specify):			
a	Mortgage (paid to banks, etc.)	23a				a	.....	34a		
b	Other	23b				b	.....	34b		
24	Labor hired (less employment credits)	24				c	.....	34c		
						d	.....	34d		
						e	.....	34e		
						f	.....	34f		

35 Total expenses. Add lines 12 through 34f. If line 34f is negative, see instructions ▶ 35

36 Net farm profit or (loss). Subtract line 35 from line 11. } 36

- If a profit, enter the profit on Form 1040, line 18, and also on Schedule SE, line 1.
- If you file Form 1040NR, enter the profit on Form 1040NR, line 19.
- If a loss, you must go to line 37. Estates, trusts, and partnerships, see page F-6.

37 If you have a loss, you must check the box that describes your investment in this activity (see page F-7). } 37a All investment is at risk.

- If you checked 37a, enter the loss on Form 1040, line 18, and also on Schedule SE, line 1.
- If you file Form 1040NR, enter the loss on Form 1040NR, line 19.
- If you checked 37b, you must attach Form 6199. Your loss may be limited.

37b Some investment is not at risk.

Schedule F Expenses

- Car and Truck- mileage, tolls, parking
 - Standard mileage rate (\$0.585) versus actual
- Insurance- liability, ranch
- Labor Hired- annual \$600 limit per contract laborer
- Rental- farmers' market stall fee
- Taxes- property, sales tax
- Utilities- any business-specific utilities

“Other Expenses”

- Professional Membership Fees- Farm Bureau, Farmers’ Market Membership
- Office Supplies
- Postage
- Professional Journals
- Advertising and Promotion
- Amortization of Start-up Expenses and Organizational Costs

“Other Expenses” cont.

- Travel Expenses- business trips, per diem
 - www.gsa.gov/HP_01Trvl_perdiem
- Business Use of the Home- home owners insurance, property taxes, repairs and maintenance, utilities, mortgage interest
 - Don't need to file form 8829 as a farm; just present the total amount
 - Determining a percentage of business use; exclusive use rule

Depreciation Items

- Costs are spread out over the life of the item rather than being taken all at once
- Section 179 Election- Approx. \$108,000
 - You may need the depreciation more on your taxes in future years
- Form 4562 for Depreciation
- Items Contributed to the Business
 - Determining Fair Market Value

Final Thoughts...



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