

FARM EXPENSES

<p>CONSERVATION grading, terracing, contour plowing, drainage & irrigation ditches, dams, ponds, windbreaks, removing brush Bring approved plan. Limited to 25% gross farm income.</p>	<p>SUPPLIES Dairy Supplies, insecticides, litter, rope, paper, twine, wire, utensils, flashlights, boots, gloves, nails, bolts, brooms, etc. Cost of supplies on hand on 12/31: \$ _____</p>
<p>NON HIGHWAY FUEL USED FOR FEDERAL GAS TAX CREDIT</p>	<p>TAXES Real estate taxes total Bring in Property Tax Stmt.</p>
<p>(Please bring in receipts)</p>	<p>Bring in Property taxes total</p>
<p># of Gallons-Gas/Gasohol (if you paid excise tax)</p>	<p>Personal property/ highway use tax</p>
<p>Aviation Gasoline or Fuel</p>	<p>Employer's share payroll tax</p>
<p>FEED PURCHASED Hay, grain, salt, silage, ground feed, concentrates, minerals, etc</p>	<p>UTILITIES Electricity (total for a year) Less personal use</p>
<p>GASOLINE, FUEL & OIL TOTAL EXPENSE For farm use; grease, lube, oil, propane & other. Include corn dryer heat. Do not include car/truck.</p>	<p>TELEPHONE (Monthly Base Charge is not deductible) 2nd line/options (or cellular)</p>
<p>*RENT or LEASE machinery & equipment only (do not include car/truck)</p>	<p>Long distance farm calls</p>
<p>Farm, farmland, pasture, animals, other</p>	<p>VETERINARY, BREEDING & MEDICINE</p>
<p>STORAGE & WAREHOUSE</p>	<p>PERSONAL CONSUMPTION Milk (number of gallons consumed) _____ Animals butchered: (R)aised or (P)urchased (list live weight) _____ _____ Eggs & chickens (if feed is listen in farm exp.) _____</p>
<p>CHEMICALS</p>	<p>OTHER Accounting & attorney fees/farm business Advertising</p>
<p>*LAND CLEARING Clearing off trees, stumps, brush, rocks, tec., to make land tillable for first-time farm use. Not currently deductible (will add to cost of your land). NOTE: Enter upkeep of previously farmed land in Repairs & Maintenance.</p>	<p>Bank charges/deposit box (farm business)</p>
<p>*CUSTOM HIRE/MACHINE WORK Baling, combining, corn picking, corn drying, silo filling, feed grinding, spraying, seed cleaning, etc.</p>	<p>Bovine tuberculosis channel</p>
<p>INSURANCE (Do not include car/truck/health) Fire & Wind</p>	<p>Capital retains</p>
<p>Less for house</p>	<p>CCC deduction</p>
<p>Hail & crop insurance</p>	<p>D.H.I.A</p>
<p>Farm Liability</p>	<p>Education (farm related)</p>
<p>LABOR HIRED For farm work</p>	<p>Employee benefit programs (health ins., etc.)</p>
<p>Commodity wage</p>	<p>Farm organization dues and publications</p>
<p>Wages to Spouse</p>	<p>Home office – see Tax Deduction Finder</p>
<p>Wages to Children under 18</p>	<p>Number of meals served to hired help or, cost of groceries for hired help Office supplies/postage (farm business)</p>
<p>(-W-2's and payroll taxes may be required)</p>	<p>Pension & profit-sharing plans/maintenance fee</p>
<p>FERTILIZERS & LIME</p>	<p>Trailer licenses</p>
<p>*FREIGHT & TRUCKING</p>	<p>Farm travel (overnight lodging) Number of nights away from home</p>
<p>INTEREST: MORTGAGE – FARM LAND & BUILDINGS ONLY Paid to financial institution (bring Form 1098)</p>	<p>Repayment of shared appreciation agreement</p>
<p>*Paid to individual</p>	<p>Deductions from gross elevator sales 1099-PATR</p>
<p>OTHER INTEREST: Farm obligations (Do not include car/truck)</p>	<p>*IF OVER \$600.00 to an individual, LLC or Partnership list Name, Address, & Social Security Number or Federal ID # on Page 4.</p>
<p>*REPAIRS & MAINTENANCE On equipment, farm buildings, fences, and machinery. Also include small tools, paint, etc. (Do not include car/truck)</p>	
<p>SEEDS & PLANTS Corn, grain, grass, alfalfa, soybeans, specialty plants, etc. [List trees and vines in Major Purchase section.]</p>	

1099 INFORMATION

- Amounts of \$600 or more paid to individuals (not corporations) for rent, interest or services rendered in the course of your business require 1099 Information Statements.
- Failure to file 1099 Information Statements with the IRS and recipient by January 31 can cause penalties to be assigned. These penalties have been increased substantially – 1099's also need to be mailed to the IRS by January 31.
- You are required to withhold tax on the payment in recipient does not furnish you with their identification number. (Use form W-9 to obtain their SSN before you pay them.)

NAME	ADDRESS	IDENTIFICATION #	AMOUNT	PURPOSE OF PAYMENT

FARM MANAGEMENT: YEAR END TAX PLANNING

- Goal: Maintain Income at Targeted Level from Year to Year**
 - Wide fluctuations can prevent you from taking advantage of personal exemptions and deductions in years of low income.
 - Level amounts of income will maximize Social Security benefits at retirement for Social Security Disability benefits.
 - Income averaging is available for farmers. New clients – bring in 3 previous tax returns.
 - Prepare for Year End**
 - Bring current year's books up to date.
 - list income items already received.
 - record expenses paid.
 - check last year's farm expense worksheet so you don't forget any times.
 - Depreciation
 - look at last year's depreciation to see if items are current.
 - list purchases on Page 2 to see what is available for first-year expensing.
 - over \$2,500 and expected to last more than one year.
 - Analyze Your Tax Situation**
 - Discuss tax consequences of casualty losses, debt forgiveness, and refinancing.
 - Decide if you need to increase or decrease net income.
 - Investigate Earned Income Credit, Retirement Savings Credit, Health Savings Account, IRAs, and other retirement plans. If over 70^{1/2}, you may donate your required minimum distribution directly to charity.
 - Increase Net income**
 - Sell crops, cull animals, report CCC loans as income, redeem savings bonds, convert IRAs.
 - Delay paying expenses until January 2nd; make arrangements with creditors.
 - Capitalize breeding fees, repairs, chemicals and cost sharing programs.
 - Decrease Net Income**
 - Delay sales of crops and animals when you can.
 - Sell on a deferred payment contract; must be signed and dated:
 - Delivering product or crop to the elevator locks in market price.
 - You cannot have access to the money this year
 - Take out a CCC loan on stored crops. This allows you to have spendable (but not taxable) cash to use to prepay expenses, if you elect, or have previously elected, to exclude the loan as income for the current year.
 - Pay up all existing bills at yearend.
 - Consider a separate entity (corporation) for farm operation. Use lease agreements.
 - Prepay next year's operating expenses such as feed, fertilizer, chemicals, and seed. There are limitations on prepaid expenses you should discuss with your tax advisor. However, if you have a good economic purpose, the prepayment rules do not apply. Good economic purpose includes assuring a feed supply and fixing the price to avoid a price increase.
 - Major Equipment purchases: you can choose to expense up to a certain amount of current year purchases. Maximize depreciation by purchasing straight tout rather than trading in.
 - You may be eligible for the health insurance credit on form 8941 based on employee health care coverage if it is a plan through the health care exchange.
 - Fill up the gas tanks and pay the bill.
 - Pay children under 18 a cash wage. It has to be reasonable for the work performed. A dependent child can earn up to \$6,300 in wages and pay no tax on them. **File W-2s, 943s, etc.** Keep payroll records of hours worked and duties and pay regularly.
 - Cash method farmers may elect to include crop insurance and disaster payments in the tax year following the crop loss if sale of the crop would normally have been made in the later year.
- Wages Paid to Spouses**
 - Be sure the taxpayer and spouse have a bona fide employer-employee relationship and farm services are actually rendered. Compensations should be reflective of services performed and paid regularly.
 - Wages are subject to FICA tax and **W-2s, 943s, etc.** must be filled.
 - A carefully constructed employer-employee relationship will enable deductible Sec. 105 and 106 health plans to be formed. They must be maintained throughout the year.
 - Wages Paid in Kind (commodity Wages)**

In general, commodity wages paid to agricultural labor are not subject to FICA and FUTA as long as the payment is not paid in a form that is readily converted to cash. Be careful in this area. **File W-2, 943, and state quarterlies.**
 - Gifts Paid in Kind (Commodity Gifts)**

Gifts of commodities to your children or to a charity will eliminate the commodity from your income and self-employment tax. The commodity needs to be a crop or animal raised in the prior year. If the gift is over \$14,000, a gift tax return will need to be filed. Gifting of a commodity to a charity is an excellent tax planning tool if you do not itemize your deductions.
 - Rent Paid to Spouse as Lessor**

Rent paid by one spouse to another is generally deductible if there is a true landlord-tenant relationship. CAUTION: Treatment must be consistent and carefully constructed. Any participation in farm activity by spouse makes rent subject to SE Tax.

- You are liable for the Federal 28% tax if you were required to withhold it and did not withhold it.

ALWAYS HAVE AN ECONOMIC REASON FOR PURCHASES – TAX DEDUCTIONS SAVE ONLY A PERCENTAGE OF THE AMOUNT SPENT.