

# 2016 FARM INCOME & EXPENSE WORKSHEET

NAME \_\_\_\_\_ SS # / FEDERAL ID # \_\_\_\_\_

## FARM INCOME

| SALE OF NON-BREEDING LIVESTOCK and OTHER ITEMS BOUGHT FOR RESALE<br><i>(Include animals used for dairy, draft or breeding below ††)</i> |           |             |             |       |
|---|-----------|-------------|-------------|-------|
| Kind  | Date Sold | Sales Price | Date Purch. | Cost  |
| _____   | _____     | _____       | _____       | _____ |
| _____   | _____     | _____       | _____       | _____ |
| _____   | _____     | _____       | _____       | _____ |
| _____   | _____     | _____       | _____       | _____ |
| Total:  |           | _____       | _____       | _____ |

| SALE OF NON-BREEDING RAISED LIVESTOCK, GRAINS & PRODUCE | NET AMOUNT |
|---|------------|
| Feeder Cattle and Calves                                |            |
| Springing Heifers, Bulls and Cows (enter below ††)      | //////     |
| Lambs and Sheep   |            |
| Butcher Hogs and Feeder Pigs                            |            |
| Sows and Boars (enter below ††)                         | //////     |
| Poultry   |            |
| GROSS Milk and Dairy Products                           |            |
| Eggs  |            |
| Wool  |            |
| Soybeans  |            |
| Corn  |            |
| Other Grains  |            |
| Hay and Straw   |            |
| Fruits or Vegetables                                    |            |
| Value of Commodity Wage Transferred                     |            |

| OTHER FARM INCOME   | AMOUNT |
|---|--------|
| Patronage Dividends (bring 1099-PATR forms & attached stmts.)<br>Are purchases 100% for farm use? * |        |
| Capital Retains   |        |
| Agriculture Program Payments<br>Bring in Forms 1099-G   |        |
| Repayment of Prior Year's ASCS Payments   |        |
| Commodity Credit Loans & Title 1 Payments **  |        |
| Crop Insurance or Disaster Payments – Bring Details   |        |
| Custom Hire / Machine Work Income   |        |
| State Gasoline Tax Refund Received  |        |
| Federal Gasoline Tax Refund from Prior Year's Return  |        |
| Other   |        |

Note: Grain sales may be reported to you by the elevator on 1099-PATR. Please bring these in – the IRS matches.

Bring in details of any casualty loss and insurance reimbursement you received.

There is a deduction for domestic production (code Section 199) if your farm pays wages.

Did you defer **Disaster** income, **Crop Insurance Proceeds** or **Forced Sales due to Disaster** in **Prior** tax year? ..... Yes \_\_\_\_\_ No \_\_\_\_\_

Have you ever made an election to report CCC loans as income in the year received? ..... Yes \_\_\_\_\_ No \_\_\_\_\_

How many hours did you and/or your spouse devote to this operation during the year? ..... Full Time or \_\_\_\_\_ # of hours  
You need to be able to prove that you spend over 500 hours per year on your farming activity in order to deduct a loss. Keep a record of your time if you are a part-time farmer.

Are any portion of your expenses in this business not subject to payback by you? ..... Yes \_\_\_\_\_ No \_\_\_\_\_

Have any of your debts been cancelled or forgiven? (Bring in Form 1099-C or 1099-A if you received one.) ..... Yes \_\_\_\_\_ No \_\_\_\_\_

Did you receive \$10,000 in actual cash (currency/coin) from any individual at any one time or in accumulated amounts during this tax year? If so, file Form 8300 within 15 days. .... Yes \_\_\_\_\_ No \_\_\_\_\_

\* Bring in 1099-PATR -- deductions and credits may be passed through to you on it.

\*\* Bring in details of all Commodity Credit Loans and direct or counter-cyclical payments under Title 1 of the Food, Conservation and Energy Act of 2008.

**NON-FARM INCOME** (Wages, interest, etc.): Please fill out Tax Deduction Finder.

| †† SALE OF LIVESTOCK (dairy, draft, breeding) MACHINERY, EQUIPMENT and LAND |           |            |               |               |                           |
|---|-----------|------------|---------------|---------------|---------------------------|
| Kind of Property  | Date Sold | Sale Price | Sales Expense | Date Acquired | Original Cost (if Purch.) |
|   |           |            |               |               |                           |
|   |           |            |               |               |                           |
|   |           |            |               |               |                           |
|   |           |            |               |               |                           |
|   |           |            |               |               |                           |
|   |           |            |               |               |                           |
|   |           |            |               |               |                           |
|   |           |            |               |               |                           |



# FARM EXPENSES

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

## 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.
- You are required to withhold tax on the payment if recipient does not furnish you with their identification number. (Use form W-9 to obtain their SSN before you pay them.)
- You are liable for the Federal 28% tax if you were required to withhold it and did not withhold it.

| NAME | ADDRESS | IDENTIFICATION # | AMOUNT | PURPOSE OF PAYMENT |
|------|---------|------------------|--------|--------------------|
|      |         |                  |        |                    |
|      |         |                  |        |                    |
|      |         |                  |        |                    |
|      |         |                  |        |                    |

## FARM MANAGEMENT: YEAR END TAX PLANNING

### 1. 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 and for Social Security Disability benefits.
- Income averaging is available for farmers. New clients -- bring in 3 previous tax returns.

### 2. 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 items.
- 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.

### 3. See Your Tax Advisor Before Year End to 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<sup>1/2</sup>, you may donate your required minimum distribution directly to charity.

### 4. 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.

### 5. 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.
- 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.

### 6. Wages Paid to Spouses

- Be sure the taxpayer and spouse have a bona fide employer-employee relationship and farm services are actually rendered. Compensation should be reflective of services performed and paid regularly.
- Wages are subject to FICA tax and **W-2s, 943s, etc.** must be filed.
- 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. Consult your tax advisor.

### 7. 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.** Consult your tax advisor.

### 8. Gifts Paid In Kind (Commodity Gifts)

Gifting 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. Consult your tax advisor.

### 9. Rent Paid to Spouse as Lessor

Rent paid by one spouse to the other 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. Consult your tax advisor.

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

**Are you interested in Bookkeeping services? YES  NO**