

CASH FLOW, DEPRECIATION & TAXES

EL FLUJO DE CAJA, LA DEPRECIACION Y LOS IMPUESTOS

Practicum in Sustainable Agriculture
Práctica en la agricultura sostenible

Fall/Otoño 2021



AGENDA

- ❖ Review
- ❖ QuickBooks
- ❖ Cash Flow
- ❖ Depreciation
- ❖ Overview of Taxes
- ❖ Sauk Farm Presentation
- ❖ Capital Access + Land Access Recording
(saved on Google classroom site)

AGENDA

- ❖ Revisión
- ❖ QuickBooks
- ❖ Flujo de caja
- ❖ Depreciación
- ❖ Resumen de los impuestos
- ❖ Presentación de Sauk Farm
- ❖ Grabación del acceso a capital y
acceso a terreno (guardado en el
sitio de clase de Google)

REVIEW OF CONCEPTS

- ❖ Chart of Accounts
- ❖ Account Types
- ❖ Financial Statements
 - ❖ Income Statement
 - ❖ Balance Sheet

REPASO DE CONCEPTOS

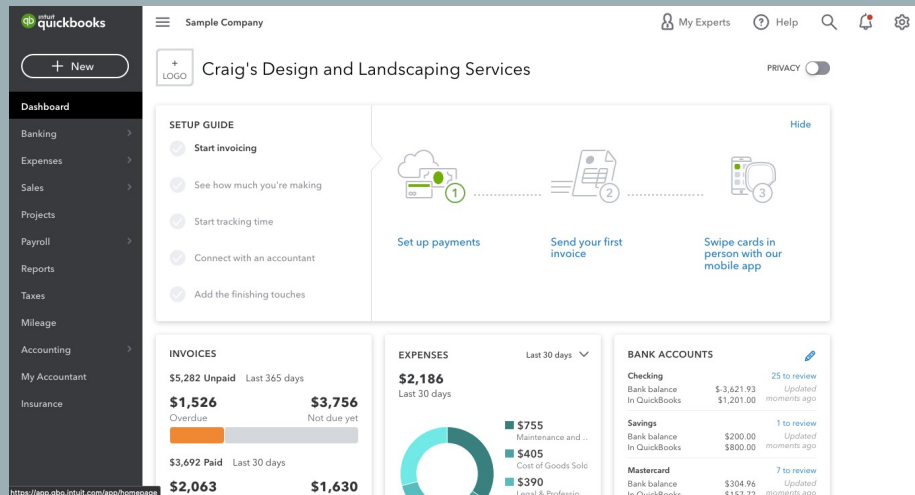
- ❖ Catálogo de cuentas
- ❖ Tipos de cuentas
- ❖ Estados financieros
 - ❖ Estado de ingresos
 - ❖ Hoja de balanza

LET'S PRACTICE!
¡PRACTIQUEMOS!

- ❖ Most popular accounting program for small farm businesses
- ❖ “All inclusive” accounting option
 - ❖ Creating invoices
 - ❖ Recording bill payments
 - ❖ Tracking income and expenses
 - ❖ Generating reports
- ❖ Robust recordkeeping and reporting functionality
- ❖ Desktop version also available (though more expensive)

QUICKBOOKS ONLINE *QUICKBOOKS EN LÍNEA*

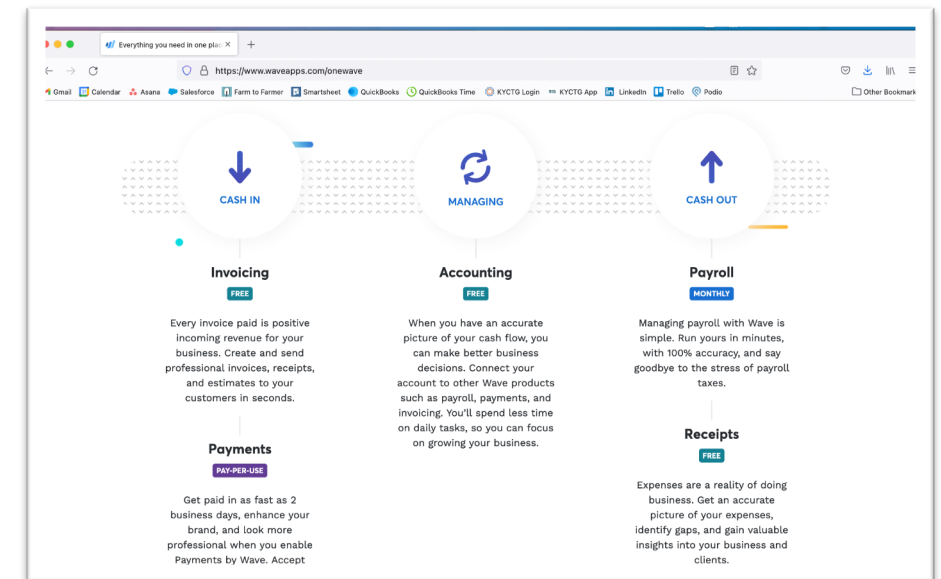
- ❖ El programa de contabilidad los más común para los negocios agrícolas pequeños
- ❖ Opción de contabilidad que incluye todo
 - ❖ Crear las facturas
 - ❖ Recordar los pagos de cuentas
 - ❖ Rastrear los ingresos y gastos
 - ❖ Crear los informes financieros
- ❖ Funcionamiento fuerte para rastrear los registros y reportar las actividades
- ❖ Hay una versión de computadora (no en línea) pero es más caro



WAVE

- ❖ Free for basic accounting needs
 - ❖ Creating invoices
 - ❖ Recording bill payments
 - ❖ Tracking income and expenses
 - ❖ Generating basic reports (fewer options than QBO)
 - ❖ May feel limited as business grows
-
- ❖ Gratis para las necesidades básicas de la contabilidad
 - ❖ Crear las facturas
 - ❖ Recordar los pagos de cuentas
 - ❖ Rastrear los ingresos y gastos
 - ❖ Crear los informes financieros básicos (menos opciones que QuickBooks en línea)
 - ❖ Se podría parecer limitado cuando el negocio crezca

FREE	PAY-PER-USE	MONTHLY
Accounting \$0 Invoicing \$0 Receipts \$0 No set-up fees, no hidden charges, no monthly fee See all our free features	Payments Credit card processing 2.9% + 30¢ per transaction for Visa, Mastercard, Discover 3.4% + 30¢ per transaction for American Express Bank payments (ACH) 1% per transaction (\$1 minimum fee) Read more about online payments	Payroll Tax service states \$35 monthly base fee + \$6 per active employee + \$6 per independent contractor paid Self service states \$20 monthly base fee + \$6 per active employee + \$6 per independent contractor paid Get more details about payroll



CASH FLOW VS. CASH POSITION

EL FLUJO DE EFECTIVO VS. LA BALANZA DE EFECTIVO

Net Income $\neq$ Positive Cash Flow $\neq$ Positive Cash Position

Ingreso neto $\neq$ el flujo de efectivo positivo $\neq$ la balanza positiva de efectivo

Cash Flow – cash flows in (positive cash flow) and out (negative cash flow) on a daily basis.

Cash Position – cash balance, at the end of some specified time period (month, quarter, year, etc.)

Therefore, a business could have negative cash flow (more money left the business than came in) but positive cash position (still have money in the bank).

Flujo de efectivo – el efectivo entra (flujo de efectivo positivo) y sale (flujo de efectivo negativo) del negocio a diario.

Balanza de efectivo – la balanza de efectivo, al fin de un periodo de tiempo específico (mes, cuarto, año, etc.)

Por lo tanto, un negocio podría tener el flujo de efectivo negativo (más dinero salió del negocio de lo que entró) pero tener una balanza de efectivo positivo (tener todavía el dinero en el banco).

CASH FLOW PROJECTIONS AND MANAGEMENT

LAS PREDICCIONES Y EL MANEJO DEL FLUJO DE EFECTIVO

- ❖ Monthly projections – when is cash coming in and going out?
- ❖ Will you be able to make loan payments and pay all bills on time?
- ❖ Will there be a moment in the year when you project being short on cash?
- ❖ Predicciones mensuales - ¿cuándo entra y sale el efectivo?
- ❖ ¿Podrá pagar los préstamos y las facturas a tiempo?
- ❖ ¿Habrá un momento durante la temporada cuando no tendrá suficiente de dinero?

CASH FLOW MANAGEMENT STRATEGIES

ESTRATEGIAS DEL MANEJO DE FLUJO DE CAJA

How can you avoid negative cash position?

- ❖ Delay certain purchases until later in the year
- ❖ Communicate payment terms very clearly to customers (COD, Net 15, Net 30, etc.)
- ❖ Borrow funds from family, friends, bank, etc.
 - ❖ Operating loan is very common financing tool for farmers

¿Cómo evitar una balanza de caja negativa?

- ❖ Retrase algunas compras hasta más tarde en el año
- ❖ Comunique claramente a sus clientes los términos (pago por entrega, pago de 15 días, pago de 30 días, etc.)
- ❖ Tomar prestado de la familia, los amigos, el banco, etc.
 - ❖ Préstamo de operación es una herramienta de financiamiento comuna para los rancheros

CASH FLOW BUDGET	
YEAR:	Jan
Total Other Expenses	\$
Total Operating Expenses	\$
Net Operating Income	\$
Other Income	
Grants	
Other	
Net Income (Loss) Before Taxes	\$
Tax Expense	
Net Income (Loss)	\$
CASH FLOW	
Starting Cash	\$
Cash Flow from Operations	\$
Cash Flow from Investing	
Asset Purchases	\$ (
Total Cash Outflow from Investing	\$ (
Cash Flow from Financing	
Financing Inflow	\$
Financing Outflow	\$
Total Cash Flow from Financing	\$
Total Cash Flow from Investing & Financing	\$
Ending Cash Position	\$

CASH VS. ACCRUAL ACCOUNTING

CONTABILIDAD DE EFECTIVO VS. ACUMULACIÓN

Cash Accounting

- ❖ Revenue/income recorded when business receives cash
- ❖ Expenses recorded when cash leaves bank account
- ❖ Shows seasonal flow of cash

Accrual Accounting

- ❖ Revenue recorded when invoice is generated for product sale (even if customer doesn't pay for 30 days)
- ❖ Expenses are recorded when incurred (even if cash has not yet left the bank account)
- ❖ More accurate for assessing profitability

Contabilidad de efectivo

- ❖ Se registran los ingresos cuando el negocio recibe el dinero
- ❖ Se registran los gastos cuando el dinero sale de la cuenta bancaria
- ❖ Muestra el flujo de efectivo durante la temporada

Contabilidad de acumulación

- ❖ Se registran los ingresos al momento de generar la factura para la venta de producto (aun si el cliente no paga hasta 30 días después)
- ❖ Los gastos registrados cuando ocurren (aun si el dinero todavía no ha salido de la cuenta bancaria)
- ❖ Más preciso para entender la rentabilidad

ACCOUNTS RECEIVABLE & PAYABLE

CUENTAS POR COBRAR Y PAGAR

Accounts Receivable (A/R)

- ❖ Revenue earned but not yet received – outstanding invoices most common A/R

Accounts Payable (A/P)

- ❖ Expenses owed but not yet paid for – outstanding bills most common A/P

Cuentas por cobrar (A/R)

- ❖ Ingresos ganados pero ya no recibidos – facturas pendientes son los A/R más comunes

Cuentas por pagar (A/P)

- ❖ Gastos debidos pero ya no pagados – cuentas pendientes son los A/P más comunes

ASSETS
Current (short-term) Assets
Farm Bank Account
Cash on Hand
Accounts Receivable
Inventory
Fixed (long-term) Assets
Farm Land
Farm Equipment
Farm Vehicles
Farm Buildings
Other
Total Depreciation (-)
Total Assets
LIABILITIES
Short-term Debt
Credit Card Loan Balance
Accounts Payable
Operating Loan Balance (1-12 mos.)
Long-term Debt
Tractor/Equipment Loan Balance
Mortgage
Long-term Operating Loan Balance (12+ mos.)
Vehicle Loan
Other Loans/Debt
Total Debt
EQUITY
Owners' Capital/Owners' Contribution
Net Income (or loss)
Retain Earnings
Owners' Draw (-)
Total Equity
Total Liabilities
ASSETS = LIABILITIES

DEPRECIATION

DEPRECIACIÓN

- ❖ Allocate value of asset over its “useful life”

Straight-line depreciation:

$$(\text{Purchase Price} - \text{Salvage Value}) \div \text{Useful Life (in years)} = \text{depreciation expense per year}$$

Tractor

\$25,000 purchase price

\$5,000 salvage value

10 years useful life

$$(25,000 - 5,000) \div 10 = 2,000$$

\$2,000 depreciation expense per year

- ❖ Other types of depreciation sometimes used for tax purposes

- ❖ Distribuir el valor de los activos a través del tiempo útil

Depreciación recta:

$$(\text{Precio de compra} - \text{valor base}) \div \text{tiempo útil (años)} = \text{gasto de depreciación por año}$$

Tractor

\$25,000 precio de compra

\$5,000 valor base

10 años de tiempo útil

$$(25,000 - 5,000) \div 10 = 2,000$$

\$2,000 gasto de depreciación por año

- ❖ Otros tipos de depreciación usados para razones de los impuestos

DEPRECIATION ON FINANCIAL STATEMENTS

DEPRECIACIÓN EN LOS ESTADOS FINANCIEROS

BEFORE/ANTES

INCOME STATEMENT	
Income	
Produce Sales	10,000
Total Income	10,000
Expense	
Seed Purchase	300
Packaging Purchase	500
Total Expenses	800
Net Income	9,200

BALANCE SHEET	
Assets	
Bank Account	14,200
Equipment	25,000
Total Assets	39,200
Liabilities	
Debt	
Equipment Loan	25,000
Equity	
Owner's Capital	5,000
Retained Earnings	9,200
Total Liabilities (Debt + Owner's Equity)	39,200

AFTER/DESPUÉS

INCOME STATEMENT	
Income	
Produce Sales	10,000
Total Income	10,000
Expense	
Seed Purchase	300
Packaging Purchase	500
Depreciation Expense	2,000
Total Expenses	2,800
Net Income	7,200

BALANCE SHEET	
Assets	
Bank Account	14,200
Equipment	23,000
Total Assets	37,200
Liabilities	
Debt	
Equipment Loan	25,000
Equity	
Owner's Capital	5,000
Retained Earnings	7,200
Total Liabilities (Debt + Owner's Equity)	37,200

OVERVIEW OF FEDERAL TAXES

RESUME DE LOS IMPUESTOS FEDERALES

- ❖ Filing responsibility – revenue over \$400, any loss
- ❖ File Schedule F tax form
- ❖ 3 years of Schedule F forms needed for federal financing, crop insurance, etc.
- ❖ Need to know business structure to file taxes
- ❖ Calculate depreciation
- ❖ Determine allocation of use of shared assets (car, property with house, barn, etc.)
- ❖ Highly recommend working with an accountant with farm tax experience
- ❖ Responsabilidad de declaración – ingresos más que \$400, y cualquiera pérdida
- ❖ Declarar con el formulario F
- ❖ Se necesita 3 años de formulario F para postularse para el financiamiento federal, la seguridad de cultivos, etc.
- ❖ Tiene que conocer la estructura de negocio para declarar los impuestos
- ❖ Calcular la depreciación
- ❖ Determinar el uso compartido de los activos (el carro, el terreno con casa, granero, etc.)
- ❖ Aviso de trabajar con un contador con experiencia de los impuestos de granja

Schedule F – *Formulario F*

Part I Farm Income—Cash Method. Complete Parts I and II (Accrual method. Complete Parts II and III, and Part I, line 9.)			
1a	Sales of livestock and other resale items (see instructions)	1a	
b	Cost or other basis of livestock or other items reported on line 1a	1b	
c	Subtract line 1b from line 1a	1c	
2	Sales of livestock, produce, grains, and other products you raised	2	
3a	Cooperative distributions (Form(s) 1099-PATR)	3a	
3b	Taxable amount	3b	
4a	Agricultural program payments (see instructions)	4a	
4b	Taxable amount	4b	
5a	Commodity Credit Corporation (CCC) loans reported under election	5a	
b	CCC loans forfeited	5b	
5c	Taxable amount	5c	
6	Crop insurance proceeds and federal crop disaster payments (see instructions)		
a	Amount received in 2018	6a	
b	Taxable amount	6b	
c	If election to defer to 2019 is attached, check here ☐	6d	Amount deferred from 2017
7	Custom hire (machine work) income	7	
8	Other income, including federal and state gasoline or fuel tax credit or refund (see instructions)	8	
9	Gross income. Add amounts in the right column (lines 1c, 2, 3b, 4b, 5a, 5c, 6b, 6d, 7, and 8). If you use the accrual method, enter the amount from Part III, line 50. See instructions	9	

Part II Farm Expenses—Cash and Accrual Method. Do not include personal or living expenses. See instructions.			
10	Car and truck expenses (see instructions). Also attach Form 4562	10	
11	Chemicals	11	
12	Conservation expenses (see instructions)	12	
13	Custom hire (machine work)	13	
14	Depreciation and section 179 expense (see instructions)	14	
15	Employee benefit programs other than on line 23	15	
16	Feed	16	
17	Fertilizers and lime	17	
18	Freight and trucking	18	
19	Gasoline, fuel, and oil	19	
20	Insurance (other than health)	20	
21	Interest (see instructions)		
a	Mortgage (paid to banks, etc.)	21a	
b	Other	21b	
22	Labor hired (less employment credits)	22	
23	Pension and profit-sharing plans	23	
24	Rent or lease (see instructions):		
a	Vehicles, machinery, equipment	24a	
b	Other (land, animals, etc.)	24b	
25	Repairs and maintenance	25	
26	Seeds and plants	26	
27	Storage and warehousing	27	
28	Supplies	28	
29	Taxes	29	
30	Utilities	30	
31	Veterinary, breeding, and medicine	31	
32	Other expenses (specify):		
a		32a	
b		32b	
c		32c	
d		32d	
e		32e	
f		32f	
33	Total expenses. Add lines 10 through 32f. If line 32f is negative, see instructions	33	
34	Net farm profit or (loss). Subtract line 33 from line 9	34	

Schedule I
(Form 1040)
Formulario I
(Forma 1040)

SCHEDULE 1
(Form 1040)

Department of the Treasury
Internal Revenue Service

Additional Income and Adjustments to Income

► Attach to Form 1040.

► Go to www.irs.gov/Form1040 for instructions and the latest information.

OMB No. 1545-0074

2018

Attachment
Sequence No. **01**

Name(s) shown on Form 1040

Your social security number

Additional Income	1-9b	Reserved	1-9b		
	10	Taxable refunds, credits, or offsets of state and local income taxes	10		
	11	Alimony received	11		
	12	Business income or (loss). Attach Schedule C or C-EZ	12		
	13	Capital gain or (loss). Attach Schedule D if required. If not required, check here ► ☐	13		
	14	Other gains or (losses). Attach Form 4797	14		
	15a	Reserved	15b		
	16a	Reserved	16b		
	17	Rental real estate, royalties, partnerships, S corporations, trusts, etc. Attach Schedule E	17		
	18	Farm income or (loss). Attach Schedule F	18		
	19	Unemployment compensation	19		
	20a	Reserved	20b		
21	Other income. List type and amount ►	21			
22	Combine the amounts in the far right column. If you don't have any adjustments to income, enter here and include on Form 1040, line 6. Otherwise, go to line 23	22			
Adjustments to Income	23	Educator expenses	23		
	24	Certain business expenses of reservists, performing artists, and fee-basis government officials. Attach Form 2106	24		
	25	Health savings account deduction. Attach Form 8889	25		
	26	Moving expenses for members of the Armed Forces. Attach Form 3903	26		
	27	Deductible part of self-employment tax. Attach Schedule SE	27		
	28	Self-employed SEP, SIMPLE, and qualified plans	28		
	29	Self-employed health insurance deduction	29		
	30	Penalty on early withdrawal of savings	30		
	31a	Alimony paid b Recipient's SSN ►	31a		
	32	IRA deduction	32		
	33	Student loan interest deduction	33		
	34	Reserved	34		
	35	Reserved	35		
	36	Add lines 23 through 35	36		

Form 1040
Forma 1040

Form 1040 (2018)

Page **2**

Attach Form(s)
W-2. Also attach
Form(s) W-2G and
1099-R if tax was
withheld.

**Standard
Deduction for —**

- Single or married
filing separately,
\$12,000
- Married filing
jointly or Qualifying
widow(er),
\$24,000
- Head of
household,
\$18,000
- If you checked
any box under
Standard
deduction,
see instructions.

Refund

Direct deposit?
See instructions.

Amount You Owe

1	Wages, salaries, tips, etc. Attach Form(s) W-2				
2a	Tax-exempt interest	2a			
3a	Qualified dividends	3a			
4a	IRAs, pensions, and annuities	4a			
5a	Social security benefits	5a			
6	Total income. Add lines 1 through 5. Add any amount from Schedule 1, line 22				
7	Adjusted gross income. If you have no adjustments to income, enter the amount from line 6; otherwise, subtract Schedule 1, line 36, from line 6				
8	Standard deduction or itemized deductions (from Schedule A)				
9	Qualified business income deduction (see instructions)				
10	Taxable income. Subtract lines 8 and 9 from line 7. If zero or less, enter -0-				
11	a Tax (see inst.) (check if any from: 1 ☐ Form(s) 8814 2 ☐ Form 4972 3 ☐) b Add any amount from Schedule 2 and check here ▶ ☐				
12	a Child tax credit/credit for other dependents b Add any amount from Schedule 3 and check here ▶ ☐				
13	Subtract line 12 from line 11. If zero or less, enter -0-				
14	Other taxes. Attach Schedule 4				
15	Total tax. Add lines 13 and 14				
16	Federal income tax withheld from Forms W-2 and 1099				
17	Refundable credits: a EIC (see inst.) b Sch. 8812 c Form 8863 Add any amount from Schedule 5				
18	Add lines 16 and 17. These are your total payments				
19	If line 18 is more than line 15, subtract line 15 from line 18. This is the amount you overpaid				
20a	Amount of line 19 you want refunded to you . If Form 8888 is attached, check here ▶ ☐				
▶ b	Routing number ▶ c Type: ☐ Checking ☐ Savings				
▶ d	Account number				
21	Amount of line 19 you want applied to your 2019 estimated tax ▶ 21				
22	Amount you owe . Subtract line 18 from line 15. For details on how to pay, see instructions ▶ 22				
23	Estimated tax penalty (see instructions) ▶ 23				

OVERVIEW OF WASHINGTON STATE TAXES

RESUME DE LOS IMPUESTOS ESTATALES DE WASHINGTON

- ❖ No state income tax
- ❖ Farmers do not charge sales tax on agricultural food items
- ❖ Farm revenue IS subject to Business & Occupation (B&O) tax
- ❖ Sales between farmers not taxed (do not report this revenue)
- ❖ Farmers exempt from paying sales tax on items used for production
 - ❖ Apply for Reseller Permit to avoid paying sales tax on these transactions
- ❖ No hay impuestos de ingresos estatales
- ❖ Los rancheros no cobran los impuestos de ventas de los productos agrícolas de consumación
- ❖ Debe pagar el impuesto de Negocio y operación (B&O) para los ingresos del rancho
- ❖ No tiene que pagar los impuestos para las ventas entre los rancheros (no reporte este ingreso)
- ❖ Los rancheros no tienen que pagar los impuestos para las cosas de producción
 - ❖ Postularse para un Reseller Permit (permiso de revender) para evitar pagar los impuestos en estas transacciones

GENERAL FILING SCHEDULE *PLAN DE DECLARER GENERAL*

- ❖ Department of Revenue will assign payment schedule based on projected revenue stated on business license application
- ❖ Generally, payment schedule based on tax obligation:
 - ❖ Over \$4,800 per year – Monthly
 - ❖ Between \$1,050 and \$4,800 per year – Quarterly
 - ❖ Less than \$1,050 per year - Annual
- ❖ Can request a change through “My DOR” or (360) 705-6705.

- ❖ Departamento de ingresos determinará el plan de pagar según su ingreso previsto en la aplicación de licencia de negocio
- ❖ En general, el plan de pago se determina por la obligación de impuestos:
 - ❖ Más que \$4,800 por año – mensual
 - ❖ Entre \$1,050 y \$4,800 por año – trimestral
 - ❖ Menos que \$1,050 por año - anual
- ❖ Puede pedir un cambio por “My DOR” o (360) 705-6705.