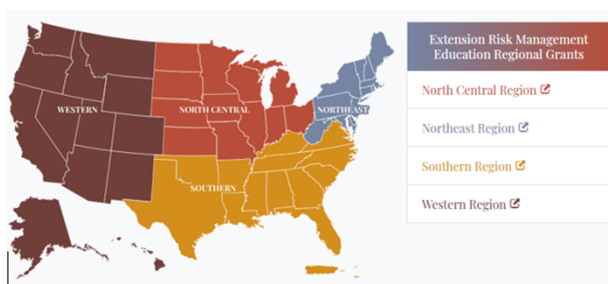


Fundamentals of Income Tax Management and Records

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This material is based upon work supported by a USDA-
NIFFA Award



National Institute of Food and Agriculture
U.S. DEPARTMENT OF AGRICULTURE

This information changes...often.

This is educational information, not tax or legal advice. Information is based on material from LGUTEF, Ruraltax.org, and IRS. Please be a good consumer of professional services.





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Source Acknowledgement


Land Grant University
Tax Education Foundation, Inc.


RuralTax.org


IRS
Department of the Treasury
Internal Revenue Service

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Agenda

- Records Systems
- Character of Income
- Tax Planning Strategies
- Tax Planning Examples
- Schedule F



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A few words on records.....

- Least favorite task of all farmers
- Also, the most necessary
- Either computer software or manual record book works
- The main thing is to have a system
- Reconcile...Reconcile...Reconcile
- The system should include a section for
 - Farm income/expense, capital purchases, money borrowed/debt paid, and personal income/expense



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A Tax Refresher



Income Tax Basics

- Ordinary Farm Income
 - Income from sale of commodities, livestock, and/or custom services provided as part of the farming operation (reported on Schedule F)



Income Tax Basics

- Capital Assets (not the textbook version)
 - Anything purchased that must be depreciated (machinery, breeding livestock, buildings) or whose purchase cost cannot be deducted until disposition (land).
 - Capital assets are subject to long or short-term capital gains treatment or depreciation recapture upon disposition.



Income Tax Basics

- Sale of Capital Assets
 - Sale of Capital Assets are reported as “Depreciation Recapture” or “Capital Gain”. (Reported on Form 4797 and Schedule D)



How is everything taxed?

- Wages and business income
 - Rate depends upon filing status
 - Rates run from 10% to 37%



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How is everything Taxed?

- Income subject to self-employment tax
 - Farm business and non-farm business income is taxed at the current bracket rate (regular tax)
 - Self-employment tax rate = (15.3%)(12.5 % OASDI & 2.8% Medicare)(OASDI cap is \$ 168,600 for 2024)



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How is everything taxed?

- Rental/investment income (passive)
 - Taxed at the current bracket rate
 - Generally, not subject to SE Tax
- Wage income
 - Taxed at the current bracket rate
 - SE tax is paid in the manner of FICA and Medicare withholding on W-2



Income Tax Basics

- Depreciation
 - Qualifying capital assets (machinery, breeding livestock, buildings and drainage tile) cannot be deducted as an ordinary farm expense in the year they are purchased. The expense must be spread over a period of years.
 - EXCEPTION: Purchases that fall under the new Tangible Property (Repair) Regulations.
 - Tangible Property Regulations call for recapture upon subsequent sale.

Depreciation Recapture

- Typically results from the sale or trading of machinery
- Taxed as ordinary income but not subject to SE tax
- Reported on Form 4797

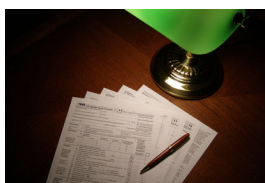
Depreciation Recapture Example

- Sale of Tractor for \$20,000
- Assumption is that the tractor was written off with Section 179 at purchase leaving zero basis.
- All \$20,000 will be taxed as depreciation recapture.



Like-Kind Exchanges

- TCJA modified LKE rules so that only real property qualifies.
 - Real Property includes land and any property attached directly to it.
 - Does not include machinery trades



Like-Kind Exchanges - Ex. #1

- Machinery trade (**OLD METHOD**)
 - Assuming no basis in the tractor. The farmer would not recognize any income on this trade.

Action	FMV	Cash Paid
Trade Utility Tractors		
Old Tractor (traded unit)	\$20,000	
New Tractor	\$45,000	\$25,000

Like-Kind Exchanges – Ex. #2

- Machinery trade (**NEW METHOD**)
 - Assuming no basis in the tractor, the Farmer will **recognize \$20,000 of depreciation recapture** and **pay full price for the combine.**

Action	FMV	Cash Paid
Trade Utility Tractors		
Old Tractor (traded unit)	\$20,000	
New Tractor	\$45,000	\$45,000

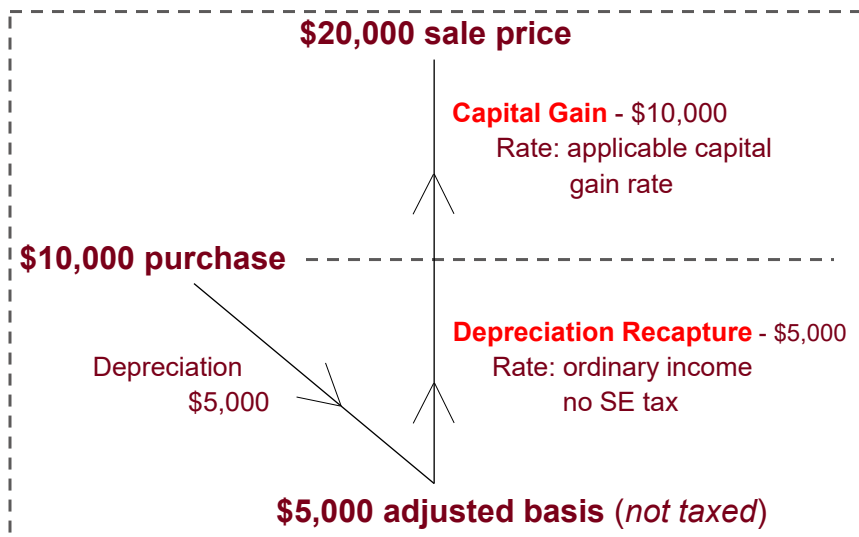
Capital Gains

- Breakpoints for 15% and 20% capital gains/qualified dividends rates are set as statutory dollar amounts, adjusted for inflation.



2024 Capital Gains Rates

Filing status	0%	15%	20%
Single	\$0 to \$47,025	\$47,026 to \$518,900	\$518,901 or more
Married filing jointly	\$0 to \$94,050	\$94,051 to \$583,750	\$583,751 or more
Married filing separately	\$0 to \$47,025	\$47,026 to \$291,850	\$291,851 or more
Head of household	\$0 to \$63,000	\$63,001 to \$551,350	\$551,351 or more



Qualified Business Income (QBI)



Two Deductions for Patrons

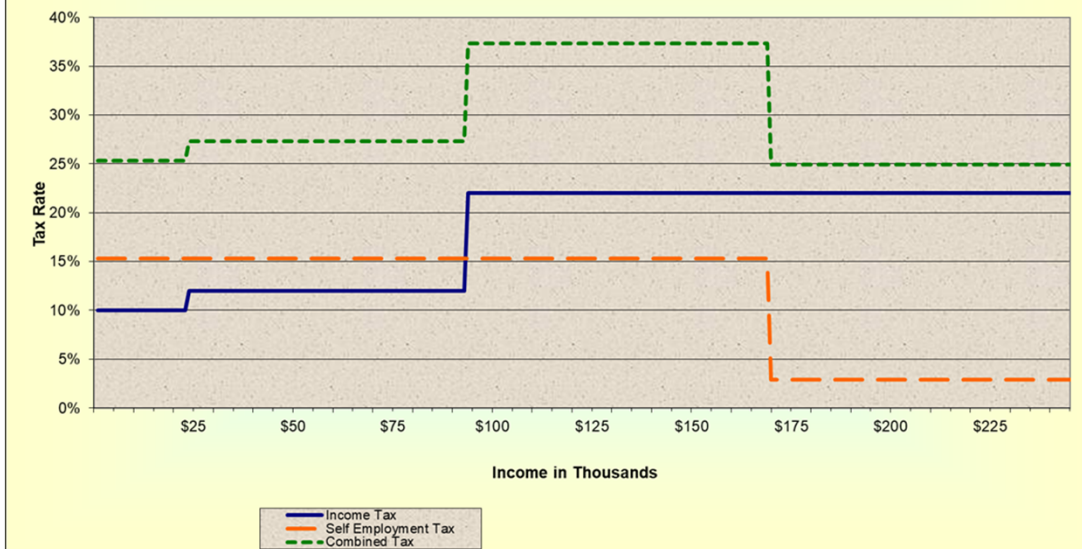
- I.R.C. § 199A(a) 20% QBI deduction
- I.R.C. § 199A(g) DPAD which is passed through to farmers/producers by the Cooperative
- Normal Calculation below the threshold (above threshold, calculation limited to wages and basis (UBIA))
 - \$364,200 MFJ
 - \$182,100 Unmarried Individuals

Patron Reduction

- Patrons must reduce their I.R.C. § 199A(a) QBI (20 percent) deduction if they receive qualified payments.
 - 9% of the QBI for that trade or business that is allocable to the qualified payments from the cooperative
 - 50% of patron’s W-2 wages paid that are allocable to the qualified payments.
- **Observation. No wages paid, no reduction to patron’s QBI deduction**



2024 INCOME TAX RATES (MFJ)



Tax Planning Strategies

- Pre-Pay Expenses
- Income Averaging
- Deferral of Income
 - Crop and/or Livestock sales
- Accelerated Depreciation
 - Section 179 and Bonus
- Crop Insurance Deferral



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Prepaying expenses

- Cash basis deduction generally limited if useful life beyond end of tax year
- 12-month rule provides an exception if benefits do not extend beyond the **earlier of**
 - 12 months after the benefit begins, or
 - the end of the following tax year
- Example: One-year insurance premium paid in November is okay
- Planning Note - No prepaid interest, only to year-end



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Prepaid farm supplies exception and limit

- Special exception provided under I.R.C. § 464
- Prepaid farm supplies may still be limited to 50% of all other expenses
 - Unused due to fire, storm, flood, etc. won't be counted
- Limit doesn't apply to taxpayer who
 - Is a *farm-related taxpayer* and
 - Has total prepaid farm supplies for the preceding 3 years of less than 50% of all other expenses or
 - Exceeds limit due to unusual change in business operations

Prepaid farm supplies

3-part test for prepaid expense deduction

1. **Payment, not deposit**
 - Facts and circumstances
 - Specific quantity at fixed price
 2. **Valid business purpose**
 - Fixing price and supply
 3. **No material distortion of income**
- Remember other expenses!



Income Averaging

- Filed on Schedule J
- Allows taxpayers to utilize unused tax brackets from past years



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Income Averaging

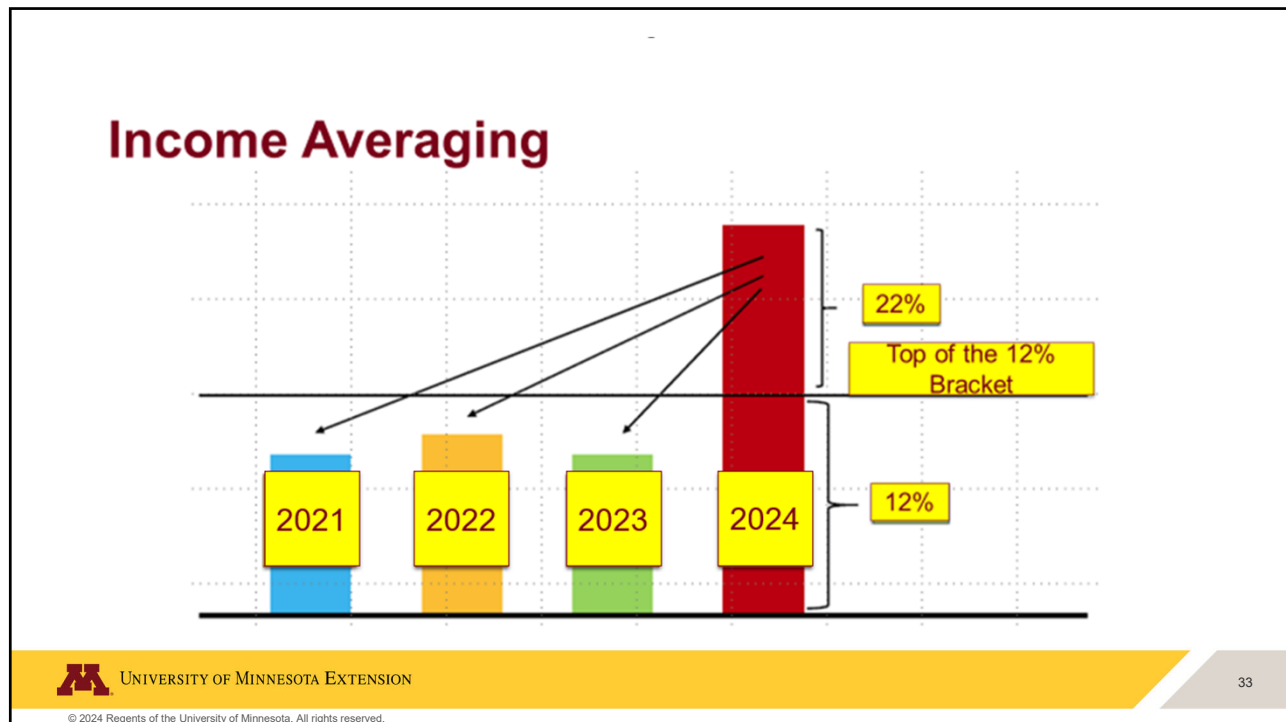
- Only farm income qualifies
- Does not affect:
 - Self-employment income
 - Taxable income



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Defer Crop and Livestock Sales

- Postpone sales into next year. Income is taxable upon receipt.
 - Constructive receipt rules
- Transfer of ownership and telling the buyer to hold the check does not work. Must do a deferred payment contract (next slide).

Deferred Sales (Deferred Sales Contract)

- Allowed under installment sale rules
- Producer must have binding contract with buyer
- No constructive receipt of income
- Seller is unsecured creditor
 - Risk if buyer goes out of business before payment

Weather-Related Provisions for Livestock Sales

- Sales of animals due to weather-related conditions
- Shortage of feed or water
- Draft, dairy, and breeding animals
- Not sport or poultry
- Postpone gain to avoid bunching of income
- Sales in excess of normal practice

Weather-Related Sales of Livestock

- **Breeding Stock**
 - If sold due to weather-related conditions, the gain is postponed for up to two years providing the producers replace the animals.
 - Replacement animals must be like-kind.
 - Deferral amount is based on the number of head above the normal cull rate.
 - Replacement period may be extended if weather conditions persist.
 - No disaster declaration is required

Weather-Related Sales of Livestock

- **Animals Raised for Sale and Breeding Stock (all livestock)**
 - Weather-related sales of raised animals may be deferred into the following year
 - Based upon sales in excess of a normal year
 - Must be cash method farmer
 - Requires Federal disaster declaration
 - Election to defer filed with tax return

Depreciating Assets



Placed in Service

- Property is placed in service when it is ready and available for a specific use, whether in a business activity, an income-producing activity, a tax-exempt activity, or a personal activity.
- With farm equipment, this means that the equipment must be delivered, assembled, and ready for the use for which it is intended.
- It is not necessary that the equipment is actually used.

Recovery Period for Farm Equipment & Machinery

- New farm equipment and machinery was made 5-year property under TCJA
- Applies to equipment placed in service after 12/31/2017
- Used farm equipment and machinery continues to be 7-year property
- The assets must be used in farming as defined by I.R.C. § 263A
- Equipment used in contract planting, spraying, harvesting is not used in farming
- ADS life continues to be 10 years for both new and used equipment
- **Grain bins, cotton ginning assets, and fences are still 7-year property (10-yr ADS)**



Depreciation

- Section 179
 - Class life 3-15 qualifies
 - 2024 Max. is \$1,220,000
 - Qualifying Purchase limit = \$3,050,000
 - Above purchase limit, dollar-for-dollar reduction of allowable expense.
 - Related party rules (prohibited for lineal descendants).



Property	GDS	ADS	179?	Type
Drainage Tile	15	20	YES	Integral
Paved Barn Lots	15	20	YES	Integral
Grain bins (but not shed used for flat storage)	7	10	YES	Storage
Poultry House	10	15	YES	Single Purpose
Agricultural Fences	7	10	YES	Integral
Trees and Vines Bearing Fruit or Nuts	10	20	YES	Integral
Peanut facility	7	10	YES	Storage
Orchards			YES	Integral
Irrigation Systems (If composed of masonry, concrete, tile, metal, or wood)	7	10	YES	Integral
Water Well for raising poultry and livestock or for irrigation	15	20	YES	Integral
Potato Facility	7	10	YES	Storage
Fruit Refrigerated Structure	7	10	YES	Storage
Machinery- New	5	10	YES	Personal Property
Machinery-Used	7	10	YES	Personal Property
Automobiles	5	5	YES	Personal Property
Cattle (dairy or breeding)	5	7	YES	Personal Property
Farm Building*	20	25	NO	Real Property

*Farm buildings are not eligible for section 179 because they are I.R.C. § 1250, not I.R.C. § 1245 property.

Depreciation

- **Bonus Depreciation (Additional first-year depreciation)**
 - Class life 3 to 20-year property qualifies
 - New or Used (must be Qualifying Acquisition)
 - For 2024, 60% deduction
 - Default is to take bonus. Must elect out by class life.
 - Related party rules are the same as Section 179

Deferral of Crop Insurance

- Cash basis farmers can defer income, planning is important.
 - Deferral election applies to destruction or damage to crops that results in an insurance or disaster payment.
 - I.R.C. § 451(f); Treas. Reg. § 1.451-6(a)

Deferral of Crop Insurance

- Report income on cash basis
- Establish that under normal business practice, income from crops would have been reported in following year.

Deferral of Crop Insurance

- Rev. Rul. 74-145 requires taxpayer to show that more than 50% of income from **each** damaged crop(s) would be reported in the following year.
 - *Nelson v. Commissioner* (2008)



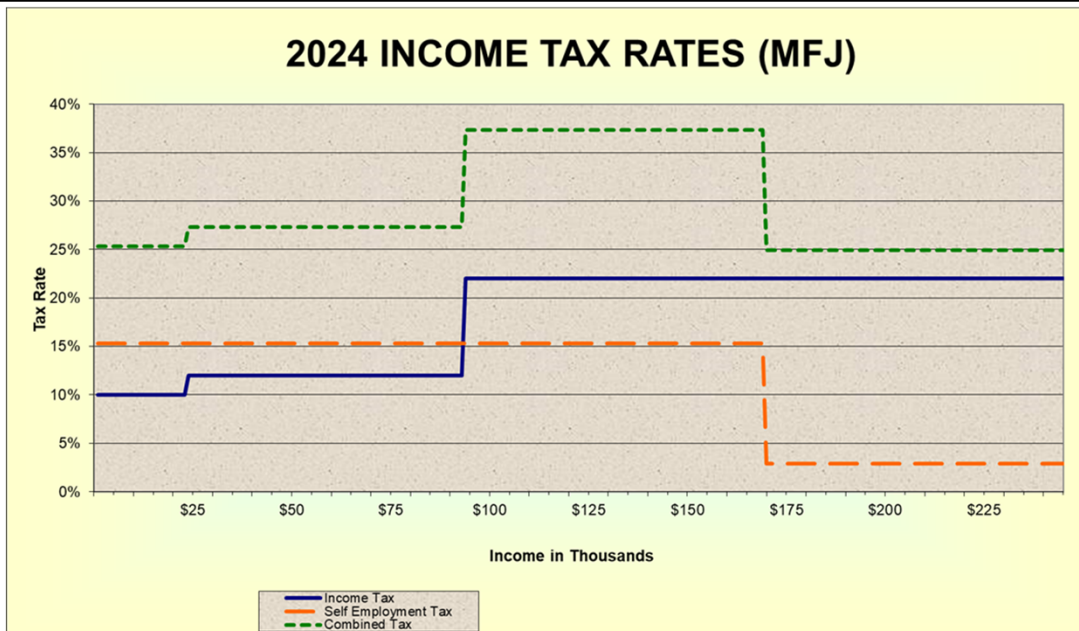
Tax Planning



2024 Income Tax Brackets

Tax rate	Single	Married filing jointly	Married filing separately	Head of household
10%	\$0 to \$11,600	\$0 to \$23,200	\$0 to \$11,600	\$0 to \$16,550
12%	\$11,601 to \$47,150	\$23,201 to \$94,300	\$11,601 to \$47,150	\$16,551 to \$63,100
22%	\$47,151 to \$100,525	\$94,301 to \$201,050	\$47,151 to \$100,525	\$63,101 to \$100,500
24%	\$100,526 to \$191,950	\$201,051 to \$383,900	\$100,526 to \$191,950	\$100,501 to \$191,950
32%	\$191,951 to \$243,725	\$383,901 to \$487,450	\$191,951 to \$243,725	\$191,951 to \$243,700
35%	\$243,726 to \$609,350	\$487,451 to \$731,200	\$243,726 to \$365,600	\$243,701 to \$609,350
37%	\$609,351 or more	\$731,201 or more	\$365,601 or more	\$609,350 or more

2024 INCOME TAX RATES (MFJ)



2024 Standard Deduction	
Filing Status	Deduction Amount
Single	\$14,600
Married Filing Jointly	\$29,200
Head of Household	\$21,900
Additional Amount for Married Seniors	\$1,550
Additional Amount for Unmarried Seniors	\$1,950

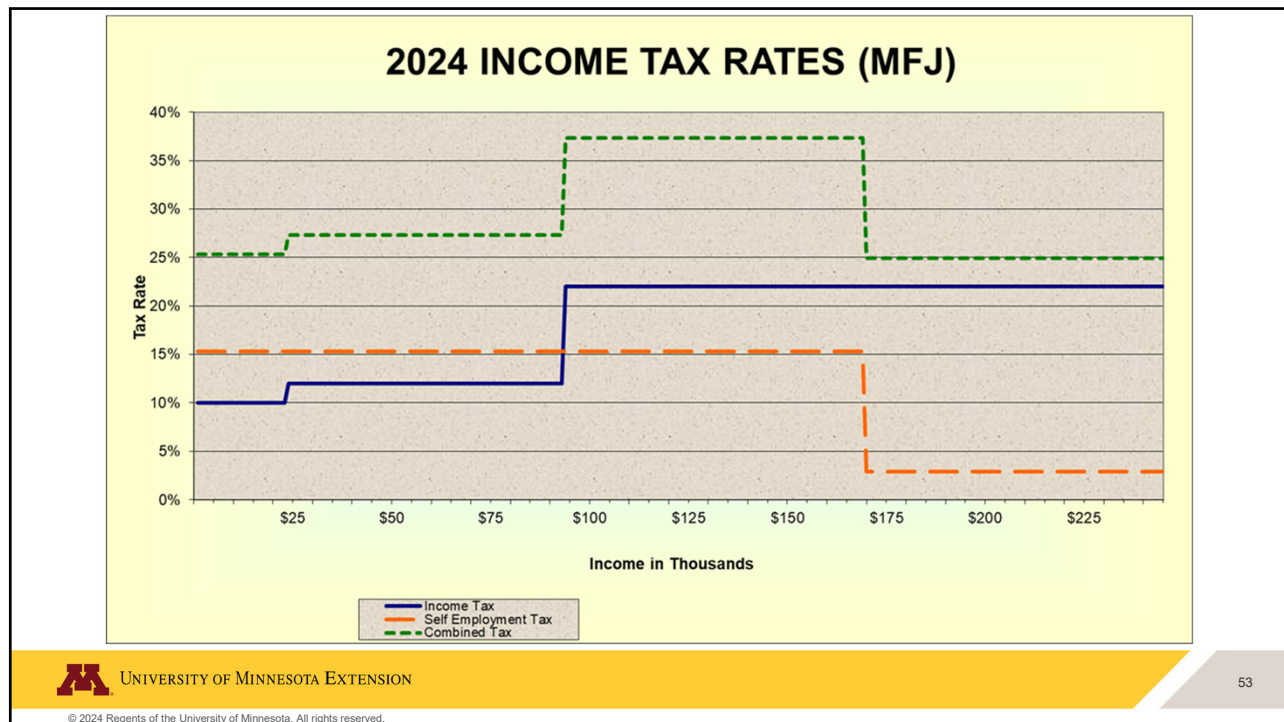


Tax Planning Example

At the beginning of tax planning, the farmer brings in their accounting records, and they have a projected schedule F of \$200,000. After taking regular deductions (standard deduction, qualified business income deduction, and half the SE tax), the income tax liability is as follows.

- Taxable Income = \$126,135
- Federal Tax = \$17,856
- Self-Employment Tax = \$26,262
- Total Tax = \$44,118
- Marginal Tax Rate = 22%

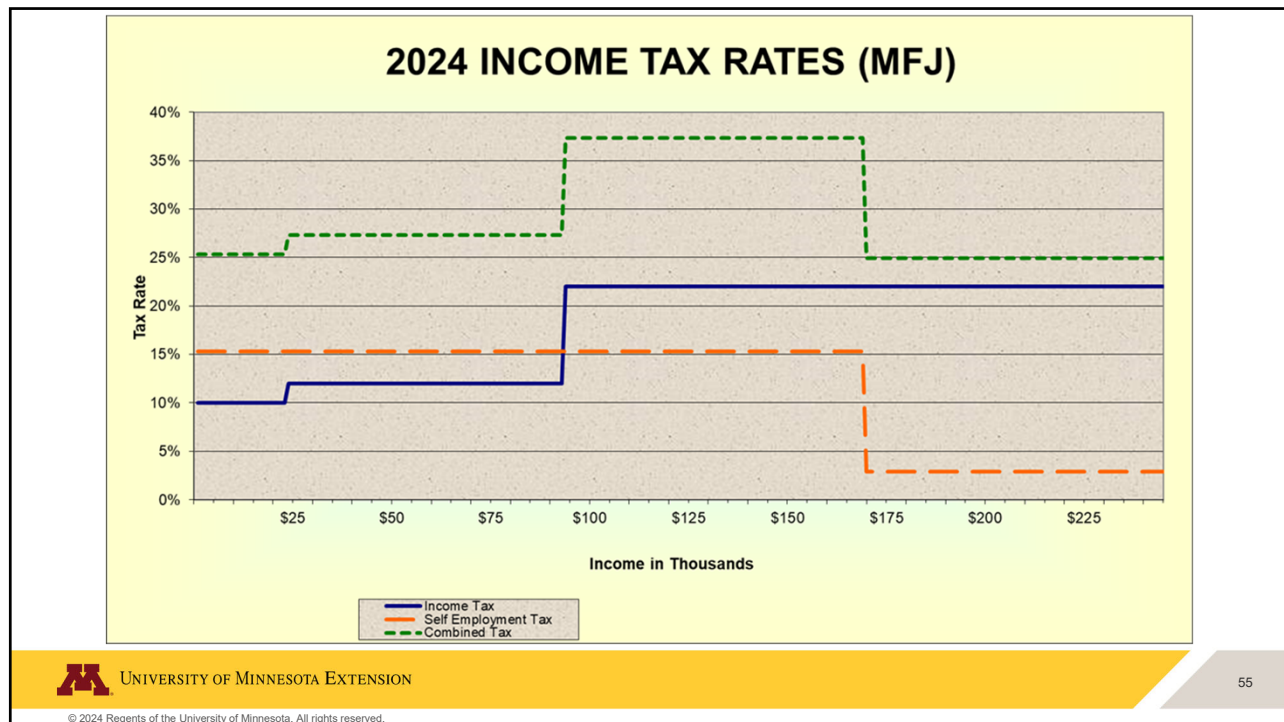




Tax Planning Example (Continued)

To mitigate this income tax liability, the producer is going to pre-pay \$20,000 of 2025 crop inputs and is also going to take \$22,000 of Section 179 on a recently purchased piece of equipment. This adds \$42,000 to the current farm expenses and reduces schedule F to \$158,000. After the additional expense, the tax liability is:

- Taxable Income = \$94,110
- Federal Tax = \$10,831
- Self-Employment Tax = \$22,324
- Total Tax = \$33,155
- Marginal Tax Rate = 12%



Tax Planning Example (Continued)

The net change to the tax liability is listed below.

- The farmer spent an additional \$42,000 in pre-payment and accelerated depreciation.
- The farmer cut the tax bill by \$10,963.
- The farmer saved \$0.261 of tax for every dollar of pre-payment and accelerated depreciation.
- Qualified Business Deduction (QBI) was reduced with increased expenses.



Schedule F

Schedule F

SCHEDULE F
(Form 1040)

Department of the Treasury
Internal Revenue Service

Profit or Loss From Farming

Attach to Form 1040, 1040-SR, 1040-SS, 1040-NR, 1041, or 1065.
Go to www.irs.gov/ScheduleF for instructions and the latest information.

OMB No. 1545-0074

2024
Attachment
Sequence No. **14**

Name of proprietor _____ Social security number (SSN) _____

A Principal crop or activity _____ **B** Enter code from Part IV _____ **C** Accounting method: Cash Accrual **D** Employer ID number (EIN) (see instr.) _____

E Did you "materially participate" in the operation of this business during 2024? If "No," see instructions for limit on passive losses Yes No

F Did you make any payments in 2024 that would require you to file Form(s) 1099? See instructions Yes No

G If "Yes," did you or will you file required Form(s) 1099? Yes No

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 purchased livestock and other resale items (see instructions)	1a		
b Cost or other basis of purchased 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 2024	6a	6b Taxable amount	6b
c If election to defer to 2025 is attached, check here <input type="checkbox"/>		6d Amount deferred from 2023	6d
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

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Schedule F

- Used on Form 1040 to calculate farming profit or loss
 - 2 methods of calculating profit
 - Cash
 - Accrual



Schedule F (Cash method)

- Most commonly used method of farm tax accounting
 - Only counts income and expenses in the year which the cash changes hands
 - Reason many farmers do end-of-year tax planning (i.e. - make purchases, wait on sales of livestock, etc.)

Schedule F (Accrual Method)

- Less commonly used • Takes actual inventory “accrued” during the year into account when figuring taxes • For Example - a farmer is taxed on wheat he owns at the end of the year whether he has sold it yet or not

Agricultural Activity Codes (pg. 2 of Sch. F)

Part IV Principal Agricultural Activity Codes



Do not file Schedule F (Form 1040) to report the following.

- Income from providing agricultural services such as soil preparation, veterinary, farm labor, horticultural services if your principal source of income is from providing such services. Instead, see the Instructions for Schedule C (Form 1040).
- Income from breeding, raising, or caring for dogs, cats, or other pet animals. Instead, see the Instructions for Schedule C (Form 1040).
- Income from managing a farm for a fee or on a contract basis. Instead, see the Instructions for Schedule C (Form 1040).
- Sales of livestock held for draft, breeding, sport, or dairy purposes. Instead, see the Instructions for Form 4797.

These codes for the Principal Agricultural Activity classify farms by their primary activity to facilitate the administration of the Internal Revenue Code. These six-digit codes are based on the North American Industry Classification System (NAICS).

Select the code that best identifies your primary farming activity and enter the six-digit number on line B.

Crop Production

- 111100 Oilseed and grain farming
- 111210 Vegetable and melon farming

- 111300 Fruit and tree nut farming
- 111400 Greenhouse, nursery, and floriculture production
- 111900 Other crop farming

Animal Production

- 112111 Beef cattle ranching and farming
- 112112 Cattle feedlots
- 112120 Dairy cattle and milk production
- 112210 Hog and pig farming
- 112300 Poultry and egg production
- 112400 Sheep and goat farming
- 112510 Aquaculture
- 112900 Other animal production

Forestry and Logging

- 113000 Forestry and logging (including forest nurseries and timber tracts)
- 113110 Timber tract operations
- 113210 Forest nurseries and gathering of forest products
- 113310 Logging



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Schedule F

**SCHEDULE F
(Form 1040)**

Department of the Treasury
Internal Revenue Service

Profit or Loss From Farming

Attach to Form 1040, 1040-SR, 1040-SS, 1040-NR, 1041, or 1065.
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A Principal crop or activity **B** Enter code from Part IV **C** Accounting method: Cash Accrual **D** Employer ID number (EIN) (see instr.)

E Did you "materially participate" in the operation of this business during 2024? If "No," see instructions for limit on passive losses Yes No
F Did you make any payments in 2024 that would require you to file Form(s) 1099? See instructions Yes No
G If "Yes," did you or will you file required Form(s) 1099? Yes No

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 purchased livestock and other resale items (see instructions)	1a			
b Cost or other basis of purchased 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		5c Taxable amount	5c	
b CCC loans forfeited	5b			
6 Crop insurance proceeds and federal crop disaster payments (see instructions):		6b Taxable amount	6b	
a Amount received in 2024	6a			
c If election to defer to 2025 is attached, check here <input type="checkbox"/>		6d Amount deferred from 2023	6d	
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	



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Schedule F

- Farm Cash Income
 - Line 1a - Sale of livestock or items bought for resale
 - Line 1b - Cost of livestock included in line 1
 - Line 1c - Difference of Line 1 minus line 2
 - Line 2 - Sale of livestock and crops raised
 - Line 3a & 3b - Cooperative Distributions
 - Line 4a & 4b - Ag government program payments

Schedule F

- Line 5b - CCC Loans - Government loan program, Credit taken on crops raised
- Line 6 - Crop Insurance Proceeds
- Line 7 - Income from Custom Work
- Line 8 - Other income (Fuel tax refund, etc.)
- Line 9 - Gross Farm Income (Add lines 1c-8)

Schedule F

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		23	Pension and profit-sharing plans	23	
11	Chemicals	11		24	Rent or lease (see instructions):		
12	Conservation expenses (see instructions)	12		a	Vehicles, machinery, equipment	24a	
13	Custom hire (machine work)	13		b	Other (land, animals, etc.)	24b	
14	Depreciation and section 179 expense (see instructions)	14		25	Repairs and maintenance	25	
15	Employee benefit programs other than on line 23	15		26	Seeds and plants	26	
16	Feed	16		27	Storage and warehousing	27	
17	Fertilizers and lime	17		28	Supplies	28	
18	Freight and trucking	18		29	Taxes	29	
19	Gasoline, fuel, and oil	19		30	Utilities	30	
20	Insurance (other than health)	20		31	Veterinary, breeding, and medicine	31	
21	Interest (see instructions):			32	Other expenses (specify):		
a	Mortgage (paid to banks, etc.)	21a		a		32a	
b	Other	21b		b		32b	
22	Labor hired (less employment credits)	22		c		32c	
23	Total expenses. Add lines 10 through 32f. If line 32f is negative, see instructions			d		32d	
34	Net farm profit or (loss). Subtract line 33 from line 9			e		32e	
	If a profit, stop here and see instructions for where to report. If a loss, complete line 36.			f		32f	
35	Reserved for future use.						
36	Check the box that describes your investment in this activity and see instructions for where to report your loss:						
a	<input type="checkbox"/> All investment is at risk.						
b	<input type="checkbox"/> Some investment is not at risk.						

For Paperwork Reduction Act Notice, see the separate instructions. Cat. No. 11346H Schedule F (Form 1040) 2024

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Schedule F

- Line 10 - Car and Truck Expenses • Can use actual expenses (Insurance, repairs, tags, etc.)
- Line 11 - Chemicals
- Line 12 - Conservation Expenses
- Line 13 - Custom work hired
- Line 14 - Depreciation/section 179/Bonus deductions
- Line 15 - Benefit expenses for employee's hired

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Schedule F

- Line 16 - Total Feed Purchased
- Line 17 - Fertilizers and lime purchased
- Line 18 - Freight and trucking expenses
- Line 19 - Gasoline, Fuel, and Oil
- Line 20 - Insurance other than health
- Line 21a and 21b - Interest Paid
- Line 22 - Labor Hired

Schedule F

- Line 23 - Pension (retirement) and employee profit sharing plans
- Line 24a and 24b - Rent or lease expenses for equipment, machinery and land
- Line 25 - Repairs and maintenance
 - Tangible Property Regulations (Next Slide)
- Line 26 - Seeds and plants purchased
- Line 27 - Storage and warehousing costs

Schedule F

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		
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 If a profit, stop here and see instructions for where to report. If a loss, complete line 36.	34	
35	Reserved for future use.		
36	Check the box that describes your investment in this activity and see instructions for where to report your loss:		
a	<input type="checkbox"/> All investment is at risk.	b	<input type="checkbox"/> Some investment is not at risk.

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Tangible Prop. Regulations AKA: Repair Regulations

- Must file election annually
- Numerous safe harbors for repairs and maintenance
- With AFS (Applicable Financial Statement)
 - Safe Harbor of \$2,500
- Without AFS
 - Safe Harbor of \$5,000

Schedule F

- Line 28 - Supplies purchased
- Line 29 - Taxes (property, etc.)
- Line 30 - Utilities
- Line 31 - Veterinary, Breeding, and medicine
- Line 32 - Other Expenses



Schedule F

- Line 33 - Total expenses –
 - Add lines 10 through 32
- Line 34 - Net Farm Profit (or Loss)
- Subtract line 33 from 9
- Once calculated the profit or loss is transferred over to the Schedule 1 and ultimately to the Form 1040



Schedule F

Part II Farm Expenses—Cash and Accrual Method. Do not include personal or living expenses. See instructions.

<p>10 Car and truck expenses (see instructions). Also attach Form 4562 10</p> <p>11 Chemicals 11</p> <p>12 Conservation expenses (see instructions) 12</p> <p>13 Custom hire (machine work) 13</p> <p>14 Depreciation and section 179 expense (see instructions) 14</p> <p>15 Employee benefit programs other than on line 23 15</p> <p>16 Feed 16</p> <p>17 Fertilizers and lime 17</p> <p>18 Freight and trucking 18</p> <p>19 Gasoline, fuel, and oil 19</p> <p>20 Insurance (other than health) 20</p> <p>21 Interest (see instructions):</p> <p style="padding-left: 20px;">a Mortgage (paid to banks, etc.) 21a</p> <p style="padding-left: 20px;">b Other 21b</p> <p>22 Labor hired (less employment credits) 22</p>	<p>23 Pension and profit-sharing plans 23</p> <p>24 Rent or lease (see instructions):</p> <p style="padding-left: 20px;">a Vehicles, machinery, equipment 24a</p> <p style="padding-left: 20px;">b Other (land, animals, etc.) 24b</p> <p>25 Repairs and maintenance 25</p> <p>26 Seeds and plants 26</p> <p>27 Storage and warehousing 27</p> <p>28 Supplies 28</p> <p>29 Taxes 29</p> <p>30 Utilities 30</p> <p>31 Veterinary, breeding, and medicine 31</p> <p>32 Other expenses (specify):</p> <p style="padding-left: 20px;">a 32a</p> <p style="padding-left: 20px;">b 32b</p> <p style="padding-left: 20px;">c 32c</p> <p style="padding-left: 20px;">d 32d</p> <p style="padding-left: 20px;">e 32e</p> <p style="padding-left: 20px;">f 32f</p>
<p>33 Total expenses. Add lines 10 through 32f. If line 32f is negative, see instructions 33</p> <p>34 Net farm profit or (loss). Subtract line 33 from line 9 34</p> <p>If a profit, stop here and see instructions for where to report. If a loss, complete line 36.</p> <p>35 Reserved for future use.</p> <p>36 Check the box that describes your investment in this activity and see instructions for where to report your loss:</p> <p style="padding-left: 20px;"><input type="checkbox"/> a All investment is at risk. <input type="checkbox"/> b Some investment is not at risk.</p>	

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Schedule F

Schedule F (Form 1040) 2024 Page **2**

Part III Farm Income—Accrual Method (see instructions)

37 Sales of livestock, produce, grains, and other products (see instructions)			37
38a Cooperative distributions (Form(s) 1099-PATR) 38a		38b Taxable amount	38b
39a Agricultural program payments 39a		39b Taxable amount	39b
40 Commodity Credit Corporation (CCC) loans:			
a CCC loans reported under election			40a
b CCC loans forfeited 40b		40c Taxable amount	40c
41 Crop insurance proceeds			41
42 Custom hire (machine work) income			42
43 Other income (see instructions)			43
44 Add amounts in the right column for lines 37 through 43 (lines 37, 38b, 39b, 40a, 40c, 41, 42, and 43)			44
45 Inventory of livestock, produce, grains, and other products at beginning of the year. Do not include sales reported on Form 4797	45		
46 Cost of livestock, produce, grains, and other products purchased during the year	46		
47 Add lines 45 and 46	47		
48 Inventory of livestock, produce, grains, and other products at end of year	48		
49 Cost of livestock, produce, grains, and other products sold. Subtract line 48 from line 47*			49
50 Gross income. Subtract line 49 from line 44. Enter the result here and on Part I, line 9			50

Schedule F

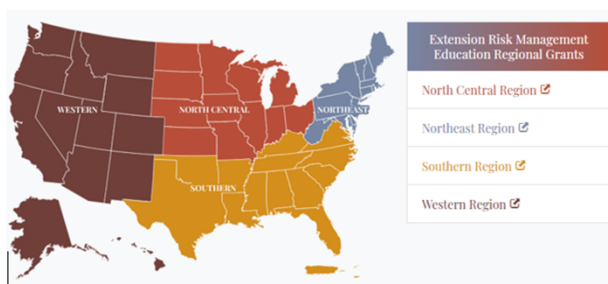
- Accrual Method adjustments are on page two
- Takes page one totals and does inventory adjustments



Thank you!

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