



# Agriculture Taxes

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# Rural Tax Education

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RuralTax.org



- Website hosted by Utah State University
- Material developed, managed, and owned by the **National Farm Income Tax Committee**
- Informational Material on Ag, Timber, and Rural Tax topics include but not limited to:
  - Disaster/Weather Losses
  - Treatment of Government Payments
  - Farm Losses and Hobby Rules
  - Self-Employment Taxes
  - Estate and Gift Taxes
  - Like Kind Exchanges
  - Depreciation
  - Etc...



# Disclaimer

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# Income Taxes for Farmers and Ranchers

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- US tax code has specific attributes for “farmers”
- This program is educational
  - Tax code is complex
  - Different applications to different situations
  - Consult a tax professional for your unique situation





# Topics Addressed

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- Are you a farmer?
  - Business or Hobby
  - Is it a farm business?
- Schedule F (Form 1040)
- Records and working with a tax professional
- Tax Management
- Resources



# Are You a Farmer?

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# Who is a Farmer or Rancher?

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- A **business** with a **profit motive**
- IRS Publication 225, *The Farmer's Tax Guide*, defines a farmer or rancher as an individual "...in the business of farming if you cultivate, operate, or manage a farm for profit, either as an owner or tenant."
- This definition also applies to:
  - Partnerships (LLCs)
  - Corporations
  - Estates and Trusts

# Not Farming ...

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- Providing agricultural operations as a service
  - Custom harvesting
  - Custom farming
- Trucking of farm commodities to markets
- Processing of farm commodities into value-added wholesale or retail products:
  - Cheese
  - Cuts of meat
  - Wine





# Schedule F (Form 1040), Profit or Loss From Farming

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# Visual of the Schedules

Form 1040 Redesign

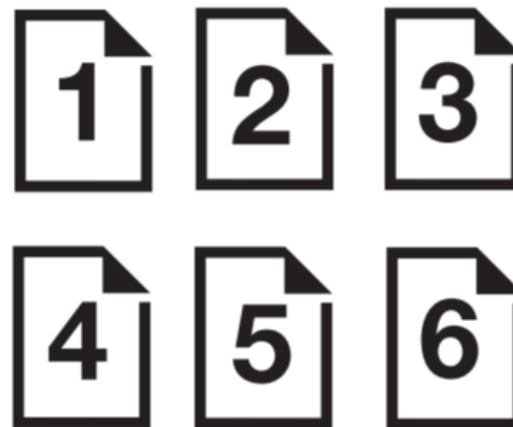


**Everyone files the new Form 1040!**

Use the base form...



only the schedules  
that are right for you!



# Where is Farm Income

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- Not all Farm Income is on Schedule F
- Schedule 1
  - Schedule F – Farming activities
  - Form 4797 – Breeding livestock
  - Schedule C – Value Added products, ag tourism, etc.

There is a need to have clear communication between the farmer and tax professionals to find out what their operation includes.

You cannot get the complete picture from just a tax return. Additional communication, records, etc. are needed.

# Why is Schedule F Special?

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- Places for farm categories for income and expenses
- Can be filed on a cash basis
  - Include any income (cash or checks)
    - Cannot hold onto checks (must report as income in year receive the check)
    - Any expenses paid for
  - Special cases
    - Cattle purchased for resale (e.g. yearlings)
      - Purchase costs carried forward to year of sale

# IRS Reporting of Farm Businesses

- Sole proprietor farming businesses use IRS Schedule F, Profit or Loss from Farming to report income and expenses of the farming business.
- Schedule F can be used by partnerships, Corporations, Trusts and Estates to report farming activities.

SCHEDULE F (Form 1040)		Profit or Loss From Farming		OMB No. 1545-0074	
Department of the Treasury Internal Revenue Service		Attach to Form 1040, 1040-SR, 1040-SS, 1040-NR, 1041, or 1065. Go to <a href="http://www.irs.gov/ScheduleF">www.irs.gov/ScheduleF</a> for instructions and the latest information.		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: <input type="checkbox"/> Cash <input type="checkbox"/> 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		<input type="checkbox"/> Yes <input type="checkbox"/> No			
F Did you make any payments in 2024 that would require you to file Form(s) 1099? See instructions		<input type="checkbox"/> Yes <input type="checkbox"/> No			
G If "Yes," did you or will you file required Form(s) 1099?		<input type="checkbox"/> Yes <input type="checkbox"/> No			
<b>Part I Farm Income—Cash Method.</b> 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	
4a Agricultural program payments (see instructions)		4a		4b Taxable amount	
5a Commodity Credit Corporation (CCC) loans reported under election		5a		5c Taxable amount	
b CCC loans forfeited		5b		5c	
6 Crop insurance proceeds and federal crop disaster payments (see instructions):		6a		6b Taxable amount	
a Amount received in 2024		6a		6b	
c If election to defer to 2025 is attached, check here <input type="checkbox"/>		6d		6d Amount deferred from 2023	
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			
<b>Part II Farm Expenses—Cash and Accrual Method.</b> 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	
11 Chemicals		11		24 Rent or lease (see instructions):	
12 Conservation expenses (see instructions)		12		a Vehicles, machinery, equipment	
13 Custom hire (machine work)		13		b Other (land, animals, etc.)	
14 Depreciation and section 179 expense (see instructions)		14		25 Repairs and maintenance	
15 Employee benefit programs other than on line 23		15		26 Seeds and plants	
16 Feed		16		27 Storage and warehousing	
17 Fertilizers and lime		17		28 Supplies	
18 Freight and trucking		18		29 Taxes	
19 Gasoline, fuel, and oil		19		30 Utilities	
20 Insurance (other than health)		20		31 Veterinary, breeding, and medicine	
21 Interest (see instructions):		21a		32 Other expenses (specify):	
a Mortgage (paid to banks, etc.)		21a		a	
b Other		21b		b	
22 Labor hired (less employment credits)		22		c	
				d	
				e	
				f	
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			
If a profit, stop here and see instructions for where to report. If a loss, complete line 36.					
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



# Schedule F – Part I

**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
4a	Agricultural program payments (see instructions)	4a		4b	Taxable amount
5a	Commodity Credit Corporation (CCC) loans reported under election			5a	
b	CCC loans forfeited	5b		5c	Taxable amount
6	Crop insurance proceeds and federal crop disaster payments (see instructions):				
a	Amount received in 2024	6a		6b	Taxable amount
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	

# Schedule F – Part II

accrual method, enter the amount from Part III, line 30. 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		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	
				d	.....	32d	
				e	.....	32e	
				f	.....	32f	
33	<b>Total expenses.</b> Add lines 10 through 32f. If line 32f is negative, see instructions			33		33	
34	<b>Net farm profit or (loss).</b> Subtract line 33 from line 9			34		34	
If a profit, stop here and see instructions for where to report. If a loss, complete line 36.							
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.				

# Schedule F Vs. Schedule C

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- Schedule F (**Farm Income**)- First saleable point on schedule F
  - Sold in its original state
- Schedule C (**business income**)
  - Value added ag products – strawberry jam
  - Agriculture tourism activities
- Where do the value of the ag products that are grown by farmer and used in value-added ag products go?
  - Value at first saleable point on schedule F (selling to their value-added business)
    - Reasonable value
      - Could use the cost of production
    - Good practice to have documented value in multiple ways



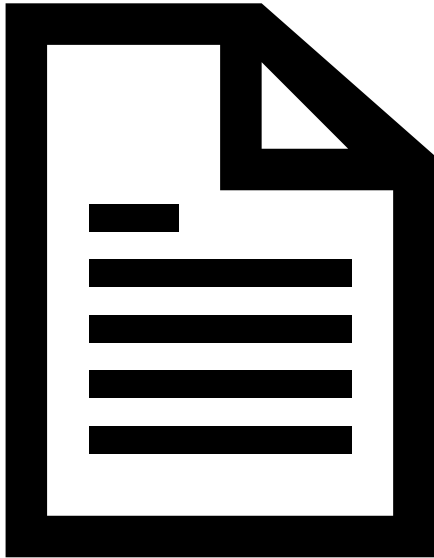


# Records and Working with Tax Professional

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# What organizations have recordkeeping requirements?

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- Banks / Lenders
  - Farm Service Agency (FSA / USDA)
  - Internal Revenue Service (IRS)
  - State Dept. of Revenue
  - Insurance (crop, property)
- 
- EPA
  - U.S. Dept. of Labor
  - FDA, USDA
  - and State Departments and/or Regulatory Agencies: e.g. pesticide, food, agriculture, water, labor.





# Recordkeeping

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- It is important to keep track of your activities during the year – financial, production, food safety, employee, etc.
- Financial
  - *Revenues*
  - *Expenses*
- Separate bank account (farm account, personal account)
- Reconcile the information timely
  - *Meet with preparer during the year*



# How Long Should I Keep Records?

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- **Tax Period of Limitations:**

- Generally, 3-7 years
- Indefinitely if no return / fraudulent return
- Property / fixed assets – 3 years from disposal
- Major items – keep indefinitely
- Tax related Employee records - 4 years from tax due or after tax is paid (whichever later)



# Recommendations/Good Practices

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- IF IN DOUBT, KEEP IT
- Financial records - 7 year minimum
- All records related to employees – 10 years
- General ledger & financial statements - indefinitely
- Ownership & Formation documents – indefinitely
- Business Meetings – indefinitely
- Deeds – indefinitely
- Once a year cleansing day – filing long-term, electronic files



# Constructive Receipt

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- When did it occur?
- Where was it?
- What was purchased/sold?
- Example
  - 1/18/25 - \$1,200.00 charge from Co-Op



# Constructive Receipt example

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- When did it occur?
- Where was it?
- What was purchased/sold?
- Example
  - 1/18/25 - \$1,200.00 charge from Co-Op
  - What do you need to know?
    - \$450.00 fencing*
    - \$400.00 irrigation supplies*
    - \$350.00 seeds / plants*





# Record Options

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- Manual
- Excel
- Quickbooks
- PC Mars (Iowa State University)
  - Pcmars.com



# What to take to a Tax Professional?

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- Summation Current year transactions based on tax form line items (i.e. seeds/plants, rent, fertilizer, etc.)
  - Normal reports from accounting software
- Capital asset sales and purchases (equipment, machinery, land, buildings)
- 1099s received or sent (or information for sending 1099s)
- End of year statements such as financial institution debt or loans
- Other income producing accounts
- Any forms, documents for employee transactions and changes
- End of year information on insurance





# Good Record Keeping Meets the Needs of:

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- You
- Lender
- Tax preparer
  - Set up record categories that match lines on Schedule F
- Other

# Records – with value added

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- May have more than one business
- Good practice keep separate records
  - Expenses and receipts need to be separated for tax return
    - Separate checking accounts can help
  - May purchase from one business
    - Jam business buys strawberries from farm business





# Tax Management

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# What Tax Management is and is not

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- A basic part of any business' management practice
- **IS NOT** how to get out of paying taxes. If this is your strategy it will come back to bite you unless you are lucky to hold off the deferred taxes until death.
- Tax Management **IS** using available Internal Revenue Code (IRC) to get the most amount of income through the tax system at the smallest tax rate possible.
  - This requires **preplanning**, sometimes years in advance.
  - Requires a good set of **records**! Good accounting, bookkeeping, production records, financial analysis, and estimated future cash flows, etc.
  - Understand that accounting, recordkeeping, tax management have a symbiotic relationship.





# Build a Team

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- What is the difference between farms that are economically/financially sustainable?
  - Moving from a producer/farmer to a farm business manager. Being able to properly manage all aspects of the business.
  - This may require a good team.
- Teams may include:
  - Owner/operator/manager
  - Important/key employees
  - Tax and legal professional(s)
  - Financial Advisor(s)
  - Others that play a key role in the success of your farm/business
  - Extension Agent(s)/staff/faculty
  - Crop Insurance Agent(s)
  - Lender/Loan Officer
- Should meet regularly (at least once a year)

# Prepays

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- Purchase of products to be used in the following tax years production season.
  - Input costs i.e. fertilizer, fuel, seed, etc.
  - Must prove that there may be difficulty getting the products in when needed.
  - And OR must prove that you are able to pay a lower price than at the time of need.
  - Must have a constructive receipt, not just money put onto an account i.e. the purchase receipt must include the products/items being purchased, the quantity, the price per and the total price.
- Limitations
  - 50% of total deductible farm expenses (excluding the prepays).
    - Exceptions include a change in operations for the coming year or the present tax year and or using the three-year average rule, but you must be a “Qualified Farm-related taxpayer”





# Depreciation

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- To claim depreciation the asset must be Placed In Service.
- Tax Depreciation (not economic depreciation)
- General Depreciation Methods (MACRS, ADS)
- Rapid/Accelerated
  - Section 179 – Allows some or all of the cost in a single year
  - Bonus or Special

**Be CAREFUL! Using depreciation to offset taxes can cause longer term issues that may increase your tax liability over the long-term.**

# Income Deferral

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- For some individuals, they may be able to defer some of the income into the next years dependent on the type of income i.e. some (not all!) crop insurance payments will allow a portion to be deferred dependent on the farms historical normal marketing methods and timing of their crop.





# Quarterly Estimates

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- Generally, a self-employed individual must pay quarterly estimates to the IRS.
- There are some special rules for those that are “qualified farmers”.
  - You do not have to make quarterly estimates/estimated taxes if you file your tax return no later than March 1.
  - If you're withholding for the tax year is 66.667% of the total tax shown on your current year (this year) or 100% of the taxes shown on the previous years tax return.
- If you are required to make an estimated tax payment you may make a single payment by January 15<sup>th</sup> of the required filing year.
- You must use number of months and or days equivalent to April 15<sup>th</sup> and or Jan. 1 to count if you are using a fiscal tax year instead of a calendar tax year.



# Good Practices

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- Find tax preparer early (Spring before farming and ranching get busy)
- Meet in November/December for tax management (they will need year's records)
- January – Send out 1099s and W2
- January/February – Provide records to tax professional
- March/April – File tax return





# Resources and Other Issues

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# Other Tax Issues and Resources

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Tax Topics on [RuralTax.org](http://RuralTax.org)

Webinars on [Farmers.gov/taxes](http://Farmers.gov/taxes)

- Self-employment tax - 15.3% on self-employed income. Paid on every dollar of profit unless income meets the cap when the rate lowers.
  - Farm optional method
- Hobby loss rules – Profit in every 3 of 5 consecutive years. Guidelines to document you had a profit motive.
- 1099s – Informational form you may need to send out and also may receive
- Depreciation – How equipment and capital assets are expensed over time

# **Self Employment Tax**

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# **Self Employment Tax - Why is it important?**

- Survivor benefit
- Retirement benefit
- Disability benefit

# Self Employment Tax – More Info

- Salary and wages paid to you
  - Employer deducts 7.65% for FICA and Medicare
  - Employer matches 7.65% for a total of 15.3%
- Self Employed individual pays both sides as self-employment tax
  - Do not need to pay if SE profit less than \$400
- Often more than income tax, because it is paid on every dollar of profit

# Farm Optional Method

- Allows farmer to acquire quarters of coverage when profits are low
- Gross farm income less than \$7,920 or net profits less than \$5,717
- Provides credit for up to four quarters of coverage for the year
- The cost of the coverage will be \$874
- No limit to number of years a farmer can use optional method

# Example

John and Lucy Farmer are married and have two children (10 and 12). Lucy is not employed during 2015. John grows vegetables and sells them at a local market. During 2015, John's net profit was \$45,000. John did not sell any equipment and John and Lucy had no other source of income.

For 2015, the Farmer's have \$1,323 of income tax liability and have a \$6,885 SE tax liability. The earned income credit of \$1,047 will reduce this by \$1,547 leaving a balance due of \$7,162.

$$\text{\$1,323} + \text{\$6,885} - \text{\$1,047} = \text{\$7,162}$$

# **Hobby Loss Rules**

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# Hobby Loss Rules

- To be able to deduct expenses greater than receipts (losses) farmers must be engaged in a business with a profit motive
- Profit = Revenue (receipts) – expenses
- Not a hobby if profits are made in 3 of 5 consecutive years
- 2 of 7 years for equine operations
- If profit test not met, IRS may look into it
- IRS does not automatically look, but it allows them to

# Hobby Loss Rules, continued

Guidelines the IRS uses to determine if it is a business:

- Carried out in a business like manner
- Keep track of receipts and expenses, separate checking account, etc.
- If additional knowledge and education is pursued (this course)
- Expertise of producer
- Time and effort spent by the producer

**Form 1099**

# Form 1099-MISC Example

<input type="checkbox"/> VOID <input type="checkbox"/> CORRECTED					
PAYER'S name, street address, city or town, state or province, country, ZIP or foreign postal code, and telephone no.  		1 Rents	OMB No. 1545-0115  <b>2019</b>  Form <b>1099-MISC</b>		<b>Miscellaneous Income</b>
		\$			
		2 Royalties			
		\$			
		3 Other income	4 Federal income tax withheld		<b>Copy 1 For State Tax Department</b>
		\$	\$		
PAYER'S TIN	RECIPIENT'S TIN	5 Fishing boat proceeds	6 Medical and health care payments		
		\$	\$		
RECIPIENT'S name		7 Nonemployee compensation	8 Substitute payments in lieu of dividends or interest		
Street address (including apt. no.)		\$	\$		
City or town, state or province, country, and ZIP or foreign postal code		9 Payer made direct sales of \$5,000 or more of consumer products to a buyer (recipient) for resale <input type="checkbox"/>	10 Crop insurance proceeds		
		\$	\$		
Account number (see instructions)		11	12		
FATCA filing requirement <input type="checkbox"/>		13 Excess golden parachute payments	14 Gross proceeds paid to an attorney		
		\$	\$		
15a Section 409A deferrals	15b Section 409A income	16 State tax withheld	17 State/Payer's state no.	18 State income	
\$	\$	\$		\$	

Form **1099-MISC** [www.irs.gov/Form1099MISC](http://www.irs.gov/Form1099MISC) Department of the Treasury - Internal Revenue Service

# Form 1099-MISC

## Miscellaneous Income

- Required for payments of \$600 or more for rents and services or for payments of at least \$10 in royalties
- proceeds from direct sales of consumer products for resale
- crop insurance proceeds
- payments to fishing boat crew members
- Indian gaming profits paid to tribal members
- punitive damages awarded in court



# **Form 1099-INT**

## Interest Income

- Must be filed if \$600 or more of business interest is paid to an individual, partnership or LLC.

# **Payments not subject to a 1099**

- Payments other than medical and healthcare made to a corporation
- Payments for merchandise, telegrams, telephone, freight, storage and similar items
- Payments of rent to real estate agents
- Wages and business travel allowances paid to employees
- Payments made to tax-exempt organizations

# 1099 Reporting Examples

Situation	Forms needed
\$4,000 herbicide purchase	none
\$1,200 to Luke Carefully, a certified crop consultant for disease scouting	1099-MISC
\$1,100 for soil testing to Cropmaster, Inc	none
\$500 to neighbor to plow	none
\$750 paid to neighbor's LLC to haul grain	none
\$5,000 cash rent to Sally's sister	1099-MISC
\$2,500 interest payment on installment purchase of land from cousin Jason	1099-INT
\$1,000 paid to Brad Handy for services and supplies to fix shed	1099-MISC

# 1099 Received by Producer

- Sally receives \$600 for performing custom services as a non-employee
  - Receives a 1099-MISC, reports income on Schedule F
- Sally receives cash rent of \$3,000 from a farmer
  - Receives a 1099-MISC, report income on Schedule E
- Sally purchased some supplies and marketed some products through her COOP. She received \$800 in patronage dividends that consisted of \$160 in cash and \$640 qualified written notice of allocation
  - Receives a 1099-PATR that showed taxable distributions received of \$800 in box 1. Reports \$800 in patronage dividends on schedule f.

# **1099 Received for Ag program payments**

- Sally receives Form 1099-G for \$24,000  
She paid \$8,000 to Rich Smith
- She reports \$24,000 on Schedule F line 6a  
and \$16,000 on line 6b
- She issues Form 1099-G to Rich for \$8,000

# Schedule F (Form 1040)

## SCHEDULE F (Form 1040)

Department of the Treasury  
Internal Revenue Service

## Profit or Loss From Farming

Attach to Form 1040, Form 1040-SR, Form 1040-NR, Form 1041, or Form 1065.  
Go to [www.irs.gov/ScheduleF](http://www.irs.gov/ScheduleF) for instructions and the latest information.

OMB No. 1545-0074

**2022**  
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 2022? If "No," see instructions for limit on passive losses ☐ Yes ☐ No

**F** Did you make any payments in 2022 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.)

<b>1a</b> Sales of purchased livestock and other resale items (see instructions)	<b>1a</b>	
<b>b</b> Cost or other basis of purchased livestock or other items reported on line 1a	<b>1b</b>	
<b>c</b> Subtract line 1b from line 1a		<b>1c</b>
<b>2</b> Sales of livestock, produce, grains, and other products you raised		<b>2</b>
<b>3a</b> Cooperative distributions (Form(s) 1099-PATR)	<b>3a</b>	<b>3b</b> Taxable amount
<b>4a</b> Agricultural program payments (see instructions)	<b>4a</b>	<b>4b</b> Taxable amount
<b>5a</b> Commodity Credit Corporation (CCC) loans reported under election		<b>5a</b>
<b>b</b> CCC loans forfeited	<b>5b</b>	<b>5c</b> Taxable amount
<b>6</b> Crop insurance proceeds and federal crop disaster payments (see instructions):		
<b>a</b> Amount received in 2022	<b>6a</b>	<b>6b</b> Taxable amount
<b>c</b> If election to defer to 2023 is attached, check here <input type="checkbox"/>	<b>6d</b> Amount deferred from 2021	<b>6d</b>
<b>7</b> Custom hire (machine work) income		<b>7</b>
<b>8</b> Other income, including federal and state gasoline or fuel tax credit or refund (see instructions)		<b>8</b>
<b>9</b> <b>Gross income.</b> 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		<b>9</b>

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

<b>10</b> Car and truck expenses (see instructions). Also attach Form 4562	<b>10</b>	<b>23</b> Pension and profit-sharing plans	<b>23</b>
<b>11</b> Chemicals	<b>11</b>	<b>24</b> Rent or lease (see instructions):	
<b>12</b> Conservation expenses (see instructions)	<b>12</b>	<b>a</b> Vehicles, machinery, equipment	<b>24a</b>
<b>13</b> Custom hire (machine work)	<b>13</b>	<b>b</b> Other (land, animals, etc.)	<b>24b</b>
<b>14</b> Depreciation and section 179 expense (see instructions)	<b>14</b>	<b>25</b> Repairs and maintenance	<b>25</b>
<b>15</b> Employee benefit programs other than on line 23	<b>15</b>	<b>26</b> Seeds and plants	<b>26</b>
<b>16</b> Feed	<b>16</b>	<b>27</b> Storage and warehousing	<b>27</b>
<b>17</b> Fertilizers and lime	<b>17</b>	<b>28</b> Supplies	<b>28</b>
<b>18</b> Freight and trucking	<b>18</b>	<b>29</b> Taxes	<b>29</b>
<b>19</b> Gasoline, fuel, and oil	<b>19</b>	<b>30</b> Utilities	<b>30</b>
<b>20</b> Insurance (other than health)	<b>20</b>	<b>31</b> Veterinary, breeding, and medicine	<b>31</b>
<b>21</b> Interest (see instructions):		<b>32</b> Other expenses (specify):	
<b>a</b> Mortgage (paid to banks, etc.)	<b>21a</b>	<b>a</b>	<b>32a</b>
<b>b</b> Other	<b>21b</b>	<b>b</b>	<b>32b</b>
<b>22</b> Labor hired (less employment credits)	<b>22</b>	<b>c</b>	<b>32c</b>
		<b>d</b>	<b>32d</b>
		<b>e</b>	<b>32e</b>
		<b>f</b>	<b>32f</b>
<b>33</b> <b>Total expenses.</b> Add lines 10 through 32f. If line 32f is negative, see instructions			<b>33</b>
<b>34</b> <b>Net farm profit or (loss).</b> Subtract line 33 from line 9			<b>34</b>

If a profit, stop here and see instructions for where to report. If a loss, complete line 36.

**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** ☐ All investment is at risk.

**b** ☐ Some investment is not at risk.



# Form 1099-G Example

☐ VOID ☐ CORRECTED

PAYER'S name, street address, city or town, state or province, country, ZIP or foreign postal code, and telephone no.		1 Unemployment compensation	OMB No. 1545-0120		<b>Certain Government Payments</b>
		\$	<b>2019</b>  Form <b>1099-G</b>		
		2 State or local income tax refunds, credits, or offsets			<b>Copy 1 For State Tax Department</b>
		\$			
PAYER'S TIN	RECIPIENT'S TIN	3 Box 2 amount is for tax year	4 Federal income tax withheld		
			\$		
RECIPIENT'S name		5 RTAA payments	6 Taxable grants		
		\$	\$		
Street address (including apt. no.)		7 Agriculture payments	8 Check if box 2 is trade or business income <input type="checkbox"/>		
		\$			
City or town, state or province, country, and ZIP or foreign postal code		9 Market gain			
		\$			
Account number (see instructions)		10a State	10b State identification no.	11 State income tax withheld	
				\$	
				\$	

Form **1099-G**

[www.irs.gov/Form1099G](http://www.irs.gov/Form1099G)

Department of the Treasury - Internal Revenue Service

# **1099 Received for Ag program payments - example**

- Dustin is president of an cattle association
- Dustin was listed as the subsidy recipient for an drought insurance payment of \$50,000 instead of the association
- The subsidy was actually received by the cattle association and distributed to the 5 members (\$10,000 each)
- Dustin receives a 1099-G from USDA for the full amount (\$50,000)
- 1099s will have to be issued to each of the other 4 members for their amount (\$10,000)
- Net effect for Dustin will be only the amount he received (\$10,000)

# Educational Purposes Only

This information is intended for educational purposes only. You are encouraged to seek the advice of your tax or legal advisor, or other authoritative sources, regarding the application of these general tax principles to your individual circumstances. Pursuant to Treasury Department (IRS) Circular 230 Regulations, any federal tax advice contained here is not intended or written to be used, and may not be used, for the purpose of avoiding tax-related penalties or promoting, marketing or recommending to another party any tax-related matters addressed herein.