



Demystifying Tax Records

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Rural Tax Education

RuralTax.org



- Website hosted by Utah State University
- Material created 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
 - Tax Management
 - Self-Employment Taxes
 - 1099s
 - Depreciation
 - Etc...



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Statement

- Everything discussed today and in this presentation is “general”. As with every tax and legal situation the exact answer may vary and be very different based on facts and circumstances, as well as any further guidance provided by the IRS or law changes.
- Information in the presentation is only good the day it was written, laws and guidance changes!



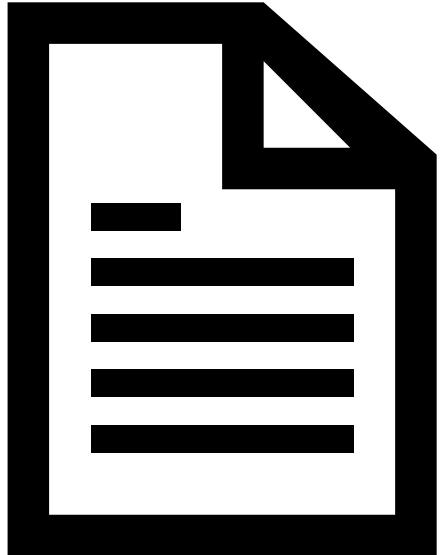
Topics Covered

- Farm Records
- Working with tax professional
- Records with non-farm activities
- Good Practices
- Resources



Records and Working with Tax Professional

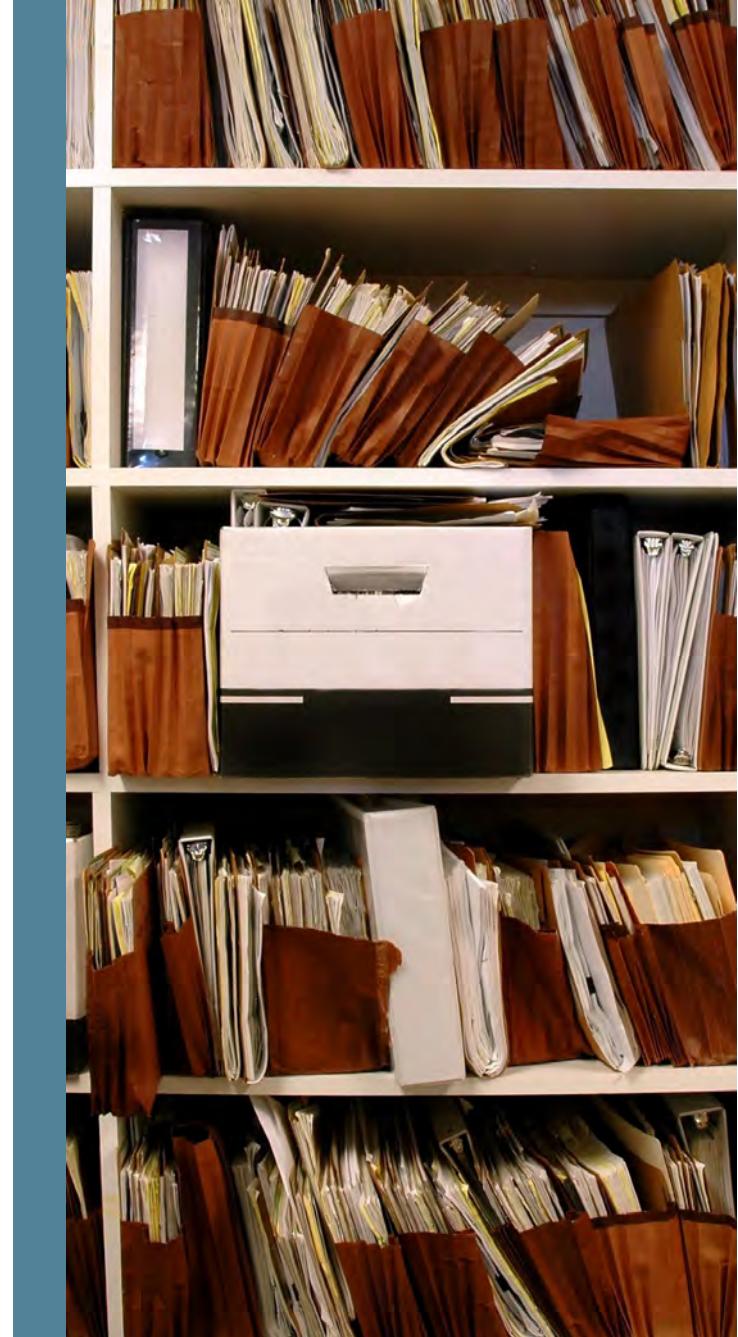
What organizations have recordkeeping requirements?



- Banks / Lenders
- Farm Service Agency (FSA / USDA)
- Internal Revenue Service (IRS)
- State Dept. of Revenue
- Insurance (crop, property)

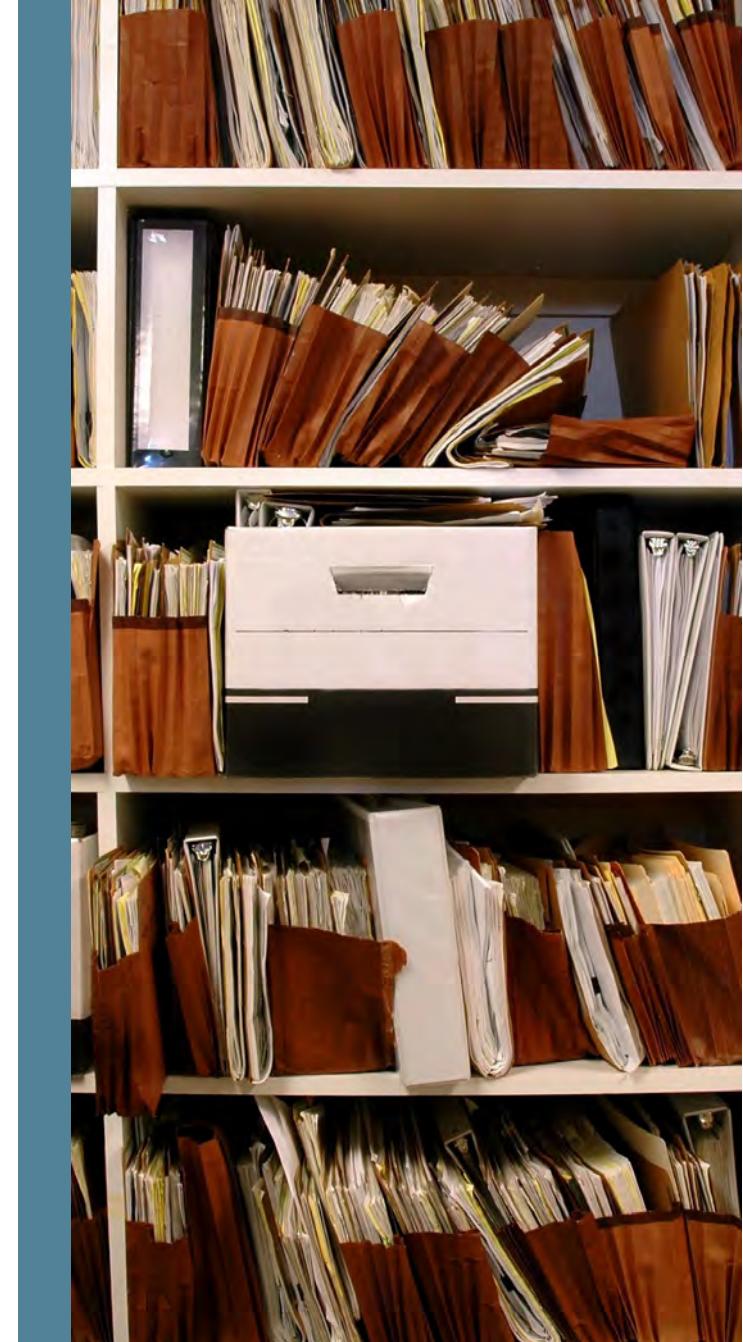
- EPA
- U.S. Dept. of Labor
- FDA
- State Departments and/or Regulatory Agencies: e.g. pesticide, food, agriculture, water, labor.

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Recordkeeping

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





How Long Should I Keep Records?

- **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)
- The *Form I-9: Employment Eligibility Determination* must be retained three years after date of hire or 1 year following termination whichever is later.
 - If not using current form, you can face penalties. Newest form expires May 31, 2027.



Recommendations/Good Practices

- 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

- When did it occur?
- Where was it?
- What was purchased/sold?

- Example
 - 1/18/26 - \$1,200.00 charge from Co-Op



Constructive Receipt

- When did it occur?
- Where was it?
- What was purchased/sold?
- Example
 - 1/18/26 - \$1,200.00 charge from Co-Op
 - What do you need to know?
Farm Services Co-Op
\$450.00 fencing
\$400.00 irrigation supplies
\$350.00 seeds / plants



Constructive Receipt

- Keep digital and/or physical copies of receipts
 - Identifies quantities, items, etc.
 - Images may be uploaded to record keeping systems.
- Capital assets –
 - Keep all documents for at least 3 years after divesting.



Record Options

- Manual
- Excel
- Quickbooks
- PC Mars
 - Pcmars.com
- Traction Ag



What to take to a tax Professional?

- 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

** Individual circumstances may require other records.*



Records for non-farm activities

Tax definition of a farm

- A business with a profit motive
- I.R.C. § 2032A(e)(4) “*A farm includes livestock, dairy, poultry, fish, fur, fruit and truck farms. It also includes plantations, ranches, ranges, and orchards and groves.*”
 - Crop farms
 - Cattle ranches
 - Truck farms
 - Orchards/vineyards



Who is a Farmer or Rancher?

- 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 ...

- Providing agricultural operations as a service
 - Custom harvesting
 - Custom farming
 - Kennels and horse stables
- Trucking of farm commodities to markets
- Landscaping, yardwork and mowing
- Processing of farm commodities into value-added wholesale or retail products:
 - Cheese
 - Cuts of meat
 - Wine
 - Etc.



Although these are not farming activities, record keeping for tax purposes are required. Should have separate bank accounts and records from farm.

Records with non-farm activities

- May have more than one business
- Good practice keep separate records
 - Expenses and receipts need to be separated for tax return
 - May purchase from one business
 - Examples
 - Jam business buys strawberries from farm business
 - Wine business buys grapes from farm business
 - Keep information on the prices used to purchase from other business.
 - Should follow fair market value.





Good Practices



Good Practices Throughout the Year

- 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
 - You are responsible for sending these out, but can work with professional tax preparer and/or payroll specialist.
- January/February – Provide records to tax professional
- March/April – File tax return or extension if needed

Quarterly Estimates

- Generally, a self-employed individual must pay quarterly estimates to the IRS.
- If you are required to make an estimated tax payment you may make a single payment by January 15th of the required filing year.
- There are some special rules for those that are “qualified farmers”.





What to take to a tax Professional?

- Summation Current year transactions
- Capital asset sales and purchases (equipment, machinery, land, buildings)
- 1099s
- End of year statements
- Other income producing accounts
- Any forms, documents for employee transactions
- Other end of year summary information

** Individual circumstances may require other records.*



Resources

- Farmers.gov/taxes
- RuralTax.org Tax Topics
 - How to find a Tax Professional
 - Form 1099 Information Returns
 - Government payments: Form 1099G
 - Farm, Farming and Who's a Farmer for Tax Purposes
 - Filing Dates and Estimated Tax Payments
 - Working with a Tax Professional
 - Tax Estimator Tool
 - **Forthcoming** spring 2026 - Demystifying Tax Records.

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Thank you for Attending!!

What questions might you have?

For any follow-up questions contact:

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