

Table of Contents

Schedule F Basics	1
Entities Filing Schedule F	2
Qualified Joint Venture	3
Community Income	4
Schedule F	4
Schedule F Basics Review Questions	7
Schedule F Basics Review Answers	9
Reporting Methods	11
Accounting Methods	11
Cash Method	11
Accrual Method	13
Crop Method	14
Combination Method	14
Schedule F Heading	14
Material Participation	16
Reporting Income	18
Cash Method	18
Accrual Method	20
Crop Insurance Proceeds	21
Sales Due to Weather Conditions	23
Reporting Deductions	27
Prepaid Farm Supplies	27
Prepaid Livestock Feed	28
Items Purchased for Resale	30
Interest	31
Farm Inventory Reporting	32
Uniform Capitalization Rules	33
Inventory Valuation Methods	35
Change in Accounting Method	37
Reporting Methods Review Questions	39
Reporting Methods Review Answers	41
Farm Income	43
Sources of Farm Income	43
Sales of Farm Products	44
Bartering	44
Income from Cooperatives	45
Agricultural Program Payments	49
Payments to More Than One Person	57
Farm Rental Income	59
Easement and Right-of-way	61

Cancellation of Debt	61
Custom Hire (Machine Work)	69
Sale of Farm Assets	69
Income Averaging for Farmers	77
Farm Income Review Questions	89
Farm Income Review Answers	91
Farm Deductions and Credits	95
Deductible Expenses	95
Part Personal/Part Business Expenses	96
Capitalizing Costs of Property	97
Breeding Fees	97
Conservation Expenses	97
Fertilizer and Lime	98
Interest	99
Business Use of Home	99
Insurance	118
Labor Hired	121
Marketing Quota Penalties	122
Repairs and Maintenance	123
Rent or Lease	125
Taxes	127
Tenant Housing Expenses	129
Other Expenses	129
Nondeductible Expenses	130
Farm Loss Limitations	131
Depreciation	144
Form 4562	144
Capital Expenses	147
Placed in Service	148
Idle Property	148
MACRS	148
Recovery Periods	150
Conventions	151
MACRS Depreciation Methods	154
Bonus Depreciation	155
Amortization	157
§179 Expensing	158
Farm Vehicles	166
Standard Mileage Rate	166
Actual Expense Method	167
Substantiation Requirements	168

Domestic Production Activities Deduction	169
Reporting	169
Fuel Tax Credit	173
Farming Purposes	173
Ultimate Purchaser	174
Credit or Refund	175
Form 4136	176
Inclusion in Income	177
Farm Deductions and Credits Review Questions	179
Farm Deductions and Credits Review Answers	183
Self-employment Tax	189
Self-employment Tax Rate	189
Self-employed	189
Share Farmer	190
Contract Farming	190
4-H Club or FFA Project	190
Husband and Wife Partners	191
Self-employment Earnings	191
More Than One Business	191
Community Property	191
Lost Income Payments	192
Gain or Loss	192
Wages and Salaries	192
Conservation Reserve Program (CRP) Payments	193
Landlord Participation in Farming	193
Net Operating Loss	194
Methods for Figuring Net Earnings	195
Regular Method	195
Optional Methods	196
Reporting SE Tax	198
Self-employment Tax Deduction	198
Joint Return	199
Community Property Income	199
Completing Schedule SE	199
Section A — Short Schedule SE	199
Section B — Long Schedule SE	202
Self-employment Tax Review Questions	211
Self-employment Tax Review Answers	213

Hobby Farms	215
Hobby vs. Profit Motive	215
Factors Determining Profit Motive	215
Presumption of Profit.	220
Impact of Hobby Determination	222
Reporting Hobby Income	222
Hobby Deductions and Losses	222
Tax Court Analysis	224
Facts	224
Breeding Activity.	224
Operational History	226
Breeding Facilities.	228
Record-keeping	229
Marketing Activities	230
Sales Activities	230
Time and Effort.	231
Federal Income Tax Returns	231
Results of IRS Audit	232
Tax Court Opinion.	233
Hobby Farms Review Questions	241
Hobby Farms Review Answers	243