Farm Records Book For Management

Extension Bulletin E-1144

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MICHIGAN STATE UNIVERSITY | Extension

Farm Records Book For Management

MICHIGAN STATE UNIVERSITY | Extension

Farm name ________________________ Year ____________

The intent of this “Farm Records Book for Management” is to assist you in collecting and organizing your farm's data.
Collecting your farm's data is a preemptive necessity to analyze your farm's financial performance, and therefore improve management decisions; and to comply with the Internal Revenue Service while decreasing your tax liability.
By making good decisions for your farm, we hope that your business will succeed, therefore improving your own life and the lives of those around you and building a strong agricultural industry in Michigan.

We suggest that you:

1. Keep the income and expense accounts current as the year progresses. Estimate and adjust your tax liabilty before the end of the year.
2. Close the accounting year by summarizing the income and expenses and file taxes with a knowledgeable farm tax specialist.
3. Take inventory of assets and liabilities to prepare an end-of-year Net Worth Statement.
4. Identify the strengths and weaknesses of your farm business by comparing your performance to your historical performance, to your goals, and to the performance of other farm businesses. Find business analysis reports for various types of farms at www.finbin.umn.edu or www.canr.msu.edu/telfarm/business-analysis-summaries.
5. Maintain or expand the strong enterprises or profit centers of your farm business and improve or eliminate the weak areas. Your MSU Extension agent can help tailor your financial information so you can analyze the farm as a whole or by enterprise.
6. Get assistance and additional evaluation on your financial situation from an objective resource person; e.g., MSU Extension, a paid consultant, and other sources including your creditor.
7. Use your own farm records as a basis when budgeting and planning credit needs.

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Schedule F is the federal tax from used to report farm income and expenses. This book will aid you in collecting the information needed to file that form.

Other forms may apply to you, such as:
- Forms 1040, 1040-SR, or 1040-NR (Individual Income Tax Return);
- Form 1065 (Return of Partnership Income);
- Form 1041 (Income Tax Return for Estates and Trusts);
- Form 8949 (Sales and Other Dispositions of Capital Assets);
- Form 4562 (Depreciation and Amortization);
- Form 4797(Business Asset Sales);
- Schedule 1 (Additional Income and Adjustments);
- Schedule A (Itemized Deductions);
- Schedule SE (Self-Employment Tax);
- Schedule D (Capital Gains and Losses);
- State and local forms, and more!

A tax pro can help you estimate and report your taxes accurately and confidently. A bookkeeper may be another resource that pays for itself when things get complicated.

For help creating a balance sheet and farm financial analysis contact your local MSU Farm Business Management educator, or visit bit.ly/farmfinancials.

Find this book online at http://bit.ly/farmrecordsbook
- Use it in Google sheets by going to "File" and "Make a Copy".
- Use it in Excel by going to "File" and then "Download". Once in Excel, press the ctrl key and while keeping it pressed, click on all the sheets at the bottom. Then click on the corner square left of the A column heading and above the first row. Then right click on one of the columns and change the column width to 2.8. Do the same on any row, and change the row height to 13.5.
- You may also print this at home using normal Letter paper by going to "File" and "Print".
- Other sample recordkeeping spreadsheet systems available at bit.ly/farmcashtrack, bit.ly/personalcashtrack and bit.ly/recordkeepingform.

If you have questions contact the MSU Extension Farm Business Management team: www.canr.msu.edu/farm_management/experts

Thank you to the Good Food Fund for supporting the Spanish translation of this book.

Farm description

ADDRESS ____________________ FARM ID NO. ____________

OPERATOR'S NAME ____________________ SOC.SEC.NO ____________

SPOUSE'S NAME ____________________ SOC.SEC.NO ____________

FARM ACREAGE	Crops	Pasture	Woods	Other	Total
Acres Owned:					
Description					
Total Acres Owned:					
Acres Rented: (Your Share Only)					
Land Rental Arrangement (cash, crop share, etc.) - Description					
Total Acres Rented:					

1. A. Farm expenditures. Cash farm expenses

Introduction

The Farm Records Book is designed so you can easily file taxes with the US Internal Revenue Service (IRS). The tables on Section 1.A include items which can be reported in Schedule F part 2 as deductible, cash operating expenses. Operating, tax deductible expenses are ordinary and necessary costs for purchased inputs and services used for operating a farm for profit. These items are normally used up within a year of purchase. The cost of feeder livestock bought is included in this group. Schedule F line numbers are specified under these columns' headings for your convenience.

On another hand, the cost of capital purchases such as dairy, breeding and work stock, machinery, tile and buildings, on another hand, is recovered through annual depreciation and must be handled separately. Secion 1.C. may be used for this purpose. These transactions may be reported in IRS Form 4562 but other forms may apply. To learn more about farm taxes see the IRS "Farmers' Tax Guide".

Instructions

Column 1 is to be used for recording quantities and dollar amounts in journal fashion. The total of column 1 can be used as a cross-check of the totals of all other columns to guard against posting errors. Also, it can be used for initial recording during rush, and the figures posted to the proper itemized column when more time is available. Space is provided on Section 1. A. II. to record monthly totals for each kind of expense.

The quantities of some items in **columns 2 and 3** are necessary for business analysis and planning. This is especially true of purchased feed and feeder livestock. Space is provided on Section 1.A.II to record monthly totals of quantities for each kind of expense.

Column 4 - Record the cost of the purchased feeder livestock which, when sold, will be entered in **column 5** of the "Cash Farm Receipts" section. Since some of these animals may have been purchased in the previous tax year, special care should be taken with the costs recorded here. One way is to keep a separate record of feeder livestock when purchased and then record the cost in this book at the time sold.
Where it is difficult to keep the identity of animals straight, it is possible to use a first in, first out method of reporting. This column should also include the cost of any other items purchased for resale. Use the "Explanation" column to identify if the expenseis for livestock or other iems.

Column 5 - The farm business share of automobile expense and truck expense is entered here. Form 4562 has to be attached when filing taxes.

Column 6 - Enter all chemicals used in crop production.

Column 7 - Enter conservation expenses and land clearing expenses.

Column 8 - Record any custom work hired such as trucking, combining, silo filling, or planting.

Column 9 - Enter employee benefit plans (accident and health plans, group-term life insurance, dependent care assistance), plus any amount you contributed into retirement plans which qualify for deduction from taxable income for your employees. These expenses will be reported on lines 15 or 23 of Schedule F, and/or other tax forms.

Column 10 - List all feed purchased, including grain, hay, pellet feed and supplements. Commonly included is the cost of grinding and minerals.

1. A. Farm expenditures. Cash farm expenses

Column 11 - Record the cost of fertilizer and lime, as well as the cost of soil testing.

Column 12 - Enter all trucking costs.

Column 13 - Record the cost of gasoline, oil, diesel fuel, and other farm fuel.

Columns 14, 22, and 23 include only the farm share of these costs. Any reasonable division which can be defended in a tax review is satisfactory. Taxes, insurance, and utilities for the personal residence of the taxpayer cannot be included.

Column 15 - All interest paid on farm business debts is a deductible operating expense and should be kept separate from principal payments and recorded in this column. This includes interest on real estate debt. Refer to Section 1.D for space to record more detailed loan information.

Column 16 - Record lease payments for machinery and equipment used on farm.

Column 17 - Cash rent paid for use of land, buildings, and facilities.

Column 18 - Record repairs to buildings, tile, and fence, which do not materially lengthen the useful life. This includes paint, minor repairs and upkeep. The same rules apply for machinery repairs. Small tools, which have a short useful life, are also commonly included here.

Column 19 - Include all purchases of seed and plants used for farm production.

Column 20 - Record grain storage costs here.

Column 21 - Schedule F part II provides a line for supplies. For good business analysis, specify which enterprise the expense corresponds to in the "Explanation" column whenever possible.

Column 22 and 23 - (See **column 14.**)

Column 24 - Combine all items of livestock expenses in this column. Included are veterinary, medicine, breeding fees, milkhouse supplies, registration, and identification chips.

Column 25 can be used as a catch-all for expense items not previously categorized. The "Explanation" column can be used to identify the expense item in column 25 or for entering other general notes. (e.g., livestock marketing, crop marketing, drying expense, bees, dues and professional fees, IPM scouting, bin rent, packaging, replacement trees, irrigation energy, grazing fees, expenses from government payments, entertainment and gifts, and hedging losses).

1. A. I. Farm expenditures. Cash farm expenses. Detail

							SCHEDULE F PART II ITEMS						
Date	Paid to (vendor)	Check no.	Total dollar amount	No. or head	Quantity	Feeder livestock bought Sch. F Pt.1 Line 1.b	Car, truck Line 10	Chemicals Line 11	Conservation Line 12	Custom hire Line 13	Employee benefits Lines 15, 23	Feed purchased Line 16	Fertilizer and lime Line 17
			1	2	3	4	5	6	7	8	9	10	11
TOTALS													

1. A. I. Farm expenditures. Cash farm expenses. Detail

SCHEDULE F PART II ITEMS (cont.)														
Freight, trucking Line 18	Gas, oil, fuel Line 19	Insurance (other than health) Line 20	Interest Line 21	Machine lease Line 24a	Rent or lease Line 24b	Repairs, maintenance Line 25	Seeds, plants Line 26	Storage Line 27	Supplies Line 28	Taxes Line 29	Utilities Line 30	Veterinary, breeding, medicine Line 31	Other Line 32	Explanation
12	13	14	15	16	17	18	19	20	21	22	23	24	25	

1. A. I. Farm expenditures. Cash farm expenses. Detail

							SCHEDULE F PART II ITEMS						
Date	Paid to (vendor)	Check no.	Total dollar amount	No. or head	Quantity	Feeder livestock bought Sch. F Pt.1 Line 1.b	Car, truck Line 10	Chemicals Line 11	Conservation Line 12	Custom hire Line 13	Employee benefits Lines 15, 23	Feed purchased Line 16	Fertilizer and lime Line 17
			1	2	3	4	5	6	7	8	9	10	11
TOTALS													

1. A. I. Farm expenditures. Cash farm expenses. Detail

SCHEDULE F PART II ITEMS (cont.)														
Freight, trucking Line 18	Gas, oil, fuel Line 19	Insurance (other than health) Line 20	Interest Line 21	Machine lease Line 24a	Rent or lease Line 24b	Repairs, maintenance Line 25	Seeds, plants Line 26	Storage Line 27	Supplies Line 28	Taxes Line 29	Utilities Line 30	Veterinary, breeding, medicine Line 31	Other Line 32	Explanation
12	13	14	15	16	17	18	19	20	21	22	23	24	25	

1. A. I. Farm expenditures. Cash farm expenses. Detail

							SCHEDULE F PART II ITEMS						
Date	Paid to (vendor)	Check no.	Total dollar amount	No. or head	Quantity	Feeder livestock bought Sch. F Pt.1 Line 1.b	Car, truck Line 10	Chemicals Line 11	Conservation Line 12	Custom hire Line 13	Employee benefits Lines 15, 23	Feed purchased Line 16	Fertilizer and lime Line 17
			1	2	3	4	5	6	7	8	9	10	11
TOTALS													

1. A. I. Farm expenditures. Cash farm expenses. Detail

SCHEDULE F PART II ITEMS (cont.)

Freight, trucking Line 18	Gas, oil, fuel Line 19	Insurance (other than health) Line 20	Interest Line 21	Machine lease Line 24a	Rent or lease Line 24b	Repairs, maintenance Line 25	Seeds, plants Line 26	Storage Line 27	Supplies Line 28	Taxes Line 29	Utilities Line 30	Veterinary, breeding, medicine Line 31	Other Line 32	Explanation
12	13	14	15	16	17	18	19	20	21	22	23	24	25	

1. A. I. Farm expenditures. Cash farm expenses. Detail

							SCHEDULE F PART II ITEMS							
Date	Paid to (vendor)	Check no.	Total dollar amount 1	No. or head 2	Quantity 3	Feeder livestock bought Sch. F Pt.1 Line 1.b 4	Car, truck Line 10 5	Chemicals Line 11 6	Conservation Line 12 7	Custom hire Line 13 8	Employee benefits Lines 15, 23 9	Feed purchased Line 16 10	Fertilizer and lime Line 17 11
TOTALS													

1. A. I. Farm expenditures. Cash farm expenses. Detail

SCHEDULE F PART II ITEMS (cont.)														
Freight, trucking Line 18	Gas, oil, fuel Line 19	Insurance (other than health) Line 20	Interest Line 21	Machine lease Line 24a	Rent or lease Line 24b	Repairs, maintenance Line 25	Seeds, plants Line 26	Storage Line 27	Supplies Line 28	Taxes Line 29	Utilities Line 30	Veterinary, breeding, medicine Line 31	Other Line 32	Explanation
12	13	14	15	16	17	18	19	20	21	22	23	24	25	

1. A. II. Farm expenditures. Cash farm expenses. Summary - Part 1

					SCHEDULE F PART II ITEMS						
Month	Total dollar amount	No. or head	Quantity	Feeder livestock bought Sch. F Pt.1 Line 1.b	Car, truck Line 10	Chemicals Line 11	Conservation Line 12	Custom hire Line 13	Employee benefits Lines 15, 23	Feed purchased Line 16	Fertilizer and lime Line 17
	1	2	3	4	5	6	7	8	9	10	11
JANUARY											
FEBRUARY											
MARCH											
1ST QUARTER											
APRIL											
MAY											
JUNE											
2ND QUARTER											
JULY											
AUGUST											
SEPTEMBER											
3RD QUARTER											
OCTOBER											
NOVEMBER											
JANUARY-NOVEMBER TOTALS for Income Tax Management											
DECEMBER											
4TH QUARTER (OCT., NOV., DEC.)											
TOTAL FOR YEAR											

1. A. II. Farm expenditures. Cash farm expenses. Summary - Part 1

SCHEDULE F PART II ITEMS (cont.)														
Freight, trucking Line 18	Gas, oil, fuel Line 19	Insurance (other than health) Line 20	Interest Line 21	Machine lease Line 24a	Rent or lease Line 24b	Repairs, maintenance Line 25	Seeds, plants Line 26	Storage Line 27	Supplies Line 28	Taxes Line 29	Utilities Line 30	Veterinary, breeding, medicine Line 31	Other Line 32	Explanation
12	13	14	15	16	17	18	19	20	21	22	23	24	25	

1. A. II. Farm expenditures. Cash farm expenses. Summary - Part 2

Month	Total amount
JANUARY	
FEBRUARY	
MARCH	
1ST QUARTER	
APRIL	
MAY	
JUNE	
2ND QUARTER	
JULY	
AUGUST	
SEPTEMBER	
3RD QUARTER	
OCTOBER	
NOVEMBER	
JANUARY-NOVEMBER TOTALS for Income Tax Management	
DECEMBER	
4TH QUARTER (OCT., NOV., DEC.)	
TOTAL FOR YEAR	

1. B. Farm expenditures. Labor record

Hired labor and management can be a major cost item for today's farms. The entire amount of reasonable wages (salary) paid before withholding is a tax-deductible expense for the employer.

Because of the importance and the number of data entries associated with hiring employees, a separate recording location distinct and separate from the other cash farm expenses is provided.

The form is designed to have a separate page for each employee.

On another hand, for a complete financial analysis of the business, the value of unpaid family labor and management must be accounted for.
There is space to enter family or other unpaid labor in Section 1.B.II, Summary. You may also keep records of the hours worked by family on the first two columns of the labor tables and leave the rest blank.

Column 1 is used to reflect the gross dollar amount of the wage (salary) for the specified time period.

Column 2 can be used to recognize the elective decision by the employee to contribute part of his/her before-tax wages to his/her retirement, flexible spending account (FSA), health saving account (HSA), child care, health, accident or dental insurance and other provisions allowed by the IRS.

Column 3 is the taxable earnings to the employee, which may or may not be different from gross wages, depending on the elective decisions recognized in column 2.

Column 4 is used to recognize the withholding for federal income tax.

Column 5 is used to record the withholding for the Federal Insurance Contribution Act (FICA); i.e. Social Security and Medicare.

Column 6 is used to record the withholding for state income tax.

Column 7 represents the net amount received by the employee. This amount reflects the deductions due to his/her elective contributions plus the mandated withholding for income tax and FICA.

1. B. I. Farm expenditures. Labor record. Detail

Name: Date hired:

Address:

Social security number: Rate of pay:

					Withholding				
Period Covered	Hours	Gross Earnings	Employee Contribution (FSA, retirement)	Taxable Earnings	Federal Taxes	FICA (social security & medicare)	State Taxes	Net amount Paid	Date Paid
		1	2	3 = 1 - 2	4	5	6	7 = 3 - (4+5+6)	
TOTALS									

1. B. I. Farm expenditures. Labor record. Detail

Name:							Date hired:		
Address:									
Social security number:							Rate of pay:		
					Withholding				
Period Covered	Hours	Gross Earnings	Employee Contribution (FSA, retirement)	Taxable Earnings	Federal Taxes	FICA (social security & medicare)	State Taxes	Net amount Paid	Date Paid
		1	2	3 = 1 - 2	4	5	6	7 = 3 - (4+5+6)	
TOTALS									

1. B. I. Farm expenditures. Labor record. Detail

Name: Date hired:

Address:

Social security number: Rate of pay:

Period Covered	Hours	Gross Earnings	Employee Contribution (FSA, retirement)	Taxable Earnings	Withholding			Net amount Paid	Date Paid
					Federal Taxes	FICA (social security & medicare)	State Taxes		
		1	2	3 = 1 - 2	4	5	6	7 = 3 - (4+5+6)	
TOTALS									

1. B. II. Farm expenditures. Labor record. Summary

	Number of Hours		
Month	Unpaid operator	Unpaid family and others	Employees
JANUARY			
FEBRUARY			
MARCH			
1ST QUARTER			
APRIL			
MAY			
JUNE			
2ND QUARTER			
JULY			
AUGUST			
SEPTEMBER			
3RD QUARTER			
OCTOBER			
NOVEMBER			
DECEMBER			
4TH QUARTER			
TOTAL FOR YEAR			

1. C. I. Farm expenditures. Purchases of business property

In these tables you should record purchases of dairy, breeding, and working livestock which are held and used in the farm business for production of income. Do not include market livestock. Additionally, record the purchase of any new or used machinery or equipment, buildings, land and capital improvements to buildings or the land that were purchased by the farm business for production of income. Improvements include drainage tile, fences, irrigation systems and other improvements that have a determinable useful life longer than one year. These should be included here, not as a cash farm expense. Enter land purchases in a separate line from buildings and capital improvements, because since land is non-depreciable, some of the columns will not apply, even if they were purcahsed together. You should also record any deductions taken for casualty losses, such as those resulting from fires or storms.

Instructions

Columns 1 and 2: Record the date of purchase and note if machinery is new or used, and number and type of livestock – dairy, breeding, etc.

Columns 3, 4 and 5: Total price is the total value of the item, including any fees and charges associated with the purchase. In column 4, note the cash portion. This may be the same as the total or not, if a trade-in was involved. Estimate a salvage value and place it in column 5.

Columns 6 and 7: Section 179 and Bonus Depreciation are incentives that allow taxpayers to write off all or part of the cost of qualifying assets in the year they are placed in service. Both deductions can be applied to new and used tangible property that was not inherited, gifted, or acquired from a related party, and can be combined if desired. Section 179 depreciation is reduced if purchases exceed a threshold, but it allows to allocate the deduction among assets according to preference. Bonus depreciation has no annual limit, but it applies to all assets within an asset class. Section 179 is limited to the amount of taxable income, whereas bonus depreciation can be used to create a net loss. Note that whenever you sell an asset for more than the cost basis left, you have to pay tax on the depreciation recapture, which is ordinary income. Consult with your accountant or look at last year's tax return to fill in these columns.

Columns 8 and 9: The convention chosen affects the depreciation amount that can be deducted in year 1. It can be Half-year or Mid-quarter. The annual depreciation expense will be determined by the cost recovery method chosen**,** including the recovery period in years (**column 9**, see Table 1. C. II.), and the cost basis for depreciation (**column 10**). The most common depreciation methods are the Modified Accelerated Cost Recovery System (MACRS), 150% declining balance (see Table 1. C. II.) and the straight-line. Other methods are the Alternative Depreciation System (ADS), the Special Depreciation Allowance and "Sum of the Years' Digits". The sum of years' digits method is accelerated depreciation. Consult with your accountant or look at last year's tax return to fill in these columns.

Column 10: The original basis is calculated as column 4 minus column 5 minus column 6.

Columns 11 through 15: Create a new line for each item every year, and update these columns. The cost left at the beginning of the year (**column 11**) is equal to the original cost basis (**column 10**) in the year of purchase. In successive years it is equal to the cost left at the end of the previous year. This year's depreciation is a calculation that has to be made separately, and your tax preparer will probably do that for you. Same applies to **column 15**, estimated depreciation to be taken next year. **Column 14** can be kept by adding all years' depreciation for an item.

1. C. I. Farm expenditures. Purchases of business property. Detail

Date purch	Description	Total price	Cash paid "boot"	Salvage value	Section 179 expens.	Bonus depr. %	Convention	Method and years	Original basis	Basis left at start of the year	This year's depr.	Basis left at end of the year	Accumulated depreciation taken so far	Next year's deprec.
1	2	3	4	5	6	7	8	9	10=4-5-6	11	12	13=11-12	14	15
TOTALS														

1. C. I. Farm expenditures. Purchases of business property. Detail

Date purch	Description	Total price	Cash paid "boot"	Salvage value	Section 179 expens.	Bonus depr. %	Convention	Method and years	Original basis	Basis left at start of the year	This year's depr.	Basis left at end of the year	Accumulated depreciation taken so far	Next year's deprec.
1	2	3	4	5	6	7	8	9	10=4-5-6	11	12	13=11-12	14	15
TOTALS														

1. C. I. Farm expenditures. Purchases of business property. Detail

Date purch	Description	Total price	Cash paid "boot"	Salvage value	Section 179 expens.	Bonus depr. %	Convention	Method and years	Original basis	Basis left at start of the year	This year's depr.	Basis left at end of the year	Accumulated depreciation taken so far	Next year's deprec.
1	2	3	4	5	6	7	8	9	10=4-5-6	11	12	13=11-12	14	15
TOTALS														

1. C. II. Farm expenditures. Purchases of business property. Farm property recovery periods

ASSETS	RECOVERY PERIOD IN YEARS FOR: GDS - general depreciation system	ADS - alternative depreciation system
Agricultural structures (single-purpose)	10	15
Airplanes (including helicopters) (1)	5	6
Automobiles	5	5
Calculators and copiers	5	6
Cattle (dairy or breeding)	5	7
Communication equipment (2)	7	10
Computers and peripheral equipment	5	5
Cotton ginning assets	7	12
Drainage facilities	15	20
Farm buildings (3)	20	25
Farm machinery and equipment	5 if new, 7 if used	10
Fences (agricultural)	7	10
Goats and sheep (breeding)	5	5
Grain bin	7	10
Hogs (breeding)	3	3
Horses (age when placed in service)		
Breeding and working (12 years or less)	7	10
Breeding and working (more than 12 years)	3	10
Racing horses (more than 2 years)	3	12
Horticultural structures (single purpose)	10	15
Logging machinery and equipment (4)	5	6
Non residential real property	39 (5)	40

1. C. II. Farm expenditures. Purchases of business property. Farm property recovery periods (cont'd)

ASSETS (cont'd.)	RECOVERY PERIOD IN YEARS FOR: GDS - general depreciation system	ADS - alternative depreciation system
Office equipment (not calculators, copiers or typewriters)	7	10
Office furniture or fixtures	7	10
Residential rental property	27.5	40
Tractor units (over-the-road)	3	4
Trees or vines bearing fruit or nuts	10	20
Truck (heavy duty, unloaded weight 13,000 lbs or more)	5	6
Truck (weight less than 13,000 lbs)	5	5
Typewriter	5	6

(1) Not including airplanes used in commercial or contract carrying of passengers.
(2) Not including communication equipment listed in other classes.
(3) Not including single purpose agricultural or horticultural structures.
(4) Used by logging and sawmill operators for cutting up timber.
(5) For property placed in service before May 13th 1993 the recovery period is 31.5 years.

1. C. II. Farm expenditures. Purchases of business property. 150% Declining Balance (DB) method

Year	3-year	5-year	7-year	20-year
1	25.0%	15.0%	10.71%	3.75%
2	37.5	25.5	19.13	7.219
3	25	17.85	15.03	6.677
4	12.5	16.66	12.25	6.177
5		16.66	12.25	5.713
6		8.33	12.25	5.285
7			12.25	4.888
8			6.13	4.522

1. D. Farm expenditures. Loan transactions

Making payments on farm debt obligations is a cash expenditure. A debt service payment most often consists of both a debt reduction (the principal payment) and an interest expense.
The principal portion of the debt service payment is an expenditure of funds but is not a tax-deductible expense and therefore is not included on Section 1.A., but is important for business analysis purposes.
The interest portion of the debt service payment is a tax-deductible expense and therefore it is included as a column on Section 1.A.

For these important distinctions, it is necessary that farm records provide an accurate accounting of these expenditures.
These loan transaction forms provide space to keep track of debt service payments. Use the first one for short-term, operating, current or annual loans, the second one for intermediate loans, and the third one for long term loans.
Intermediate loans are debts against intermediate assets - machinery, breeding livestock and buildings when due within 7 or 10 years.
Long-term loans are liabilities against long term assets. This will usually include loans, land contracts or mortgages for the purchase of land, buildings, and other permanent land improvements. These typically are set up with 10 or more years to repay.

After specifying the date of transaction, creditor and description on the first three columns:

Column 1 is used to record the beginning principal owed.

Column 2 can be used to recognize an additional borrowing from this credit source.

Column 3 represents the principal portion of the debt service payment.

Column 4 is the interest portion of the debt service payment. Interest totals from this section can be carried to the "Annual Summary of Farm Expenses", column 15, and/or entered on Schedule F, line 23a for mortgage interest and line 23b for other interest on farm business debt.

Column 5 is used to record the total debt service payment.

Column 6 provides the opportunity to determine the ending principal balance owed. This amount will eventually need to be reconciled with the statement provided by your creditor.

1. D. I. Farm expenditures. Loan transactions. Short-term Loans

Date	Creditor	Description	Beginning Principal Owed	Additional Borrowing	Payments			Ending Principal Owed
					Principal Payment	Interest Payment	Total Payment	
			1	2	3	4	5 = 3 + 4	6 = 1 + 2 - 3
TOTALS								

1. D. II. Farm expenditures. Loan transactions. Intermediate-term Loans

Date	Creditor	Description	Beginning Principal Owed	Additional Borrowing	Payments			Ending Principal Owed
					Principal Payment	Interest Payment	Total Payment	
			1	2	3	4	5 = 3 + 4	6 = 1 + 2 - 3
TOTALS								

1. D. III. Farm expenditures. Loan transactions. Long-term Loans

Date	Creditor	Description	Beginning Principal Owed	Additional Borrowing	Payments			Ending Principal Owed
					Principal Payment	Interest Payment	Total Payment	
			1	2	3	4	5 = 3 + 4	6 = 1 + 2 - 3
TOTALS								

2. A. Farm income. Cash farm receipts

Introduction

Farm income can be placed into two categories - ordinary income and capital gains.
Ordinary income originates from sales of products produced and services rendered. Examples of ordinary income are grain sales, livestock products such as milk, and feeder or market livestock sold. Ordinary farm income is reported to the IRS for income tax filing purposes on Schedule F. Line numbers are specified under column headings for your convenience. To learn more about farm taxes see the IRS "Farmers' Tax Guide".
On another hand the sale of capital items such as dairy, breeding and work stock, machinery, tile and buildings affect depreciation and capital gains tax calculations and therefore must be handled separately, see Secion 2.B.

Instructions

Column 1 is to be used for recording dollar amounts in journal fashion. The total of column 1 can be used as a cross-check of the totals of all other columns to guard against posting errors. Also, it can be used for initial recording during rush periods and the figures posted to the proper itemized column when more time is available. Space is provided on Section 2.A.3 to record monthly dollar totals for each kind of income.

Columns 2 and 3 are quantities such as number sold and weight. These are necessary for business analysis and planning. Space is provided on Section 2.A.3 to record monthly totals of quantities for each kind of income.

Many items of income are erroneousy reported on Schedule F which should be reported on a Schedule B, C, or D and totaled on the individual's Form 1040. For a more complete discussion, get a copy of the "Farmers' Tax Guide" from your county agricultural agent or the Internal Revenue Service.

An animal raised or purchased with the objective to be sold (market livestock) means the animal is not intended to become breeding or milking livestock. Income from these sales is typically reported on Schedule F, together with other raised or resold farm products.

On the other hand, the income from the sale of livestock bought or raised for breeding, draft or milking purposes is not reported on Schedule F. Instead, it is usually reported on Form 4797. It may be taxed at lower rates, and is not subject to self-employment tax. Please make sure to not include those sales on this table. They should be recorded on the "Sales of business property" tables in Section 2.B.

Column 4 is for the sale of livestock that was purchased to be fed out and resold. This column can also be used for other resale items.

Column 5 is for the sale of livestock that was raised to be fed out and sold. Include raised slaughter livestock (cattle, hogs and lambs). Line 2 of Schedule F will include this income plus that from the sale of other crops or livestock products raised at the farm (see columns 13 - 17).

Column 6 is for patronage dividends and refunds which result from the operation of the business.

Column 7 is for government payments for production flexibility contracts and agricultural conservation practices, e.g., SP-53, PA 116 and Homestead Credit.

Column 8 is for Commodity Credit Corporation grain loans that are claimed as income when received. Although generally loans received should not be reported as income, if you pledge part or all of your production to secure a CCC loan, you can treat the loan as if it were a sale of the crop and report the loan proceeds as income in the year you receive them.

Column 9 is for crop insurance indemnity payments received. If on cash method of accounting, you may elect to report crop insurance payments in the year following indemnity payment if the damaged crops would normally be converted to income in that year.

Column 10 is for custom income received.

Column 11 is provided for the sale of maple products, Christmas trees, pulpwood, and timber. Under special conditions, timber can be a Form 4797 item. See the Farmers' Tax Guide for details.

Columns 13 - 17 are for income from the sale of crops and livestock products not reported in columns 4 or 5. Be sure to place headings in the same order on each page to avoid confusion. Examples include: Corn, Soybeans, Wheat, Apples, Grapes, Sweet Cherries, Tart Cherries, Peaches, Plums, Pears, Strawberries, Raspberries, Blueberries, Asparagus, Vegetables, Livestock products such as milk, or any other income sources relevant to your operation. Use separate columns for Fresh, Processed, For Juice, etc. Sales of produce, grains, and other products you raised go on Line 2 of Schedule F.

Column 12 is for any miscellaneous income not reported elsewhere. Other income items can be CCC market loan gains, LDP/CRP or Government Crop, Livestock and Conservation Program payments, Contract livestock income, Other types of insurance income, Real estate tax refunds, etc. You should also include gains from hedging accounts here.

2. A. I. Farm income. Cash farm receipts. Detail

						SCHEDULE F PART I ITEMS			
Date	Item description	Buyer	Total amount 1	No. or head 2	Quantity measure (e.g., cwt, bu) 3	Purchased feeder livestock sold, Line 1a 4	Raised livestock sold Line 2 5	Patronage dividends and refunds Line 3a 6	Agricultural program payments Line 4a 7
TOTALS									

2. A. I. Farm income. Cash farm receipts. Detail

SCHEDULE F PART I ITEMS (cont)										
					Write in these columns other headings specific to your business					
CCC loans as income Line 5a	Crop insurance proceeds Line 6	Custom machine work Line 7	Forest products See guide	Other Line 8						Explanation
8	9	10	11	12	13	14	15	16	17	

2. A. I. Farm income. Cash farm receipts. Detail

						SCHEDULE F PART I ITEMS			
Date	Item description	Buyer	Total amount 1	No. or head 2	Quantity measure (e.g., cwt, bu) 3	Purchased feeder livestock sold, Line 1a 4	Raised livestock sold Line 2 5	Patronage dividends and refunds Line 3a 6	Agricultural program payments Line 4a 7
TOTALS									

2. A. I. Farm income. Cash farm receipts. Detail

SCHEDULE F PART I ITEMS (cont)										
					Write in these columns other headings specific to your business					
CCC loans as income Line 5a	Crop insurance proceeds Line 6	Custom machine work Line 7	Forest products See guide	Other Line 8						Explanation
8	9	10	11	12	13	14	15	16	17	

2. A. II. Farm income. Cash farm receipts. Summary - Part 1

				SCHEDULE F PART I ITEMS			
Month	Total amount	No. or head	Quantity measure (e.g., cwt, bu)	Purchased feeder livestock sold, Line 1a	Raised livestock sold Line 2	Patronage dividends and refunds Line 3a	Agricultural program payments Line 4a
	1	2	3	4	5	6	7
JANUARY							
FEBRUARY							
MARCH							
1ST QUARTER							
APRIL							
MAY							
JUNE							
2ND QUARTER							
JULY							
AUGUST							
SEPTEMBER							
3RD QUARTER							
OCTOBER							
NOVEMBER							
JANUARY-NOVEMBER TOTALS for Income Tax Management							
DECEMBER							
4TH QUARTER (OCT., NOV., DEC.)							
TOTAL FOR YEAR							

2. A. II. Farm income. Cash farm receipts. Summary - Part 1

SCHEDULE F PART I ITEMS (cont)										
CCC loans as income Line 5a	Crop insurance proceeds Line 6	Custom machine work Line 7	Forest products See guide	Other Line 8	Write in these columns other headings specific to your business					Explanation
8	9	10	11	12	13	14	15	16	17	

2. A. II. Farm income. Cash farm receipts. Summary - Part 2

Month	Total amount
JANUARY	
FEBRUARY	
MARCH	
1ST QUARTER	
APRIL	
MAY	
JUNE	
2ND QUARTER	
JULY	
AUGUST	
SEPTEMBER	
3RD QUARTER	
OCTOBER	
NOVEMBER	
JANUARY-NOVEMBER TOTALS for Income Tax Management	
DECEMBER	
4TH QUARTER (OCT., NOV., DEC.)	
TOTAL FOR YEAR	

2. B. Farm income. Sales of business property

Farm income can be placed into two categories - **ordinary income and capital gains**.

Capital gains income is generated from the sale of capital assets; e.g. cull, breeding or milking livestock, machinery and equipment (including trade-ins), land, buildings, and improvements to buildings or land. When capital assets are sold, the difference between its basis and the sale price is the capital gain (or loss). The basis is the original purchase price, plus improvements made, minus depreciation taken and casualty losses.

Land generates capital gains when sold, although is a non-depreciable capital item.
If a breeding, milking, cull or draft animal was raised and the costs of raising it were deducted on Schedule F, its basis is zero.

Capital gains income is reported for income tax purposes on IRS Form 4797 and is not earned income for self-employment Social Security purposes, so it must be kept separate from ordinary income.

The length of time the asset was held on the farm determines whether the sale will qualify as a short or long-term capital gain. Generally, the holding period is 24 months for cattle and horses, and 12 months for other assets, including other livestock. Long term capital gains tax rates are significantly lower. Short term caoital gains and the depreciation "recapture" portion of the sale are generally taxed as ordinary income.

Instructions

Columns 1, 2 and 3 are used to identify the capital asset sold and the relevant dates of purchase and sale. Capital livestock sales should be split between breeding/milking and cull, and it should be noted whether they were raised or purchased.

Column 4 is used to record the sales price, whether cash was received or value recognized in a trade-in.

Column 5 is for the remaining basis left of the capital asset sold, from Section 1. C. I. This amount will be subtracted from the sales price in determining capital gains or losses.

Column 6 is the difference between the sales price and the remaining basis.

2. B. Farm income. Sales of business property

Date sold	Description	Date acquired	Sales price	Remaining basis	Gain or loss
1	2	3	4	5	6 = (4 - 5)
TOTALS					

2. B. Farm income. Sales of business property

Date sold	Description	Date acquired	Sales price	Remaining basis	Gain or loss
1	2	3	4	5	6 = (4 - 5)
TOTALS					

3. Cash flow statement

Introduction

This form provides space to summarize your income and expenses, both personal and for the farm. It asks about operating, day-to-day items, about capital, longer term items, and about loans.

The first table is for operating income. The next two tables are for operating expenses. These are broken down into two pages to provide you with enough space.

The next table has three sections. The first section, "Investing Activities" is for farm capital purchases and sales. The second section, "Non-Farm Income and Expenses", is for personal income and expenses, including, again, cash, day-to-day transactions and capital, long-term items.
The third section of this table, "Financing Activities", is for loans, both personal and for the farm.

The last table, "Cash Flow Summary", pulls information from all of the above and requires you to provide beginning and ending cash balances to perform a reconciliation. This is, making sure that what you had at the beginning of the period, plus or minus what you made or lost at the farm, plus or minus what you made or lost through personal activities, equals what you had at the end of the period. The "Discrepancy" should be equal or close to zero. If it is not, any tax returns or financial analyses prepared with this information will be inaccurate. You can also use this section to monitor your liquidity and make sure that you will be able to cover upcoming farm and family living expenses with the income coming in.

Please use the categories presented as they are, whenever they apply to your operation. If some of them do not apply to you, skip them. If any of your income or expenses do not match any of the presented categories, you can add them under "Other".

Most, but not all of the information for the cash flow statement will come from either Section 1 (Farm Expenses) or Section 2 (Farm Income), but you'll have to add personal information as well to check for discrepancies. This should also be consistent with tax forms.

Additionally, this form provides three columns for enterprise analysis ("EA"). This information is very valuable for analyzing the different crops or types of livestock at your farm. The form provides space to enter an allocation for each income and expense line item for the different enterprises. This can be in the form of percentages or dollar values.

Note that these cash flow summary statements are an incomplete reflection of your farm's income, as they don't account for inventory changes. They only reflect cash income and expenses. The Net Cash Farm Income below could be showing a loss if you had high expenses while growing your inventory. Or, conversely, it could be showing high income when you may actually be liquidating the farm. For this reason it is recommended that you also calculate an accrual adjusted (aka true) profit and loss or income statement. This statement will use information from this section as well as from your Net Worth Statement. Ask your local Extension educator for help with this.

NET CASH FARM INCOME (Line 4 minus Line 10)	

3. A. Detailed cash flow statement

	EA	EA	EA	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Year
OPERATING INCOME								
Sales of Purchased Livestock and Other Resale Items								
Raised Market Livestock and Crop Sales								
Cooperative Distributions								
Agricultural Program Payments								
CCC Loans as Income								
Crop Insurance Proceeds								
Custom Machine Work								
Forest Products								
1 Hedging Accounts Withdrawals								
Other Income								
LDP payments								
Crop government payments								
CRP payments								
Livestock govt payments								
Conservation govt payment								
Other government payments								
Real estate tax refund								
Crop insurance income								
Livestock insurance income								
Property insurance income								
Contract livestock income								
2 Total Operating Income (add all of the above)								
3 Total Operating Income excluding Hedging withdrawals (2 - 1)								
4 Gross Cash Income (3 + 12)								

	EA	EA	EA	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Year
OPERATING EXPENSES								
5 Feeder Livestock Purchases								
Car, Truck								
Chemicals								
Government and conservation program expenses								
Custom Hire								
Employee Benefits								
6 Feed Purchases								
Fertilizer And Lime								
Freight, Trucking								
Gas, Oil, Fuel								
Insurance (not health)								
7 Interest 7.a on short-term loans: 7.b on intermediate-term loans: 7.c on long-term loans:								
Machine Lease								
Land Rent or Lease								
Repairs, Maintenance								
Seeds, Plants								
Storage								
Supplies								
Real Estate Taxes								
Utilities								
Veterinary, Breeding, Medicine								
Labor Hired (including harvest)								
8 Hedging Accounts Deposits								
Other Expenses								
Drying expense								
Consultants								
Marketing								
Livestock leases								
Grazing fees								

	EA	EA	EA	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Year
OPERATING EXPENSES								
Irrigation energy								
Building leases								
Dues & professional fees								
Purchase of resale items other than feeder livestock								
9 Total Operating Expenses (add all of the above)								
10 Total Operating Expenses excluding Hedging deposits (9 - 8)								
11 Total Cash Operating Expenses (10 - 7)								

	EA	EA	EA	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Year
CAPITAL PURCHASES AND SALES (INVESTING ACTIVITIES)								
12 Livestock sales (Cull)								
13 Livestock sales (Breeding & Milking)								
14 Machinery and equipment sales								
15 Vehicle sales								
16 Land sales								
17 Buildings and improvements sales								
18 Sales of other capital (intermediate and long-term) assets								
19 Total Capital Sales (add rows 12 to 18)								
20 Livestock purchases (Breeding & Milking)								
21 Machinery and equipment purchases								
22 Vehicle purchases								
23 Land purchases								
24 Buildings and improvements purchases								
25 Purchases of other capital (intermediate and long-term) assets								
26 Total Capital Expenditures (add rows 20 to 25)								
NON-FARM INCOME AND EXPENSES*								
Wages								
Rental or other business income								
Interest and dividend income								
27 Personal capital sales								
Tax refunds								
Gifts and inheritances received								
28 Total Non-farm Income (add rows in this box)								
Family And Non-farm Expenses								
Family And Non-farm Expenses - other								
29 Personal capital purchases								
30 Income Tax and S.S. Paid								
Gifts Given								
31 Total Family And Non-farm Expenses (add rows in this box)								
FINANCING ACTIVITIES								
32 Farm money borrowed								
33 Non-Farm money borrowed								
34 Farm Debt Principal Payments								
35 Personal Debt Principal Payments								

*Include income and expenses from stocks, bonds, dividends, interest, furnishings, vehicles, appliances, life insurance and retirement, and real estate or other non-farm business.

3. B. Cash flow statement. Cash flow summary

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Year
Beginning Farm Cash Balance (add checking, savings, cash, safe)					
Beginning Non-Farm Cash Balance (add checking, savings, cash, safe)					
Farm Operating Income (2) if you split farm income with a partner, enter your share only					
Farm Capital Sales (19) if split with a partner, enter your share only					
Farm Money Borrowed (32) if split with a partner, enter your share only					
Non-Farm Money Borrowed (33)					
Total Non-Farm Income (28)					
36 TOTAL CASH INFLOWS (add all of the above)					
Ending Farm Cash Balance (checking, savings, cash, safe)					
Ending Non-Farm Cash Balance (checking, savings, cash, safe)					
Total Operating Expenses (9) if they are split with a partner, enter your share only					
Farm Capital Purchases (26) if split with a partner, enter your share only					
Farm Principal Payments (34) if split with a partner, enter your share only					
Non-Farm Principal Payments (35)					
37 SUBTOTAL CASH OUTFLOWS (add all of the above)					
38 Apparent family living expense (36 - 37)					
39 Family and non-farm expenses reported (31)					
Discrepancy - Unaccounted Cash (38 - 39)					