

Small Farm Tax Guide

Taxes may not be your foremost concern when you are new to the record-keeping side of production agriculture. However, chances are good that most of your production decisions will have tax implications. It is important to account for uncertainty when making decisions about taxes, from a risk management perspective, which can also help maximize after-tax income.

One of the resources available from RuralTax.org is the Small Farm Tax Guide (SFTG). This comprehensive publication covers many aspects of income and self-employment taxes as they apply to production agriculture. The two most common mistakes farm and ranch managers make, according to the SFTG, are ignoring the tax consequences of their decisions entirely (reducing after-tax income by not taking advantage of tax reduction opportunities) and focusing so much on reducing business taxes that after-tax income suffers.

Once more, the goal of tax planning should be to maximize after-tax income not minimize taxes paid. The SFTG begins with a review of basic farm management, including budgeting, financial statements, time value of money, and marginal analysis. This helps the reader to build a basic management foundation before moving into tax issues. Next, the guide provides an overview of farm taxes, what qualifies as farm income and deductible expenses, followed by chapters on how to manage income timing and other tools to manage tax liability. The SFTG concludes with a discussion of buying and selling farmland, tax implications of farm losses and financial distress, and tax reporting.

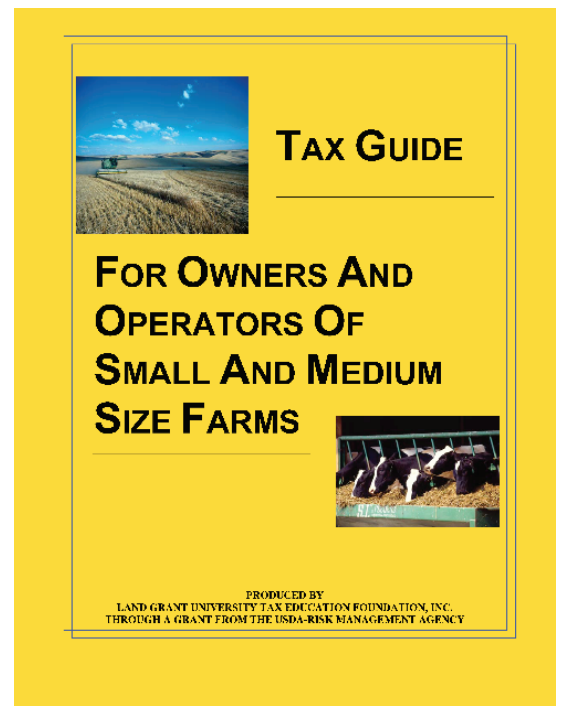


Figure 3: Small Farm Tax Guide, RuralTax.org

A Wide Range of Tax Topics

The Tax Topics section covers more than 35 topics, each containing peer-reviewed articles. Topics discussed range from an introduction to federal income tax forms and issues of weather-related losses and disaster implications to estate tax issues, and implications of leasing versus buying machinery and equipment. Topics of particular interest for new and beginning producers include startup costs and tax implications, as well as important tax definitions. Other relevant topics include estate and gift tax issues and the employment of family members.

For More Information

RuralTax.org is an excellent resource for learning more about agricultural taxes, the risk associated with taxes, and how tax management can affect a business. When it comes to tax issues, there is always more to learn, regardless of your expertise. RuralTax.org includes links to resources such as the University of Illinois Farmdoc and Tax School programs, as well as sample tax forms and IRS Farm Tax guides. For further information on tax planning and risk management for beginning farmers and ranchers, visit RightRisk.org and FarmAnswers.org.

Taxes For Agricultural Enterprises:

An Interactive Course from Rightrisk.org

Taxes for Agricultural Enterprises



-- Free online self-study course designed to increase understanding of taxes and tax issues for agricultural enterprises

-- Visit RightRisk.org, select Taxes for Agriculture from the Courses tab