FARM BEGINNINGS COLLABORATIVE

PAYING TAXES: A TAX GUIDE FOR INDIVIDUAL FARM BUSINESS OWNERS

This document was adapted from "Recordkeeping for Farm Taxes" developed by Tricia Bross of Luna Circle Farm and "Paying Income Tax as a Beginning Farmer: A Guide for Individual Farm Business Owners" developed by Grow NYC, with edits from Cree Bradley, Worksong Services, Janaki Fisher-Merritt of Food Farm and a retired tax preparer, and Tom Curran, CPA, Curran Tax Services and retired farmer.

So, you just finished your first year of farming and you are ready to file your income tax return. Beginning farmers may be used to receiving a W-2 or a 1099 from their employer and plugging the numbers into an automated accounting program, like TurboTax, or penciling them into tax forms (picked up at the local post office) the good old-fashioned way. Unfortunately, filing an income tax return as a self-employed farmer is not so simple. It is also not impossible.

Preparing and filing farm taxes can be complex. Doing it yourself is an option. But more and more farmers and financial professionals recommend using a paid licensed professional to prepare and file your taxes, such as a certified public accountant (CPA), an attorney, or another type of licensed preparer. Tax professionals keep up with always changing IRS rules and regulations, will save you hours of reading IRS booklets, and due to their knowledge and understanding of federal and state tax codes, can potentially reduce your overall tax owed.

Any licensed tax preparer should be capable of doing tax preparation for farmers. That said, if you can develop a relationship with a professional who has a specialty or experience working with farmers, the experience of filing taxes may be richer. Inquire with other farmers about who they use (recommendations from other farmers are invaluable) or do an online search for [your state + farm tax preparation] to see what results you might find.
The cost of securing a licensed professional to prepare and file your taxes can typically run around $150 - $350 (it can be more depending on the complexity of your taxes). Do-it-yourself tax preparation programs, such as Turbo Tax, will cost around $75 - $150, but will still require knowledge of tax laws and regulations.

Even if securing a licensed professional to prepare and file your taxes, you MUST keep and organize financial transaction records along with receipts, mileage records, home/property information, and more, that can be used for deductions. Good accounting and recordkeeping practices are key. The more organized your records are in relationship to the IRS Schedule F (Profit and Loss from Farming), along with other pertinent non-farm income, expense and other deductions, the lower your preparation and filing fee generally is. Understanding Schedule F will foster better recordkeeping and organization for necessary tax filing purposes.

If you do embark on the journey of filing your own taxes, there is a lot to learn. Consider consulting with a tax or services professional to help you get started and to ask questions.

Until then, this document is intended to educate individual farm business owners about the filing process for federal income taxes and to familiarize you with the associated tax forms. Understanding the basic filing process and tax forms will better prepare you for filing yourself, or if paying for services, to be an informed customer and advocate for yourself, as needed.

TAX FORMS USED FOR FARMING

→ Form 1040 - US Income Tax Return

→ Schedule F - Profit or Loss from Farming

→ Form 4562 (and Schedule 179) - Depreciation and Amortization (and Expensing)

→ Schedule SE - Self Employment Tax

THE BASIC FILING PROCESS

Income tax returns are made from a combination of IRS forms and schedules. A typical individual farmer tax return would include four documents (listed above): Form 1040, Schedule F, Form 4562, and Schedule SE.

FIRST, farmers will file Form 1040 – the US Income Tax Return. The Form 1040 is a basic income reporting form that must be filed if net income from self-employment is greater than $400. Form 1040 contains off-farm W-2 wages, farm profit/loss from Schedule F, other self-employment profit/loss income from Schedule C, and income and expense deductions such as self-employment tax, student loan interest, health savings account, self-employed health insurance, IRA.

SECOND, farmers must file a Schedule F with their Form 1040. The Schedule F, created by the IRS strictly for agricultural businesses, lists all the farming expenses from the year and the farm's gross income. Expenses are categorized either as variable expenses (those that adjust with the amount of production- including fuel, labor, seeds, supplies) or fixed expenses (those that are static, regardless of production - including rent, insurance, and repairs). The farmer subtracts the total expenses from the gross income and is taxed on the remaining net income. Net farm income called "profit or loss from farming" is reported on the Form 1040.

Who can file Schedule F:

→ Cultivating or managing a farm for profit (as owner or as tenant).

→ Farming includes grains, cotton, tobacco, livestock, dairy, fish, orchards, plantations, ranches, fruit and vegetable farms.

→ Farming doesn't include service providers such as veterinarians or custom harvesters, and doesn't include horses (except for draft horses), dogs or timber.

→ Processing is considered part of farming only to the extent that it's normally incidental to the growing, raising or harvesting of commodities. Cleaning, grading, and packaging fruit prior to sale is considered part of the farming activity of an orchard. A winery, however, is separate from growing grapes and would not be considered a farm. In the latter case, operations that grow grapes and produce wine would have two separate businesses, apportioning receipts and expenses accordingly.

THIRD, farmers should use Form 4562 to calculate depreciation and amortization. Both are figures that will be included on the Schedule F. This is the more complicated part of an individual farmer's tax return. Understanding Form 4562 is easier if broken into its separate parts: Depreciation, Amortization, and Expensing.

→ **Depreciation (Form 4562, Part V, Parts II – IV)**

Depreciation is the theoretical annual expense of owning a long-term asset that decreases in value over its useful life. Annual depreciation is calculated by taking the purchase price, subtracting the salvage value, and dividing it over the useful life. For example, if a new tractor is purchased for $30,000, and the tractor can be salvaged for $2,000 after a useful life of 20 years, the tractor's annual depreciation would be $1,400 ($1,400 x 20 years = $28,000). This depreciated $1,400 expense is included on the Schedule F as an annual expense, thereby reducing the farmer's taxable income.

The IRS has predetermined the useful life of various "classes" of assets, and agricultural extension universities will publish charts that list the useful life of various pieces of equipment. For example, the actual IRS published useful life of a tractor is 7 years (not 20). If filing your own taxes, consult with a tax professional or other service provider when calculating depreciation.

→ **Amortization (Form 4562, Part VI)**

Amortization is similar to depreciation; it is the annualized expense of the one-time purchase price of certain intangible property. Annual amortization is calculated by taking the purchase price and dividing it over the useful life. Amortization is most important for a beginning farmer, because the farmer can amortize many of the costs of starting a business, like purchasing market research or paying for professional services such as business plan development or website development.

→ **Expensing and Section 179 (Form 4562, Part I)**

For certain assets, it may be advantageous for a farm to deduct the entire depreciable expense in a single year. This is called “expensing” an asset, and is an alternative to calculating the annual depreciation expense. “Expensable” assets must meet the requirements of Section 179.

Section 179 expensing only applies to the purchase of tangible asset that is primarily used by the farm business in the year of the purchase. The asset cannot be rented, leased, or inherited property. The asset must be purchased from a third party; it cannot be purchased from a family member or another business or organization that the farmer controls (except when a partnership buys from other unrelated businesses separately owned by its members).

Generally, during tax preparation, depreciation is first determined for all long-term assets. Once profit or loss from farming is calculated, and all other forms and scheduled are complete, a farm can review how much tax they owe or are refunded. If the tax burden is too high, a farmer can choose to “expense” some of the long-term assets to lower their tax burden. The expense, formally depreciated, will no longer be available to them in future years.

There are pros and cons of expensing assets. Section 179 was created by the US Government as an incentive to encourage businesses to buy equipment and invest in themselves. As a by-product, there is an opportunity to significantly lower one’s tax burden. The consequence of expensing assets is not having that expense, albeit a smaller amount, actualized in future years as a depreciation deduction.

Expensing assets is a great tool to achieve bottom line result you hope for with your taxable income. Be sure that you don’t expense more assets than you need to in any single year. If it is anticipated that the farms income will grow significantly in coming years, but few higher ticket long-term assets will be purchased, consider balancing depreciation with expensing, even if it means paying more tax to offer some stability for your future tax outlook.

FOURTH, farmers must file Schedule SE to pay “self-employment” taxes. Like any waged employee, an individual who is self-employed must contribute to the federal Social Security program. The more a farmer pays into Social Security throughout her career, the more benefits she earns for retirement.

Farmers making under $118,500 must pay 15.3% of their adjusted net farm profit. If farmers happen to earn greater than that amount, they must pay 2.9% of their adjusted net farm profit, plus an additional annually adjusted amount established by the IRS. (In 2015, the figure is $14,694). Some particularly high earners may be subject to an additional 0.9% Medicare tax.

OTHER FARM AND MISCELANEOUS TAX FORMS TO BE AWARE OF:

→ Form 4797 - Sales of Business Property

→ Form 4835 - Farm Rental Income and Expenses (the farm is managed by someone else and you receive rent)

→ Form 4835 - Income earned from crop or livestock share agreements (i.e. when you are paid in animals or crops produced, which are converted to cash the same year)

→ Schedule C - Profit or loss from non-farm self-employment businesses (schedule C is used to file profit or loss from selling processed goods made from agricultural products)

→ Schedule E - Income from renting pastureland

→ Form 4136 - Road tax fuel refund (when buying fuel at gas station for farm equipment)

→ Schedule J (Form 1040) - Figures one's tax by averaging farm income over the past 3 years (farmers are permitted to average their prior 3 years of income, even if their filing status was not the same in the election year and the past 3 years. This is recommended when incomes from the prior 3 years were low and the current year income is higher. For instance, orchard farmers generally have no produce and minimal income in the first few years, so income averaging would help them in the first bountiful year of harvest, when their income might rapidly increase.

→ Form 8829 – Expenses for Business Use of Your Home

DETAILS ABOUT SCHEDULE F

To best utilize this Farm Tax Guide, it is recommended to have Schedule F on-hand to follow along with the heading, income, and expense categories.

SCHEDULE F HEADING

Name of Proprietor

→ Can only be one person (if in a spousal situation, need to identify one spouse)

- → Cannot change proprietor from year to year
- → Other spouse may be an employee
- → If spouse is considered an employee of the farm, they will receive social security benefits for wages received from employment on the farm. If spouse is not an employee of the farm, social security is allocated to sole proprietor only.
- → If establishing spouse as an employee of the farm, you need to follow all employment laws and paperwork.

Social Security

- → Enter SS # of proprietor of farm

Principle Crop or Activity (A)

- → Describe in 1 or 2 words your principle crop for current tax year
- → Examples: Diversified Vegetables, Blueberries, Beef Cattle, Diversified Farm (if you have multiple enterprises with no 'core' enterprise)

Accounting Method (C)

- → Cash method is easiest: Income counted in year received. Expenses counted in year paid.
- → Accrual Method - Avoid without professional help

Material Participation (E)

- → Usually yes (losses are your personal loss)

SCHEDULE F INCOME

Definition: Sale / Resale (can refer to livestock or crops) VS. Productive (refers to livestock)

Sale / Resale: Livestock/crops held primarily for sale (raised or purchased)

- → Are reported directly on Schedule F
- → Example: Dairy calves, feeder pigs, beef steers, vegetables, berries, hay

Productive Animals - Livestock purchased for breeding, dairy or draft horse purposes are depreciable assets

- → Are listed on Form 4562 – Depreciation

→ Examples: Dairy cows, sows, ewes

Resale Items (1)

→ Sale of animals and other items purchased for resale
→ Cost of resale items deducted on line 1b
→ Net income of resale items is listed on line 1c
→ Cost can only be deducted in the year of sale
→ If the sale occurs in a different year than the purchase, must hold the cost until the year of sale
→ Example: If diversified vegetable farm doesn't grow potatoes due to soil conditions but purchases potatoes from another farm to sell as part of their products, then income and expense of potatoes purchased would be listed here.

Raised Products (2)

→ Sales of crops, animals, milk, eggs, et cetera
→ Raised from birth or seed on the farm

Co-op Dividends (3)

→ Patronage dividends paid to you by co-ops or per-unit-retains
→ Should receive a 1099-PATR for full amount - usually receive a smaller cash payment with the remainder to be paid at a later date
→ Business portion taxable - If you buy business and personal items from same co-op, only business portion is taxable
→ Put total of patronage dividends on Line 3a. Taxable portion reported on Line 3b

Agricultural Program Payments (4)

→ Payments by government agencies
→ Examples: CRP, Loan Deficiency Payments, EQIP, NRCS High Tunnel Cost Share
→ Usually reported on 1099-G
→ Generally, all are taxable

Crop Insurance Proceeds (6)

→ Need to know amount received in current year
→ Can elect to defer income to next year
→ Need to know if any amount was deferred in previous year

Custom Hire (7)

→ Work you do for someone with your equipment
→ All taxable

Other Income (8)

→ Federal Fuel Tax Credit claimed on prior year tax return
→ WI credits - Farmland Tax Relief and Farmland Preservation Credits
→ Credits from other states
→ Grant income
→ Miscellaneous income related to your farm
→ Miscellaneous income examples: If you received an honorarium as a farm host for a public field session or received income from hosting a youth educational program with agricultural focus.

Gross Income (9)

→ Add all income totals from lines 1-8

SCHEDULE F EXPENSES

Expense by Line and Category on Schedule F

Line 10 - Car and Truck Expenses
Line 11 - Chemicals
Line 12 - Conservation Expenses
Line 13 - Custom Hire (machine work)
Line 14 - Depreciation and Section179 Expense Deductions Not Claimed Elsewhere
Line 15 - Employee Benefit Program (other than on line 23)
Line 16 - Feed
Line 17 - Fertilizers and Lime
Line 18 - Freight and Trucking
Line 19 - Gasoline, Fuel and Oil
Line 20 - Insurance (other than health insurance)
Line 21 - Interest
    A - Mortgage
    B - Other
Line 22 - Labor Hired (less employment credits)
Line 23 - Pension and Profit-Sharing Plans

Line 24 - Rent or Lease

A - Vehicles, Machinery and Equipment

B - Other: Land, Animals, Etc.

Line 25 - Repairs and Maintenance

Line 26 - Seeds and Plants

Line 27 - Storage and Warehousing

Line 28 - Supplies

Line 29 - Taxes

Line 30 - Utilities

Line 31 - Veterinary, Breeding and Medicine

Line 32 - Other Expenses (Specify)

Tip: Create a "chart of accounts" for farm transaction / accounting purposes that track expenses according to these Schedule F categories. It will benefit you immensely for tax purposes. Sub-categories can differentiate costs per enterprise. Example: "Feed" is main chart of accounts category, with sub-categories of "Feed – Layers" and "Feed – Pigs." When tracking expenses, you can allocate the right feed expense to the proper enterprise, however, by using the main category as "Feed," you can easily track and total all feed expenses, which is what Line 16 in Schedule F wants to know.

Other Tips for Farm Expenses

Most expenses are straight forward and easy to keep track of for tax purposes

→ Examples: Feed, fertilizer, seeds, chemicals, freight, supplies

Some expenses have personal and farm components

→ Examples: Mortgage, real estate taxes, utilities and insurance
→ Personal portion must be removed from total amount
→ Figure out an acceptable percentage for the farm and for personal and use it every year
→ Percentage may change if you add buildings to the farm or experience other legitimate changes
→ Documentation is key. Have a description (brief paragraph) in records stating the % for farm and the % for personal, detailing how the % determination was made.

Some expenses require specific recordkeeping such as mileage

Car and Truck Expenses (10)

→ Can use actual vehicle expenses (gas for farm business and business % of other vehicle expenses like repairs and insurance) OR standard mileage rate as your deduction. You can NOT use both.
→ 2016 standard mileage rate is $.54/mile

- → If you use actual expenses the first year for a vehicle, you cannot change method
- → If you start with standard mileage rate, you can change methods
- → Generally, if you buy new vehicles and trade them often, the actual expenses usually give a higher deduction. If you buy used vehicles and keep them a long time, standard mileage rate gives a higher deduction.

For Standard Mileage Rate

- → Record a beginning and ending odometer reading for each vehicle per annual cycle (January 1 through December 31) and tally total miles
- → Must keep a mileage log for each vehicle used: Record date, purpose of trip, and beginning and end odometer per trip
- → You can also deduct on overall taxes, mileage for charitable work (.14/mile, 2016), and medical/moving (.19/mile, 2016).
- → Any mileage reimbursement from W-2 or other jobs is classified for tax purposes as personal miles. The income received from mileage reimbursement is not taxable (not reported as income). Even though mileage reimbursement from jobs is classified as personal miles, it is nice to track miles reimbursed separately to see how many miles are driven for work versus true personal purposes.
- → Create a table or record for each vehicle used that includes the following, as applicable:

Vehicle Name / Year:	
Beginning Odometer ***(January 1, 2016)***	
End Odometer ***(December 31, 2016)***	
Total Mileage	
Personal Recreation / Living Mileage Total	
Personal Mileage Reimbursement Total (reimbursed from W-2, other services or employment)	
Total Personal Mileage	
Farm Mileage Total	
Other Business Mileage Total (self-employment or doing other business w/o miles reimbursed)	
Charitable Mileage	
Medical / Moving Mileage	

Chemicals (11)

- → Herbicide, insecticide or other crop chemical application expenses (organic and non-organic)

Conservation Expenses (12)

- → Must be eligible conservation expenses via a plan approved by the NRCS

→ Some expenses such as plastic tile are depreciated rather than expensed
→ Deduction limited to 25% of gross income from farming
→ Excess expenses can be carried forward to future years

Custom Hire (13)

→ Payment to someone for tractor, machinery or other specialty work
→ If you pay them $600 or more, you must issue them a 1099-MISC
→ Need address and federal identification number or social security number
→ If the business is a corporation or partnership, they do not need to be issued a 1099-MISC
→ Example: If paying neighbor "Bruce Hanson" $900 for custom cultivation work, issue Mr. Hanson a 1099-MISC. If paying "Anderson Tool and Implement" (corporation) for custom cultivation, do not issue the business a 1099-MISC.

Depreciation (14)

→ Apportioning the cost of a purchased asset over a set number of years
→ For each asset bought during the year, you will need the purchase date and the amount
→ Originally reported on Form 4562 and then flows to Schedule F
→ IRS determines the number of years for each asset (See IRS publication 946)
→ Some examples:

Single purpose agricultural structures - 10 years
Cattle (dairy or breeding) - 5 years
Farm Buildings - 20 years
Farm Machinery and equipment - 5 years
Fences - 7 years
Goats and sheep (breeding) - 5 years
Grain bins - 7 years
Hogs (breeding) - 3 years
Trees or vines bearing fruit and nuts - 10 years
Wells - 15 years

→ Depreciation is taken using an accelerated method called 150% declining balance or straight line method
→ Anything with a useful life over a singular year is considered a depreciable asset and not a supply
→ Example: A trash can is technically a depreciable asset
→ Section 179 Deductions allow a method of writing off assets in the year purchased instead of depreciating assets over several years

→ The advantage of using Section 179 to write off some assets: when income is high, it reduces tax liability or to get small purchases (like a trash can) off your books
→ Must hold the asset for a given life
→ Eligible assets include machinery and equipment, livestock, and single purpose agricultural structures
→ If using actual expenses for recording vehicle expenses, vehicles may qualify for Section 179 deduction, but restrictions apply
→ For 2016, the maximum 179 deduction is $500,000

Feed (16)

→ Purchased feed - hay, poultry feed, grain, et cetera

Fertilizers and Lime (17)

→ Purchased soil fertilizers, soil amendments, lime, compost, manure

Freight and Trucking (18)

→ Shipping and freight cost on purchased feed, implements, supplies

Gas, Fuel and Oil (19)

→ Gas, fuel and oil utilized for farm equipment (tractors and other implements)
→ If you buy fuel at a station, you pay a road tax. File Form 4136 to get a refund of road tax for fuel used in off-road farm equipment
→ Must keep track of number of gallons of gas and diesel (keep receipts, write “fuel for tractor” on it)
→ If fuel is delivered to the farm, probably not charged road tax - check with your supplier

Insurance (20)

→ Business portion of homeowner’s policy is deductible
→ Health insurance generally not deductible on Schedule F - instead use an adjustment on Form 1040. If self-insured, can deduct the cost of premium payments up to your farm profit on Schedule F. If you are paying a high amount in self-insurance and your Schedule F profit is low, consider adjusting any depreciable assets that you have “expensed” back to depreciation to push your profit up (as the net taxable income might be lower as an outcome).
→ Health insurance paid for employees is deductible
→ Disability insurance designed to pay household bills in not deductible
→ Business continuation insurance is deductible

Labor Hired (22)

→ Be prepared for added paperwork when hiring labor
→ If you tell them when to show up, what to do, and give them tools to use, they are an employee, not a subcontractor.
→ If they perform a service for you and travel to other farms as well, they are a subcontractor
→ Employer must have a federal ID number from the Social Security Administration
→ Must have name, address, and social security number for each employee (form W-4)
→ Must verify that they are American citizens or have a green card (Form I-9)
→ Must withhold Social Security and Medicare taxes for all employees if you meet either of the following tests: 1) You pay an employee more than $150 for the year, 2) Your total payroll for the year is $2500 or more.

→ If you meet one of those tests you must also:

→ Pay the employers portion of Social Security and Medicare taxes (7.65% of gross payroll). This tax, along with the portion withheld from the employees pay must be deposited periodically (usually monthly) with a local bank.
→ File Form 943 annually to reconcile Social Security and Medicare taxes with deposits made
→ Issue W-2's to each employee and send a copy to the Social Security Administration and the state
→ File Form 940 for unemployment compensation (must file this form!)
→ Unemployment tax paid only if payroll exceeds $20,000/quarter
→ Or if you have 10 employees working in a single day

→ Spouses - Can be treated like a regular employee
→ Write a check and deposit in a separate account from the farm account
→ Builds Social Security account for spouse
→ May be able to give some fringe benefits like health insurance

→ Your own children under 18:
→ Payment to your own children can be deducted
→ Don't pay Social Security of Medicare for them
→ This changes on their 18th birthday
→ Be reasonable - don't pay a 3 year old $5000
→ If farm work is expected as part of family unit without pay, can consider using it as a farm expense by writing child a check and depositing some or all of it into a savings account for collage or other purpose

Repairs and Maintenance (25)

→ Differentiate between repairs and a major improvement

- → Example: Replacing a few shingles on the barn is a repair / Replacing the roof is a major improvement
- → Repairs are expenses in the year they are paid
- → Major improvements must be depreciated
- → Must issue a 1099-MISC if you pay someone $600 or more (labor only, not parts)

Seeds and Plants (26)

- → Purchased seed - direct crop seed, cover crop seed, seed potato, seed garlic, plants/transplants that are raised for a farm product to be sold

Supplies (28)

- → The supply line is often one of the longer lists of expenses
- → Can contain a variety of items such as: office supplies (ink, paper, stamps), packaging (rubber bands, bags, pulp containers), gloves, nuts and bolts, et cetera
- → Generally, supplies are items that are used in that current year of activity

Utilities (30)

- → Deduct business portion of utility costs such as a land line phone, cell and internet. If you have 2 telephone lines, 1 used for personal and 1 used for business, never deduct cost of the first line.

- → Deduct other utilities (full or the business portion) that are directly related to the farm. For example, if the barn is 100% for farm use, the electricity to the barn can be 100% deducted. If the barn is also used for personal storage, then determine the appropriate % of farm use and deduct the business portion of that electricity.

- → If your home has an office that is used for business purposes, you can take a home deduction (form 8829) based on the square footage of your office as compared to the total square footage of your home. Record you total home square footage and your office square footage. For all home utilities (garbage, heat, electricity), as well as mortgage insurance, you can deduct the % of total home utilities that relates to the % of your office square footage as compared to your home.

Other Expenses (32)

- → Any farm expenses that don't readily fit into the Schedule F expense categories can be included in other expenses.
- → Example: Money spent on paid marketing, such as advertisements
- → Having fewer other expenses is better than having more (a lot of other expenses can be a red flag to the IRS).

- Classify your other expenses into main categories instead of listing them separately.
- Example: Marketing, Licenses, Education, and General are good main categories. Can include a sum of the individual items that fall into each.

OTHER INFORMATION

SALE OF ASSETS

- Sell assets on Form 4797
- For assets listed on depreciation schedule or deducted under Section 179
- For livestock used for breeding, dairy or draft whether purchased or raised on the farm
- Need to know the purchase amount and date, the sale date, and the amount and the accumulated depreciation
- Assets held less than 12 months (24 months for cattle and horses) are short term. Gains or losses are treated as ordinary income
- Assets held more than 12 months (24 months for cattle and horses) are long term. Gains are treated as capital gains
- Income from sale of assets are not subject to self-employment tax and may receive capital gain treatment

MISCELLANEOUS

- Farmers can get a break on payment of estimated taxes. To qualify, 2/3 of gross income on the tax return (including spouse's income, investment income, et cetera) must be from farming. The exception allows farmers to make no quarterly estimated payments as long as the tax return is filed by March 1.

- If 2/3 of gross income is not made from farming, quarterly estimated taxes may need to be made, and farmers have until April 15 to file.

- If there is a profit on the Schedule F, pay 15.3% self-employment tax on Schedule SE. Self-employment tax is not deductible on Schedule F

- Other business forms (corporate or partnership) may be more appropriate for your farm, household, and relationships.