How to prepare a tax return that will satisfy you, the IRS, and a potential lender

1) **Filing Responsibility**
   a) any self employment gross income
   b) any self employment net income greater than $400 is subject to SE tax
   c) any loss (will offset current taxable income and certain deductions can be carried forward to offset future income)

2) **Other uses of the tax return**
   a) earned income credit
   b) loans
   c) participation in federal programs (loans)
   d) participation in other government programs
   e) forces you to pay attention to the money

3) **List of Common Tax Terms**
   a) gross income, Adjusted Gross Income, AGI, income before and after AGI
   b) deductions for AGI, itemized deductions, business deductions, Schedule A
   c) credits
   d) income characterization: earned, passive, capital gains, self-employment
   e) loss, tax loss, loss limitation, loss carryforward, net operating loss, hobby loss
   f) gross profit
   g) net income
   h) direct and indirect costs
   i) assets, intangible assets, fixed assets, depreciable assets, capital assets, capital expenses, self constructed assets, depreciation and amortization

4) **Depreciable Assets**
   a) 5 year: computers, cars
   b) 7 year: most other movable equipment, movable fixtures
   c) 10 year: trees, vines, single purpose agricultural structures
   d) 15 year: land improvements
   e) 27.5 year: residential rental buildings
   f) 39 year: all other buildings, including non-movable leasehold improvements
   g) Section 179, “Bonus Depreciation”

5) **UNICAP – Uniform Capitalization Rules, also called IRS Code Section 263A**
   applies to:
   a) Value-Added Products (wine, apple-sauce, almond butter, tinctures)
   b) Self Constructed Assets (Establishing Permanent Crops)

6) **Joint Use Property: farm on home, office in home, farm and rental property**
   a) multiple business on one site
   b) allocation method (s)
   c) documentation
   d) apply to shared costs
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7) Decision Scenarios
   a) Maximize Profit
   b) Minimize Profit

8) Vehicle Expense
   a) Mileage
   b) Actual

9) Travel Per Diems
   a) When traveling for business away from usual place of business longer than 8 hours – long enough a normal person would need a dinner break of some sort

10) Entertainment and Promotion (gifts)
    a) For documented business purpose

11) Record Requirements
    a) Calendar
    b) Map
    c) Bank Statements
    d) General Ledger
    e) Receipts
    f) Additional records if Hobby Loss rules may apply

12) Chart of Accounts – see “Small Farm Quickbooks Primer”
    a) Assets
    b) Liabilities
    c) Equity
    d) Income
    e) Expense: Farming, Marketing, Administration, To Be Allocated
    f) Jobs: Customers
    g) Classes: Crops, Plantings, Fields

13) Entity selection
    a) Sole proprietorship
    b) Partnership
    c) Corporation: S Corp, C Corp
    d) LLC
    e) Non-profit