



## Are You Looking for an Answer to Your Farm Tax Questions?

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Do you need information on who qualifies as a farmer or rancher, when is a farm loss a hobby loss, how weather related livestock sales are treated or a multitude of other farm specific questions? If so, go to a recent website [www.ruraltax.org](http://www.ruraltax.org).

Rural tax dot org is the product of a number of land grant universities. It is funded with a grant from USDA – Risk Management Agency (RMA). The contributors are members of the National Farm Income Tax Extension Committee. This is a group that annually assists the Internal Revenue Service with updating Publication 225, Farmer's Tax Guide. The committee is composed of individuals from Utah State University, Cornell University, Virginia Tech University, University of Wisconsin – Madison, Oklahoma State University, University of Illinois, University of Vermont, University of Georgia, The Ohio State University, Iowa State University, Purdue University, University of Kentucky, NC State University, and Colorado State University.

The idea for the website was proposed by Dr. Ruby Ward, Extension Economist, Utah State University. In its attempt to reduce costs, the IRS decided to eliminate the comprehensive farm tax example from Pub. 225. This example included all of the forms necessary for reporting the example. The committee members believed farmers and ranchers needed a place to look to see how a transaction would be reported on the appropriate form. The initial return is for a small dairy farm, but additional returns will be added in the future.

As the website developed, it became a repository for many articles dealing with specific aspects of farm taxation. These articles are periodically reviewed and updated for tax law changes. Current topics include:

### **Farm, Farming and Who's a Farmer for Tax Purposes**

There are many important benefits to being considered a farmer for tax purposes. This fact sheet gives a good explanation and examples of farming, farmers, and farm. It also touches on agritourism.

### **Filing Dates and Estimated Tax Payments**

This fact sheet helps to determine tax filing dates, penalties, and returns. This is useful in cash flow planning.

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## **Farm Losses versus Hobby Losses**

Farmers Must Plan Ahead to Avoid Adverse Tax Consequences: Hobby loss rules are often misunderstood. This fact sheet helps clarify the IRS's definition of a hobby and gives the guidelines they use in determining if the business is a hobby for tax purposes.

## **Form 1099 Information Returns**

This fact sheet helps in understanding what to do when receiving or issuing a 1099 tax form. It gives a good description of each type of 1099 form and includes several examples.

## **How Do the At-Risk Rules Apply to a Farm Business?**

At-risk rules limit deductible losses to the amount that the producer could actually lose from an activity. This fact sheet explains what industries are included, how to determine how much is at risk, and how to increase or decrease that amount.

## **Self-Employment Tax**

In addition to income taxes, producers must pay self-employment taxes on their earnings. This fact sheet gives a good explanation of what self-employment taxes are, how to compute them, and why they must be paid. It also discusses husband and wife partnerships, amended returns, and gives several examples.

## **Materially Participate in the Business to Avoid the Passive Activity Loss Rules**

Passive Activity Loss Rules limit a producer's ability to deduct losses. This fact sheet is intended to help producers recognize what is considered a "passive activity", with examples, and explanations on how to materially participate in the business.

## **Weather Related Sales of Livestock**

When there are adverse consequences due to weather related sales of livestock, there are two provisions in the law to help producers. This fact sheet explains both provisions and how to use them, with examples of each.

## **Sale of Business Property**

This fact sheet shows how to report income tax when business assets are sold. It uses examples, with filled-in forms, to demonstrate how to properly account for the sale of business property.

## **Like-Kind Exchange (Trade) of Business Assets**

This fact sheet focuses on correct income tax reporting when business property is traded. It uses many examples, with filled-in forms.

Involuntary Conversion of Business Assets: This fact sheet helps producers understand how to report income tax when business property is converted into cash or other property because of condemnation, theft, seizure, destruction, etc.

## **Choices for Your Farm Operating Loss**

This fact sheet gives a general overview of dealing with a net operating loss (NOL). It gives loss situations and general strategies.

Depreciation Fact Sheets: Depreciation rules can be involved. This topic is broken into several related fact sheets.

## **Reporting the Self-Employed Health Insurance Deduction for 2010**

This fact sheet and interactive excel worksheet attempt to give guidance for taking the self-employed health insurance deduction for 2010, since there is no formal worksheet for figuring the deduction.

## **Alternative Minimum Tax**

This fact sheet gives a basic explanation of the AMT, some examples of situations that cause taxpayers to pay it, and some planning techniques to minimize the impact of the AMT

## **Net Operating Losses**

The concept of the NOL rules is quite simple. This fact sheet discusses the carrying rules, planning tips, and other NOL information.

Another recent addition to the website is a 143 page manual Tax Guide for Owners and Operators of Small and Medium Size Farms.