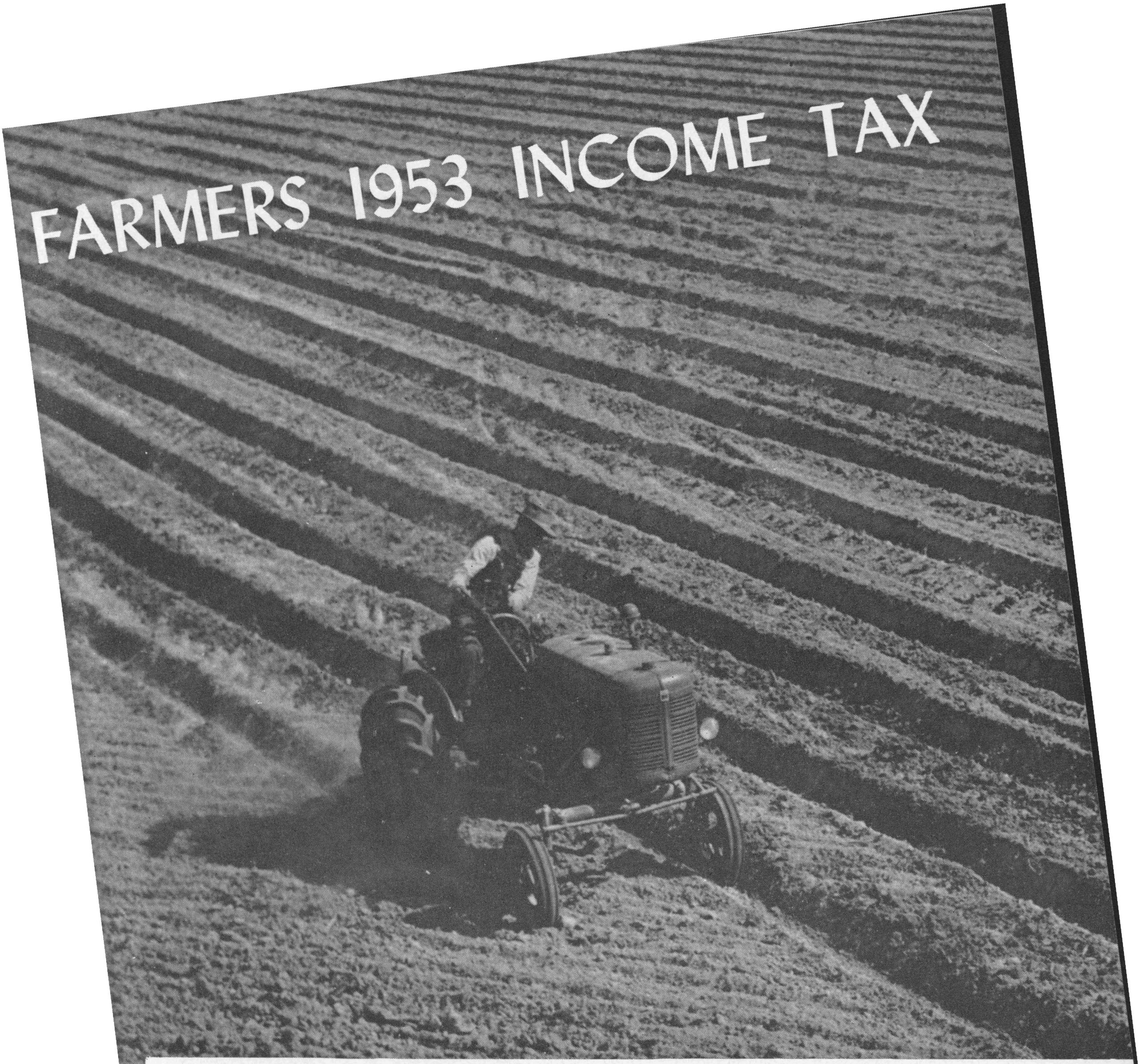
FARMERS 1953 INCOME TAX



Approved by the Internal Revenue Service, Washington, D. C.

FORM 1040
U. S. Treasury Department
Internal Revenue Service

U. S. INDIVIDUAL INCOME TAX RETURN
FOR CALENDAR YEAR 1953

or taxable year beginning ____________________, 1953, and

Name ________

FORM 1040 F
U. S. Treasury Department
Internal Revenue Service

Attach This Form to Your Income Tax Return Form 1040 and File it With the ...... Director of Internal

SCHEDULE OF FARM INCOME AND EXPENS
For Calendar Year 1953

Or taxable year beginning ____________________, 1953, and ending ____________

Name ____________________________

Address ____________________________

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Issued by

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5M—9-53—Revised

FARMERS 1953 INCOME TAX

Who Must File a Federal Income Tax Return

Every person whose gross income during the year is $600 or more MUST file a return even though no tax is due. Gross income is total income (subject to tax) before any expenses are deducted.

Date Return is Due

If at least two-thirds of your gross income is from farming and your business year starts January 1, you have two choices. Either,

(a) File your return and pay the tax on or before January 31, 1954: or

(b) File an estimate of your tax and pay this amount by January 15, 1954, then file your return and pay any balance due by March 15, 1954.

If your business year does not start January 1, you may file your return and pay the tax on or before the last day of the first month of the succeeding taxable year; or you may file an estimate within 15 days and a return within 2½ months after the end of your business year.

Forms Used by Farmers

Obtain from the District Director of Internal Revenue or from your local post office or bank, two copies of each of the forms needed. One copy is for your own records. It is good business to keep a copy of all returns filed.

(a) Form 1040F. To summarize the farm income and expenses and to compute the net farm profit or loss.

(b) Schedule D (Form 1040). To show gains and losses from sales of property used in the business, such as dairy cows and farm equipment.

(c) Form 1040 and instruction pamphlet. To list the farm profit from Form 1040F; to list other items of income and personal deductions; and to figure the tax due. The official instruction pamphlet on how to prepare your U. S. income tax return accompanying Form 1040, should be carefully read. This publication is designed to supplement the instruction pamphlet and not duplicate it.

(d) Form 1040ES. To declare an estimate of your tax. This form is not needed if you file your return and pay the tax on or before the last day of the first month of the succeeding taxable year.

(e) Forms 1099 and 1096 for use in reporting the payment of $600 or more in wages to individual workers. These two forms to be filled out and forwarded to the Internal Revenue Service

Processing Division, Country Club Station, Kansas City 2, Mo., by February 28, 1954. A copy of Form 1099 should be sent to each worker.

(f) Form 1065 for use in filing partnership reports.

(g) Form 843 for filing a claim for refund.

Reporting on Cash or Accrual Basis

Farmers may keep their records and report on either the "Cash Receipts and Disbursements Basis," or "Accrual Basis." Those who have never filed a return before have the option of using either basis, provided adequate records have been kept. However, they should carefully weigh the advantages and disadvantages of each method of reporting. Those who have filed before have established a basis for filing and cannot change to the other without written consent of the Commissioner of Internal Revenue. To secure permission, an application to change the method and basis of the return must be filed with the Commissioner within the first 90 days of the taxable year to be covered by the return.

Over a period of years, the accrual basis of accounting usually results in a more uniform taxable income than the cash basis. Livestock feeders, grain farmers and growers of fruit, vegetable and other cash-type crops who store and sell in the next year, may find it desirable to use the accrual basis of reporting. Otherwise they face the possibility of having to pay tax on income from the sale of 2 years' production in 1 year.

Livestock farmers who produce their own replacements of breeding, draft, and dairy animals find the cash basis to their advantage under a provision in the Revenue Act of 1951 dealing with the sale of such animals. (See pages 10 to 12.)

A record of all farm business receipts and expenditures, together with a list of all depreciable items and a record of annual depreciation, is essential for tax reporting on either basis. The value and cash cost of producing items consumed by the farm family should be excluded.

Gains from the sale of breeding, draft or dairy livestock; machinery; or other items that can be treated as the sales of capital assets *are not* to be reported as a part of the *farm income,* in either system of accounting, and should *not* be entered on Form 1040F. Such gains, however, are taxable and should be entered in "Schedule D."

Cash Receipts and Disbursements Basis

When the *cash basis* is used farm income includes all cash or value of merchandise or other property received during the taxable year. It does not include value of products sold or services performed for which payment was not received during the taxable year. It includes (1) receipts from the sale of all items produced on the farm, and (2) profits from the sales of livestock and other items which have been purchased, exclusive of profits from sales treated as capital assets. It is important to keep records of purchases of animals made in years past. Never charge as a current expense on page 2 of Form 1040F the cost of livestock purchased. Such amount should be reported as the cost of the livestock in section 4, page 1, of Form 1040F, in year of sale. Allowable deductions include those business expenses that were *paid* during the year regardless of when they were incurred. Other allowable deductions include depreciation on depreciable items. When filing returns on the cash basis the use of Form 1040F is required in computing net farm profits.

Accrual Basis

When the *accrual basis* is used, farm income includes all income earned during the taxable year from the sales made during that year regardless of when payment is received. In addition, it includes increases of inventory values of livestock, crops, feeds, produce, etc., at the end of the year as compared with the beginning of the year. Allowable *business expenses* include all *operating costs incurred during the taxable year, whether paid or not, plus any decrease in inventory values of livestock, crops, feeds, produce, etc.,* at the end of the year as compared with the beginning of the year. Complete inventories of livestock, crops, produce, feed, and supplies are required for reporting on the accrual basis. Estimated value of growing crops must not be included. Inventories are not required for the cash basis of accounting.

Farmers reporting on the accrual basis are required by regulation to keep records.

Figuring Depreciation

Depreciation is an estimated operating expense covering wear, tear, exhaustion, and obsolescence of property used in the farm business. Annual depreciation allowances represent that portion of the purchase price or value of the item when acquired which the owner estimates was used up during the current tax year. The amount to be deducted as depreciation each year on any item is determined by dividing its purchase price or value when acquired, less its estimated salvage value, by the total number of years which the owner estimates the item would last if he were to keep it throughout its useful life.

There are no "official" or average life expectancies which are recognized as applicable to all farms. It is, therefore, necessary for each taxpayer to estimate the total expected life for each item on which depreciation is to be claimed. However, guides in estimating useful life of various items of farm property are published by the Internal

Revenue Service in its "Bulletin F." Depreciation for the current year only may be deducted. Depreciation which was allowable but not taken in prior years cannot be deducted from income of the current year. Depreciation not previously claimed must, however, be subtracted from the original basis in determining the gain or loss from the sale or exchange of depreciable property.

It is important that the taxpayer be consistent from year to year in the method used to compute depreciation and in the amount claimed on each item. Any departure from methods used in prior years and every change in the amount of depreciation claimed should be explained at the bottom of the depreciation schedule on Form 1040 F. Such statements should give reasons why it was necessary to depart from methods used to compute depreciation in previous years.

When the estimated life of any depreciable item is either shortened or lengthened by increasing or decreasing its use or by making major improvements, it will be necessary to establish a new number of "years of life" and include the cost of such improvements in the depreciation schedule for the year in which the improvements were made. (See "Example of Record Needed for Figuring Depreciation," page 9).

Depreciation may be taken on tile, fence, machinery, equipment, and all farm buildings except the dwelling that is owned and occupied by the taxpayer until the total cost or value at time of acquisition (less salvage value) has been recovered. (See section on "Development Costs" for additional details.) Depreciation should not be claimed on the dwelling of the owner-operator or his partners. (Nor should repairs, taxes, or insurance be charged on these dwellings or their contents on Form 1040F. However, such costs are allowable on a tenant house and all other farm buildings.)

Those who file returns on the cash basis may also take depreciation on dairy cattle, breeding, and work stock *which were purchased by the taxpayer. No depreciation is allowed or allowable* on any livestock raised by the taxpayer who files on the cash receipts and disbursements basis, since all costs of raising have been deducted as operating expenses. Those using the cash basis should list each building, each piece of machinery, and each animal on which depreciation is to be computed in the depreciation schedule. Such items as cows and small implements may be grouped on Form 1040 F, but such groupings should be made from the totaling of a detailed individual list kept current in a permanent farm record book.

Depreciation claimed should not exceed original costs less salvage value. Depreciation should not be based on replacement cost.

Special Note. See new provisions for "write-off" for new grain storage, page 26.

Improvements and Overhauling

When improvements to existing buildings (new roof, new foundation, etc.) are made, or when equipment is overhauled to extend its useful life, the costs of such improvements should not be deducted as current operating expenses. Such expenditures are classified as investments in capital items and can only be recovered by depreciation throughout the years of their useful life.

The new cost of reconditioning buildings and rebuilt equipment may be determined by adding the unrecovered cost of the item, before the improvement was made, to the cash paid out for materials, parts, and labor used in making the improvement. After establishing a new life expectancy on improved structures and equipment, annual depreciation allowances are computed by dividing the new cost by the number of years of remaining life. Although this method of handling such investments is quite satisfactory, many farmers find it easier to list improvements on old buildings and major overhaul jobs on equipment as separate items on the depreciation schedule, and leave values, life expectancies, and depreciation allowances on the original building and equipment unchanged. When this method of handling improvements is used, the taxpayer establishes a life expectancy and computes the depreciation for each improvement as a separate item. For example, see method of handling new barn roof, new tractor tires, and overhaul on tractor in the "Example of Record Needed for Figuring Depreciation" on page 9.

Computing Capital Gains and Losses

In either system of accounting, the cost of improvements, machinery, and equipment cannot be deducted as operating expenses. Such costs are treated as capital investments and are recovered by depreciation over a period of years representing the estimated useful life of such items.

In case such items are sold, only the gains and losses realized are taken into consideration for income tax reporting. The gain or loss on the sale of such items is determined by computing the difference between the unrecovered cost and the selling price. The unrecovered cost of an item represents the original purchase price (or original basis) plus the cost of any permanent improvements thereto, less the depreciation up to date of sale.

Section 117 (j) of the Internal Revenue Code is of special interest to farmers because it specifies the treatment of gains and losses from disposition of property used in the taxpayer's business and held for longer than 6 months (12 months or more in case of livestock). Such gains and losses occur frequently in the course of most farm businesses. The main provisions of section 117 (j) are outlined very briefly in the instructions on the back of Schedule D. Close study of these instructions is suggested. You will note that one of the items covered by section 117 (j) is "involuntary conversion" of certain livestock. This term includes orders by governmental authorities to sell or destroy such livestock because of disease.

If the sum of all of your gains from items covered by section 117 (j) exceeds the sum of all your losses from such items, all such gains and losses are treated as long-term capital gains and losses and are reported on Schedule D in the section headed "Long-term capital gains and losses—assets held for more than 6 months." If the sum of the gains does not exceed the sum of the losses, all of the gains and losses are treated as not involving capital assets. In other words, each gain is fully taxable; each loss, if allowable at all, is deductible in full. If the gains from the section 117 (j) items do not exceed the losses, these items are reported in Schedule D in the section headed " (2) Property Other than Capital Assets" or on page 3 of Form 1040 in the schedule for itemized deductions in the section for "Losses from fire, storm, or other casualty, or theft," depending upon the nature of the item.

"Involuntary conversion of a true capital asset, such as storm damage to your residence," would go on form 1040.

You may have items not covered by section 117 (j) which give rise to capital gains or losses—such as sales of securities. These are also reported on Schedule D.

All capital gains and losses are classified as either "short-term" or "long-term." Long-term gains or losses arise from disposition of property held longer than 6 months (12 months or more in case of livestock, as discussed on page 10).

In general, any net capital loss is allowable up to $1,000 as an offset against other taxable income. Any net long-term capital gain is only half taxable, unless offset by a net short-term capital loss. Short-term capital gains are fully taxable. Net capital losses in excess of $1,000 may be carried forward for the succeeding 5 years and applied against net capital gains and/or against ordinary income not in excess of $1,000, in any 1 year.

Purchase and Sale of Machinery and Equipment

NOT TRADE-INS. The costs of purchased machinery and equipment cannot be deducted as current operating expenses but are recovered through depreciation over a period of years representing their estimated useful life.

In case machinery or equipment items are sold, only the gain or loss realized is taken into consideration for income tax reporting. The gain or loss on the sale of such items is determined by computing the difference between the uncovered cost and the selling price. An example of how the sale of a silage cutter is handled is shown on page 13. (If the silage cutter had been owned 6 months or less, the sale would have been reported in section 4, page 1, of Form 1040 F, or in section (2) of Schedule D.)

TRADE-INS. When one machine is traded for another, the cost basis of the new machine is the cash difference paid on the new machine plus the unrecovered cost of the machine, or machines, traded in. This method holds true whether or not a machine is traded for a like machine or for a different machine. Neither the retail price of the new machine nor the trade-in allowance for the old machine would enter into the computation. Example: A farmer has a combine, the book value (unrecovered cost) of which is $320, and trades it for a new one, paying $700 difference. The cost basis of the new combine would be $700 paid plus $320 (the unrecovered cost of the machine traded in), or $1,020. For the method of handling this trade-in, see "Example of Record Needed for Figuring Depreciation" below.

A farmer has a tractor with a book value (unrecovered cost) of $400. He trades this tractor for another tractor which has a price tag of $2,000. The dealer allows him $900 for the old tractor on a trade for the new one. This means that he delivers the old tractor and $1,100

EXAMPLE OF RECORD NEEDED FOR FIGURING DEPRECIATION

Item to be depreciated	Date purchased or acquired	Purchase price or value when acquired	Estimated total years of life	Remaining portion of cost at beginning of this year	New item or improvement purchased this year	Depreciation allowable this year	Remaining portion of cost at end of this year
Tractor No. 1	Jan. 10** 1950	$1,800	10	$1,260	----------	$180	$1,080
Combine	Jan. 3, '49	$ 960	6	$ 320			
	Jan. 12, '53	$1,020*	6	(traded)	$ 700	$170	$ 850
Barn No. 1	Jan. 2, '53	$3,200	40	$1,600	----------	$ 80	$1,520
Tractor overhauled	1953 **	$ 400	5	----------	$ 400	$ 40	$ 360
New roof on Barn No. 1	Sep. 4, '53	$ 600	20	----------	$ 600	$ 10	$ 590
Tires for tractor	1953 **	$ 160	5	----------	$ 160	$ 16	$ 144
Total		$7,180		$3,180	$1,860	$496	$4,544

* List price of new combine, $1,200; trade-in allowance for old combine, $500; leaving cash difference paid, $700. Cost of new combine—$700 cash paid plus $320 unrecovered cost of old combine at time traded off, or a total of $1,020.

** When day and month in year of acquisition are not given, only one-half the allowable annual depreciation should be claimed for the full year. When day and month are shown, depreciation is prorated on a monthly basis. Depreciation for one-half year was claimed on the tractor overhaul and tires, since the day and month of purchase were not given. One-third of the year's depreciation was claimed for the new roof on the barn because the record showed that it was installed September 4, 1953.

The tractor overhaul and new tires are items that may be treated as repairs or as new improvements depending upon the individual farm. To treat these items as repairs the taxpayer must be able to show that the expenditure did not change the estimated life of the machine. The farmer in this example treated these items as an improvement because they affected the estimated life of the tractor.

cash difference for the new one. Since the book value of the old tractor is $400, the cost basis for the new machine would be $400 plus $1,100 (cash to boot), or $1,500. If the old tractor had been sold outright for $900 rather than traded in and a new one purchased for $2,000, the cost basis of the new tractor would be $2,000 because no trade-in would be involved. However, there would be a profit of $500 ($900 sale price less $400 book value) on the old tractor. This $500 should be reported on Schedule D (Form 1040). This type of accounting causes the farmer to show $500 profit the year of the transaction for the privilege of charging a little more depreciation on the new tractor each year over a period of years.

Purchase and Sale of Livestock

In the cash system of accounting the cost of feeder lambs, cattle, and hogs purchased for feeding cannot be deducted until the year in which they are sold. The profit from the sale is computed by deducting the cost from the sale price. The profit only is taxable income, as shown in the feeder cattle example in section 4, page 14.

In the accrual system of accounting the cost of livestock purchased is entered in a column headed "Purchased during year" and enters into the computation of net farm profit in the year of purchase. If the purchased livestock are on hand at the end of the year, their value at that time is entered in the closing inventory as shown in the beef cattle example on page 16.

Income from livestock, raised primarily for sale, is considered as ordinary income and 100 per cent of it is taken into account in computing net farm profit.

To determine the gain or loss on sales of purchased breeding, draft, or dairy stock, the unrecovered cost is deducted from the selling price. When raised breeding, draft, or dairy animals are sold by the taxpayer reporting on the cash basis the full sale price is the gain, but for the accrual basis taxpayer the gain is the excess of the sales price over the inventory or depreciated value of the livestock.

In many cases, sales of breeding, draft, or dairy animals are treated as sales of capital assets, in which cases only half of the gain is taxable unless offset by capital losses. The conditions under which such sales are so treated are outlined below. These conditions apply in either cash or accrual reporting. In all other cases such sales must be treated as ordinary sales and the gains are fully taxable.

When Sales of Breeding, Draft, and Dairy Animals are Treated as Sales of Capital Assets

Section 117 (j) of the Internal Revenue Code prescribes treatment of gains and losses from sale, exchange, or involuntary conversion of certain property used in the taxpayer's trade or business as capital gains and losses under certain conditions. As amended by the Revenue Act of 1951, this section specifically defines certain livestock as "property used in the taxpayer's trade or business." The treatment prescribed by section 117 (j) applies to gains and losses from such disposition of livestock if both of the following requirements are met:

1. The livestock must have been owned for 12 months or more.
2. The livestock must have been held for draft, breeding, or dairy purposes, and not primarily for sale in the ordinary course of the farm business.

Gains and losses from such disposition of livestock so owned and held are reported on Schedule D, rather than on Form 1040F.

The term "livestock" is given a broad interpretation and includes cattle, hogs, horses, mules, donkeys, sheep, goats, fur-bearing animals, and other animals. It does not include chickens, turkeys, pigeons, geese, other birds, fish, frogs, reptiles, etc.

The determination whether or not livestock are held for draft, breeding, or dairy purposes depends upon all the facts and circumstances in each particular case. The purpose for which the animal is held is ordinarily shown by the taxpayer's actual use of the animal. An animal is not held by the taxpayer for draft, breeding, or dairy purpose merely because it is suitable for such purpose or because it is held by the taxpayer for sale to other persons for use by them for such purpose.

These principles may be illustrated by the following examples:

Example 1: An animal intended by the taxpayer for use by him for breeding purposes is discovered to be sterile, and is disposed of within a reasonable time thereafter. This animal was held for breeding purposes.

Example 2: The taxpayer retires from the breeding or dairy business and sells his entire herd, including young animals which would have been used by him for breeding or dairy purposes if he had remained in business. These young animals were held for breeding or dairy purposes.

Example 3: A taxpayer in the business of raising hogs for slaughter customarily breeds sows to obtain a single litter to be raised by him for sale, and sells these brood sows within a reasonable time after obtaining the litter. Even though these brood sows are held for ultimate sale to customers in the ordinary course of the taxpayer's business, they are considered to be held for breeding purposes.

Example 4: The taxpayer is in the business of raising registered cattle for sale to others for use by them as breeding cattle. It is the business practice for the cattle to be bred, prior to sale, in order to establish their fitness for sale as registered breeding cattle. In such case, those cattle used by the taxpayer to produce calves which are added to the taxpayer's herd are considered to be held for breeding purposes; the taxpayers use of the other young cattle for breeding purposes is an ordinary or necessary incident for the purpose of selling them as registered breeding cattle, and such use does not demonstrate that the taxpayer is holding the cattle for breeding purposes. The same applies to hog and sheep breeders.

Example 5: A taxpayer engaged in the business of buying cattle and fattening them for slaughter, purchased cows with calf. The calves were born while the cows were held by the taxpayer. These cows were not held for breeding purposes.

Refund of Tax on Livestock Sales

Under the Revenue Act of 1951, a farmer who reported as ordinary income the gain from the sale of dairy cattle, breeding, or work stock in 1950 that were held for over 6 months may recompute the tax for that year, treating the sale of such animals as the sale of a capital asset and file an amended return or a claim for refund on Form 843 for the overpayment of tax. However, the claim for 1950 must in most cases be filed by March 15, 1954.

In addition he may make an amended return for any year with respect to which a consent agreement (Form 872) is still in force. He also may file a claim for refund for any year prior to 1950 to the extent of payments which have been made within the past two years.

In a review of the request for refund, the entire return and the supporting evidence are subject to rechecking.

Examples of Capital Gain and Loss Computations

On page 21 of this publication, there is an example demonstrating the computation of capital gains and losses in cash basis accounting.

John Farmer (in this example) sold five dairy cows, some standing trees as stumpage, an old silage cutter, and a bull. These transactions are entered in section (1) of Schedule D because the gains from these items—the only items in this return that are covered by section 117 (j) of the Code—exceed the losses.

Two of the cows had been raised by John Farmer, and all the allowable costs for those two cows had been deducted as farm expenses on previous tax returns. Therefore, the entire $425 received for them is considered as a gain. The other three cows had been purchased for $600 and sold for $460. Depreciation while they were owned was $400. The gain realized was: Sale price $460 plus depreciation $400 less cost $600 = $260. The trees, which were estimated to have cost $200, were sold standing for $1,200, resulting in a gain of $1,000. The silage cutter was purchased for $290 and sold for $40. Depreciation while owned was $232; thus the sale price $40 plus depreciation $232 less cost $290 equals a loss of $18. The bull was sold for $310. The gain on his sale was $220: Sale price $310, plus $30 depreciation while he was owned = $340 less $120 original cost = $220.

The net taxable gain of $943.50 as figured on Schedule D is carried over to page 2, Schedule D, line 1, of Form 1040 where it is combined with the income from farm operations.

If the total gains had not been greater than the total losses, the entries would have been made at the bottom of Schedule D, in section (2), "Property Other Than Capital Assets." Assume instead, for example, that neither the timber nor the bull had been sold during the taxable year; that all five of the cows had been purchased late in 1951 for $1,200; and that $240 had been recovered through depreciation. Let us assume further that the silage cutter was sold for $90. In this instance the cow sales would have resulted in a loss of $75. Sale price $885 plus depreciation $240 less cost $1,200 = a loss of $75. The profit on the sale of the silage cutter for $90 would have been $32. In this situation the gain ($32) would not have been greater than the loss $75). Therefore, the gains and losses would have been entered in full and a net loss of $43 would have been carried to page 2 of Form 1040. These transactions would have been reported on Schedule D as follows:

(2) PROPERTY OTHER THAN CAPITAL ASSETS

1. Kind of property	2. Date acquired month, day, year	3. Date sold month, day, year	4. Gross sales price (contract price)	5. Depreciation allowed (or allowable) since acquisition on March 1, 1913 (attach schedule)	6. Cost or other basis and cost of subsequent improvements (If not purchased, attach explanation)	7. Expense of sale	loss (col. 4 plus col. 5 less sum of cols. 6 and 7)
1. 5 dairy cows	12-19-51	12-17-53	$885	$240	$1,200	$	$ – 75
Silage cutter	1-14-45	1- 3-53	90	232	290		
2. Enter here the sum of gains or losses or difference between gains and losses shown above. Also enter on line 2, Schedule D, page 2, Form 1040							32 —— $ – 43

Sale of Timber

If you usually sell only small amounts, you may prefer to treat receipts from sale of timber as ordinary income. Receipts would then be listed, together with other farm income, on pg. 1 or 3 of Form 1040F, and you would include with your farm expenses on page 2 of Form 1040F not only the expenses of the timber operations, but also an allowance for a return of your original capital investment in the timber cut. For example, if, when you bought the farm, you estimated the timber was worth $1,500 and this year you cut and sold one-fifth of the timber, you may deduct $300 (one-fifth of $1,500) as depletion

FORM 1040 F
U. S. Treasury Department
Internal Revenue Service

SCHEDULE OF FARM INCOME AND EXPENSES

1953

For Calendar Year 1953

Attach This Form to Your Income Tax Return Form 1040 and File it With the District Director of Internal Revenue for Your District.

Or taxable year beginning ...., 1953, and ending ...., 195...

Name John and Jane Farmer
Address Jonesville, State
Location of farm or farms 2 miles south Jonesville
Number of acres in each farm 200

If Your Accounts Are Kept on a Cash Basis, fill in Pages 1 and 2.
If You Keep Books on an Accrual Basis and Desire to Use This Form, Fill in Pages 2 and 3 Instead.

FARM INCOME FOR TAXABLE PERIOD COMPUTED ON CASH RECEIPTS AND DISBURSEMENTS BASIS
(See Instructions on Schedule D (Form 1040) for tax treatment of certain livestock held for draft, breeding, or dairy purposes)

1. SALE OF LIVESTOCK RAISED

Kind	Quantity	Amount
Cattle		$
Horses		
Mules		
Sheep		
Swine	60	2,270
Calves	10	240
Chickens		
Turkeys		
Ducks		
Goats		
Bees		
Other (specify):		
Total		$2,510 (Enter on line 1 of summary below)

Cash basis

2. SALE OF PRODUCE RAISED

Kind	Quantity	Amount
Grain		$
Hay		
Cotton*		2,250
Tobacco		
Potatoes	15	25
Sugar beets		
Vegetables		
Fruits		
Nuts		
Dairy products		4,208
Eggs		292
Meat products		
Poultry, dressed		
Wool and mohair		
Honey		
Sirup and sugar		
Other (specify):		
Total		$6,775 (Enter on line 2 of summary below)

3. OTHER FARM INCOME

Items	Amount
Mdse. rec'd for produce	$
Machine work	
Hire of teams	
Breeding fees	
Rent rec'd in crop shares	
Work off farm	25
Wood and lumber	
Other forest products**	25
Agricultural program payments	60
Patronage dividends, rebates or refunds, if not reported elsewhere in return	15
Other (specify):	
Gas tax refund	18
Feed bags	12
Total	$155 (Enter on line 3 of summary below)

4. SALE OF LIVESTOCK AND OTHER ITEMS PURCHASED

1. Description	2. Date acquired	3. Gross sales price (contract price)	4. Cost or other basis	5. Depreciation allowed (or allowable) since acquisition or March 1, 1913	6. Profit (column 3 plus column 5 minus column 4)
30 head cattle	1952	$4,500	$2,875	$	$1,625
chickens ***	1953	124	40		84
Total (enter on line 4 of summary below)					$1,709

SUMMARY OF INCOME AND DEDUCTIONS COMPUTED ON A CASH RECEIPTS AND DISBURSEMENTS BASIS

1. Sale of livestock raised	$2,510	6. Expenses (from page 2)	$5,195
2. Sale of produce raised	6,775	7. Depreciation (from page 2)	913
3. Other farm income	155	8. Other deductions (specify):	
4. Profit on sale of livestock and other items purchased	1,709		
5. Gross Profits	$11,149	9. Total Deductions	$6,108
10. Net farm profit (or loss) (line 5 minus line 9) to be reported in Schedule C Summary, Form 1040			$5,041

* Includes the value of cropper's share of cotton.
** Sale of fence posts.
*** If the sale of this item is reported in sec. 1, page 1, the cost of the chicks may be reported as Farm Expenses, page 2.

16—69201-1

(a return of capital). The profit on the timber becomes a part of your net farm profit and is taxed as ordinary income.

Under certain conditions the cutting of timber, and under most conditions a sale of *standing* timber from farm woodlands may be

FARM EXPENSES FOR TAXABLE YEAR (See Instructions) Page 2

(Do not include personal or living expenses or expenses not attributable to production of farm income, such as taxes, insurance, repairs, etc., on your dwelling)

1. Items	2. Amount	3. Items (Continued)	4. Amount (Continued)
Labor hired	$ 195	Rent of farm, part of farm, or pasturage	$
Feed purchased (cash basis)	1,535	Freight, yardage, express, and trucking	
Seed and plants purchased	150	Automobile upkeep (farm share)	120
Machine hire	25	Amortization of grain storage facilities (attach statement)	
Supplies purchased	50		
Cost of repairs and maintenance		Other farm expenses (specify):	
Breeding fees	50	Building and fence repair	250
Fertilizers and lime	375	Machinery repair	215
Veterinary and medicine for livestock	75	Tractor expense, gas, oil	360
Gasoline, other fuel and oil for farm business		Truck expense, gas, oil	185
Storage and warehousing		Cropper labor (1/2 of sale value	
Taxes	290	of the cotton crop paid for	
Insurance on property (except your dwelling)		the labor of producing it)	1,125
Interest on farm notes and mortgages	35	(These expenses are taken from	
Water rent, electricity, and telephone	160	the farm account book)	
Total of Columns 2 and 4 (enter on line 6 of summary on page 1 (cash basis) or line 7, page 3 (accrual basis))			$ 5,195

DEPRECIATION (See Instructions)

1. Kind of property (If buildings, state material of which constructed). Exclude land and other nondepreciable property	2. Date acquired	3. Cost or other basis	4. Depreciation allowed (or allowable) in prior years	5. Remaining cost or other basis to be recovered	6. Life used in accumulating depreciation	7. Estimated life from beginning of year	8. Depreciation allowable this year
Barn No. 1	1-5-38	$ 2,400	$ 900	$ 1,500	40	25	$ 60
Silo	"	500	300	200	25	10	20
Crib and shed	"	600	360	240	25	10	24
Hen house	"	300	150	150	30	15	10
Barn No. 2	"	750	375	375	30	15	25
Milking building	1-14-48	1,600	320	1,280	25	20	64
Tractor	1-10-51	1,500	300	1,200	10	8	150
Auto(farm share)	1-15-50	400	240	160	5	2	80
*Other machinery	--	4,000	1,200	2,800	--	--	380
3 purchased cows	1-5-50	600	300	300	6	3	100
Total (enter on line 7 of summary on page 1 (cash basis) or line 8, page 3 (accrual basis))							$ 913

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* All machinery is listed on a detailed depreciation schedule in the farm account book.

treated as the sale of a capital asset. In such case, provided the timber has been held for more than 6 months, you may be taxed at a sub-

FARM INVENTORY FOR INCOME COMPUTED ON AN ACCRUAL BASIS Page 3

(Do not include certain livestock held for draft, breeding, or dairy purposes. See instructions on Schedule D (Form 1040).)

Description (Kind of livestock, crops, or other products)	On Hand at Beginning of Year		Purchased During Year		Raised During Year		Consumed or Lost During Year		Sold During Year		On Hand at End of Year	
	Quantity	Inventory value	Quantity	Amount paid	Quantity	Inventory value	Quantity	Inventory value	Quantity	Amount received	Quantity	Inventory value
Cows *	14	$2,800		$	2	$		$		$	16	$3,200
Cows	5	800							5	885		
2-yr. old heifer	4	600			4						6	950
1-yr. old heifer	4	400			4						4	400
Calves	4	200			12				10	240	2	100
Herd bull	1	250							1	310		
Hens	100	100					30		60	60	100	100
Chicks			220	40			50		80	64		
Brood sows	5	300									5	300
Boar	1	100									1	100
Pigs	30	600			62		2		60	2,270	30	600
Beef cattle	30	3,500	30	2,775					30	4,500	30	3,500
Eggs										292		
Milk										4,208		
Potatoes	10	20			25		10		15	25	10	20
Hay	50	1,000			80		85				45	900
Corn	1,200	1,800			1,800		1,600				1,400	1,750
Oats	600	660			1,000		900				700	560
Silage	45	270			90		85				50	300
Straw	10	100			15		15				10	100
Grain sorghum					25		15				10	150
Mill feeds	2	180									2	160
Cotton **										2,250		
TOTALS		$12,630 (Enter on line 4)		$2,815 (Enter on line 5)		$		$		$13,909 (Enter on line 2)		$13,190 (Enter on line 1)

Accrual Basis

The values circled are not added in. These appear on Schedule D.

SUMMARY OF INCOME AND DEDUCTIONS COMPUTED ON AN ACCRUAL BASIS

1. Inventory of livestock, crops, and products at end of year		$13,190	7. Expenses (from page 2)	$5,195
2. Sales of livestock, crops, and products during year		13,909	8. Depreciation (from page 2)	813
2a. Other miscellaneous receipts (specify):			9. Other deductions (specify):	
Work off farm $25; ACP $60		85		
Gas tax refund $18; patronage refund $15		33		
Feed bags $12; fence posts $25		37		
3. TOTAL		$27,254		
4. Inventory of livestock, crops, and products at beginning of year	$12,630			
5. Cost of livestock and products purchased during year	2,815	15,445		
6. Gross profits (line 3 minus the sum of lines 4 and 5)		$11,809	10. TOTAL DEDUCTIONS	$6,008
11. Net farm profit (or loss) (line 6 minus line 10) to be reported in Schedule C Summary, Form 1040				$5,801

* In this example on the accrual basis dairy, breeding, and work stock are included in this inventory and not in the depreciation schedule, page 2, Form 1040 F.

** Includes the value of cropper's share of cotton.

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stantially lower rate than that applying to your ordinary income. For further information see your District Director of Internal Revenue, or see Agricultural Handbook No. 52 for sale by the Superintendent of Documents, Washington, D. C., for 20 cents.

Page 2

FARM EXPENSES FOR TAXABLE YEAR (See Instructions)

(Do not include personal or living expenses or expenses not attributable to production of farm income, such as taxes, insurance, repairs, etc., on your dwelling)

Accrual Basis

1. Items	2. Amount	3. Items (Continued)	4. Amount (Continued)
Labor hired	$ 195	Rent of farm, part of farm, or pasturage	$
Feed purchased	1,535	Freight, yardage, express, and trucking	
Seed and plants purchased	150	Automobile upkeep (farm share)	120
Machine hire	25	Amortization of grain storage facilities (attach statement)	
Supplies purchased	50		
Cost of repairs and maintenance		Other farm expenses (specify):	
Breeding fees	50		
Fertilizers and lime	375	Building and fence repair	250
Veterinary and medicine for livestock	75	Machinery repair	215
Gasoline, other fuel and oil for farm business		Tractor expense, gas, oil	360
		Truck expense, gas, oil	185
Storage and warehousing		Cropper labor (1/2 of sale	
Taxes	290	value of the cotton crop paid	
Insurance on property (except your dwelling)		for the labor of producing it)	1,125
Interest on farm notes and mortgages	35	(These expenses are taken from	
Water rent, electricity, and telephone	160	the farm account book)	
TOTAL OF COLUMNS 2 AND 4 (enter on line 6 of summary on page 1 (cash basis) or line 7, page 3 (accrual basis))			$ 5,195

DEPRECIATION (See Instructions)

1. Kind of property (if buildings, state material of which constructed). Exclude land and other nondepreciable property	2. Date acquired	3. Cost or other basis	4. Depreciation allowed (or allowable) in prior years	5. Remaining cost or other basis to be recovered	6. Life used in accumulating depreciation	7. Estimated life from beginning of year	8. Depreciation allowable this year
Barn No. 1	1-5-38	$ 2,400	$ 900	$ 1,500	40	25	$ 60
Silo	"	500	300	200	25	10	20
Crib and shed	"	600	360	240	25	10	24
Hen House	"	300	150	150	30	15	10
Barn No. 2	"	750	375	375	30	15	25
Milking building	1-14-48	1,600	320	1,280	25	20	64
Tractor	1-10-51	1,500	300	1,200	10	8	150
Auto (farm share)	1-15-50	400	240	160	5	2	80
*Other machinery	--	4,000	1,200	2,800	--	--	380
TOTAL (enter on line 7 of summary on page 1 (cash basis) or line 8, page 3 (accrual basis))							$ 813

* All machinery is listed on a detailed depreciation schedule in the farm account book.

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Development Costs

Amounts spent in developing orchards and farms generally must be treated as capital investments, some of which are depreciable, and some must be added to the value of the land. Some typical items, the

FORM 1040
U. S. Treasury Department
Internal Revenue Service

U. S. INDIVIDUAL INCOME TAX RETURN

FOR CALENDAR YEAR 1953

1953

or taxable year beginning ...., 1953, and ending ...., 195...

Do not write in these spaces

Serial No.

(Cashier's Stamp)

Name John and Jane Farmer
(PLEASE PRINT. If this is a joint return of husband and wife, use first names of both)

HOME ADDRESS R. D. 1
(PLEASE PRINT. Street and number or rural route)

Jonesville (City, town, or post office) .... (Postal zone number) .... State (State)

Social Security No. .... Occupation Farmer

Your exemptions

1. List your name. If your wife (or husband) had no income, or if this is a joint return, list also her (or his) name.

Check below if at the end of your taxable year you or your wife were—

On lines A and B below— If neither 65 nor blind write the figure 1. If either 65 or blind write the figure 2. If both 65 and blind write the figure 3

A John Farmer — 65 or over ☐ Blind ☐ — Number of exemptions for you 1

B Jane Farmer — 65 or over ☐ Blind ☐ — Number of her (or his) exemptions... 1
(Your wife's name—do not list if she is filing a separate return or if she had income not included in this return)

Name—and address if different from yours

C. List names of your children (including stepchildren and *legally* adopted children) with 1953 gross incomes of less than $600 who received more than one-half of their support from you in 1953. See Instructions.

Calvin Farmer
Betty Farmer

Enter number of children listed..... 2

D. Enter number of exemptions claimed for other close relatives listed in Schedule I on page 2 .....

E. Enter total number of exemptions claimed in A to D above 4

— — Please Attach All Original W-2 Forms Here — —

Your income

2. Enter your total wages, salaries, bonuses, commissions, and other compensation received in 1953, *before payroll deductions*. Persons claiming traveling or reimbursed expenses, see Instructions.

Print Employer's Name	Where Employed (City and State)	Total Wages		Income Tax Withheld	
		$		$	
	Enter total →	$		$	

3. If you received dividends, interest, or any other income (or loss), give details on page 2 and enter the total here .... $ 5,984 | 50

4. Add amounts shown in items 2 and 3, and enter the total here ... $ 5,984 | 50

How to figure the tax

(Unmarried or legally separated persons qualifying under Schedule J as "Head of Household," check here ☐.)
IF YOUR INCOME WAS LESS THAN $5,000.—Use the tax table on page 4 *unless you itemize deductions*. The table allows about 10 percent of your income for charitable contributions, interest, taxes, medical expenses, etc. If your deductions exceed 10 percent, it will usually be to your advantage to itemize them and compute your tax on page 3.
IF YOUR INCOME WAS $5,000 OR MORE.—Compute tax on page 3. Use standard deduction or itemize deductions, whichever is to your advantage.

Tax due or refund

5. (A) Enter your tax from table on page 4, or from line 13, page 3. $ 662 | 90
(B) Enter your self-employment tax from line 35, separate Schedule C.
Enter total here → $ 662 | 90

6. How much have you paid on your 1953 income tax?
(A) By tax withheld (in item 2, above). Attach Original Forms W-2. $
(B) By payments on 1953 Declaration of Estimated Tax (include any overpayment on your 1952 tax not claimed as a refund).
Enter total here → 662 | 90

7. If your tax (item 5) is larger than payments (item 6), enter *balance of tax due* here. This balance must be paid in full with return.......... $

8. If your payments (item 6) are larger than your tax (item 5), enter the *overpayment* here → $
Enter amount of item 8 you want $.................. (Credited on 1954 estimated tax) $.................. (Refunded)

Do you owe any prior year Federal tax for which you have been billed? (Yes or No) No Is your wife (or husband) making a separate return for 1953? (Yes or No) No If "yes," write her (or his) name ....
If you have filed a return for a prior year, state latest year 19 52 Where filed? District Director's city
To which District Director's office did you pay amount claimed in item 6 (B), above? ....

I declare under the penalties of perjury that this return (including any accompanying schedules and statements) has been examined by me and to the best of my knowledge and belief is a true, correct, and complete return.

.... (Signature of person, other than taxpayer, preparing this return) (Date)
(S) John Farmer (Signature of taxpayer) Jan. 12, 1954 (Date)

.... (Name of firm or employer, if any)
(S) Jane Farmer (Signature of taxpayer's wife or husband if this is a joint return) Jan. 12, 1954 (Date)

To assure split-income benefits, husband and wife must include all their income and, even though only one has income, BOTH MUST SIGN. 16—69192-1 cost of which must be treated as capital investment, are: clearing brush, trees and stumps; leveling and conditioning land; the cost of trees, and the planting of trees; installing drain tile or ditches; straightening creek beds; construction of terraces or ponds; and constructing tanks, reservoirs, dams, irrigation systems or roads.

Page 2

Schedule A.—INCOME FROM DIVIDENDS

Name of corporation declaring dividend	Amount	Name of corporation declaring dividend	Amount		
	$		$		
			Enter total here→	$	

Schedule B.—INCOME FROM INTEREST

Name of payor	Amount	Name of payor	Amount		
	$		$		
			Enter total here→		

Schedule C Summary.—PROFIT (OR LOSS) FROM BUSINESS OR PROFESSION, FARMING, AND PARTNERSHIP

1. Business profit (or loss) from separate Schedule C, line 23	$		
2. Farm profit (or loss) from separate schedule, Form 1040F. cash basis	5,041		
3. Partnership, etc., profit (or loss) from Form 1065, Schedule K, Column 3 (Partnership name) (Address)			
4. Total of lines 1, 2, 3	$ 5,041		
5. Less: Net operating loss deduction (attach statement)			
6. Net profit (or loss) (line 4 less line 5)		5,041	00

Schedule D.—NET GAIN OR LOSS FROM SALES OR EXCHANGES OF CAPITAL ASSETS, ETC.

1. From sale or exchange of capital assets (from separate Schedule D) . . cash basis	943	50
2. From sale or exchange of property other than capital assets (from separate Schedule D)		

Schedule E.—INCOME FROM ANNUITIES OR PENSIONS

1. Cost of annuity (amount you paid)	$	4. Amount received this year	$		
2. Cost received tax-free in past years		5. Excess of line 4 over line 3			
3. Remainder of cost (line 1 less line 2)	$	6. Enter line 5, or 3 percent of line 1, whichever is greater (but not more than line 4)			

Schedule F.—INCOME FROM RENTS AND ROYALTIES

1. Kind and location of property	2. Amount of rent or royalty	3. Depreciation or depletion (explain in Schedule H)	4. Repairs (attach itemized list)	5. Other expenses (attach itemized list)		
	$	$	$	$		
1. Totals	$	$	$	$		
2. Net profit (or loss) (column 2 less sum of columns 3, 4, and 5)						

Schedule G.—INCOME FROM OTHER SOURCES INCLUDING ESTATES AND TRUSTS

1. Estate or trust (Name) (Address)		
2. Other sources (state nature)		
Total income (or loss) from above sources (Enter here and as item 3, page 1)	$ 5,984	50

Schedule H.—EXPLANATION OF DEDUCTION FOR DEPRECIATION CLAIMED IN SCHEDULE F

1. Kind of property (If buildings, state material of which constructed). Exclude land and other nondepreciable property	2. Date acquired	3. Cost or other basis	4. Depreciation allowed (or allowable) in prior years	5. Remaining cost or other basis to be recovered	6. Life used in accumulating depreciation	7. Estimated life from beginning of year	8. Depreciation allowable this year
		$	$	$			$

Schedule I.—EXEMPTIONS FOR CLOSE RELATIVES OTHER THAN WIFE AND CHILDREN—(See Instructions)

1. Name of dependent relative. Also give address if different from yours	2. Relationship	3. Did dependent during 1953— (a) Have gross income of $600 or more?	(b) Reside in your home?	(c) Receive entire support from you?	4. If answer to either 3(b) or 3(c) is "No" enter amount spent for dependent's support in 1953 by— You (and your wife if this is a joint return)	Others, and by dependent from own funds
					$	$

Enter here and as item 1D, page 1, the number of other close relatives claimed above . . . . ☐

Schedule J.—HEAD OF HOUSEHOLD (See Instructions)
(Not applicable where wife or husband died during taxable year)

If all of the following questions are answered "Yes," you may determine your tax as Head of a Household:

1. Were you unmarried (or legally separated) at the close of your taxable year? (Yes or No) ....
2. Was your home occupied during the entire taxable year as the principal residence of both yourself and (*a*) a person for whom you are entitled to an exemption, or (*b*) your unmarried child, grandchild, or stepchild, even though not a dependent? (Yes or No) ....

List name(s) and relationship to you ....

3. Did you furnish more than one-half of the cost of maintaining the household during the taxable year? (Yes or No) .... If you did not furnish the entire cost, state total amount furnished by you $..........; by all others (including those sharing your home) $.......... Deductions on page 3 are to be determined without reference to this schedule.

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In determining whether or not particular expenditures must be added to the cost basis of the land or can be depreciated, you may divide them into two broad classes:

1. Development costs incurred in clearing land, or earthen improvments. These cannot be depreciated, therefore, their cost should

ITEMIZED DEDUCTIONS—FOR PERSONS NOT USING TAX TABLE ON PAGE 4 OR STANDARD DEDUCTION ON LINE 2 BELOW— Page 3

If Husband and Wife (Not Legally Separated) File Separate Returns and One Itemizes Deductions, the Other Must Also Itemize

Describe Deductions and state to whom paid. If more space is needed, attach additional sheets.

Contributions		$	
	Total Contributions (not more than 20 percent of item 4, page 1)		$
Interest			
	Total Interest		
Taxes		$	
	Total Taxes		
Losses from fire, storm, or other casualty, or theft		$	
	Total Allowable Losses (not compensated by insurance or otherwise)		
Medical and dental expenses (*if over 65 see Instructions*)		$	
	Net Expenses (not compensated by insurance or otherwise)	$	
	Enter 5 percent of item 4, page 1; subtract from Net Expenses		
	Allowable Medical and Dental Expenses. See Instructions for limitation		
Miscellaneous (*See Instructions*)		$	
	Total Miscellaneous Deductions		
	Total Deductions		$

The standard 10 percent deduction was used rather than itemizing all items. If your total deductions exceed the standard deduction, it will be to your advantage to itemize your deductions rather than take the standard deduction. See pages 10 and 11 of the official instructions which you received along with this form.

TAX COMPUTATION FOR CALENDAR YEAR 1953 (For Other Taxable Years Attach Form 1040 FY)

1. Enter amount shown in item 4, page 1. This is your Adjusted Gross Income		$ 5,984	50
2. If deductions are itemized above, enter total of such deductions. If deductions are not itemized *and line 1, above, is $5,000 or more:* (*a*) married persons filing separately enter $500, (*b*) all others enter 10 percent of line 1, but not more than $1,000		598	45
3. Subtract line 2 from line 1. Enter the difference here. This is your Net Income		$ 5,386	05
4. Multiply $600 by total number of exemptions claimed in item 1E, page 1. Enter total here		2,400	00
5. Subtract line 4 from line 3. Enter difference here. (If line 1 includes partially tax-exempt interest, see Instructions)		$ 2,986	05
If line 5 is not more than $2,000 —			
6. Enter 22.2 percent of amount shown on line 5 and disregard lines 7, 8, and 9		$	
If line 5 is more than $2,000 —			
7. **And you are a single person, a married person filing separately, or a head of household —** Single persons and married persons filing separately use Tax Rate Schedule I on page 12 of Instructions to figure tax on amount on line 5; heads of household use Tax Rate Schedule II		$	
8. **And you are filing a joint return —**			
(*a*) Enter one-half of amount on line 5	$ 1,493.03		
(*b*) Use Tax Rate Schedule I on page 12 of Instructions to figure tax on amount on line 8 (*a*)	331.45		
(*c*) Multiply amount on line 8 (*b*) by 2		$ 662	90
9. If alternative tax computation is made, enter here tax from separate Schedule D		$	
Disregard lines 10, 11, and 12, and copy on line 13 the same figure you entered on line 6, 7, 8 (*c*), or 9, unless you used itemized deductions			
10. Enter here any income tax payments to a foreign country or U. S. possession (attach Form 1116)	$		
11. Enter here any income tax paid at source on tax-free covenant bond interest			
12. Add the figures on lines 10 and 11 and enter the total here		$	
13. Subtract line 12 from line 6, 7, 8 (*c*), or 9. Enter difference here and as item 5 (A), page 1		$ 662	90

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be added to the value of the land. This type of development cost includes land leveling, terracing, earthen dams for farm

SCHEDULE D (Form 1040)
U. S. Treasury Department
Internal Revenue Service

GAINS AND LOSSES FROM SALES OR EXCHANGES OF PROPERTY **1953**

For Calendar Year 1953 or taxable year beginning ...., 1953, and ending ...., 195...

Name and address John and Jane Farmer, Jonesville, State

(1) CAPITAL ASSETS

16—69196-1

1. Kind of property (if necessary, attach statement of descriptive details not shown below)	2. Date acquired Mo. Day Year	3. Date sold Mo. Day Year	4. Gross sales price (contract price)	5. Depreciation allowed (or allowable) since acquisition or March 1, 1913 (attach schedule)	6. Cost or other basis and cost of subsequent improvements (If not purchased, attach explanation)	7. Expense of sale	8. Gain or loss (column 4 plus column 5 less sum of columns 6 and 7)
SHORT-TERM CAPITAL GAINS AND LOSSES—ASSETS HELD NOT MORE THAN 6 MONTHS							
1.			$	$	$	$	$
2. Enter your share of net short-term gain or loss from partnerships and common trust funds							
3. Enter unused capital loss carry-over from 5 preceding taxable years (attach statement)							
4. Enter sum of short-term gains or losses or difference between short-term gains and losses shown above							$
LONG-TERM CAPITAL GAINS AND LOSSES—ASSETS HELD FOR MORE THAN 6 MONTHS							
5. 2 cows *	raised	1-10-53	$ 425	$ --	$raised	$ --	$ 425
3 cows *	1-5-50	12-19-53	460	400	600	--	260
Silage cutter	1-14-45	1-30-53	40	232	290	--	-18
Stumpage	1-5-38	6-11-53	1200	--	200***	--	1000
1 herd bull	1950	1-14-53	310	30	120	--	220
6. Enter the full amount of your share of net long-term gain or loss from partnerships and common trust funds							
7. Enter sum of long-term gains or losses or difference between long-term gains and losses shown above							$ 1887

Cash Basis Accounting

	Gain or loss to be taken into account (a) Gain		(b) Loss	
8. Enter net short-term gain or loss from line 4	$		$	
9. Enter net long-term gain or loss from line 7	$ 1887		$	
Use lines 10 through 13 only if gains exceed losses in lines 8 and 9.				
10. Enter short-term gain (line 8, col. a) reduced by any long-term loss (line 9, col. b)	$		x x x x	x
11. Enter long-term gain (line 9, col. a) reduced by any short-term loss (line 8, col. b)	$ 1887		x x x x	x
12. Enter 50 percent of line 11	$ 943	50	x x x x	x
13. Enter here and on line 1, Schedule D, page 2, Form 1040, the sum of lines 10 and 12	$ 943	50	x x x x	x
Use lines 14 and 15 only if losses exceed gains in lines 8 and 9.				
14. Enter the excess of losses over gains on lines 8 and 9	x x x x	x	$	
15. Enter here and on line 1, Schedule D, page 2, Form 1040, the smallest of the following: (a) the amount on line 14; (b) net income computed without regard to capital gains and losses; or (c) $1,000	x x x x	x	$	

LONG-TERM CAPITAL GAINS AND LOSSES—ASSETS HELD FOR MORE THAN 6 MONTHS							
5. 2 cows *	raised	1-10-53	$ 425	$ --	$ 800 **	$ --	$ 85
3 cows *	1-5-50	12-19-53	460	--			
Silage cutter	1-14-45	1-30-53	40	232	290	--	-18
Stumpage	1-5-38	6-11-53	1200	--	200 ***	--	1000
1 herd bull	1950	1-14-53	310	--	250 **	--	60
6. Enter the full amount of your share of net long-term gain or loss from partnerships and common trust funds							
7. Enter sum of long-term gains or losses or difference between long-term gains and losses shown above							$ 1127

Accrual Basis Accounting

	Gain or loss to be taken into account (a) Gain		(b) Loss	
8. Enter net short-term gain or loss from line 4	$		$	
9. Enter net long-term gain or loss from line 7	$ 1127		$	
Use lines 10 through 13 only if gains exceed losses in lines 8 and 9.				
10. Enter short-term gain (line 8, col. a) reduced by any long-term loss (line 9, col. b)	$		x x x x	x
11. Enter long-term gain (line 9, col. a) reduced by any short-term loss (line 8, col. b)	$ 1127		x x x x	x
12. Enter 50 percent of line 11	$ 563	50	x x x x	x
13. Enter here and on line 1, Schedule D, page 2, Form 1040, the sum of lines 10 and 12	$ 563	50	x x x x	x
Use lines 14 and 15 only if losses exceed gains in lines 8 and 9.				
14. Enter the excess of losses over gains on lines 8 and 9	x x x x	x	$	
15. Enter here and on line 1, Schedule D, page 2, Form 1040, the smallest of the following: (a) the amount on line 14; (b) net income computed without regard to capital gains and losses; or (c) $1,000	x x x x	x	$	

* Owned for 12 months or more and held for dairy purposes.
** Inventory value Jan. 1, 1953.
*** This is the estimated value of the trees (sold this year for $1,200), when they were acquired in 1938 as a part of the farm. This $200 is subtracted from the value of the land in arriving at the basis for computing profit or loss on sale of the farm, if it is sold later.

ponds, drainage ditches, earthen irrigation ditches, clearing land of stumps or timber, etc.

SPECIAL NOTE: The Tax Court of the United States held, in the case of Collingwood versus Commissioner of Internal Revenue (20 T.C. No. 132, Promulgated Sept. 4, 1953), that the cost of terracing on the petitioner's farms was deductible as ordinary and necessary (current) business expense. (This is contrary, of course, to the position expressed above, and held by the Commissioner for many years.) In the Collingwood case, the terraces were for the sole purpose of reducing water erosion to maintain the productivity of the farms in normal and customary operation—not to prepare it for new or additional uses. Some earlier terraces had been obliterated. The petitioner's farms were not more valuable after the terracing had been done—it did not change the fertility of the soil or make farm operations easier. The Commissioner has 3 months (from Sept. 4, 1953) in which to appeal from this decision. Whether he will do so or whether this decision may affect the Internal Revenue Service's position in regard to similar expenditures on other farms has not been decided at the time this bulletin goes to press.

2. Development costs incurred in the installation of other than earthen improvements. These costs can be depreciated over the years of life expectancy. This type of development cost includes tiling, masonry work such as concrete spillways, reservoirs, etc., and fruit trees.

Payments of a capital nature must always be capitalized. Furthermore, during the development period when no income is being produced the taxpayer may elect to treat *operating expenses* such as those for upkeep of grove or orchard property, taxes, water for irrigation purposes, cultivating and spraying of trees, as either capital investments in the orchard or grove, or current expenses.

Sale of a Farm

The income tax law provides for reporting gains and losses from sale of farm real estate, and in certain cases unharvested crops, in the same manner that gains and losses from the sale of other capital items are reported.

All gains and losses resulting from the sale of farms are computed in the following manner:

1. Add the cost of all improvements that were made during the period of ownership to the original purchase price paid for the farm. (However, if the farm was acquired prior to March 1, 1913, or if it was not acquired by purchase, special rules may

apply. These special rules are covered in the instructions on the back of Schedule D.)

2. Subtract from this sum the total of all depreciation during the period of ownership.
3. From the selling price of the farm and unharvested crops, subtract the sum of (1) the amount computed in step 2, and (2) the cash cost of producing the unharvested crop.
4. Subtract from the amount computed in step 3 the cost of selling the farm (commission, abstracting, recording fees, etc.). The remainder will be the gain or loss—which is to be reported in Schedule D, and filed with Form 1040.

If the seller had owned the farm for only 6 months or less, all the gain from its sale must be reported as ordinary income. If the seller has owned the farm for more than 6 months the gain or loss will be treated as explained on page 7. Losses experienced in such sales are not always fully deductible in the year of sale (see page 8).

As the sale of a farm may increase the seller's tax liability by several hundred dollars, it is always advisable for the seller of such property to obtain the services of an internal revenue official or some competent tax authority in executing Schedule D and in making his income tax return.

Installment Sales

Under certain conditions a taxpayer may elect to use a special method of figuring his taxable gain from the sale of a farm. This special method is known as the "installment sales" method. The "installment sales" method, when a farm is sold, can be used when there are initial payments which do not exceed 30 per cent of the selling price. Initial payments include any down payment and all other cash or property (other than notes of the purchaser) received in the year of sale. Many farmers sell their farms and receive a small initial payment. This is frequently true when a sale is made to a son. The installment method gives the taxpayer relief from the burden of paying tax on income which has not been collected, until it is collected.

There are certain terms that must be understood when a taxpayer sells his farm on the "installment sales" method. They are:

1. *Initial Payments* received in the year of the sale include not only down payment but also all other cash payments and property other than notes received in the year of the sale.
2. *Selling Price* is the entire cost of the farm to the purchaser. It includes the cash, and evidence of indebetedness received from the buyer in addition to any mortgage on the property assumed by the buyer.

3. *Contract Price:* When no mortgages are involved, the selling price is also the "contract price." If the selling price is payable partly in cash and partly on time, secured by a purchase money mortgage from the buyer to the seller, the selling price is likewise the contract price.

It often occurs that the seller has a mortgage on the farm, and when he sells the farm, he arranges that the obligation to repay the loan or mortgage shall be assumed by the buyer. When the mortgage assumed by the buyer does not exceed the seller's cost or other basis of the farm, the contract price is equal to the sale price less the amount of the mortgage. When the amount of the mortgage exceeds the cost or other basis, the amount in excess is included both in the contract price and in the initial payments. *Percentage of Gross Profits:* Gross profit is the selling price minus the cost or other basis of the farm sold. The percentage of gross profit is the ratio between the gross profit and the contract price. The total amount collected during the taxable year, multiplied by the percentage of gross profit, results in the amount of income realized during the year.

Example of Sale of Farm on "Installment Sales" Method

A farmer on January 2, 1953, sold his farm. The *selling price* was as follows:

To be paid in cash	$30,000.00
Mortgage assumed by buyer	12,292.50
Selling price	$42,292.50

The *initial payments* were:

Down Payment	$ 4,500.00
Monthly payments $100 per month, paid in 1953	1,200.00
Initial payments	$ 5,700.00

The *gross profit* on sale of the farm was:

Selling price	$42,292.50
Seller's basis (figured on Schedule D)	22,785.05
Gross profit	$19,507.45

The *contract price* is:

Selling price	$42,292.50
Less: Mortgage assumed by buyer	12,292.50
Contract price	$30,000.00

Percentage of Gross Profit

$$\frac{\text{Profit to be realized} = \$19{,}507.45}{\text{Contract price} = \$30{,}000.00} = 65\%$$

The profit realized on the 1952 receipts is 65 per cent of $5,700, or $3,705.

As the farm sold was a capital asset held for more than 6 months, the realized profit is a long-term capital gain of which only 50 per cent ($1,852.50) is taxed unless offset by capital losses.

Each year, until total profit from sale of farm is liquidated, the seller should figure and report profits realized during the year, based on the amount of payments received. He is taxed on only half of this amount unless all or part of it is offset by capital loss. When the seller dies, the tax based on amount of profit still outstanding must be paid, unless executor gets permission from Internal Revenue and posts bond to continue on installment basis.

Sale of Farm Residence

When the sale of a farm includes the taxpayer's principal residence and he buys property within one year after (or before) the sale which he uses as his new residence, the gain from the sale of the old residence may be excluded from gross income if the cost of the new residence equals or exceeds the sale price of the old one.

In using this provision, the portion of the sale and purchase prices which are allocable to the residences involved must be determined. Following is an example:

	Farm Including Residence	Residence Only (Estimated)	Farm Not Including Residence
Sale Price	$41,000	$9,000	$32,000
Cost (on other basis)	20,000	5,000	15,000
Gain	$21,000	$4,000	$17,000

Gain Recognized:

If no other residence is purchased $21,000*

If another residence is purchased for $9,000 or more (as part of another farm or a town residence) $17,000*

* This is only 50% taxable if held for longer than 6 months unless offset by capital losses.

Election as to Commodity Credit Loans

When a farmer obtains a loan from the Commodity Credit Corporation and pledges his crops as security, the proceeds of the loan would not ordinarily be considered as income when received. Income would not be realized until the pledged crops are sold. If they are sold in a later year, the production expenses incurred in the previous year could not be deducted to reduce that income.

To provide relief, the income tax law permits the farmer to choose to include the amount of the loan in his income *in the year in which it is received,* instead of in the year when the commodity is finally sold. If he once makes such an election, then he must follow this method in succeeding years, including in his gross income all amounts received in those year as loans from the Commodity Credit Corporation, unless he gets the permission of the Commissioner of Internal Revenue to change to a different method of treatment.

To obtain such permission, an application to change the method and the basis of the return must be filed with the Commissioner within the first 90 days of the taxable year to be covered by the return.

Commodity Credit Corporation loans are usually settled in one of two ways. The crop is either delivered in payment of the loan or the loan is paid off and the crop sold on the market. At the time the Commodity Credit Corporation loan is settled, if more is realized from the commodity than the amount of the loan, the difference is included as gross income the year the crop is sold. This procedure applies when the Commodity Credit Corporation loan has been included as gross income.

Recent Changes

Only one important change affecting farmers has been made in the law.

This change in the law provides that the taxpayers may elect to "write-off" the cost of constructing, reconstructing or erecting a grain storage facility (if built or erected in the calendar years 1953-56 inclusive) over a 60-month period, instead of taking the ordinary deduction for depreciation based on the estimated useful life of the facility. The 60-month period may begin with the month following completion, or with the succeeding taxable year.

If a taxpayer elects to "write-off" the cost over a 60-month period, he must include, in his federal income tax returns for the first year in which it is taken, a statement that he is making this election. Likewise, a taxpayer may elect to discontinue the 60-month "write-off" as of the beginning of any month specified in a notice filed with the Secretary of the Treasury before the beginning of such month. He will thereafter be entitled to use a normal ratio of depreciation on the remaining cost of the grain storage facility.

Under the new law, a grain storage facility includes any corn crib, grain bin, or similar structure suitable primarily for the storage of grain, which is intended by the farmer to be used for storage of grain produced by him. Altering and adapting another structure for grain storage or enlarging an existing grain storage facility is considered as construction of a grain storage facility.

QUESTIONS AND ANSWERS

How Do Partnerships Report?

A partnership does not pay any income tax, but it must file an information return on Form 1065. This form, which may be supported by details on Form 1040F, shows the amount of income of the partnership and how this income is distributed among the partners. Each individual partner then includes in his income on Form 1040 his share of the partnership income. The ordinary landlord-tenant relationship does not constitute a partnership. Therefore, *each* party to the *landlord-tenant* contract should file his tax return as an individual, reporting only his individual income and expenses.

How are Croppers' Shares Treated?

A cropper is essentially a laborer who is paid a share of a crop (or the money value thereof) for the labor of producing it. He may or may not pay a share of certain production costs such as seeds, fertilizers, insecticides, ginning, etc., depending on the terms of the contract existing between him and the farm operator.

There are two common methods whereby farm operators and croppers keep their records and make settlement:

1. The sale value of the entire crop and the total production cost are included in the operator's transactions and records. Settlement is made between the two parties after the undivided crop is marketed. The operator should enter as *labor cost* in his accounts and income tax reports the value of the cropper's share of the crop less any production costs paid by the cropper as shown in the final settlement.
2. The cropper pays his own share of production costs (if any) and receives his share of the actual crop. In this case, neither the cropper's share of production costs nor the cropper's share of the crop is included in the operator's transactions, records, or income tax reports.

It is the cropper's responsibility to file his own income tax return if he earns $600 or more.

How Do You Report Patronage Refunds from Cooperatives?

Patronage refunds received as cash, or in the form of stock certificates from farm cooperatives, generally should be included in farm income on Form 1040F. Cooperative refunds arising from expenditures for groceries or other personal nonbusiness purposes, usually do not enter into taxable income computations. Refunds arising from the purchase of depreciable items, such as machinery, should either be added to income or be used to reduce the cost basis of the items and not reported as income. Dividends or interest on stock owned in cooperatives should be reported as income on Form 1040. (See "Farming" in the official instructions on how to prepare your U. S. income tax return on Form 1040).

How Do You Report Agricultural Program Payments?

All government payments, such as those for approved conservation practices, must be included in gross income, whether received in cash or in materials such as fertilizer or lime. Where fertilizer was received under a government program, include the value of the fertilizer in income and offset this receipt by an entry under expenses covering the value of the fertilizer (as figured in the government program) plus any cash handling charges. Where the government payments are based on improvements such as the construction of terraces* and ponds, or on lime spread on the land, there may be no offsetting entry under current expenses. An expenditure for terraces* and ponds represents capital investment and should be added to the cost of the land. The cost of lime should be handled as discussed in the next question.

How is the Cost of Liming Handled?

If the benefit from lime is essentially limited to one year, or if maintenance applications are made each year, the cost is a deductible expense in the year the lime is spread. If, however, the benefit extends over a number of years, the cost should be distributed over such a period. The portion of the cost attributed each year need not be the same if the annual benefits from the liming are clearly greater in the early part of the period than in the last.

Can Wages Paid to Your Child be Deducted as an Expense?

Reasonable cash wages paid by a father to a minor child for work actually performed as a bona fide employee in the farm business may be deducted as a business expense. Such wages are included in the income of the child and may result in the child's having taxable income. If the father takes the child's earnings and utilizes them for his own purposes, or if the father requires the child to purchase his own clothing or other necessities which the father is obligated to furnish, the deduction of the child's earnings as a business expense will be disallowed to that extent. A farmer should not charge as expense his estimate of the value of his labor or other unpaid family labor.

Can Board of Hired Labor be Deducted?

Board and room and supplies furnished to hired labor are deductible only to the extent that they are purchased by the farmer. This excludes food raised on the farm and used in boarding laborers.

Are Livestock Death Losses Deductible?

CASH BASIS: If an animal that was born and raised on your farm dies, you *cannot* deduct for it, because the cost of raising the animal has been deducted as operating expenses previously. If the animal was purchased, you *can* deduct your loss, but the method of deducting it depends on the cause of the death of the animal. (The amount of your loss is the cost of the animal, less depreciation and any insurance received.) If the animal was killed by a destructive force, such as lightning, or by order of governmental authorities (because of disease),

* See special note on page 22.

the loss should be handled in Schedule D. If the loss was by natural causes, such as old age or sickness, the amount of the loss should be entered on the blank line of the summary at the bottom of page 1, Form 1040F, with an explanation.

ACCRUAL BASIS: When the value of the animal appears in the beginning-of-year inventory and not in the end-of-year inventory, the loss is automatically accounted for in the change in inventory value. Any money received from insurance or indemnity would be entered as other farm income.

Is the Loss or Damage to a Growing Crop Deductible?

No, but any insurance received as a result of such loss or damage should be reported as other farm income.

What Business Outlays Are Not Deductible as Cash Expenses?

Capital investments and repayment of debt principal are not deductible as current operating expenses. Capital investments include new equipment, new buildings, major improvements to old buildings, and major overhaul of machinery. The line between ordinary repairs and major improvements is often hard to draw. The general rule is: If the improvement substantially lengthens the life of the building or changes the use of the structure, it should be considered a capital investment. In such cases add the cost of the improvement to the amount shown on Form 1040F, page 2, Depreciation, columns 3 and 5. If necessary the life expectancy is changed to the new estimated life, and entered in column 6 of the depreciation table, Form 1040F. Thereafter the amount of depreciation claimed each year will be the new cost divided by the estimated life.

Who May be Claimed as a Dependent?

A taxpayer may claim credit for a child or other "close relative" if he furnished over half the support and the dependent's income is less than $600. The official instructions on how to prepare your U. S. income tax return on Form 1040 give a complete explanation of who is a close relative for this purpose.

A taxpayer does not include the income of his children or other dependents on his return. But if a child, for example, has $600 or more income, a return must be filed by him or in his behalf.

Should Separate or Joint Returns be Filed?

The law permits husbands and wives to divide their income for tax purposes. This is permitted only when a joint return is filed. This is accomplished on Form 1040. Unless the taxpayer had unusually large medical bills paid during the year or other unusual situations, it is usually advantageous taxwise to file a joint return when a tax is due. When a joint return is made, the tax is computed on the combined income of the husband and wife, and the total liability is assumed by either or both.

What About Hired Farm Workers?

A hired farm worker who expects to earn $600 or more during any calendar year should file a declaration of estimated tax (Form 1040 ES) by March 15 of the current year.

The hired worker includes in his income, at a fair market value, the board and lodging that he receives, unless such board and lodging are not compensatory, because it is necessary for him to live on his employer's premises in order to fulfill his duties. For example, if the worker must be available at the farm at all times for emergencies, and if he receives full wages in cash at the regular scale, the value of board and lodging would not be included in the worker's income.

Where Can I Get Help to Fill Out My Forms?

Many taxpayers prefer to use the services of a person who works with income tax forms rather than fill them out themselves. Representatives of the District Director of Internal Revenue are available insofar as their services can be spread. Other people make it a business to help individuals to prepare their returns. Regardless of the assistance obtained by the taxpayer, it should be remembered that he and he alone assumes full responsibility for the accuracy and completeness of the figures included in the income tax return.

Whether professional services are used or you fill out your own forms, there is a minimum of information that must be collected in advance, if the return is to be reasonably accurate. This information includes a record summary of all farm business receipts and expenses, a record of profits or losses on the sale of purchased livestock, a depreciation schedule for all farm buildings, machinery, and other depreciable property, and all income and expenses of a personal nature that should be taken into account. Farmers should collect this information as the year progresses in some kind of organized system of records rather than trust to memory or meager records at tax-reporting time. It is well to remember that the tax return is no more accurate than the information that went into it.

Can You Carry Back and Carry Forward Net Operating Losses?

Yes, if not offset by income from other sources. If you show a net loss on your return for the current year (because of unprofitable farm operations), you can use this business loss to offset income in other years. If you paid a tax in 1952 you can claim a refund based on refiguring the tax for that year taking into account the 1953 loss. You can also carry any remaining excess of the net operating loss forward for 5 years. A 1953 operating loss should be used first to claim a refund (on Form 843) of taxes paid on 1952 income. Any unused operating loss should be used to offset income in 1954, 1955, 1956, 1957 and 1958, in that order.

In carrying forward operating losses, those on either basis should report the loss on line 5, Schedule C Summary, on page 2 of Form 1040.

What Recourse Have You if Your Return is Questioned?

If your return is questioned, and at a conference with a local representative of the Internal Revenue Service, payment of additional tax is required, you may (1) ask for an informal conference for the purpose of discussing the proposed adjustments with a conferee; or (2) if it is clear to you that you owe the amount requested, sign a waiver and pay the additional tax.

If you are not satisfied with the explanation furnished by the conferee, you should not sign a waiver and you will receive a 30-day letter. The receipt of a 30-day letter gives you 30 days from the date of the letter in which to decide whether the additional tax is owed and to choose one of three courses of action. First, you may file a formal protest, under oath, with the District Director and request that the case be transferred to the Appellate Division of the District. Second, you can, by request, or by simply failing to respond during the 30-day period, secure the issuance of the statutory notice from which an appeal may be taken to the Tax Court of the United States. Third, you may sign the waiver form enclosed with the 30-day letter.

Can You Correct an Error of Fact, Arithmetic, or a Failure to Follow Law and Regulation in a Return That Has Been Filed?

Yes, by filing an amended (corrected) return for the year in question. The amended return should be made on the forms for the year of the incorrect return, should be labelled "amended," and must be filed within three years after the due date of the incorrect return. An amended return, including all of the supporting schedule, is subject to rechecking.

How Do Social Security Taxes Affect the Farmer's Income Tax?

The social security tax paid by a farmer on wages of hired farm workers is a business expense and should be included in farm expenses. This tax paid by the farmer-employer should be reported under farm expenses as "social security tax on wages." In reporting farm expenses, the wages paid (including the tax withheld from the worker) should be itemized separately from the tax paid by the farmer-employer.

How is Interest on U. S. Savings Bonds Treated?

Interest actually received, as in the case of G bonds and the new H and K bonds, must be reported as income in the year in which received. In the case of bonds issued at a discount, such as the new E and J bonds, a taxpayer on the cash basis may report the interest each year as it accrues, or he may defer reporting the interest until the bonds are matured or cashed. But if he starts reporting the accrued interest each year, he cannot change to another method unless he receives permission from the Commissioner of Internal Revenue. A taxpayer on the accrual basis must include the accrued interest each year in his return.

CHECK LIST OF FARM EXPENSES

In general the farmer may deduct from gross receipts all expenditures directly connected with the farm business except those which represent capital investments. The latter most generally may be recovered through depreciation. (See page 5.) Many of the expenditures are partly business and partly personal. Deduct only that part which has to do with the farm business.

Labor Hired
- Day labor
- Season & year labor
- Piecework
- Cash board

Feed Bought
- Grain
- Other concentrates
- Beet pulp
- Feed mixing hired
- Hay
- Other roughage

Seeds & Plants Bought
- Corn
- Oats
- Rye
- Wheat
- Other grains
- Legumes
- Grass
- *Vegetables
- Seed mixtures
- Seed treatment
- Plants & vines bought

Machine Work Hired
- Tractor
- Silo filling
- Hay baling
- Ginning
- Airplane dusting
- Other machine work

Supplies Bought
- Strainer discs
- Washing powders
- Leg bands
- *Stamps & stationery
- *Light bulbs & fuses

Tying Material
- Wire
- Rope
- Twine
- Rubber bands

Containers
- Bags
- Boxes
- Egg cases
- Poultry and other crates
- Baskets
- Cans and pails
- Bottles and caps

Insect and Disease Control
- Sprays
- Dusts
- Other materials

Machinery Repairs
- Machine-shop work
- Repair parts
- Blacksmith work
- Harness repairs

**Farm Bldg. Repairs*
- Roofing
- Painting
- Plumbing
- Wiring
- Cement
- Lumber
- Glazing
- Nails, screws, bolts
- Greenhouse
- Coldframes

Livestock Fees
- Breeding
- Registration, transfer
- Cow testing
- Exhibition
- Sheep shearing

Fertilizer Bought
- Mixed fertilizer
- Phosphate
- Potash
- Nitrogen
- Lime
- Slag
- Manure

Veterinary
- Services
- Equipment
- Dips
- Disinfectants
- Fly control
- Medicines
- Vaccines
- Poultry flock treatment
- Dehorning

**Fuel, Light, Power*
- Gasoline
- Fuel oil
- Oil and grease
- Coal
- Electricity

**Taxes*
- Real Estate
- Other farm property
- Auto & truck use tax

Insurance Premiums
- *Farm buildings
- Livestock
- Crops
- Accident & liability

Interest Paid
- Notes
- Chattel mortgages
- Real estate mortgage

Rent, Cash
- Pasture
- Cropland
- Buildings

Trucking Hired
- Hauling crops
- Hauling livestock
- Hauling milk
- *Other hauling
- *Freight & express
- *Parcel post

**Auto and Truck*
- Gas and oil
- Antifreeze
- Repairs
- Tires
- Operator's license
- Insurance

Poultry Bought
- Chicks and poults
- Other poultry
- Hatching eggs
- Custom hatching

Miscellaneous
- Commissions
- Advertising
- Seed certification
- Storage
- Warehouse charges
- Farm papers
- Bedding & litter
- Small tools and equipment
- Fencing materials
- *Telephone
- Farm organization dues
- Farm business travel

* Particular care should be used with these items to make sure that personal expenses are not included.

Farm Income

The sale of any of the items listed below constitutes farm income. Some farmers will have other sources of farm income that do not appear on this list.

*** Livestock**
- Feeder pigs
- Boars
- Fat hogs
- Sows
- Gilts
- Stags
- Feeder cattle
- Fat cattle
- Veal calves
- Heifers
- Cows
- Bulls
- Lambs
- Ewes
- Rams
- Goats
- Horses
- Mules
- Hens
- Broilers
- Frying chickens
- Turkeys
- Ducks
- Geese
- Bees

Livestock Products
- Milk
- Cream
- Butter
- Buttermilk
- Cheese
- Eggs
- Dressed poultry
- Dressed meat
- Wool
- Lard
- Hides
- Honey

*** Woodland Products**
- Standing trees
- Logs
- Posts
- Poles
- Ties
- Fuel wood
- Chemical wood
- Pulp wood
- Mine props
- Christmas trees

Crops
- Cotton
- Field corn
- Popcorn
- Sweet corn
- Soybeans
- Wheat
- Oats
- Rye
- Barley
- Sorghum
- Grass seed
- Clover seed
- Lespedeza seed
- Alfalfa seed
- Tomatoes
- Potatoes
- Tobacco
- Pumpkins
- Melons
- Pickles
- Peanuts
- Beans
- Cabbage
- Sweet potatoes
- Peppers
- Apples
- Peaches
- Cherries
- Pears
- Berries
- Maple sirup
- Cider

Miscellaneous
- Custom work
- Machine rental
- Breeding fees
- Mdse. for produce
- Rent received in crop shares
- Agricultural program payments
- Insurance rec'd on loss of growing crops
- Sales of gravel
- Interest on cropper accounts
- Cash rent
- Refunds (of items claimed as expenses)
- Patronage refunds

* Under certain conditions some of these items may be treated as the sale of capital assets. (See pages 10 and 13.)