Welcome

Farm business management basics

Florencia Colella

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★ ★

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mail:
U.S. Department of Agriculture
Office of the Assistant Secretary for Civil Rights
1400 Independence Avenue, SW
Washington, D.C. 20250-9410; or

email:
program.intake@usda.gov

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program.intake@usda.gov

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farm management decisions

- What to produce?
- How much to produce?
- What mix of enterprises?
- What kind and amount of resources to use?
- What technology?
- When and where to buy inputs and sell output?
- How to finance operations?
- How to manage risk?

proving to the IRS your farm is not a hobby

HOBBY FARM INCOME → FULLY TAXABLE

COMMERCIAL FARM INCOME → EXPENSES OFFSET FARM OR OFF-FARM INCOME

3 out of 5 year rule

hobby or commercial farming

Cultivates, operates, or manages a farm **for profit** either as owner or tenant

No minimum sales

proving to the IRS your farm is not a hobby

- Keep your farm's bank accounts **separate** from personal accounts

- Attend **educational** meetings and read educational materials related to your activity

- Have a membership to a **producer association**

- **Keep track of the time** spent in carrying on the activity

- Consult with **professionals**

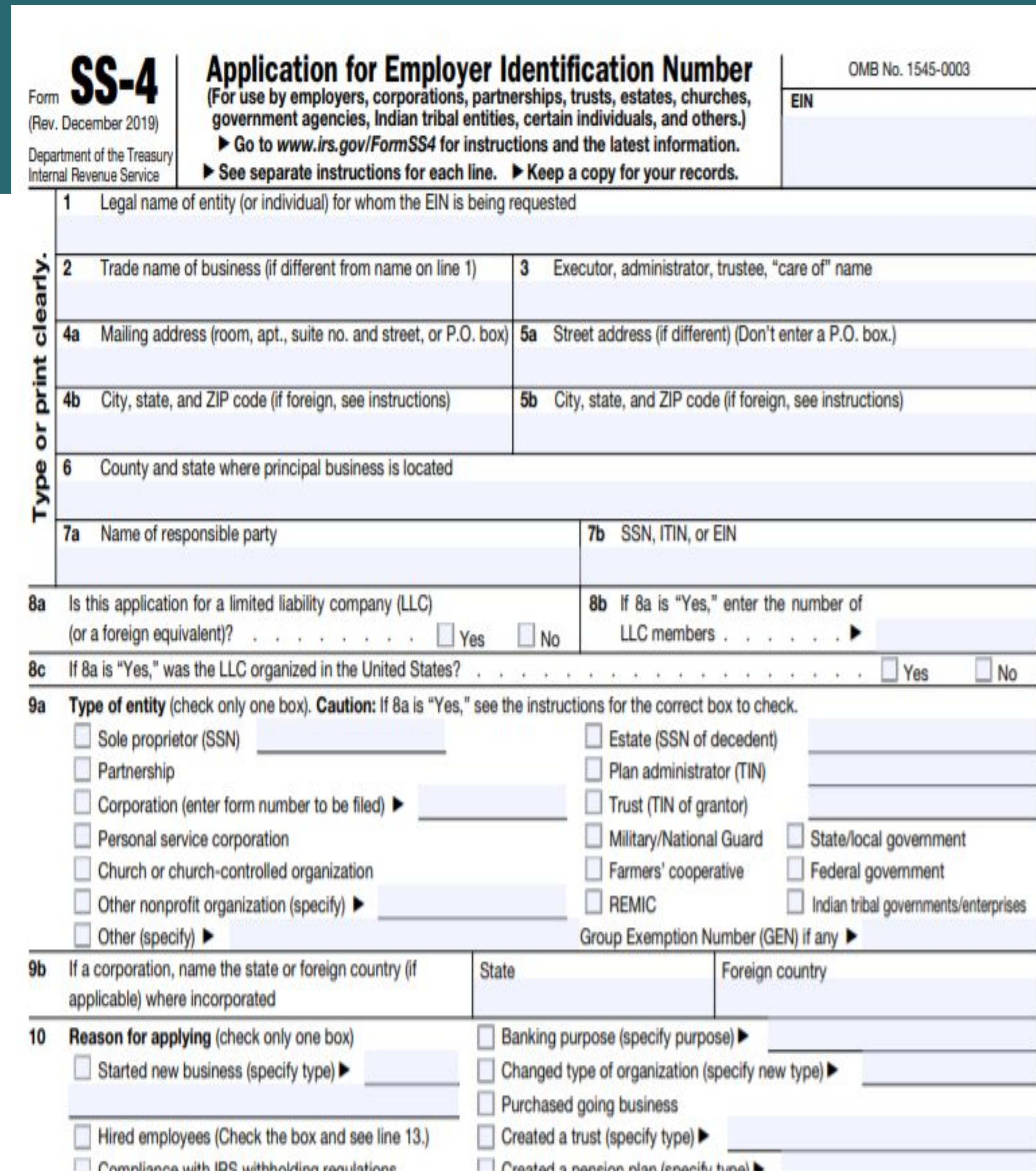
- Have a formal written **business plan**

- Have an annual **budget**

- Keep business **books and records**

- Make year-end **financial statements and analyses**

OPENING A BUSINESS BANK ACCOUNT



Form **SS-4** (Rev. December 2019) Department of the Treasury Internal Revenue Service

Application for Employer Identification Number
(For use by employers, corporations, partnerships, trusts, estates, churches, government agencies, Indian tribal entities, certain individuals, and others.)
▶ **Go to *www.irs.gov/FormSS4* for instructions and the latest information.**
▶ **See separate instructions for each line.** ▶ **Keep a copy for your records.**

OMB No. 1545-0003

EIN

Type or print clearly.

1 Legal name of entity (or individual) for whom the EIN is being requested

2 Trade name of business (if different from name on line 1)

3 Executor, administrator, trustee, "care of" name

4a Mailing address (room, apt., suite no. and street, or P.O. box)

5a Street address (if different) (Don't enter a P.O. box.)

4b City, state, and ZIP code (if foreign, see instructions)

5b City, state, and ZIP code (if foreign, see instructions)

6 County and state where principal business is located

7a Name of responsible party

7b SSN, ITIN, or EIN

8a Is this application for a limited liability company (LLC) (or a foreign equivalent)? . . . . ☐ Yes ☐ No

8b If 8a is "Yes," enter the number of LLC members . . . . . . ▶

8c If 8a is "Yes," was the LLC organized in the United States? . . . . ☐ Yes ☐ No

9a **Type of entity** (check only one box). **Caution:** If 8a is "Yes," see the instructions for the correct box to check.

- ☐ Sole proprietor (SSN)
- ☐ Partnership
- ☐ Corporation (enter form number to be filed) ▶
- ☐ Personal service corporation
- ☐ Church or church-controlled organization
- ☐ Other nonprofit organization (specify) ▶
- ☐ Other (specify) ▶
- ☐ Estate (SSN of decedent)
- ☐ Plan administrator (TIN)
- ☐ Trust (TIN of grantor)
- ☐ Military/National Guard
- ☐ State/local government
- ☐ Farmers' cooperative
- ☐ Federal government
- ☐ REMIC
- ☐ Indian tribal governments/enterprises

Group Exemption Number (GEN) if any ▶

9b If a corporation, name the state or foreign country (if applicable) where incorporated | State | Foreign country

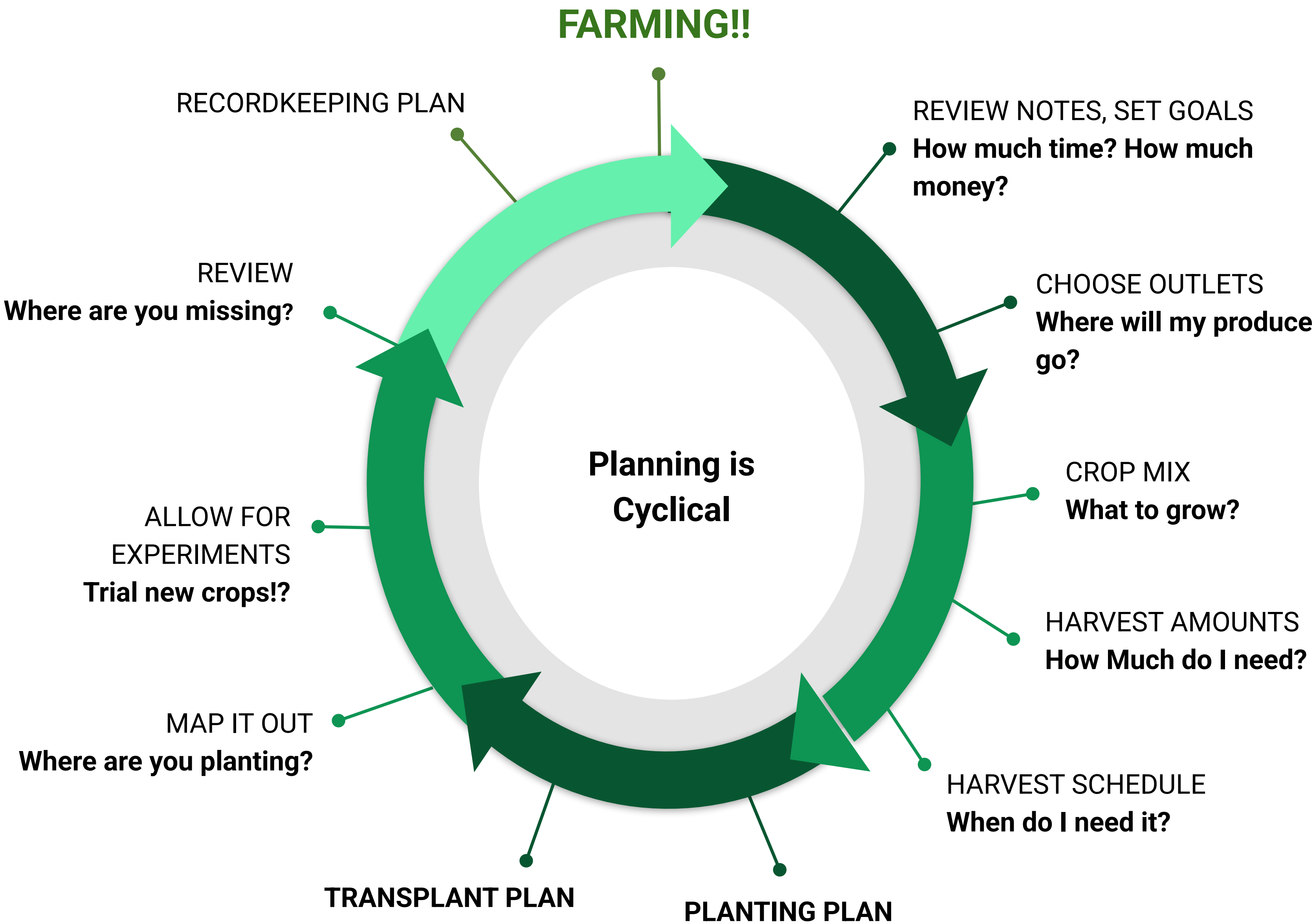
10 **Reason for applying** (check only one box)

- ☐ Started new business (specify type) ▶
- ☐ Hired employees (Check the box and see line 13.)
- ☐ Compliance with IRS withholding regulations
- ☐ Banking purpose (specify purpose) ▶
- ☐ Changed type of organization (specify new type) ▶
- ☐ Purchased going business
- ☐ Created a trust (specify type) ▶
- ☐ Created a pension plan (specify type) ▶

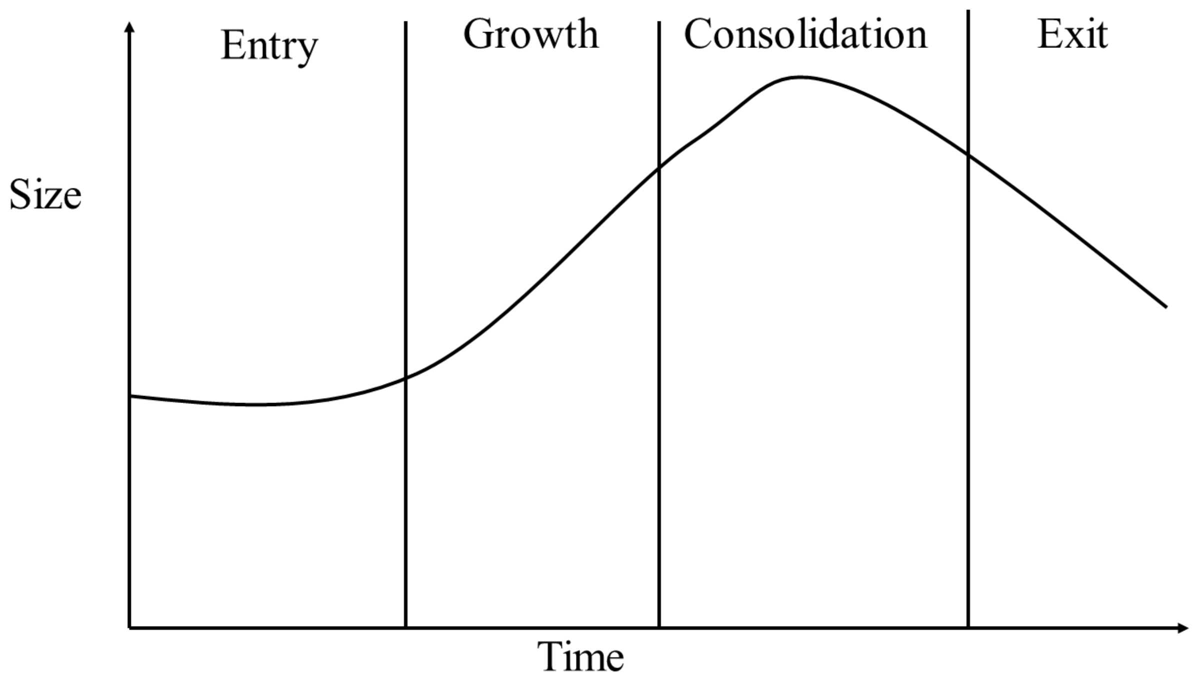
purposes of a business plan

- Telling your story to customers and partners
- Accessing loans and grants
- IRS compliance
- Identifying business needs and opportunities
- Planning for the future, setting goals
- Grounding! Zooming out (tactical -> strategic)
- Emergency and transition prep

A business plan is a written document outlining what you plan to do as a business, how you plan to do it and your reasons for doing it


FARMING!!
Planning is Cyclical
REVIEW NOTES, SET GOALS
How much time? How much money?
CHOOSE OUTLETS
Where will my produce go?
CROP MIX
What to grow?
HARVEST AMOUNTS
How Much do I need?
HARVEST SCHEDULE
When do I need it?
PLANTING PLAN
TRANSPLANT PLAN
MAP IT OUT
Where are you planting?
ALLOW FOR EXPERIMENTS
Trial new crops!?
REVIEW
Where are you missing?
RECORDKEEPING PLAN

Life Cycle of a Business (and its plan)



Sections of a Business Plan

1. Cover Page
2. Table of Contents
3. Executive Summary
4. Business Description
5. Operations
6. Marketing Plan
7. Management and Organization
8. Financial Plan
9. Appendix

Business description

Overview: name, location, pitch, mission/vision and short term goals

History of how your farm started, your values that led you to it

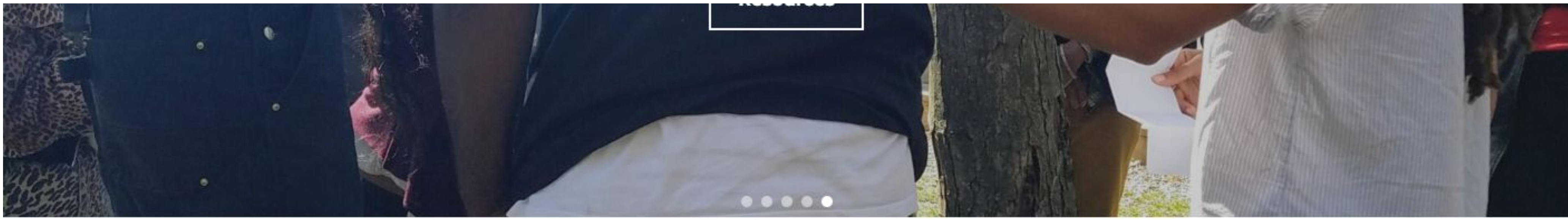
Ownership information

Legal structure (LLC, sole proprietorship, cooperative, non-profit)

Current and past products/services, customers and sales strategy given industry context/need

Key financial indicators, SWOT analysis

Mission Statements



Mission

Soul Fire Farm is an Afro-Indigenous centered community farm committed to uprooting racism and seeding sovereignty in the food system. We raise and distribute life-giving food as a means to end food apartheid. With deep reverence for the land and wisdom of our ancestors, we work to reclaim our collective right to belong to the earth and to have agency in the food system. We bring diverse communities together on this healing land to share skills on sustainable agriculture, natural building, spiritual activism, health, and environmental justice. We are training the next generation of activist-farmers and strengthening the movements for food sovereignty and community self-determination.

By December, Sunshine Farm will grow 2 acres of gourmet garlic and sell 12,000 lbs. of product through direct-retail at farmers markets, earning an annual gross income of $48,000 and an annual net income of $18,000. The profit will go directly towards the purchase of a newer tractor.

What about the goal is:

- SPECIFIC enough to be able to determine easily whether it was met.
- MEASURABLE, includes numbered amounts of time, money, yield, and land.
- ACHIEVABLE with realistic economic expectations based on existing budget models and typical expense costs.
- RELEVANT because Sunshine Farm already cultivates vegetables and herbs for local customers. This activity is in line with the farm's mission statement.
- TIME-BOUND because there is a set deadline to meet the goal by.

Sections of a Business Plan

1. Cover Page
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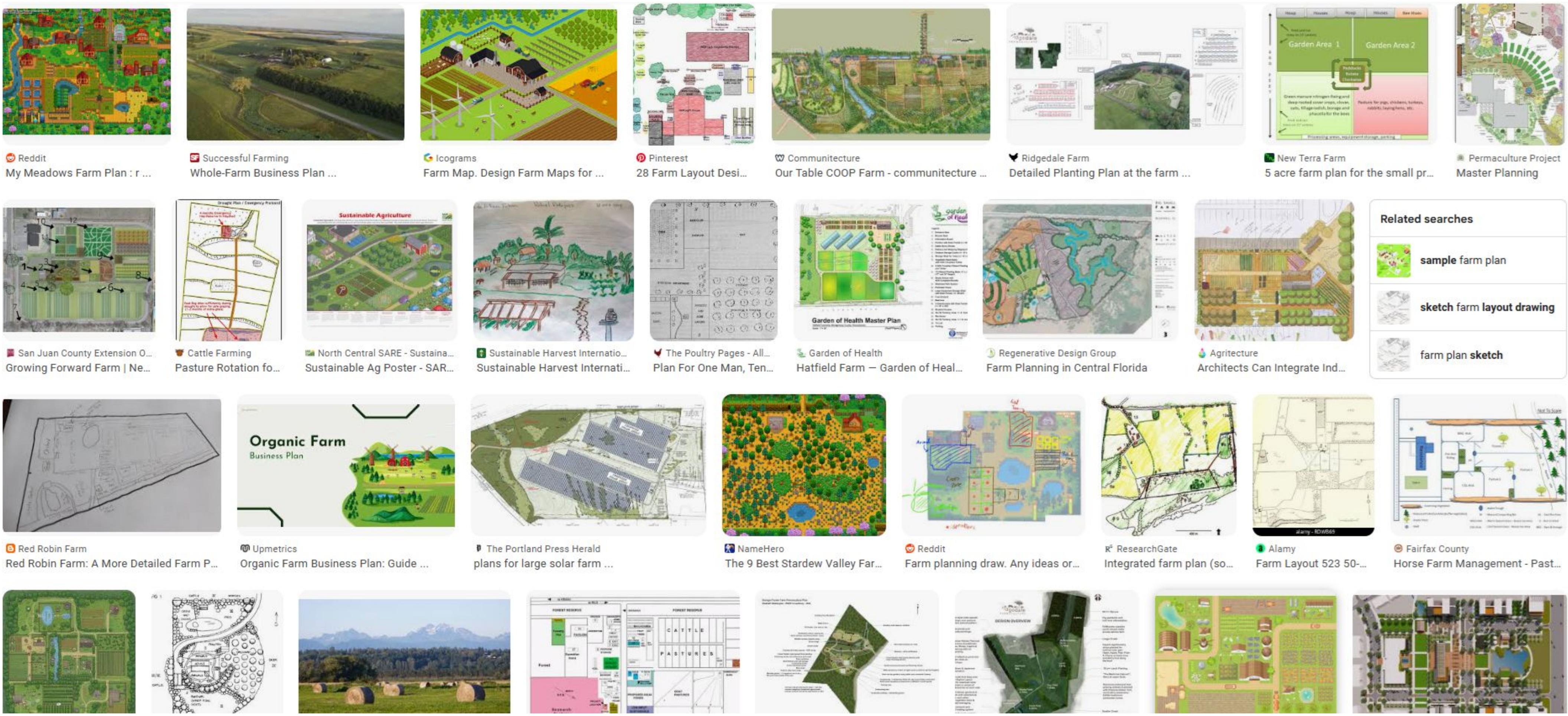
Operations

Goal:
Explain what you produce/ sell and how

Products you sell, licenses needed, customer service, quality control, equipment, and inward/outward risk management

Plans for expansion (timeline, estimated project costs, and unforeseen obstacles)


Reddit
My Meadows Farm Plan : r ...
Successful Farming
Whole-Farm Business Plan ...
Icograms
Farm Map. Design Farm Maps for ...
Pinterest
28 Farm Layout Desi...
Communitecture
Our Table COOP Farm - communitecture ...
Ridgedale Farm
Detailed Planting Plan at the farm ...
New Terra Farm
5 acre farm plan for the small pr...
Permaculture Project
Master Planning
San Juan County Extension O...
Growing Forward Farm | Ne...
Cattle Farming
Pasture Rotation fo...
North Central SARE - Sustaina...
Sustainable Ag Poster - SAR...
Sustainable Harvest Internatio...
Sustainable Harvest Internati...
The Poultry Pages - All...
Plan For One Man, Ten...
Garden of Health
Hatfield Farm — Garden of Heal...
Regenerative Design Group
Farm Planning in Central Florida
Agritecture
Architects Can Integrate Ind...
Related searches
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Red Robin Farm
Red Robin Farm: A More Detailed Farm P...
Organic Farm
Business Plan
Upmetrics
Organic Farm Business Plan: Guide ...
The Portland Press Herald
plans for large solar farm ...
NameHero
The 9 Best Stardew Valley Far...
Reddit
Farm planning draw. Any ideas or...
ResearchGate
Integrated farm plan (so...
Alamy
Farm Layout 523 50-...
Fairfax County
Horse Farm Management - Past...

Grown in DETROIT

2022 Farm Store & Market Master Produce List

KEY: bu=bunch, pt=pint, qt=quart, produce bag=clear plastic bag, unit=individually measured, 1/2 pint=berrybox, Tee-shirt bag=handle plastic bag, bskt+basket

Crop	Unit Volume	Unit Weight	Unit Price	STORAGE prior to Distro	STORAGE Temp/Humidity	PACKAGING for Distro	Notes
Amaranth	1 lb young greens on stalk	1 lb	$3 / bag	Cooler, covered bin	cold, high humid	plastic produce bag	Make sure leaves are dry, no holes, no wilting
Arugula	1/2 lb	½ lb	$5 / bag	Cooler, covered bin	cold, high humid	plastic produce bag, rubber banded	Leaves should be no longer than 3", MUST NOT BE WET
Asparagus	~5-9 spears	½ lb	$4 / bunch	Cooler, covered bin	cold, high humid	plastic produce bag, rubber banded	DO NOT WASH
Beans - all varieties	1 lb quart	1 lb	$3 / quart	Cooler, covered bin	cool, high humid	plastic produce bag	Must be dry, no brown spots, discard any old/yellowing/"woody" beans
Beet Greens only	1 lb	1 lb	$3 / bag	Cooler, covered bin	cold, high humid	plastic produce bag	Make sure leaves are dry, no holes, no wilting
Beet Root only	1 lb	1 lb	$4 / quart	Cooler, covered bin	cold, high humid	plastic produce bag	no bite marks, roots not bigger than a soft ball
Beet Root w/Greens	bu, 3-7 beets w/greens	1.5 lb	$4 / quart	Cooler, covered bin	cold, high humid	no container, rubber banded	Make sure leaves are dry, beet roots are dirt free, no holes in leaves
Bok Choi, Pak Choi	one or multiple full heads	1 lb	$3 / lb	Cooler, covered bin	cold, high humid	plastic produce bag	Delicate stalks- don't rubber band or crush! Make sure leaves are dry
Braising Greens Mix - May include collards, mustard, cabbage, broccoli, chard, brussel sprout greens, kale	~10-14 leaves, more if small	.75 lb	$3 / bunch	Cooler, covered bin	cold, high humid	no container, rubber banded	Remove damaged leaves. Make sure leaves are dry
Broccoli Greens	~10-14 leaves, more if small	.75 lb	$3 / bunch	Cooler, covered bin	cold, high humid	no container, rubber banded	Make sure leaves are dry, minimal holes, no yellowing
Broccoli Heads	1 lb crowns only	1 lb	$3 / lb	Cooler, covered bin	cold, high humid	rubber band small heads together, or plastic produce bag	Select tight, compact heads, no aphids, no opened blossoms, short stalks
Broccoli Raab	~10-14 leaves, more if small	1 lb	$3 / bunch	Cooler, covered bin	cold, high humid	rubber banded or in plastic produce bag	Make sure leaves are dry, minimal holes, no yellowing
Brussels Sprouts	stalk with sprouts	1.5 lbs or more	$4 / stalk	Cooler, covered bin	cold, high humid	no packaging	DO NOT WASH Must be at least 8in long with full sprouts, no bugs
Brussels Sprouts	loose sprouts, no stalk	1 lb	$4 / lb	Cooler, covered bin	cold, high humid	plastic produce bag	DO NOT WASH, no bugs
Cabbage	head	1 lb	$2 / head	Cooler, covered bin	cold, high humid	no packaging	Select tight, compact heads, remove damaged leaves
Cabbage	head	1 lb plus	$3 / head	Cooler, covered bin	cold, high humid	no packaging	Select tight, compact heads, remove damaged leaves

Marketing Plan

Goal: Describe your ideal customers and market trends

- Customer location, demographic information, buying behavior
- Problem your product or service solves
- Market analysis
- What makes you and your product unique?

Market Log, CRM

- Paper
- Phone/tablet
- Laptop

2022 GARDENER MARKET LOG

CONTACT: ______________________ ☐ **All Eastern Market Saturday**

GARDEN NAME: ______________________ **TODAY'S DATE:** ______________

Use a separate line for each crop variety delivered. The GID grower must indicate the date of harvest as well as their garden name, crop variety, and total # of units for each of the crops being delivered.

For GID Farm Stand at Eastern Market, check the box above.

For KGD Online Store and CSA, check the boxes next to each crop line below.

Store or CSA	Crop	Variety	Price/ Unit	Total Units	# Units Sold	Total $/ crop
☐ Store ☐ CSA	***Example: Salad Mix***	***All Lettuce***	***$5***	***6***	***For Staff Use***	***For Staff Use***
☐ Store ☐ CSA						
☐ Store ☐ CSA						
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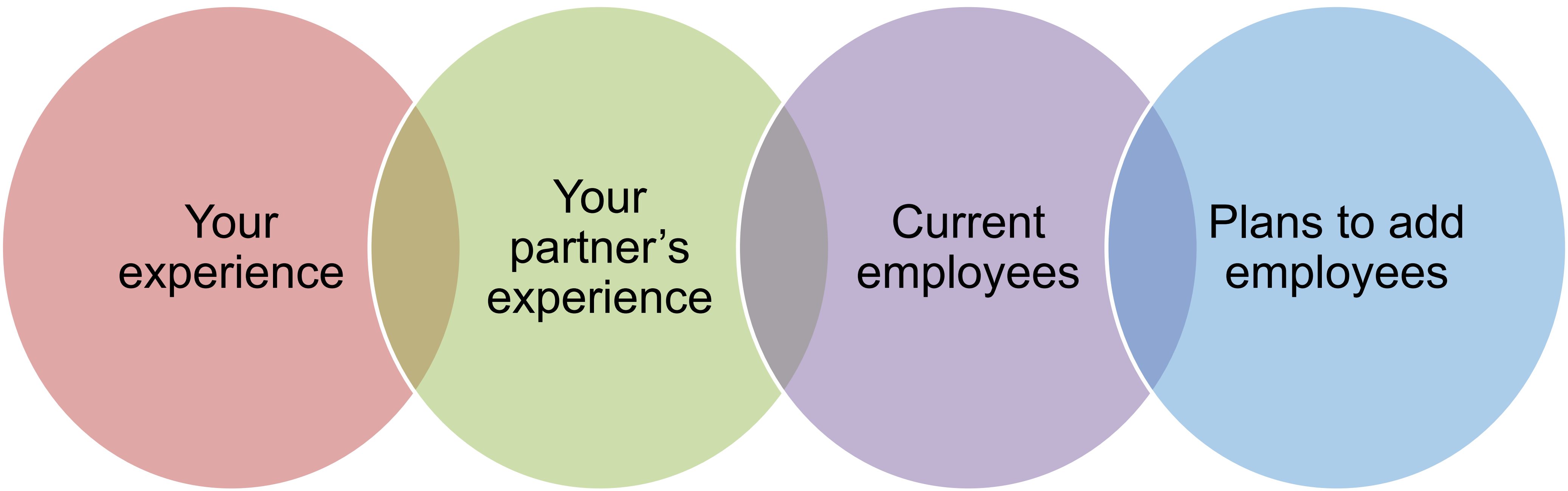
☐ Store ☐ CSA						

GROWER SIGNATURE REQUIRED FOR PAYMENT		Total CSA	
Grower Signature:	**DATE**	Total Store	
Received By (Staff)	**DATE**	Total Market	
Paid By (Staff)	**DATE**	**TOTAL PAID**	

Management and Organization

Goal: Explain who runs the farm and their role, and how you attract/hire/retain them.

Lay out your approach to child care, health care, and health insurance.



Financial Plan

Goal: Lay out your financial picture and identify potential problems and opportunities

Balance Sheet	what the farm owns, and what it owes
Cash flows	series of monthly or quarterly summaries showing cash income and expenses
Income Statement	shows profitability for the year (adjusting cash for accrual)

Farm Finance Scorecard

LIQUIDITY

	Value	Vulnerable	Strong
Current ratio	5.11	1.3	2.0
Working capital to gross revenue	27.51%	10%	30%

SOLVENCY

	Value	Vulnerable	Strong
Farm debt-to-asset ratio	25.34%	60%	30%

PROFITABILITY

	Value	Vulnerable	Strong
Rate of return on farm assets	9.65%	4%	8%
Rate of return on farm equity	13.40%	3%	10%
Operating profit margin ratio	23.76%	15%	25%
Asset turnover rate	40.62%	30%	45%

REPAYMENT CAPACITY

	Value	Vulnerable	Strong
Term-debt coverage ratio	3.21	1.3	1.8
Replacement margin coverage ratio	1.91	1.1	1.5

FINANCIAL EFFICIENCY

	Value	Vulnerable	Strong
Operating expense ratio	72.10%	80%	60%
Depreciation expense ratio	6.69%	10%	5%
Interest expense ratio	3.63%	10%	5%
Net farm income ratio	17.59%	10%	20%

farmbrite

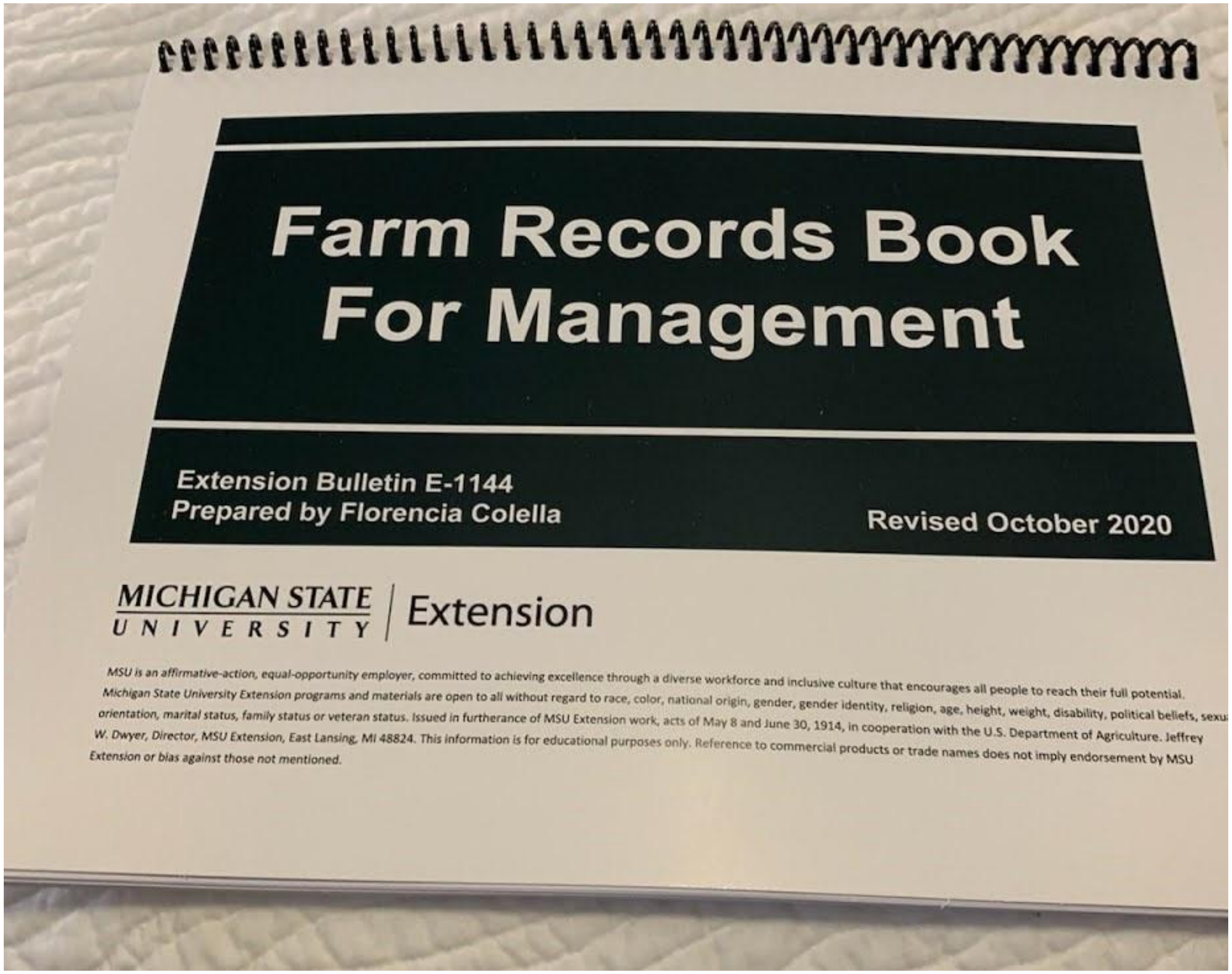
LITEFARM

tend
smart farm

farmOS

Excel

Google
Sheets


Farm Records Book
For Management
Extension Bulletin E-1144
Prepared by Florencia Colella
Revised October 2020
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bit.ly/farmrecordsbook

Farm Records Book For Management

Extension Bulletin E-1144

Prepared by Florencia Colella

Revised November 2022

MICHIGAN STATE UNIVERSITY | Extension

Accounting

colellaf@msu.edu Switch account

The name, email, and photo associated with your Google account will be recorded when you upload files and submit this form

* Indicates required question

Email *

☐ Record **colellaf@msu.edu** as the email to be included with my response

Receipt

Add file

Amount

Your answer

Date

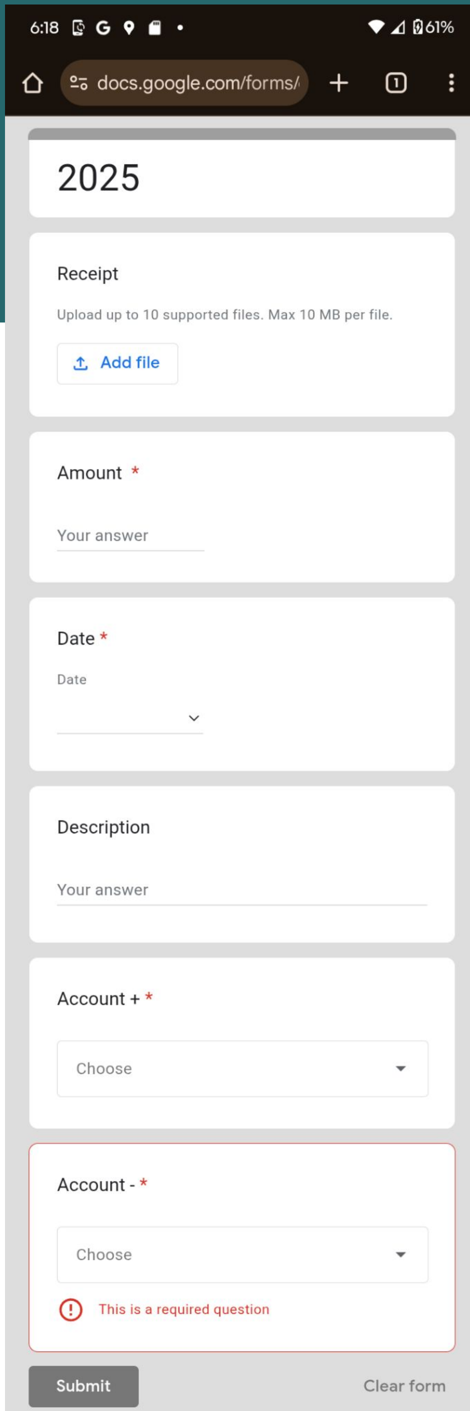
Date

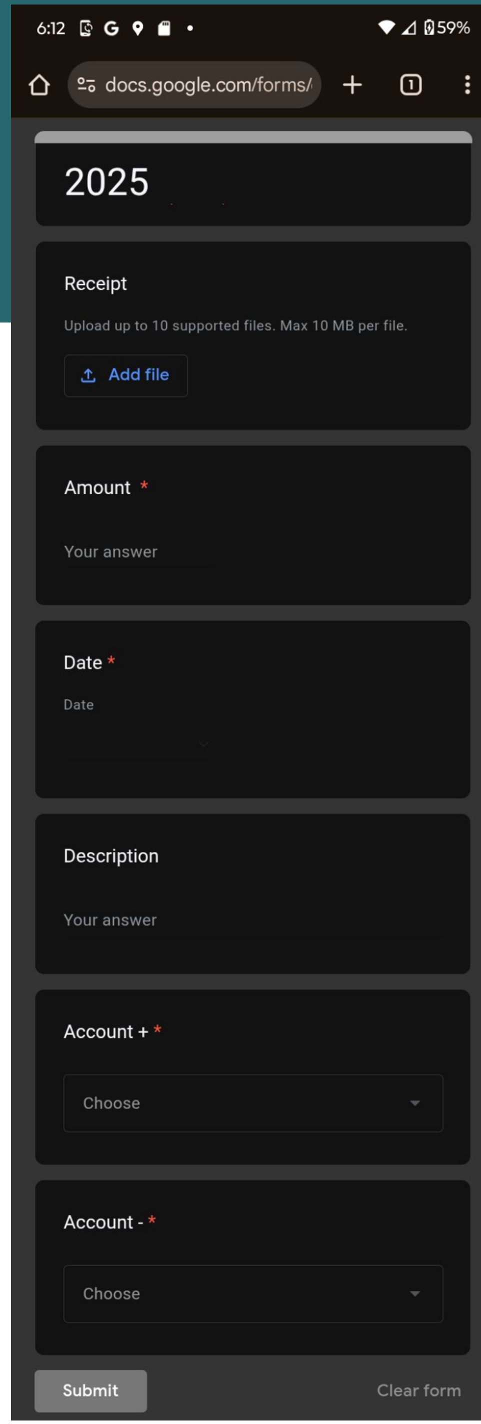
mm/dd/yyyy

Description

Your answer

Account +





MICHIGAN STATE UNIVERSITY | Extension

	A	B	C	D	E	F	G
1	Timestamp	Receipt	Amount	Date	Description	Cuenta +	Cuenta -
2	7/30/2023 13:32:48	https://drive.google.com/	3566456	7/30/2023	Le bebè	Nafta	MSUFCU
3	8/11/2023 2:34:44	https://drive.google.com/	12	8/11/2023	caca	Inversión de propietarios	Hipoteca o alquiler
4	8/11/2023 2:38:52	https://drive.google.com/	5	8/11/2023	jj	Ingresos por interés	Insumos negocio (supplie
5	8/11/2023 3:31:40	https://drive.google.com/	6	8/11/2023		Reembolsos	Ingresos por cambio de r
6	8/17/2023 17:37:49	https://drive.google.com/	54	8/18/2023		Inversión de propietarios	Ingresos por alquiler
7	8/17/2023 17:41:33	https://drive.google.com/	5	8/16/2023		Sueldo	Insumos negocio (supplie
8	9/6/2023 8:48:52	https://drive.google.com/	4.11	9/5/2023		Restaurants	MSUFCU
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	A	B	C	D	E	F	G
1	Date cas	Details	Details	Amount	Other date	Account +	Account -
2	1-Jan	Interest		300.00		Interest	Bank
3	2-Jan	Entertainment & gifts		800.00		Entertainment & gifts	Bank
4	3-Jan	Feed Purchased		160.00		Feed Purchased	Bank
5	4-Jan	Car, Truck		3,000.00		Car, Truck	Bank
6	5-Jan	Custom Hire		900.00		Custom Hire	Bank
7	6-Jan	Purchase of Resale Items		561.00		Purchase of Resale Items	Bank
8	7-Jan	Bank		35,168.00		Bank	Bank
9	8-Jan	Titled vehicles		3,513.00		Titled vehicles	Bank
10	9-Jan	Loan		2,313.00		Loan	Bank
11	10-Jan	CCC loans as income		165.00		Bank	CCC loans as income
12	11-Jan	Draw		300.00		Draw	Bank
13	12-Jan	Livestock (Dairy, Breeding) purchases		800.00		Livestock (Dairy, Breeding) purchases	Bank
14	13-Jan	Money borrowed		160.00			
15	14-Jan	Fertilizer And Lime		3,000.00			
16	15-Jan	Hedging accounts		900.00			
17	16-Jan	Crop sales		300.00			
18	17-Jan	Dues and Professional Fees		800.00			
19	18-Jan	Loan		160.00			
20	19-Jan	IPM Scouting		3,000.00			
21	20-Jan	Bin Rent		900.00			
22	21-Jan	Government Programs description		561.00			s
23	22-Jan	Repairs, Maintenance description		35,168.00			
24	23-Jan	Conservation description		3,513.00			
25	24-Jan	Drying Fuel description		2,313.00			
26	25-Jan	Patronage Dividends, Cash description		165.00			Cash
27	26-Jan	Seeds, Plants description		300.00			
28	27-Jan	Marketing Crops description		800.00			
29	28-Jan	Insurance Income description		160.00			
30	29-Jan	Utilities description		3,000.00			
31	30-Jan	Freight, Trucking description		900.00			
32	31-Jan	Gas, Oil, Fuel description		300.00			
33	1-Feb	Hauling and Trucking - Crops description		800.00			
34	2-Feb	Principal paid description		160.00			

- Livestock (Dairy, Breeding) purchases
- Bank
- Cash
- Cull/breeding livestock
- Machinery and equipment
- Titled vehicles
- Hedging accounts
- Land
- Buildings and improvements
- Retained cooperative dividends
- Loan
- Raised livestock sales
- Crop sales
- Purchased feeder livestock sales
- Livestock product sales
- Patronage Dividends, Cash
- Government Programs

+ ≡ Totals ▾ | BANK ▾ | CASH ▾ | SQUARE ▾ | Full Journal (view only) ▾

View by month and account

bit.ly/farmcashtrack

A	B	C	D	E	F	G	H	I	J	K	L	M	N
Start date	1/1/24	2/1/24	3/1/24	4/1/24	5/1/24	6/1/24	7/1/24	8/1/24	9/1/24	10/1/24	11/1/24	12/1/24	1/1/24
End date	1/31/24	2/29/24	3/31/24	4/30/24	5/31/24	6/30/24	7/31/24	8/31/24	9/30/24	10/31/24	11/30/24	12/31/24	12/31/24
Crop sales, raised	(12,500)					(12,500)							(25,000)
Market livestock sales, raised												(45,000)	(45,000)
Livestock product sales, raised									(2,200)				(2,200)
Breeding livestock sales, raised							(4,250)						(4,250)
Real Estate Rental Income												(3,750)	(3,750)
Custom work income	(10,000)									(10,000)	(10,000)	(10,000)	(40,000)
Patronage dividend income		(3,400)											(3,400)
Government payments				(2,800)									(2,800)
Other farm income			(525)	(525)					(525)	(525)	(525)	(525)	(3,150)
Fertilizers and Lime			5,000					5,000					10,000
Chemicals			5,000		5,000				5,000				15,000
Seed											11,000		11,000
Equipment Repairs & Maint	200	450			100		1,200	150	100	400	600		3,200
Small Tools and Shop Supplies	20	40	65			80	85	30	90	80	20	40	550
Gasoline, Fuel and Oil	250	250	300	400	600	1,200	1,100	1,700	1,400	250	300	250	8,000
Building & Fence Repairs			1,400	145	65		400		1,000				3,010
Utilities Expense	120	110	120	170	160	200	200	220	160	120	120	100	1,800
Insurance Expense, non-crop		1,625			1,625			1,625			1,625		6,500
Vet & Medicine Expense		600		680	650		1,050			600			3,580
Purchased Feed Expense	1,200	1,200	1,200	1,200	1,200	400	1,200	1,200	1,200	1,200	1,200	1,200	13,600
Other Farm Expenses						800					200		1,000
Farm Checking	20,710	19,835	7,275	2,905	(6,495)	3,325	2,740	(7,185)	(13,410)	(14,635)	(19,175)	37,638	37,638

Guide Totals Book Original format from bank Bgt Financials

Can I afford it? Year round?

bit.ly/farmcashtrack

	A	B	C	D	E
1				-2,300	Minimum
2	**Date**	**Concept**	**Amount**	**Running total**	
3	Jan 25	Cash on hand		1,000	
4	Jan 25	Crop income	14,000	15,000	
5	Jan 25	Custom work income	15,000	30,000	
6	Jan 25	Feed expenses	-1,500	28,500	
7	Jan 25	Other various expenses	-1,000	27,500	
8	Feb 25	Coop income	3,500	31,000	
9	Feb 25	Insurance expense	-1,700	29,300	
10	Feb 25	Feed expenses	-1,500	27,800	
11	Feb 25	Other various expenses	-1,000	26,800	
12	Mar 25	Crop expenses	-10,000	16,800	
13	Mar 25	Feed expenses	-1,500	15,300	
14	Mar 25	Repairs	-1,500	13,800	
15	Mar 25	Other various expenses	-500	13,300	
16	Apr 25	Govmt program payments	3,000	16,300	
17	Apr 25	Feed expenses	-1,500	14,800	
18	Apr 25	Other various expenses	-500	14,300	
19	May 25	Crop expenses	-5,000	9,300	
20	May 25	Insurance expense	-1,700	7,600	
21	May 25	Feed expenses	-1,500	6,100	
22	May 25	Other various expenses	-1,000	5,100	

Guide | Totals | Book | Original format from bank | Bgt | Financials

ACTIVITIES OF RECORDKEEPING

Recordkeeping is the art of managing an organization’s financial information throughout its life cycle

1. Classifying financial information
2. Storing evidence
3. Balancing books and reconciling $/inventory
4. Generating reports
5. Analyzing reports to make decisions

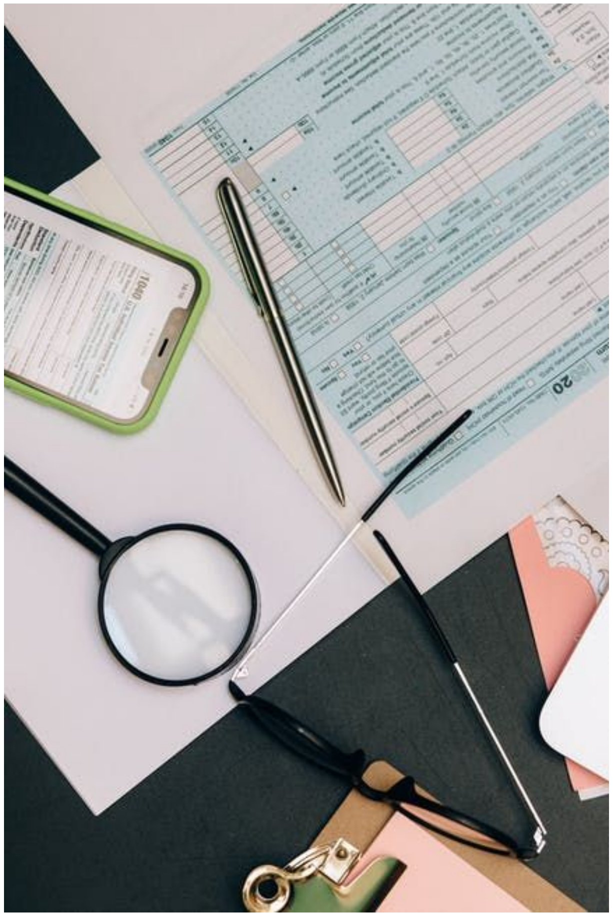
Transaction Information

- Date
- Amount
- Account

- Vendor or payer's information
- Check, deposit, EBT #
- Description

The Chart of Accounts

- Schedule F
- TelFarm
- Farm Records Book
- Farm tax preparers
- Other



BANK STATEMENTS

Cash?

RECEIPTS

Online? Lost?
Didn't get one?

LEVELS OF RECORDKEEPING
(past/projected)

- Level 1: Taxes
- Level 2: Financial
- Level 3: Decision-making at the whole farm level
- Level 4: Decision-making for individual units

ENTERPRISE ANALYSIS/BUDGET, COP, BREAKEVEN

(past/projected)

Breakeven points

- How much do I have to sell at this price to cover my cost?
- What price do I need in order to cover my costs if my harvest was x?

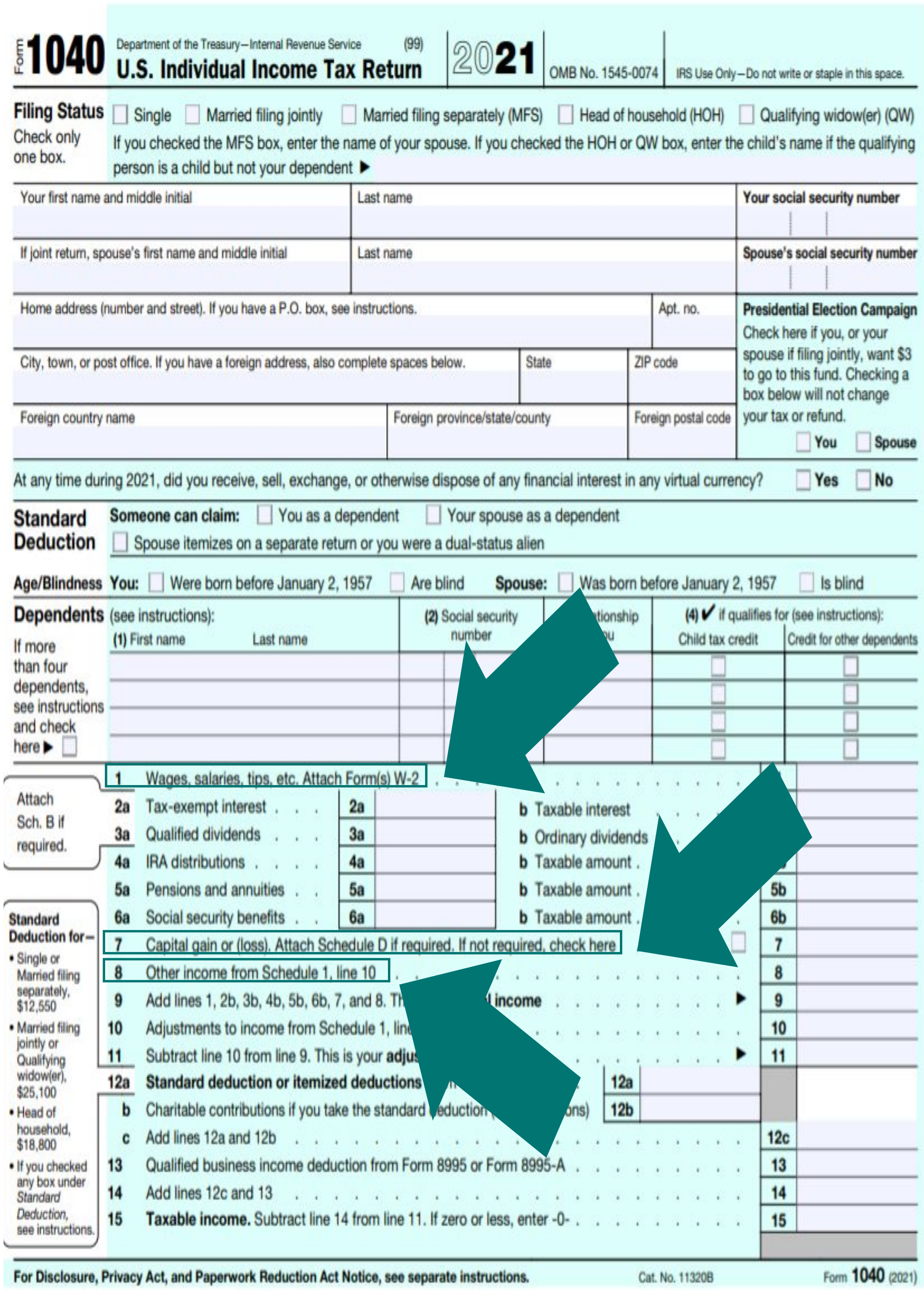
Tax management strategies

- Delay (or not) income, expenses and capital purchases or sales
- Depreciation
- Income averaging

PROVE YOU'RE IN IT FOR THE PROFIT

- Attend Extension meetings related to your farming activity and read Extension or other activity-related **educational materials**
- Consult with **professionals**
- Have a membership to a **producer association**
- **Keep track of the time** spent in carrying on the activity
- Have a formal written **business plan**
- Keep your farm's bank accounts **separate** from personal accounts
- Have an annual **budget**
- Keep business **books and records**
- Make year-end **financial statements and analyses**

MICHIGAN STATE UNIVERSITY | Extension



Form **1040** Department of the Treasury—Internal Revenue Service (99)
U.S. Individual Income Tax Return **2021** OMB No. 1545-0074 IRS Use Only—Do not write or staple in this space.

Filing Status Check only one box.
☐ Single ☐ Married filing jointly ☐ Married filing separately (MFS) ☐ Head of household (HOH) ☐ Qualifying widow(er) (QW)
If you checked the MFS box, enter the name of your spouse. If you checked the HOH or QW box, enter the child's name if the qualifying person is a child but not your dependent ▶

Your first name and middle initial	Last name	Your social security number
If joint return, spouse's first name and middle initial	Last name	Spouse's social security number

Home address (number and street). If you have a P.O. box, see instructions. | Apt. no.
City, town, or post office. If you have a foreign address, also complete spaces below. | State | ZIP code
Foreign country name | Foreign province/state/county | Foreign postal code

Presidential Election Campaign Check here if you, or your spouse if filing jointly, want $3 to go to this fund. Checking a box below will not change your tax or refund. ☐ You ☐ Spouse

At any time during 2021, did you receive, sell, exchange, or otherwise dispose of any financial interest in any virtual currency? ☐ Yes ☐ No

Standard Deduction **Someone can claim:** ☐ You as a dependent ☐ Your spouse as a dependent
☐ Spouse itemizes on a separate return or you were a dual-status alien

Age/Blindness **You:** ☐ Were born before January 2, 1957 ☐ Are blind **Spouse:** ☐ Was born before January 2, 1957 ☐ Is blind

Dependents (see instructions): (1) First name Last name | (2) Social security number | (3) Relationship to you | (4) ✔ if qualifies for (see instructions): Child tax credit | Credit for other dependents
If more than four dependents, see instructions and check here ▶ ☐

Attach Sch. B if required.

1 Wages, salaries, tips, etc. Attach Form(s) W-2 . . . 1
2a Tax-exempt interest . . . 2a | b Taxable interest . . . 2b
3a Qualified dividends . . . 3a | b Ordinary dividends . . . 3b
4a IRA distributions . . . 4a | b Taxable amount . . . 4b
5a Pensions and annuities . . 5a | b Taxable amount . . . 5b
6a Social security benefits . . 6a | b Taxable amount . . . 6b
7 Capital gain or (loss). Attach Schedule D if required. If not required, check here ☐ 7
8 Other income from Schedule 1, line 10 . . . 8
9 Add lines 1, 2b, 3b, 4b, 5b, 6b, 7, and 8. This is your **total income** . . . ▶ 9
10 Adjustments to income from Schedule 1, line 26 . . . 10
11 Subtract line 10 from line 9. This is your **adjusted gross income** . . . ▶ 11
12a **Standard deduction or itemized deductions** (from Schedule A) . . 12a
b Charitable contributions if you take the standard deduction (see instructions) 12b
c Add lines 12a and 12b . . . 12c
13 Qualified business income deduction from Form 8995 or Form 8995-A . . . 13
14 Add lines 12c and 13 . . . 14
15 **Taxable income.** Subtract line 14 from line 11. If zero or less, enter -0- . . . 15

Standard Deduction for—
• Single or Married filing separately, $12,550
• Married filing jointly or Qualifying widow(er), $25,100
• Head of household, $18,800
• If you checked any box under *Standard Deduction*, see instructions.

For Disclosure, Privacy Act, and Paperwork Reduction Act Notice, see separate instructions. Cat. No. 11320B Form **1040** (2021)

WAGES

CAPITAL GAINS OR LOSSES

OTHER INCOME

MICHIGAN STATE UNIVERSITY | Extension

✔ CAPITAL GAINS RATES

✔ NO SELF EMPLOYMENT TAX

- Date of purchase
- Date of sale
- Sales price
- Trade involved
- Capital improvements
- Depreciation
- Casualty losses

Form **4797** | **Sales of Business Property** | OMB No. 1545-0184

(Also Involuntary Conversions and Recapture Amounts Under Sections 179 and 280F(b)(2))

▶ Attach to your tax return.

▶ Go to *www.irs.gov/Form4797* for instructions and the latest information.

Department of the Treasury Internal Revenue Service

2021

Attachment Sequence No. **27**

Name(s) shown on return | **Identifying number**

1a	Enter the gross proceeds from sales or exchanges reported to you for 2021 on Form(s) 1099-B or 1099-S (or substitute statement) that you are including on line 2, 10, or 20. See instructions	**1a**
b	Enter the total amount of gain that you are including on lines 2, 10, and 24 due to the partial dispositions of MACRS assets	**1b**
c	Enter the total amount of loss that you are including on lines 2 and 10 due to the partial dispositions of MACRS assets	**1c**

Part I **Sales or Exchanges of Property Used in a Trade or Business and Involuntary Conversions From Other Than Casualty or Theft—Most Property Held More Than 1 Year** (see instructions)

2 (a) Description of property	(b) Date acquired (mo., day, yr.)	(c) Date sold (mo., day, yr.)	(d) Gross sales price	(e) Depreciation allowed or allowable since acquisition	(f) Cost or other basis, plus improvements and expense of sale	(g) Gain or (loss) Subtract (f) from the sum of (d) and (e)

3	Gain, if any, from Form 4684, line 39	**3**
4	Section 1231 gain from installment sales from Form 6252, line 26 or 37	**4**
5	Section 1231 gain or (loss) from like-kind exchanges from Form 8824	**5**
6	Gain, if any, from line 32, from other than casualty or theft	**6**
7	Combine lines 2 through 6. Enter the gain or (loss) here and on the appropriate line as follows	**7**

Partnerships and S corporations. Report the gain or (loss) following the instructions for Form 1065, Schedule K, line 10, or Form 1120-S, Schedule K, line 9. Skip lines 8, 9, 11, and 12 below.

Individuals, partners, S corporation shareholders, and all others. If line 7 is zero or a loss, enter the amount from line 7 on line 11 below and skip lines 8 and 9. If line 7 is a gain and you didn't have any prior year section 1231 losses, or they were recaptured in an earlier year, enter the gain from line 7 as a long-term capital gain on the Schedule D filed with your return and skip lines 8, 9, 11, and 12 below.

8	Nonrecaptured net section 1231 losses from prior years. See instructions	**8**
9	Subtract line 8 from line 7. If zero or less, enter -0-. If line 9 is zero, enter the gain from line 7 on line 12 below. If line 9 is more than zero, enter the amount from line 8 on line 12 below and enter the gain from line 9 as a long-term capital gain on the Schedule D filed with your return. See instructions	**9**

Part II **Ordinary Gains and Losses** (see instructions)

10 Ordinary gains and losses not included on lines 11 through 16 (include property held 1 year or less):

SALES TAX EXEMPTION WHEN BUYING

- Fertilizer
- Seed
- Feed
- Machinery
- Equipment

2020 Taxable Income (Married Filing Joint)	Ordinary Income Tax Rates	Long-Term Capital Gains Rates*
$622,051+	37%	20%
$414,701 - $622,050	35%	
$326,601 - $414,700	32%	15%
$171,051 - $326,600	24%	
$80,251 – $171,050	22%	
$19,751 - $80,250	12%	0%
$0 – $19,750	10%	

Simplified version shown. 0% bracket actually ends at $80,001 and 20% bracket actually starts at $496,601.

“Timber” includes Christmas trees that are more than 6 years old at the time of sale and have been severed at the roots (unfortunately, this means sales of balled & burlapped or potted trees do not qualify for the reduced rates). In order to qualify for long-term capital gain treatment, a grower must have owned the trees (or have had the right to cut them) for more than one year.

Self-Employment Tax Savings

Electing long-term capital gain treatment under Section 631 will not only reduce income taxes, but will also reduce self-employment taxes. In most ownership arrangements, any net profit is subject to self-employment tax of 15.3%.

TRACK: height and species of all trees sold.

Most trees sold will qualify for capital gain treatment because it typically takes at least 6 years to grow a quality tree (not including the age of the seedling or transplant), and often longer.

There are some exceptions – sales of tabletop trees will not qualify for capital gain treatment and some small Christmas trees may not qualify if they are a faster growing species, such as pines. Other exceptions to capital gain treatment include sales of pre-cut trees purchased from another farm, wreaths, greenery, merchandise, food, and other income earned from the farm. Income from these activities will be taxed at ordinary rates.

The general rule with respect to establishment costs is that all such costs, including replanting, are capital expenditures. This includes any costs incurred after the year of planting to assure the establishment of the stand (Christmas trees do not qualify for the reforestation amortization deduction). This is recovered as the trees are harvested.

Shearing and pruning, and other annual costs are deductible business expenses.

Florencia Colella

youtube.com/@florencia.colella

bit.ly/colella-presentation

bit.ly/florenciaprojects