FARM & AG TAX RESOURCE

"I heard a farm is a good tax write-off"

A quick-reference guide to what qualifies - and what does not - when deducting farm-related expenses.

IN ORDER TO DEDUCT FARM EXPENSES, YOU MUST:

- Have a legitimate farm - there is no minimum acreage or number of animals required
- Have a profit motive (it cannot be treated as a hobby)
- Be able to show that you plan to eventually make money
- Show a clear business purpose for the deductions you are claiming

WHAT IS DEDUCTIBLE

- Purchases of animals, feed, minerals and vet bills
- Purchases of seed and fertilizers
- Tools & equipment
  - Rakes and shovels
  - Tractor, tiller, etc.
  - Side-by-side used to check cows
- Implements for equipment
  - Bush hogs, loaders, etc.
- Land improvements
  - Fences, dirtwork and a pond used as a water source
  - Gravel, culverts, etc.

ALSO DEDUCTIBLE

- Buildings (generally depreciated)
- Insurance
- Auto expenses
  - Mileage OR actual expenses
- Rent: land, equipment, etc.
- Repairs & maintenance
- Interest paid
- Property taxes
- Farm labor
- Telephone, internet and advertising
- Commissions at the sale barn
- Utilities
- Farm-related meals (generally 50%)

WHAT IS NOT DEDUCTIBLE

- Pet expenses
- Land purchase cost
- Expenses where no profit motive can reasonably be determined
- Some mixed-use expenses may be only partially deductible
  - Internet, telephone, auto, property taxes, etc.

Pet expenses are not deductible when you do not plan to earn income from the animals.

ITEMS TO NOTE

- An agricultural sales tax exemption may apply to qualifying farm equipment, feed and supplies.
- Check with your local USDA office about farmer assistance and conservation programs.

WHY THIS MATTERS

The IRS looks closely at hobby-farm deductions. A genuine profit motive and good records help support your deductions.

WHEN IN DOUBT, KEEP RECEIPTS AND RECORDS.

Tell us about the expense during tax preparation, and we will help determine how it should be treated.

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Every farm situation is different. This guide is a starting point, not a substitute for personalized tax advice.

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