

**Filing the SCHEDULE F**

**What is Schedule F?**

Schedule F is an Internal Revenue Service (IRS) form for filing taxes for farming business. It is also called “Profit or Loss From Farming” form. **It should be filed to report ALL farm income and expenses for ALL farm businesses**. It must be filed with Forms 1040, 1040NR, 1041, 1065, or 1065-B.

IRC staff should recommend that all New Roots growers who have income from commercial sales **a)** file a Schedule F along with their regular annual filing and **b)** utilize a professional to help file their taxes.

**Who needs to file Schedule F?**

You need to file schedule F if you are into any of the following businesses:

1. **Crop Production**

* Oilseed and grain farming
* Vegetable and melon farming
* Fruit and tree nut farming
* Greenhouse, nursery, and floriculture production
* Other crop farming

1. **Animal Production**

* Beef cattle ranching and farming
* Cattle feedlots
* Dairy cattle and milk production
* Hog and pig farming
* Poultry and egg production
* Sheep and goat farming
* Aquaculture
* Other animal production

1. **Forestry and Logging**

* Forestry and logging (including forest nurseries and timber tracts)

**Who can help to File Schedule F?**

Talk to your tax preparer about your business and ask if s/he knows how to file Schedule F. Not many tax preparers have experience in Schedule F filing. IRC New Roots staff should maintain a list of local tax preparers who can assist with the Schedule F.

**What you need for Schedule F?**

Except in few cases, the law does not require any specific kind of records. You can choose any recordkeeping system suited to your farming business that clearly shows, for example, your income and expenses. The following are important things you need to pay attention to for your records:

1. If you are in more than one business, you should keep a complete and separate set of records for each business;
2. Your records must show your gross income, as well as your deductions and credits;
3. You must keep supporting documents such as receipts and invoices for purchases, sales, payroll, and other transactions you have in your business;
4. A corporation should keep minutes of board of directors' meetings;
5. Keep them in an orderly fashion and in a safe place.

**What records should be kept to prepare for filing?**

Keep the following records about your farming business:

1. All income from your business: sales, donations and any other incomes.
2. All expenditures on your business
   1. Travel, transportation, entertainment, and gift expenses (Specific recordkeeping rules apply to these expenses)
   2. Employment taxes. There are specific employment tax records you must keep;
   3. Excise taxes. You need to keep specific records to verify your claim for credit or refund of excise taxes on certain fuels.
3. Assets. Assets are the property, such as machinery and equipment, you own and use in your business. You must keep records to verify certain information about your business assets. You records need to show your annual depreciation deduction and the gain or (loss) when you sell the assets. Your records should show all the following:
   * When and how you acquired the asset.
   * Purchase price
   * Cost of any improvements.
   * Deduction taken.
   * Deductions taken for depreciation.
   * Deductions taken for casualty losses, such as losses resulting from fires or storms.
   * How you used the asset.
   * When and how you disposed of the asset.
   * Selling price.
   * Expenses of sale
   * Purchase and sales invoices.
   * Real estate closing statements.
4. Canceled checks.
5. Bank statements.

**Exemptions**

Do not file Schedule F (Form 1040) to report the following:

* Income from providing agricultural services such as soil preparation, veterinary, farm labor, horticultural, or management for a fee or on a contract basis. Instead file Schedule C (Form 1040) or Schedule C-EZ (Form 1040).
* Income from breeding, raising, or caring for dogs, cats, or other pet animals. Instead file Schedule C (Form 1040) or Schedule C-EZ (Form 1040).
* Sales of livestock held for draft, breeding, sport, or dairy purposes. Instead file Form 4797.

Also note that:

* If only one spouse participates in the business, all of the income from that business is the self-employment earnings of the spouse who carried on the business.
* If both spouses participate, the income and deductions are allocated to the spouses based on their distributive shares.
* If either or both you and your spouse are partners in a partnership, talk to your tax preparer.
* If you and your spouse elected to treat the business as a qualifying joint venture, talk to your tax preparer.

**Other forms you might need to file in addition to Schedule F**

***Farmers will not need to do anything about these. Your tax preparer will help.***

* **Schedule E (Form 1040), Part I**: To report rental income from pastureland based on a flat charge. However, report on Schedule F (Form 1040), line 8; pasture income received from taking care of someone else's livestock. Also use Schedule E (Form 1040), Part I, to report farm rental income and expenses of a trust or estate based on crops or livestock produced by a tenant.
* **Schedule J (Form 1040):** To figure your tax by averaging your farm income over the previous 3 years. Doing so may reduce your tax.
* **Schedule SE (Form 1040):** To pay self-employment tax on income from your farming business.
* **Form 3800:** To claim any general business credits.
* **Form 4562:** To claim depreciation (including the special allowance) on assets placed in service in 2013, to claim amortization that began in 2013, to make an election under section 179 to expense certain property, or to report information on vehicles and other listed property.
* **Form 4684:** To report a casualty or theft gain or loss involving farm business property, including purchased livestock held for draft, breeding, sport, or dairy purposes. Your tax preparer will help you for more information on how to report various farm losses, such as losses due to death of livestock or damage to crops or other farm property.
* **Form 4797:** To report sales, exchanges, or involuntary conversions (other than from a casualty or theft) of certain farm property. Also use this form to report sales of livestock held for draft, breeding, sport, or dairy purposes.
* **Form 4835:** To report rental income based on crop or livestock shares produced by a tenant if you did not materially participate in the management or operation of a farm. This income is not subject to self-employment tax. See Pub. 225.
* **Form 6198:** To figure your allowable losses if you have a business loss and you have amounts invested in the business for which you are not at risk.
* **Form 8582:** To figure your allowable loss from passive activities.
* **Form 8824:** To report like-kind exchanges.
* **Form 8903:** To take a deduction for income from domestic production activities.

**For more information, please contact:**

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