

THE UNIVERSITY OF MAINE Cooperative Extension

## Farm Taxes Overview



<https://extension.umaine.edu/penobscot/sywtfim/course-resources/>

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## Federal, State & Local Taxes

- What tax benefits have you heard about?
- What tax liabilities are you worried about?



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## Rural Tax Education Website

hosted by Utah State University Cooperative Extension



### RURAL TAX EDUCATION

- Income and Self-employment Tax Information
- <https://www.ruraltax.org/>

related income and self-employment tax information that is both current and easy to understand.

Coming soon!

Tax issues are important for agricultural operations because income and self-employment taxes are a major cost and also because more and more USDA programs are being linked to a producer's federal income tax return.

Hot Topic



## Am I a Farm?

The term "farming" means the cultivation of land or the raising or harvesting of any agricultural or horticultural commodity including the raising, shearing, feeding, caring for, training, and management of animals.

- IRS - Intend to make a profit
  - Three in five years
  - Two in seven years (horses)
- IRS- hobby losses not deductible

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## Business vs. Hobby



- Business Manner
  - Business plan
  - Checking account
  - Recordkeeping
  - Business Cards
- Expertise
  - On-going training
  - Advisors
- Time & effort
  - Personal time with activity
- Expectation of profit / appreciation of assets
- Elements of personal pleasure / recreation

[https://www.uvm.edu/extension/newfarmer/business/hobby\\_or\\_profitfactsheet.pdf](https://www.uvm.edu/extension/newfarmer/business/hobby_or_profitfactsheet.pdf)

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## Local Taxes

- Property Taxes- Bulletins 19 and 20
  - Farm Land
  - Open Space
  - Tree Growth



<https://www.maine.gov/revenue/propertytax/homepage.html>

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## Local Taxes

Personal Property Taxes- Bulletin 17

- Vehicle
  - Personal v.Farm
  - Commercial
  - Limited distance
- Tractors and other equipment



<https://www.maine.gov/revenue/propertytax/homepage.html>

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## State

- Sales Tax Exemption- Bulletin 45
  - No sales tax on most farm supplies & equipment



<https://www.maine.gov/revenue/salesuse/salestax/bulletinssales.htm>

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## State

- Sales Tax on Sales
  - None on fresh / unprocessed products
  - Need to collect sales taxes
    - Prepared foods
    - Non-food products



<https://www.maine.gov/revenue/salesuse/salestax/bulletinssales.htm>

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## State

- Fuel Tax Exemption
  - ONLY OFF ROAD USE!
- Electricity used in farm operations
  - By meter
  - Refunded pro-rata



<https://www.maine.gov/revenue/salesuse/salestax/bulletinssales.htm>

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## EIN – Employee Identification Number

*Federal Tax Identification Number*

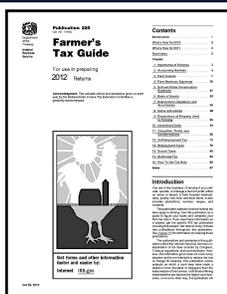
- Identifies business entity (corp. or partnerships)
- Required if you have employees
- Farmer Cooperative
- Available for free from IRS-File SS4



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## Farmers Tax Guide

*Schedule F  
Publication #225*



<https://www.irs.gov/pub/irs-pdf/p225.pdf>

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## Depreciation

**MACRS**

- Decrease in value of assets
  - Modified Accelerated Cost Recovery System
- MACRS establishes tax lives for property
- Accelerated method of depreciation
- Can elect straight-line method and first year start date



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## \$ 179 expensing election/deduction

- Limit of \$1,000,000
- Tangible personal property used in a trade or business
- Excludes machine sheds and general purpose barns, but includes single purpose structures and field tile



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## Farm Employees- Agricultural Employer's Tax Guide- Public. 51

Employee=worker performing services where business owner controls what is done and how the work is done

Generally, report wages on W-2

Special Rules for family members

Social Security and Medicare Taxes Withheld-2 Tests

- \$150- wages to an employee in a year
- \$2,500- wages to all farm workers in a year
- Rules for withholding federal income taxes
- Wages may be subject to unemployment taxes

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## Form 1099 Reporting

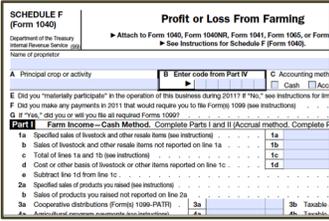
- For non-employees-report ALL payments totaling \$600 or more for property and services during the year.
- Need either SS, TIN, or EIN number



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## Schedule F

- Summary of your farm related income and expenses
- Other entities will use your Schedule F as proof that you are in farming.



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- If you decide not to incorporate and wish to **protect the name of your business**, you may file a **Trademark** or **Service mark** with the Secretary of State's office.  
<https://www.state.me.us/sos/cec/corp/index.html>
- If your business will operate under a business name that is different from your given name, you must register that name in the city or town where your business is located. This is called filing a **D/B/A (Doing Business As)**.



## Special Taxes

### *Research & Promotion*

- Wild Blueberries
- Potatoes
- \$0.0075 per pound
- \$0.06 per hundredweight
- Fresh weight basis



To be a successful farm business- need many partners

- Vendors/Suppliers
- Customers for your products
- Banker(s)
- Insurance providers
- Crop/livestock/forest specialists
- Lawyers
- Business/tax advisors