

January 15, 2016

FARMER'S TAX GUIDES AND RECORDS ADVICE

After years of hauling IRS Farmer's Tax Guides in the trunk of my car from the UNL East Campus warehouse and distributing them throughout Saline County at area banks, that process has ended. The IRS will not be printing the Farmer's Tax Guides. You may access this guide on a computer and changes for 2016 at the following link: <https://www.irs.gov/uac/About-Publication-225>

This comes with a warning. Farm taxes are complicated enough, there are 93 pages, so be very selective what you want to print off! The fact of the matter is we rely on tax advisors to give us good recommendations on tax management and we hope they know the farm tax code backwards and forwards.

A well organized and complete set of records is an important part of a successful farm business. Farm records are needed to prepare income tax reports, as a basis for credit, and to assist with management decisions including lease arrangements, insurance programs, cropping decisions, marketing, and participation in government programs.

Many options are available to Nebraska producers. They range from the simple hand-kept record books to fully computerized systems. The Nebraska Extension Farm and Ranch Business record book has been an old stand by for years for those that don't like entering data on computers. It was called the "Blue Book" for years but today we can't call it that, it's the "Red Book" now. A local tax advisor this week picked up a bunch of our "Red Books" to resale to her customers saving them a trip to our office. They sale for \$5.00 plus tax at our office. It sure beats a shoe box record for your tax advisor.

The next step up is the use of Quicken or QuickBooks. There is a definite difference to the two and takes consideration if you are a first-time user. Many accountants prefer QuickBooks, because a lot of them use it and are familiar with it. QuickBooks is a double entry system, always needing an offsetting account for transactions. Quicken is a single entry system and you don't always have to have a category or transfer. Both programs can track cash or accrual basis on reports. A good comparison was given at a Nebraska Women in Ag conference and can be found at: <http://ow.ly/X5mer>. The next step after Quicken are more advanced agricultural accounting software where you can ultimately do enterprise analysis and more easily calculate break-even costs.

Once we do financial records on computer, I can't stress to you the importance of backing up your files. Make sure you do a full back up of your data on an external hard drive or flash drive. External hard drives are now very small and cheap. My son, over Christmas, replaced an old, large internal hard drive on our home computer with a smaller hard drive that is more reliable, cheaper, faster and holds more data. Now the old computer boots up faster and runs better. We also have a small external drive that he set up to a USB port that automatically backs up the new hard drive. Thank you Ryan for that Christmas gift. Flash drives now are a lot cheaper and can hold a lot of data, they are a great way to back up files and better yet, placed offsite.



A CPA, in York, in his newsletter, recently wrote the following: This is the time of year most businesses send out their 1099 forms. But did you know that for the second time in five years, Congress has doubled (and in some instances, tripled) both the minimum penalties and the per-employer aggregate penalty caps for unfilled 1099 forms? If the institution fails to file, the penalty against the company is \$250 per form depending on how long past the deadline the company issues the form. If a company intentionally disregards the requirement to provide a correct payee statement, it is subject to a minimum penalty of \$500 per statement (or 10% of amount, if greater), with no maximum. Certainly these increases should raise your "worry factor", and they will surely provide an increased incentive for the IRS to expand its information reporting audit program, given the very large potential revenues for the government resulting from these increased penalties. I guess it is the Fed's way to say "Happy New Year."

Randy Pryor, Extension Educator

University of Nebraska-Lincoln Extension in Saline County • 306 West 3rd Street, Wilber, NE 68465
Phone (402) 821-2151 • Fax (402) 821-3398 • e-mail: randy.pryor@unl.edu