



## IRS Tax Tip 2016-15: Ten Key Tax Tips for Farmers and Ranchers

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IRS Tax Tips

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### Ten Key Tax Tips for Farmers and Ranchers

Farms include ranches, ranges and orchards. While some may raise cattle, poultry or fish and others grow fruits or vegetables, all will report their farm income on Schedule F, Profit or Loss from Farming. If you own a farm or ranch, here are 10 tax tips:

1. **Crop insurance.** [Insurance payments from crop damage](#) count as income. Generally, you should report these payments in the year you get them.
2. **Sale of items purchased for resale.** If you sold livestock or items that you bought for resale, you must report the sale. Your profit or loss is the difference between your selling price and your basis in the item. Basis is usually the cost of the item. Your cost may also include other expenses such as sales tax and freight.
3. **Weather-related sales.** Bad weather such as a drought or flood may force you to [sell more livestock](#) than you normally would in a year. If so, you may defer tax on the gain from the sale of the extra animals.
4. **Farm expenses.** Farmers can deduct [ordinary and necessary expenses](#) they paid for their business. An

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ordinary expense is a common and accepted cost for that type of business. A necessary expense means a cost that is proper for that business.

5. **Employee wages.** You can deduct wages you paid to your farm's full- and part-time workers. You must withhold Social Security, Medicare and income taxes from their wages.

6. **Loan repayment.** You can only deduct the interest you paid on a loan if the loan is used for your farming business. You can't deduct interest you paid on a personal loan.

7. **Net operating losses.** If your expenses are more than income for the year, you may have a [net operating loss](#). You can carry that loss over to other years and deduct it. You may get a refund of part or all of the income tax you paid in prior years. You may also be able to lower your tax in future years.

8. **Farm income averaging.** You may be able to [average](#) some or all of the current year's farm income by spreading it out over the past three years. This may cut your taxes if your farm income is high in the current year and low in the prior three years.

9. **Tax credit or refund.** You may be able to claim a tax credit or refund of excise taxes you paid on [fuel used on your farm for farming purposes](#).

10. **Farmers Tax Guide.** For more details on this topic see [Publication 225](#), Farmer's Tax Guide. You can get it on [IRS.gov/forms](#) anytime. You can order it on [IRS.gov/orderforms](#) to have it mailed to you.

Each and every taxpayer has a set of fundamental rights they should be aware of when dealing with the IRS. These are your [Taxpayer Bill of Rights](#). Explore your rights and our obligations to protect them on IRS.gov.

**Additional IRS Resources:**

- [Schedule E](#), Profit or Loss From Farming
- [Agriculture Tax Center](#)
- [Small Business and Self-Employed Tax Center](#)
- [IRS Free File](#)
- [E-file Options](#)
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