



# 2011 Instructions for Schedule F

## Profit or Loss From Farming

Use Schedule F (Form 1040) to report farm income and expenses. File it with Form 1040, 1040NR, 1041, 1065, or 1065-B.

Your farming activity may subject you to state and local taxes and other requirements such as business licenses and fees. Check with your state and local governments for more information.

**Additional information.** Pub. 225 has more information and examples to help you complete your farm tax return. It also lists important dates that apply to farmers.

Section references are to the Internal Revenue Code unless otherwise noted.

### What's New

**Future developments.** For the latest information about Schedule F (Form 1040), including any developments after these instructions were released, go to [www.irs.gov/form1040](http://www.irs.gov/form1040).

**New merchant card reporting requirements.** We added new lines to implement reporting of farm income received via merchant card (credit and debit cards) and third party network payments. These amounts are reported as "specified" income on Schedule F (Form 1040). However, for 2011, the IRS has deferred the requirement to report these amounts. Therefore, enter zero on lines 1a, 2a, 7a, 8a, 37a, 42a, and 43a, and report farm income on lines 1b, 2b, 7b, 8b, 37b, 42b, and 43b. See the instructions for Part I.

**Standard mileage rate.** The standard mileage rate for business use of your vehicle increased to 51 cents per mile for miles driven before July 1, 2011, and increased to 55.5 cents per mile for miles driven after June 30, 2011. See the instructions for line 10.

**Information reporting requirements.** New lines F and G address your required filing of Forms 1099 in 2011. See the line F instructions for details and see the General Instructions for Certain Information Returns to determine whether you are required to file any Forms 1099.

**Heavy highway vehicle use tax.** This tax has been extended through September 30, 2012. See Form 2290 and its instructions for the extended filing deadline for 2011.

### General Instructions

#### Other Schedules and Forms You May Have To File

- 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 8a, 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 2011, to claim amortization that began in 2011, 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. See Pub. 225 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 loss 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 deductible loss from passive activities.

- Form 8824 to report like-kind exchanges.

- Form 8903 to take a deduction for income from domestic production activities.

**Single-member limited liability company (LLC).** Generally, a single-member domestic LLC is not treated as a separate entity for federal income tax purposes. If you are the sole member of a domestic LLC engaged in the business of farming, file Schedule F (Form 1040). However, you can elect to treat a domestic LLC as a corporation. See Form 8832 for details on the election.

**Heavy highway vehicle use tax.** If you use certain highway trucks, truck-trailers, tractor trailers, or buses in your farming business, you may have to pay a federal highway motor vehicle use tax. See the Instructions for Form 2290 to find out if you owe this tax and go to [www.irs.gov/trucker](http://www.irs.gov/trucker) for the latest developments.

**Information returns.** You may have to file information returns for wages paid to employees, certain payments of fees and other non-employee compensation, interest, rents, royalties, real estate transactions, annuities, and pensions. For details, see the instructions for line F and the 2011 General Instructions for Certain Information Returns.

If you received cash of more than \$10,000 in one or more related transactions in your farming business, you may have to file Form 8300. For details, see Pub. 1544.

**Reportable transaction disclosure statement.** If you entered into a reportable transaction in 2011, you must file Form 8886 to disclose information if your federal income tax liability is affected by your

participation in the transaction. You may have to pay a penalty if you are required to file Form 8886 but do not do so. You may also have to pay interest and penalties on any reportable transaction understatements. For more information on reportable transactions, see the Instructions for Form 8886.

## Husband-Wife Farm

If you and your spouse jointly own and operate a farm as an unincorporated business and share in the profits and losses, you can be taxed as a partnership and file Form 1065, or you each can file Schedule F (Form 1040) as a qualified joint venture.

## Qualified Joint Venture

If you and your spouse each materially participate as the only members of a jointly owned and operated farm, and you file a joint return for the tax year, you can elect to be treated as a qualified joint venture instead of a partnership. This election in most cases will not increase the total tax owed on the joint return, but it does give each of you credit for social security earnings on which retirement benefits are based and for Medicare coverage without filing a partnership return. For an explanation of “material participation,” see the instructions for Schedule C (Form 1040), line G, and the instructions for line E, later, in these instructions.

**Making the election.** To make this election, you must divide all items of income, gain, loss, deduction, and credit attributable to the farming business between you and your spouse in accordance with your respective interests in the venture. Each of you must file a separate Schedule F (Form 1040). On each line of your separate Schedule F (Form 1040), you must enter your share of the applicable income, deduction, or loss. Each of you must also file a separate Schedule SE (Form 1040) to pay self-employment tax, as applicable.

As long as you remain qualified, your election cannot be revoked without IRS consent.

For more information on qualified joint ventures, go to [IRS.gov](http://IRS.gov). Enter “qualified joint venture” in the search box and select “Election for Husband and Wife Unincorporated Businesses.”

## Exception—Community Income

If you and your spouse wholly own an unincorporated farming business as community property under the community property laws of a state, foreign country, or U.S. possession, the income and deductions are reported as follows.

- 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, see Pub. 541.
- If you and your spouse elected to treat the business as a qualifying joint venture, see *Husband-Wife Farm*, earlier.

The only states with community property laws are Arizona, California, Idaho, Louisiana, Nevada, New Mexico, Texas, Washington, and Wisconsin. A change in your reporting position will be treated as a conversion of the entity.

## Estimated Tax

If you had to make estimated tax payments for 2011 and you underpaid your estimated tax, you will not be charged a penalty if both of the following apply.

- Your gross farming or fishing income for 2010 or 2011 is at least two-thirds of your gross income, and
- You file your 2011 tax return and pay the tax due by March 1, 2012.

For details, see chapter 15 of Pub. 225.

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# Specific Instructions

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**Filers of Forms 1041, 1065, and 1065-B.** Do not complete the block labeled “Social security number (SSN).” Instead, enter the employer identification number (EIN) issued to the estate, trust, or partnership on line D.

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## Line B

On line B, enter one of the 14 principal agricultural activity codes listed in Part IV on page 2 of Schedule F (Form 1040). Select the code that best describes the source of most of your income.

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## Line C

If you use the cash method, check the box for “Cash.” Complete Schedule F (Form 1040), Parts I and II. In most cases, report income in the year in which you actually or constructively received it and deduct expenses in the year you paid them. However, if the payment of an expenditure creates an asset having a useful life that extends substantially beyond the close of the year, it may not be deductible or may be deductible only in part for the year of the payment. See chapter 2 of Pub. 225.

If you use an accrual method, check the box for “Accrual.” Complete Schedule F (Form 1040), Parts II, III, and Part I, line 9. Generally, report income in the year in which you earned it and deduct expenses in the year you incurred them, even if you did not pay them in that year. Accrual basis taxpayers are put on a cash basis for deducting business expenses owed to a related cash-basis taxpayer. Other rules determine the timing of deductions based on economic performance. See Pub. 538.

**Farming syndicates.** Farming syndicates cannot use the cash method of accounting. A farming syndicate may be a partnership, LLC, S corporation, or any other enterprise other than a C corporation if:

- The interests in the business have at any time been offered for sale in a way that would require registration with any federal or state agency, or
- More than 35% of the loss during any tax year is shared by limited partners or limited entrepreneurs. A limited partner is one who can lose only the amount invested or required to be invested in the partnership. A limited entrepreneur is a person who does not take any active part in managing the business.

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## Line D

Enter on line D the employer identification number (EIN) that was issued to you on Form SS-4. Do not enter your SSN. Do not enter another taxpayer’s EIN (for example, from any Forms 1099-MISC that you received.) **If you do not have an EIN, leave line D blank.**

You need an EIN only if you have a qualified retirement plan or are required to file employment, excise, alcohol, tobacco, or firearms returns, or if you are a payer of gambling winnings. If you need an EIN, see the Instructions for Form SS-4.

**Single-member LLCs.** If you are a sole owner of an LLC that is not treated as a separate entity for federal income tax purposes, you may have an EIN that was issued to the LLC (and in the LLC’s legal name) if you are required to file employment tax returns and certain excise tax returns. However, you should **enter on line D only the EIN issued to you and in your name as the sole proprietor of your farming business.** If you do not have such an EIN, leave line D blank. Do not enter on line D the EIN issued to the LLC.

**Single-member limited liability companies (LLCs) with employees.** Single-member LLCs that are disregarded as entities separate from their owner for federal tax purposes are required to file employment

tax returns using the LLC's name and employer identification number (EIN) rather than the LLC owner's name and EIN. Single-member LLCs not previously needing an EIN may need to obtain an EIN for the payment and reporting of these taxes. For more information, see the Instructions for Form SS-4.

**Filers of Forms 1041, 1065, and 1065-B.** Enter on line D the EIN issued to the estate, trust, or partnership.

## Line E

**Material participation.** For the definition of material participation for purposes of the passive activity rules, see the instructions for Schedule C (Form 1040), line G. If you meet any of the material participation tests described in those instructions, check the "Yes" box.

If you are a retired or disabled farmer, you are treated as materially participating in a farming business if you materially participated 5 or more of the 8 years preceding your retirement or disability. Also, a surviving spouse is treated as materially participating in a farming activity if he or she actively manages the farm and the real property used for farming meets the estate tax rules for special valuation of farm property passed from a qualifying decedent.

Check the "No" box if you did not materially participate. If you checked "No" and you have a loss from this business, see *Limit on passive losses* below. If you have a profit from this business activity but have current year losses from other passive activities or prior year unallowed passive activity losses, see the Instructions for Form 8582.

**Limit on passive losses.** If you checked the "No" box and you have a loss from this business, you may have to use Form 8582 to figure your allowable loss, if any, to enter on Schedule F (Form 1040), line 34. In most cases, you can deduct losses from passive activities only to the extent of income from passive activities. For details, see Pub. 925.

## Line F

If you made any payments in 2011 that would require you to file any Forms 1099, check the "Yes" box. Otherwise, check the "No" box. See the General Instructions for Certain Information Returns if you are unsure whether you are required to file any Forms 1099. Also see the separate specific instructions for each Form 1099.



*Generally, you must file Form 1099-MISC if you paid at least \$600 in rents, services, prizes, medical and health care payments, and other income payments. The Guide to Information Returns on page 15 of the General Instructions for Certain Information Returns has more information, including the due dates for the various information returns.*

## Part I. Farm Income—Cash Method

In Part I, show income received for items listed on lines 1 through 8b. In most cases, include both the cash actually or constructively received and the fair market value of goods or other property received for these items. Income is constructively received when it is credited to your account or set aside for you to use. However, direct payments or counter-cyclical payments received under the Food, Conservation, and Energy Act of 2008 are required to be included in income only in the year of actual receipt.

If you ran the farm yourself and received rents based on crop shares or farm production, report these rents as income on line 2a or 2b, depending on the method of payment. See *Form 1099-K* later.

**Sales of livestock because of weather-related conditions.** If you sold livestock because of drought, flood, or other weather-related conditions, you can elect to report the income from the sale in the year after the year of sale if all of the following apply.

- Your main business is farming.
- You can show that you sold the livestock only because of weather-related conditions.
- Your area qualified for federal aid.

See chapter 3 of Pub. 225 for details.

**Chapter 11 bankruptcy.** If you were a debtor in a chapter 11 bankruptcy case during 2011, see *Chapter 11 Bankruptcy Cases* under *Income* in the instructions for Form 1040 and the instructions for Schedule SE (Form 1040).

**Forms 1099 or CCC-1099-G.** If you received Forms 1099 or CCC-1099-G showing amounts paid to you, first determine if the amounts are to be included with farm income. Then use the following chart to determine where to report the income on Schedule F (Form 1040). Include the Form 1099 or CCC-1099-G amounts in the total amount reported on that line.

Form	Where to report
1099-PATR . . . . .	Line 3a
1099-A . . . . .	Line 5b
1099-MISC for crop insurance . . . . .	Line 6a
1099-G or CCC-1099-G	
• for disaster payments . . . . .	Line 6a
• for other agricultural program payments . . . . .	Line 4a

**Form 1099-K.** If you receive merchant card or third party network payments in 2011, you should receive a Form 1099-K showing those payments. Box 1 of Form 1099-K shows the amount of the payments. Merchant cards include, but are not limited to, Visa and MasterCard. Third party networks include, but are not limited to, Paypal and Google Checkout.

In some cases, you may not receive Forms 1099-K for merchant card or third party network payments that you need to include as income.

For 2011, you are not required to report income received via merchant card or third party network payers, so enter zero on the lines for "specified" income (lines 1a, 2a, 7a, and 8a). Report all your farming income, regardless of how it was received, on lines 1b, 2b, 7b, or 8b.

**Form 1099-MISC.** You may receive Form 1099-MISC for other types of income. In this case, report it on whichever line best describes the income, but do not include it on the line for merchant card or third party network payments. For example, if you receive a Form 1099-MISC for custom farming work, include this amount on line 7b.

### Line 1b

Enter income you receive from sales of livestock and other items you bought for resale on line 1b.

### Line 2b

Enter income you receive from sales of livestock, produce, grains and other products you raised on line 2b.

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## Lines 3a and 3b

If you received distributions from a cooperative in 2011, you should receive a Form 1099-PATR. On line 3a, show your total distributions from cooperatives. This includes patronage dividends, nonpatronage distributions, per-unit retain allocations, and redemptions of nonqualified written notices of allocation and per-unit retain certificates.

Show patronage dividends received in cash and the dollar amount of qualified written notices of allocation. If you received property as patronage dividends, report the fair market value of the property as income. Include cash advances received from a marketing cooperative. If you received per-unit retains in cash, show the amount of cash. If you received qualified per-unit retain certificates, show the stated dollar amount of the certificates.

Do not include as income on line 3b patronage dividends from buying personal or family items, capital assets, or depreciable assets. Enter these amounts on line 3a only. Because you do not report patronage dividends from these items as income, you must subtract the amount of the dividend from the cost or other basis of these items.

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## Lines 4a and 4b

Enter on line 4a the total of the following amounts.

- Direct payments.
- Counter-cyclical payments.
- Price support payments.
- Market gain from the repayment of a secured Commodity Credit Corporation (CCC) loan for less than the original loan amount.
- Diversion payments.
- Cost-share payments (sight drafts).
- Payments in the form of materials (such as fertilizer or lime) or services (such as grading or building dams).

These amounts are government payments you received and are usually reported to you on Form 1099-G. You may also receive Form CCC-1099-G from the Department of Agriculture showing the amounts and types of payments made to you.

On line 4b, report only the taxable amount. For example, do not report the market gain shown on Form CCC-1099-G on line 4b if you elected to report CCC loan proceeds as income in the year received (see *Lines 5a Through 5c* next). No gain results from redemption of the commodity because you previously reported the CCC loan proceeds as income. You are treated as repurchasing the commodity for the amount of the loan repayment. However, if you did not report the CCC loan proceeds under the election, you must report the market gain on line 4b.

If you received a direct or counter-cyclical payment in 2011, your farm losses may be reduced or eliminated. See *Excess farm loss rules*, later, for more details.

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## Lines 5a Through 5c

**Commodity Credit Corporation (CCC) loans.** In most cases, you do not report CCC loan proceeds as income. However, if you pledge part or all of your production to secure a CCC loan, you can elect to report the loan proceeds as income in the year you receive them. If you make this election (or made the election in a prior year), report loan proceeds you received in 2011 on line 5a. Attach a statement to your return showing the details of the loan(s). See chapter 3 of Pub. 225.

**Forfeited CCC loans.** Include the full amount forfeited on line 5b, even if you reported the loan proceeds as income. This amount may be reported to you on Form 1099-A.

If you did not elect to report the loan proceeds as income, also include the forfeited amount on line 5c.

If you did elect to report the loan proceeds as income, you generally will not have an entry on line 5c. But if the amount forfeited is different from your basis in the commodity, you may have an entry on line 5c.

See chapter 3 of Pub. 225 for details on the tax consequences of electing to report CCC loan proceeds as income or forfeiting CCC loans.

If you received a CCC loan in 2011, your farm losses may be reduced or eliminated. See *Excess farm loss rules*, later, for more details.

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## Lines 6a Through 6d

In most cases, you must report crop insurance proceeds in the year you receive them. Federal crop disaster payments are treated as crop insurance proceeds. However, if 2011 was the year of damage, you can elect to include certain proceeds in income for 2012. To make this election, check the box on line 6c and attach a statement to your return. See chapter 3 of Pub. 225 for a description of the proceeds for which an election can be made and for what you must include in your statement.

In most cases, if you elect to defer any eligible crop insurance proceeds, you must defer all such crop insurance proceeds (including federal crop disaster payments).

Enter on line 6a the total crop insurance proceeds you received in 2011, even if you elect to include them in income for 2012.

Enter on line 6b the taxable amount of the proceeds you received in 2011. Do not include proceeds you elect to include in income for 2012.

Enter on line 6d the amount, if any, of crop insurance proceeds you received in 2010 and elected to include in income for 2011.

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## Line 7b

Enter income you receive from custom hire (machine work) on line 7b.

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## Line 8b

Enter on line 8b income not otherwise reportable on lines 1 through 7b. This includes the following types of income.

- Illegal federal irrigation subsidies. See chapter 3 of Pub. 225.
- Bartering income.
- Income from cancellation of debt. In most cases, if a debt is canceled or forgiven, you must include the canceled amount in income. If a federal agency, financial institution, or credit union canceled or forgave a debt you owed of \$600 or more, it should send you a Form 1099-C, or similar statement, by January 31, 2012, showing the amount of debt canceled in 2011. However, you may be able to exclude the canceled debt from income. See Pub. 4681 for details.
  - State gasoline or fuel tax refunds you received in 2011.
  - The amount of credit for alcohol and cellulosic biofuel fuels claimed on Form 6478.
  - The amount of credit for biodiesel and renewable diesel fuels claimed on Form 8864.
  - The amount of credit for federal tax paid on fuels claimed on your 2010 Form 1040. For information on including the credit in income, see chapter 2 of Pub. 510.

• Any recapture of excess depreciation on any listed property, including any section 179 expense deduction, if the business use percentage of that property decreased to 50% or less in 2011. Use Part IV of Form 4797 to figure the recapture. See the instructions for Schedule C (Form 1040), line 13, for the definition of listed property.

• The inclusion amount on leased listed property (other than vehicles) when the business use percentage drops to 50% or less. See chapter 5 of Pub. 946 to figure the amount.

• Any recapture of the deduction for clean-fuel vehicles and clean-fuel vehicle refueling property used in your farming business. For details on how to figure recapture, see Regulations section 1.179A-1.

• Any income from breeding fees, or fees from renting teams, machinery, or land.

• The gain or loss on the sale of commodity futures contracts if the contracts were made to protect you from price changes. These are a form of business insurance and are considered hedges. If you had a loss in a closed futures contract, enclose the amount of the loss in parentheses.



*For property acquired and hedging positions established, you must clearly identify on your books and records both the hedging transaction and the item(s) or aggregate risk being hedged.*

Purchase or sales contracts are not true hedges if they offset losses that already occurred. If you bought or sold commodity futures with the hope of making a profit due to favorable price changes, report the profit or loss on Form 6781 instead of this line.

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## Line 9

Since lines 1a, 2a, 7a, and 8a are zero, enter on line 9 the total of amounts from lines 1e, 2b, 3b, 4b, 5a, 5c, 6b, 6d, 7b, and 8b.

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## Part II. Farm Expenses

Do not deduct the following.

- Personal or living expenses (such as taxes, insurance, or repairs on your home) that do not produce farm income.
- Expenses of raising anything you or your family used.
- The value of animals you raised that died.
- Inventory losses.
- Personal losses.

If you were repaid for any part of an expense, you must subtract the amount you were repaid from the deduction.

**Capitalizing costs of property.** If you produced real or tangible personal property or acquired property for resale, certain expenses must be included in inventory costs or capitalized. These expenses include the direct costs of the property and the share of any indirect costs allocable to that property. However, these rules generally do not apply to expenses of:

1. Producing any plant that has a preproductive period of 2 years or less,
2. Raising animals, or
3. Replanting certain crops if they were lost or damaged by reason of freezing temperatures, disease, drought, pests, or casualty.



*Exceptions (1) and (2) do not apply to tax shelters, farming syndicates, partnerships, or corporations required to use the accrual method of accounting under section 447 or 448(a)(3).*

If you capitalize your expenses, do not reduce your deductions on lines 10 through 32e by the capitalized expenses. Instead, enter

the total amount capitalized in parentheses on line 32f (to indicate a negative amount) and enter "263A" in the space to the left of the total. See *Preproductive period expenses*, later, for details.

But you may be able to currently deduct rather than capitalize the expenses of producing a plant with a preproductive period of more than 2 years. See *Election to deduct certain preproductive period expenses* next.

**Election to deduct certain preproductive period expenses.** If the preproductive period of any plant you produce is more than 2 years, you can elect to currently deduct the expenses rather than capitalize them. But you cannot make this election for the costs of planting or growing citrus or almond groves incurred before the end of the fourth tax year beginning with the tax year you planted them in their permanent grove. You are treated as having made the election by deducting the preproductive period expenses in the first tax year for which you can make this election and by applying the special rules, discussed later.



*In the case of a partnership or S corporation, the election must be made by the partner, shareholder, or member. This election cannot be made by tax shelters, farming syndicates, partnerships, or corporations required to use the accrual method of accounting under section 447 or 448(a)(3).*

Unless you obtain IRS consent, you must make this election for the first tax year in which you engage in a farming business involving the production of property subject to the capitalization rules. You cannot revoke this election without IRS consent.

**Special rules.** If you make the election to deduct preproductive expenses for plants:

- Any gain you realize when disposing of the plants is ordinary income up to the amount of the preproductive expenses you deducted, and
- The alternative depreciation rules apply to property placed in service in any tax year your election is in effect.

For details, see *Uniform Capitalization Rules* in chapter 6 of Pub. 225.

**Prepaid farm supplies.** In most cases, if you use the cash method of accounting and your prepaid farm supplies are more than 50% of your other deductible farm expenses, your deduction for those supplies may be limited. Prepaid farm supplies include expenses for feed, seed, fertilizer, and similar farm supplies not used or consumed during the year.

They also include the cost of poultry that would be allowable as a deduction in a later tax year if you were to:

1. Capitalize the cost of poultry bought for use in your farming business and deduct it ratably over the lesser of 12 months or the useful life of the poultry, and
2. Deduct the cost of poultry bought for resale in the year you sell or otherwise dispose of it.

If the limit applies, you can deduct prepaid farm supplies that do not exceed 50% of your other deductible farm expenses in the year of payment. You can deduct the excess only in the year you use or consume the supplies (other than poultry, which is deductible as explained above). For details and exceptions to these rules, see chapter 4 of Pub. 225.

Whether or not this 50% limit applies, your expenses for live-stock feed paid during the year but consumed in a later year may be subject to the rules explained in the line 16 instructions.

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## Line 10

You can deduct the actual expenses of operating your car or truck or take the standard mileage rate. You must use actual expenses if you used your vehicle for hire or you used five or more vehicles simultaneously in your farming business (such as in fleet operations). You

cannot use actual expenses for a leased vehicle if you previously used the standard mileage rate for that vehicle.

You can take the standard mileage rate for 2011 only if you:

- Owned the vehicle and used the standard mileage rate for the first year you placed the vehicle in service, or
- Leased the vehicle and are using the standard mileage rate for the entire lease period.

If you take the standard mileage rate:

- Multiply the number of business miles driven before July 1 by 51 cents, and the number of business miles driven after June 30 by 55.5 cents, and
- Add to this amount your parking fees and tolls, and enter the total on line 10.

Do not deduct depreciation, rent or lease payments, or your actual operating expenses.

If you deduct actual expenses:

- Include on line 10 the business portion of expenses for gasoline, oil, repairs, insurance, tires, license plates, etc., and
- Show depreciation on line 14 and rent or lease payments on line 24a.

If you claim any car or truck expenses (actual or the standard mileage rate), you must provide the information requested on Form 4562, Part V. Be sure to attach Form 4562 to your return.

For details, see chapter 4 of Pub. 463.

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## Line 12

Deductible conservation expenses generally are those that are paid to conserve soil and water for land used in farming, to prevent erosion of land used for farming, or for endangered species recovery. These expenses include (but are not limited to) costs for the following.

- The treatment or movement of earth, such as leveling, grading, conditioning, terracing, contour furrowing, and the restoration of soil fertility.
- The construction, control, and protection of diversion channels, drainage ditches, irrigation ditches, earthen dams, water-courses, outlets, and ponds.
- The eradication of brush.
- The planting of windbreaks.
- The achievement of site-specific management actions recommended in recovery plans approved pursuant to the Endangered Species Act of 1973.

These expenses can be deducted only if they are consistent with a conservation plan approved by the Natural Resources Conservation Service of the Department of Agriculture or a recovery plan approved pursuant to the Endangered Species Act of 1973, for the area in which your land is located. If no plan exists, the expenses must be consistent with a plan of a comparable state agency. You cannot deduct the expenses if they were paid or incurred for land used in farming in a foreign country.

Do not deduct expenses you paid or incurred to drain or fill wetlands, or to prepare land for center pivot irrigation systems.

Your deduction cannot exceed 25% of your gross income from farming (excluding certain gains from selling assets such as farm machinery and land). If your conservation expenses are more than the limit, the excess can be carried forward and deducted in later tax years. However, the amount deductible for any one year cannot exceed the 25% gross income limit for that year.

For details, see chapter 5 of Pub. 225.

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## Line 13

Enter amounts paid for custom hire or machine work (the machine operator furnished the equipment).

Do not include amounts paid for rental or lease of equipment you operated yourself. Instead, report those amounts on line 24a.

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## Line 14

You can deduct depreciation of buildings, improvements, cars and trucks, machinery, and other farm equipment of a permanent nature.

Do not deduct depreciation on your home, furniture or other personal items, land, livestock you bought or raised for resale, or other property in your inventory.

You can also elect under section 179 to expense a portion of the cost of certain property you bought in 2011 for use in your farming business. The section 179 election is made on Form 4562.

For information about depreciation and the section 179 deduction, see Pub. 946 and chapter 7 of Pub. 225. For details on the special depreciation allowance, see chapter 3 of Pub. 946.

See the Instructions for Form 4562 for information on when you must complete and attach Form 4562.

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## Line 15

Deduct contributions to employee benefit programs that are not an incidental part of a pension or profit-sharing plan included on line 23. Examples are accident and health plans, group-term life insurance, and dependent care assistance programs. If you made contributions on your behalf as a self-employed person to a dependent care assistance program, complete Form 2441, Parts I and III, to figure your deductible contributions to that program.

Contributions you made on your behalf as a self-employed person to an accident and health plan or for group-term life insurance are not deductible on Schedule F (Form 1040). However, you may be able to deduct on Form 1040, line 29 (or on Form 1040NR, line 29), the amount you paid for health insurance on behalf of yourself, your spouse, and dependent(s) even if you do not itemize your deductions. See the instructions for Form 1040, line 29, or Form 1040NR, line 29, for details.

You must reduce your line 15 deduction by the amount of any credit for small employer health insurance premiums determined on Form 8941. See Form 8941 and its instructions to determine which expenses are eligible for the credit.

---

## Line 16

If you use the cash method, you cannot deduct when paid the cost of feed your livestock will consume in a later year unless all of the following apply.

- The payment was for the purchase of feed rather than a deposit.
- The prepayment had a business purpose and was not made merely to avoid tax.
- Deducting the prepayment will not materially distort your income.

If all of the above apply, you can deduct the prepaid feed when paid, subject to the overall limit for *Prepaid farm supplies* explained earlier. If all of the above do not apply, you can deduct the prepaid feed only in the year it is consumed.

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## Line 18

Do not include the cost of transportation incurred in purchasing livestock held for resale as freight paid. Instead, add these costs to the cost of the livestock.

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## Line 20

Deduct on this line premiums paid for farm business insurance. Deduct on line 15 amounts paid for employee accident and health insurance. Amounts credited to a reserve for self-insurance or premiums paid for a policy that pays for your lost earnings due to sickness or disability are not deductible. For details, see chapter 6 of Pub. 535.

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## Lines 21a and 21b

**Interest allocation rules.** The tax treatment of interest expense differs depending on its type. For example, home mortgage interest and investment interest are treated differently. "Interest allocation" rules require you to allocate (classify) your interest expense so it is deducted (or capitalized) on the correct line of your return and receives the right tax treatment. These rules could affect how much interest you are allowed to deduct on Schedule F (Form 1040).

In most cases, you allocate interest expense by tracing how the proceeds of the loan are used. See chapter 4 of Pub. 535 for details.

If you paid interest on a debt secured by your main home and any of the proceeds from that debt were used in your farming business, see chapter 4 of Pub. 535 to figure the amount to include on lines 21a and 21b.

**How to report.** If you have a mortgage on real property used in your farming business (other than your main home), enter on line 21a the interest you paid for 2011 to banks or other financial institutions for which you received a Form 1098 (or similar statement). If you did not receive a Form 1098, enter the interest on line 21b.

If you paid more mortgage interest than is shown on Form 1098, see chapter 4 of Pub. 535 to find out if you can deduct the additional interest. If you can, include the amount on line 21a. Attach a statement to your return explaining the difference and enter "See attached" in the margin next to line 21a.

If you and at least one other person (other than your spouse if you file a joint return) were liable for and paid interest on the mortgage and the other person received the Form 1098, include your share of the interest on line 21b. Attach a statement to your return showing the name and address of the person who received the Form 1098. In the margin next to line 21b, enter "See attached."

Do not deduct interest you prepaid in 2011 for later years; include only the part that applies to 2011.

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## Line 22

Enter the amounts you paid for farm labor. Do not include amounts paid to yourself. Reduce your deduction by the amounts claimed on:

- Form 5884, Work Opportunity Credit, line 2;
- Form 8844, Empowerment Zone and Renewal Community Employment Credit, line 2;
- Form 8845, Indian Employment Credit, line 4; and
- Form 8932, Credit for Employer Differential Wage Payments, line 2.

Include the cost of boarding farm labor but not the value of any products they used from the farm. Include only what you paid household help to care for farm laborers.



*If you provided taxable fringe benefits to your employees, such as personal use of a car, do not include in farm labor the amounts you depreciated or deducted elsewhere.*

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## Line 23

Enter your deduction for contributions to employee pension, profit-sharing, or annuity plans. If the plan included you as a self-employed person, enter contributions made as an employer on your behalf on Form 1040, line 28 (or on Form 1040NR, line 28), not on Schedule F (Form 1040).

In most cases, you must file the applicable form listed next if you maintain a pension, profit-sharing, or other funded-deferred compensation plan. The filing requirement is not affected by whether or not the plan qualified under the Internal Revenue Code, or whether or not you claim a deduction for the current tax year. There is a penalty for failure to timely file these forms.

**Form 5500-EZ.** File this form if you have a one-participant retirement plan that meets certain requirements. A one-participant plan is a plan that covers only you (or you and your spouse).

**Form 5500-SF.** File this form if you have a small plan (fewer than 100 participants in most cases) that meets certain requirements.

**Form 5500.** File this form for a plan that does not meet the requirements for filing Form 5500-EZ or Form 5500-SF.

For details, see Pub. 560.

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## Lines 24a and 24b

If you rented or leased vehicles, machinery, or equipment, enter on line 24a the business portion of your rental cost. But if you leased a vehicle for a term of 30 days or more, you may have to reduce your deduction by an inclusion amount. See *Leasing a Car* in chapter 4 of Pub. 463 to figure this amount.

Enter on line 24b amounts paid to rent or lease other property such as pasture or farmland.

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## Line 25

Enter amounts you paid for incidental repairs and maintenance of farm buildings, machinery, and equipment that do not add to the property's value or appreciably prolong its life.

Do not deduct repairs or maintenance on your home.

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## Line 29

You can deduct the following taxes on this line.

- Real estate and personal property taxes on farm business assets.
- Social security and Medicare taxes you paid to match what you are required to withhold from farm employees' wages without consideration for the temporary employee payroll tax cut for 2011.
- Federal unemployment tax.
- Federal highway use tax.
- Contributions to state unemployment insurance fund or disability benefit fund if they are considered taxes under state law.

Do not deduct the following taxes on this line.

- Federal income taxes, including your self-employment tax. However, you can deduct your employer-equivalent portion of self-employment tax on Form 1040, line 27 or Form 1040NR, line 27.
- Estate and gift taxes.

- Taxes assessed for improvements, such as paving and sewers.
- Taxes on your home or personal use property.
- State and local sales taxes on property purchased for use in your farming business. Instead, treat these taxes as part of the cost of the property.
- Other taxes not related to your farming business.

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## Line 30

Enter amounts you paid for gas, electricity, water, and other utilities for business use on the farm. Do not include personal utilities. You cannot deduct the base rate (including taxes) of the first telephone line into your residence, even if you use it for your farming business. But you can deduct expenses you paid for your farming business that are more than the cost of the base rate for the first phone line. For example, if you had a second phone line, you can deduct the business percentage of the charges for that line, including the base rate charges.

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## Lines 32a Through 32f

Include all ordinary and necessary farm expenses not deducted elsewhere on Schedule F (Form 1040), such as advertising, office supplies, etc. Do not include fines or penalties paid to a government for violating any law.

**At-risk loss deduction.** Any loss from this activity that was not allowed as a deduction last year because of the at-risk rules is treated as a deduction allocable to this activity in 2011. However, for the loss to be deductible, the amount “at risk” must be increased.

**Bad debts.** See chapter 10 of Pub. 535.

**Business start-up costs.** If your farming business began in 2011, you can elect to deduct up to \$5,000 of certain business start-up costs paid or incurred after October 22, 2004. The \$5,000 limit is reduced (but not below zero) by the amount by which your start-up costs exceed \$50,000. Your remaining start-up costs can be amortized over a 180-month period, beginning with the month the farming business began. For details, see chapters 4 and 7 of Pub. 225. For amortization that begins in 2011, you must complete and attach Form 4562.

**Business use of your home.** You may be able to deduct certain expenses for business use of your home, subject to limitations. Use the worksheet in Pub. 587 to figure your allowable deduction. Do not use Form 8829.

**Forestation and reforestation costs.** Reforestation costs are generally capital expenditures. However, for each qualified timber property, you can elect to expense up to \$10,000 (\$5,000 if married filing separately) of qualifying reforestation costs paid or incurred in 2011.

You can elect to amortize the remaining costs over 84 months. For amortization that begins in 2011, you must complete and attach Form 4562.

The amortization election does not apply to trusts, and the expense election does not apply to estates and trusts. For details on reforestation expenses, see chapters 4 and 7 of Pub. 225.

**Legal and professional fees.** You can include on this line fees charged by accountants and attorneys that are ordinary and necessary expenses directly related to your farming business. Include fees for tax advice and for the preparation of tax forms related to your farming business. Also include expenses incurred in resolving asserted tax deficiencies related to your farming business.

**Tools.** You can deduct the amount you paid for tools that have a short life or cost a small amount, such as shovels and rakes.

**Travel, meals, and entertainment.** In most cases, you can deduct expenses for farm business travel and 50% of your business meals

and entertainment. But there are exceptions and limitations. See the instructions for Schedule C (Form 1040), lines 24a and 24b.

**Preproductive period expenses.** If you had preproductive period expenses in 2011 that you are capitalizing, enter the total of these expenses in parentheses on line 32f (to indicate a negative amount) and enter “263A” in the space to the left of the total.

For details, see *Capitalizing costs of property*, earlier, and *Uniform Capitalization Rules* in chapter 6 of Pub. 225.

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## Line 33

If line 32f is a negative amount, subtract it from the total of lines 10 through 32e. Enter the result on line 33.

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## Line 34

If you have a loss, the amount of loss you can deduct this year may be limited. If you checked the “No” box on line E, also see the Instructions for Form 8582.

**Individuals.** Enter your net profit or deductible loss here and on Form 1040, line 18, and Schedule SE (Form 1040), line 1a. Complete lines 35 and 36 before entering the loss on line 34.

**Nonresident aliens.** Enter the net profit or deductible loss here and on Form 1040NR, line 19. You should also enter this amount on Schedule SE (Form 1040), line 1a if you are covered under the U.S. social security system due to an international social security agreement currently in effect. See the Schedule SE (Form 1040) instructions for information on international social security agreements.

**Partnerships.** Enter the net profit or deductible loss here and on Form 1065, line 5 (or Form 1065-B, line 7). Because the excess farm loss rules are applied at the partner level, the partnership will notify each partner on the Schedule K-1 if the partnership received one of the subsidies discussed later. Each partner should complete one of the excess farm loss worksheets to determine if there is an excess farm loss.

**Trusts and estates.** Enter the net profit or deductible loss here and on Form 1041, line 6. If you have a loss, complete lines 35 and 36 to determine if your loss is limited before entering the loss on line 34.

**Community income.** If you and your spouse had community income and are filing separate returns, see the instructions for Schedule SE (Form 1040) before figuring self-employment tax.

**Earned income credit.** If you have a net profit on line 34, this amount is earned income and may qualify you for the earned income credit if you meet certain conditions. See the instructions for Form 1040, lines 64a and 64b, for details.

**Conservation Reserve Program (CRP) payments.** If you received social security retirement or disability benefits in addition to CRP payments, the CRP payments are not subject to self-employment tax. You will deduct these payments from your net farm profit or loss on Schedule SE (Form 1040), line 1b. Do not make any adjustment on Schedule F (Form 1040).

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## Line 35

**Excess farm loss rules.** If you received certain subsidies in 2011, your farm loss may be reduced or eliminated. Check the “Yes” box if you received one of the subsidies discussed next. Otherwise, check the “No” box.

- Any direct or counter-cyclical payments under title I of the Food, Conservation, and Energy Act of 2008 (or any payment you elected instead of this payment).
- Any Commodity Credit Corporation loan.



Your excess farm loss for a year is the amount by which your total deductions from your farming business(es) exceed your total gross income or gain from your farming business(es), plus a threshold amount. The threshold amount is the greater of \$300,000 (\$150,000 if your filing status is married filing separately) or your total net profit or loss from farming business(es) for the last five years (2006-2010), including for each of those years any net gain from the sale of property used in your farming business(es). To determine if you have an excess farm loss, use one of the worksheets.

**Farming business defined.** For purposes of calculating your excess farm loss for the year, farming business has the meaning used in section 263A(e)(4) (generally the trade or business of farming, including operating a nursery or sod farm or raising or harvesting of trees bearing fruit, nuts, or other crops, or ornamental trees, such as evergreen trees, if they are cut within the first 6 years).

Farming business also includes the trade or business of processing a farm commodity even if it is not incidental to your farm. Additionally, farming business includes participating in a cooperative that processes a farm commodity. As a result, any activity reported on Schedule C (Form 1040) that involves processing a farm commodity must be included when determining your excess farm loss, and any losses from that Schedule C (Form 1040) activity may be limited by the excess farm loss rules. Farming business also includes any interest in a partnership or S corporation involved in a farming business.

The worksheets may be used to determine if you have an excess farm loss. These worksheets are provided for your recordkeeping purposes only, and which worksheet you should use will depend on the nature and extent of your farming business(es).

Any excess farm loss not allowed in 2011 may be carried forward and deducted on Schedule F (Form 1040) in the first year in which you do not have an excess farm loss. In determining your excess farm loss for a year in which you received a subsidy described above, do not take into account any deduction for losses from fire, storm, or other casualty, or from disease or drought involving any farming business. Also, you must determine your excess farm loss before calculating any limits due to passive activity on Form 8582.

If you checked “Yes” on line 35, use one of the worksheets in these instructions to determine if you have an excess farm loss that reduces the amount of loss you can deduct this year. If you have more than one farming business with an overall loss this year, allocate the excess farm loss amount on a *pro rata* basis among those farming businesses after determining if your loss is further limited by the at-risk rules, later.

**Excess farm loss worksheets.** You may complete one of these worksheets to determine if you have an excess farm loss in 2011. Do not attach these worksheets to your return; keep them for your records. You will need them next year when any excess farm loss may be deducted, as discussed above. Which worksheet you should use depends on your farming business, or businesses, as explained in *Farming business defined*, earlier.

- Use Worksheet 1 if your farming business(es) include only profit or loss reported on Schedule F (Form 1040), (including multiple copies of Schedule F (Form 1040)).
- Use Worksheet 2 if your farming businesses include Schedule F (Form 1040) and any Schedule C (Form 1040) activity of processing a farm commodity.
- Use Worksheet 3 if your farming businesses include Schedule F (Form 1040) and a Schedule E (Form 1040) interest in a partnership or S corporation involved in a farming business.
- Use Worksheet 4 if your farming businesses include Schedule F (Form 1040), Schedule C (Form 1040) activity of processing a farm commodity, a Schedule E (Form 1040) interest in a partnership or S corporation involved in a farming business, and farm rental income or loss reported on Form 4835.
- Use Worksheet 5 if your farming business is limited to only farm rental income or loss reported on Form 4835.

If you file multiple copies of Schedule F (Form 1040), Schedule C (Form 1040), or Schedule E (Form 1040) as part of your farming businesses, you must combine the income, deductions, and net gain/loss for purposes of determining whether you have an excess farm loss on the worksheets. If you sold any property used in your farming businesses, you must include any gain or loss on the sale of that property (reported on Form 4797, Sales of Business Property, or Schedule D (Form 1040), Capital Gains and Losses). Be sure to include the gain or loss attributable to property used in your farming business(es), as defined earlier in *Farming business defined*. Do not include gain or loss attributable to property used in nonfarming business(es) or nonbusiness property.

**Effect on other deductions.** Certain deductions, including the domestic production activities deduction under section 199 and the deduction for the employer-equivalent portion of self-employment tax, may need to be included when determining your excess farm losses if the deductions are attributable to your farming business, as defined earlier.

In particular, the deduction for the employer-equivalent portion of self-employment tax will not be attributable to your farming business on Schedule F (Form 1040) or your business of processing a farm commodity on Schedule C (Form 1040) if the combined amounts on those schedules produce a loss. But the deduction for the employer-equivalent portion of self-employment tax should be taken into account when the combined amounts on those schedules produce income (or the farm optional method on Schedule SE (Form 1040) is used) and there is a large loss on Schedule E (Form 1040) passed through from a partnership or S corporation.

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## Line 36

**At-risk rules.** In most cases, if you have a loss from a farming activity and amounts invested in the activity for which you are not at risk, you must complete Form 6198 to figure your allowable loss. The at-risk rules generally limit the amount of loss (including loss on the disposition of assets) you can claim to the amount you could actually lose in the activity.

Check box 36b if you have amounts invested in this activity for which you are not at risk, such as the following.

- Nonrecourse loans used to finance the activity, to acquire property used in the activity, or to acquire the activity that are not secured by your own property (other than property used in the activity). However, there is an exception for certain nonrecourse financing borrowed by you in connection with holding real property.
- Cash, property, or borrowed amounts used in the activity (or contributed to the activity, or used to acquire the activity) that are protected against loss by a guarantee, stop-loss agreement, or other similar arrangement (excluding casualty insurance and insurance against tort liability).
- Amounts borrowed for use in the activity from a person who has an interest in the activity, other than as a creditor, or who is related under section 465(b)(3)(C) to a person (other than you) having such an interest.

**Figuring your deductible loss.** Before determining your deductible loss, you must check box 36a or 36b to determine if your loss on line 34 is further limited by the at-risk rules. Follow the instructions below that apply to your box 36 activity.

If all your investment amounts are at risk in this activity, check box 36a. If you checked the “Yes” box on Schedule F (Form 1040), line E, enter your loss on line 34 and on Form 1040, line 18, and Schedule SE (Form 1040), line 1a. Nonresident aliens – enter the deductible loss on Form 1040NR, line 19 (and Schedule SE (Form 1040), line 1a if applicable – see *Nonresident aliens* under the line 34 instructions, earlier). Estates and trusts – enter the deductible loss on Form 1041, line 6.

But if you checked the “No” box on Schedule F (Form 1040), line E, you may need to complete Form 8582 to figure your allowable loss to enter on line 34. See the Instructions for Form 8582.

If some investment is not at risk, check box “b.” If you checked “Yes” on line 35, use one of the worksheets to determine if you have an excess farm loss that reduces the amount of loss you can deduct this year. If you have more than one farming business with an overall loss this year, allocate the excess farm loss amount on a *pro rata* basis among those farming businesses.

If you checked the “Yes” box on Schedule F (Form 1040), line E, first complete Form 6198 to determine the amount of your deductible loss and enter that amount on Form 1040, line 18, and Schedule SE (Form 1040), line 1a. Nonresident aliens – enter the deductible loss on Form 1040NR, line 19 (and Schedule SE (Form 1040), line 1a if applicable – see *Nonresident aliens* under the line 34 instructions, earlier). Estates and trusts – enter the deductible loss on Form 1041, line 6. Partnerships – do not complete Form 6198; enter your profit or loss on line 34 and on Form 1065, line 5 (or Form 1065-B, line 7).

But if you checked the “No” box on Schedule F (Form 1040), line E, see the Instructions for Form 8582 to determine your further loss limitation. If your at-risk amount is zero or less, enter -0- on line 34. Be sure to attach Form 6198 to your return.

If you checked “No” on line 35, complete Form 6198 to determine the amount of your deductible loss. If you checked the “Yes” box on Schedule F (Form 1040), line E, enter that amount on line 34 and on Form 1040, line 18, and Schedule SE (Form 1040), line 1a. Nonresident aliens – enter the deductible loss on Form 1040NR, line 19 (and Schedule SE (Form 1040), line 1a if applicable – see *Nonresident aliens* under the line 34 instructions, earlier). Estates and trusts – enter the deductible loss on Form 1041, line 6. Partnerships – do not complete Form 6198; enter your profit or loss on line 34 and on Form 1065, line 5 (or Form 1065-B, line 7).

But if you checked the “No” box on Schedule F (Form 1040), line E, see the Instructions for Form 8582 to determine your further loss limitation. If your at-risk amount is zero or less, enter -0- on line 34. Be sure to attach Form 6198 to your return.



*If you checked box 36b because some investment is not at risk and you do not attach Form 6198, the processing of your return may be delayed.*

Any loss from this activity not allowed for 2011 only because of the at-risk rules is treated as a deduction allocable to the activity in 2012.

For details, see Pub. 925 and the Instructions for Form 6198.

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## Part III. Farm Income—Accrual Method

You may be required to use the accrual accounting method. If you use the accrual method, report farm income when you earn it, not when you receive it. In most cases, you must include animals and crops in your inventory if you use this method. See Pub. 225 for exceptions, inventory methods, how to change methods of accounting, and rules that require certain costs to be capitalized or included in inventory. For information about accounting periods, see Pub. 538, Accounting Periods and Methods.

**Chapter 11 bankruptcy.** If you were a debtor in a chapter 11 bankruptcy case during 2011, see the instructions for Form 1040 and the instructions for Schedule SE (Form 1040).

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### Lines 37b Through 42b

See the instructions for lines 2a through 7b.

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### Line 43b

See the instructions for line 8b.

# Excess Farm Loss Worksheet 1—Schedule F (Form 1040) farming business only

CAUTION: In determining if you have an excess farm loss, do not take into account any deductions for losses arising by reason of fire, storm, or other casualty, or by reason of disease or drought, involving your farming business.

1. Enter the amount from your 2011 Schedule(s) F (Form 1040), line 33. Is this amount less than \$300,000 (\$150,000 if married filing separately)? If yes, stop here. You do not have an excess farm loss in 2011. If no, continue to line 2 . . . . .	1.	_____
2. Subtract \$300,000 (\$150,000 if married filing separately) from line 1 . . . . .	2.	_____
3. Enter the amount from your 2011 Schedule(s) F (Form 1040), line 9 . . . . .	3.	_____
4. Is line 3 greater than or equal to line 2? If yes, stop here. You do not have an excess farm loss in 2011. If no, continue to line 5.		
5. Enter your net gain/loss from the sale of farming business property reported on Form 4797 . . . . .	5.	_____
6. Enter your net gain/loss from the sale of farming business property reported on Schedule D (Form 1040) . . . . .	6.	_____
7. Combine line 5 and line 6. If zero or less, enter -0- . . . . .	7.	_____
8. Add line 3 and line 7. Is this greater than or equal to line 2? If yes, stop here. You do not have an excess farm loss in 2011. If no, continue to line 9 . . . . .	8.	_____
9. Enter the amount from your 2010 Schedule(s) F (Form 1040), line 36 . . . . .	9.	_____
10. Enter your combined net gain/loss from the sale of farming business property reported on your 2010 Form 4797 and Schedule D (Form 1040). If zero or less, enter -0- . . . . .	10.	_____
11. Enter the amount from your 2009 Schedule(s) F (Form 1040), line 36 . . . . .	11.	_____
12. Enter your combined net gain/loss from the sale of farming business property reported on your 2009 Form 4797 and Schedule D (Form 1040). If zero or less, enter -0- . . . . .	12.	_____
13. Enter the amount from your 2008 Schedule(s) F (Form 1040), line 36 . . . . .	13.	_____
14. Enter your combined net gain/loss from the sale of farming business property reported on your 2008 Form 4797 and Schedule D (Form 1040). If zero or less, enter -0- . . . . .	14.	_____
15. Enter the amount from your 2007 Schedule(s) F (Form 1040), line 36 . . . . .	15.	_____
16. Enter your combined net gain/loss from the sale of farming business property reported on your 2007 Form 4797 and Schedule D (Form 1040). If zero or less, enter -0- . . . . .	16.	_____
17. Enter the amount from your 2006 Schedule(s) F (Form 1040), line 36 . . . . .	17.	_____
18. Enter your combined net gain/loss from the sale of farming business property reported on your 2006 Form 4797 and Schedule D (Form 1040). If zero or less, enter -0- . . . . .	18.	_____
19. Combine lines 9 through 18. If zero or less, enter -0- . . . . .	19.	_____
20. Enter the greater of line 19 or \$300,000 (\$150,000 if married filing separately) . . . . .	20.	_____
21. Add line 8 and line 20 . . . . .	21.	_____
22. <b>Excess farm loss.</b> Subtract line 1 from line 21. If zero or less, you have an excess farm loss that reduces the amount of loss you can deduct this year. If you have more than one farming business with an overall loss this year, allocate the excess farm loss amount on a <i>pro rata</i> basis among those farming businesses . . . . .	22.	_____

# Excess Farm Loss Worksheet 2—Schedule F (Form 1040) farming business(es) and Schedule C (Form 1040) activity of processing a farm commodity

**CAUTION:** In determining if you have an excess farm loss, do not take into account any deductions for losses arising by reason of fire, storm, or other casualty, or by reason of disease or drought, involving your farming businesses.

1. Enter the amount from your 2011 Schedule(s) F (Form 1040), line 33 . . . .	1.	_____	
2. Enter the total amount from your 2011 Schedule(s) C (Form 1040), line 28 and line 30 . . . . .	2.	_____	
3. Add lines 1 and 2. Is this amount less than \$300,000 (\$150,000 if married filing separately)? If yes, stop here. You do not have an excess farm loss in 2011. If no, continue to line 4 . . . . .	3.		_____
4. Subtract \$300,000 (\$150,000 if married filing separately) from line 3 . . . . .	4.		_____
5. Enter the amount from your 2011 Schedule(s) F (Form 1040), line 9 . . . . .	5.	_____	
6. Enter the amount from your 2011 Schedule(s) C (Form 1040), line 7 . . . . .	6.	_____	
7. Combine line 5 and line 6 . . . . .	7.		_____
8. Is line 7 greater than or equal to line 4? If yes, stop here. You do not have an excess farm loss in 2011. If no, continue to line 9.			
9. Enter your net gain/loss from the sale of farming business property reported on Form 4797 . . . . .	9.	_____	
10. Enter your net gain/loss from the sale of farming business property reported on Schedule D (Form 1040) . . . . .	10.	_____	
11. Combine line 9 and line 10. If zero or less, enter -0- . . . . .	11.		_____
12. Add line 7 and line 11. Is this greater than or equal to line 4? If yes, stop here. You do not have an excess farm loss in 2011. If no, continue to line 13 . . . . .	12.		_____
13. Enter the amount from your 2010 Schedule(s) F (Form 1040), line 36 . . . .	13.	_____	
14. Enter the amount from your 2010 Schedule(s) C (Form 1040), line 31 . . . .	14.	_____	
15. Enter your combined net gain/loss from the sale of farming business property reported on your 2010 Form 4797 and Schedule D (Form 1040). If zero or less, enter -0- . . . . .	15.	_____	
16. Enter the amount from your 2009 Schedule(s) F (Form 1040), line 36 . . . .	16.	_____	
17. Enter the amount from your 2009 Schedule(s) C (Form 1040), line 31 . . . .	17.	_____	
18. Enter your combined net gain/loss from the sale of farming business property reported on your 2009 Form 4797 and Schedule D (Form 1040). If zero or less, enter -0- . . . . .	18.	_____	
19. Enter the amount from your 2008 Schedule(s) F (Form 1040), line 36 . . . .	19.	_____	
20. Enter the amount from your 2008 Schedule(s) C (Form 1040), line 31 . . . .	20.	_____	

## Excess Farm Loss Worksheet 2 (Continued)

21. Enter your combined net gain/loss from the sale of farming business property reported on your 2008 Form 4797 and Schedule D (Form 1040). If zero or less, enter -0- . . . . .	21.	_____	
22. Enter the amount from your 2007 Schedule(s) F (Form 1040), line 36 . . . . .	22.	_____	
23. Enter the amount from your 2007 Schedule(s) C (Form 1040), line 31 . . . . .	23.	_____	
24. Enter your combined net gain/loss from the sale of farming business property reported on your 2007 Form 4797 and Schedule D (Form 1040). If zero or less, enter -0- . . . . .	24.	_____	
25. Enter the amount from your 2006 Schedule(s) F (Form 1040), line 36 . . . . .	25.	_____	
26. Enter the amount from your 2006 Schedule(s) C (Form 1040), line 31 . . . . .	26.	_____	
27. Enter your combined net gain/loss from the sale of farming business property reported on your 2006 Form 4797 and Schedule D (Form 1040). If zero or less, enter -0- . . . . .	27.	_____	
28. Combine lines 13 through 27. If zero or less, enter -0- . . . . .	28.	_____	
29. Enter the greater of line 28 or \$300,000 (\$150,000 if married filing separately) . . . . .	29.	_____	
30. Add lines 12 and 29 . . . . .	30.	_____	
31. <b>Excess farm loss.</b> Subtract line 3 from line 30. If zero or less, you have an excess farm loss that reduces the amount of loss you can deduct this year. If you have more than one farming business with an overall loss this year, allocate the excess farm loss amount on a <i>pro rata</i> basis among those farming businesses . . . . .	31.	_____	

**Excess Farm Loss Worksheet 3—Schedule F (Form 1040) farming business(es) and Schedule E (Form 1040) partnership or S corporation income or loss from farming business(es)**

CAUTION: In determining if you have an excess farm loss, do not take into account any deductions for losses arising by reason of fire, storm, or other casualty, or by reason of disease or drought, involving your farming business(es).

1. Enter the amount from your 2011 Schedule(s) F (Form 1040), line 33 . . . . .	1.	_____	
2. Enter the amount from your 2011 Schedule(s) E (Form 1040), line 31 . . . . .	2.	_____	
3. Add lines 1 and 2. Is this amount less than \$300,000 (\$150,000 if married filing separately)? If yes, stop here. You do not have an excess farm loss in 2011. If no, continue to line 4 . . . . .	3.		_____
4. Subtract \$300,000 (\$150,000 if married filing separately) from line 3 . . . . .	4.		_____
5. Enter the amount from your 2011 Schedule(s) F (Form 1040), line 9 . . . . .	5.	_____	
6. Enter the amount from your 2011 Schedule(s) E (Form 1040), line 30 . . . . .	6.	_____	
7. Combine line 5 and line 6 . . . . .	7.		_____
8. Is line 7 greater than or equal to line 4? If yes, stop here. You do not have an excess farm loss in 2011. If no, continue to line 9.			
9. Enter your net gain/loss from the sale of farming business property reported on Form 4797 . . . . .	9.	_____	
10. Enter your net gain/loss from the sale of farming business property reported on Schedule D (Form 1040) . . . . .	10.	_____	
11. Combine line 9 and line 10. If zero or less, enter -0- . . . . .	11.		_____
12. Add line 7 and line 11. Is this greater than or equal to line 4? If yes, stop here. You do not have an excess farm loss in 2011. If no, continue to line 13 . . . . .	12.		_____
13. Enter the amount from your 2010 Schedule(s) F (Form 1040), line 36 . . . . .	13.	_____	
14. Enter the amount from your 2010 Schedule(s) E (Form 1040), line 32 . . . . .	14.	_____	
15. Enter your combined net gain/loss from the sale of farming business property reported on your 2010 Form 4797 and Schedule D (Form 1040). If zero or less, enter -0- . . . . .	15.	_____	
16. Enter the amount from your 2009 Schedule(s) F (Form 1040), line 36 . . . . .	16.	_____	
17. Enter the amount from your 2009 Schedule(s) E (Form 1040), line 32 . . . . .	17.	_____	
18. Enter your combined net gain/loss from the sale of farming business property reported on your 2009 Form 4797 and Schedule D (Form 1040). If zero or less, enter -0- . . . . .	18.	_____	
19. Enter the amount from your 2008 Schedule(s) F (Form 1040), line 36 . . . . .	19.	_____	
20. Enter the amount from your 2008 Schedule(s) E (Form 1040), line 32 . . . . .	20.	_____	

### Excess Farm Loss Worksheet 3 (Continued)

21. Enter your combined net gain/loss from the sale of farming business property reported on your 2008 Form 4797 and Schedule D (Form 1040). If zero or less, enter -0- . . . . .	21.	_____
22. Enter the amount from your 2007 Schedule(s) F (Form 1040), line 36 . . . . .	22.	_____
23. Enter the amount from your 2007 Schedule(s) E (Form 1040), line 32 . . . . .	23.	_____
24. Enter your combined net gain/loss from the sale of farming business property reported on your 2007 Form 4797 and Schedule D (Form 1040). If zero or less, enter -0- . . . . .	24.	_____
25. Enter the amount from your 2006 Schedule(s) F (Form 1040), line 36 . . . . .	25.	_____
26. Enter the amount from your 2006 Schedule(s) E (Form 1040), line 32 . . . . .	26.	_____
27. Enter your combined net gain/loss from the sale of farming business property reported on your 2006 Form 4797 and Schedule D (Form 1040). If zero or less, enter -0- . . . . .	27.	_____
28. Combine lines 13 through 27. If zero or less, enter -0- . . . . .	28.	_____
29. Enter the greater of line 28 or \$300,000 (\$150,000 if married filing separately) . . . . .	29.	_____
30. Add lines 12 and 29 . . . . .	30.	_____
31. <b>Excess farm loss.</b> Subtract line 3 from line 30. If zero or less, you have an excess farm loss that reduces the amount of loss you can deduct this year. If you have more than one farming business with an overall loss this year, allocate the excess farm loss amount on a <i>pro rata</i> basis among those farming businesses . . . . .	31.	_____

**Excess Farm Loss Worksheet 4—Schedule F (Form 1040) farming business(es), Schedule C (Form 1040) activity of processing a farm commodity, Schedule E (Form 1040) partnership or S corporation income or loss from farming business(es), and Form 4835 rental income or loss**

Keep for Your Records



**CAUTION:** In determining if you have an excess farm loss, do not take into account any deductions for losses arising by reason of fire, storm, or other casualty, or by reason of disease or drought, involving your farming business(es).

- |  |     |       |
|--|-----|-------|
| 1. Enter the amount from your 2011 Schedule(s) F (Form 1040), line 33 . . . .  | 1.  | _____ |
| 2. Enter the total amount from your 2011 Schedule(s) C (Form 1040), line 28 and line 30, for activity of processing a farm commodity . . . . .   | 2.  | _____ |
| 3. Enter the amount from your 2011 Schedule(s) E (Form 1040), line 31, for interest in a partnership or S corporation involved in farming businesses . .   | 3.  | _____ |
| 4. Enter the amount from your 2011 Form 4835, line 31 . . . . .  | 4.  | _____ |
| 5. Add lines 1, 2, 3, and 4. Is this amount less than \$300,000 (\$150,000 if married filing separately)? If yes, stop here. You do not have an excess farm loss in 2011. If no, continue to line 6 . . . . .  | 5.  | _____ |
| 6. Subtract \$300,000 (\$150,000 if married filing separately) from line 5 . . . . .   | 6.  | _____ |
| 7. Enter the amount from your 2011 Schedule(s) F (Form 1040), line 9 . . . . .   | 7.  | _____ |
| 8. Enter the amount from your 2011 Schedule(s) C (Form 1040), line 7 . . . . .   | 8.  | _____ |
| 9. Enter the amount from your 2011 Schedule(s) E (Form 1040), line 30 . . . . .  | 9.  | _____ |
| 10. Enter the amount from your 2011 Form 4835, line 7 . . . . .  | 10. | _____ |
| 11. Combine lines 7, 8, 9, and 10 . . . . .  | 11. | _____ |
| 12. Is line 11 greater than or equal to line 6? If yes, stop here. You do not have an excess farm loss in 2011. If no, continue to line 13.  |     |       |
| 13. Enter your net gain/loss from the sale of farming business property reported on Form 4797 . . . . .  | 13. | _____ |
| 14. Enter your net gain/loss from the sale of farming business property reported on Schedule D (Form 1040) . . . . .   | 14. | _____ |
| 15. Combine line 13 and line 14. If zero or less, enter -0- . . . . .  | 15. | _____ |
| 16. Add lines 11 and 15. Is this greater than or equal to line 6? If yes, stop here. You do not have an excess farm loss in 2011. If no, continue to line 17 . . . . .   | 16. | _____ |
| <p>TIP: Lines 17 through 43 help you calculate the threshold amount discussed in the instructions. The threshold amount is the greater of \$300,000 (\$150,000 if married filing separately) or your total net profit or loss from farming businesses for the last five years (2006-2010), including for each of those years any net gain or loss from the sale of property used in your farming businesses.</p> |     |       |
| 17. Enter the amount from your 2010 Schedule(s) F (Form 1040), line 36 . . . .   | 17. | _____ |
| 18. Enter the amount from your 2010 Schedule(s) C (Form 1040), line 31 . . . .   | 18. | _____ |
| 19. Enter the amount from your 2010 Schedule(s) E (Form 1040), line 32 . . . .   | 19. | _____ |
| 20. Enter the amount from your 2010 Form 4835, line 32 . . . . .   | 20. | _____ |
| 21. Enter your combined net gain/loss from the sale of farming business property reported on your 2010 Form 4797 and Schedule D (Form 1040). If zero or less, enter -0- . . . . .  | 21. | _____ |
| 22. Enter the amount from your 2009 Schedule(s) F (Form 1040), line 36 . . . .   | 22. | _____ |
| 23. Enter the amount from your 2009 Schedule(s) C (Form 1040), line 31 . . . .   | 23. | _____ |
| 24. Enter the amount from your 2009 Schedule(s) E (Form 1040), line 32 . . . .   | 24. | _____ |
| 25. Enter the amount from your 2009 Form 4835, line 32 . . . . .   | 25. | _____ |
| 26. Enter your combined net gain/loss from the sale of farming business property reported on your 2009 Form 4797 and Schedule D (Form 1040). If zero or less, enter -0- . . . . .  | 26. | _____ |
| 27. Enter the amount from your 2008 Schedule(s) F (Form 1040), line 36 . . . .   | 27. | _____ |
| 28. Enter the amount from your 2008 Schedule(s) C (Form 1040), line 31 . . . .   | 28. | _____ |

(Continued on next page)



## Excess Farm Loss Worksheet 4 (Continued)

29.	Enter the amount from your 2008 Schedule(s) E (Form 1040), line 32 . . . .	29.	_____
30.	Enter the amount from your 2008 Form 4835, line 32 . . . . .	30.	_____
31.	Enter your combined net gain/loss from the sale of farming business property reported on your 2008 Form 4797 and Schedule D (Form 1040). If zero or less, enter -0- . . . . .	31.	_____
32.	Enter the amount from your 2007 Schedule(s) F (Form 1040), line 36 . . . .	32.	_____
33.	Enter the amount from your 2007 Schedule(s) C (Form 1040), line 31 . . . .	33.	_____
34.	Enter the amount from your 2007 Schedule(s) E (Form 1040), line 32 . . . .	34.	_____
35.	Enter the amount from your 2007 Form 4835, line 32 . . . . .	35.	_____
36.	Enter your combined net gain/loss from the sale of farming business property reported on your 2007 Form 4797 and Schedule D (Form 1040). If zero or less, enter -0- . . . . .	36.	_____
37.	Enter the amount from your 2006 Schedule(s) F (Form 1040), line 36 . . . .	37.	_____
38.	Enter the amount from your 2006 Schedule(s) C (Form 1040), line 31 . . . .	38.	_____
39.	Enter the amount from your 2006 Schedule(s) E (Form 1040), line 32 . . . .	39.	_____
40.	Enter the amount from your 2006 Form 4835, line 32 . . . . .	40.	_____
41.	Enter your combined net gain/loss from the sale of farming business property reported on your 2006 Form 4797 and Schedule D (Form 1040). If zero or less, enter -0- . . . . .	41.	_____
42.	Combine lines 17 through 41. If zero or less, enter -0- . . . . .	42.	_____
43.	Enter the greater of line 42 or \$300,000 (\$150,000 if married filing separately) . . . . .	43.	_____
44.	Add lines 16 and 43 . . . . .	44.	_____
45.	<b>Excess farm loss.</b> Subtract line 5 from line 44. If zero or less, you have an excess farm loss that reduces the amount of loss you can deduct this year. If you have more than one farming business with an overall loss this year, allocate the excess farm loss amount on a <i>pro rata</i> basis among those farming businesses . . . . .	45.	_____

# Excess Farm Loss Worksheet 5—Form 4835 for farm rental income or loss from farming business

Keep for Your Records



CAUTION: In determining if you have an excess farm loss, do not take into account any deductions for losses arising by reason of fire, storm, or other casualty, or by reason of disease or drought, involving your farming business.

1. Enter the amount from your 2011 Form 4835, line 31. Is this amount less than \$300,000 (\$150,000 if married filing separately)? If yes, stop here. You do not have an excess farm loss in 2011. If no, continue to line 2 . . . .	1.	_____	
2. Subtract \$300,000 (\$150,000 if married filing separately) from line 1 . . . .	2.	_____	
3. Enter the amount from your 2011 Form 4835, line 7 . . . . .	3.	_____	
4. Is line 3 greater than or equal to line 2? If yes, stop here. You do not have an excess farm loss in 2011. If no, continue to line 5.			
5. Enter your net gain/loss from the sale of farming business property reported on Form 4797 . . . . .	5.	_____	
6. Enter your net gain/loss from the sale of farming business property reported on Schedule D (Form 1040) . . . . .	6.	_____	
7. Combine line 5 and line 6. If zero or less, enter -0- . . . . .			7. _____
8. Add line 3 and line 7. Is this greater than or equal to line 2? If yes, stop here. You do not have an excess farm loss in 2011. If no, continue to line 9 . . . . .			8. _____
9. Enter the amount from your 2010 Form 4835, line 32 . . . . .	9.	_____	
10. Enter your combined net gain/loss from the sale of farming business property reported on your 2010 Form 4797 and Schedule D (Form 1040). If zero or less, enter -0- . . . . .	10.	_____	
11. Enter the amount from your 2009 Form 4835, line 32 . . . . .	11.	_____	
12. Enter your combined net gain/loss from the sale of farming business property reported on your 2009 Form 4797 and Schedule D (Form 1040). If zero or less, enter -0- . . . . .	12.	_____	
13. Enter the amount from your 2008 Form 4835, line 32 . . . . .	13.	_____	
14. Enter your combined net gain/loss from the sale of farming business property reported on your 2008 Form 4797 and Schedule D (Form 1040). If zero or less, enter -0- . . . . .	14.	_____	
15. Enter the amount from your 2007 Form 4835, line 32 . . . . .	15.	_____	
16. Enter your combined net gain/loss from the sale of farming business property reported on your 2007 Form 4797 and Schedule D (Form 1040). If zero or less, enter -0- . . . . .	16.	_____	
17. Enter the amount from your 2006 Form 4835, line 32 . . . . .	17.	_____	
18. Enter your combined net gain/loss from the sale of farming business property reported on your 2006 Form 4797 and Schedule D (Form 1040). If zero or less, enter -0- . . . . .	18.	_____	
19. Combine lines 9 through 18. If zero or less, enter -0- . . . . .			19. _____
20. Enter the greater of line 19 or \$300,000 (\$150,000 if married filing separately) . . . . .			20. _____
21. Add lines 8 and 20 . . . . .			21. _____
22. <b>Excess farm loss.</b> Subtract line 1 from line 21. If zero or less, you have an excess farm loss that reduces the amount of loss you can deduct this year. If you have more than one farming business with an overall loss this year, allocate the excess farm loss amount on a <i>pro rata</i> basis among those farming businesses . . . . .			22. _____