

Return #9

Please suppress the state on screen 1 of data entry by selecting 0 from the **Resident State** field.

Joseph and Mary Isley own a farm and have two children. Joseph was born November 11, 1967. His social security number is 400-00-1809. His wife Mary was born June 28, 1970. Her social security number is 400-00-1862. They are filing a joint return. Mary is a homemaker.

Joseph and Mary live at:
435 Dowdle Mountain Road
Franklin, NC 28734

The daytime phone is 828-555-2497.

Their son and daughter lived with them the entire year. Adam's birthday is March 22, 1999. His social security number is 400-00-1857. Rachel's birthday is August 23, 1994. Her social security number is 400-00-1831.

Joseph and Mary received a \$1,800 economic stimulus payment in 2008.

Joseph and Mary made estimated tax payments of \$1,200 for each of the 4 quarters.

Joseph (T) is filing a Schedule F – Farm Income.

The principal product of the farm is dairy farming, but he also raises crops. The activity code is 112120. He uses the Cash method of accounting. The Employer ID is 93-7676756. He actively participated in the business and all investment was at risk

Joseph's farm income includes:

Sales of livestock/other items bought for resale	\$ 9,375
Cost of Items bought for resale	\$ 5,715
Sales of raised livestock/produce/grains/other products	\$120,500
Co-op total distributions	\$ 845
Co-op total distributions taxable	0
Agricultural payments total	\$ 7,450
Agricultural payments taxable	\$ 7,450

Joseph's farm expenses include:

Car and truck expenses	\$ 1,665
Chemicals	\$ 2,470
Feed	\$10,720
Fertilizers and lime	\$ 8,460
Freight and trucking	\$ 1,795
Gasoline, fuel, oil	\$ 3,785
Insurance	\$ 3,362
Interest – Mortgage	\$ 3,175
Labor hired	\$ 7,505
Repairs and Maintenance	\$ 6,823
Seeds and plants	\$ 2,495

Storage and Warehousing	\$ 2,500
Supplies purchased	\$ 6,340
Taxes	\$ 3,945
Utilities	\$ 5,096
Vet fees and medicines	\$ 9,105

Joseph had the following depreciable items for schedule F (all were 100% business use):

Description	Date Acquired	Cost	Method	Life	Prior Depreciation
Bailer	01/23/2008	\$63,000	M	7	
Tractor 2	04/12/2008	\$22,000	M	7	
Milking Machine	01/23/2007	\$18,000	M	7	\$1,800
Manure Spreader	03/09/2006	\$ 3,625	M	7	\$ 725
Tractor 1	11/07/2005	\$14,575	M	7	\$5,830
Breeding cows	02/15/2000	\$ 7,425	M	5	\$7,425

Joseph bought Sam – Breeding Bull #2 at an auction August 12, 2008 for \$2,000. Sam was tragically struck by lightning August 14, 2008. Since Joseph had recently purchased Sam - Breeding Bull #2, he didn't have any insurance on Sam. Joseph (T) plans to file a Casualty loss for business property.

Joseph's dairy herd has grown too large. He decided to sell some of his breeding stock. He sold them November 13, 2008. Gross sales price \$14,330. The Basis is \$7,425. The breeding cows are Section 1231 property.

He wants to check if it would be better to income average. The following information is used on Schedule J:

MFJ

Elected farm income – \$21,500

	2007 MFJ	2006 MFJ	2005 MFJ
Taxable Income	\$20,896	\$7,600	\$11,200
Tax	\$ 1,463	\$ 455	\$ 965

Is it advantageous to file a Schedule J?