

Practice Tax Return # 9 Tax Year 2011

Before starting this practice return, review the General Instructions.

Issues: This practice situation involves a 2011 individual tax return for a married couple. The couple own and operates a farm.

Comments: The fact that both husband and wife own and operate the farm constitutes a partnership; however, the taxpayers elect to treat the farm as a joint venture, which means that you will need to prepare two Schedule Fs, one for the husband and one for the wife. Each Schedule F will report one-half of the farm income and expenses.

Facts:

INDIVIDUAL TAX RETURNS

Personal Data (screen 1): Martin and Lori Jones are married and have two children, their filing status is married filing jointly, and they live at 435 Dairy Mountain Road, Franklin, NC 28734. Martin's Social Security Number is 400-00-3009, his birth date is November 11, 1967, and he is a farmer. Lori's Social Security Number is 400-00-2062 her birth date is June 28, 1970, and she is a farmer. Their evening and daytime phone number is 828-555-1111. Their e-mail address is martinlorijones@oal.com. The Jones's made 2011 quarterly estimated payments of \$6,000.

Dependents (screen 2): Their son and daughter lived with them the entire year. Mark's birthday is March 22, 2000, and his Social Security Number is 400-00-1957. Rachel's birthday is August 23, 1995. Her Social Security Number is 400-00-1931. Both children are unmarried, and no other person qualifies to claim them as dependents.

Profit or Loss from Farming (screen F): The Joneses jointly own and operate a farm, the principal product of which is dairy, but they also raise crops. For tax purposes the Joneses elect to treat their farm business as a joint venture, which requires the filing of two Schedule Fs. The activity code is 112120. They use the cash method of accounting. Martin's Employer Identification Number (EIN) is 93-7676757 and Lori's EIN is 93-7676758. They actively participated in the business and all investment was at risk. See Exhibit A for the data to prepare their 2011 tax return.

Tax Calculation (screen J): Martin and Lori want you to check to see if it would be better to income average. The following information is used on Schedule J:

Prior Year Taxable Income			
	2010 MFJ	2009 MFJ	2008 MFJ
Taxable Income	74,726	0	20,896
Tax	9,730	0	1,463

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 Exhibit A page 1 of 4
 Martin and Lori Jones
 Farm Income & Expenses

	Total	Martin	Lori
Farm Income			
Sales of livestock/other items bought for resale	10,400	5,200	5,200
Cost of Items bought for resale	(5,800)	(2,900)	(2,900)
Sales of raised livestock/produce/grains/other products	194,000	97,000	97,000
Co-op total distributions (taxable patronage dividend)	1,200	600	600
Agricultural taxable payments total	5,600	2,800	2,800
Farm Expenses			
Chemicals	3,800	1,900	1,900
Feed	13,500	6,750	6,750
Fertilizers and lime	4,600	2,300	2,300
Freight and trucking	2,200	1,100	1,100
Gasoline, fuel, oil	3,600	1,800	1,800
Insurance	4,200	2,100	2,100
Interest – Mortgage	4,600	2,300	2,300
Labor hired	6,400	3,200	3,200
Repairs and Maintenance	4,800	2,400	2,400
Seeds and plants	2,000	1,000	1,000
Supplies purchased	7,000	3,500	3,500
Taxes	12,000	6,000	6,000
Utilities	6,400	3,200	3,200
Vet fees and medicines	8,600	4,300	4,300

Auto Expense			
Description	Total	Martin	Lori
Business mileage	20,000	10,000	10,000
Gas expenses	725	362	363
Insurance	1,200	600	600
Oil	150	75	75
Repairs	1,450	725	725
Tires	500	250	250

The 2011 Depreciation Detail Listing for Martin and Lori is on the following pages. There were no depreciable assets purchased this year.

Depreciation Detail Listing

FARM - DAIRY FARMING

For your records only

2011

PAGE 1

* Item was disposed
of during current year.

Name(s) as shown on return

MARTIN & LORI JONES

Social security number/EIN

400-00-3009

No.	Description	Date	Cost	Salvage	Business percentage	Section 179	Depreciation Basis	Life	Method	Rate	Current depr.	Accumulated Depreciation	Prior expense	Bonus depreciation	AMT Current
1	BAILER	20090123	31,500		100.00		16,000	7	150 DB HY	15.03	500	31,500		PY 15,500	500
3	TRACTOR 2	20090412	11,000		100.00		5,500	3	150 DB HY	25		11,000		PY 5,500	
5	MILKING MACHINE	20080123	9,000		100.00		9,000	7	150 DB HY	12.25	1,103	4,605			1,103
7	MANURE SPREADER	20070309	1,812		100.00		1,812	7	150 DB HY	12.25	222	1,020			222
9	TRACTOR 1	20061107	7,288		100.00		7,288	3		0		3,690			
11	GRAIN STRUCTURE UNIT	20020122	62,500		100.00		62,500	10	150 DB HY	8.74	5,463	32,801			5,463
Totals			123,100				102,100				7,288	84,616			7,288

Land Amount
Net Depreciable Cost

123,100

ST ADJ:

(6,984)

Depreciation Detail Listing

FARM - DAIRY FARMING

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2011

PAGE 1

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of during current year.

Name(s) as shown on return

MARTIN & LORI JONES

Social security number/EIN

400-00-3009

No.	Description	Date	Cost	Salvage	Business percentage	Section 179	Depreciation Basis	Life	Method	Rate	Current depr.	Accumulated Depreciation	Prior expense	Bonus depreciation	AMT Current
2	BAILER	20090123	31,500		100.00		16,000	7	150 DB HY	15.03	500	31,500		PY 15,500	500
4	TRACTOR	20090412	11,000		100.00		5,500	3	150 DB HY	25		11,412		PY 5,500	
6	MILKING MACHINE	20080123	9,000		100.00		9,000	7	150 DB HY	12.25	1,103	4,605			1,103
8	MANURE SPREADER	20070309	1,812		100.00		1,812	7	150 DB HY	12.25	222	1,020			222
10	TRACTOR 1	20061107	7,288		100.00		7,288	3		0		3,690			
12	GRAIN STRUCTURE UNIT	20020122	62,500		100.00		62,500	10	150 DB HY	8.74	5,463	32,801			5,463
Totals			123,100				102,100				7,288	85,028			7,288

Land Amount
Net Depreciable Cost

123,100

ST ADJ:

(6,984)