

## Return #9

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

Martin and Lori Jones own a farm and have two children. Martin was born November 11, 1967. His social security number is 400-00-1909. His wife Lori was born June 28, 1970. Her social security number is 400-00-1862. They are filing a joint return. Lori is a homemaker.

Martin and Lori live at:  
435 Dairy Mountain Road  
Franklin, NC 28734

The daytime phone is 828-555-1111.

Their son and daughter lived with them the entire year. Mark's birthday is March 22, 2000. His social security number is 400-00-1857. Rachel's birthday is August 23, 1995. Her social security number is 400-00-1831.

The EIC information for each child:

- The child can be claimed as the taxpayer's dependent
- The child lived with the taxpayer for more than half the year
- Another person cannot claim the child

Complete 8867 EIC Paid Preparer Checklist and EIC2 EIC Due Diligence - Income

Martin and Lori made estimated tax payments of \$3,000 entered on screen 5.

Martin (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

Martin's farm income includes:

Sales of livestock/other items bought for resale	\$ 11,400
Cost of Items bought for resale	\$ 5,715
Sales of raised livestock/produce/grains/other products	\$ 127,000
Co-op total distributions	\$ 845
Co-op total distributions taxable	\$ 845
Agricultural payments total	\$ 6,390
Agricultural payments taxable	\$ 6,390

Martin's farm expenses include:

Chemicals	\$ 3,470
Feed	\$11,450
Fertilizers and lime	\$ 4,500
Freight and trucking	\$ 1,795
Gasoline, fuel, oil	\$ 3,200
Insurance	\$ 4,000
Interest – Mortgage	\$ 4,700

Labor hired	\$ 6,000
Repairs and Maintenance	\$ 5,200
Seeds and plants	\$ 1,750
Supplies purchased	\$ 7,200
Taxes	\$ 12,000
Utilities	\$ 6,500
Vet fees and medicines	\$ 9,105

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

Description	Date Acquired	Cost	Method	Life	Prior Depreciation
Bailer	01/23/2009	\$63,000	M	10	
Tractor 2	04/12/2009	\$22,000	M	10	
Milking Machine	01/23/2008	\$18,000	M	10	\$1,800
Manure Spreader	03/09/2007	\$ 3,625	M	10	\$ 725
Tractor 1	11/07/2006	\$14,575	M	10	\$5,830
Grain Structure Unit	01/22/2002	\$125,000	SL	20	\$37,500

They have a truck used for working on the farm. It was purchased in 04/12/2000. They have another vehicle they use for personal use and have written evidence to support their auto deduction.

Business mileage	15000
Gas expenses	575
Insurance	1200
Oil	120
Repairs	1100
Tires	500

Martin bought Sam – Breeding Bull #4 at an auction August 12, 2009 for \$2,000. Sam was tragically struck by lightning August 14, 2009. Since Martin had recently purchased Sam - Breeding Bull #4, he didn't have any insurance on Sam. Martin (T) plans to file a Casualty loss for business property.

Martin's dairy herd has grown too large. He decided to sell some of his breeding stock he purchased June 14, 2000. He sold them November 13, 2009. Gross sales price \$14,330. The Basis is \$7,425.

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

MFJ

Elected farm income – \$25,000

	2008 MFJ	2007 MFJ	2006 MFJ
Taxable Income	\$17,500	\$20,896	\$7,600
Tax	\$ 1,275	\$ 1,463	\$ 455

Is it advantageous to file a Schedule J?