

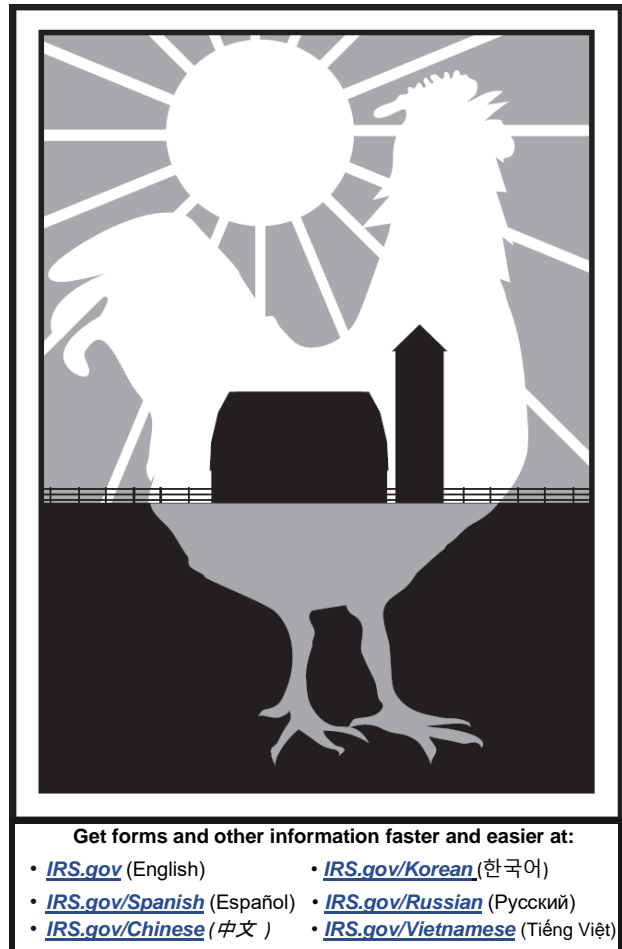
Publication 225

Farmers Tax Guide

For use in preparing

2024 Returns

Volume 10 of 11



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To contact EFTPS using Telecommunications Relay Services (TRS) for people who are deaf, hard of hearing, or have a speech disability, dial 711 and then provide the TRS assistant the 800-555-4477 number above or

800-733-4829. Additional information about EFTPS is also available in Pub. 966.



For an EFTPS deposit to be on time, you must submit the deposit by 8 p.m. Eastern time the day before the date the deposit is due.

Electronic filing and payment. Businesses can enjoy the benefits of filing tax returns and paying their federal taxes electronically. Whether you rely on a tax professional or handle your own taxes, the IRS offers you convenient and secure programs to make filing and paying easier. Spend less time worrying about taxes and more time running your business.

Use e-file and EFTPS to your benefit.

- For e-file, go to [IRS.gov/EmploymentEfile](https://www.irs.gov/employmentefile) for additional information. A fee may be charged to file electronically.
- For EFTPS, go to [EFTPS.gov](https://www.eftps.gov) or call EFTPS at one of the numbers provided under the Note, earlier.
- For electronic filing of Form W-2, Wage and Tax Statement, go to [SSA.gov/employer](https://www.ssa.gov/employer). You may be required to file Forms W-2 electronically. For details, see the General Instructions for Forms W-2 and W-3. The Social Security Administration's Business Services Online (BSO) is an independent program from the Government of Puerto Rico electronic filing system. Employers in Puerto Rico must go to [Hacienda.gobierno.pr](https://www.hacienda.gobierno.pr) for additional information.

Note. Unless otherwise noted, references throughout these instructions to Form W-2 include Form 499R-2/W-2PR; references to Form W-2c include Form 499R-2c/W-2cPR;

references to Form W-3 include Form W-3 (PR); and references to Form W-3c include Form W-3C (PR).

Important Dates for 2025

You should take the actions indicated by the dates listed. The dates listed here aren't adjusted for Saturdays, Sundays, and legal holidays (see the TIP next). Pub. 509, Tax Calendars (for use in 2025), adjusts the dates for Saturdays, Sundays, and legal holidays. Due dates for deposits of withheld federal income taxes, social security taxes, and Medicare taxes aren't listed here. Also, the due dates for forms required for health coverage reporting aren't listed here. For these dates, see Pub. 509.



If any date shown next for filing a return, furnishing a form, or depositing taxes falls on a Saturday, Sunday, or legal holiday, the due date is the next business day. The term "legal holiday"

means any legal holiday in the District of Columbia. Legal holidays in the District of Columbia are provided in section 11 of Pub. 15. A statewide legal holiday delays a filing or furnishing due date only if the IRS office where you're required to file a return or furnish a form is located in that state. However, a statewide legal holiday doesn't delay the due date of federal tax deposits. For any due date, you will meet the "file" or "furnish" date requirement if the envelope containing the tax return or form is properly addressed, contains sufficient postage, and is postmarked by the U.S. Postal Service on or before the due date, or sent by an IRS-designated private delivery service (PDS) on or before the due date. Go to [IRS.gov/PDS](https://www.irs.gov/PDS) for the current list of PDSs. For the IRS mailing address to use if you're using a PDS, go to [IRS.gov/PDSstreetAddresses](https://www.irs.gov/PDSstreetAddresses).

Fiscal year taxpayers. The due dates listed next apply whether you use a calendar or a fiscal year. **By January 31.**

- File Form 943 with the IRS. If you deposited all Form 943 taxes when due, you may file Form 943 by February 10.
- File Form 940, Employer's Annual Federal Unemployment (FUTA) Tax Return, with the IRS. If you deposited all the FUTA tax when due, you may file Form 940 by February 10.
- File Copy A of all paper and electronic Forms W-2 with Form W-3, Transmittal of Wage and Tax Statements, with the Social Security Administration (SSA). If filing electronically, the SSA generates Form W-3 automatically based on your Forms W-2. For more information on reporting Form W-2 information to the SSA electronically, go to the SSA's Employer W-2 Filing Instructions & Information webpage at [SSA.gov/employer.](https://www.ssa.gov/employer)

- Furnish each employee with a completed Form W-2.
- File Copy A of all paper and electronic Forms 1099-NEC, Nonemployee Compensation, that report nonemployee compensation with Form 1096, Annual Summary and Transmittal of U.S. Information Returns, with the IRS. For information on filing information returns electronically with the IRS, see Pub. 1220. Other Forms 1099, including Forms 1099-MISC, Miscellaneous Information, have different due dates. For details about filing Forms 1099 and for information about required electronic filing, see the General Instructions for Certain Information Returns for general information, and the separate, specific instructions for each information return you file (for example, the Instructions for Forms 1099-MISC and 1099-NEC).

- Furnish a completed Form 1099-NEC to each recipient to whom you paid \$600 or more in nonemployee compensation.
- File Form 945, Annual Return of Withheld Federal Income Tax, with the IRS to report any nonpayroll income tax withheld. If you deposited all Form 945 taxes when due, you may file Form 945 by February 10.

By February 15. Ask for a new Form W-4, Employee's Withholding Certificate, or Formulario W-4 (sp) from each employee who claimed exemption from federal income tax withholding last year.

On February 16. Any Form W-4 claiming exemption from withholding for the previous year has now expired. Begin withholding for any employee who previously claimed exemption from withholding but hasn't given you a new Form W-4 for the current year. If the employee doesn't give you a new Form W-4, withhold taxes as if they had checked

the box for Single or Married filing separately in Step 1(c) and made no entries in Step 2, Step 3, or Step 4 of the 2025 Form W-4. If the employee furnishes a new Form W-4 claiming exemption from withholding after February 15, you may apply the exemption to future wages, but don't refund taxes withheld while the exempt status wasn't in place.

By April 30, July 31, October 31, and January 31. Deposit FUTA taxes. Deposit FUTA tax due if the undeposited amount is over \$500.

Before December 1. Provide employees an opportunity to submit a new Form W-4 if their filing status, other income, deductions, or credits have changed or will change for the next year.

Introduction

You're generally required to withhold federal income tax from the wages of your employees. You may be required to withhold

social security and Medicare taxes from your employees' wages and pay the employer's share of these taxes under the Federal Insurance Contributions Act (FICA). You may also have to pay federal unemployment tax under the Federal Unemployment Tax Act (FUTA). You must also withhold Additional Medicare Tax from wages you pay to an employee in excess of \$200,000 in a calendar year. This chapter includes information about these taxes.

You must also pay self-employment tax on your net earnings from farming. See chapter 12 for information on self-employment tax.

Topics

This chapter discusses:

- Farm employment;
- Family employees;
- Crew leaders;
- Social security and Medicare taxes;

- Federal income tax withholding;
- Required notice to employees about the earned income credit (EIC);
- Reporting and paying social security, Medicare, and withheld federal income taxes; and
- FUTA tax.

Useful Items

You may want to see:

Publication

- ☐ **15** Employer's Tax Guide
- ☐ **15-A** Employer's Supplemental Tax Guide
- ☐ **15-B** Employer's Tax Guide to Fringe Benefits
- ☐ **15-T** Federal Income Tax Withholding Methods

- ☐ **926** Household Employer's Tax Guide
Form (and Instructions)
- ☐ **W-2** Wage and Tax Statement
- ☐ **W-4** Employee's Withholding
Certificate
- ☐ **W-9** Request for Taxpayer
Identification Number and Certification
- ☐ **940** Employer's Annual Federal
Unemployment (FUTA) Tax Return
- ☐ **943** Employer's Annual Federal Tax
Return for Agricultural Employees
- ☐ **943-X** Adjusted Employer's Annual
Federal Tax Return for Agricultural
Employees or Claim for Refund

See [How To Get Tax Help](#) for information about getting publications and forms.

Farm Employment

In general, you're an employer of farmworkers if your employees do any of the following types of work.

- Raising or harvesting agricultural or horticultural products on a farm, including raising and feeding of livestock and raising bees for pollination and the production of honey.
- Operating, managing, conserving, improving, or maintaining your farm and its tools and equipment, if the major part of such service is performed on a farm.
- Services performed in salvaging timber, or clearing land of brush and other debris, left by a hurricane (also known as hurricane labor) if the major part of such service is performed on a farm.
- Handling, processing, or packaging any agricultural or horticultural commodity in its unmanufactured state if you produced

more than half of the commodity (for a group of up to 20 unincorporated operators, all of the commodity).

- Work related to cotton ginning, turpentine, gum resin products, or the operation and maintenance of irrigation facilities.

For more information, see section 2 of Pub. 15.

Generally, a worker who performs services for you is your employee if you have the right to control what will be done and how it will be done. This is so even when you give the employee freedom of action. What matters is that you have the right to control the details of how the services are performed. You're responsible for withholding and paying employment taxes for your employees. You're also required to file employment tax returns. These requirements don't apply to amounts that you pay to independent contractors, as discussed later under Nonemployee

compensation. See sections 1 and 2 of Pub. 15-A for more information on how to determine whether an individual providing services is an independent contractor or an employee.

If you employ a family of workers, each worker subject to your control (not just the head of the family) is an employee.

Special rules apply to crew leaders. See Crew Leaders, later.

Employer identification number (EIN). If you're required to report employment taxes or give tax statements to employees, you must have an EIN. If you don't have an EIN, you may apply for one online by going to [IRS.gov/EIN](https://irs.gov/EIN). You may also apply for an EIN by faxing or mailing Form SS-4 to the IRS. Be aware that you may already have an EIN if you have previously had farm employees; previously had nonfarm employees in a different business; you file Form 2290, Heavy Highway Vehicle Use Tax Return; or your

farm business is structured as a partnership, limited liability company, S corporation, or C corporation.

Employee's social security number

(SSN). An employee who doesn't have an SSN and is legally eligible to work in the United States should submit Form SS-5, Application for a Social Security Card, to the SSA. Form SS-5 is available from any SSA office or by calling 800-772-1213. It is also available from the SSA's website at [SSA.gov/online/ss-5.pdf](https://www.ssa.gov/online/ss-5.pdf).

The employee must furnish evidence of age, identity, and U.S. citizenship or lawful immigration status permitting employment with the Form SS-5.

Form I-9. You must verify that each new employee is legally eligible to work in the United States. This includes completing the U.S. Citizenship and Immigration Services (USCIS) Form I-9, Employment Eligibility Verification. You can get Form I-9 at

[USCIS.gov/Forms](https://uscis.gov/Forms). For more information, go to the USCIS website at [USCIS.gov/I-9-Central](https://uscis.gov/I-9-Central) or call 800-375-5283 or 800-767-1833 (TTY).

You may use the Social Security Number Verification Service (SSNVS) at [SSA.gov/employer/ssnv.htm](https://ssa.gov/employer/ssnv.htm) to verify that an employee name matches an SSN. A person may have a valid SSN but not be authorized to work in the United States. You may use E-Verify at [EVerify.gov](https://everify.gov) to confirm the employment eligibility of newly hired employees. Some states may require employers to also use E-Verify; check with the appropriate agency in your state.

Form W-4. You should give each new employee a Form W-4 ([IRS.gov/W4](https://irs.gov/W4)) as soon as you hire the employee. For Spanish-speaking employees, you may use Formulario W-4 (sp), which is the Spanish translation of Form W-4. Have the employee complete and return Form W-4 to you before the first

payday. If the employee doesn't return the completed form, you must withhold federal income tax as if the employee had checked the box for Single or Married filing separately in Step 1(c) and made no entries in Step 2, Step 3, or Step 4 of Form W-4.

New hire reporting. You're required to report any new employee to a designated state new hire registry. A new employee is an employee who hasn't previously been employed by you or was previously employed by you but has been separated from such prior employment for at least 60 consecutive days. Many states accept a copy of Form W-4 with employer information added. Go to the Office of Child Support Enforcement website at acf.hhs.gov/css/employers for more information.

Family Employees

Generally, the wages you pay to family members who are your employees are subject to employment taxes. However, certain exemptions may apply to wages paid to your child, spouse, or parent.

Exemptions for your child. Payments for the services of your child under age 18 who works for you in your trade or business (including a farm) aren't subject to social security and Medicare taxes. However, see *Nonexempt services of a child or spouse*, later. Payments for the services of your child under age 21 employed by you in other than a trade or business, such as payments for household services in your home, also aren't subject to social security or Medicare taxes. Payments for the services of your child under age 21 employed by you, whether or not in your trade or business, aren't subject to FUTA tax. Although not subject to social security, Medicare, or FUTA tax, the child's wages may

still be subject to federal income tax withholding.

Exemptions for your spouse. Payments for the services of your spouse who works for you in your trade or business are subject to federal income tax withholding and social security and Medicare taxes, but not FUTA tax.

Payments for the services of your spouse employed by you in other than a trade or business, such as payments for household services in your home, aren't subject to social security, Medicare, or FUTA tax.

Nonexempt services of a child or spouse.

Payments for the services of your child or spouse are subject to federal income tax withholding as well as social security, Medicare, and FUTA taxes if they work for any of the following entities.

- A corporation, even if it is controlled by you.

- A partnership, even if you're a partner. This doesn't apply to wages paid to your child if each partner is a parent of the child.
- An estate or trust, even if it is the estate of a deceased parent.

In these situations, the child or spouse is considered to work for the corporation, partnership, or estate, not you.

Exemptions for your parent. Payments for the services of your parent employed by you in your trade or business are subject to federal income tax withholding and social security and Medicare taxes. Social security and Medicare taxes don't apply to wages paid to your parent for services not in your trade or business, but they do apply to payments for household services in your home if both of the following conditions are satisfied.

- You have a child (including an adopted child or stepchild) living in your home who

is under age 18 or has a physical or mental condition that requires care by an adult for at least 4 continuous weeks in the calendar quarter services were performed.

- You're a widow or widower; or divorced and not remarried; or have a spouse in the home who, because of a physical or mental condition, can't care for your child for at least 4 continuous weeks in the calendar quarter services were performed.

Wages you pay to your parent aren't subject to FUTA tax, regardless of the type of services provided.

Qualified joint venture (QJV). If spouses elect to be treated as a QJV instead of a partnership, either spouse may report and pay the employment taxes due on the wages paid to employees using the EIN of that spouse's sole proprietorship. For more information about QJVs, see chapter 12.

Crew Leaders

If farmworkers are provided by a crew leader, the crew leader may be the employer of the workers.

Social security and Medicare taxes. For social security and Medicare tax purposes, the crew leader is the employer of the workers if both of the following requirements are met.

- The crew leader pays (either on their own behalf or on behalf of the farmer) the workers for their farm labor.
- The crew leader hasn't entered into a written agreement with the farmer under which the crew leader is designated as an employee of the farmer.

If both requirements are met, the crew leader isn't considered the employee of the farmer for services performed by the crew leader in furnishing farmworkers and as a member of the crew.

Federal income tax withholding. If the crew leader is the employer for social security and Medicare tax purposes, the crew leader is the employer for federal income tax withholding purposes.

Federal unemployment (FUTA) tax. For FUTA tax purposes, the crew leader is the employer of the workers if, in addition to the earlier requirements, either of the following requirements is met.

- The crew leader is registered under the Migrant and Seasonal Agricultural Worker Protection Act.
- Substantially all crew members operate or maintain mechanized equipment provided by the crew leader as part of the service to the farmer.

The farmer is the employer of workers furnished by a crew leader in all other situations. In addition, the farmer is the employer of workers furnished by a registered

crew leader if the workers are the employees of the farmer under the common-law test. For example, some farmers employ individuals to recruit farmworkers exclusively for them. Although these individuals may be required to register under the Migrant and Seasonal Agricultural Worker Protection Act, the workers are employed directly by the farmer. The farmer is the employer in these cases. For information about common-law employees, see section 1 of Pub. 15-A. For information about the Migrant and Seasonal Agricultural Worker Protection Act, which protects migrant and seasonal agricultural workers by establishing employment standards related to wages, housing, transportation, and disclosures and recordkeeping, and which requires farm labor contractors to register with the U.S. Department of Labor (DOL), go to the DOL website at dol.gov/whd/regs/compliance/whdfs49.htm.

Social Security and Medicare Taxes

All cash wages that you pay to farmworkers are

subject to social security and Medicare taxes for any calendar year for which you meet either of the following tests.

- You pay an employee cash wages of \$150 or more in a year for farmwork (count all wages paid on a time, piecework, or other basis). The \$150 test applies separately to each farmworker that you employ. If you employ a family of workers, each member is treated separately. Don't count wages paid by other employers.
- The total (cash and noncash) wages that you pay to all farmworkers is \$2,500 or more.

If the \$2,500-or-more test for the group isn't met, the \$150-or-more test for an individual still applies. Similarly, if the \$150-or-more

test is not met for any individual, the \$2,500-or-more test for the group still applies.

Exceptions. Annual cash wages of less than \$150 you pay to a **seasonal** farmworker aren't subject to social security and Medicare taxes, even if you pay \$2,500 or more to all your farmworkers. However, these wages count toward the \$2,500 test for determining whether other farmworkers' wages are subject to social security and Medicare taxes. A seasonal farmworker is a worker who:

- Works as a hand-harvest laborer,
- Is paid piece rates in an operation usually paid on this basis in the region of employment,
- Commutes daily from their permanent home to the farm, and
- Worked in agriculture less than 13 weeks in the preceding calendar year.

See *Family Employees*, earlier, for certain exemptions from social security and Medicare taxes that apply to your child, spouse, and parent.

Religious exemption. An exemption from social security and Medicare taxes is available to members of a recognized religious group or division opposed to public insurance. This exemption is available **only if both** the employee and the employer are members of the group or division. These employees are still subject to federal income tax. For more information, see Pub. 517.

Cash wages. Only cash wages paid to farmworkers are subject to social security and Medicare taxes. Cash wages include checks, money orders, and any kind of money or cash.

Only cash wages subject to social security and Medicare taxes are credited to your employees for social security benefit purposes. Payments not subject to these

taxes, such as certain commodity wages (discussed next), don't contribute to your employees' social security coverage. For information about social security benefits, go to [SSA.gov](https://www.ssa.gov) or call the SSA at 800-772-1213.

Noncash wages (including commodity wages). Noncash wages include food, lodging, clothing, transportation passes, farm products, or other goods or commodities. Noncash wages paid to farmworkers, including commodity wages, aren't subject to social security and Medicare taxes. However, they are subject to these taxes if the substance of the transaction is a cash payment. For information on lodging provided as a condition of employment, see Pub. 15-B.

Report the value of noncash wages in box 1 of Form W-2 together with cash wages. **Don't** show noncash wages in box 3 or in box 5 (unless the substance of the transaction is a cash payment).

Tax rates and social security wage base limit. For 2024, the employer and the employee will pay the following taxes.

- The employer and employee each pay 6.2% of cash wages for social security tax (old-age, survivors, and disability insurance).
- The employer and employee each pay 1.45% of cash wages for Medicare tax (hospital insurance).
- The employee pays 0.9% of cash wages in excess of \$200,000 for Additional Medicare Tax.

Wage base limit. The limit on wages subject to social security tax for 2024 is \$168,600. There is no limit on wages subject to Medicare tax. All covered wages are subject to Medicare tax. Additionally, all wages in excess of \$200,000 are subject to Additional Medicare Tax withholding.

Paying employee's share. If you would rather pay the employee's share of social security and Medicare taxes without deducting it from their wages, you may do so. It is additional income to the employee, thus it is subject to income tax withholding. You must include it in box 1 of the employee's Form W-2, but don't count it as social security and Medicare wages (boxes 3 and 5 of Form W-2) or as wages for FUTA tax purposes.

Example. Gabrielle operates a small family fruit farm. She employs day laborers in the picking season to enable her to timely get her crop to market. She doesn't deduct the employees' share of social security and Medicare taxes from their pay; instead, she pays it on their behalf. When she prepares her employees' Forms W-2, she adds each employee's share of social security and Medicare taxes that she paid to the employee's wage income (box 1 of Form W-2), but doesn't include it in box 3 (social

security wages) or box 5 (Medicare wages and tips).

For 2024, Gabrielle paid Dan \$1,000 during the year. She enters \$1,076.50 in box 1 of Dan's Form W-2 (\$1,000 wages plus \$76.50 social security and Medicare taxes paid for Dan). She enters \$1,000.00 in boxes 3 and 5 of Dan's Form W-2.

Additional Medicare Tax. In addition to withholding Medicare tax at 1.45%, you must also withhold a 0.9% Additional Medicare Tax from wages you pay to an employee in excess of \$200,000 in a calendar year. You're required to begin withholding Additional Medicare Tax in the pay period in which you pay wages in excess of \$200,000 to an employee and continue to withhold it each pay period until the end of the calendar year. Additional Medicare Tax is only imposed on the employee. There is no employer share of Additional Medicare Tax. All wages that are subject to Medicare tax are subject to

Additional Medicare Tax withholding if paid in excess of the \$200,000 withholding threshold.

For more information on what wages are subject to Medicare tax, see the chart, *Special Rules for Various Types of Services and Payments*, in section 15 of Pub. 15. For more information on Additional Medicare Tax, go to [IRS.gov/ADMTfaqs](https://www.irs.gov/ADMTfaqs).

Federal Income Tax Withholding

If the cash wages you pay to farmworkers are subject to social security and Medicare taxes, they are also subject to federal income tax withholding. Although noncash wages are subject to federal income tax, withhold income tax on these noncash wages only if you and the employee agree to do so. The amount to withhold is figured on gross wages without taking out social security and Medicare taxes, union dues, etc.

Form W-4. Generally, the amount of federal income tax you withhold is based on the employee's filing status and other information reported on the employee's Form W-4. Don't withhold federal income tax from the wages of an employee who, by writing "Exempt" on Form W-4, certifies that they had no federal income tax liability last year and anticipates no liability for the current year.

You should give each new employee a Form W-4 as soon as you hire the employee. For Spanish-speaking employees, you may use Formulario W-4 (sp), which is the Spanish translation of Form W-4. Have the employee complete and return Form W-4 to you before the first payday. If the employee doesn't return the completed form, you must withhold federal income tax as if the employee had checked the box for Single or Married filing separately in Step 1(c) and made no entries in Step 2, Step 3, or Step 4 of Form W-4.

You should make the 2025 Form W-4 available to your employees and encourage them to check their income tax withholding for 2025. Those employees who owed a large amount of tax or received a large refund for 2024 may want to submit a new Form W-4. You can't accept substitute Forms W-4 developed by employees. Advise your employees to use the IRS Tax Withholding Estimator available at [IRS.gov/ W4App](https://www.irs.gov/W4App) to determine accurate withholding.

Form W-2. By January 31, you must furnish each employee a Form W-2 showing total wages for the previous year and total federal income tax, social security tax, and Medicare tax withheld. However, if an employee stops working for you and asks for the form earlier, you must give it to the employee within 30 days of the later of the following dates.

- The date the employee asks for the form.
- The date you make your final payment of wages to the employee.

Compensation paid to H-2A agricultural workers. Report compensation of \$600 or more paid to foreign agricultural workers who entered the country on H-2A visas in box 1 of Form W-2. Compensation paid to H-2A agricultural workers for agricultural labor performed in connection with this visa isn't subject to social security and Medicare taxes, and therefore shouldn't be reported as wages subject to social security tax (line 2), Medicare tax (line 4), or Additional Medicare Tax (line 6) on Form 943, and shouldn't be reported as social security wages (box 3) or Medicare wages (box 5) on Form W-2. On Form W-2, don't check box 13 (Statutory employee), as H-2A agricultural workers aren't statutory employees.

An employer isn't required to withhold federal income tax from compensation paid to an H-2A agricultural worker for agricultural labor performed in connection with this visa unless the worker asks for withholding and the

employer agrees. In this case, the worker must give the employer a completed Form W-4. Federal income tax withheld should be reported on Form 943, line 8, and in box 2 of Form W-2.

These reporting rules apply when the H-2A agricultural worker provides their taxpayer identification number (TIN) to the employer. However, if an H-2A agricultural worker didn't provide the employer with a TIN, the employee is subject to backup withholding. The employer must report the wages and backup withholding on Form 1099-MISC. The employer must also report the backup withholding on Form 945, line 2.

For more information, see the Instructions for Forms 1099-MISC and 1099-NEC and the Instructions for Form 945. For more information on foreign agricultural workers on H-2A visas, go to [IRS.gov/H2A](https://www.irs.gov/H2A).

Required notice to employees about the earned income credit (EIC). You must provide notification about the EIC to each employee who worked for you at any time during the year and from whom you didn't withhold any federal income tax. However, you don't have to notify employees who claim exemption from federal income tax withholding on Form W-4. You meet the notification requirement by giving each employee any of the following.

- Form W-2, which contains the EIC notification on the back of Copy B.
- A substitute Form W-2 with the exact EIC wording shown on the back of Copy B of Form W-2.
- Notice 797, Possible Federal Tax Refund Due to the Earned Income Credit (EIC).
- Your own written statement with the exact wording of Notice 797. For more information, see Pub. 15 and Notice 1015,

Have You Told Your Employees About the Earned Income Credit (EIC).

How to figure withholding. You can use one of several methods to determine the amount to withhold. The methods are described in Pub. 15-T, which contains tables showing the correct amount of federal income tax you should withhold. Section 9 of Pub. 15 also contains additional information about federal income tax withholding.

Nonemployee compensation. Generally, you don't have to withhold federal income tax on payments for services to individuals who aren't your employees. However, you may be required to report these payments on Form 1099-NEC and to withhold under the backup withholding rules. For example, persons who haven't furnished their TINs to you are subject to withholding on payments required to be reported on Form 1099-NEC. For more information, see the Instructions for Forms 1099-MISC and 1099-NEC. For backup

withholding on H-2A agricultural workers, see *Compensation paid to H-2A agricultural workers*, earlier.

Example. You contract Sean Black to complete custom corn chopping on your farm. Because Sean Black is a contracted individual and not an employee, you will issue him a Form 1099-NEC to report the compensation paid for the custom corn chopping services.

Example. You rent a barn from Valerie Brown for the operation of your business. Because you pay more than \$600 annually for the rental, you will need to issue a Form 1099-MISC to Valerie Brown to report the rent you paid to her.

Reporting and Paying Social Security, Medicare, and Withheld Federal Income Taxes

You must withhold federal income, social security, and Medicare taxes required to be withheld from the salaries and wages of your

employees. You're liable for the payment of these taxes to the federal government whether or not you collect them from your employees. If, for example, you withhold less than the correct tax from an employee's wages, you're still liable for the full amount. You must also pay the employer's share of social security and Medicare taxes. There is no employer share of Additional Medicare Tax.

Form 943. Report withheld federal income tax, social security tax, and Medicare tax on Form 943. Your 2024 Form 943 is due by January 31, 2025 (or February 10, 2025, if you made deposits on time in full payment of the taxes due for the year).

Deposits. Generally, you must deposit both the employer share and employee share of social security and Medicare taxes and federal income tax withheld during the year. However, you may make payments with Form 943 instead of depositing them if you

accumulate less than a \$2,500 tax liability (“Total taxes after adjustments and nonrefundable credits” line on Form 943) during the year and you pay in full with a timely filed return. See the Instructions for Form 943 for more information on making a payment with your return.

For more information on deposit rules, see section 11 of Pub. 15.

Electronic deposit requirement. You must use EFT to make all federal tax deposits. See *Federal tax deposits must be made by electronic funds transfer (EFT)*, earlier.

Trust fund recovery penalty. If you’re responsible for withholding, accounting for, depositing, or paying federal income, social security, and Medicare taxes (that is, trust fund taxes) and **willfully** fail to do so, you can be held liable for a penalty equal to the withheld tax not paid. The trust fund recovery penalty won't apply to any amount of trust fund taxes an employer holds back in

anticipation of any credits they are entitled to.

A responsible person can be an officer of a corporation, a partner, a sole proprietor, or an employee of any form of business. A trustee or agent with authority over the funds of the business can also be held responsible for the penalty. Willfully means voluntarily, consciously, and intentionally. Paying other expenses of the business instead of the taxes due is acting willfully.

Consequences of treating an employee as an independent contractor. If you classify an employee as an independent contractor and you have no reasonable basis for doing so, you may be held liable for employment taxes for that worker. See Pub. 15-A for more information.

Federal Unemployment (FUTA) Tax

You must pay FUTA tax if you meet either of the following tests.

- You paid cash wages of \$20,000 or more to farmworkers in any calendar quarter during the current or preceding calendar year.
- You employed 10 or more farmworkers for some part of at least 1 day (whether or not all at the same time) during any 20 or more different calendar weeks during the current or preceding calendar year.

These rules don't apply to exempt services of your spouse, your parents, or your children under age 21. See Family Employees, earlier.

Alien farmworkers. Wages paid to aliens admitted on a temporary basis to the United States to perform farmwork (also known as H-2A agricultural workers) are exempt from FUTA tax. However, include your employment of these workers and the wages you paid

them to determine whether you meet either of the above tests.

Commodity wages. Payments in kind for farm labor aren't cash wages. Don't count them to figure whether you're subject to FUTA tax or to figure how much tax you owe.

Tax rate and credit. The gross FUTA tax rate is 6.0% of the first \$7,000 cash wages you pay to each employee during the year. However, you're given a credit of up to 5.4% of the first \$7,000 cash wages you pay to each employee for the state unemployment tax you pay. If your state tax rate (experience rate) is less than 5.4%, you may still be allowed the full 5.4% credit.

If all of the taxable FUTA wages you paid were excluded from state unemployment tax, the full 6.0% rate applies. See the Instructions for Form 940 for additional information.

More information. For more information on FUTA tax, see section 14 of Pub. 15.

Reporting and Paying FUTA Tax

The FUTA tax is imposed on you as the employer. It must not be collected or deducted from the wages of your employees.

Form 940. Report FUTA tax on Form 940. The 2024 Form 940 is due by January 31, 2025 (or February 10, 2025, if you timely deposited the full amount of your 2024 FUTA tax).

Deposits. If at the end of any calendar quarter you owe, but haven't yet deposited, more than \$500 in FUTA tax for the year, you must make a deposit by the end of the following month. If the undeposited tax is \$500 or less at the end of a quarter, you don't have to deposit it. You can add it to the tax for the next quarter. If the total undeposited tax is more than \$500 at the end of the next quarter, a deposit will be required.

If the total undeposited tax at the end of the 4th quarter is \$500 or less, you can either make a deposit or pay it with your return by the January 31, 2025, due date.

Electronic deposit requirement. You must use EFT to make all federal tax deposits. See *Federal tax deposits must be made by electronic funds transfer (EFT)*, earlier.

14.

Fuel Excise Tax Credits and Refunds

What's New

Credits expiring. After December 31, 2024, biodiesel mixture, alternative fuel mixture, and sustainable aviation fuel credits will all expire unless legislation passes to renew them.

Introduction

You may be eligible to claim a credit on your income tax return for the federal excise tax on certain fuels. You may also be eligible to claim a quarterly refund of the fuel taxes during the year, instead of waiting to claim a credit on your income tax return.

Whether you can claim a credit or refund depends on whether the fuel was taxed and the purpose (nontaxable use) for which you

used the fuel. The nontaxable uses of fuel for which a farmer may claim a credit or refund are generally the following.

- Use on a farm for farming purposes.
- Off-highway business use.
- Uses other than as a fuel in a propulsion engine, such as home use.

Table 14-1 presents an overview of credits and refunds that may be claimed for fuels used for the nontaxable uses listed above. See Pub. 510, Excise Taxes, for more information.

Topics

This chapter discusses:

- Fuels used in farming
- Dyed diesel fuel and dyed kerosene
- Fuels used in off-highway business use
- Fuels used for household purposes
- How to claim a credit or refund
- Including the credit or refund in income

Table 14-1. **Fuel Excise Tax Credits and Refunds at a Glance**

Use this table to see if you can take a credit or refund for a nontaxable use of the fuel listed.

Fuel Used	On a Farm for Farming Purposes	Off-Highway Business Use	Household Use or Use Other Than as a Fuel ¹
Gasoline	Credit only	Credit or refund	None
Aviation gasoline	Credit only	None	None
Undyed diesel fuel and undyed kerosene	Credit or refund	Credit or refund ²	Credit or refund ²
Kerosene for use in aviation	Credit or refund	None	None
Dyed diesel fuel and dyed kerosene	None	None	None
Other Fuels (including alternative fuels) ³	Credit or refund	Credit or refund	None
¹ For a use other than as fuel in a propulsion engine.			
² Applies to undyed kerosene not sold from a blocked pump or, under certain circumstances, for blending with undyed diesel fuel to be used for heating purposes. See Regulations section 48.6427-10(b)(1) for the definition of a blocked pump.			
³ Other Fuels means any liquid except gas oil, fuel oil, or any product taxable under section 4081. It includes the alternative fuels: liquefied petroleum gas (LPG), “P” Series fuels, compressed natural gas (CNG), liquefied hydrogen, Fischer-Tropsch process liquid fuel from coal (including peat), liquid fuel derived from biomass, liquefied natural gas (LNG), liquefied gas derived from biomass, and compressed gas derived from biomass.			

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Useful Items

You may want to see:

Publication

- ☐ **510** Excise Taxes

Form (and Instructions)

- ☐ **720** Quarterly Federal Excise Tax Return
- ☐ **4136** Credit for Federal Tax Paid on Fuels
- ☐ **8849** Claim for Refund of Excise Taxes

See How To Get Tax Help for information about getting publications and forms.

Fuels Used in Farming

Owners, operators, and tenants of farms and certain other persons may be eligible to claim a credit or refund of excise taxes on fuel used in the trade or business of farming, when used on a farm in the United States for

farming purposes. See Table 14-1 for a list of available fuel excise tax credits and refunds. Fuel is used on a farm for farming purposes only if used in carrying on a trade or business of farming, on a farm in the United States, and for farming purposes.

Farm. A farm includes livestock, dairy, fish, poultry, fruit, fur-bearing animals, truck farms, orchards, plantations, ranches, nurseries, ranges, and feed yards for finishing cattle. It also includes structures such as greenhouses used primarily for raising agricultural or horticultural commodities. A fish farm is an area where fish are grown or raised and not merely caught or harvested.

Dyed versus undyed diesel. Diesel is undyed when sold for highway use vehicles and excise tax is collected at the time of sale. The diesel is dyed when the intended use is for non-taxable purposes, such as farming, and no excise tax is collected at the time of sale. When undyed diesel is used in farming

or any other qualifying purpose, the taxpayer may recover the excise tax paid by claiming a credit or filing for a refund (see Table 14-1).

Dyed diesel fuel and dyed kerosene. If you purchase dyed diesel fuel or dyed kerosene for a nontaxable use, you must use it only on a farm for farming purposes or for other nontaxable purposes. For example, you shouldn't use dyed diesel fuel in a truck that is used both on the farm for farming purposes and on the highway, even though the highway use is in connection with farm business. Excise tax applies to the fuel used by the truck on the highways. In this situation, undyed (taxed) fuel should be purchased for the truck. You should keep fuel records of the use of the truck on the farm for farming purposes, and for other uses. You may be eligible for a credit or refund for the excise tax on fuel used on the farm for farming purposes.

Penalty. A penalty is imposed on any person who knowingly uses, sells, or alters dyed diesel fuel or dyed kerosene for any purpose other than a nontaxable use. The penalty is the greater of \$1,000 or \$10 per gallon of the dyed diesel fuel or dyed kerosene involved. After the first violation, the \$1,000 portion of the penalty increases depending on the number of violations. For more information on this penalty, see Pub. 510.

Farming purposes. As the owner, tenant, or operator and the ultimate purchaser of fuel that you purchased, you use the fuel on a farm for farming purposes if you use it in any of the following ways.

1. To cultivate the soil or to raise or harvest any agricultural or horticultural commodity.
2. To raise, shear, feed, care for, train, or manage livestock, bees, poultry, fur-bearing animals, or wildlife.

3. To operate, manage, conserve, improve, or maintain your farm and its tools and equipment.
4. To handle, dry, pack, grade, or store any raw agricultural or horticultural commodity. For this use to qualify, you must have produced more than half the commodity so treated during the tax year. The more-than-one-half test applies separately to each commodity. Commodity means a single raw product. For example, apples and peaches are two separate commodities.
5. To plant, cultivate, care for, or cut trees or to prepare (other than sawing logs into lumber, chipping, or other milling) trees for market, but only if these activities are incidental to your farming operations. Your tree operations are incidental only if they

are minor in nature when compared to the total farming operations.

If any other person, such as a neighbor or custom operator (independent contractor), performs a service for you on your farm for any of the purposes included in list item (1) or (2) above, you are considered to be the ultimate purchaser who used the fuel on a farm for farming purposes. Therefore, you can still claim the credit or refund for the fuel so used. However, see Custom application of fertilizer and pesticide, later. If the other person performs any other services for you on your farm for purposes not included in list item (1) or (2) above, no one can claim the credit or refund for fuel used on your farm for those other services.

Fuel not used for farming. You don't use fuel on a farm for farming purposes when you use it in any of the following ways.

- Off the farm, such as on the highway or in noncommercial aviation, even if the fuel is

used in transporting livestock, feed, crops, or equipment.

- For personal use, such as lawn mowing.
- In processing, packaging, freezing, or canning operations.
- In processing crude gum into gum spirits of turpentine or gum resin or in processing maple sap into maple syrup or maple sugar.

Buyer of fuel, including undyed diesel fuel or undyed kerosene. If doubt exists whether the owner, tenant, or operator of the farm bought the fuel, determine who actually bore the cost of the fuel. For example, if the owner of a farm and his or her tenant equally share the cost of gasoline used on the farm, each can claim a credit for the tax on half the fuel used.

Undyed diesel fuel, undyed kerosene, and other fuels (including alternative fuel). Usually, the farmer is the only person who can make a claim for credit or refund for

the tax on undyed diesel fuel, undyed kerosene, or other fuels (including alternative fuel) used for farming purposes. However, see Custom application of fertilizer and pesticide next. Also see Dyed diesel fuel and dyed kerosene, earlier.

Example. Farm owner Haleigh Blue hired custom operator Tyler Steele to cultivate the soil on Haleigh's farm. Tyler purchased 200 gallons of undyed diesel fuel to perform the work on Haleigh's farm. In addition, Haleigh hired contractor Lee Brown to pack and store the farm's apple crop. Lee bought 25 gallons of undyed diesel fuel to use in packing the apples. Haleigh can claim the credit for the 200 gallons of undyed diesel fuel used by Tyler on the farm because it qualifies as fuel used on the farm for farming purposes. No one can claim a credit for the 25 gallons used by Lee because that fuel wasn't used for a farming purpose included in list item (1) or (2) above.

Table 14-2. Claiming a Credit or Refund of Excise Taxes

This table gives the basic rules for claiming a credit or refund of excise taxes on fuels used for a nontaxable use.

	Credit	Refund
Which form to use	Form 4136, Credit for Federal Tax Paid on Fuels	Form 8849, Claim for Refund of Excise Taxes; and Schedule 1 (Form 8849), Nontaxable Use of Fuels
Type of form	Annual	Quarterly
When to file	With your income tax return	By the last day of the quarter following the last quarter included in the claim
Amount of tax	Any amount	\$750 or more ¹
¹ You may carry over an amount less than \$750 to the next quarter.		

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In the above example, both Tyler Steele and Lee Brown could have purchased dyed (untaxed) diesel fuel for their tasks.

Custom application of fertilizer and pesticide. Fuel used on a farm for farming purposes includes fuel used in the application (including aerial application) of fertilizer, pesticides, or other substances. Generally, the applicator is treated as having used the fuel on a farm for farming purposes and therefore claims the credit or refund. For applicators using highway vehicles, only the fuel used on the farm is exempt. Fuel used traveling on the highway to and from the farm is taxable. Fuel used by an aerial applicator for the direct flight between the airfield and one or more farms is treated as used for a farming purpose. For aviation gasoline, the aerial applicator makes the claim as the ultimate purchaser. For kerosene used in aviation, the ultimate purchaser may make the claim or waive the right to make

the claim to the registered ultimate vendor. A sample waiver is included as *Model Waiver L* in the appendix of Pub.510

A **registered ultimate vendor** is the person who sells undyed diesel fuel, undyed kerosene, or kerosene for use in aviation to the user (ultimate purchaser) of the fuel for use on a farm for farming purposes. To claim a credit or refund of tax, the ultimate vendor must be registered with the IRS at the time the claim is made. However, registered ultimate vendors can't make claims for undyed diesel fuel and undyed kerosene sold for use on a farm for farming purposes.

All-terrain vehicles (ATVs). Fuel used in ATVs on a farm for farming purposes, discussed earlier, is eligible for a credit or refund of excise taxes on the fuel. Fuel used in ATVs for nonfarming purposes isn't eligible for a credit or refund of the taxes. If ATVs are used both for farming and nonfarming purposes, only that portion of the fuel used

for farming purposes is eligible for the credit or refund.

Fuels Used in Off-Highway Business Use

You may be eligible to claim a credit or refund for the excise tax on fuel used in an off-highway business use.

Off-highway business use. This is any use of fuel in a trade or business or in an income-producing activity. The use must not be in a highway vehicle registered or required to be registered for use on public highways. Off-highway business use generally doesn't include any use in a recreational motorboat.

Examples. Off-highway business use includes the use of fuels in a trade or business in any of the following ways.

- In stationary machines such as generators, compressors, power saws, and similar equipment.

- For cleaning.
- In forklift trucks, bulldozers, and earthmovers.

Off-highway nonbusiness (taxable) use of fuel includes use in minibikes, snowmobiles, power lawn mowers, chain saws, and other yard equipment. For more information, see Pub. 510.

Household Purposes or Other Than as a Fuel for Propulsion Engines

You may be eligible to claim a credit or refund for the excise tax on undyed diesel fuel or kerosene used for home heating, lighting, and cooking. This also applies to diesel fuel and kerosene used in a home generator to produce electricity for home use. Home use of a fuel doesn't include use in a propulsion engine and it's also not considered an off-highway business use.

Fuels Used for Household Purposes or Other Than as a Fuel for Propulsion Engines

You may be eligible to claim a credit or refund for the excise tax on undyed diesel fuel or kerosene used for home heating, lighting, and cooking. This also applies to diesel fuel and kerosene used in a home generator to produce electricity for home use. Home use of a fuel doesn't include use in a propulsion engine and it's also not considered an off-highway business use.

How To Claim a Credit or Refund

You may be able to claim a credit or refund of the excise tax on fuels you use for nontaxable uses. The basic rules for claiming credits and refunds are listed in Table 14-2.



Keep at your principal place of business all records needed to enable the IRS to verify that you are the person entitled to claim a credit or refund and

the amount you claimed. You don't have to use any special form, but the records should establish the following information.

- The total number of gallons bought and used during the period covered by your claim.
- The date of each purchase.
- The names and addresses of suppliers and amounts bought from each during the period covered by your claim.
- The nontaxable use for which you used the fuel.
- The number of gallons used for each nontaxable use.

It's important that your records separately show the number of gallons used for each nontaxable use that qualifies as a claim. For more information about recordkeeping, see Pub. 583, *Starting a Business and Keeping Records*.

Credit or refund. A credit is an amount that reduces the tax on your income tax return when you file it at the end of the year. If you meet certain requirements, you may claim a refund during the year instead of waiting until you file your income tax return.

Credit only. You can claim the following taxes only as a credit on your income tax return.

- Tax on gasoline and aviation gasoline you used on a farm for farming purposes.
- Tax on fuels (including undyed diesel fuel or undyed kerosene) you used for nontaxable uses if the total for the tax year is less than \$750.
- Tax on fuel you didn't include in any claim for refund previously filed for any quarter of the tax year.

Claiming a Credit

You make a claim for a fuel tax credit on Form 4136 and attach it to your income tax return. Don't claim a credit for any excise tax for which you have filed a refund claim.

How to claim a credit. How you claim a credit depends on whether you are an individual, partnership, corporation, S corporation, trust, or farmers' cooperative association.

Individuals. You claim the credit on the "Credit for federal tax on fuels" line of your Form 1040 or 1040-SR. If you wouldn't otherwise have to file an income tax return, you must do so to get a fuel tax credit.

Partnerships. Partnerships claim the credit by including a statement on Schedule K-1 (Form 1065), Partner's Share of Income, Deductions, Credits, etc., showing each partner's share of the number of gallons of each fuel sold or used for a nontaxable use,

the type of use, and the applicable credit per gallon. Each partner claims the credit on his or her income tax return for the partner's share of the fuel used by the partnership.

Other entities. Corporations, S corporations, farmers' cooperative associations, and trusts make the claim on the appropriate line of their income tax return.

When to claim a credit. You can claim a fuel tax credit on your income tax return for the year you used the fuel.



You may be able to make a fuel tax claim on an amended income tax return for the year you used the fuel.

A claim for credit or refund of an overpayment must generally be filed within the later of:

- 3 years from the date the original return was filed, or
- 2 years from the date the tax was paid.

Claiming a Refund

If eligible, you can claim a refund of excise taxes using Schedule 1 (Form 8849); if you file Form 720, you can use its Schedule C to claim a refund for the quarter; if you file Form 4136, you can use it to claim a refund for your tax year by attaching it to your tax return. Don't claim a refund on any of these forms for any amount that you have filed, or will file, a claim for refund on another form.

You can use Schedule 1 (Form 8849) to file a claim for a refund for any quarter of your tax year for which you can claim \$750 or more. This amount is the excise tax on all fuels used for a nontaxable use during that quarter or any prior quarter (for which no other claim has been filed) during the tax year.

If you can't claim at least \$750 at the end of a quarter, you carry the amount over to the next quarter of your tax year to determine if you can claim at least \$750 for that quarter.

If you can't claim at least \$750 at the end of the fourth quarter of your tax year, you must claim a credit on your income tax return using Form 4136. Only one claim can be filed for a quarter.



You can't claim a refund for excise tax on gasoline and aviation gasoline used on a farm for farming purposes. You must claim a credit on your income tax return for the tax.

How to file a quarterly claim. File the claim for refund by completing Schedule 1 (Form 8849) and attaching it to Form 8849. Send it to the address shown in the instructions. If you file Form 720, you can use its Schedule C for your refund claims. See the Instructions for Form 720.

When to file a quarterly claim. You must file a quarterly claim by the last day of the first quarter following the last quarter included in the claim. If you don't file a timely refund claim for the fourth quarter of your tax

year, you will have to claim a credit for that amount on your income tax return, as discussed earlier.



In most situations, the amount claimed as a credit or refund will be less than the amount of fuel tax paid, because the Leaking Underground Storage Tank (LUST) tax of \$0.001 per gallon is generally not subject to credit or refund.

Including the Credit or Refund in Income

Include any credit or refund of excise taxes on fuels in your gross income if you claimed the total cost of the fuel (including the excise taxes) as an expense deduction that reduced your income tax liability.

Which year you include a credit or refund in gross income depends on whether you use the cash or an accrual method of accounting.

Cash method. If you use the cash method and file a claim for refund, include the refund amount in gross income for the tax year in which you receive the refund. If you claim a credit on your income tax return, include the credit amount in gross income for the tax year in which you file Form 4136. If you file an amended return and claim a credit, include the credit amount in gross income for the tax year in which you receive the credit.

Example. Morgan Brown, a farmer who uses the cash method, filed a 2024 Form 1040 on March 3, 2025. On the Schedule F, Morgan deducted the total cost of gasoline (including \$110 of excise taxes) used on the farm for farming purposes. Then, on Form 4136, Morgan claimed the \$110 as a credit, then reports the \$110 as other income on line 8 of the 2024 Schedule F.

Accrual method. If you use an accrual method, include the amount of credit or refund in gross income for the tax year in

which you used the fuels. It doesn't matter whether you filed for a quarterly refund or claimed the entire amount as a credit.

Example. Amy Johnson, a farmer who uses the accrual method, files a 2024 Form 1040 on April 15, 2025, because she made an estimated tax payment by January 15, 2025. On Schedule F, Amy deducts the total cost of gasoline (including \$155 of excise taxes) used on the farm for farming purposes during 2024. On Form 4136, Amy claims the \$155 as a credit, then reports the \$155 as other income on line 8 of 2024 Schedule F.

15.

Estimated Tax

Introduction

Estimated tax is the method used to pay tax on income that is not subject to withholding. See Pub. 505 for the general rules and requirements for paying estimated tax. If you are a qualified farmer, defined below, you are subject to the special rules covered in this chapter for paying estimated tax.

Topics

This chapter discusses:

- Special estimated tax rules for qualified farmers
- Estimated tax penalty

Useful Items

You may want to see:

Publication

- ☐ **505** Tax Withholding and Estimated Tax

Form (and Instructions)

- ☐ **1040** U.S. Individual Income Tax Return
- ☐ **1040-SR** U.S. Tax Return for Seniors
- ☐ **1040-ES** Estimated Tax for Individuals
- ☐ **2210-F** Underpayment of Estimated Tax by Farmers and Fishers

See [How To Get Tax Help](#) for information about getting publications and forms.

Special Estimated Tax Rules for Qualified Farmers

Special rules apply to the payment of estimated tax by individuals who are qualified farmers. If you are not a qualified farmer, as defined next, see Pub. 505 for the estimated tax rules that apply.

Qualified Farmer

An individual is a qualified farmer for 2024 if at least two-thirds of their gross income from all sources for 2023 or 2024 was from farming. See Gross Income next for information on how to figure your gross income from all sources, and see Gross Income From Farming, later, for information on how to figure your gross income from farming. See also Percentage From Farming, later, for information on how to determine the percentage of your gross income from farming.

Gross Income

Gross income is all income you receive in the form of money, goods, property, and services that is not exempt from income tax. On a joint return, you must add your spouse's gross income to your gross income. To decide whether two-thirds of your gross income was from farming, use as your gross income the total of the following income (not loss) amounts from your tax return.

- Wages, salaries, tips, etc.
- Taxable interest.
- Ordinary dividends.
- Taxable refunds, credits, or offsets of state and local income taxes.
- Gross business income from Schedule C (Form 1040).
- Capital gains from Schedule D (Form 1040). Losses are not netted against gains.

- Gains on sales of business property from Form 4797.
- Taxable IRA distributions, pensions, annuities, and social security benefits.
- Gross rental income from Schedule E (Form 1040).
- Gross royalty income from Schedule E (Form 1040).
- Taxable net income from an estate or trust reported on Schedule E (Form 1040).
- Income from a Real Estate Mortgage Investment Conduit reported on Schedule E (Form 1040).
- Gross farm rental income from Form 4835.
- Gross farm income from Schedule F (Form 1040).
- Your distributive share of gross income from a partnership, or limited liability

company treated as a partnership, from Schedule K-1 (Form 1065).

- Your pro rata share of gross income from an S corporation, from Schedule K-1 (Form 1120-S).
- Unemployment compensation.
- Other income not included with any of the items listed above.



The calculation of farm income for soil and water conservation expenses differs from the calculations for income averaging and estimated tax payments. See Income Averaging for Farmers and Estimated Tax, earlier.

Gross Income From Farming

Gross income from farming is income from cultivating the soil or raising agricultural commodities. It includes the following amounts.

- Income from operating a stock, dairy, poultry, bee, fruit, or truck farm.
- Income from a plantation, ranch, nursery, range, orchard, or oyster bed.
- Crop shares for the use of your land.
- Gains from sales of draft, breeding, dairy, or sporting livestock.

Gross income from farming is the total of the following amounts from your tax return.

- Gross farm income from Schedule F (Form 1040).
- Gross farm rental income from Form 4835.
- Gross farm income from Schedule E (Form 1040), Parts II and III.
- Gains from the sale of livestock used for draft, breeding, sport, or dairy purposes reported on Form 4797.

- Gains from the sale of depreciable farm equipment reported on Form 4797.

For more information about income from farming, see chapter 3.



Farm income does not include:

- Wages you receive as a farm employee,
- Income you receive from contract grain harvesting and hauling with workers and machines you furnish, and
- Gains you receive from the sale of farmland.

Percentage From Farming

Figure your gross income from all sources, discussed earlier. Then, figure your gross income from farming, discussed earlier.

Divide your gross farm income by your total gross income to determine the percentage of gross income from farming.