FORM 1040 F
U. S. Treasury Department
Internal Revenue Service

SCHEDULE OF FARM INCOME AND EXPENSES

1954

For Calendar Year 1954

Attach This Form to Your Income Tax Return Form 1040 and File it With the District Director of Internal Revenue for Your District.

Or other taxable year beginning _____, 1954, and ending _____, 195__

Name _____
Address _____
Location of farm or farms _____
Number of acres in each farm _____

If Your Accounts Are Kept on the Cash Method, Fill in Pages 1 and 2.

If You Keep Books on an Accrual Method and Desire to Use This Form, Fill in Pages 2 and 3 Instead.

FARM INCOME FOR TAXABLE PERIOD COMPUTED ON THE CASH RECEIPTS AND DISBURSEMENTS METHOD

(See Instructions on Schedule D (Form 1040) for tax treatment of certain livestock held for draft, breeding, or dairy purposes)

1. SALE OF LIVESTOCK RAISED			2. SALE OF PRODUCE RAISED			3. OTHER FARM INCOME	
Kind	Quantity	Amount	Kind	Quantity	Amount	Items	Amount
Cattle		$	Grain		$	Mdse. rec'd for produce	$
Horses			Hay			Machine work	
Mules			Cotton			Hire of teams	
Sheep			Tobacco			Breeding fees	
Swine			Vegetables			Rent rec'd in crop shares	

FARM EXPENSES FOR TAXABLE YEAR (See Instructions)

(Do not include personal or living expenses or expenses not attributable to production of farm income, such as taxes, insurance, repairs, etc., on your dwelling)

1. Items	2. Amount	3. Items (Continued)	4. Amount (Continued)
Labor hired	$	Rent of farm, part of farm, or pasturage	$
Feed purchased		Freight, yardage, express, and trucking	
Seed and plants purchased		Automobile upkeep (farm share)	
Machine hire		Amortization of grain storage facilities (attach statement)	
Supplies purchased		Soil and water conservation expenses (attach statement showing computation)	
Cost of repairs and maintenance		Other farm expenses (specify):	
Breeding fees			
Fertilizers and lime			
Veterinary and medicine for livestock			
Gasoline, other fuel and oil for farm business			
Storage and warehousing			
Taxes			
Insurance on property (except your dwelling)			
Interest on farm notes and mortgages			
Water rent, electricity, and telephone			
TOTAL OF COLUMNS 2 AND 4 (enter on line 6 of summary on page 1 (cash method) or line 7, page 3 (accrual method))			$

DEPRECIATION (See Instructions)

1. Kind of property (if buildings, state material of which constructed). Exclude land and other nondepreciable property	2. Date acquired	3. Cost or other basis	4. Depreciation allowed (or allowable) in prior years	5. Method	6. Rate (%) or life (years)	7. Depreciation for this year
		$	$			$
TOTAL (enter on line 7 of summary on page 1 (cash method) or line 8, page 3 (accrual method))						$

FARM INVENTORY FOR INCOME COMPUTED ON AN ACCRUAL METHOD

(Do not include certain livestock held for draft, breeding, or dairy purposes. See Instructions on Schedule D (Form 1040).)

Description (Kind of livestock, crops, or other products)	On Hand at Beginning of Year		Purchased During Year		Raised During Year		Consumed or Lost During Year		Sold During Year		On Hand at End of Year	
	Quantity	Inventory value	Quantity	Amount paid	Quantity	Inventory value	Quantity	Inventory value	Quantity	Amount received	Quantity	Inventory value
		$		$		$		$		$		$
TOTALS		$ (Enter on line 4)		$ (Enter on line 5)		$		$		$ (Enter on line 2)		$ (Enter on line 1)

SUMMARY OF INCOME AND DEDUCTIONS COMPUTED ON AN ACCRUAL METHOD

1. Inventory of livestock, crops, and products at end of year	$		7. Expenses (from page 2)	$
2. Sales of livestock, crops, and products during year			8. Depreciation (from page 2)	
2*a*. Other miscellaneous receipts (specify):			9. Other deductions (specify):	
3. TOTAL	$			
4. Inventory of livestock, crops, and products at beginning of year $				
5. Cost of livestock and products purchased during year				
6. Gross profits (line 3 minus the sum of lines 4 and 5)	$		10. TOTAL DEDUCTIONS	$

11. Net farm profit (or loss) (line 6 minus line 10) to be reported in Schedule C Summary, Form 1040 . . . $

METHOD OF ACCOUNTING

Farmers may compute their income either on the cash receipts and disbursements method or the accrual method, but whichever method is adopted in filing their first return must be followed until the consent of the Commissioner is received to change the method.

CASH RECEIPTS AND DISBURSEMENTS METHOD

A farmer reporting on the basis of cash receipts and disbursements shall include in his gross income for the taxable year (1) the amount of cash or the value of merchandise or other property received from the sale of livestock and produce which were raised during the taxable year or prior years, (2) the profits from the sale of any livestock or other items which were purchased, and (3) gross income from all other sources. The farm expenses will be the actual amounts paid out during the taxable year.

ACCRUAL METHOD

For a farmer reporting on the accrual method, the gross profits are obtained as indicated in summary of income and deductions on page 3 of this form. The farm expenses will be the actual expenses incurred during the year, whether paid or not.

Farmers who compute income on an accrual method and use inventories, may value their inventories according to the "farm-price method," which provides for the valuation of inventories at market price less direct cost of disposition. If the use of the "farm-price method" of valuing inventories for any taxable year involves a change in method of valuing inventories from that employed in prior years, permission for such change shall first be secured from the Commissioner. Farmers raising livestock may value their inventories of animals according to either the "farm-price method" or the "unit livestock price method."

INCOME

All the farm income from whatever source must be reported in this schedule. Anything of value received instead of cash, such as groceries received in exchange for produce, must be treated as income to the extent of its market value.

The value of farm produce consumed by the farmer and his family need not be reported as income; but expenses incurred in raising such produce must not be claimed as deductions.

Recoveries for hail and fire insurance on growing crops should be included in gross income.

Rents received in crop shares shall be reported in income in the year in which the crop shares are reduced to money or the equivalent of money.

A taxpayer electing to include in gross income amounts received during the year as loans from Commodity Credit Corporation should file with his return a statement showing details of such loans. (See section 77 of the Internal Revenue Code of 1954.)

Report gains and losses from sales or exchanges of capital assets and other property in separate Schedule D (Form 1040).

The term "farm" embraces the farm in the ordinarily accepted sense, and includes stock, dairy, poultry, fruit, truck farms, and all land used for farming operations. A person cultivating or operating a farm for recreation or pleasure, the result of which is a continual loss from year to year, is not regarded as a farmer.

EXPENSES AND OTHER DEDUCTIONS

In general, a farmer who operates a farm for profit is entitled to deduct from gross income as necessary expenses all amounts actually expended in carrying on the business of farming, except those which represent capital investment. The following is a list of such expenses (taken from the classification appearing on page 2 of this form though any other equally descriptive classification may be used):

Labor hired.—Amounts paid for regular farm labor, piece work, contract labor, and other forms of hired labor. Do not deduct the value of your own labor or that of your wife. Only that part of the board which is purchased for hired labor should be deducted. The value of products furnished by the farm and used in the board of hired labor is not deductible. Rations purchased for laborers or sharecroppers are deductible. Do not deduct amounts paid to persons engaged in household work, except to the extent that the services of such persons are used in boarding and otherwise caring for farm laborers. Services of such employees engaged in caring for the farmer's own household are not deductible.

Feed purchased.—Cost of grain, hay, silage, mill feeds, other concentrates and roughages purchased, and amounts paid for grinding, mixing, and processing of feed.

Machine hire.—Amounts paid for threshing, combining, silo filling, baling, ginning, and other machine hire.

Supplies purchased.—Cost of twine, spray material, poisons, disinfectant, cans, barrels, baskets, egg cases, bags, and other similar farm supplies purchased.

Cost of repairs and maintenance.—Amounts expended for repairs and maintenance of farm buildings (except your dwelling), fences, drains, and other farm improvements, and for repairs and maintenance of farm machinery and equipment; cost of small tools of short life such as shovels, rakes, etc. Amounts expended for replacements of, or additions to, farm machinery, farm buildings, or other farm equipment of a permanent nature are not deductible.

Fertilizers and lime.—Cost of commercial fertilizers, lime, and manure purchased during the year, the benefit of which is of short duration.

Taxes.—State and local taxes. Do not deduct Federal income taxes; estate, inheritance, legacy, succession, and gift taxes; nor taxes assessed for any improvement or betterment tending to increase the value of the property assessed. Do not deduct taxes on your dwelling or household property and other personal taxes.

Insurance.—Cost of all insurance on farm buildings (except your dwelling) and improvements, equipment, crops, and livestock.

Interest on farm notes and mortgages.—Interest paid on farm mortgages and other obligations incurred to carry on farming.

Water rent, electricity, and telephone.—The farm share of these expenditures. Do not deduct personal expenses.

Rent of farm, part of farm, or pasturage.—Rent paid in cash. A tenant farmer paying rent to his landlord in the form of crops raised on the farm (under a cropshare agreement) may not deduct as rent the value of the crop given to the landlord, but the tenant may deduct all amounts paid by him in raising the crop.

Automobile upkeep.—For automobiles used exclusively in farm operations, all expenses of operation, repair, and depreciation. For automobiles used both for farm and for personal transportation, only that part of the expense corresponding to the farm use may be deducted.

Soil and water conservation expenses.—See instructions to Form 1040 for explanation of these expenses.

Other farm expenses.—Fees paid for advertising farm products; expenditures for stamps, stationery, account books, and other office supplies purchased for farm use; expenditures for travel in connection with the farm and similar expenditures. Amounts expended for purchase of automobiles, farm machinery, farm buildings, or other farm equipment of a permanent nature are not deductible.

Depreciation.—Allowance for depreciation of buildings, improvements, machinery, or other farm equipment of a permanent nature. In computing depreciation do not include the value of farm land nor the land on which farm buildings are located. Do not deduct repairs or depreciation on the dwelling you occupy or on your personal or household equipment. Do not claim as a separate item depreciation on livestock or any other property included in your inventory. Depreciation, however, may be claimed on livestock acquired for work, breeding, or dairy purposes which are not included in your inventory of livestock purchased or raised for sale. See the instructions to Form 1040 for methods of computing depreciation.

Losses.—Losses of farm buildings, machinery, and other farm property not included in your inventory, resulting from fire, storm, or other casualty and not compensated for by insurance or otherwise. Losses of property included in your inventory are taken care of by the reduced amount of the inventory at the close of the year. The total loss of a prospective crop by frost, storm, flood, or fire, is not deductible. When reporting on the cash basis, the value of animals raised by you and lost by death is not deductible, while in the case of animals purchased and lost by death, the cost less depreciation allowed or allowable is deductible.

Amortization.—If you elect the deduction with respect to the amortization of the adjusted basis of a grain storage facility, a statement of the pertinent facts should be filed with your election. (See section 169 of the Internal Revenue Code of 1954.)

Net operating loss deductions.—Every farmer claiming a net operating loss deduction shall file with his return a concise statement setting forth the amount of the net operating loss deduction claimed and all material facts. The deduction should be entered in Schedule C Summary, Form 1040, instead of on Form 1040F.

Fiscal year farmers.—If you report income on a fiscal year basis and your year ends after December 31, 1954, consult your local Internal Revenue Service office for the recent changes in the law which affect your liability for self-employment tax.

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