Part I

Part II

Car and truck expenses (see Schedule F instructions—also attach **Form 4562**)

Labor hired (less jobs credit) (see Schedule F instructions)

23a

30 **30**

16			**a**		
17		**17**	**b**		**31b**
18	Gasoline, fuel, and oil	**18**	**c**		**31c**
19	Insurance (other than health)	**19**	**d**		**31d**
20	Interest:		**e**		**31e**
a	Mortgage (paid to banks, etc.)	**20a**	**f**		**31f**
b	Other	**20b**	**g**		**31g**

32 Add lines 8 through 31g. These are your **total expenses** © **32**

33 **Net farm rental income or (loss).** Subtract line 32 from line 7. If the result is income, enter it here and on Schedule E, line 39. If the result is a loss, you MUST go on to line 34 **33**

34 If line 33 is a loss, you MUST check the box that describes your investment in this activity **(see Schedule F instructions)** % **34a** ☐ All investment is at risk. **34b** ☐ Some investment is not at risk.

You may need to complete **Form 8582** to determine your deductible loss, regardless of which box you check (see instructions). However, if you checked 34b, you MUST complete **Form 6198** before going to Form 8582. In either case, enter the deductible loss here and on Schedule E, line 39 **34c**

General Instructions

Paperwork Reduction Act Notice.—We ask for the information on this form to carry out the Internal Revenue laws of the United States. You are required to give us the information. We need it to ensure that you are complying with these laws and to allow us to figure and collect the right amount of tax.

The time needed to complete and file this form will vary depending on individual circumstances. The estimated average time is:

Recordkeeping	2 hr., 57 min.
Learning about the law or the form	5 min.
Preparing the form	1 hr., 6 min.
Copying, assembling, and sending the form to the IRS	20 min.

If you have comments concerning the accuracy of these time estimates or suggestions for making this form more simple, we would be happy to hear from you. You can write to both the IRS and the Office of Management and Budget at the addresses listed in the Instructions for Form 1040.

Note: *Tenants must not use this form to report farm income and expenses. (Individuals use* ***Schedule F*** *(Form 1040).)*

Purpose.—Use Form 4835 to report farm rental income based on crops or livestock produced by the tenant if you were the landowner (or sub-lessor), and you did not materially participate (for self-employment tax purposes) in the operation or management of the farm.

Use this form only if the activity is a rental activity for purposes of the passive activity loss limitations. See the instructions for **Form 8582,** Passive Activity Loss Limitations, for the definition of "rental activity."

Under both the cash and the accrual methods of reporting, you must report livestock or crop share rentals received in the year you convert them into money or its equivalent.

Landowners (or sub-lessors) must not use this form to report cash rent received for pasture or farmland if the amount is based on a flat charge. Report this income directly on **Schedule E** (Form 1040).

Additional Information.—For more information, see the instructions for Schedule F and **Pub. 225,** Farmer's Tax Guide.

Specific Instructions

Employer ID Number.—You need an employer ID number only if you had a Keogh plan, or were required to file an employment, excise, or alcohol, tobacco, or firearms tax return.

Line A.—You can elect to include Commodity Credit Corporation (CCC) loan proceeds as income in the year you received them instead of reporting as income the proceeds from the sale of the commodities in the year sold or in the year of forfeiture. If you made this election and reported these loan proceeds as income in a prior year, check the "Yes" box on line A. For information on how to make this election, see Schedule F instructions for lines 7a–7c.

Line B.—Generally, you can deduct losses from passive activities only to the extent of income from passive activities. However, there are exceptions for certain activities, such as rental real estate activities.

If you **actively participated** in the operation of this activity and you show a loss on line 33, you may be able to deduct up to $25,000 of losses from all rental real estate activities. Lower amounts apply if you are married filing separately.

Generally, you are considered to **actively participate** if you participated in making management decisions or arranging for others to provide services (such as repairs) in a significant and bona fide sense. Management decisions that are relevant in this context include approving new tenants, deciding on rental terms, approving capital or repair expenditures, and other similar decisions. You do not, however, actively participate if at any time during the year your interest (including your spouse's interest in the activity) was less than 10% (by value) of all interests in the activity.

If you actively participated, check the "Yes" box on line B.

Line C.—Capitalization rules apply if you produced real or tangible personal property or acquired property for resale. However, these rules generally do not apply to expenses of raising animals. These rules also generally do not apply to any plant produced in your farming business that has a preproductive period of 2 years or less. If the preproductive period of the plant you produced is more than 2 years, you may be able to elect to currently deduct these expenses. For details on these rules, including the election, see Schedule F instructions for line G.

Part I—Gross Farm Rental Income—Based on Production

Line 1.—Report income you received from livestock, produce, grains, and other crops based on production. Include amounts converted to cash or the equivalent.

Lines 2a and 2b.—Enter on line 2a your total distributions from cooperatives as shown on **Form 1099-PATR.** On line 2b report the taxable amount. See Schedule F instructions for lines 5a and 5b.

Lines 3a and 3b.—Enter on line 3a the TOTAL payments you received. On line 3b report only the taxable amount. See Schedule F instructions for lines 6a and 6b.

Lines 4a through 4c.—Report the full amount of CCC loans forfeited or repaid with certificates on line 4b, even if you reported the loan proceeds as income. For details on how to complete lines 4a–4c, see Schedule F instructions for lines 7a–7c.

Lines 5a through 5d.—In general, you must report crop insurance proceeds in the year you receive them. Federal crop disaster payments are treated as crop insurance proceeds. However, if you use the cash method of accounting and 1991 was the year of damage, you may elect to include certain proceeds in income next year. To make this election, check the box on line 5c and attach a statement to your return. See Pub. 225.

Generally, if you elect to defer any eligible crop insurance proceeds, you must defer all such crop insurance proceeds (including Federal disaster payments).

For details on how to complete lines 5a–5d, see Schedule F instructions for lines 8a–8d.

Line 6.—Use this line to report income not shown on lines 1 through 5d. See Schedule F instructions for line 10.

Part II—Expenses—Farm Rental Property

Note: *Certain costs must be capitalized if you produced real or tangible personal property, or acquired property held for resale. Special rules apply to the capitalization of interest and certain other costs. See Schedule F instructions for Part II.*

Do not reduce your expenses on lines 8–31g by the preproductive period expenses you must capitalize. Instead, enter the total amount capitalized in parentheses on line 31g. Reduce your total expenses by this amount before entering an amount on line 32. On the line to the left of the line 31g entry space, write "263A."

Line 11.—Expenses you paid or incurred for soil and water conservation may only be deducted if they are consistent with a plan approved by the Soil Conservation Service (SCS) of the Department of Agriculture for the area in which your land is located. If no plan exists, your expenses must be consistent with a soil conservation plan of a comparable state agency.

You must attach **Form 8645,** Soil and Water Conservation Plan Certification, to your return if you claim this deduction.

Line 13.—Enter your depreciation and section 179 expense deduction here. For more details (including whether you must complete and attach **Form 4562,** Depreciation and Amortization), see the instructions for **Schedule C** (Form 1040), line 13.

Lines 20a and 20b. Interest allocation rules.—The tax treatment of interest expense differs depending on its type (for example, personal interest, home mortgage interest, and investment interest). You must allocate (classify) your interest expense so it is deducted on the correct line of your tax return and gets the right tax treatment. These rules could affect how much interest you are allowed to deduct on Form 4835. See Schedule F instructions for lines 24a and 24b.

Line 23.—If you rented or leased vehicles, machinery, or equipment, enter on line 23a the business portion of your rental cost. But, if you leased a vehicle for a term of 30 days or more, you may have to reduce your deduction by an **inclusion amount.** For details, see the instructions for Schedule C, line 20a.

Lines 31a through 31g.—Enter expenses not listed on another line. See Schedule F instructions for lines 35a–35f.

Line 34.—If you have a loss, you may need to complete and attach Form 8582 to determine your deductible loss. However, if you checked box 34b, you MUST complete **Form 6198,** At-Risk Limitations, before you complete Form 8582. See Schedule F instructions for information on the at-risk rules. But if you meet ALL THREE of the conditions listed in the Schedule E instructions for line 23, you do not have to complete Form 8582. Instead, enter your deductible loss on line 34c and on Schedule E, line 39.