Note: *The draft you are looking for begins on the next page.*

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TREASURY/IRS AND OMB USE ONLY DRAFT

2026

Instructions for Form 4835

Farm Rental Income and Expenses

Section references are to the Internal Revenue Code unless otherwise noted.

Future Developments

For the latest information about developments related to Form 4835 and its instructions, such as legislation enacted after this form and instructions were published, go to *IRS.gov/Form4835*.

What's New

Instructions are now separate from the form. We have separated the Instructions for Form 4835 from the form.

New line 19b—Vehicle loan. Use line 19b to report the business-use portion of your vehicle loan interest. See *Line 19b*, later, for more information.

Purpose of Form

If you were the landowner (or sub-lessor) and did not materially participate (for self-employment tax purposes) in the operation or management of the farm, use Form 4835 to report farm rental income based on crops or livestock produced by the tenant. See chapter 12 in Pub. 225, Farmer's Tax Guide, for the definition of "material participation" for landlords.

Use this form only if the activity was 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."

If you have net income on line 32, your tax may be less if you figure it using Schedule J (Form 1040).

Do not use Form 4835 if you were a/an:
- Tenant—instead, use Schedule F (Form 1040) to report farm income and expenses;
- Landowner (or sub-lessor) and materially participated in the operation or management of the farm—instead, use Schedule F (Form 1040) to report farm income and expenses;
- Landowner (or sub-lessor) and received cash rent for pasture or farmland based on a flat charge—instead, report as income on Schedule E (Form 1040), Part I;
- Estate or trust with rental income and expenses from crop and livestock shares—instead, report on Schedule E (Form 1040), Part I; or
- Partnership or S corporation with rental income and expenses from crop and livestock shares—instead, report on Form 8825.

General Instructions

Qualified joint ventures. If you and your spouse each materially participated as the only members of a jointly owned and operated farm rental business, and you filed a joint return for the tax year, you can make an election to be taxed as a qualified joint venture instead of a partnership. This election in most cases will not increase the total tax owed on the joint return, but it does give each of you credit for social security earnings on which retirement benefits are based and for Medicare coverage without filing a partnership return.

If you and your spouse make the election and you didn't materially participate (for self-employment tax purposes) in the operation or management of the farm, but maintained the farm as a rental business, you each can file a separate Form 4835 to report your share of farm rental income based on crops or livestock produced by the tenant. If you and your spouse did materially participate (for self-employment tax purposes) in the operation or management of the farm, you each must file a separate Schedule F (Form 1040). For an explanation of "material participation," see the instructions for Schedule C (Form 1040), Profit or Loss From Business (Sole Proprietorship), line G. For more information on qualified joint ventures, go to *IRS.gov/QJV*.

Additional information. See the Instructions for Schedule F (Form 1040), Profit or Loss From Farming, and Pub. 225 for more information.

Specific Instructions

Employer identification number (EIN). You need an EIN only if you had a qualified retirement plan or were required to file an employment, excise, estate, trust, partnership, or alcohol, tobacco, and firearms tax return. If you need an EIN, see the Instructions for Form SS-4.

Line A. 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.

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

Lines 2a and 2b. Enter on line 2a your total distributions from cooperatives as shown on Form 1099-PATR, Taxable Distributions Received From Cooperatives. On line 2b, report the taxable amount. See the instructions for Schedule F (Form 1040), lines 3a and 3b.

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Lines 3a and 3b. Enter on line 3a the total agricultural program payments you received. On line 3b, report the taxable amount. See the instructions for Schedule F (Form 1040), lines 4a and 4b.

Lines 4a through 4c. Report the full amount of Commodity Credit Corporation (CCC) loans forfeited, even if you reported the loan proceeds as income. See the instructions for Schedule F (Form 1040), lines 5a through 5c.

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, you may be able to postpone reporting eligible crop insurance proceeds as income until the year following the year the damage occurred. To do this, check the box on line 5c and attach a statement to your return. See chapter 3 of Pub. 225.

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

For details on how to complete lines 5a through 5d, see the instructions for Schedule F (Form 1040), lines 6a through 6d.

Line 6. Use this line to report income not shown on lines 1 through 5d. See the instructions for Schedule F (Form 1040), line 8.

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Part II. Expenses—Farm Rental Property

Capitalizing costs of producing property and acquiring property for resale. If you produced real or tangible personal property or acquired property for resale, certain expenses may have to be included in inventory costs or capitalized. These expenses include the direct costs of the property and the share of any indirect costs allocable to that property. For details and exceptions, see *Capitalizing costs of producing property and acquiring property for resale* in the Instructions for Schedule F (Form 1040).

How to report. Do not reduce your expenses on lines 8 through 30f by the expenses you must capitalize. Instead, enter the total amount capitalized in parentheses (to indicate a negative amount) on line 30g. On the line to the left of the line 30g entry space, enter "263A." This will reduce your expenses reportable on line 31.

Line 10. Expenses you paid or incurred for soil and water conservation, prevention of erosion, or endangered species recovery can be deducted only if they are consistent with a conservation plan approved by the Natural Resources Conservation Service of the Department of Agriculture or a recovery plan approved pursuant to the Endangered Species Act of 1973 for the area in which your land is located. If no plan exists, your expenses must be consistent with a plan of a comparable state agency. Your deduction, however, cannot exceed 25% of your gross income from farming. See the instructions for Schedule F (Form 1040), line 12.

Line 12. Enter your depreciation and section 179 expense deduction. For details, including whether you must file Form 4562, Depreciation, see chapter 7 of Pub. 225, and the Instructions for Form 4562.

Lines 19a, 19b, and 19c. Your interest expense could be limited. See the Instructions for Form 8990 for more information.

The tax treatment of interest expense differs depending on its type. For example, home mortgage interest and investment interest are treated differently. You must allocate (classify) your interest expense so it is deducted (or capitalized) on the correct line of your tax return and it gets the right tax treatment. These rules could affect how much interest you are allowed to deduct on Form 4835. See the instructions for Schedule F (Form 1040), lines 21a, 21b, and 21c.

Line 19b—Vehicle loan. Enter interest paid or accrued on debt incurred to purchase a vehicle used in your farm rental activity. Include all deductible vehicle loan interest allocable to business use, including interest paid or accrued on vehicle loans for applicable passenger vehicles (as defined in the instructions for Schedule 1-A (Form 1040)).

If you use your vehicle for both business and personal purposes, allocate the vehicle loan interest between its business use and personal use. Deduct only the business-use portion of the vehicle loan interest on Form 4835.

Use line 19b to deduct the business-use portion of vehicle loan interest regardless of whether you use the business standard mileage rate method or the actual cost method of operating the vehicle.

TIP *You may be able to deduct the portion of your vehicle loan interest attributable to personal use on Schedule 1-A (Form 1040). See Schedule 1-A (Form 1040) and its instructions for more information. If you claim a deduction on Schedule 1-A (Form 1040) for the vehicle loan interest, then you can't claim a deduction for that same interest on Form 4835.*

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Line 22a. If you rented or leased vehicles, machinery, or equipment, enter on line 22a 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. See *Leasing a Car* in Pub. 463, Travel, Gift, and Car Expenses.

Lines 30a through 30g. Enter expenses not listed on another line. See the instructions for Schedule F (Form 1040), lines 32a through 32f. If you are required to capitalize expenses, see *How to report* under *Capitalizing costs of producing property and acquiring property for resale*, earlier.

Line 31. If you entered capitalized expenses on line 30g, your total expenses on line 31 will equal the total of lines 8 through 30f reduced by the amount on line 30g.

Line 32. If line 31 is more than line 7, don't enter your loss on line 32. If you have a loss, you must apply the at-risk rules and the passive activity loss rules. To apply these rules, follow the instructions for line 34 and the Instructions for Form 8582. After applying these rules, the amount of your allowable loss may be smaller than the amount figured by subtracting line 31 from line 7.

- If line 7 is more than line 31 and you don't have prior-year unallowed passive activity losses from this activity, subtract line 31 from line 7. The result is your net farm rental income.
- If line 7 is more than line 31 and you have prior-year unallowed passive activity losses from this activity, don't enter your net farm rental income on line 32 until you have figured the amount of prior-year unallowed passive activity losses you may claim this year. Use Form 8582 to figure the amount of prior-year unallowed passive activity losses you may include on line 32. If there is a net loss after applying the prior-year unallowed loss against the net farm rental income,

enter zero on line 32 and enter the net loss on line 34c. Indicate that you are including prior-year passive activity losses by entering “PAL” on the dotted line to the left of the entry space for line 32.

Note: You may need to include information from Form 4835 on Form 8582 even if you have a net profit. For more information, see the Instructions for Form 8582.

Line 34. To determine your deductible loss, you may need to complete Form 8582 regardless of whether you checked box 34a or 34b. However, if you checked box 34b, you must complete Form 6198, At-Risk Limitations, before you complete Form 8582. See the instructions for Schedule F (Form 1040), line 36.

Do not complete Form 8582 if either of the following applies.

- You meet all of the conditions listed under *Exception for Certain Rental Real Estate Activities* in the Instructions for Schedule E (Form 1040). Instead, enter your deductible loss on line 34c and on Schedule E (Form 1040), line 40.
- You were a real estate professional (as defined in the Instructions for Schedule E (Form 1040)) and you materially participated in the operation of this activity (under the passive activity loss rules). See the Instructions for Form 8582 for the definition of “material participation.” Your loss is not subject to the passive activity loss limitations. Instead, enter your deductible loss on line 34c and on Schedule E (Form 1040), line 40. Also include the loss in the total for Schedule E (Form 1040), line 43.

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