

Farm Rental Income and Expenses
 (Crop and Livestock Shares (Not Cash) Received by Landowner (or Sub-Lessor))
 (Income not subject to self-employment tax)
 ▶ See instructions on back.
 ▶ Attach to Form 1040.

Name(s) shown on Form 1040 _____

Your social security number _____

Employer ID number (Not SSN) _____

- A** Did you make an election in a prior year to include Commodity Credit Corporation loan proceeds as income in that year? Yes No
- B** Did you actively participate in the operation of this farm during 1990? (See instructions.) Yes No
- C** Do you elect, or did you previously elect, to currently deduct certain preproductive period expenses? (See instructions.) Does not apply Yes No

Part I Gross Farm Rental Income—Based on Production (Include amounts converted to cash or the equivalent.)

1 Income from production of livestock, produce, grains, and other crops		1		
2a Total cooperative distributions (Form(s) 1099-PATR) 2a		2b Taxable amount	2b	
3a Agricultural program payments (see instructions) 3a		3b Taxable amount	3b	
4 Commodity Credit Corporation (CCC) loans:				
a CCC loans reported under election (see instructions)		4a		
b CCC loans forfeited or repaid with certificates 4b		4c Taxable amount	4c	
5 Crop insurance proceeds and certain disaster payments (see instructions):				
a Amount received in 1990 5a		5b Taxable amount	5b	
c If election to defer to 1991 is attached, check here <input type="checkbox"/> 5d Amount deferred from 1989		5d		
6 Other income, including Federal and state gasoline or fuel tax credit or refund (see instructions)		6		
7 Add amounts in the right column for lines 1 through 6. Enter the total here and on Schedule E (Form 1040), line 41. This is your gross farm rents ▶		7		

Part II Expenses—Farm Rental Property (Do not include personal or living expenses.)

8 Breeding fees 8		20 Labor hired (less jobs credit) (see Schedule F instructions) 20		
9 Chemicals 9		21 Pension and profit-sharing plans 21		
10 Conservation expenses (you must attach Form 8645) 10		22 Rent or lease:		
11 Custom hire (machine work) 11		a Vehicles, machinery, and equip. 22a		
12 Depreciation and section 179 expense deduction not claimed elsewhere 12		b Other (land, animals, etc.) 22b		
13 Employee benefit programs other than on line 21 (see Schedule F instructions) 13		23 Repairs and maintenance 23		
14 Feed purchased 14		24 Seeds and plants purchased 24		
15 Fertilizers and lime 15		25 Storage and warehousing 25		
16 Freight and trucking 16		26 Supplies purchased 26		
17 Gasoline, fuel, and oil 17		27 Taxes 27		
18 Insurance (other than health) 18		28 Utilities 28		
19 Interest:		29 Veterinary fees and medicine 29		
a Mortgage (paid to banks, etc.) 19a		30 Other expenses (specify):		
b Other 19b		a 30a		
		b 30b		
		c 30c		
		d 30d		
		e 30e		
31 Add amounts on lines 8 through 30e. These are your total expenses ▶		31		
32 Net farm rental income or (loss) . Subtract line 31 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 33		32		
33 If line 32 is a loss, you MUST check the box that describes your investment in this activity (see Schedule F instructions)		33a <input type="checkbox"/> All investment is at risk.		
		33b <input type="checkbox"/> 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 33b, you MUST complete Form 6198 before going to Form 8582. In either case, enter the deductible loss here and on Schedule E, line 39		33c		

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 this 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 hrs., 57 min.
- Learning about the law or the form** 5 min.
- Preparing the form** 1 hr., 5 min.
- Copying, assembling, and sending the form to 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 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**.

Line-by-Line 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 33c, you may be able to deduct up to \$25,000 of losses from all rental real estate activities. Other 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 incurred after 1988 to raise any 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 1990 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 other than that 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 8–30e by the preproductive period expenses you must capitalize. Instead, enter the total amount capitalized in parentheses on line 30e. Reduce your total expenses by this amount before entering an amount on line 31. On the dash line to the left of the line 30e entry space, write "263A."

Line 10.—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 12.—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 19a and 19b. 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 right place of your tax return and gets the right tax treatment. These rules could affect how much interest you deduct on Form 4835. See Schedule F instructions for lines 23a and 23b.

Line 22.—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** and **additional inclusion amount**. For details, see the Instructions for **Schedule C**, line 20a.

Lines 30a through 30e.—Enter expenses not listed on another line. See Schedule F instructions for lines 34a–34e.

Line 33.—If you have a loss, you may need to complete and attach **Form 8582, Passive Activity Loss Limitations**, to determine your deductible loss. However, if you checked box 33b, 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 33c and on Schedule E, line 39.