

2011 Sample Federal Income Tax Return for a Farming Activity

The information shown on the filled-in forms is not from any actual farming operation. However, this sample return uses actual 2011 Income Tax forms to show you how to prepare your income tax return.

Rounding off to whole dollars. The IRS allows taxpayers to round off entries to whole dollar amounts. You may round off cents to whole dollars on your return and schedules however if you do round to whole dollars, you must round all amounts. To round, drop amounts under 50 cents and increase amounts from 50 to 99 cents to the next dollar (for example, \$1.49 becomes \$1 and \$2.50 becomes \$3). Where two or more amounts are added to figure the amount to enter on a line, include cents when adding the amounts and round off only the total.

Losses from operating a farm. This sample return shows a profit from the farm operation. However, if your deductible farm expenses are more than your farm income for the year, you have a loss from your farm operation. If your loss is more than the other income reported for the year, you may have a net operating loss (NOL). You may also have an NOL if you had a personal or business-related casualty or theft loss that was more than your income. If you have an NOL this year, you may be able to reduce your income (and income tax) in other years by carrying the NOL to those years and deducting it from income on those returns. To determine if you have an NOL, complete your tax return for the year. You may have an NOL if a negative figure appears on Form 1040, U.S. Individual Income Tax Return, line 41.

Preparing the Return

William Rosso is sole proprietor of a dairy farm operation filing jointly with his wife, Barbara. Their return has been prepared using the cash method of accounting.

