



Working With a Tax Preparer

Kevin Burkett, CPA
Extension Associate
Clemson University

Rural Tax Education

RuralTax.org



- Website hosted by Utah State University
- Material created by the **National Farm Income Tax Committee**
- Informational Material on Ag, Timber, and Rural Tax topics include but not limited to:
 - Disaster/Weather Losses
 - Treatment of Government Payments
 - Farm Losses and Hobby Rules
 - Self-Employment Taxes
 - Estate and Gift Taxes
 - Depreciation
 - Etc...



Disclaimer

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Working with a Tax Professional

*Kevin Burkett, Extension Associate
Clemson University*

Introduction

Frequently a farm owner will engage a tax professional to ensure their tax returns are filed correctly. In the case that you are currently needing to find a tax professional, there are resources both from [Rural Tax](#) and the [IRS](#) to help navigate steps to take in finding competent professional help. This article will share steps a farmer/rancher can take to get the best value from that service and ensure a strong working relationship with their tax professional.

Things to Consider

Engagement Letter

Generally, when you agree to work with a practitioner, an engagement letter or document is provided which explains what documents, access, and resources they need from you. An intake form you sign with the preparer each year provides the timing for when all documents and records are required to be delivered. If you have never worked with someone, you are changing preparers, or perhaps you would like to do a better job, this may be a good primer for you.

Documents

Do You Have a Tax Preparer?

IRS.gov

Credentials

State Society of CPAs

Colleagues / Word-of-mouth

RURAL TAX EDUCATION

RTE/2022-03

June 2022

RuralTax.org

How to Choose a Tax Professional*

Dr. Tamara L. Cushing, Extension Forest Business and Economics Specialist, University of Florida

Introduction

Choosing the right accountant or tax return preparer can be a crucial decision for farmers, ranchers and forest landowners. Part of this important decision is based on personality, but there are some key questions that should be asked of potential (and maybe even current) providers of these important services regarding their ability to handle specific issues related to agriculture and forestry enterprises.

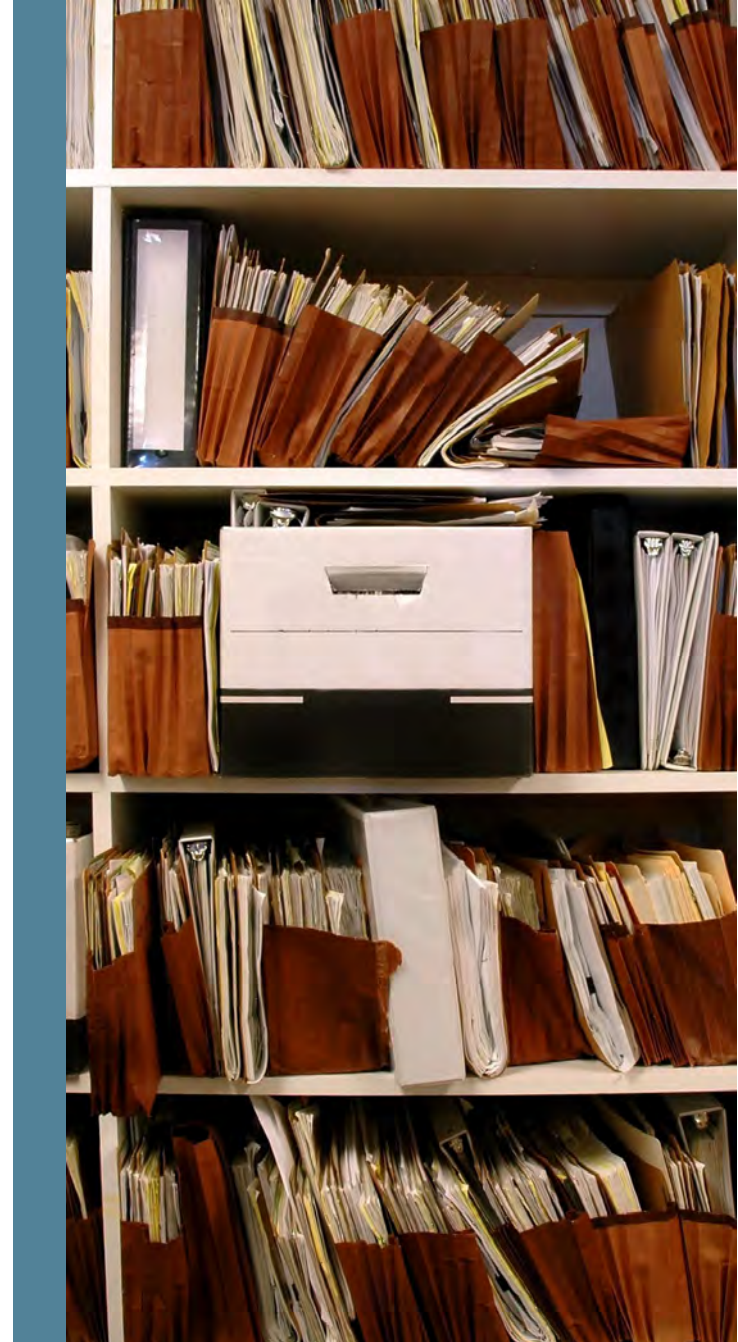
Biggest Takeaways



Communication



Recordkeeping





Third-Party Assistance

- We're focused on tax information

- However, others will benefit:
 - Bankers / Lenders
 - Insurance
 - USDA
 - State Dept. of Agriculture
 - Etc.

Separate Business Bank Account

- First step to good financial records
- Typically, easy to set up



Separate Business Bank Account

- All financial transactions are run through this account (*Including family members, co-owners*)
- Keep personal and business separate



Separate Business Bank Account

- Will keep a tally of money for the business
 - a. Owner contributions / distributions
- Most small businesses are cash-basis
- Transactions are then input into a ledger



Bank & Credit-Card Records

1/18/24 - \$1,200.00 charge from Co-Op

What do you need to know?



Bank & Credit-Card Records

1/18/24 - \$1,200.00 charge from Co-Op

What do you need to know?

\$450.00 fencing

\$400.00 irrigation supplies

\$350.00 seeds / plants



Bank & Credit-Card Records

What do you need to know?

\$350.00 seeds / plants – 1/18/24

\$300.00 seeds / plants - 2/1/24

Total: \$650.00



Bank & Credit-Card Records

- Annual total (\$650.00) would end up on line 26 of Schedule F

- Other categories may involve calculations, but clean records help tremendously

SCHEDULE F (Form 1040) Profit or Loss From Farming
 Attach to Form 1040, 1040-SR, 1040-SS, 1040-NR, 1041, or 1065.
 Department of the Treasury Internal Revenue Service
 OMB No. 1545-0074
2024 Attachment Sequence No. 14
 Go to www.irs.gov/ScheduleF for instructions and the latest information.

Name of proprietor _____ Social security number (SSN) _____

A Principal crop or activity _____ **B** Enter code from Part IV _____ **C** Accounting method: Cash Accrual **D** Employer ID number (EIN) (see instr.) _____

E Did you "materially participate" in the operation of this business during 2024? If "No," see instructions for limit on passive losses Yes No
F Did you make any payments in 2024 that would require you to file Form(s) 1099? See instructions Yes No
G If "Yes," did you or will you file required Form(s) 1099? Yes No

Part I Farm Income—Cash Method. Complete Parts I and II. (Accrual method, Complete Parts II and III, and Part I, line 9.)

1a Sales of purchased livestock and other resale items (see instructions)	1a	
b Cost or other basis of purchased livestock or other items reported on line 1a	1b	
c Subtract line 1b from line 1a		1c
2 Sales of livestock, produce, grains, and other products you raised		2
3a Cooperative distributions (Form(s) 1099-PATR)	3a	3b Taxable amount
4a Agricultural program payments (see instructions)	4a	4b Taxable amount
5a Commodity Credit Corporation (CCC) loans reported under election		5a
b CCC loans forfeited	5b	5c Taxable amount
6 Crop insurance proceeds and federal crop disaster payments (see instructions):		
a Amount received in 2024	6a	6b Taxable amount
c If election to defer to 2025 is attached, check here <input type="checkbox"/>		6d Amount deferred from 2023
7 Custom hire (machine work) income		7
8 Other income, including federal and state gasoline or fuel tax credit or refund (see instructions)		8
9 Gross income. Add amounts in the right column (lines 1c, 2, 3b, 4b, 5a, 5c, 6b, 6d, 7, and 8). If you use the accrual method, enter the amount from Part III, line 50. See instructions.		9

Part II Farm Expenses—Cash and Accrual Method. Do not include personal or living expenses. See instructions.

10 Car and truck expenses (see instructions). Also attach Form 4562	10	23 Pension and profit-sharing plans	23
11 Chemicals	11	24 Rent or lease (see instructions):	
12 Conservation expenses (see instructions)	12	a Vehicles, machinery, equipment	24a
13 Custom hire (machine work)	13	b Other (land, animals, etc.)	24b
14 Depreciation and section 179 expense (see instructions)	14	25 Repairs and maintenance	25
15 Employee benefit programs other than on line 23	15	26 Seeds and plants	26
16 Feed	16	27 Storage and warehousing	27
17 Fertilizers and lime	17	28 Supplies	28
18 Freight and trucking	18	29 Taxes	29
19 Gasoline, fuel, and oil	19	30 Utilities	30
20 Insurance (other than health)	20	31 Veterinary, breeding, and medicine	31
21 Interest (see instructions):		32 Other expenses (specify):	
a Mortgage (paid to banks, etc.)	21a	a _____	32a
b Other	21b	b _____	32b
22 Labor hired (less employment credits)	22	c _____	32c
		d _____	32d
		e _____	32e
		f _____	32f
33 Total expenses. Add lines 10 through 32f. If line 32f is negative, see instructions			33
34 Net farm profit or (loss). Subtract line 33 from line 9			34

If a profit, stop here and see instructions for where to report. If a loss, complete line 36.

35 Reserved for future use.

36 Check the box that describes your investment in this activity and see instructions for where to report your loss:
a All investment is at risk. **b** Some investment is not at risk.

For Paperwork Reduction Act Notice, see the separate instructions. Cat. No. 11346H Schedule F (Form 1040) 2024

“What kind of records do I have to have?”

‘You can choose any recordkeeping system suited to your business that clearly shows your income and expenses’

IRS Publication 583 ‘Starting a Business and Keeping Records’



Publication 583
(Rev. January 2021)
Cat. No. 15150B

Starting a Business and Keeping Records



Feb 03, 2021

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Future Developments

For the latest information about developments related to Pub. 583, such as legislation enacted after it was published, go to [IRS.gov/Pub583](https://www.irs.gov/pub583).

Introduction

This publication provides basic federal tax information for people who are starting a business. It also provides information on keeping records and illustrates a recordkeeping system.

Throughout this publication we refer to other IRS publications and forms where you will find more information. In addition, you may want to contact other government agencies, such as the Small Business Administration (SBA) at [SBA.gov](https://www.sba.gov).

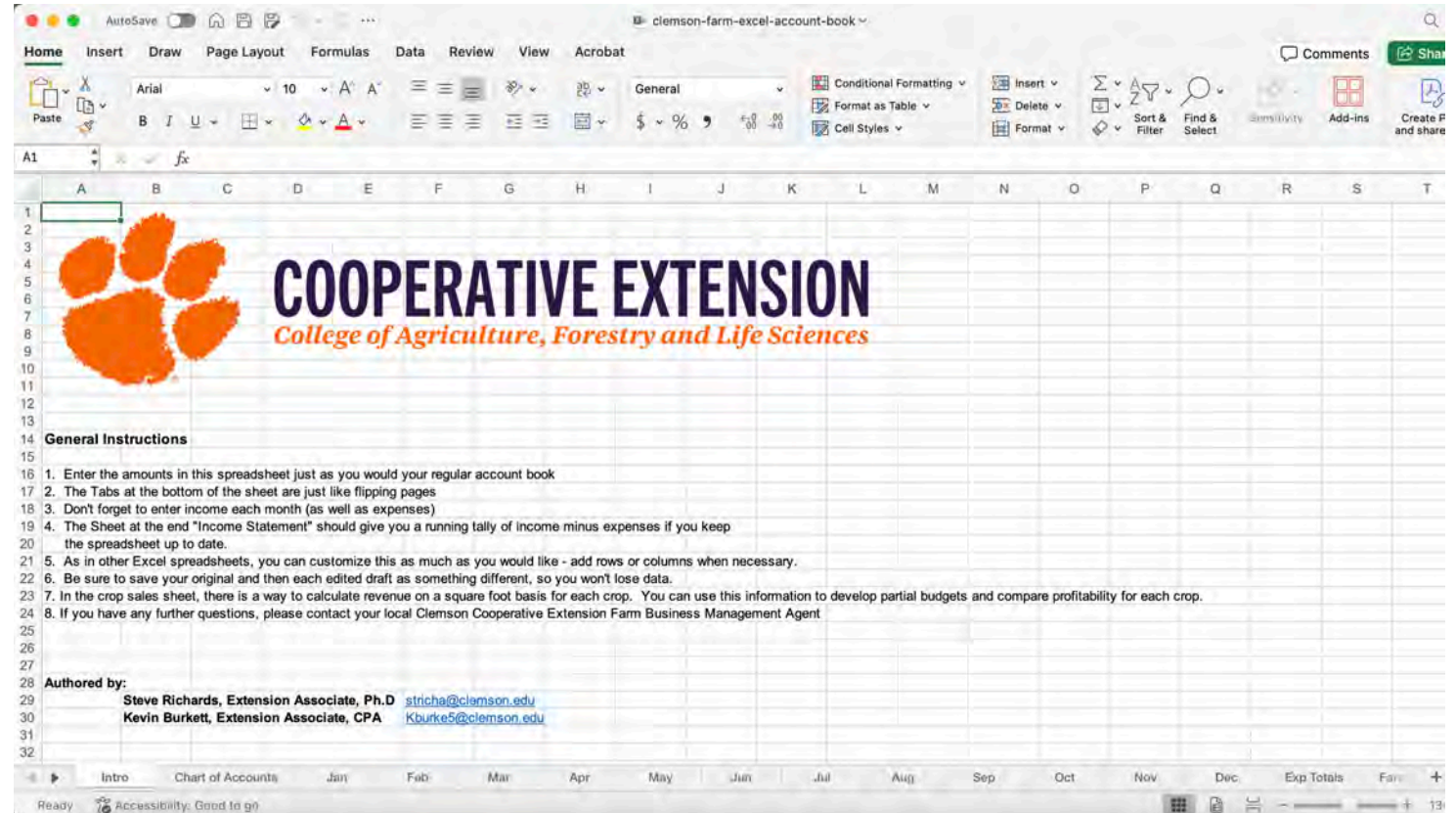
Comments and suggestions. We welcome your comments about this publication and suggestions for future editions.

Recordkeeping

Manual account book

Excel Spreadsheet
Google Sheets

(templates)



Recordkeeping

Xero
Bench
Wave } 'Free'-ish

Quickbooks
Quicken } Most formal

PCMars
AgSquared
Ambrook
Traction Ag } Ag-Specific

Paid bookkeeping service



Recordkeeping

- Whatever system you have...
- The preparer takes that information to prepare your taxes

Recordkeeping

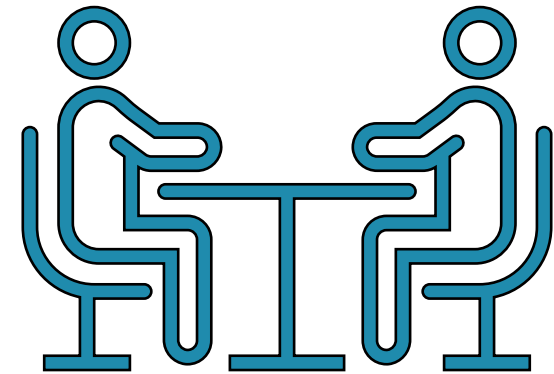
- The more time they spend on it, the more expensive it becomes
- Bad records (shoebox) may have to be re-created entirely or could be refused

Recordkeeping

- They may have suggestions / requests as to how you keep your records
- The clients who are easy to work with will receive better service

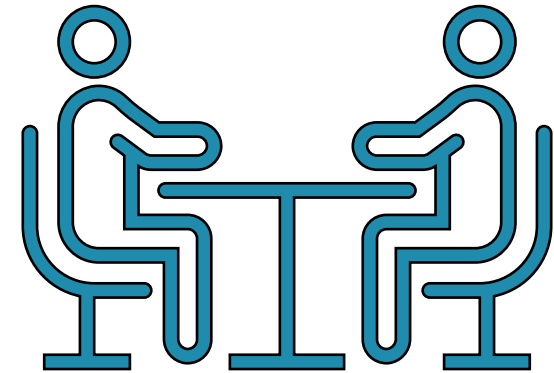
Communications

- Phone call
- Initial sit-down
- Possible planning meeting
- Engagement letter



Communications

- Document portal
- Review
- Conclusion
- Next steps





Planning Meeting

- After Oct. 15 can be a slower time of year
- They may be able to help clean up questions / bookkeeping
- Allows changes to be made before the end of the year



Planning Meeting

- Set of accounting records from the business
 - a. Balance Sheet / Income Statement
- Other sources of income
 - a. Understand progressive tax brackets
- Important changes in the business
- Plans / goals for remainder of the year

Engagement Letter

- Will detail what services are / are not being performed
- Time period
- Applicable rates / fees
- Expectations regarding client communications / documents

Client Documents - Engagement

- Tax forms: 1098s, 1099s, K-1s, W-2s, W-4s, prior-year returns
- Full set of accounting records from the business
- Back-up documentation: receipts, invoices, checks, account summaries



Client Documents - Engagement

- Asset sales / purchases
- Ownership changes
- Loan balances



Engagement Communication

- If it is not shared, the preparer will not have knowledge of it
- Can cause delays, mistakes, or amending returns
- Making their job easier results in better service



Due Dates

- Generally, tax professionals alert you to deadlines
 - S-Corp, Partnership due March 15th
 - Corporation and personal returns due April 15th
- Other important notices like 1099s, W-2s, estimated tax payments
- However, without the correct / timely information they cannot complete the filings

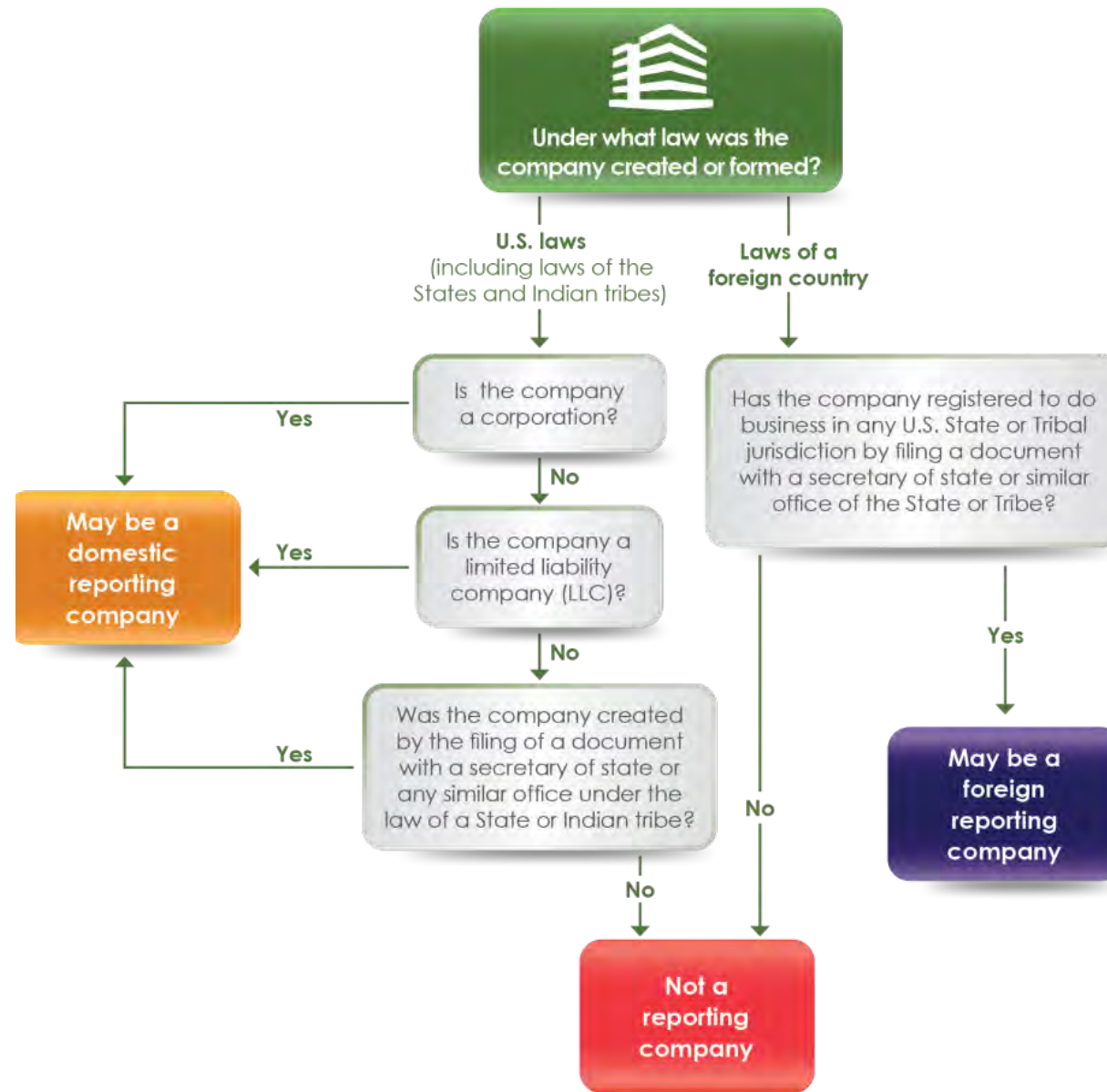
Resources

- Tax Calendars (IRS, preparer, other third-parties)
- IRS – Interactive Tax Assistant (ITA)
 - FAQs
- IRS Publications:
 - Pub. 225 – Farmers Tax Guide
 - IRS Small Business Tax Workshop
- *RuralTax and Farmers.gov/Taxes*



Beneficial Ownership Information (BOI)

- This law creates a reporting requirement as part of the U.S. government's efforts to make it harder for bad actors to hide or benefit from their ill-gotten gains through shell companies or other opaque ownership structures.
- www.fincen.gov/boi
- Reporting companies created *prior to 2024* have until Jan. 1, 2025 to file
- Reporting companies created *during 2024* have 90 days from creation to file





Beneficial Ownership Information (BOI)

- Filed directly on the FINCEN website – no fee
- Small Entity Compliance Guide & FAQs available through the website
- Owners can file themselves or request help from their advisors

Conclusion

- Like any relationship, frequent clear communication is important
- A strong relationship with advisors can add great value to your business
- Continue to learn, use that to analyze your business / decisions

Contact

Kevin Burkett, CPA

Extension Associate
Clemson Agribusiness

kburke5@clemson.edu

