

SCHEDULE F

(Form 1040 or 1040-SR)

Profit or Loss From Farming

OMB No. 1545-0074

2019

Attachment Sequence No. 14

Department of Taxation and Finance

Internal Revenue Service

Name (or proprietor)

Use Form 1040-SR, Form 1040-NR, Form 1041, or Form 1065.

See instructions for instructions and the latest information.

Social security number (SSN)

A Principal crop or activity

B Enter code from Part IV

C Accounting method:

D Employer ID number (EIN) (see instr.)

E Did you "materially participate" in the operation of this business during 2019? If "No," see instructions for limit on passive losses

F Did you make any payments in 2019 that would require you to file Form(s) 1099? See instructions

Fact Sheet

Tax Considerations

SCHEDULE F VERSUS SCHEDULE C



Understanding what type of business you are operating will help you determine what type of taxes you will be filing at the end of the year. Depending on your product, staffing, and income mix you may file multiple schedules.

- Schedule C
- Schedule F

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FINDING EXPERTISE

With taxes it is very important to find someone who understands taxes and tax law in NYS -- especially related to agritourism.

- Do you have a tax preparer who works with agritourism operations, or at least farms?
- If not, do you feel comfortable doing research to understand how certain activities on your farm may apply to agritourism?



VALUE-ADDED PROCESSING

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Are you creating value-added products on your agritourism farm? A value-added product is one in which the original form of a raw ingredient is changed. This could be as simple as jams and jellies to cutting & drying herbs. If you are doing anything value-added you will need to be registered with NYS to collect sales tax and report it on their schedule.



FARM INCOME VS OFF-FARM INCOME

Farm income is income derived from farm activities. The IRS defines this as operating a farm for profit. You must grow, raise and sell something agricultural in nature. Off-farm income includes income from all other aspects of your agritourism operation, including a tasting room, farm stand sales, farm stays, etc... -- anything which does not meet the definition of an agricultural product which was grown, harvesting & sold.

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WORKING WITH PRIVATE CONTRACTORS

There are many situations which may arise which would fall under the umbrella of "private contractors". This could include contract work as opposed to on-going payroll,

COMPONENTS OF THE SCHEDULE C

There are three components to the Schedule C: Income, Expenses & Cost of Goods Sold.



- Income: Sale of raw products, u-pick fees, etc...
- Expenses: Plants/seeds, harvesting expenses, taxes & insurance
- Cost of Goods Sold: Value of your raw ingredient in processing, any additional steps for manufacturing, packaging, labor for processing, etc...

Schedule F only has income & expenses - if you have COGS then you file a Schedule C

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RECORDKEEPING

Up to date records, and a recordkeeping system, are integral to being able to file your taxes and take advantage of tax credit programs in NYS. This can happen electronically or on paper, but a system should be in place.

The following is information you will need to be able to generate for taxes:

- Bank reconciliation
- Profit & Loss Statement
- Owner Draw
- Balance Sheet



TAX INCENTIVES FOR FARMS

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In NYS farms have the opportunity to access several tax credits:

- Farmer School Tax Credit
- Agricultural Assessment
- Farm Worker Retention Credit
- 2/3 gross income test
- Investment Tax Credit



TRACKING SALES

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Your agritourism operation should have a process for tracking sales, both cash and card. Whether it is a "point of sale" terminal such as Square, an electronic method for payment such as Venmo (or PayPal), or a ledger with handwritten entries, this information will be necessary when getting ready to file your taxes. If you can't track it, it didn't happen according to the IRS.



ECONOMIC OPPORTUNITY

Making sure you are following all the required tax laws within NYS will ensure that your agritourism operation will stay profitable. Understanding which are applicable and how to comply with recordkeeping will keep your farm successful for many years to come!

Additional Resources:

- Cornell Cooperative Extension Agritourism Program Work Team: <https://cals.cornell.edu/cornell-cooperative-extension/work-teams/agritourism>
- Cornell Cooperative Extension Agritourism YouTube Channel: <https://www.youtube.com/@cceagritourism>
- NYS Sales Tax: <https://www.tax.ny.gov/bus/st/stidx.htm>
- IRS Publication 225: Farmers Tax Guide: <https://www.irs.gov/publications/p225>
- IRS Forms: <https://www.irs.gov/forms-instructions>
- NYS Agricultural Assessment: https://www.tax.ny.gov/research/property/assess/valuation/ag_overview.htm
- NYS Farmer School Tax Credit: https://www.tax.ny.gov/pit/credits/farmers_school_tax.htm
- NYS Farm Worker Retention Credit: https://www.tax.ny.gov/bus/ct/farm_workforce_ret_credit.htm