

# FARM RENTAL PROPERTY

PRESENTER - *Randy Adams, EA MSA*

Basics+Beyond™  
income tax webinars



1

## Objectives

- Explore the options that farmland offers and what forms to use in completing taxable income from it
- Discuss how CRP is taxed and how to receive it
- Look at the distinct types of income & expenses available to those who rent their land
- What happens when the assets are sold



Basics+Beyond™  
income tax webinars

2

## What rental options are available?

- Cash renting for crop farming
- Share-cropping
- Cell phone tower rental
- Solar array rental
- Wind generator rental
- Hunting
- Billboard advertising
- Equipment storage or parking
- Triple net lease to retail company



3

## Why does it matter?

- Different tax forms may be completed (Sch E, F, or [Form 4835](#))
- SE tax may apply for some farm operations if material participation occurs
- Depreciation may be a deduction for some
- Profits or losses may vary greatly upon the type of legal contract established
- Some will have deductions with the return and some may not
- States may handle the return much differently than the Federal
- States may handle the sale of the land differently than the Federal

4

## What form should I complete?



- Tax preparers sometimes differ on what form they use:
  - Cash rentals without material participation could go on Schedule E or Form 4835
  - How much participation equals “material” and therefore “earned income” to report?
  - If a landowner farms some of his acreage but rents out other parts of it, does that eliminate them from using Schedule E?
  - Is livestock income treated differently than grain or crops produced from the land?
  - If some services are provided with the rental land, then Form 4835 is preferred
  - If livestock is shared as part of the rental agreement in year 1, but not converted to cash until year 2, which year is the income recorded?
- Does it really matter if I use Schedule E vs. Form 4835???

Basics+Beyond™  
income tax webinars

5

## When to use Form 4835



### 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).

Basics+Beyond™  
income tax webinars

6

## When not to use form 4835



### 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.

Basics+Beyond™  
income tax webinars

7

## Material participation for form 4835



- If the landowner does at least three of these activities, they must file Sch F:
  - Pays at least 50% of direct costs of producing the crop or livestock
  - Furnishes at least 50% of the tools, equipment or livestock used in the operation
  - Advises or consults with the tenant
  - Inspects the production activities periodically
- Other considerations in material participation
  - Makes management decisions that affect the success of the enterprise
  - Works 100 hours or more in a 5-week period in agricultural operation activities
  - Show significant involvement in the production of the farm commodities

8

## Passive activity

---



- To file Form 4835 a taxpayer must be considered a passive participant of the farm operation
- Passive activity rules apply in that losses can not exceed income and will be carried forward if no other passive income is recorded on the return
- At-risk basis limitations are to be applied before the passive loss limitations
- Suspended losses are allowed in the year of disposition
- Hobby loss rules also should be reviewed before filing

9

## Sharecropping

---



- Defined as “a system of farming in which a landowner allows a tenant to use their land in exchange for a share of the crops produced”
- Originally a practice most used by landowners in southern states that was unfair and, in many cases, abusive for tenants
- It was ended by Congress after the Great Depression but now may be called Production-sharing, Harvest allocation agreement, etc.
- Timing of sales of the crop may not align with tax periods and therefore vast fluctuations in taxable income may occur

10

## What are possible revenue sources?

- Livestock
- Grain
- Other crops
- CRP ([Conservation Reserve Program](#)) or Agriculture program payments
- CCC ([Commodity Credit Corporation](#)) loan forfeitures
- Crop insurance or disaster payments
- [Form 1099-PATR](#)
- Fuel tax credit taken as a deduction



11

## Polling Question #1

Basics+Beyond™  
income tax webinars

12

## What is CRP?

- A land conservation initiative administered by the FSA (Farm Service Agency)
- Enrollment is required and once approved, landowners receive yearly rental payments to remove environmentally sensitive land from ag production
- Specific plant species must be planted/seeded that improve environmental health & quality to the land
- The purposes of the program are:
  - Re-establish valuable land cover
  - Enhance water quality
  - Prevent soil erosion
  - Reduce wildlife habitat loss



13

## Types of CRP enrollment options

- General CRP (approved & ranked by an index that promotes greatest benefits)
  - Grassland CRP (for pasture, grass, or range acres)
  - Continuous CRP (for environmentally sensitive land)
  - Contracts are from 10-15 years in length
- 
- Initially became law under the Food Security Act of 1985
    - Paid through the USDA's Commodity Credit Corporation
    - Implemented by the FSA (Farm Service Agency)

14

## Is all CRP income taxable?



- In most cases it is
- See [IRS Publication 225 Farmers Tax Guide](#) for more details
- **HOWEVER**
- Cost-Sharing Exclusion (three requirements):
  1. It was for a capital expense
  2. It doesn't increase your annual property income for which it's made
  3. The Secretary of Ag certifies that the payment is only for one of the CRP purposes
- If all three requirements are met, all or part of income may be excluded

15

## Where to report CRP payments?



- WHERE WOULD YOU REPORT IT???????



16

## IRS GUIDANCE ON CRP PAYMENTS

---



### **CRP “annual rental payments” are not rental income for federal tax purposes**

Although the payments are called “annual rental payments” for purposes of the CRP, these payments are not rental payments for federal tax purposes. Generally, a rental payment is an amount paid for the use or occupancy of property. The government does not use or occupy the land covered by a CRP contract.

Basics+Beyond™  
income tax webinars

17

## MORE CRP GUIDANCE

---



### **Where to report CRP payments on the federal tax return**

Individuals must report all CRP payments on Schedule F, Profit or Loss From Farming, line 4a, Agricultural Program Payments. The amount of “annual rental payments” must be reported on line 4b, Taxable Amount, except to the extent it is for the permanent retirement of cropland base and allotment history (generally reportable on Form 4797, Sales of Business Property). The “annual rental payments” are not rentals from real estate and should not be reported on Form 4835, Farm Rental Income and Expenses, or Schedule E, Supplemental Income and Loss. The cost-sharing payments must be reported on Schedule F line 4b, Taxable Amount, unless they qualify for the cost-sharing exclusion. For more information about this exclusion, see the section titled Cost-Sharing Exclusion (Improvements) in IRS Publication 225, Farmer’s Tax Guide.

Basics+Beyond™  
income tax webinars

18

# The July 2024 supreme court decision



In Loper Bright Enterprises v. Raimondo the Supreme Court delivered the opinion that changes how farmland may be taxed in the future



This decision overturns the “Chevron doctrine” which directed the courts to defer to the appropriate federal agency to interpret statutes not clearly defined



Now issues like what land qualifies for wetland exemptions classification, can environmental regulations be enforced, which ruling will be followed if different courts take different sides, and even eminent domain use of ag land may be questioned

19

Form <b>4835</b> Department of the Treasury Internal Revenue Service	<b>Farm Rental Income and Expenses</b> (Crop and Livestock Shares (Not Cash) Received by Landowner (or Sub-Lessor)) (Income Not Subject to Self-Employment Tax) Attach to Form 1040, 1040-SR, or 1040-NR. Go to <a href="http://www.irs.gov/Form4835">www.irs.gov/Form4835</a> for the latest information.	OMB No. 1545-0074 <b>2023</b> Attachment Sequence No. <b>37</b>
Name(s) shown on tax return		Your social security number
		Employer ID number (EIN), if any

**A** Did you actively participate in the operation of this farm during 2023? See instructions  Yes  No

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

<b>1</b>	Income from production of livestock, produce, grains, and other crops . . . . .		<b>1</b>
<b>2a</b>	Cooperative distributions (Form(s) 1099-PATR) . . . . .	<b>2a</b>	<b>2b</b> Taxable amount
<b>3a</b>	Agricultural program payments (see instructions) . . . . .	<b>3a</b>	<b>3b</b> Taxable amount
<b>4</b>	Commodity Credit Corporation (CCC) loans (see instructions):		
<b>a</b>	CCC loans reported under election . . . . .		<b>4a</b>
<b>b</b>	CCC loans forfeited . . . . .	<b>4b</b>	<b>4c</b> Taxable amount
<b>5</b>	Crop insurance proceeds and federal crop disaster payments (see instructions):		
<b>a</b>	Amount received in 2023 . . . . .	<b>5a</b>	<b>5b</b> Taxable amount
<b>c</b>	If election to defer to 2024 is attached, check here <input type="checkbox"/> <b>5d</b> Amount deferred from 2022 . . . . .		<b>5d</b>
<b>6</b>	Other income, including federal and state gasoline or fuel tax credit or refund (see instructions) . . . . .		<b>6</b>
<b>7</b>	<b>Gross farm rental income.</b> Add amounts in the right column for lines 1 through 6. Enter the total here and on Schedule E (Form 1040), line 42 . . . . .		<b>7</b>

20

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

8	Car and truck expenses (see Schedule F (Form 1040) instructions). Also attach <b>Form 4562</b> . . . . .	8		21	Pension and profit-sharing plans . . . . .	21	
9	Chemicals . . . . .	9		22	Rent or lease:		
10	Conservation expenses (see instructions)	10		a	Vehicles, machinery, and equipment (see instructions)	22a	
11	Custom hire (machine work) . . . . .	11		b	Other (land, animals, etc.) . . . . .	22b	
12	Depreciation and section 179 expense deduction not claimed elsewhere . . . . .	12		23	Repairs and maintenance . . . . .	23	
13	Employee benefit programs other than on line 21 (see Schedule F (Form 1040) instructions) . . . . .	13		24	Seeds and plants . . . . .	24	
14	Feed . . . . .	14		25	Storage and warehousing . . . . .	25	
15	Fertilizers and lime . . . . .	15		26	Supplies . . . . .	26	
16	Freight and trucking . . . . .	16		27	Taxes . . . . .	27	
17	Gasoline, fuel, and oil . . . . .	17		28	Utilities . . . . .	28	
18	Insurance (other than health) . . . . .	18		29	Veterinary, breeding, and medicine . . . . .	29	
19	Interest (see instructions):			30	Other expenses (specify):		
a	Mortgage (paid to banks, etc.) . . . . .	19a		a	-----	30a	
b	Other . . . . .	19b		b	-----	30b	
20	Labor hired (less employment credits) (see Schedule F (Form 1040) instructions) . . . . .	20		c	-----	30c	
				d	-----	30d	
				e	-----	30e	
				f	-----	30f	
				g	-----	30g	
31	<b>Total expenses.</b> Add lines 8 through 30g. See instructions . . . . .					31	

21

# Polling Question #2

Basics+Beyond™

income tax webinars

22

## Example one

---



- Fred, age 72, wants to retire from farming but doesn't want to give up his land
- He decides to cash rent it to his neighbor's son, Eric, for \$200 per acre on his 200 acres of land
- Fred will pay the property tax and maintain the water drainage system (tile) while Eric will pay for all fertilizer, crop seed, harvesting, and land maintenance
- Rental rates will be adjusted annually, as needed, and communicated to the renter no later than January 2nd each year

Basics+Beyond™  
income tax webinars

23

## Example one - Documents

---



- INCOME
  - 1099-PATR for \$631
  - CRP for \$2,430
  - 1099-MISC for \$40,000 for rental income paid by his farmer tenant
- EXPENSES
  - Property tax paid \$18,640
  - Insurance \$486
  - Repairs to the tiling drain cover \$3,500
  - Tax Prep fee for Form 4835 \$110
  - Depreciation from a recently installed fence line and tiling \$14,988

24



**SCHEDULE F  
(Form 1040)**

Department of the Treasury  
Internal Revenue Service

**Profit or Loss From Farming**

Attach to Form 1040, 1040-SR, 1040-SS, 1040-NR, 1041, or 1065.  
Go to [www.irs.gov/ScheduleF](http://www.irs.gov/ScheduleF) for instructions and the latest information.

OMB No. 1545-0074

**2023**  
Attachment  
Sequence No. **14**

Name of proprietor <b>FRED</b>		Social security number (SSN) <b>37777777</b>	
<b>A</b> Principal crop or activity <b>CORN</b>	<b>B</b> Enter code from Part IV	<b>C</b> Accounting method: <input checked="" type="checkbox"/> Cash <input type="checkbox"/> Accrual	<b>D</b> Employer ID number (EIN) (see instr.)
<b>E</b> Did you "materially participate" in the operation of this business during 2023? If "No," see instructions for limit on passive losses		<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	
<b>F</b> Did you make any payments in 2023 that would require you to file Form(s) 1099? See instructions		<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	
<b>G</b> If "Yes," did you or will you file required Form(s) 1099?		<input type="checkbox"/> Yes <input type="checkbox"/> No	

<b>Part I Farm Income—Cash Method.</b> Complete Parts I and II. (Accrual method, Complete Parts II and III, and Part I, line 9.)			
<b>1a</b> Sales of purchased livestock and other resale items (see instructions)	<b>1a</b>		
<b>b</b> Cost or other basis of purchased livestock or other items reported on line 1a	<b>1b</b>		
<b>c</b> Subtract line 1b from line 1a			<b>1c</b>
<b>2</b> Sales of livestock, produce, grains, and other products you raised			<b>2</b>
<b>3a</b> Cooperative distributions (Form(s) 1099-PATR)	<b>3a</b>	<b>3b</b> Taxable amount	<b>3b</b>
<b>4a</b> Agricultural program payments (see instructions)	<b>4a</b> 2,430	<b>4b</b> Taxable amount	<b>4b</b> 2,430
<b>5a</b> Commodity Credit Corporation (CCC) loans reported under election		<b>5c</b> Taxable amount	<b>5c</b>
<b>b</b> CCC loans forfeited	<b>5b</b>		<b>5c</b>
<b>6</b> Crop insurance proceeds and federal crop disaster payments (see instructions):			
<b>a</b> Amount received in 2023	<b>6a</b>	<b>6b</b> Taxable amount	<b>6b</b>
<b>c</b> If election to defer to 2024 is attached, check here <input type="checkbox"/>		<b>6d</b> Amount deferred from 2022	<b>6d</b>
<b>7</b> Custom hire (machine work) income			<b>7</b>
<b>8</b> Other income, including federal and state gasoline or fuel tax credit or refund (see instructions)			<b>8</b>
<b>9</b> <b>Gross income.</b> 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			<b>9</b> 2,430

27

HOWEVER..... Could You Do This??

Basics+Beyond™  
income tax webinars

28

**Farm Rental Income and Expenses**  
(Crop and Livestock Shares (Not Cash) Received by Landowner (or Sub-Lessor))  
(Income Not Subject to Self-Employment Tax)  
Attach to Form 1040, 1040-SR, or 1040-NR.  
Go to [www.irs.gov/Form4835](http://www.irs.gov/Form4835) for the latest information.

Name(s) shown on tax return  <b>FRED</b> <b>1 MAIN STREET</b> <b>MY HOME IA 50310</b>	Your social security number <b>37777777</b> Employer ID number (EIN), if any 
<b>A</b> Did you actively participate in the operation of this farm during 2023? See instructions . . . . . <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	

**Part I Gross Farm Rental Income – Based on Production.** Include amounts converted to cash or the equivalent.

<b>1</b> Income from production of livestock, produce, grains, and other crops . . . . .			<b>1</b>		<b>40,000</b>
<b>2a</b> Cooperative distributions (Form(s) 1099-PATR) . . . . .	<b>2a</b>	631	<b>2b</b> Taxable amount	<b>2b</b>	631
<b>3a</b> Agricultural program payments (see instructions) . . . . .	<b>3a</b>	2,430	<b>3b</b> Taxable amount	<b>3b</b>	2,430
<b>4</b> Commodity Credit Corporation (CCC) loans (see instructions):					
<b>a</b> CCC loans reported under election . . . . .			<b>4a</b>		
<b>b</b> CCC loans forfeited . . . . .	<b>4b</b>		<b>4c</b> Taxable amount	<b>4c</b>	
<b>5</b> Crop insurance proceeds and federal crop disaster payments (see instructions):					
<b>a</b> Amount received in 2023 . . . . .	<b>5a</b>		<b>5b</b> Taxable amount	<b>5b</b>	
<b>c</b> If election to defer to 2024 is attached, check here <input type="checkbox"/> <b>5d</b> Amount deferred from 2022 . . . . .			<b>5d</b>		
<b>6</b> Other income, including federal and state gasoline or fuel tax credit or refund (see instructions) . . . . .			<b>6</b>		
<b>7</b> <b>Gross farm rental income.</b> Add amounts in the right column for lines 1 through 6. Enter the total here and on Schedule E (Form 1040), line 42 . . . . .			<b>7</b>		<b>43,061</b>

29

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

<b>8</b> Car and truck expenses (see Schedule F (Form 1040) instructions). Also attach <b>Form 4562</b> . . . . .			<b>21</b> Pension and profit-sharing plans . . . . .		
<b>9</b> Chemicals . . . . .	<b>9</b>		<b>22</b> Rent or lease:		
<b>10</b> Conservation expenses (see instructions) . . . . .	<b>10</b>		<b>a</b> Vehicles, machinery, and equipment (see instructions) . . . . .	<b>22a</b>	
<b>11</b> Custom hire (machine work) . . . . .	<b>11</b>		<b>b</b> Other (land, animals, etc.) . . . . .	<b>22b</b>	
<b>12</b> Depreciation and section 179 expense deduction not claimed elsewhere . . . . .	<b>12</b>	14,988	<b>23</b> Repairs and maintenance . . . . .	<b>23</b>	3,500
<b>13</b> Employee benefit programs other than on line 21 (see Schedule F (Form 1040) instructions) . . . . .	<b>13</b>		<b>24</b> Seeds and plants . . . . .	<b>24</b>	
<b>14</b> Feed . . . . .	<b>14</b>		<b>25</b> Storage and warehousing . . . . .	<b>25</b>	
<b>15</b> Fertilizers and lime . . . . .	<b>15</b>		<b>26</b> Supplies . . . . .	<b>26</b>	
<b>16</b> Freight and trucking . . . . .	<b>16</b>		<b>27</b> Taxes . . . . .	<b>27</b>	18,640
<b>17</b> Gasoline, fuel, and oil . . . . .	<b>17</b>		<b>28</b> Utilities . . . . .	<b>28</b>	
<b>18</b> Insurance (other than health) . . . . .	<b>18</b>	486	<b>29</b> Veterinary, breeding, and medicine . . . . .	<b>29</b>	
<b>19</b> Interest (see instructions):			<b>30</b> Other expenses (specify):		
<b>a</b> Mortgage (paid to banks, etc.) . . . . .	<b>19a</b>		<b>a</b> <b>TAX PREP</b> . . . . .	<b>30a</b>	110
<b>b</b> Other . . . . .	<b>19b</b>		<b>b</b> . . . . .	<b>30b</b>	
<b>20</b> Labor hired (less employment credits) (see Schedule F (Form 1040) instructions) . . . . .	<b>20</b>		<b>c</b> . . . . .	<b>30c</b>	
			<b>d</b> . . . . .	<b>30d</b>	
			<b>e</b> . . . . .	<b>30e</b>	
			<b>f</b> . . . . .	<b>30f</b>	
			<b>g</b> . . . . .	<b>30g</b>	
<b>31</b> <b>Total expenses.</b> Add lines 8 through 30g. See instructions . . . . .			<b>31</b>		<b>37,724</b>
<b>32</b> <b>Net farm rental income or (loss).</b> Subtract line 31 from line 7. If the result is income, enter it here and on Schedule E (Form 1040), line 40. If the result is a loss, you <b>must</b> go to line 34. See instructions . . . . .			<b>32</b>		<b>5,337</b>

30

## Example two



- Laurie enters into a legal agreement with Paul to share the harvest of each year's crop after Paul has planted and harvested it
- She is to be paid 30% of the sales of the crop by December 15th each year and Paul has agreed to transport all product to the local Coop no later than November 30
- Paul will pay all costs and require Laurie to pay her 30% of each cost by year end
- For this, Laurie agrees not to sell the property for 10 years giving Paul the first right of refusal at that time period

Basics+Beyond™  
income tax webinars

31

## Example two - Documents



- INCOME
  - 1099-MISC from farm property management company (XYZ) that Paul hires to take care of all management of the rental for total income from the harvest of \$233,200
  - Laurie has paid for crop insurance each year and this year she filed a claim due to some hail damage on the end of one of her fields. The insurance check was for \$1113
- EXPENSES
  - Insurance cost of \$870
  - Tax prep for \$125
  - Trucking grain to market \$7,966
  - Fertilizer \$3,840
  - Seeds \$11,770
  - Custom Hire for harvesting \$18,100 and Labor hired \$5,200
  - Storage \$2,900
  - Property Tax \$9,999

32

Form **4835**

**Farm Rental Income and Expenses**  
 (Crop and Livestock Shares (Not Cash) Received by Landowner (or Sub-Lessor))  
 (Income Not Subject to Self-Employment Tax)  
 Attach to Form 1040, 1040-SR, or 1040-NR.  
 Go to [www.irs.gov/Form4835](http://www.irs.gov/Form4835) for the latest information.

OMB No. 1545-0074

**2023**  
 Attachment  
 Sequence No. **37**

Department of the Treasury  
 Internal Revenue Service

Name(s) shown on tax return <b>LAURIE</b> <b>1 MAIN STREET</b> <b>MY HOME IA 50310</b>	Your social security number <b>33777777</b> Employer ID number (EIN), if any _____
<b>A</b> Did you actively participate in the operation of this farm during 2023? See instructions . . . . . <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	

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

<b>1</b>	Income from production of livestock, produce, grains, and other crops . . . . .	<b>1</b>	<b>69,960</b>
<b>2a</b>	Cooperative distributions (Form(s) 1099-PATR) . . . . .	<b>2a</b>	
		<b>2b</b>	Taxable amount
<b>3a</b>	Agricultural program payments (see instructions) . . . . .	<b>3a</b>	
		<b>3b</b>	Taxable amount
<b>4</b>	Commodity Credit Corporation (CCC) loans (see instructions):		
<b>a</b>	CCC loans reported under election . . . . .	<b>4a</b>	
<b>b</b>	CCC loans forfeited . . . . .	<b>4b</b>	
		<b>4c</b>	Taxable amount
<b>5</b>	Crop insurance proceeds and federal crop disaster payments (see instructions):		
<b>a</b>	Amount received in 2023 . . . . .	<b>5a</b>	<b>1,113</b>
		<b>5b</b>	Taxable amount
<b>c</b>	If election to defer to 2024 is attached, check here <input type="checkbox"/> <b>5d</b> Amount deferred from 2022 . . . . .	<b>5d</b>	
<b>6</b>	Other income, including federal and state gasoline or fuel tax credit or refund (see instructions) . . . . .	<b>6</b>	
<b>7</b>	<b>Gross farm rental income.</b> Add amounts in the right column for lines 1 through 6. Enter the total here and on Schedule E (Form 1040), line 42 . . . . .	<b>7</b>	<b>71,073</b>

33

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

<b>8</b>	Car and truck expenses (see Schedule F (Form 1040) instructions). Also attach <b>Form 4562</b> . . . . .	<b>8</b>		<b>21</b>	Pension and profit-sharing plans . . . . .	<b>21</b>	
<b>9</b>	Chemicals . . . . .	<b>9</b>	<b>59</b>	<b>22</b>	Rent or lease:		
<b>10</b>	Conservation expenses (see instructions)	<b>10</b>		<b>a</b>	Vehicles, machinery, and equipment (see instructions)	<b>22a</b>	
<b>11</b>	Custom hire (machine work) . . . . .	<b>11</b>	<b>18,100</b>	<b>b</b>	Other (land, animals, etc.) . . . . .	<b>22b</b>	
<b>12</b>	Depreciation and section 179 expense deduction not claimed elsewhere . . . . .	<b>12</b>		<b>23</b>	Repairs and maintenance . . . . .	<b>23</b>	
<b>13</b>	Employee benefit programs other than on line 21 (see Schedule F (Form 1040) instructions) . . . . .	<b>13</b>		<b>24</b>	Seeds and plants . . . . .	<b>24</b>	<b>11,770</b>
<b>14</b>	Feed . . . . .	<b>14</b>		<b>25</b>	Storage and warehousing . . . . .	<b>25</b>	<b>2,900</b>
<b>15</b>	Fertilizers and lime . . . . .	<b>15</b>	<b>3,840</b>	<b>26</b>	Supplies . . . . .	<b>26</b>	
<b>16</b>	Freight and trucking . . . . .	<b>16</b>	<b>7,966</b>	<b>27</b>	Taxes . . . . .	<b>27</b>	<b>9,999</b>
<b>17</b>	Gasoline, fuel, and oil . . . . .	<b>17</b>		<b>28</b>	Utilities . . . . .	<b>28</b>	
<b>18</b>	Insurance (other than health) . . . . .	<b>18</b>	<b>870</b>	<b>29</b>	Veterinary, breeding, and medicine . . . . .	<b>29</b>	
<b>19</b>	Interest (see instructions):			<b>30</b>	Other expenses (specify):		
<b>a</b>	Mortgage (paid to banks, etc.) . . . . .	<b>19a</b>		<b>a</b>	<b>TAX PREP</b>	<b>30a</b>	<b>125</b>
<b>b</b>	Other . . . . .	<b>19b</b>		<b>b</b>		<b>30b</b>	
<b>20</b>	Labor hired (less employment credits) (see Schedule F (Form 1040) instructions) . . . . .	<b>20</b>	<b>5,200</b>	<b>c</b>		<b>30c</b>	
				<b>d</b>		<b>30d</b>	
				<b>e</b>		<b>30e</b>	
				<b>f</b>		<b>30f</b>	
				<b>g</b>		<b>30g</b>	
<b>31</b>	<b>Total expenses.</b> Add lines 8 through 30g. See instructions . . . . .	<b>31</b>				<b>31</b>	<b>60,829</b>

34

## Example three



- Olivia farms part of her land herself, but rents out the two pastures she has to Sheila & Shane for cash rent of \$7000 per year
- She does not materially participate in this rental
- She does pay the property taxes on the land, but has no other expenses

Basics+Beyond™  
income tax webinars

35

<b>SCHEDULE E</b> (Form 1040)  Department of the Treasury Internal Revenue Service	<b>Supplemental Income and Loss</b> (From rental real estate, royalties, partnerships, S corporations, estates, trusts, REMICs, etc.)  Attach to Form 1040, 1040-SR, 1040-NR, or 1041. Go to <a href="http://www.irs.gov/ScheduleE">www.irs.gov/ScheduleE</a> for instructions and the latest information.	OMB No. 1545-0074  <div style="font-size: 2em; font-weight: bold;">2023</div> Attachment Sequence No. 13
Name(s) shown on return <b>OLIVIA</b>		Your social security number <b>33377777</b>
<b>Part I</b> <b>Income or Loss From Rental Real Estate and Royalties</b> Note: If you are in the business of renting personal property, use <b>Schedule C</b> . See instructions. If you are an individual, report farm rental income or loss from <b>Form 4835</b> on page 2, line 40.		
<b>A</b> Did you make any payments in 2023 that would require you to file Form(s) 1099? See instructions . . . . . <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No <b>B</b> If "Yes," did you or will you file required Form(s) 1099? . . . . . <input type="checkbox"/> Yes <input type="checkbox"/> No		
<b>1a</b> Physical address of each property (street, city, state, ZIP code)		
<b>A</b>	<b>3 COWPASTURE LANE DES MOINES IA 50310</b>	
<b>B</b>		
<b>C</b>		
<b>1b</b> Type of Property (from list below)	<b>2</b> For each rental real estate property listed above, report the number of fair rental and personal use days. Check the QJV box only if you meet the requirements to file as a qualified joint venture. See instructions.	
<b>A</b>	<b>5</b>	<b>365</b>
<b>B</b>		<b>0</b>
<b>C</b>		
		<b>QJV</b>
		<input type="checkbox"/>
		<input type="checkbox"/>
		<input type="checkbox"/>
<b>Type of Property:</b> 1 Single Family Residence      3 Vacation/Short-Term Rental      5 Land      7 Self-Rental 2 Multi-Family Residence      4 Commercial      6 Royalties      8 Other (describe) _____		

36

		Properties:		
		A	B	C
<b>Income:</b>				
3	Rents received . . . . .	3	7000	
4	Royalties received . . . . .	4		
<b>Expenses:</b>				
5	Advertising . . . . .	5		
6	Auto and travel (see instructions) . . . . .	6		
7	Cleaning and maintenance . . . . .	7		
8	Commissions . . . . .	8		
9	Insurance . . . . .	9		
10	Legal and other professional fees . . . . .	10		
11	Management fees . . . . .	11		
12	Mortgage interest paid to banks, etc. (see instructions)	12		
13	Other interest . . . . .	13		
14	Repairs . . . . .	14		
15	Supplies . . . . .	15		
16	Taxes . . . . .	16	1580	
17	Utilities . . . . .	17		
18	Depreciation expense or depletion . . . . .	18		
19	Other (list) . . . . .	19		
20	Total expenses. Add lines 5 through 19 . . . . .	20	1580	
21	Subtract line 20 from line 3 (rents) and/or 4 (royalties). If result is a (loss), see instructions to find out if you must file <b>Form 6198</b> . . . . .	21	5420	
22	Deductible rental real estate loss after limitation, if any, on <b>Form 8582</b> (see instructions) . . . . .	22	( )	( )
23a	Total of all amounts reported on line 3 for all rental properties . . . . .	23a	5420	
b	Total of all amounts reported on line 4 for all royalty properties . . . . .	23b		
c	Total of all amounts reported on line 12 for all properties . . . . .	23c		
d	Total of all amounts reported on line 18 for all properties . . . . .	23d		
e	Total of all amounts reported on line 20 for all properties . . . . .	23e		
24	<b>Income.</b> Add positive amounts shown on line 21. <b>Do not</b> include any losses . . . . .	24	5420	
25	<b>Losses.</b> Add royalty losses from line 21 and rental real estate losses from line 22. Enter total losses here . . . . .	25	( )	
26	<b>Total rental real estate and royalty income or (loss).</b> Combine lines 24 and 25. Enter the result here. If Parts II, III, and IV, and line 40 on page 2 do not apply to you, also enter this amount on Schedule 1 (Form 1040), line 5. Otherwise, include this amount in the total on line 41 on page 2 . . . . .	26	5420	

For Paperwork Reduction Act Notice, see the separate instructions.

Cat. No. 1124d

Schedule F (Form 1040) 2022

37

## SUMMARY



- Farm rental property has some challenges where we need to ask enough questions to fully understand what the tax client is doing with the land
- Some will need to file Schedule F on land that is being farmed, and yet file Schedule E and/or Form 4835 for passive rental land
- Remember the 50% rule about material participation and the other rules that go with it
- Sales of rental land will follow business asset sale rules
- 1031 like-kind exchange options are available for clients and they may present another challenge for the tax preparer

38

## Polling Question #3



Basics+Beyond™  
income tax webinars

39

## Questions?



Basics+Beyond™  
income tax webinars

40

## Upcoming Webinars

- Residential Complications (8/27) – 2-3pm ET – Adams
- IRS Streamlined Procedures and the Nonwillful Certification (9/2)  
– Noon-2pm ET – DeBlis
- Tax Research Strategies (9/3) – 2-3pm ET – Johnson

Monthly Newsletter: [cpehours.com/about/blog](http://cpehours.com/about/blog)

**Basics+Beyond**<sup>™</sup>  
income tax webinars



41

BASICS & BEYOND, INC.  
P.O. Box 1031  
Pinellas Park, FL 33781  
Toll Free: (800) 664-8297  
fax: (866) 579-0796  
email: [support@cpehours.com](mailto:support@cpehours.com)

**Basics+Beyond**<sup>™</sup>  
income tax webinars



42