ATTACH THIS FORM TO YOUR INCOME TAX RETURN FORM 1040A OR 1040 AND FILE IT WITH THE COLLECTOR OF INTERNAL REVENUE.

Form 1040 F.—UNITED STATES INTERNAL REVENUE SERVICE.

SCHEDULE OF FARM INCOME AND EXPENSES

FOR THE YEAR 1920

(Name.)

(Post office and State.)

IF YOUR ACCOUNTS ARE KEPT ON A CASH RECEIPT AND DISBURSEMENT BASIS, FILL IN PAGES 1 AND 3 ONLY. IF YOU KEEP BOOKS OF INCOME AND EXPENSES ON AN ACCRUAL BASIS, FILL IN PAGES 2 AND 3 INSTEAD.

FARM INCOME FOR TAXABLE PERIOD.

1. SALE OF LIVE STOCK RAISED ON AND PRODUCTS FROM YOUR FARM.

Kind of animals.	Quantity.	Amount.
Cows		$
Calves		
Bulls		
Steers		
Horses		
Mules		
Colts		
Sheep		
Lambs		
Hogs		
Pigs		
Chickens		
Turkeys		
Ducks		
Bees		
Milk		
Butter		
Cream		
Eggs		
Wool		
Hides		
Honey		
TOTAL		$ (Enter on line 1.)

2. SALE OF CROPS AND PRODUCTS GROWN ON YOUR FARM.

Kind of crop.	Quantity.	Amount.
Corn		$
Wheat		
Cotton		
Tobacco		
Cotton Seed		
Sirup		
TOTAL		$ (Enter on line 2.)

3. OTHER RECEIPTS.

Items.	Amount.
Merchandise rec'd for produce	$
Machine work	
Hire of teams	
Breeding fees	
TOTAL	$ (Enter on line 3.)

4. SALE OF LIVE STOCK, CROPS, OR OTHER ITEMS PURCHASED.

Description.	Received.	Cost.	Profit.
	$	$	$
TOTAL			$ (Enter on line 4.)

SUMMARY OF INCOME AND EXPENSES COMPUTED ON A CASH RECEIPT AND DISBURSEMENT BASIS.

1. Sale of live stock and stock products raised	$	7. Expenses (column 1, page 3)	$
2. Sale of crops and crop products grown		8. Expenses (column 2, page 3)	
3. Other receipts		9. Repairs	
4. Sale of stock, or other items purchased		10. Depreciation	
5. GROSS PROFITS	$	11. TOTAL EXPENSES	$

6. Net farm profit to be reported in Schedule A, line 21, Form 1040A, or line 22, Form 1040 (Item 5 minus Item 11) $

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FARM INVENTORY FOR INCOME COMPUTED ON AN ACCRUAL BASIS.

Description. (Kind of animals, crops, or other products.)	On Hand at Beginning of Year.		Purchased During Year.		Raised During Year.		Consumed or Lost During Year.		Sold During Year.		On Hand at End of Year.	
	Quantity.	Inventory value.	Quantity.	Amount paid.	Quantity.	Inventory value.	Quantity	Inventory value.	Quantity.	Amount received.	Quantity.	Inventory value.
		$		$		$		$		$		$
Totals		$		$		$		$		$		$
		(Enter on line 4.)		(Enter on line 5.)						(Enter on line 2.)		(Enter on line 1.)

SUMMARY OF INCOME AND EXPENSES COMPUTED ON AN ACCRUAL BASIS.

1. Inventory of live stock, crops, and products at end of year		$
2. Sales of live stock, crops, and products during year		
2*a*. Other miscellaneous receipts		
3. Total		$
4. Inventory of live stock, crops, and products at beginning of year	$	
5. Cost of live stock and products purchased during year		$
6. Gross profits (Item 3 minus the sum of Items 4 and 5)		$

7. Expenses (column 1, page 3)	$
8. Expenses (column 2, page 3)	
9. Repairs	
10. Depreciation	
11. Total Expenses	$

12. Net farm profit to be reported in Schedule A, line 21, Form 1040A, or line 22, Form 1040 (Item 6 minus Item 11) $

FARM EXPENSES FOR TAXABLE PERIOD.

Items.	(1) Amount.		Items.	(2) Amount.	
Hired help for farm	$			$	
Feed, hay, straw, etc					
Seed, plants, etc					
Threshing and baling					
Cotton ginning					
Silo filling					
Milling and grinding feed					
Fertilizers and spraying materials					
Blacksmithing					
Fuel and oil for farm work					
Barrels, bags, crates, and twine					
Taxes (except Federal income taxes)					
Insurance on property other than your dwelling and personal effects					
Interest on farm notes and mortgages					
Water rent					
Rent for farm					
Total	$		Total	$	
	(Enter on line 7.)			(Enter on line 8.)	

REPAIRS AND DEPRECIATION.

Description. (If buildings, state the material of which constructed.)	Age when acquired.	Date acquired or constructed.	Cost, or if acquired prior to March 1, 1913, the fair market value on that date.		Repairs.		Depreciation.	
Farm buildings			$		$		$	
Farm machinery and tools								
Farm fences, drains, ditches, etc.								
Totals			$		$		$	
					(Enter on line 9.)		(Enter on line 10.)	

Remarks:

INSTRUCTIONS.

Pages 1 and 3 are to be filled in by farmers who either keep no records or only records of cash receipts and disbursements. Pages 2 and 3 are to be filled in by farmers who keep complete accounts on an accrual basis with inventories to determine net profits. Returns on an inventory basis are not acceptable unless the inventories were actually taken and so recorded at the beginning and end of the taxable period.

If you do not, as a matter of settled practice, keep books of account upon an accrual basis, no attempt should be made to fill out the items in the form relating to inventories, and the omission of those items in that case will not result in an incorrect computation of your farm net profit. If, however, you regularly keep books of account upon an accrual basis, which clearly reflect your net income, you should report the value of your crops and stock on hand at the end of the year in gross profits, as provided on the form.

This schedule may be used by farmers who work their own farms or rent them out on shares, and if two or more farms are owned it may be desirable to fill out a separate schedule for each farm.

Attach this schedule to your income tax return (Form 1040A or Form 1040). You should keep a copy for future reference.

When you have determined the net farm profit, transfer the amount to line 21 in Schedule A of the income tax return Form 1040A, or line 22, Form 1040.

Cash Receipts and Disbursements Basis.

A farmer reporting on the basis of cash receipts and disbursements shall include in his gross income for the taxable year the amount of cash or the value of merchandise or other property received from the sale of live stock and produce which were raised during the taxable year or prior years, also the profits from the sale of any stock or other items which were purchased. The farm expenses will be the actual amounts paid out during the taxable year.

Accrual Basis.

If your farm books of account are kept on an accrual basis, the filing of this form is optional.

For those reporting on the accrual basis, the gross profits are obtained by adding to the inventory value of live stock and products on hand at the end of the year the amount received from the sale of stock and products and other miscellaneous receipts, for hire of teams, machinery, etc., during the year, and deducting from this sum the inventory value of stock and products on hand at the beginning of the year plus the cost of stock and produce purchased during the year. The farm expenses will be the actual expenses incurred during the year, whether paid or not.

Inventory.—If you render a return for the taxable period of 1920 upon an accrual basis, you may value the closing inventory for 1920 according to the farm price method which contemplates valuation of inventories at market less cost of marketing. In the event the use of the farm price method of valuing your closing inventory for 1920 represents a change in method of taking inventories from that employed by you for 1919, the opening inventory for 1920 should be brought in at the same value as the closing inventory for 1919 (this being the same in effect as valuing the opening inventory on the new basis and crediting income with the excess valuation brought in). If such treatment of your opening inventory for 1920 results, however, in abnormally large income for 1920, by reason of the fact that certain stock which was on hand at the beginning is still on hand at the end of the year, then adjustments in the form of an adjustment sheet attached to your 1920 return may be made of your taxes for 1917 and each succeeding year to 1920, based on the new method of taking inventories (using for each of such years prior to 1920 the same method employed for 1920).

Farmers who have kept no records or only records of cash receipts and disbursements and who desire to report on the accrual basis with inventories, must calculate their net income for the current taxable year without entering as a credit on line 4, page 2, the inventory of live stock, crops, and products at the beginning of the year; except—

(*a*) If any live stock, grain, or other property on hand at the beginning of the taxable year had been purchased and the cost thereof not charged to expense, only the difference between the cost and the selling price should be reported as income for the year in which sold;

(*b*) But if the cost of such property has been charged to expense for a previous year, the entire amount received must be reported as income for the year in which sold: *Provided*, That when actual records or other definite proof satisfactory to the Commissioner of Internal Revenue are available, inventory adjustments may be made in accordance with instructions above.

Income.

All the farm income from whatever source must be reported in this schedule. Anything of value received instead of cash must be considered income to the extent of its cash value. Thus, the total value of groceries, merchandise, etc., received in exchange for eggs, butter, or other produce must be reported as income.

Hail and fire insurance on growing crops should be included in gross income to the amount received in cash or equivalent for the crop destroyed.

If you sold your farm or any part of it, report the profit in Schedule D of Form 1040A or 1040.

The value of farm produce which is consumed by the farmer and his family need not be reported as income; but expenses incurred in raising produce thus consumed must not be claimed as deductions.

The term "farm" embraces the farm in the ordinarily accepted sense, and includes stock, dairy, poultry, fruit, and truck farms, also plantations, ranches, and all land used for farming operations. All individuals, partnerships, or corporations that cultivate, operate, or manage farms for gain or profit, either as owners or tenants, are designated farmers. A person cultivating or operating a farm for recreation or pleasure is not regarded as a farmer.

Expenses and Other Deductions.

Labor.—Only that part of the board of hired labor which is purchased should be included as a deduction. The value of products furnished by the farm and used in the board of hired labor is not a deductible expense. Rations purchased and furnished to laborers or share croppers are deductible as a part of the labor expense. Do not deduct the value of your own labor or that of your wife or dependent minor children, unless you report such value as income in Schedule B (Form 1040A or 1040). Do not deduct amounts paid to persons engaged in household work, except to the extent that the services of such employees are used in boarding and otherwise caring for farm laborers. Services of such employees engaged in caring for the farmer's own household are not a deductible expense.

Fertilizers, manures, etc.—The cost of manures, commercial fertilizers, lime, raw rock phosphate, etc., that were bought during the year may be deducted as an expense.

Taxes.—Do not deduct inheritance or estate taxes, Federal income taxes, or taxes for any improvement or betterment tending to increase the value of the property. Be ready to show tax receipts for taxes claimed as a deduction. Do not deduct taxes on your dwelling or household property on this form. They should be claimed in Schedule I, Form 1040A, or Schedule K, Form 1040.

Interest on indebtedness.—All interest paid on farm mortgages, notes, and other obligations incurred to carry on the farm business should be deducted.

Bad debts.—Report only debts, arising from sales that have been reported as income, which have been definitely proved within the year to be worthless. If you report your farm income on a cash basis, bad debts are not an allowable deduction.

Repairs and depreciation.—Depreciation claims should not exceed the actual cost of buildings and equipment (or if acquired prior to March 1, 1913, the fair market value on that date) divided by its probable life in years since acquisition. In computing depreciation do not include the value of farm land nor the land on which farm buildings are located. Do not deduct repairs or depreciation on the dwelling you occupy or on your personal or household equipment. Do not claim as a separate item depreciation on live stock or any other property included in your inventory, as such depreciation is taken care of in the reduced amount of the inventory at the close of the year. Depreciation, however, may be claimed on draft or work animals and animals held for breeding purposes which were purchased and which are not included in your inventory of stock bought or raised for sale.

Losses.—You may deduct on Form 1040A or Form 1040 losses of buildings, machinery, and other property not included in your inventory, resulting from fires or other casualties and not compensated for by insurance or otherwise. Losses of property included in your inventory are taken care of by the reduced amount of the inventory at the close of the year. The loss of growing crops by frost, storm, flood, or fire, or the loss of animals raised, is not deductible.

Tools, machinery, and equipment.—The cost of small tools of short life, such as shovels, rakes, etc., may be deducted as an expense. You may deduct expenses of operation, repairs, and depreciation on automobiles used exclusively in farm business. If an automobile is used in farm business for a part of the time only, a corresponding part of the expense may be deducted. Amounts expended for automobiles, farm machinery, farm buildings, or other farm equipment of a permanent nature are not deductible as expenses, as such expenditures are regarded as investment of capital which is returned to the owner through depreciation allowances prorated over the useful life of the property.

Rent paid in crops.—Where a tenant farmer pays his rent to the landlord in form of crops raised on the farm (the agreement being on a crop-share basis), the tenant may not deduct as rent the value of the crop given to the landlord, but he may deduct all amounts paid by him in raising the crop.

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