

Beginning, Small, Young Farmer Case Study: Going Home to Begin a Farm Business

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2011 IRS Form 4562, Depreciation and Amortization

Mary completed the top line of IRS Form 4562 by entering her name, the business activity to which this form applies [her farming business as reported on IRS Schedule F (Form 1040)], and her social security number.

Part I Election to Expense Certain Property Under Section 179

- Line 1: Mary entered the \$500,000 maximum statutory limit for IRC § 179 expensing in 2011.
- Line 2: Mary entered the \$20,000 she paid for her $\frac{3}{4}$ ton pickup. The pickup was the only property Mary purchased in 2011 that is eligible for I.R.C. § 179 expensing.
- Line 3: Mary entered the \$2,000,000 statutory investment limit before the expense election is reduced dollar for dollar for investment amounts above the limit.
- Line 4: Mary entered \$0 because she did not invest more than \$2,000,000 in property that qualifies for the I.R.C. § 179 deduction in 2011.
- Line 5: Mary entered the \$500,000 result of subtracting \$0 from \$500,000.
- Line 6: Mary described her $\frac{3}{4}$ ton pickup in column (a), entered the \$20,000 cost in column (b), and her \$20,000 election in column (c).
- Line 8: Mary entered the \$20,000 total for all elected property.



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- Line 9: Mary entered the smaller of the \$20,000 on line 8 and \$500,000 deduction limit on line 5.
- Line 11: Mary entered her \$41,904 farm profit before the expense deduction plus \$6,000 of wages, which is treated as business income for this purpose.
- Line 12: Mary entered the \$20,000 I.R.C. § 179 expense deduction.
- Line 22: Mary entered the \$20,000 sum of her I.R.C. § 179 deduction and depreciation here and on line 14 of Schedule F (Form 1040) as discussed earlier. Because Mary elected to fully expense her pickup, she will not have any depreciation for the pickup in subsequent years.