INSTRUCTIONS FOR DEPRECIATION SCHEDULES, INVENTORY, AND REAL ESTATE INVESTMENTS

DEPRECIATION SCHEDULE: MACHINERY AND EQUIPMENT - FORMS 13 AND 14
DEPRECIATION SCHEDULE: LIVESTOCK FOR BREEDING - FORMS 15 AND 16

1. Depreciation is the decrease in value which occurs regardless of repair and maintenance. There are several methods of calculating depreciation. The "Farmers Tax Guide" is a good reference on depreciation for income tax reporting.

2. Purchased livestock required for work, breeding, or dairy purposes that is not kept in an inventory account may be depreciated.

3. You cannot depreciate raised breeding animals if the cost has been deducted in operating costs.

4. If you use property in part for business and in part for personal purposes, you can only depreciate the business portion.

5. If in an earlier year, you did not claim depreciation that you were entitled to deduct, you must still reduce your basis in the property by the amount of the depreciation that you did not deduct. You may not deduct the unclaimed depreciation in the current year or in any later tax year.

ANNUAL INVENTORY OF LIVESTOCK - FORM 17
INVENTORY OF FEED, CROPS, AND SUPPLIES - FORM 18

1. An inventory is necessary to calculate the business' earnings for a year. This information is also needed for accrual income tax reporting.

2. Inventory promptly the first day of the year. Take a head count of all animals. Write down the amount of grain, feed, seed, fertilizer, etc., on hand. The ending inventory of the preceding year is the same as the beginning inventory for the current year.

3. Consider the following methods of determining the value of inventoried assets.

   a. Short-term assets

      1) Crops - Enter on Form 18 (Inventory) the current market value less the cost of marketing.

      2) Market Animals - Enter on Form 17 (Inventory) the current market value less the cost of marketing the animals.

      3) Supplies - Enter on Form 18 the current value.

   b. Intermediate assets
   Breeding Animals

      1) Purchased - Enter on Form 17 the remaining book value from the depreciation schedule (Form 15 and/or 16).

      2) Raised - To avoid yearly fluctuations, select a figure that depicts the long-term value. This value should remain the same for the life of the animal. Enter this information on Form 17 (Inventory).

REAL ESTATE INVESTMENT AND DEPRECIATION RECORD - FORM 19

1. Record the value of "Land" and "Depreciable Buildings/Improvements" on the appropriate line on Forms 19 and 20. One set of Forms 19 and 20 should be used for each tract of land.

2. In general, buildings and fences will be depreciated. Land is never depreciated. Your personal dwelling is a non-farm asset and is not depreciable. Terraces, earthen dams, and waterways are normally deducted as soil and water conservation expenses.

FORM 13

DEPRECIATION SCHEDULE: MACHINERY AND EQUIPMENT

	DATE AC-QUIRED	ITEM DESCRIPTION (kind of machine, make, model, size)	NEW OR USED	COST INFORMATION			EXPENS-ING OR ADJUST-MENTS		DEPRECIATION INFO.				START	END 20____		END 20____		
				Remaining Book Value of Trade-in	Cash Difference Paid	Total Cost Basis			Balance for Depr.	Years	Method	Depr. Taken in Prior Years	Remain. Book Val. at Start of Year	Depr. This Year	Remain. Book Value	Depr. This Year	Remain. Book Value	
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20.																		20.
21.																		21.
22.																		22.
23.																		23.
24.																		24.
25.																		25.
		Subtotals or Totals																
	1	2	3	4	5	6	7	8	9	10	11	12	13	14a	15a	14b	15b	

DEPRECIATION SCHEDULE: MACHINERY AND EQUIPMENT Cont. **FORM 14**

	END 20____		END 20____		END 20____		END 20____		END 20____		ESTIMATED CURRENT MARKET VALUE								
	Depr. This Year	Remain. Book Value	Depr. This Year	Remain. Book Value	Depr. This Year	Remain. Book Value	Depr. This Year	Remain. Book Value	Depr. This Year	Remain. Book Value	Start 20____	End 20____	End 20____	End 20____	End 20____	End 20____	End 20____	End 20____	
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23.																			23.
24.																			24.
25.																			25.
	14c	15c	14d	15d	14e	15e	14f	15f	14g	15g	16	17a	17b	17c	17d	17e	17f	17g	

FORM 15

DEPRECIATION SCHEDULE: LIVESTOCK FOR BREEDING

	DATE ACQ.	ITEM DESCRIPTION	Head in Lot When Acq.	PER HEAD DATA						START 20____					END 20____					END 20____					
				Cost Basis		Expensing or Adjust.	Balance for Deprec.	Yrs.	Method	Per Head		Head	Per Lot		Per Head		Head	Per Lot		Per Head		Head	Per Lot		
										Depr. Prior Years	Remain. Book Value		Depr. Prior Years	Remain. Book Value	Depr. This Year	Remain. Book Value		Depr. This Year	Remain. Book Value	Depr. This Year	Remain. Book Value		Depr. This Year	Remain. Book Value	
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25.																									25.
		Subtotals or Totals																							
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15a	16a	17a	18a	19a	15b	16b	17b	18b	19b	

DEPRECIATION SCHEDULE: LIVESTOCK FOR BREEDING Cont. **FORM 16**

	END 20____					END 20____					END 20____					END 20____					ESTIMATED CURRENT MARKET VALUE							
	Per Head		Head	Per Lot		Per Head		Head	Per Lot		Per Head		Head	Per Lot		Per Head		Head	Per Lot		Per Lot							
	Depr. This Year	Remain. Book Value		Depr. This Year	Remain. Book Value	Depr. This Year	Remain. Book Value		Depr. This Year	Remain. Book Value	Dep. This Year	Remain. Book Value		Depr. This Year	Remain. Book Value	Depr. This Year	Remain. Book Value		Depr. This Year	Remain. Book Value	Start 20____	End 20____	End 20____	End 20____	End 20____	End 20____	End 20____	
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24.																												24.
25.																												25.
	15c	16c	17c	18c	19c	15d	16d	17d	18d	19d	15e	16e	17e	18e	19e	15f	16f	17f	18f	19f	20	21a	21b	21c	21d	21e	21f	

FORM 17

ANNUAL INVENTORY OF LIVESTOCK

		START 20___				END 20___				END 20___				END 20___				
	ENT:	No. of Head	Average Wt.	Price Per Unit	Total Value	No. of Head	Average Wt.	Price Per Unit	Total Value	No. of Head	Average Wt.	Price Per Unit	Total Value	No. of Head	Average Wt.	Price Per Unit	Total Value	
	BREEDING																	
1.	Purchased (Form 15 or 16)																	1.
2.	Raised																	2.
3.																		3.
4.	TOTAL BREEDING																	4.
	NON-BREEDING																	
5.	Purchased																	5.
6.	Raised																	6.
7.																		7.
8.	TOTAL NON-BREEDING																	8.
9.	TOTAL ENTERPRISE																	9.
	ENT:																	
	BREEDING (Form 15 or 16)																	
1.	Purchased																	1.
2.	Raised																	2.
3.																		3.
4.	TOTAL BREEDING																	4.
	NON-BREEDING																	
5.	Purchased																	5.
6.	Raised																	6.
7.																		7.
8.	TOTAL NON-BREEDING																	8.
9.	TOTAL ENTERPRISE																	9.
	ENT:																	
	BREEDING																	
1.	Purchased (Form 15 or 16)																	1.
2.	Raised																	2.
3.																		3.
4.	TOTAL BREEDING																	4.
	NON-BREEDING																	
5.	Purchased																	5.
6.	Raised																	6.
7.																		7.
8.	TOTAL NON-BREEDING																	8.
9.	TOTAL ENTERPRISE																	9.
A.	FORM TOTAL																	A.

INVENTORY OF FEED, CROPS, AND SUPPLIES

FORM 18

	ITEM DESCRIPTION	START 20____			END 20____			END 20____			END 20____			
		Quantity	Price Per Unit	Total Value	Quantity	Price Per Unit	Total Value	Quantity	Price Per Unit	Total Value	Quantity	Price Per Unit	Total Value	
1.	Purchased Feeds													1.
2.	Supplement and Minerals													2.
3.														3.
4.														4.
A.	TOTAL PURCHASED FEEDS (lines 1 thru 4)													A.
5.	Corn													5.
6.	Wheat													6.
7.	Grain Sorghum													7.
8.	Soybeans													8.
9.														9.
10.	Silage													10.
11.														11.
12.	Hay													12.
13.														13.
14.	Straw													14.
B.	TOTAL STORED CROPS (lines 5 thru 14)													B.
15.	Growing Crops													15.
16.														16.
C.	TOTAL GROWING CROPS (lines 15 + 16)													C.
17.	Seeds													17.
18.	Fertilizer, Lime Applied													18.
19.	Fertilizer Stored													19.
20.														20.
21.	Chemicals													21.
22.														22.
23.	Twine, etc.													23.
24.	Fuel													24.
25.														25.
26.	Oil													26.
27.	Grease													27.
28.	Vet. Supplies													28.
29.	Livestock Supplies													29.
30.	Bedding													30.
31.	Other Supplies													31.
D.	TOTAL SUPPLIES (lines 17 thru 31)													D.
32.														32.
E.	TOTAL OTHER (line 32)													E.
F.	FORM TOTAL (lines A + B + C + D + E)													F.

FORM 19

REAL ESTATE INVESTMENT AND DEPRECIATION RECORD

DESCRIPTION: ____________________

TRACT NUMBER: ____________ DATE ACQUIRED: ____________ NUMBER OF ACRES: ____________

LEGAL DESCRIPTION: ____________________

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	DATE ACQUIRED	DESCRIPTION (Depreciable buildings, fences, and improvements)	COST INFORMATION Total Cost Basis	COST INFORMATION Expensing or Adjustment	COST INFORMATION	COST INFORMATION Balance for Depreciation	YEARS	METHOD	DEPR. TAKEN IN PRIOR YEARS	START 20__ Remaining Book Value at Yr. Start	
1.											1.
2.											2.
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4.											4.
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13.											13.
14.											14.
A.		TOTAL DEPRECIABLE BUILDINGS AND IMPROVEMENTS									A.
15.		Land									15.
16.		Non-depreciable improvements to dwelling and land									16.
17.		Non-depreciable (dwelling)									17.
B.		TOTAL VALUE OF TRACT									B.

REAL ESTATE INVESTMENT AND DEPRECIATION RECORD Cont.

ORIGINAL BASIS ALLOCATED TO LAND:

purchase price, carry over basis, other (a)______________
settlement fees (undeducted) (b)______________

TOTAL ORIGINAL BASIS (lines a + b) (c)______________
less portion of basis allocated to buildings and improvements (d)______________
less portion of basis allocated to timber (e)______________
less portion of basis allocated to dwelling (f)______________

ORIGINAL BASIS ALLOCATED TO LAND (line c - d, e, and f) (g)______________

	END 20___		END 20___		END 20___		END 20___		END 20___		END 20___		ESTIMATED CURRENT MARKET VALUE							
	Depr. This Year	Remaining Book Value	Depr. This Year	Remaining Book Value	Depr. This Year	Remaining Book Value	Depr. This Year	Remaining Book Value	Depr. This Year	Remaining Book Value	Depr. This Year	Remaining Book Value	Start 20___	End 20___	End 20___	End 20___	End 20___	End 20___	End 20___	
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A.																				A.
15.																				15.
16.																				16.
17.																				17.
B.																				B.