



# Newsletter

Volume 4, No. 1

January 2004

## Year-End Tax Information Update

### Additional 30-50% First-Year Depreciation

For qualified property purchased after September 10, 2001 and prior to January 1, 2005 and placed in service prior to January 1, 2005, an **additional 30% first-year depreciation (AFYD) must be taken** for original use (*new*) MACRS property with a recovery life of 20 years or less. Property acquired *after* May 5, 2003 and otherwise qualified for 30% AFYD is now qualified for the 50% AFYD. This depreciation applies to both regular tax and the alternative minimum tax (AMT). The **election out** of the 30/50% can be made by property class life and a **statement is required to be attached to the tax return**. The 30/50% is taken **after** first-year Section 179 Direct Expensing. Regular depreciation is then taken after Section 179 and the additional 30/50%.

Because the **Section 179 Direct Expensing** increased from \$24,000 in 2002 to \$100,000 in 2003, we expect that only a few farmers will use the 30/50% AFYD. Similar to direct expensing, it will **not** be computed **unless** you tell us that you plan to use it. Property acquired *after* May 5, 2003 is eligible for either the 50%, 30%, or no additional first-year depreciation. The \$100,000 direct expensing does **not** have to be original use property like the 30-50%, but **requires positive income** to use it. There is also a phase-out on direct expensing beginning at \$400,000 unlike the 30/50% which has no such limit.

### Notes Regarding Traded Capital Items

When new machinery is purchased with a trade-in, a **like-kind exchange** occurs. This defers potential *recapture* or *gains taxes* from the traded-in item compared to selling the old item and purchasing the new equipment in separate transactions. Since 2000, the **book value** or **adjusted basis** of the old item remains on the depreciation schedule and keeps depreciating as it had been. The **boot** (*or extra cash paid for the new item*) goes on the depreciation schedule and begins depreciating. This differs from the old way where the *remaining* book value was rolled into the boot and the *entire* value began depreciating as a new item. Telfarm denotes the traded-in item with the words **“traded on”** and the item number of the new machinery. If one takes the 30/50% additional first year depreciation (AFYD), the **carryover basis on the trade-in is also eligible** along with the boot. This is tedious to handle; however, if it makes sense for tax planning in your situation, then do so and let us know!

### Have you enrolled for 2004?

2004 Enrollments were mailed to all clients from the Telfarm Center in November 2003. Note that we **must** receive your signed enrollment **before** we can send you forms, supplies or program updates for the new year. Please send in your **signed 2004 enrollment** as soon as possible (keep the second copy for your records) to stay current on your records.

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## Processing Deadline!



To ensure you receive your 2003 tax information for filing by March 1, 2004, your final 2003 records (*transmits, Forms 2 or 3, etc.*) must arrive **at the Telfarm Center on or before FEBRUARY 11, 2004**. Note that we cannot go by “postmark date” due to the variance in time it takes for mail to reach us.

Remember...for faster turn-around, DO NOT use the Business Reply Envelopes to mail year-end records. These envelopes go through additional channels and may take up to 10 days to reach us. Use **plain envelopes addressed to Telfarm with first class postage** in order for your reports to reach us in the shortest time possible.

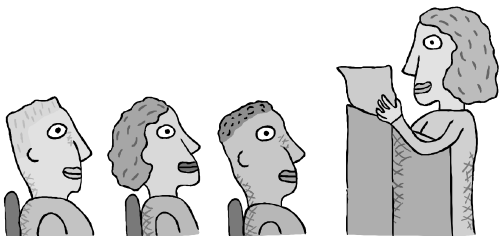
## When can I expect to receive my final 2003 reports?

Good question! And one that we receive often this time of year. As stated in previous articles on the “*process of processing records at Telfarm*”, we generate and mail client cash flow reports in “batches” once per week (normally Thursday). In January and February, we also process batches of **depreciation** and **tax** reports once per week (usually Monday following the Thursday cash flow reports). Then, the reports from Thursday *and* Monday are packaged together and mailed to you first class from the Lansing Post Office on Monday evening.

**It pays to stay current!** Clients who are current on their transmits or Form 2s receive **first priority in processing**. Most of these clients can expect their reports back *within a week* of our receiving the transmits/Form 2s at Telfarm. Clients sending in **multiple months often must wait** until a subsequent run to have their final reports processed; this can add an additional *week or more* to processing those reports.

Also, be sure your transmits/F2s/F3s are as complete and accurate as possible before sending them to **minimize re-runs**.

## Telfarm for Windows Accounting® Workshops Begin in January!



Telfarm’s **Training Coordinator, Nancy Harms**, will be conducting training **workshops** for the *Telfarm for Windows Accounting* program beginning January 27. Please see the **flyer and registration form** that was enclosed with your 2004 Enrollment for a time and location near you; there is **no charge**, but **registration is required**.

These workshops are designed for clients already using the Windows program or those ready to make the change; it’s also a great opportunity to invite friends and neighbors you know could benefit from using the Telfarm system. Please **send in your registration form** today for these *free* workshops—come join us and bring a friend!

[www.canr.msu.edu/telfarm/](http://www.canr.msu.edu/telfarm/)

Clients with Internet access can visit our web site for *Telfarm for Windows Accountant®* program updates as well as to print off copies of Telfarm marketing information (brochure, newsletters, programs/fee schedule, 2004 enrollment form). Also, be sure to check out the latest information regarding taxes, filing deadlines, and other current articles. **New additions** to the site include a link to the **2004 tax withholding tables** for employers.

## Update: Telfarm for Windows Payroll®

We appreciate your patience through the development process of *Telfarm for Windows Payroll*® (TfWP) and share in your disappointment that the program was not ready for you to start 2004.

We are in the process of testing TfWP “in-house” here at the Telfarm Center. This testing could take several weeks to several months. It is imperative that the program produces accurate information for paychecks and other essential reports. When problems are found during the in-house testing process, the programmers work at them until they are solved. Depending on the complexity of the problem and additional work load, it can take from one hour to one week for a single issue. For this reason, it is difficult to answer your question “*When will it be ready?*”



The MicroTel DOS Payroll program is accurate and successfully links into the *Telfarm for Windows Accountant*® program. Of greater concern is the **printer incompatibility** with DOS programs as technology moves away from DOS support. MicroTel Payroll will *not* run on a *Windows only* printer or a printer using a *USB port/cable*. We know of several newer HP Deskjet printer models being used by current Payroll clients: 1120, 2230, 2280, 3820, 5650, 6122. We also recommend an IEEE parallel cable.

Finally, some of you have expressed that you are waiting to purchase a new computer because “*Windows XP does not run DOS programs*”. This is **not** true. MicroTel Accountant and Payroll programs **will** run on Windows XP. You can easily restore your previous years subdirectories to a new computer with Windows XP as well.

### Form 3 Available in Excel® Format

Thanks to one of our very innovative clients, we now have a Form 3 prototype in **Microsoft Excel**® format that you can use to update us on farm capital asset activity. The form will be posted on our web site (check under “*Transmit to Telfarm by E-mail*”) or you may request it by e-mail and we will send it back to you as an attachment. Our e-mail address is: [telfarm@msue.msu.edu](mailto:telfarm@msue.msu.edu) .

Versions of **Microsoft Excel**® from **Office 97**® or **2000**® work with this format. After downloading the form, save it in your Telfarm Folder as “Telfarm Form 3” for later use. You may then send the form to us in one of two ways:

- Send it by **e-mail as an attachment** with your current transmit to Telfarm;  
— or —
- Print a copy on your printer and **mail it to Telfarm** with your Microtel or TfWA transmit disk(s).

*\*Remember with either method to keep a copy for your own records!\**

Of course, you can continue to use the regular, paper Form 3s for reporting capital activity, work hours, and livestock numbers as you have in the past.

☞ Thank you to Nancy McKendry from Ionia County for developing this format! ☞

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News

## *Telfarm Calendar*

### **Wednesday, February 11**

- Processing Deadline—your information must arrive at the Telfarm Center by this date in order for us to process and return your Tax Package in time for you to file by March 1 (*We do NOT go by “postmark date”*)

### **Thursday, February 19**

- Telfarm begins processing 2004 records

### **February 28—March 8**

- ANR Week on the MSU Campus

### **Thursday, April 15**

- Tax Returns due today! (*if the Monday, March 1st deadline did not apply*)

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- Or contact your local MSU Extension Agent -