



Newsletter

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JANUARY 2005

Four Tax Elections and Farm Income Averaging

Additional 50-30% First-Year Depreciation

For qualified property purchased prior to January 1, 2005 and placed in service prior to January 1, 2005, an **additional 50% first-year depreciation (AFYD) must be taken** for original use (*new*) MACRS property with a recovery life of 20 years or less. 30% AFYD is also available instead of the 50% AFYD. This depreciation applies to both regular tax and the alternative minimum tax (AMT). The **election out** of the 50/30% can be made by property class life and a **statement is required to be attached to the tax return**. The 50/30% is taken **after** first-year Section 179 Direct Expensing. Regular depreciation is then taken after Section 179 and the additional 50/30%. Fruit farms normally can't take the AFYD.

CCC Loans as Income or Loans

If you have counted CCC loans as income in the past, you can elect to count current loans as *loans* instead of *income* by filing the appropriate forms with the IRS.

Farm Income Averaging

Beginning in 2004, the Alternative Minimum Tax won't reduce the advantage of farm income averaging. Eligible income includes Schedule F and farm business income from Form 4797 or Schedule D. It does not include sales of land or timber.

Back to the Past for Trade-ins

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. From 2000 until February 27, 2004 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. Now you can make an **election** to treat it like we used to in the past. Take the *remaining* book value and add it to the boot and then begin depreciating the *entire* value as a new item. We assume that all farmers will make this election on their income tax return unless we are told otherwise.

Section 179 Direct Expensing

Because the Section 179 Direct Expensing is \$102,000 in 2004, we expect that only a few farmers will use the 50/30% AFYD. The \$102,000 direct expensing does **not** have to be original use property like the 50/30%, but **requires positive income** to use it. There is also a phase-out on direct expensing beginning at \$410,000 unlike the 50/30% which has no such limit. —LB

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Processing Deadline Feb. 9, 2005!



To ensure you receive your 2004 tax information for filing by March 1, 2005, your final 2004 records (*transmits, Forms 2 or 3, etc.*) must arrive **at the Telfarm Center** on or before **FEBRUARY 9, 2005**. 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.

It's always a good idea to **double-check** your records for completeness before mailing them to minimize time lost due to re-runs as well! —KW

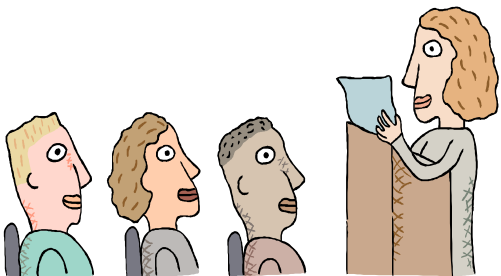
When can I expect to receive my final 2004 reports?

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/Form 2s, and/or Form 3s are as complete and accurate as possible before sending them to **minimize re-runs**. —KW

Telfarm Software Workshops Begin in February!



Telfarm's **Training Coordinator, Nancy Harms**, will be conducting training **workshops** for the *Telfarm for Windows Accountant*[®] and *PENSOFT PAYROLL PLUS*[®] programs beginning **mid-February**.

A **brochure and registration form** will to be mailed to you in late January; look for a time and location near you. There is **no charge** for these workshops, but **registration is required**.

These workshops are designed for clients already using the Windows programs 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. Come join us and bring a friend! —NH

Have you enrolled for 2005?

The 2005 Telfarm Enrollments were mailed to all clients in November 2004. We **must** receive your signed enrollment **before** we can send you forms, supplies or software updates for the new year. Please send in your **signed 2005 enrollment** as soon as possible to stay current on your records. (Payment is not due until October).

IMPORTANT! - 2005 Software Program Update Solutions



“Don’t touch that dial!”

BEFORE YOU REACH FOR THE PHONE, CHECK THIS LISTING OF “QUICK FIXES” TO SOME COMMON ERRORS TELFARM CLIENTS ARE RECEIVING WHEN ATTEMPTING TO UPDATE OR INSTALL SOFTWARE PROGRAMS FOR 2005.

Problem: “Component Missing. EDT 32x30 OCX.” error message at *Telfarm Master Product* CD startup.

Quick Fix: Run the update(s) manually by following these steps:

1. Close the window with the error message (leave the CD in the drive);
2. Click START | RUN | BROWSE and locate your CD drive (usually D:) which may show the numbers 041220_1538 or “Telfarm 2005 Product”.
3. Click on the CD drive to view it’s contents on the right panel.
4. Call Telfarm for instructions for your specific update needs and possibly a different unlock key code.
5. You may also e-mail Nancy Harms at harmsn@msu.edu if you cannot be at the computer during working hours and she will reply with the instructions.

Problem: More than one **NEWFARM** in PenSoft Company List.

Quick Fix:

1. Open PenSoft.
2. Click on FILE | Open Company at the top of the screen.
3. A list of file names representing each company will be displayed.
4. Double click on the one you want to get rid of.
5. The Company Name will be displayed at the top of the screen.
6. Click FILE | Delete Company.

Problem: General questions concerning Telfarm’s *Track for Success* CD.

Quick Fix: HELP Screens!

1. Click on the “*Telfarm Track*” icon on your Windows Desktop; then click **HELP** in the bottom left corner of the screen.
2. Click on the topic you need: *Check Styles* with how to customize a check style that matches the Deluxe checks used by Telfarm clients for Checkwriter and DOS Payroll; *Linking PenSoft to Telfarm*; *Reports* equivalent to reports you are used to in MicroTel, and other helpful information.
3. Print HELP screens individually as a handy reference manual when you are working in PenSoft Payroll Plus (there are about 20 pages total). PenSoft also has many HELP topics and a useful index/search capability.

Problem: Printing W2s from Microtel DOS Payroll (*3 per page Employee Copies*).

Quick Fix: Print continuously. Do not use alignment print and do not print one at a time. If you previously changed the vertical alignment, be certain that it is now set at zero (0) for the Employee copies. Answer NO to the question, “Do you want to use this file?”. Reselect the employees (generally all) to create a new file, then answer YES. —NH

Telfarm Center Staff

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Current Software Versions

<i>Telfarm for Windows Accountant/Ckwriter</i>	1.3.0 or higher
Microtel DOS Accountant	7.2.0
Microtel DOS Checkwriter	2.9.0
Microtel DOS Payroll	7.1.5
PenSoft Payroll Plus	3.05.0020 or higher
Telfarm Track for Success	2.0.0
Track Patch	2.0.1

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NEWS

Telfarm Calendar

Wednesday, February 9

- 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 17

- Telfarm begins processing 2005 records

March 4 — 12

- ANR Week on the MSU Campus

Friday, April 15

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

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- Or contact your local MSU Extension Agent -

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