



Newsletter

Volume 5, No. 4

October 2005

Tax Update

Last year Congress created a new income tax deduction for employers with production activities, which includes farmers.

The **Domestic Production Deduction** (DPD) for 2005 and 2006 is limited to the lesser of:

1. 3% of qualified production activities income (QPAI)
2. 3% of taxable income or adjusted gross income
3. 50% of W-2 wages paid during the year. (Wages to children under age 18 may not count.)

For many farmers, QPAI will be the sum of their net income from Schedule F (Form 1040) and the net gain from sale of raised livestock on Form 4797. These are receipts from property that is produced or grown. Custom work may be included as long as it is less than 5% of the total gross receipts; otherwise, receipts and costs have to be allocated. The deduction comes *after* computing self-employment taxes.

Year-End Reminders

Wednesday, November 2, 2005: Deadline to have records to the Telfarm Center in order to be included in your **Tentative Depreciation Schedule and Tax Package**. Remember, LEVEL I clients do NOT need to send a disk to Telfarm (*only Form 3 information*).

Friday, December 16, 2005: Date to have your annual **Telfarm Enrollment Contract** to the Telfarm Center in order to receive **supplies** and/or computer **program updates** in time to begin your record keeping in January (you must also be paid in full for 2005). Telfarm Enrollments will be mailed to you in late November. Supplies and updates will be sent upon receipt of a 2006 Enrollment *after* December 16. Clients currently using **PenSoft Payroll Plus®** should renew for 2006 directly through PenSoft.

FORM 3 RECONCILIATIONS: Remember to match all Form 3 entries with a corresponding entry in Accounting for MACHPURCH, DAIRY-PURCH, etc. in order for your records to be complete and accurate at year-end.

179 DIRECT EXPENSING: \$105,000 in 2005. Be sure to let us know *after* your Check-In Meeting if you wish to take this additional deduction. We will make those changes after we receive the correction from you or your local Extension Agent.

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Current Software Versions

<i>Telfarm for Windows Accountant/Ckwriter</i>	1.3.5
<i>Microtel DOS Accountant</i>	7.2.0
<i>Microtel DOS Payroll</i>	7.1.5
<i>Telfarm Track for Success</i>	2.0.6

You should always apply the latest patches to keep your software performing at its best. Download patches from our website at: www.canr.msu.edu/telfarm/ or call us at (517)355-4700 if do not have web access.

Intro to Telfarm for Windows® Workshops



As many of you are aware, Telfarm will no longer support the DOS-based Microtel programs (*Accountant and Payroll*) **after 2005**. For Telfarm clients who are using either the DOS-based **Microtel** programs or the **Form 2** handwritten method of record keeping, we are offering opportunities for you to see Telfarm's Windows-based software programs, get a preview of how each program works and be prepared to update for and begin 2006. **FREE** demonstration includes a checklist to help you be prepared for this change.

Please call Telfarm at (517) 355-4700 for more information or **to register** for one of these informative sessions. See schedule, dates and locations below, left.

TfWA Workshop Dates

- 9 am -11 am: *Accounting and Checkwriter*
- 11 am -11:15 am: *Snack Break*
- 11:15 am -1:15 pm: *PenSoft Payroll Plus*

Weds. Oct. 19

NEW Allegan Co. Extension Office

Thurs. Oct. 20

Berrien Co. Extension Office

Tues. Oct. 25

Calhoun Co. Extension Office

Weds. Oct. 26

NEW Washtenaw Co. Extension Office

Weds. Nov. 2

Mecosta Co. Extension Office

Thurs. Nov. 3

Kalkaska Co. Memorial Health Center—
Stonehouse Education Center

Weds. Nov. 9

Ionia Central Dispatch (911) Meeting Rm.

Thurs. Nov. 10

Tuscola Co. Extension Office

Payroll Clients — W2 Ordering

DOS Microtel Payroll clients may order up to 20 W2 forms (inkjet or dot matrix) **FREE** through Telfarm. For larger orders, these forms are available through Nelco/GreatLand (www.greatland.com). You may be able to take advantage of early ordering discounts.

PenSoft Payroll Plus clients should order W2s through PenSoft (www.pensoft.com/tax_forms.asp). Check the help screens in PenSoft for the correct setup for the style you order. You may “test print” W2s at any time. Clients using PenSoft Payroll Plus Professional or higher can print W2s on plain paper (red copy A for SSA is approved to be printed in black ink).

⇒ **PAYROLL TIP:**

Hours worked are not included when you export payroll records from Pensoft to TfWA. Get total hours from PenSoft Reports > Summary Reports > HOURS. Manually enter total hours into TfWA using the account name LBR, Vendor PAYROLL, hours, and check number VOUCHER with no dollars. Check the NEW Payroll Reconciliation report in TfWA (ver. 1.3.5 or higher) to be sure hours are included.

DOS Support to End After 2005

It has become increasingly difficult to find printers with DOS capabilities. For this and other reasons, Telfarm will no longer support the DOS Microtel programs (Accountant and Payroll) **after 2005**. The last DOS Payroll update will be version 7.5.0 for 2005 W2 processing; it will be available on our web site or mailed to you at the end of 2005.

We encourage all current Microtel and Form 2 clients to consider attending one of the upcoming "Intro to *Telfarm for Windows Accountant*[®] and PenSoft" workshops being offered this Fall (see page 2). *TfWA* has been available for 4 years and is being used successfully by over 300 Telfarm clients. Over 100 clients are currently using PenSoft for their payroll needs.

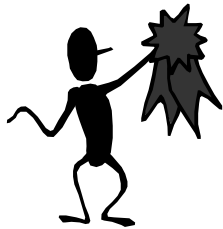
Your **2006 Telfarm Enrollments** will be mailed to you in late November, so be sure to **mark clearly** the programs you would like for next year!

Telfarm for Windows Accountant

Here is how to get a report showing the non-cash or internal transactions for livestock births, deaths, number of head on hand, owner WORK. Also included in this list will be DRAW, capital purchases and sales, tax withholding and others considered "internal".

Click **Reports** and select **Group and List Transactions**. On the right side of the screen, click **Expenses Only**. Below that **Group By Account Name**, and below that select by **Date**. On the left side of the screen in the "Type of Transaction" box, type the number **9** (internal). Do not limit the list by entering any other criteria on the left side of the screen the first time through so you can view the entire list.

Later, you may want a more specific report and can choose a specific Account Name. Remember, for seeing the "internal" transactions, you must enter the number 9 in the Type of Transaction box.



And the Winner Is...

Bob Kran of Mason County, was the winner of our computer-automated drawing during **Ag Expo** in July. Bob won a \$50 value to use toward his choice of either a new or additional software program or a discounted annual enrollment fee for 2006.

Congratulations, Bob, and thanks to everyone who visited our booth at Ag Expo this year!

Back-up...

Back-up...

Back-up!

November Walk-In Consultation

We will be having the last of our monthly walk-in consultations for 2005 on **Tuesday, November 8th** at the Telfarm Center. Please feel free to stop by between the hours of **8 am - 4 pm** for help on record keeping, tax issues, or to "test drive" the *Telfarm for Windows Accountant* or PenSoft Payroll Plus programs.

Please call ahead so we can prepare for your visit. Bring with you any reports or backups that may be necessary.

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News

Telfarm Calendar

Wednesday, November 2

- Date for records to be at Telfarm to be included in Tentative Reports

Thursday—Friday, November 24-25

- Telfarm Center closed for Thanksgiving Holiday

Friday, December 16

- Date for 2006 Enrollments to be at Telfarm to receive programs/supplies by January

Friday—Monday, December 23-26

- Telfarm Center closed for Christmas Holiday

Friday, December 30, 2005 — Monday, January 2, 2006

- Telfarm Center closed for New Year Holiday

Telfarm Center

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- Or contact your local MSU Extension Agent -



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