



# Newsletter

VOLUME 6, No. 1

JANUARY 2006

## Taxes: Domestic Production Activities Deduction

For many farmers the new Domestic Production Activities Deduction on line 35 of the front of Form 1040 may be relatively easy to calculate. It is the *smallest* of the following three calculations:

- a) 3% of Qualified Production Activities Income (QPAI), where QPAI is the sum of net Schedule F plus net gain from the sale of raised animals
- b) 3% of Adjusted Gross Income or taxable income of a business
- c) 50% of W-2 wages paid by the taxpayer (commodity wages or wages to children under 18 might not count)

Form 8903 will be used to calculate the deduction.

For \$50,000 of net Schedule F plus \$10,000 of gain from the sale of raised livestock, the deduction would be 3% of \$50,000 + \$10,000 which equals \$1,800. A farmer in the 15% ordinary income bracket would reduce federal taxes by 15% of \$1,800 or \$270. State income taxes would decrease by 3.9% of \$1,800 which is about \$70. This deduction does not reduce self-employment taxes but might increase PA116 or Homestead Property Tax Credits.

The 3% in the formulas increases to 6% in 2007 and 9% in 2010. Some of the rules on what qualifies for this deduction may limit the value of this deduction. For example, if a farmer did not pay any qualified W-2 wages for labor, then the deduction is zero. But it is a new deduction that will reduce taxes if you qualify for it. Call Larry here at Telfarm if either you or your tax preparer have questions about it. —LB

### 2006 Software Versions

Telfarm for Windows Acct/CkW	1.4.0 or higher
PenSoft Payroll Plus	3.06.0020 or higher
Telfarm PAL (Pay-Acct Link)	2.1.0 or higher

### Have you enrolled for 2006?

The 2006 Telfarm Enrollments were mailed to all clients in November 2005. 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 2006 enrollment** as soon as possible to stay current on your records.

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## Processing Deadline Feb. 8, 2006!



To ensure you receive your 2005 tax information for filing by March 1, 2006, your final 2005 records (*transmits, Forms 2 or 3, etc.*) must arrive **at the Telfarm Center on or before FEBRUARY 8, 2006**. 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 2005 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.

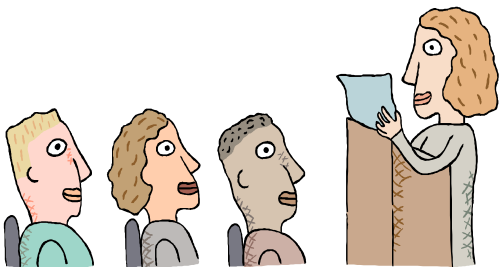
Also, be sure your transmits/Form 2s, and/or Form 3s are as complete and accurate as possible before sending them to **minimize re-runs**. —KW

## Telfarm Software Workshops Begin in March!

Telfarm's **Training Coordinator, Nancy Harms**, will be conducting training **workshops** for the *Telfarm for Windows Accountant*<sup>®</sup> and PENSOFT PAYROLL PLUS<sup>®</sup> programs beginning in **March**.

A **brochure and registration form** will be mailed to you in February; 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 using the Telfarm for Windows and/or PenSoft Payroll programs; 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



### Surge Protector? Unplugging may STILL be the best solution!

Most surge protectors are not designed to handle the surges from electric storms; they handle small variations in electrical power. The best solution for keeping your computer system protected for long periods of time in which it is not being used or when an electrical storm is predicted for your area is to SHUT DOWN and UNPLUG it from the wall. If you have a telephone or a cable service coming into your computer, do not forget that these are power lines, too, and can bring surges into your equipment. Unplugging is certainly easier (and cheaper) than buying new or repairing damaged equipment. —JP



## ***IMPORTANT Information for 2006 Payroll Program Clients***

### **NEW (2006) PenSoft Payroll Plus Clients:**

- Received 2006 PenSoft Payroll Plus Installation CD and instructions from Pensoft after Dec. 19, 2005, and Telfarm Payroll to Accountant Link (PAL) CD from Telfarm in the mail about the same time. There is no charge for PAL the first year.
- DO NOT INSTALL PenSoft UNTIL you have received the PAL CD from Telfarm!
  - PAL is a companion program that must be installed in a specific order with PenSoft.
  - The PAL CD is preconfigured to help you get going quicker with PenSoft Payroll.
  - Custom reports are defined, values are pre-set and the ability to link PenSoft to TFWA is defined.
  - Failure to follow the instructions (included on the PAL CD) will cause significant problems.

### **CURRENT (2005) PenSoft Payroll Plus Clients:**

- Received 2006 PenSoft Payroll Plus Installation CD and instructions from Pensoft after Dec. 19, 2005.
- Payroll-Accountant Link (PAL, formerly Telfarm Track) will be sent to you from Telfarm AFTER we receive your 2006 Telfarm Enrollment. Cost to renew PAL and receive Telfarm support is \$100 beginning in the second year. Be sure to mark it on your enrollment.
- It is OK to install PenSoft ASAP and update PAL later.
- DO NOT LINK Payroll to Accountant until AFTER you have updated PAL.

Installation instructions are found on the PAL CD by clicking the green "Index to All Help Documents" button: look for "*Installation Instructions for Telfarm Payroll to Accountant Link (PAL)*". If you have any questions please contact Telfarm by phone (517-355-4700) or e-mail (telfarm@msu.edu). —NH

### ***Enter a Year Before 2005 and Keep on Ticking!***

Microtel DOS programs are no longer being supported by Telfarm, but several of you have asked about continuing to use the **TimeCard** program. Timecard calculated hours worked for your employees so you could then manually enter those hours into the Microtel DOS Payroll program. It would also allow you to print a report for each worker showing hours, days, and totals for the work period entered. TimeCard will not accept dates AFTER mid-2005; if you currently have this program and wish to continue to use it ON YOUR OWN, you can simply enter the year as 2004; the resulting hours will be correct although the year is wrong. —JP



### ***Before You Call...***

We experience extremely high processing and phone call volumes during January; to avoid being caught in the "call-back queue", please **check your program HELP files** to see if the answer to your question is there **before calling**. Several additional files to aid in program installation are on the 2006 Telfarm Master CD and the PAL CD, including moving files to a new computer. Check the "*Index to ALL Help Documents*" for these instructions. —KW

### **Telfarm Center Staff**

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NEWS

## *Telfarm Calendar*

### **Wednesday, February 8**

- 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 16**

- Telfarm begins processing 2006 records

### **March 3 — 11**

- ANR Week on the MSU Campus

### **Monday, April 17**

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

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- Or contact your local MSU Extension Agent -

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