



Newsletter

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Make Decisions Using Your Farm Records

With Michigan's varied agricultural products some good news about prices and yields in one sector is often offset by bad news in another sector. The early planted corn behind my house looks great as long as we get some more rain (maybe I should share rent rather than take cash rent). Corn futures prices look good for producers, especially if you have the option of on-farm or co-op storage. But milk prices are quite low, late frost damaged some fruit areas, and replanting of some fields was required this spring. With either good news or bad news, records can help in your decision-making.

Using your Telfarm records along with a balance sheet, a financial analysis (FINAN), gives you an accurate picture of your farm's progress and allows the opportunity to look at trends over multiple years. By comparing your farm to other farms you can build on your strengths and also address areas for change. Many Telfarmers accomplish this annually but there are also other uses.

Most farmers have a good, general understanding of how their farm is doing, but using records in making decisions can greatly improve financial progress. Let's use the cost of machinery as an example and information used in making machinery purchase decisions. Certainly the cost includes depreciation, repairs, insurance, taxes and interest. If your business is just breaking even compared to being profitable, then depreciation costs much more. Taxes make a huge difference. If you are in the 25% federal income tax bracket, then federal and state income taxes plus self-employment tax can take up to 43 cents on each dollar of profit. Depreciation on equipment will, therefore, only cost you the difference of 57 cents (\$1.00 - .43) for each dollar spent on machinery purchases because you pay the government 43 cents less in taxes. Lower income might also increase your Farmland preservation credits so this might lower the cost to about 53 cents. However, if you don't have a Schedule F profit, then a dollar spent on machinery purchases could cost you much more – up to the whole dollar if you're not reducing taxes. It might be more than a dollar if you are unable to use some tax credits because some require owing income taxes to receive the credit. This is just one example of planning and decision-making from using records that can really make a difference in your bottom line and the success of your business. —LB

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CURRENT PROGRAM VERSIONS

<i>TfWAccountant/Checkwriter</i> ®	1.4.5 or higher
<i>PENSOFT PAYROLL PLUS</i> ®	3.06.0114 or higher
<i>Telfarm PAL</i> ®	2.0.6

Update Online: www.canr.msu.edu/telfarm
and/or www.pensoft.com

Payroll Renewals

PENSOFT PAYROLL PLUS® **renewal notices for 2007** have been mailed to all Telfarm clients currently using PenSoft. You may renew directly through PenSoft *now* or any time *up to December 1, 2006* in order to receive your 2007 program before your first 2007 paychecks need to be written. PenSoft begins mailing 2007 programs December 18, 2006.

Your **2006 Telfarm enrollment** form will be mailed to you at the end of November, as always. Current PenSoft clients will have the option to renew *Telfarm PAL*® for payroll support from Telfarm at that time. PAL allows you to link PenSoft to Telfarm for Windows Accountant, run a Michigan New Hire Report, and has many additional help screens specifically for supporting our Telfarm clients. —NH

2006 W2 Ordering

- Telfarm will **not** be offering blank W2s this year for computer program clients. If you need just a few W2s, we suggest you order them from the IRS at **1-800-TAX FORM** (1-800-829-3676) or purchase them from an office supply store (any brand, 2-up format should work).
- **Clients using PenSoft Payroll Plus** may order W2s through **PenSoft**. You can view the different styles at 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. Yes, even Copy A for Social Security Administration (red form) is approved to be printed from PenSoft Payroll in *black ink!* —NH



On March 28, 2006, Governor Granholm signed into law a bill that will increase Michigan's minimum wage (currently \$5.15 per hour) as follows:

October 1, 2006	\$6.95
July 1, 2007	\$7.15
July 1, 2008	\$7.50

The law applies to Michigan's farm workers. Michigan farmers paying piece-rates should track hours worked; wages for a workweek should equal at least the minimum wage multiplied by hours worked. To change the minimum wage in the PenSoft program, go to **Company Screen > Modify > Settings**.



Telfarm, At Your Service!

Be sure to visit us in **Tent A**, across from the main food Tent. We always enjoy seeing you and answering your specific questions. Bring your friends and neighbors and enter to win our **drawing for \$50 savings** on Telfarm software or toward a discount on your 2007 Telfarm enrollment. —NH

Wherefore Art Thou?

Telfarm conveys important information for our clients via the quarterly newsletter, the Telfarm web site, and the occasional formal mailing, but e-mail remains the fastest, easiest way to communicate with you.

If you have an email address and have NOT been receiving any e-mails from us (but you would like to), please send us an e-mail at telfarm@msu.edu so we can add you to our “address book”. This request applies to Form 2 clients as well as those using accounting or payroll. We do not sell or give email addresses to anyone. We will only send Telfarm information as needed.

Is Your Computer Safe in Cyberspace?

ANY computer connected to the internet can be affected with viruses or spyware and the problem is accelerating. To help protect yourself and your valuable resources there are THREE pieces of security that MUST be in place on your computer:

- 🖥️ **Firewall:** Protects your computer from intrusions by blocking attempts to access your computer by outsiders from the internet. Windows XP helps the situation by including a built-in Internet Connection Firewall (ICF) that should be turned on by default, if you do not have another 3rd party firewall in place. From the Start menu, click on "Help and Support" and search on "Windows Firewall".
- 🖥️ **Anti-virus software:** Viruses are malicious software (of varying severity) that come to your computer via downloaded files, infected email, "free" software and many other sources. It may be relatively harmless or totally destructive. Good anti-virus software will detect and stop almost all virus attacks. The software must be kept up-to-date regularly or its effectiveness will be compromised.
- 🖥️ **Anti-spyware software:** Spyware is usually not interested in damaging your computer, but in monitoring what you are doing and then reporting your activities to its creator, usually for marketing purposes. Anti-spyware software must also be kept updated regularly to be able to respond the most current threats.

Firewall, anti-virus and anti-spyware software are available from many vendors, either as stand-alone products or (more often) as an integrated "suite": Norton (Symantec), McAfee, Computer Associates (eTrust), Zone Labs and many others. The software is often available at computer stores on special or with rebates. After the first year, you will probably have to pay an annual fee to subscribe to the company's update service.

In addition, you MUST keep your computer up-to-date with the latest Microsoft® critical updates by connecting to their update engine on a regular basis. Click on Start, All Programs, Windows Update and follow the prompts from there to install their latest critical updates.

Symantec has an automated on-line tool to assess your computer's security status. Go to <http://security.symantec.com>, and follow the instructions. You must be using Internet Explorer 5.0 or higher for all tests to complete properly. Also see <http://www.staysafeonline.info> for helpful information. —BN

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Gas Tax Refunds

Federal gas tax refunds may come either as a credit for taxes paid or as a check. Use GASTAXF if you receive a credit against taxes. This will not increase your check-book balance in accounting, but will increase your taxable income since it was previously taken as a farm expense.

If you receive a check, we suggest you use GAS with a negative dollar amount since your fuel expense is being reduced. This entry is correct for cash, income tax, and financial analysis. —LB

Bye - Bye, Bessie!

Did that purchased cow get sick and die or did she get struck by lightning and go to the great, green pasture?

To clarify **purchased livestock deaths** as "normal" due to illness or as "casualties" due to accident, we ask that you please note on your **Form 3** if the death was a casualty. This will put the tax consequence of the death (gain or loss) on the Form 4684 (which then carries over to the Form 4797) rather than directly on the Form 4797. Watch for more information on this. —KW

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NEWS

Telfarm Calendar

Monday - Tuesday, July 3 - 4

- Telfarm Center closed for July 4 Holiday
(MSU closed Monday, July 4)

Tuesday - Thursday, July 18 - 20

- Ag Expo on the MSU Campus

Visit Us in Tent A

*Enter to win \$50 toward
next year's enrollment or programs!*

Monday, September 4

- Telfarm Center closed for Labor Day Holiday

Telfarm Center

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- Or contact your local MSU Extension Agent -



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