



Newsletter

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Increase Income by Selling Depreciated Machinery

Selling depreciated farm machinery or equipment results in a gain or loss. If your sale price is *greater* than the basis (usually the undepreciated amount) on your depreciation schedule, there is a **gain**. If the sale price is *less* than the original purchase price, then the gain is all recapture of previous depreciation. The recapture is all taxable ordinary income in the year sold even if no payments are received until the next year.

For example, Ben bought a skid steer loader for \$30,000 three years ago, direct expensed the entire value that year, and sold it this year for \$17,000. Ben's basis in the loader is zero (\$30,000 purchase price minus \$30,000 of direct expensing). He has a gain of \$17,000 which is taxed at ordinary rates but not subject to self-employment taxes. Even if Ben sold it in December 2006 but did not get any payments until January 2007, the whole \$17,000 of recapture is taxed in 2006. Ben may want enough payments to pay the taxes.

If the fair market value or sale price is *less* than its basis, the loss would also be recognized in the year of sale. Also, if you trade-in machinery on similar equipment, any gains or losses on the traded-in equipment are tax deferred —LB

Year-End Reminders

Wednesday, November 8, 2006: 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 15, 2006: 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 2006). Telfarm Enrollments will be mailed to you in late November. Supplies and updates will be sent upon receipt of a 2007 Enrollment *after* December 15. Clients currently using **PENSOFT PAYROLL PLUS®** should renew for 2007 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: \$108,000 in 2006. 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. —KW

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Current Software Versions

<i>TfW Accountant/Checkwriter®</i>	1.4.6
<i>Telfarm PAL®</i>	2.1.3
<i>PENSOFT PAYROLL PLUS®</i>	3.06.301

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

W2 Ordering and Processing

PenSoft Clients: Your Fall 2006 PenSoft Newsletter included a W2 order form. Order W2 and W3 forms by mail, on the web at www.pensoft.com/tax_forms or call 888-736-7638 to place a phone order with credit card payment.

All PenSoft clients have the option to use the 6-part Laser/Ink Jet W2s, which “fill in the blanks on an existing W2 form”. If you order less than 100 forms, be certain to also order the number of W3s you want (at \$.15 each). This type of form package is also available at most office supply stores. Telfarm clients using the Professional version or higher, also have the choice of printing W2s on blank forms in several different formats.

To see what your W2 printing options are and print a practice W2:

1. Go to Reports | Tax Reports | Form W2
2. Select one employee to preview on the screen.
3. Select the Print button at the bottom of the page
4. In the field titled “Output”, click on the drop down box ▼ to see your options
5. In most cases the print will align perfectly in the preprinted forms, although alignment options are available. You may print W2s as often as necessary
6. Preview the Form W3 well in advance in case there have been any changes in your company setup during the year, such as a change in the contact information. —NH

Telfarm Fall Workshops

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

- ① **Tuesday, October 17**
Hillsdale County Extension Office
20 Care Dr., Hillsdale
- ② **Thursday, October 19**
Tuscola County Extension Office
362 Green St., Caro
- ③ **Tuesday, October 24**
Allegan Human Services Bldg.
3255 122nd Ave., Allegan
- ④ **Wednesday, October 25**
Mecosta County Extension Office
14485 Northland Dr., Big Rapids
- ⑤ **Wednesday, November 8**
Escanaba, Delta County Extension Office
NOTE: 1:30-3:30 pm, TFWAccounting Only

Pre-registration is appreciated to help us better meet the needs of each group. Call, mail, e-mail, or fax your registration information to the Telfarm Center. We hope to see you there!

Have you heard?

“I learn something helpful at every workshop, even after 15 years on the system.”
—Mecosta County Client

“I am extremely pleased with Telfarm’s quick responses to questions and implementation of suggestions for improvement.”
—Newaygo County Bookkeeper

“Telfarm does not cost...it makes me money!”
—Tuscola County Client

“In 2005 we helped Telfarm clients save an average of \$9,423 on taxes.”
—Roger Betz,
SW MSUE District Farm Management Agent



Supplies Reminder:

We no longer supply envelopes for mailing your Forms 2 and 3 or transmits to Telfarm; we will, however, send you Telfarm-addressed labels if you mark the appropriate box on your 2007 Enrollment Form.

Is Your Software Up-to-Date?

If not, you may not have the latest TFWA and/or PAL program developments available for your use. To install these patches ASAP, visit our web site at www.canr.msu.edu/telfarm, under Accounting > 2006 Patches, and Payroll > PAL > Patches.

Accountant/Checkwriter (Version 1.4.6)

- Enhanced consistency in Detailed Cash Flow Report vs. the 1040F Report.
- Added "Diagnose" to Checkwriter Help menu to help with unbalanced postings.
- Adjusted available activity buttons when correcting invoices/postings and checks in Checkwriter.
- New help screens for Checkwriter corrections.
- Reactivated Checkwriter "File Maintenance" so previously linked records may be deleted.

PAL – Payroll to Accountant Link (Version 2.1.3)

- Streamlined some linking screens
- Activated F1 key for Help on linking screens
- Tax deposits will now display in the "export all" display to select which payrolls to link.
- In the Link notification area, if the export file is not found or there are no records to link, the message will be displayed. —NH

MI Minimum Wage Info

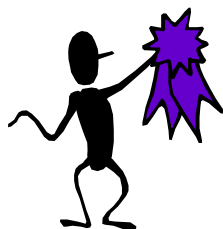
On March 28, 2006, Governor Granholm signed into law a bill that increased Michigan's minimum wage (previously \$5.15 per hour) to **\$6.95** on **October 1, 2006**. Michigan farmers paying piece-rates should track hours worked; wages for a work-week should equal at least the minimum wage multiplied by hours worked.

To set the minimum wage warning in Pen-Soft, go to **Company > Modify > Settings**. To change the wage for individual employees, go to **Employee > Modify > Incomes**.

For answers to your questions regarding overtime pay, sub-minimum wage for those under 18, training wage minimums, impact on unemployment and other situations specific to your agricultural business, please contact:

Wage & Hour Division
517-335-0400
www.michigan.gov/wagehour

Other resources are: US Dept. of Labor's web site at www.dol.gov and the Federal District office in Detroit at (313)226-7448. —NH



*And the
Winner
Is...*

Pat Albright of Branch County, was the winner of our computer-automated drawing during **Ag Expo** in July. Pat won a \$50 value to use toward his choice of either a new or additional software program or a discounted annual enrollment fee for 2007.

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

How Secure is Your Computer?

Highly recommended! The September 2006 issue of **Consumer Reports**[®] magazine contains extensive information on **computer security** and online safety. Included are reviews of anti-spyware, anti-spam, and anti-virus software, as well as firewalls.

A separate article contains a helpful discussion of **backup strategies** and hardware, emphasizing external backup drives, now becoming reasonably priced and much easier to use. Weigh the cost of losing your computer full of valuable data versus the cost (time and money) of putting a good backup system in place.

The information will also be available at Consumer Reports' web site for their web subscribers only:

www.consumerreports.org

—BN

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NEWS

Telfarm Calendar

Wednesday, November 8

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

Thursday—Friday, November 23-24

- Telfarm Center closed for Thanksgiving Holiday

Friday, December 15

- Date for 2007 Enrollments to be at Telfarm to receive programs/supplies by January

Monday—Tuesday, December 25-26

- Telfarm Center closed for Christmas Holiday

Monday—Tuesday, January 1-2, 2007

- Telfarm Center closed for New Year Holiday

Telfarm Center

Michigan State University
414 Agriculture Hall
East Lansing, MI 48824-1039
517-355-4700
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www.canr.msu.edu/telfarm/

- Or contact your local MSU Extension Agent -



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