



Newsletter

VOLUME 9, No. 1

SPRING 2009

Telfarm Participation Awards

72 Years of Participation

*Herman and Doris Rader, Montcalm County
Congratulations on your retirement!*

50 Years of Participation:

*Carlton & Cami Evans, Hillsdale County
Tim Godfrey, Hillsdale County
William Brewer, Isabella County
Burke & Lisa Larsen, Mason County
Donald Korte, Washtenaw County
Robert & Bruce Breuninger, Washtenaw County*

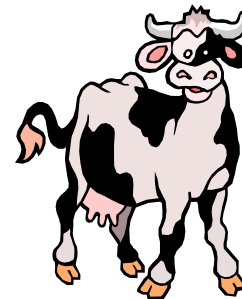
25 Years of Participation:

*Gary & Glen Rubingh, Antrim County
Jon & Diane Hinkelman, Berrien County
Richard Fettig, Emmet County
Mark & Mike Chaffin, Gratiot County
Michael Richter, Leelanau County
William & Barb Middleton, Oakland County
Kirk Haverdink, Ottawa County
Mark Ashbrook, Van Buren County
Dennis & Judith Hoxsie,
Grand Traverse County*

Telfarm annually recognizes cooperators of long-term participation in the farm financial records program. Each farm will receive a plaque for this milestone. Congratulations and thank you to these farm families for their continued participation with Telfarm and MSU Extension.

Depreciation Hints

- Let us know if you changed your direct expensing or additional first year depreciation when you filed your taxes so the depreciation schedule will be ready for the next year.
- **Trade-Ins:** Make it obvious which item you are trading on what new item. If you include an amount in your trade-in, we assume that's the amount allowed by the dealer and it doesn't affect tax depreciation at all.
- Tell us when purchased items like calves for the breeding herd or fruit trees should begin depreciating. Make sure old purchased animals are sold or let us know if they died.
- Leave usable items on the depreciation schedule even if they depreciate to zero if still in use. Junk them if they are no longer in service.



2009 Software Versions

- Telfarm for Windows Acct/CkW:
1.7.1 or higher
- PenSoft Payroll Plus:
3.09.1.19 or higher
- Telfarm PAL (*Pay-Acct Link*)
2.4.1 or higher

“Making Work Pay” Tax Credit

For 2009 and 2010, there is a new refundable tax credit of up to \$400 for single and \$800 for families. It is an income tax credit calculated as 6.2% of earned income with phase-outs beginning at \$75,000 of adjusted gross income for singles or \$150,000 for married, filing jointly.

Although the rate is exactly the employee withholding rate for social security, it does not affect employee withholding or matching employer payments on social security. It does not change the self employment tax. It does reduce withholding on income taxes for employees (rates change as of April 1st). Self-employed farmers can take the credit next year on their 2009 income tax form. Be sure to update your payroll program before April 1, 2009 to get correct employee withholding.

New Hire Reports

We have heard that the State of Michigan has been contacting employers about New Hire reports. Federal law requires all newly-hired or rehired employees to be reported to the Michigan New Hires Operations Center within 20 days of hiring.

Several options for reporting exist:

- Fill out and mail or fax a form for each employee hired
- Fill out a form online at the website for each employee
- Create and send an electronic file containing required information

The first two options are not viable for many employers. Pensoft Payroll does not include an option for obtaining an electronic file to transfer to Michigan newhires, BUT Telfarm PAL does! A button on the main screen will lead you through the process of creating a file formatted to meet the requirements. You will be required to register on the newhires website at: www.mi-newhire.com. Using their website to upload the created file is straightforward. Consult the PAL help file in the chapter “New Hires Reporting”, and the Mich newhires website for more information.

(You should have our latest PAL patch, 2.4.1 for the best operation.)

Domestic Production Activities Deduction (DPAD)

Your farm may be eligible for this deduction and your cooperative may also pass a deduction along to you. It doesn't reduce your self-employment tax, but it may reduce your federal and state income taxes. A new ruling in 2008 applies to marketing coops that collect product, process it, sell it, then pass the income back to the members. Talk to your tax advisor for general information about DPAD, or see the Telfarm website under Resources > Articles > 2007.

For specific information about cooperatives and DPAD, see an article by Roger McEowen and Phil Harris at www.calt.iastate.edu/DPAD.html

Self Employment Tax— Optional Method

A farmer with negative or little net farm income and gross farm income more than \$6,540 can elect to pay social security taxes on \$4,360, which will earn 4 good quarters toward social security retirement. Social security qualifications require 40 good quarters, but calculates retirement payments on the top 35 years of earnings.

Eligibility for disability requires 20 quarters in the last 10 years. Paying tax on \$1,090 (or about \$165) earns one good quarter in 2010. Much or all of the optional payment may be recovered through the federal and state Earned Income Credits.

Upcoming Telfarm Workshop

Phil Taylor will be holding a Telfarm workshop on Tuesday, March 31, 2009 at the Clarksville Horticultural Experiment Station. Topics will include:

Morning (10:00-Noon):

Accounting and Checkwriter issues
File management
Using help screens,
Chart of Accounts

Afternoon (1:00-3:00):

Payroll
Payroll Accountant Linking (PAL)

Training topics will be partly based on registration feedback, so when you register, please indicate topics you would like to see addressed or questions you have on using Telfarm software and services.

To register, please call the Telfarm center at (517) 355-4700. Please let us know how many participants will be attending, if you will be bringing your own computer, if you will be staying for lunch and any topics you would like to see discussed. There is no cost for the training, but donations for a pizza lunch are requested. Please arrive at 9:30 a.m. for set-up.

Form 943-X

In January 2009, the IRS issued Form 943-X, Adjusted Employer's Annual Federal Tax Return for Agricultural Employees or claim for Refund. This new form is used to correct errors on the Form 943: Employer's Annual Federal Tax Return for Agricultural Employees that you previously filed.

Use the 943-X to correct:

- Income tax withheld from wages
- Taxable social security wages
- Taxable Medicare wages
- Advance earned income credit (EIC) payments made to employees



Introducing Phil Taylor

Telfarm welcomed its newest staff member, Phil Taylor in February. Phil was formerly a MSU Extension Educator for Dairy and Farm Management from Eaton County since 1999. Before that, Phil had worked as a Service Representative with Conneautville Farmers Exchange in his native Pennsylvania balancing livestock rations and servicing customers of the local feed mill. He also has 5 years of dairy farm experience on his resume', three of which were as farm manager of a 100-cow dairy in Northeast Ohio. In addition, he worked 5 years as an Extension Agent for Penn State Cooperative Extension from 1985 to 1990.

Phil has a degree in Dairy Production from Penn State University and is currently finishing up a Masters Degree in Agricultural Economics at MSU. During his years as a MSU Extension Educator, he developed expertise working with the Telfarm for Windows accounting program and completing farm business analyses and tax estimates. He is looking forward to assisting you with your accounting, payroll, check-writing, and depreciation for tax management and business analysis purposes. Phil lives in Vermontville with his wife Laurie and their 6 children. Phil enjoys gardening, playing sports with the kids, and cutting firewood, but his favorite hobby is singing gospel music with the quartet from his church and singing bluegrass music.

Telfarm Center
Michigan State University
414 Agriculture Hall
East Lansing, MI 48824-1039

Telfarm Calendar

Monday, May 25

- Memorial Day-MSU & Telfarm office closed

Friday, July 3

- Independence Day- MSU & Telfarm office closed

Tuesday– Thursday, July 21– 23

- Ag Expo at Michigan State University

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- Or contact your local MSU Extension Agent -

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