

Pc Mars Newsletter

New Years 2017

Happy New Year from the TelFarm Center. We hope you will find some useful tips in this Pc Mars focused newsletter to make use of certain features easier. We are here to support you and answer questions any time. A new version of the software will be coming out later this month or in February that has some enhanced features as well.



Add your TelFarm number to your Pc Mars File

Some sets of books that we receive only have a first name on both the set of books and the business name. This makes it very difficult for us to differentiate one set of “Joe” books from another. If you don’t already have your TelFarm number in the either the file name or business name of your books, can you please add it to make sure your books are filed correctly and reports are returned to the proper farm.

To add your TelFarm number to the business name—go to the setup menu and click on business information. Then in the Business ID/Name field please make sure that includes your TelFarm number. A farm name or last name is also very helpful.

thank you!

Updated Requirements on Filing W-2’s and 1099’s

**From Pub 15 (Circular E),
Employer’s Tax Guide
For use in 2017**

The following are required by January 31, 2017. The first is the same as previous years, the second and third are earlier than in the past.

1) Furnish Forms 1099 and W-2. (Same requirement as in previous years)

Furnish each employee a completed Form W-2. Furnish Form 1099-MISC to payees for nonemployee compensation.

Most Forms 1099 must be furnished to payees by January 31.

2) File Form W-2 (This is a new requirement, it used to be later)

File with the SSA Copy A of all 2016 paper and electronic Forms W-2 with Form W-3, Transmittal of Wage and Tax Statements. For more information on reporting Form W-2 information to the SSA electronically, visit the SSA’s Employer W-2 Filing Instructions & Information webpage at socialsecurity.gov/employer.

If filing electronically, the SSA will generate Form W-3 data from the electronic submission of Form(s) W-2.

3) File Form 1099-MISC reporting non-employee compensation. (This is a new requirement, it used to be later)

File with the IRS Copy A of all 2016 TIP paper and electronic Forms 1099-MISC that report non-employee compensation, with Form 1096, Annual Summary and Transmittal of U.S. Information Returns.

Commonly Mis-coded Items

There are several items that we get questions on or see coded incorrectly when we review your books. Keep in mind that these are general suggestions. There are many unique situations that may have an influence on why you have things coded the way you do. If you know you're doing it correctly for your situation, please continue to do so. Also, these account codes are not absolute either. This will apply to the majority of you, however if you are not on the Michigan chart of accounts, the numbers will be wrong.

Health Insurance—if you have owner health insurance expense, this is going to be recorded in a non-farm account code (904). If you have an employee health insurance expense, this is going to be recorded in the labor health insurance expense code (507).

Life Insurance—Generally speaking, this is for owners of the business and should be recorded in non-farm expenses (code 925). We know depending on the set up of the operation, you may end up coding this to a regular farm expense (code 445). Your accountant can help you determine which is appropriate for your operation. If you do offer something for employees, this would get coded to employee benefit (code 504).

Insurance—Outside of health insurance and life insurance, there are a few other types to tackle. Any general insurance, comprehensive insurance, liability insurance and building insurance would get coded to 445

insurance. Some may be paying insurance on an auto (car or truck). We would recommend keeping those separate and code to 446. This account may not be active in your chart of accounts so you may need to go in and activate it and change the name on it to vehicle insurance. Crop insurance is another one that would be separated out and most commonly coded to 414.

Capital Purchases and

Sales—These will always be recorded to an account that begins with 1, as these are assets. Common ones include 156 Machinery & Equipment, 175 Buildings, 179 Improvements, 181 Bare Land. There is a wizard to help with capital purchases if you go to the transactions menu, scroll down to special transactions, then scroll over and click on capital purchase wizard. This walks you through the process depending on if there are trades involved, loans, etc. If it's still confusing, don't hesitate to give us a call and we can talk you through it.

Supplies—Shop, Crop, Livestock, Office—Sometimes we see these all grouped together or inconsistencies in how these are recorded. In general, all shop supplies and tools would be coded to 416. Crop related supplies should be coded to 409-413. The default for these codes is "seed" but any of them can be activated and the name changed on them except for 410. Livestock supplies and services should be coded to 438. Office supplies should be coded to 461. The 461 code is a code that

should have been set up at the time of installation. If you don't have an administrative and office expense code set up, you should activate one. If 461 is being used for another account, you could use 462 or 463. In all cases you will have to update the name.

License Plates—There is a lot of confusion over license plates. We would recommend including them in your respective "repair" accounts. For trailers, 415 machinery repair. For trucks, etc. we would recommend putting wherever you put truck and car repairs. That may be in code 415 also or if you have a separate code for car/truck repairs, we would recommend putting it there.

Employee Expenses—If there are expenses for your employees they should always go in a code that starts with a 5. Some of the common expenses/codes include—

- utilities for employee housing (508 employee housing)
- labor retirement payments to the retirement account vendor (504 employee benefit or a custom account that you set up 514 or 515 that you title as labor retirement)
- Labor related fringes—this might include meals in the field or any other "perks" employees receive that don't fit into one of the previously mentioned categories
- As previously mentioned, health insurance go to code 507.

Continued on next page

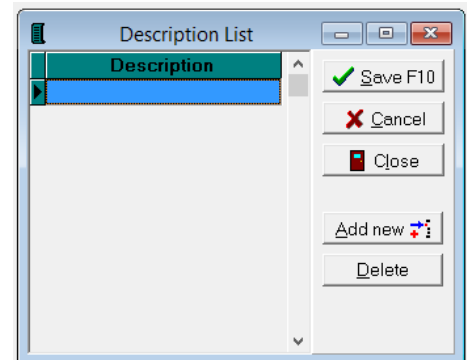
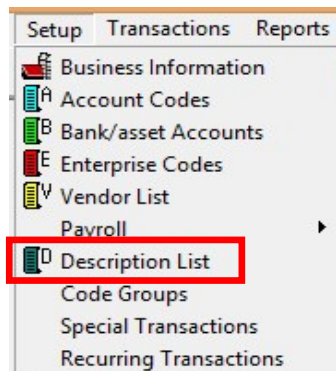
Commonly Mis-Coded Items, Continued

Non-farm—Non-farm expenses can include a large number of items. This would be where you would record any non-farm income and expense. For instance, rental properties that are non-farm, interest and dividends from banks accounts/investments, draws from the farm, family living expenses, etc. This list could be long. Any non-farm assets and liabilities that are included in Pc Mars, should be coded to an account that starts with a 7. Any incomes from non-farm will be coded with an account that starts with an 8. Any expenses for non-farm (this includes draws) would be coded to an account with a 9. If you need further help or have questions on this area, please let us know.


Descriptions on Entries

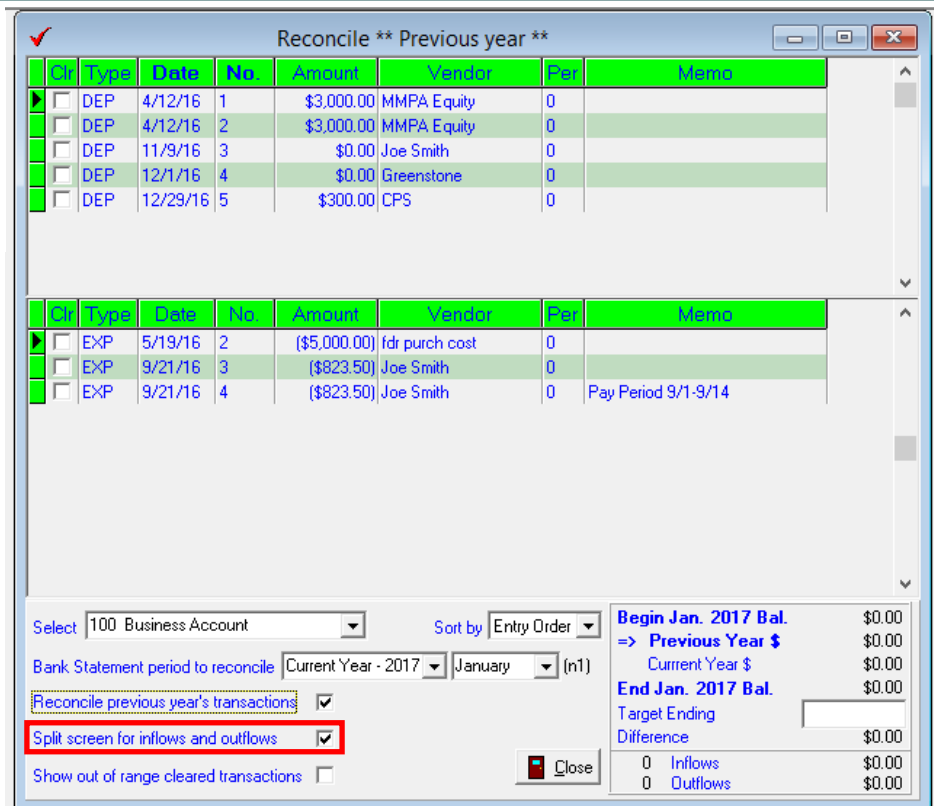
If you have descriptions you use for entries on a frequent basis, there are two options to set them up so you don't have to type them every time. The first option ties it to the vendor. For instance, every month you have to pay Consumers Energy for "electric". You can go to the Consumers Energy in the vendor screen and enter a default description there. Every time you use that ven-

dor, the default description will populate into the transaction. If you pay Consumers Electric every month but sometimes you pay them for electric, sometimes gas, sometimes for irrigation fuel, you may not want a default description. To save frequently used descriptions, go to Setup—Description List. Then you have the ability to add as many descriptions as you like.



Reconciling Prior Year Checks

If you had any 2016 checks that didn't get cashed until 2017, you will have to take a couple extra steps to reconcile your bank statement at the end of January. Once you go into the reconcile screen via the red  check mark you will select the month that you want to reconcile. Once you're looking at the reconcile screen, you will need to check the box that says "reconcile previous year's transactions" to bring in your 2016 uncleared checks.



Printing year end labor reports

If you are using Pc Mars for your labor (and not using pensoft), there are numerous labor reports that are available to get end of year information for generating your W2's, W3's and 943 to file with the government. Under reports, go to labor reports. Once there, we would recommend using W2 Summary report to get your W2 information, which will print a report like this.

Licensed To: MSU TelFarm Center
PRINT DATE : 1/6/2017

W2 SUMMARY REPORT

Bus. I.D. = Example
Year = 2016

Employee Name: Joe Smith

Gross Wages:	\$2,000.00
Federal Wages:	\$2,000.00
Federal Income Tax Withheld:	\$0.00
Social Security Wages:	\$2,000.00
Social Security Tax Withheld:	\$124.00
Medicare Wages:	\$2,000.00
Medicare Tax Withheld:	\$29.00
State Wages:	\$2,000.00
State Tax Withheld:	\$0.00
Pension Withheld Withheld:	\$0.00
Flex Spending Account Withheld:	\$200.00
Other 2 Withheld Withheld:	\$0.00
Other 3 Withheld Withheld:	\$0.00

To get the information for the 943 you can look at both the Summary Labor Report and the Labor Tax Withholding and Deposit Report.

Pc Mars Version 2.4.5.0 / Michigan (Cash)
Licensed To: MSU TelFarm Center
Print Date 1/6/2017 11:09 am

Bus. I.D. = Example
Acct Month = Jan to Dec
Fiscal Year = 2016

SUMMARY LABOR REPORT

* Details of other withholdings are shown on the supplement pages.

** This report only lists the amounts withheld from payroll. If you are paying both halves of FICA, you must use the Optional FICA calculation reports.

*** Pay Type descriptions must match exactly to be included in the report.

SELECTION : ALL

Date	C/D #	Employee Name	Hours	Gross Entered	FICA Entered	Fed Tax Withheld	St Tax Withheld	Pension Withheld	* Total Other(s) Withheld	Net Check	Calculated Federal Liability
A TOTAL JANUARY			0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
B TOTAL FEBRUARY			0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
C TOTAL MARCH			0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
TOTAL FOR 1ST QUARTER			0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
D TOTAL APRIL			0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
E TOTAL MAY			0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
F TOTAL JUNE			0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
TOTAL FOR 2ND QUARTER			0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
G TOTAL JULY			0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
H TOTAL AUGUST			0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
I TOTAL SEPTEMBER			0.00	2,000.00	153.00	0.00	0.00	0.00	200.00	1,647.00	306.00
TOTAL FOR 3RD QUARTER			0.00	2,000.00	153.00	0.00	0.00	0.00	200.00	1,647.00	306.00
J TOTAL OCTOBER			0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
K TOTAL NOVEMBER			0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
L TOTAL DECEMBER			0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
TOTAL FOR 4TH QUARTER			0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
GRAND TOTAL			0.00	2,000.00	153.00	0.00	0.00	0.00	200.00	1,647.00	306.00

labor reports, continued

On the Labor Tax Withholding & Deposit Report, this will show your federal and state liability, as well as any payments you make. However, the payments you've made will only show up on this report and calculate properly if you've used 511 and the description (St Dep) for the state deposits. Likewise, you need to have used code 510 and (Fed Dep) for the federal deposits. If your report looks off, make sure you have used these codes and descriptions your labor related deposits.

Pc Mars Version 2.4.5.0 / Michigan (Cash)
Licensed To: MSU TelFarm Center
Print Date 1/6/2017 11:10 am

Bus. I.D. = Example
Acct Month = Jan to Dec
Fiscal Year = 2016

LABOR TAX WITHHOLDING AND DEPOSIT REPORT

** This report only lists the amounts withheld from payroll. If you are paying both halves of FICA, you must use the Optional FICA calculation reports.

----- STATE WITHHOLDING DETAIL -----			----- FEDERAL LIABILITY DETAIL -----			ACCUMULATED FED LIABILITY
QTR	MONTH	AMT WITHHELD	QTR	MONTH	FED LIABILITY	
1st Qtr	Jan	\$0.00	1st Qtr	Jan	\$0.00	\$0.00
	Feb	\$0.00		Feb	\$0.00	\$0.00
	Mar	\$0.00		Mar	\$0.00	\$0.00
STATE TAX DUE IN MAR		\$0.00	SUBTOTAL FOR QUARTER		\$0.00	
2nd Qtr	Apr	\$0.00	2nd Qtr	Apr	\$0.00	\$0.00
	May	\$0.00		May	\$0.00	\$0.00
	Jun	\$0.00		Jun	\$0.00	\$0.00
STATE TAX DUE IN JUN		\$0.00	SUBTOTAL FOR QUARTER		\$0.00	
3rd Qtr	Jul	\$0.00	3rd Qtr	Jul	\$0.00	\$0.00
	Aug	\$0.00		Aug	\$0.00	\$0.00
	Sep	\$0.00		Sep	\$306.00	\$306.00
STATE TAX DUE IN SEP		\$0.00	SUBTOTAL FOR QUARTER		\$306.00	
4th Qtr	Oct	\$0.00	4th Qtr	Oct	\$0.00	\$306.00
	Nov	\$0.00		Nov	\$0.00	\$306.00
	Dec	\$0.00		Dec	\$0.00	\$306.00
STATE TAX DUE IN DEC		\$0.00	SUBTOTAL FOR QUARTER		\$0.00	
YEAR TO DATE TOTAL		\$0.00	YEAR TO DATE TOTAL		\$306.00	
----- STATE DEPOSITS PAID -----			----- FEDERAL DEPOSITS PAID -----			ACCUMULATED PAYMENTS
Description = (St Dep) Account Code number(s) = 511			Description = (Fed Dep) Account Code number(s) = 510			
DATE	DESCRIPTION	AMOUNT	DATE	DESCRIPTION	AMOUNT	
TOTAL DEPOSITS YEAR TO DATE		\$0.00	TOTAL DEPOSITS YEAR TO DATE		\$0.00	
ACCUM STATE LIAB TO DATE		\$0.00	ACCUM FED LIAB TO DATE		\$306.00	
REMAINING STATE TAX DUE		\$0.00	REMAINING FEDERAL TAX DUE		\$306.00	
			FEDERAL LIABILITY DETAIL			Y-T-D
			Soc. Security, Both Shares			\$248.00
			Medicare Portion, Both Shares			\$58.00
			Federal Tax Withheld			\$0.00
			TOTAL			\$306.00
						DECEMBER
						\$0.00
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Generating/printing reports that are sent by TelFarm

If you have submitted your books to the TelFarm office for review, you have received back four reports to review. We want to make sure everyone knows that nothing magical happens at the TelFarm office. You have the ability to generate these reports on your own, any time, if you need them. Below are screen shots of the report menus and the selections we check to create the reports we send. In the reports menu, the four reports are the YTD Cash Summary Report, Bank and Loan Balance Report, Detailed Report—Selected Items and YTD—Cash Flow Format.

Year-to-Date Cash Summary...

Month: December

Enterprise: (Blank for All)

☒ Show non-farm detail

☐ Show budget/cash flow

☒ Split capital and loan inflow/outflow

☐ Include group totals

☒ Suppress lines with zero balances

Preview Print Close

Bank and Loan Balance Rep...

Month: December

☒ Split asset/liab. inflows & outflows

☐ Include Accounts Payable transactions

Preview Print Close

YTD Summary - Cash Flow F...

Enterprise: (Blank for All)

☐ Quarterly format

☐ Show budget/cash flow

☒ Show non-farm totals

☒ Suppress lines with zero balances

Preview Print Close

Detail Report - Selected Items

Sort by: Date

Type:

Bank: Number:

Date: thru:

Vendor: 1099 vendors only

Acct. Code: thru: Advanced ?

Enterprise:

Dollars: (will report both + and -)

Description:

☒ Include group totals ☐ Split asset & liab. inflow/outflow ☒

☐ Show beginning & end code balances

☒ Show price per unit & weight

☐ Include enterprise subtotals

Preview Print Reset Close

Form 3 Updates

We wanted to make sure everyone knew that Form 3 entries do not need to be on separate forms for each month. Whether you are submitting a paper form or electronically, you can group multiple months on one form. Also, as a reminder, there will be new Form 3's coming out later this month or next month, both paper and electronically, so look for those soon.

Print a Chart of Accounts

If you have a hard time remembering the account codes and would like to have a print out to look at rather than scrolling through them within a transaction, there is a report you can print. In the shortcut row (row with the pictures at the top), click on the one with the blue list with the letter A next to it. This brings up the account codes window. On the right hand side, click the print button. Here you can choose a short format or long format, you can also choose to print only the active accounts. If you want just a one page quick sheet, choose the condensed format and print active codes only.

How can I possibly owe taxes this year?

For cash based taxpayers, if you have used all my cash and still have expenses to pay, how can you owe taxes? Family living and principal payments are not deductible expenses. If depreciation does not offset them, taxable income may be possible. Deductions and exemptions will reduce the taxable income but there still may be some income taxes and self-employment taxes to pay. You'll see in the example at the right how a net cash of \$0 can still result in owing taxes.

Net income is \$60,000 after deducting cash expenses and depreciation. Then after subtracting common tax deductions the taxable income is still \$26,961. That results in a \$3,147 federal tax liability. One modification to that is if one child was under 17 years old you could get a \$1,000 credit, so you are down to \$2,147 federal income tax plus the \$8,478 self-employment tax.

Since you still have lots of bills to pay but don't have the cash to pay them and don't want borrow money to pay them, you can't subtract the bills that you haven't paid on the farm business and still owe too much in taxes.



Example: Family of 4

Gross Farm Income	\$400,000
Tax-deductible Cash Expenses	-\$300,000
Family Living	-\$45,000
<u>Loan Principal Payments</u>	<u>-\$55,000</u>
Net Cash	\$0

Gross Farm Income	\$400,000
Tax-deductible Expenses	-\$300,000
<u>Depreciation Expense</u>	<u>-\$40,000</u>
Net Income	\$60,000
Standard Deduction (Married Filing Jointly)	-\$12,600
Exemptions (4x\$4050)	-\$16,200
<u>Half Self-Employment Tax</u>	<u>-\$4,239</u>
Taxable Income	\$26,961

Federal Income Tax based on example	\$3,147
<u>Self-Employment Tax</u>	<u>\$8,478</u>
Total Federal Tax	\$11,625

Wishing you a Happy and
Prosperous New Year!

TelFarm Center
Morrill Hall of Agriculture
446 W Circle Dr Rm 414
East Lansing, MI 48824
517.355.4700 (Phone)
517.432.9805 (Fax)
telfarm@msu.edu
<http://telfarm.canr.msu.edu/>

MICHIGAN STATE
UNIVERSITY
EXTENSION

