

# Farm Rental Income and Expenses

(Crop and Livestock Shares (Not Cash) Received by Landowner (or Sub-Lessor))  
(Income not subject to self-employment tax)

**2011**

Department of the Treasury  
Internal Revenue Service (99)

▶ Attach to Form 1040 or Form 1040NR.

▶ See instructions.

Attachment  
Sequence No. **37**

Name(s) shown on tax return

Your social security number

Employer ID number (EIN), if any

**A** Did you actively participate in the operation of this farm during 2011 (see instructions)?  Yes  No

**Part I Gross Farm Rental Income—Based on Production.** Include amounts converted to cash or the equivalent.

<b>1</b>	Income from production of livestock, produce, grains, and other crops . . . . .		<b>1</b>	
<b>2a</b>	Cooperative distributions (Form(s) 1099-PATR)	<b>2a</b>	<b>2b</b>	Taxable amount
<b>3a</b>	Agricultural program payments (see instructions)	<b>3a</b>	<b>3b</b>	Taxable amount
<b>4</b>	Commodity Credit Corporation (CCC) loans (see instructions):			
<b>a</b>	CCC loans reported under election . . . . .		<b>4a</b>	
<b>b</b>	CCC loans forfeited . . . . .	<b>4b</b>	<b>4c</b>	Taxable amount
<b>5</b>	Crop insurance proceeds and federal crop disaster payments (see instructions):			
<b>a</b>	Amount received in 2011 . . . . .	<b>5a</b>	<b>5b</b>	Taxable amount
<b>c</b>	If election to defer to 2012 is attached, check here <input type="checkbox"/>		<b>5d</b>	Amount deferred from 2010
<b>6</b>	Other income, including federal and state gasoline or fuel tax credit or refund (see instructions)		<b>6</b>	
<b>7</b>	<b>Gross farm rental income.</b> Add amounts in the right column for lines 1 through 6. Enter the total here and on Schedule E (Form 1040), line 42. . . . . ▶		<b>7</b>	

**Part II Expenses—Farm Rental Property.** Do not include personal or living expenses.

<b>8</b>	Car and truck expenses (see Schedule F (Form 1040) instructions). Also attach <b>Form 4562</b>	<b>8</b>	<b>21</b>	Pension and profit-sharing plans . . . . .	<b>21</b>
<b>9</b>	Chemicals . . . . .	<b>9</b>	<b>22</b>	Rent or lease:	
<b>10</b>	Conservation expenses (see instructions) . . . . .	<b>10</b>	<b>a</b>	Vehicles, machinery, and equipment (see instructions) . . . . .	<b>22a</b>
<b>11</b>	Custom hire (machine work) . . . . .	<b>11</b>	<b>b</b>	Other (land, animals, etc.)	<b>22b</b>
<b>12</b>	Depreciation and section 179 expense deduction not claimed elsewhere . . . . .	<b>12</b>	<b>23</b>	Repairs and maintenance	<b>23</b>
<b>13</b>	Employee benefit programs other than on line 21 (see Schedule F (Form 1040) instructions). . . . .	<b>13</b>	<b>24</b>	Seeds and plants . . . . .	<b>24</b>
<b>14</b>	Feed . . . . .	<b>14</b>	<b>25</b>	Storage and warehousing	<b>25</b>
<b>15</b>	Fertilizers and lime . . . . .	<b>15</b>	<b>26</b>	Supplies . . . . .	<b>26</b>
<b>16</b>	Freight and trucking . . . . .	<b>16</b>	<b>27</b>	Taxes . . . . .	<b>27</b>
<b>17</b>	Gasoline, fuel, and oil . . . . .	<b>17</b>	<b>28</b>	Utilities . . . . .	<b>28</b>
<b>18</b>	Insurance (other than health). . . . .	<b>18</b>	<b>29</b>	Veterinary, breeding, and medicine . . . . .	<b>29</b>
<b>19</b>	Interest:		<b>30</b>	Other expenses (specify):	
<b>a</b>	Mortgage (paid to banks, etc.)	<b>19a</b>	<b>a</b>	-----	<b>30a</b>
<b>b</b>	Other . . . . .	<b>19b</b>	<b>b</b>	-----	<b>30b</b>
<b>20</b>	Labor hired (less employment credits) (see Schedule F (Form 1040) instructions) . . . . .	<b>20</b>	<b>c</b>	-----	<b>30c</b>
			<b>d</b>	-----	<b>30d</b>
			<b>e</b>	-----	<b>30e</b>
			<b>f</b>	-----	<b>30f</b>
			<b>g</b>	-----	<b>30g</b>
<b>31</b>	<b>Total expenses.</b> Add lines 8 through 30g (see instructions) . . . . . ▶	<b>31</b>	<b>31</b>		
<b>32</b>	<b>Net farm rental income or (loss).</b> Subtract line 31 from line 7. If the result is income, enter it here and on Schedule E (Form 1040), line 40. If the result is a loss, you <b>must</b> go to lines 33 and 34 . . . . .	<b>32</b>	<b>32</b>		
<b>33</b>	Did you receive an applicable subsidy in 2011? (see instructions) . . . . .	<b>33</b>	<b>33</b>	<input type="checkbox"/> Yes <input type="checkbox"/> No	
<b>34</b>	If line 32 is a loss, check the box that describes your investment in this activity (see instructions) . . . . .		<b>34a</b>	<input type="checkbox"/> All investment is at risk.	
			<b>34b</b>	<input type="checkbox"/> Some investment is not at risk.	
<b>c</b>	You may have to complete <b>Form 8582</b> to determine your deductible loss, regardless of which box you checked (see instructions). If you checked box 34b, you <b>must</b> complete <b>Form 6198</b> before going to Form 8582. In either case, enter the <b>deductible loss</b> here and on Schedule E (Form 1040), line 40 . . . . .		<b>34c</b>		

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## General Instructions

### What's New

**Future developments.** The IRS has created a page on IRS.gov for information about Form 4835 and its instructions, at [www.irs.gov/form4835](http://www.irs.gov/form4835). Information about any future developments affecting Form 4835 (such as legislation enacted after we release it) will be posted on that page.

**Limitation on excess farm losses.** If you received an applicable subsidy in 2011, you will now need to check "Yes" on line 33. Certain subsidies that you receive may reduce or eliminate your farm rental losses. See page 4 and the Instructions for Schedule F (Form 1040) for more details.

### Purpose of Form

If you were the landowner (or sub-lessor) and did not materially participate (for self-employment tax purposes) in the operation or management of the farm, use Form 4835 to report farm rental income based on crops or livestock produced by the tenant. See chapter 12 in Pub. 225, Farmer's Tax Guide, for the definition of material participation for landlords.

Use this form only if the activity was a rental activity for purposes of the passive activity loss limitations. See the Instructions for Form 8582, Passive Activity Loss Limitations, for the definition of "rental activity."

If you have net income on line 32, your tax may be less if you figure it using Schedule J (Form 1040).

#### Do not use Form 4835 if you were a/an:

- Tenant—instead use Schedule F (Form 1040) to report farm income and expenses;
- Landowner (or sub-lessor) and materially participated in the operation or management of the farm—instead use Schedule F (Form 1040) to report farm income and expenses;
- Landowner (or sub-lessor) and received cash rent for pasture or farmland based on a flat charge—instead report as income on Schedule E (Form 1040), Part I;
- Estate or trust with rental income and expenses from crop and livestock shares—instead report on Schedule E (Form 1040), Part I; or
- Partnership or S corporation with rental income and expenses from crop and livestock shares—instead report on Form 8825.

**Qualified joint ventures.** If you and your spouse each materially participated as the only members of a jointly owned and operated farm rental business, and you filed a joint return for the tax year, you can make an election to be taxed as a qualified joint venture instead of a partnership. This election in most cases will not increase the total tax owed on the joint return, but it does give each of you credit for social security earnings on which retirement benefits are based and for Medicare coverage without filing a partnership return.

If you and your spouse make the election and you did not materially participate (for self-employment tax purposes) in the operation or management of the farm, but maintained the farm as a rental business, you each can file a separate Form 4835 to report your share of farm rental income based on crops or livestock produced by the tenant. If you and your spouse did materially participate (for self-employment tax purposes) in the operation or management of the farm, you each must file a separate Schedule F (Form 1040). For an explanation of "material participation," see the instructions for Schedule C (Form 1040), line G. For more information on qualified joint ventures, go to IRS.gov, enter "qualified joint venture" in the search box, and select "Election for Husband and Wife Unincorporated Businesses."

**Additional information.** See the Instructions for Schedule F (Form 1040) and Pub. 225 for more information.

### Specific Instructions

**Employer ID number (EIN).** You need an EIN only if you had a qualified retirement plan or were required to file an employment, excise, estate, trust, partnership, or alcohol, tobacco, and firearms tax return. If you need an EIN, see the Instructions for Form SS-4.

**Line A.** Generally, you are considered to actively participate if you participated in making management decisions or arranging for others to provide services (such as repairs) in a significant and *bona fide* sense. Management decisions that are relevant in this context include approving new tenants, deciding on rental terms, approving capital or repair expenditures, and other similar decisions. You do not, however, actively participate if at any time during the year your interest (including your spouse's interest) in the activity was less than 10% (by value) of all interests in the activity.

### Part I. Gross Farm Rental Income—Based on Production

**Line 1.** Report income you received from livestock, produce, grains, and other crops based on production. Under both the cash and the accrual methods of accounting, you must report livestock or crop share rentals received in the year you convert them into money or its equivalent.

**Lines 2a and 2b.** Enter on line 2a your total distributions from cooperatives as shown on Form 1099-PATR, Taxable Distributions Received From Cooperatives. On line 2b report the taxable amount. See the instructions for Schedule F (Form 1040), lines 3a and 3b.

**Lines 3a and 3b.** Enter on line 3a the total agricultural program payments you received. On line 3b report the taxable amount. See the instructions for Schedule F (Form 1040), lines 4a and 4b.

**Lines 4a through 4c.** Report the full amount of CCC loans forfeited, even if you reported the loan proceeds as income. See the instructions for Schedule F (Form 1040), lines 5a through 5c.

**Lines 5a through 5d.** In general, you must report crop insurance proceeds in the year you receive them. Federal crop disaster payments are treated as crop insurance proceeds. However, if you use the cash method of accounting and 2011 was the year of damage, you can elect to include certain proceeds in income for 2012. To do this, check the box on line 5c and attach a statement to your return. See chapter 3 of Pub. 225.

Generally, if you elect to defer any eligible crop insurance proceeds, you must defer all such crop insurance proceeds (including federal crop disaster payments).

For details on how to complete lines 5a through 5d, see the instructions for Schedule F (Form 1040), lines 6a through 6d.

**Line 6.** Use this line to report income not shown on lines 1 through 5d. See the instructions for Schedule F (Form 1040), lines 8a and 8b.

## Part II. Expenses—Farm Rental Property

**Capitalizing costs of property.** If you produced real or tangible personal property or acquired property for resale, certain expenses may have to be included in inventory costs or capitalized. These expenses include the direct costs of the property and the share of any indirect costs allocable to that property. For details and exceptions, see *Capitalizing costs of property* in the instructions for Schedule F (Form 1040).

**How to report.** Do not reduce your expenses on lines 8 through 30f by the expenses you must capitalize. Instead, enter the total amount capitalized in parentheses on line 30g. On the line to the left of the line 30g entry space, enter "263A."

**Line 10.** Expenses you paid or incurred for soil and water conservation, prevention of erosion, or endangered species recovery can be deducted only if they are consistent with a conservation plan approved by the Natural Resources Conservation Service of the Department of Agriculture or a recovery plan approved pursuant to the Endangered Species Act of 1973 for the area in which your land is located. If no plan exists, your expenses must be consistent with a plan of a comparable state agency. Your deduction, however, cannot exceed 25% of your gross income from farming. See the instructions for Schedule F (Form 1040), line 12.

**Line 12.** Enter your depreciation and section 179 expense deduction. For details, including whether you must file Form 4562, Depreciation and Amortization, see chapter 7 of Pub. 225 and the Instructions for Form 4562.

**Lines 19a and 19b.** The tax treatment of interest expense differs depending on its type. For example, home mortgage interest and investment interest are treated differently. You must allocate (classify) your interest expense so it is deducted (or capitalized) on the correct

line of your tax return and it gets the right tax treatment. These rules could affect how much interest you are allowed to deduct on Form 4835. See the instructions for Schedule F (Form 1040), lines 21a and 21b.

**Line 22a.** If you rented or leased vehicles, machinery, or equipment, enter on line 22a the business portion of your rental cost. But if you leased a vehicle for a term of 30 days or more, you may have to reduce your deduction by an inclusion amount. See *Leasing a Car* in Pub. 463, Travel, Entertainment, Gifts, and Car Expenses.

**Lines 30a through 30g.** Enter expenses not listed on another line. See the instructions for Schedule F (Form 1040), lines 32a through 32f. If you are required to capitalize expenses, see *How to report* under *Capitalizing costs of property* on this page.

**Line 31.** If you entered capitalized expenses on line 30g, your total expenses on line 31 will equal the total of lines 8 through 30f reduced by the amount on line 30g.

**Line 33.** If you received an applicable subsidy and checked "Yes" on line 33, your farm rental losses may be reduced or eliminated if your Form 4835 activity is a trade or business. An applicable subsidy is any direct or counter-cyclical payment under title I of the Food, Conservation, and Energy Act of 2008 (or any payment you elected instead of this payment). A Commodity Credit Corporation loan also qualifies as an applicable subsidy. See the instructions for Schedule F (Form 1040), line 35. If the excess farm loss rules apply, use one of the worksheets in the Schedule F (Form 1040) instructions to determine if you have an excess farm loss. See the Instructions for Schedule F (Form 1040) for more details on how to complete the worksheets.

**Line 34.** To determine your deductible loss, you may need to complete Form 8582 regardless of whether you checked box 34a or 34b. However, if you checked box 34b, you must complete Form 6198, At-Risk Limitations, before you complete Form 8582. See the instructions for Schedule F (Form 1040), line 36.

Do not complete Form 8582 if either of the following applies.

- You meet all of the conditions listed under *Exception for Certain Rental Real Estate Activities* in the instructions for Schedule E (Form 1040). Instead, enter your deductible loss on line 34c and on Schedule E (Form 1040), line 40.
- You were a real estate professional (as defined in the instructions for Schedule E (Form 1040)) and you materially participated in the operation of this activity (under the passive loss rules). See the Instructions for Form 8582 for the definition of material participation. Your loss is not subject to the passive activity loss limitations. Instead, enter your deductible loss on line 34c and on Schedule E (Form 1040), line 40. Also, include the loss in the total for Schedule E (Form 1040), line 43.