

## Checklist for tax preparers Cattle ranching and dairy farming

This checklist has been developed to remind tax preparers of important tax considerations. It will help prevent some of the more common mistakes when calculating a farm's income. The tax considerations of the points below may vary depending on whether your client is a sole proprietorship, a limited partnership, a partnership, or a corporation.

Name of tax preparer		Date
Name		
Business number	Social insurance number (SIN)	
Type of business		
<b>1. House (Personal residence, except in cases of home offices, which are referred to in section #2)</b>		<b>Notes</b>
a) Does the farming business include household expenses? <input type="checkbox"/> Yes <input type="checkbox"/> No		
If yes, none of the following expenses can be deducted (See Guide T4002, <a href="#">Self employed Business, Professional, Commission, Farming, and Fishing Income</a> , Chapter 3):		
Municipal taxes	<input type="checkbox"/>	
School taxes	<input type="checkbox"/>	
Electricity	<input type="checkbox"/>	
Heating	<input type="checkbox"/>	
Interest	<input type="checkbox"/>	
Maintenance and repairs	<input type="checkbox"/>	
Capital cost allowance (CCA)	<input type="checkbox"/>	
Insurance premium	<input type="checkbox"/>	
<b>2. Home office expenses</b>		<b>Notes</b>
a) Is there a place (room) in the house that serves as the principal place of business? <input type="checkbox"/> Yes <input type="checkbox"/> No		
b) Is there a place that is used solely to earn farming business income and to meet with clients on a regular or ongoing basis? <input type="checkbox"/> Yes <input type="checkbox"/> No		
If you answered "yes" to one of the 2 questions, a portion of the expenses, such as: electricity, heating, maintenance products, property taxes, home insurance, mortgage interest, and capital cost allowance, can be deducted. See Guide T4002, Chapter 3, Line 9945.		
<b>3. Motor vehicle expenses</b>		<b>Notes</b>
a) Was a motor vehicle used for commercial and personal purposes? <input type="checkbox"/> Yes <input type="checkbox"/> No		
If yes, the part of these expenses that is for the personal use of each vehicle cannot be deducted. Expenses can only be deducted if they are reasonable and there are receipts to support them. To get the full benefit of a claim for each vehicle, a record must be kept of the total kilometres driven as well as the kilometres driven to earn farming income. The following link about <a href="#">documenting the use of a vehicle</a> offers tips, such as a logbook. (See Guide T4002, Chapter 3, Line 9819):		
Licence and registration fees	<input type="checkbox"/>	
Fuel costs	<input type="checkbox"/>	
Insurance	<input type="checkbox"/>	
Interest on money borrowed to buy a motor vehicle	<input type="checkbox"/>	
Maintenance and repairs	<input type="checkbox"/>	
Leasing costs	<input type="checkbox"/>	
Capital cost allowance (CCA)	<input type="checkbox"/>	
<b>4. Maintenance and repairs</b>		<b>Notes</b>
a) Were there renovations or significant expenses incurred to extend the useful life of the asset or improve it beyond its original condition? <input type="checkbox"/> Yes <input type="checkbox"/> No		
If yes, see Guide T4002, Chapter 3, Chart, Current or capital expenses, to decide if the expense is a current or capital expense.		
<b>5. Other income</b>		<b>Notes</b>
Was all of the income received during the year taken into account? For more information, see Guide T4002, Chapter 2. Here is a list of sources of income to consider:		
a) Dairy subsidies	<input type="checkbox"/> Yes <input type="checkbox"/> No	
b) Crop insurance	<input type="checkbox"/> Yes <input type="checkbox"/> No	
c) Stabilization and farm-subsidy program payments	<input type="checkbox"/> Yes <input type="checkbox"/> No	
d) Rebates, grants, or assistance	<input type="checkbox"/> Yes <input type="checkbox"/> No	
e) Custom or contract work, and machine rentals	<input type="checkbox"/> Yes <input type="checkbox"/> No	
f) Insurance proceeds	<input type="checkbox"/> Yes <input type="checkbox"/> No	
g) Wood sales (including cutting rights)	<input type="checkbox"/> Yes <input type="checkbox"/> No	

h) Gifts, payments in kind, or barter	<input type="checkbox"/> Yes <input type="checkbox"/> No	
i) Surface rental for oil or gas exploration	<input type="checkbox"/> Yes <input type="checkbox"/> No	
j) Sales of soil, sand, gravel, or stone	<input type="checkbox"/> Yes <input type="checkbox"/> No	
k) Snow removal or grading	<input type="checkbox"/> Yes <input type="checkbox"/> No	
<b>6. Mandatory inventory adjustment</b>		<b>Notes</b>
a) Was the cash method of accounting used to report income?	<input type="checkbox"/> Yes <input type="checkbox"/> No	
b) Was there a net loss on Line 9899 of Form T2042, <a href="#">Statement of Farming Activities</a> ?	<input type="checkbox"/> Yes <input type="checkbox"/> No	
c) Was inventory purchased, including herd, which was there at the end of the year?	<input type="checkbox"/> Yes <input type="checkbox"/> No	
If the answer is "yes" to all of the questions, the mandatory inventory adjustment must be calculated. See Guide T4002, Chapter 3, Line 9942.		
<b>7. Other subjects</b>		<b>Notes</b>
a) Were premiums for a private health services plan deducted?	<input type="checkbox"/> Yes <input type="checkbox"/> No	
If yes, certain conditions to deduct these premiums must be met. See Guide T4002, Chapter 3, Line 9790.		
b) Were life insurance premiums deducted?	<input type="checkbox"/> Yes <input type="checkbox"/> No	
If yes, certain conditions to deduct these premiums must be met. See Guide T4002, Chapter 3, Line 9804.		
c) Was a personal part in the deducted expenses, such as telephone, meals, Internet, considered?	<input type="checkbox"/> Yes <input type="checkbox"/> No	
To be deductible, the expense must have been to earn farming income. See Guide T4002, Chapter 3.		
d) Was property disposed of during the year?	<input type="checkbox"/> Yes <input type="checkbox"/> No	
If yes, see Guide T4002, Chapters 4, 5, and 7, if needed.		
e) Was property acquired during the year?	<input type="checkbox"/> Yes <input type="checkbox"/> No	
If yes, see Guide T4002, Chapters 4 and 5, if needed.		
f) Are there documents to support all deducted expenses that were paid in cash, such as: salary, livestock purchase, and contract work?	<input type="checkbox"/> Yes <input type="checkbox"/> No	
Expenses can only be deducted if they are reasonable and there are documents to support them.		
g) Does the farm have a net loss?	<input type="checkbox"/> Yes <input type="checkbox"/> No	
If the farming business is in a loss position, the loss may be non-deductible, restricted, or fully deductible, depending on the type of loss. See Guide T4002, Chapter 6.		
h) Are there interest fees and leasing costs?	<input type="checkbox"/> Yes <input type="checkbox"/> No	
If yes, please see Guide T4002, Chapter 3, Line 9805.		
<b>General comments</b>		