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Farm Income Tax Manual

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BOOK REVIEW

Farm Income Tax Manual
John C. O'Byrne


The Farm Income Tax Manual should be useful to any lawyer or accountant who advises farmers or ranchers about their tax problems or prepares their returns. It should be especially useful to the young practitioner, who has some knowledge of taxation and is eager to work in that field, but wants practical help in choosing among the possibilities open to his client or information about how the Internal Revenue Service will probably view certain facts.

The book includes chapters on the general aspects of the preparation of farm returns preparing the farm schedule, reporting income items, recording expense items, handling depreciable property, accrual-basis returns, personal expenses, exemptions and credits, tax saving suggestions for farmers, farm partnership, streamlining preparation of tax returns, and farmers’ Social Security. There is a check list of deductions. There are also annual supplements with summaries of recent rulings and samples of the current forms. Other features of the book include italics summaries of the individual sections and prominent marks, stars, dots, and diamonds, to emphasize tax saving possibilities, possibilities of error, and convenient methods of handling specific problems.

The Farm Tax Manual is a “how-to-do-it” book designed for professionals. It has numerous citations to cases, ruling, regulations, and the Internal Revenue Code. The lawyer or accountant who has a tax service available will be able, if he wishes, to move readily from these citations to his service. There are also examples of the application of some rules and brief references to the facts of relevant cases.

The fifty pages on accounting methods and periods should be especially useful to those who are not thoroughly familiar with farm operations or accounting for farmers. A partial description here of this material may interest the prospective reader. The Manual begins this section by indicating that a farmer has a choice between the cash and accrual methods broader than that open to other businessmen and warns of the problems of determining whether a particular client is a “farmer.” It explains briefly the way to handle income and deductions under the cash method and then the advantages and disadvantages of that method in terms of the problems of a farmer, as in choosing when to sell a crop or to buy feed. There is a similar discussion of the accrual method, including methods of valuing inventories. Although the Manual does not neglect the general rules, it presents them in the context of problems of farmers.
Another feature that should be especially helpful to the young practitioner is the twenty-five page chapter entitled "Streamlining Preparation of Tax Returns." This chapter includes material on preliminary organization of record books and work sheets by the taxpayer, office routine in the preparation of returns, and the use of schedules and machines to save the typist's time.

This book will not, of course, solve all possible tax problems. Its writer has sought to include non-farm tax problems which are common to farmers' returns, but he has excluded matters he considered uncommon in farmers' returns. He has devoted thirty pages to farm partnerships in what seems to be a reasonably full treatment, but he does not discuss farm corporations, except for eleven pages about Subchapter S Corporations. There is no discussion of the taxation of trusts or estates, although there is some recognition of the effect of death of a taxpayer, as in the discussion of the advantages of cash-basis accounting. There is, of course, no extended treatment of estate or gift taxation or estate planning.

The reference to matters not covered in this book is made only to inform the reader and not to derogate from the virtues of the book. This reviewer intends to use it extensively in teaching for the benefit of his students, who are likely to practice in rural areas, and he would certainly want it at hand if he were personally to engage in such practice.

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