

Virginia Cooperative Extension



Farm Business Management Update August – September 2004

To: Extension Unit Directors, Extension District Directors, Extension Program Directors, and Farm Management Agents, and ANR Specialists

Dear Co-Workers:

Farm Business Management Update is a joint effort of the Agricultural and Applied Economics faculty and the area farm management agents. Subject matter areas include timely information on farm management, marketing, tax management, finance, credit, labor, agricultural law, agri-business, estate planning, 4-H and economic education, natural resources, and CRD. Please use this information in your on-going Extension programs and circulate to all Extension staff. **Farm Business Management Update** is electronically accessible via the Virginia Cooperative Extension World Wide Web site (at <http://www.ext.vt.edu/>). To see the articles listed in the reverse chronological order, select “News,” then select “Farm Business Management Update” listed under the heading “Periodicals.”

Gordon E. Groover
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Farm Finances: Basis Information

By [Bill Whittle](#), Virginia Cooperative Extension Agent, Farm Business Management, NW

The announcement that Pilgrim's Pride is discontinuing its turkey division sent shock waves through Shenandoah Valley agricultural community. The suddenness of this announcement shows why each farmer must be aware of his financial situation. During stressful times when decisions regarding the future direction of the farm must be made, having complete and accurate records is vital. Each farmer sits in a unique position because of his own financial debt is part of financial position. Decisions made by neighbors may not be the best for your financial well being. Ideally, you would have complete farm financial data at your fingertips. As farm manager you must regularly work with your tax preparer and lender to compile a comprehensive financial package useful for making decisions. This package will include at least a balance sheet, inventory of assets, basis in all assets, and depreciation schedules.

Why should you, facing financial decisions, compile this financial information? Financial decisions are best made with your head rather than your heart. Many farmers sell assets such as building lots or timber to provide an infusion of cash during a crisis. This strategy may work; however, it may also create unexpected problems or generate income below expectations because of taxes.

The concept of "Basis" is a key component of the tax code. *Unadjusted basis* is defined as the amount of money you have invested in property including any mortgages or other obligations you have on the property, whether it is land, buildings, timber, tractors, or purchased livestock. *Adjusted basis* is increased by additional investment such as an improvement and decreased by any recovered tax credit such as depreciation.

Basis in property and subsequent tax obligations are used for tax management, generation transitioning, and buying and selling of assets. When selling a capital asset, the basis is the amount of money you may recover that is free of taxes. Said another way, taxes required when you sell an asset are based on the difference between your basis and the sale price. Tax regulations, except in specific circumstances relating to certain exchanges of property, do not allow one to defer taxes just because the money is pumped back into the farming operation.

It would be less confusing if that were the entire story. Depreciation taken on depreciable property alters your basis. When that property is sold, taxes may have to be recovered if the sales price is greater than the adjusted basis. This tax regulation requires tax management to prevent paying taxes at the ordinary income tax rate on the recovered amount rather than the capital gains rate.

A gift of property carries with it the giver's basis even if it is exceptionally low for our times. However, inherited property receives a new or stepped up basis, determined by the fair market value of the property on the day the previous owner dies (or six months after death).

The first of two situations where farmers often have problems with basis is not allocating basis to individual components when assets are purchased together, such as a farm that includes land, buildings, fences, timber, etc. Future decisions get confusing when they try to allocate the basis

many years after the purchase or inheritance. The second problem occurs when the manager does not realize the tax implications of selling an asset with a low basis. The take-home money may be less than anticipated because taxes required on capital gains had not been calculated. Though the capital gains tax rate has been reduced, it still must be accounted for.

Tax regulations are complicated. Managers need to compile financial information when they are not stressed by the need to make quick decisions. For more thorough assistance on this topic, you should contact your tax preparer and meet during a time of the year when you are not under deadline pressure.

Division Fences – Who Pays?

By Tom Covey, Virginia Cooperative Extension Agent, Farm Business Management, SW

So the division fence between you and your neighbor is about to fall down. Attempts at fence repair have been unsuccessful in controlling livestock. You think that a better solution is to build a new fence. Is your neighbor obligated to help you pay for the new fence? To answer this question, you should develop a solid understanding of the body of law that pertains to the legal rights and responsibilities of fencing.

Virginia statute 55-317, enacted in 1887, outlines the obligation to provide division fences between adjoining landowners at their joint and equal expense. Eighteen eighty-seven was 117 years ago! Virginia has changed a lot since 1887, but fence laws have changed very little.

If no division fence has been built, either landowner may notify the other in writing of his plans to build a fence. After receiving this notification, the adjoining landowner has the option to help build the fence or to notify his neighbor of his intention to let the land lie open. If the landowner chooses to let his land lay open and later uses the fence, the landowner becomes liable for one-half the cost of the fence.

After the fence has been built, it becomes from that point forward a division fence. At this point, it is not an option to let your land lie open. If notified in writing, you must pay one-half of the cost to repair or replace the fence. Virginia fence laws are very unique. For example, if you do not use your land for agricultural purposes, you do not have the option to let your land lie open. You must pay for one-half the cost. This law has caused much heartburn for residential land owners. Is it fair? Homeowners say no. Farmers say yes. Fair or unfair, it is the law, an 1887 law.

A common mistake made by farmers is to build the fence and then ask the neighbor to help pay half. The law is clear that proper notification procedures be followed to force the neighbor to pay his share.

Are Virginia fence laws outdated? Some believe they are. They were written when the majority of the citizens were farmers. Many believe it is not fair to force residential landowners to help pay for a fence to control a farmer's livestock. Also, some argue that a mid point should be

located on the division line and each landowner be assigned one-half of the fence to build and maintain.

One last thought. This information is not intended as a substitute for the advice and counsel of an attorney. In fact, if a dispute arises over the law or if such a dispute seems likely, an attorney should be consulted.

Farm Use or F-Tags

By [Daniel Osborne](#), Virginia Cooperative Extension Agent, Farm Business Management, SW

In Virginia, farmers have several choices when it comes to registration of vehicles used on the farm. They can get regular tags, F-tags, or post “Farm Use” on their vehicle. The right choice depends on how the vehicle’s use fits within the rights and limitations of the law.

FARM USE

Posting “Farm Use” on your vehicle is of course the most restrictive in terms of how you are allowed to use the vehicle, but it has the least requirements for registration and fees. In order to fit within the scope of farm use, the farmer can generally only use his

vehicle on the highway for the following reasons: 1) traveling between the farmer’s tracts of land that are no more than 30 miles apart; 2) taking the vehicle to the repair shop for repairs; 3) taking trash and garbage generated on the farm to the landfill or disposal facility; 4) getting farm supplies from locations no more than 30 miles away; or 5) transporting farm produce and livestock on a seasonal basis for no more than 30 miles or to the nearest market, packing plant, or storage house that is no more than 50 miles away. Transporting food and other products for home and farm use is allowed if acquired while completing one of the above mentioned tasks. The good news is that no registration certificate, license plate, or decals are required; therefore, no registration fee or insurance is required. (Virginia Code 46.2-665 through 46.2-673)

VIRGINIA F - TAGS

With F-tags, the use restrictions of your vehicle are not as limited. A farm owner, renter, or operator may put F-tags on his vehicle that has a gross weight of 7,500 lbs. or more and use that vehicle for *any* transportation that is reasonably required in connection to the regular operation of his farm. “For-hire” operation does not qualify for F-tags and should be registered as a “for hire” vehicle. Non-farm, personal use is allowed by the vehicle owner and his immediate family to attend church or school, to obtain medical treatment or supplies, and to obtain family and household necessities. A registration certificate, license plates, decals, and insurance are required for F-tags, but the registration fees are only half of the cost of regular vehicles. (Virginia Code 46.2-698)

Some folks would rather not know this information, so they could claim ignorance if pulled over by law enforcement. (If you have read this far, sorry! You know too much.) For others, this information will help you know your rights, so you can make your decisions accordingly.

Impact of Increasing Fuel Prices on Operation Costs

By Robert Grisso, Extension Engineer, Biological Systems Engineering

Q. Diesel prices have increased about \$0.40 per gallon in recent months. What effect will this have on production costs?

A. To determine the effect this increase will have, you first need to estimate fuel consumption. If you routinely track fuel use during farming operations for your tractors and combines, you probably already have the information you need. Simply multiply your historical fuel use by the former price per gallon and by current price and compare. Most folks, however, don't track fuel consumption by enterprise and need a research-based estimate to compute the effect of a price increase on overall production costs. A good reference for fuel use estimates is Minnesota Farm Machinery Economic Cost Estimates for 2003.

Table 1 presents the estimated fuel use per hour for power units, based on estimates in the Minnesota publications. Table 2 presents estimates of fuel consumption per acre for field operations.

Note: The fuel use per acre for field operations is independent of implement width. If one compared two disks for example, one with a 20-foot width and one with a 30-width, the 30-foot disk would require a tractor with 50% more horsepower to pull it, but since one would be covering 50% more acres per pass, the fuel use per acre would be the same for either scenario.

Acknowledgement

Fuel consumption information in Tables 1 and 2 is taken from Minnesota Farm Machinery Economic Cost Estimates for 2003 FO-6696, by William Lazarus, Extension Economist, University of Minnesota, and Roger Selley, Extension Agricultural Economist, University of Nebraska. This publication is available online at
<http://www.apec.umn.edu/faculty/wlazarus/MF2003.PDF>

Table 1. Increased fuel cost per hour for a \$0.40 increase in diesel price.¹

	<i>Estimated Fuel, Gal/hr</i>	<i>Cost/hr @\$0.90/gal</i>	<i>Cost/hr @\$1.30/gal</i>	<i>Increased fuel cost, \$/hr</i>
<u>Tractors</u>				
40 HP	1.8	\$1.62	\$2.34	\$0.72
60 HP	2.6	\$2.34	\$3.38	\$1.04
75 HP	3.3	\$2.97	\$4.29	\$1.32
105 HP MFWD	4.6	\$4.14	\$5.98	\$1.84
130 HP MFWD	5.7	\$5.13	\$7.41	\$2.28
160 HP MFWD	7.0	\$6.30	\$9.10	\$2.80
200 HP MFWD	8.8	\$7.92	\$11.44	\$3.52
225 HP MFWD	9.9	\$8.91	\$12.87	\$3.96
260 HP 4WD	11.4	\$10.26	\$14.82	\$4.56
310 HP 4 WD	13.6	\$12.24	\$17.68	\$5.44
360 HP 4 WD	15.8	\$14.22	\$20.54	\$6.32
425 HP 4 WD	18.7	\$16.83	\$24.31	\$7.48
<u>Combines</u>				
190 HP	8.4	\$7.56	\$10.92	\$3.36
220 HP	9.7	\$8.73	\$12.61	\$3.88
275 HP	12.1	\$10.89	\$15.73	\$4.84

Table 2. Increased fuel cost per acre for a \$0.40 per gallon increase in diesel price.¹

<i>Field Operation</i>	<i>Estimated diesel gallon/acre</i>	<i>Cost/acre @\$0.90/gal</i>	<i>Cost/acre @\$1.30/gal</i>	<i>Increased fuel cost \$/ac</i>
<u>Tillage</u>				
Field Cultivator	0.33	\$0.30	\$0.43	\$0.13
Tandem Disk	0.47	\$0.42	\$0.61	\$0.19
Tandem Disk (HD)	0.76	\$0.68	\$0.99	\$0.30
<u>Planting Equipment</u>				
Row Crop Planter	0.34	\$0.31	\$0.44	\$0.14
Minimum Till Planter	0.53	\$0.48	\$0.69	\$0.21
Grain Drill	0.49	\$0.44	\$0.64	\$0.20
Presswheel Drill	0.63	\$0.57	\$0.82	\$0.25
No-till Drill	0.81	\$0.73	\$1.05	\$0.32
<u>Crop Maintenance Equipment</u>				
Cultivator	0.46	\$0.41	\$0.60	\$0.18
Rotary Hoe	0.18	\$0.16	\$0.23	\$0.07
Boom Sprayer	0.11	\$0.10	\$0.14	\$0.04
Anhydrous Applicator	0.55	\$0.50	\$0.72	\$0.22
Stalk Shredder	0.74	\$0.67	\$0.96	\$0.30
<u>Harvesting Equipment</u>				
Mower Conditioner	0.40	\$0.36	\$0.52	\$0.16
Hay Swather	0.35	\$0.32	\$0.46	\$0.14
Hay Baler PTO (twine)	0.40	\$0.36	\$0.52	\$0.16
Round Baler (1500 lb)	0.77	\$0.69	\$1.00	\$0.31
Combine (various heads)	2.00	\$1.80	\$2.60	\$0.80

The Management Calendar

By Gordon Groover, Virginia Cooperative Extension, Farm Business Management, VT

Farm business managers should consider putting the following activities on their management calendars for August-September.

- Be sure to get your crop records in shape as harvest time approaches: include yields, machine times and equipment used (this will help with next year's budgeting), identify weed problems, and differences in hybrids. If you are looking for a listing of crop record keeping software, be sure to visit "Ropin' the Web," Alberta, Canada's Agriculture, Food, and Rural Development site at
[http://www1.agric.gov.ab.ca/\\$department/deptdocs.nsf/all/econ4118?opendocument](http://www1.agric.gov.ab.ca/$department/deptdocs.nsf/all/econ4118?opendocument).
This winter after harvest is completed make sure you allow time to review inputs, yields, and management of each field. If you are using yield monitors, they are a ready source of information to analyze using a spreadsheet. Nutrient management plans require that applied nutrients closely follow expected crop removals. However; if farm-level records of yields/removals are not kept then nutrient applications are driven by county or soil averages. Documentation of farm yields will allow silage and hay producers to profitably match nutrients with field-specific potentials. Consider ways to weigh wagons: if you live near a site with truck scales, weigh a few sample loads and use the results to better estimate yields. Consider purchasing a set of portable scales (less \$2,000) that could be used to weigh all silage and hay crops. The added knowledge about nutrient removal and yields will allow you to make more profitable decisions.
- Always pay close attention to cash flow needs as you generate cash reserves during fall harvest and get ready for real estate and personal property taxes this winter. Almost all computerized recordkeeping software, e.g., Quicken® or Microsoft Money® and accounting software, e.g. QuickBooks® or FarmWorks, create cash flow reports that assist in managing cash available for debt service, family living, and cash expenses. Compare this year's cash flow to the budgeted amount and highlight deviations. If you did not develop a budget for this year, compare your inflows and outflow to last year's August totals. Make sure you have a series of possible plans to address any projected cash short falls. Projected surplus should be added to your retirement program, e.g., IRA's, 401-K's, and so on.
- The time to make tax management decisions is quickly approaching. Make sure that you have set aside a few days in October to summarize all farm and family financial records and make an appointment **now** with your accountant to work on end-of-year tax management strategies.
- The 29th Conservation Reserve Program (CRP) sign-up starts August 30 and ends September 24, 2004, contact your local FSA office for details at
http://oip.usda.gov/scripts/ndisapi.dll/oip_agency/index?state=us&agency=fsa.
- Do you miss hearing the quail calling in the spring time and hunting in the fall? Then contact your local FSA office about signing up for the CRP Northern Bobwhite Quail Habitat Initiative. This program has a stated goal of creating 250,000 acres of early successional grass buffers along agricultural field borders to improve habitat for the quail in the historic range of the Midwest and Southeast.

- Having a hard time finding USDA forms or having to stop everything to hand deliver a CCC633LDP? Most of the frequently used FSA, NRCS, and Rural Development forms that farmers need to complete can be found at the following site:
<http://forms.sc.egov.usda.gov/eforms/mainservlet>. The USDA Service Center eForms cover all the bases from the agricultural Conservation Program to the Wildlife Habitat Incentive Program. If you registered with the eForms web site, some of the forms can be submitted electronically and might save you a trip to town.
- Need to translate English to Spanish? Take a look at this web site
<http://extensionenespanol.net/links.cfm?libraryid=3> for a listing of online dictionaries. A post on the Agricultural Labor Management list a good site to help with audio for words in English and in Spanish at <http://www.spanishdict.com/>.

2004 Income Tax School - 11 Virginia Locations – 2 Seminars

By L. Leon Geyer, Virginia Tech, Department of Agricultural & Applied Economics, Professor

This year is the 44th year that Virginia Cooperative Extension, Virginia Tech's Department of Agricultural and Applied Economics, the Virginia Department of Taxation, and the US Internal Revenue Service (IRS) have cooperated in bringing programs to the people who assist taxpayers in preparing and filing federal and state income tax returns. The Income Tax Seminar is Virginia's largest workshop for tax practitioners.

Faculty from Virginia Tech, staff from the IRS, private tax practitioners, and the Virginia Department of Taxation will examine new tax laws and their implications and will examine case studies to interpret new regulations.

The Virginia Tech Income Tax Seminars are scheduled at ten Virginia locations this year. The Seminars will occur in November and December 2004. They feature an intensive study of tax law and regulations governing individual, farm, and small business taxes. They are designed for people with income tax experience who assist taxpayers in preparing and filing income tax returns. Preparation of both federal and state taxes will be covered. The topics for general session and special sessions on farm and forestry taxation can be found in the following pages.

This year we are offering a new seminar covering the basics. The “Introductory Tax Preparation Seminar” is designed for those who are new or returning to tax preparation and want a course in basic preparation. Dr. Guido van der Hoeven of North Carolina State University presents the seminar.

Brochures for the Seminars have been mailed to tax practitioners, CPAs, lawyers, Commissioners of the Revenue, and other past attendees. Brochures are also available in Extension Unit and District Offices. Registration forms can be duplicated, or contact the tax seminar registrar assistant. Our web site (<http://www.tax.vt.edu>) includes all Seminar information and an online registration form that can also be printed to mail or fax. Participants can complete the optional online registration using a credit card via our secure server at

<https://www.conted.vt.edu/ssl/tax/index.lasso> for Income Tax Seminar or
<https://www.conted.vt.edu/ssl/taxprep/index.lasso> for Introductory Tax Preparation Seminar.

Income Tax Seminar

Income Tax Seminar Continuing Education Credit (for Accounting, CPA, EA): 16-20 hrs - 1 hr is Ethics, CLE: 12 hrs, CE Insurance: 16 hrs, CFPTM CE: 16-20 hrs - 1 hr is Ethics

Pre-registration and pre-payment are required. The registration fee includes a textbook, reference material, refreshment breaks, two luncheons, and the farm and forestry sessions. Lodging is not included. The 700+ page Income Tax textbook is a comprehensive study manual used in more than 30 states. It is written and reviewed by CPAs, tax attorneys, IRS agents, and tax practitioners.

Farm Session

The special farm tax sessions are available to registered participants. Farm sessions take place from 5 - 7 p.m. at selected locations (see schedule). Virginia Tech agricultural lawyer, Leon Geyer, teaches the farm tax sessions. He will address

- Tobacco buyout
- Sale of gravel and topsoil
- Heifer sales
- Taxation of capital in a cooperative
- I.R.C. §126 exclusion
- Farmer providing house, phone, and electric
- Sale of a conservation easement
- I.R.C. §179

Forestry Session

The special Forestry tax sessions are available to registered participants. Forestry sessions take place from 5 - 7 p.m. at selected locations (see schedule). Dr. Harry Haney, teaches the forestry tax sessions. He will address

- Ensuring capital gains treatment
- Establishing capital accounts for land and timber
- Deducting depletion depreciation and amortization
- Annual expenses
- Reforestation amortization
- Casualties and involuntary conversions

General Topics for Income Tax Seminar

The Income Tax Seminar general sessions will run each day from 8:30 a.m. until 4:45 p.m. Larry Andrews, Mark J. Rocawich, IRS employees, and Virginia Department of Taxation employees, teach the general topics. They will address

- **New Legislation** - 2004 Legislation, 2001 Act - review provisions that become effective in 2004; 2003 Act expiration dates; Holding period for stock to qualify dividends for capital gains rates; Table of capital gains rates.
- **Rulings and Cases** - What's New
- **Individual Taxpayer Issues** - Tax benefit rule; Taxation of strike benefits; Personal residence taxation; Donation of a building to a fire department to be destroyed; Taxation of lawsuit settlements; Donation of office space; Foreign income.
- **Business and Investment Issues** - Health benefit plan options; Taxation of real estate professionals; Compare/contrast I.R.C. § 179 and 50%/30% additional first year depreciation; Depreciation of building and components; Taxation of stock options; Grouping of activities on schedule E; Tax consequences of repossessing property.
- **Business Entities** - Tax implications of dissolving a business: C corps, S corps, and partnerships/LLCs; Reporting on schedules K-1; Members of controlled groups – tax strategies for allocating income; I.R.C. §754 elections; Death of a partner and sale of a partnership; I.R.C. §1244 losses on small business stock.
- **IRS Issues** - Reasonable action and good faith; Non-automatic extension rules; Responding to IRS notices; Audit procedures; Amended returns.
- **Retirement** - Taxation of benefits from retirement accounts; Mechanics of 401K; Defined benefit plans; Advantages/disadvantages of taking retirement in lump sum, over life of retiree; 10-year certain etc.; Converting business assets into tax deferred annuity for retirement; Basics of IRAs.
- **Annual Tax Planning** - Year-end tax planning; Final review of the Tax Return; Choices to be made after the data is in the computer.
- **Tax Consequences of being a “Trade or Business”** - Income and self-employment tax provisions apply only to a “trade or business;” Definition of “trade or business” for self-employment tax; I.R.C. §179 deduction; the passive loss rules, depreciation, and business deductions; Participation required by the taxpayer to qualify for material participation, active participation, or no participation; Differences between a “trade or business” and an “investment” and the tax consequences.
- **Ethics** - Substantial authority and reasonable basis; What position to take on a tax return; Liability for tax planning that fails.
- **And much more...**

Introductory Tax Preparation Seminar

Introductory Tax Preparation Seminar Continuing Education Credit (for Accounting, CPA, EA):
8 hrs CPE, 1 hr Ethics, CFPTM CE: 8 hrs - 1 hr is Ethics

Pre-registration and pre-payment are required. The registration fee includes a workbook (problem set included), Problem Set Solution, refreshment breaks, and one luncheon. Lodging is not included.

General Topics Introductory Tax Preparation Seminar

The Introductory Tax Preparation Seminar general sessions will run each day from 8:30 a.m. until 4:45 p.m. Guido van der Hoeven, Director of NC State Income Tax School, will cover federal topics and Clare A. Dunn, Virginia Department of Taxation, will cover Virginia topics. They will address

- Income-taxable or not
- Introduction to schedule F
- Expenses-deductible or not
- Ordinary vs. capital gains income
- Self employment
- Introduction to schedule C
- Virginia filing forms including - NEW Uniform Partnership, LLC, and Sub S form

Please contact the Income Tax Seminar Registrar at the Continuing Education Center by phone: (540) 231-2008, by fax: (540) 231-3306 or by e-mail: vttax@vt.edu for registration information.

For further information, please contact one of the following:

Tax Seminar Registrar: (540) 231-2008 E-Mail: vttax@vt.edu

Program Director: (540) 231-4528 E-Mail: geyer@vt.edu

2004 Virginia Tech Income Tax Seminar Dates and Locations

November 8-9: Farm Session (8th) and Forestry Session (9th); **Richmond I (West)**, Richmond Marriott West, 4240 Dominion Boulevard; Phone: (804) 965-9500

November 10-11: Farm Session (10th) and Forestry Session (11th); **Staunton**, Holiday Inn Golf and Conference Center, Woodrow Wilson Parkway; Phone: (800) 932-9061

November 15-16: Farm Session (15th) and Forestry Session (16th); **Bristol**, Holiday Inn Hotel Suites and Convention Center, 3005 Linden Drive; Phone: (276) 466-4100

November 17-18: Farm Session (17th); **Roanoke**, Clarion Hotel Roanoke Airport, 3315 Ordway Drive, NW; Phone: (540) 362-4500

November 22-23: Farm Session (22nd); **Lynchburg**, Holiday Inn Select, 601 Main Street, Phone: (434) 528-2500

November 29-30: Farm Session (29th); **Dulles**, Washington/Dulles Airport Marriott, 45020 Aviation Drive; Phone: (703) 471-9500

December 1-2: Farm Session (1st); **Fredericksburg**, Holiday Inn Select, 2801 Plank Road; Phone: (540) 786-8321

December 6-7: Farm Session (6th); **Williamsburg**; Radisson Fort Magruder Inn, Route 60 East; Phone: (757) 220-2250

December 8-9: Farm Session (8th); **Chesapeake**, Holiday Inn (Greenbrier Parkway), 725 Woodlake Drive; Phone: (757) 523-1500

December 13-14: **Richmond II (East)**, Double Tree Hotel Richmond Airport, 5501 Eubank Road; Phone: (804) 226-6400

2004 Virginia Tech Introductory Tax Preparation Seminar Location and Schedule

September 29: **Richmond**, Virginia Tech Richmond Center, 2810 Parham Road, Suite 300; Phone: (804) 662-7288. Check-In: 8:00 AM; Start: 8:30 AM; End: 4:45 PM

Most Often-Asked Organic Certification Questions

By Catherine Cash, Independent Organic Inspector

- 1. How do I get certified – where do I begin?*

Answer: The first thing you have to do is choose a certifying company from the list at the National Organic Standards (NOP) site

<http://www.ams.usda.gov/nop/CertifyingAgents/Applicants.html>. Then request an application(s). Fill it out carefully, send it and your farm plan and field history in, and wait to receive feedback from the certifying company. After they have what they need they will assign you an inspector. The inspector will then contact you, set up an inspection time, inspect and write up a report with recommendations. The certifier reviews the report and comes back with his decision.

- 2. Does Virginia certify farms any more?*

Answer: No, due to budget cuts.

- 3. I'm having a hard time getting information on organic certification. I tried to figure it out on my own but I don't understand the National Organic Standards (NOP). Isn't there an easier way?*

Answer: It's not as bad as it might seem. It might be helpful to look at some certifiers' online applications to get an idea of what questions you'll be asked. These can be found at <http://www.ams.usda.gov/nop/CertifyingAgents/Applicants.html>.

- 4. I don't make that much money doing organic. Do I need to get certified?*

Answer: There is a \$5000.00 rule: if you make \$5,000.00 or less with the organic side of your operation you do not have to be certified to call yourself "organic." HOWEVER, you must maintain all of the same records that a certified entity would have to maintain. And the USDA has the right to inspect your operation.

- 5. How long will the process take?*

Answer: As little as a couple of months – but possibly more. It depends on the certification company, how fast they get necessary documents from you, how long the inspection takes etc.

- 6. Can an inspector help us with the process?*

Answer: An inspector/consultant can work for a farmer/producer either on a consultant basis or as an inspector, but not both within a two-year time period (conflict of interest).

- 7. Can you recommend a certifier?*

Answer: I can give you the names of some certification companies I work for, but I cannot recommend one particular one. I recommend a visit to the NOP website's certification agency's page at <http://www.ams.usda.gov/nop/indexIE.htm>

Calendar of Events

August

September

- 29 2004 Virginia Tech Introductory Tax Preparation Seminar. Richmond, VA. Virginia Tech Richmond Center. Contact: Tax Seminar Registrar at (540) 231-2008 or E-mail: vttax@vt.edu

November

- 8-9 2004 Virginia Tech Income Tax Seminar. Richmond I (West), VA. Richmond Marriott West. Contact: Tax Seminar Registrar at (540) 231-2008 or E-mail: vttax@vt.edu
- 10-11 2004 Virginia Tech Income Tax Seminar. Staunton, VA. Holiday Inn Golf and Conference Center. Contact: Tax Seminar Registrar at (540) 231-2008 or E-mail: vttax@vt.edu
- 15-16 2004 Virginia Tech Income Tax Seminar. Bristol, VA. Holiday Inn Hotel Suites and Convention Center. Contact: Tax Seminar Registrar at (540) 231-2008 or E-mail: vttax@vt.edu
- 17-18 2004 Virginia Tech Income Tax Seminar. Roanoke, VA. Clarion Hotel Roanoke Airport. Contact: Tax Seminar Registrar at (540) 231-2008 or E-mail: vttax@vt.edu
- 22-23 2004 Virginia Tech Income Tax Seminar. Lynchburg, VA. Holiday Inn Select. Contact: Tax Seminar Registrar at (540) 231-2008 or E-mail: vttax@vt.edu
- 29-30 2004 Virginia Tech Income Tax Seminar. Dulles, VA. Washington Dulles Airport Marriott. Contact: Tax Seminar Registrar at (540) 231-2008 or E-mail: vttax@vt.edu

December

- 1-2 2004 Virginia Tech Income Tax Seminar. Fredericksburg, VA. Holiday Inn Select. Contact: Tax Seminar Registrar at (540) 231-2008 or E-mail: vttax@vt.edu
- 6-7 2004 Virginia Tech Income Tax Seminar. Williamsburg, VA. Radisson Fort Magruder Inn. Contact: Tax Seminar Registrar at (540) 231-2008 or E-mail: vttax@vt.edu
- 8-9 2004 Virginia Tech Income Tax Seminar. Chesapeake, VA. Holiday Inn (Greenbrier Parkway). Contact: Tax Seminar Registrar at (540) 231-2008 or E-mail: vttax@vt.edu
- 13-14 2004 Virginia Tech Income Tax Seminar. Richmond II (East), VA. Double Tree Hotel Richmond Airport. Contact: Tax Seminar Registrar at (540) 231-2008 or E-mail: vttax@vt.edu