

# Virginia Cooperative Extension



## Farm Business Management Update October – November 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."

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## So Long Tom Covey

By [Gordon Groover](#), Virginia Cooperative Extension, Farm Business Management, VT

Long-time farm business management agent in Southwest District, Tom Covey will retire this fall from a career of helping farmers understand practical economics, marketing, and business management. Tom has a long list of activities and accomplishments in the field of agriculture. He began in Page County teaching vocational agriculture, then went on to Washington County as a 4-H agent. In the 1980's, he made a shift to farm business management when he moved to the Shenandoah Valley, and then returned home to the New River Valley. We'll miss his humor and ability to communicate the practical knowledge of business management to farmers, extension agents, service providers, and extension specialists. Tom, we look forward to hearing even bigger tales about fishing the rivers of Southwest Virginia and the Outer Banks of North Carolina. Tom and Becky, we wish you the best as you develop and enjoy new talents and endeavors.

## Insuring Farm Use Vehicles

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

In a previous article that I wrote entitled "Farm Use or F-Tags<sup>1</sup>," I explained the different requirements according to Virginia law for "farm use" vehicles and vehicles registered with "F-



tags." After writing this article, I had several questions regarding the fact that farm use vehicles do not have to be insured. Make no mistake; farm use vehicles are NOT required to be insured by Virginia law. However, even though Virginia law does not require farm use vehicles to be insured, it does not mean that insuring farm use vehicles is not a good idea.

Prior to 2004, farm liability insurance policies covered these farm use vehicles. Farmers did not have to take out separate auto insurance if they wanted insurance protection on farm use vehicles. However, in 2004 the Virginia Bureau of Insurance, which oversees all insurance companies in Virginia, decided to change its stand to require a separate auto insurance policy if farmers wanted to insure farm use vehicles. When I asked for an explanation of the change, the Bureau of Insurance representative said:

For many years, insurance companies have been providing liability insurance coverage for unregistered farm vehicles under farmowners or general liability policies. However, recent changes to commercial automobile insurance and general liability insurance contracts have clarified how unregistered farm vehicles

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<sup>1</sup> Farm Business Management Update, August/September 2004, <http://www.ext.vt.edu/news/periodicals/fmu/2004-08/farmuse.html>.

should be insured based on Virginia's motor vehicle insurance laws. These changes have generated many questions from farmers.

Some background on the changes may be helpful. Under the pre-2004 insurance contracts, unregistered farm vehicles were eligible to be insured as "mobile equipment" under a farm liability or general liability policy. Being insured as "mobile equipment" meant that coverage was provided while the unregistered farm vehicle was on the farm property *and* when the vehicle was being used on a public road. In the new (2004) definition of "mobile equipment," farm vehicles (registered or unregistered) are considered "autos" *when* the vehicles are used on public roads. This change means that you must now purchase an automobile policy to insure an unregistered farm vehicle IF the vehicle is used on a public road.

The 2004 change to the definition of "mobile equipment" was made for several reasons. For example, the risk of loss associated with an unregistered farm vehicle while the vehicle is on the farmer's property is entirely different from the risks of loss while the vehicle is on a public highway. Further, an accident resulting in bodily injury or property damage resulting from the ownership, maintenance, or use of a motor vehicle (e.g. registered or unregistered farm vehicle) when the vehicle is used on public roads could trigger several automobile insurance laws such as statutes requiring certain types of coverage to be provided. One such coverage is uninsured motorist coverage (Code of Virginia § 38.2-2206). In addition, Virginia statutes that require insurers to use specific policy forms and endorsements for writing automobile insurance coverage create an additional conflict between Virginia law and an insurer's desire to provide coverage for an unregistered farm vehicle under a general liability or farmowners policy.

Not being able to determine an alternate solution, the Bureau believes that a change to the Code of Virginia will be necessary to allow insurers to provide coverage for unregistered farm vehicles used on public roads under a farmowners or general liability policy. Such a law change would need to correct an unintended lack of coordination between Title 46.2 (Motor Vehicle Code) and Title 38.2 (Insurance Code). However, even if a change is under an automobile insurance or under a farmowners or a general liability insurance policy, such a change will not necessarily mean that insurers will choose to write the coverage under a farmowners or general liability policy.

Based on this statement, Virginia's Bureau of Insurance has significantly changed the treatment farm use vehicles by simply redefining "mobile equipment." This new interpretation is not a result of a change in the Virginia Code, and I am still not certain what brought this new revelation to the Bureau of Insurance. Nevertheless, these are the facts. If your insurance company has not already discussed these changes with you, then you should expect to hear about them when you renew your farm liability policy. If you have any questions for the Virginia Bureau of Insurance, you should contact the Customer Services Section toll free at 1-877-310-6560.

## **The Management Calendar**

By [Gordon Groover](#), Virginia Cooperative Extension, Farm Business Management, VT

Last year we were concerned about hurricane Isabel (some still are), now parts of the state are dealing with devastating effects of Gaston and Jeanne. Listed below are selective disaster information and web sites at USDA that maybe helpful. The main USDA Disaster Assistance Program site is <http://disaster.fsa.usda.gov/fsa.asp>. This site has information for both the national level and specific programs. It may not have all the details about program implementation, but it will be useful for informing farmers about eligibility, where to apply, and deadlines. Local FSA offices may not have the details about programs when press releases are posted to this site. Local FSA offices do not get information until all procedures are in place to accept applications for a specific program. The main Virginia resource for clearing information on state disaster services and information is the Virginia Department of Emergency Management (VDEM): the main web site is <http://www.vaemergency.com/index.cfm>.

Natural disasters often result in losses that have tax implications. Guido van der Hoeven, Extension Specialist in the Department of Agricultural and Resource Economics at NC State University has an excellent article addressing this issue. The article is titled "Casualty Loss Deductions for Tax Purposes" and can be found at his web site: <http://www.ag-econ.ncsu.edu/faculty/vanderhoeven/guido.htm>.

Farm business managers should consider putting the following activities on their management calendar for October-November.

- Once the crops are harvested, get the farm financial records summarized, updating the third quarter cash flow and comparing them to your projections. Watch for problems. Actual inflows or outflows that differ from your projections may not signal a problem, but understanding why there are differences helps you understand changes in the farm business.
- Using the last three quarters of cash flow and financial records, estimate total farm expenses, income, and capital purchases and sales. Then make an appointment with your tax advisor to plan year-end tax management strategies. Be sure to estimate crop insurance payments and any government payments that will appear on this year's taxes. To take full advantage of year-end tax management strategies, farmers must make decisions before December 31, 2004. Be sure to review changes to state and federal tax laws with your tax advisor to make sure you have not missed deductions and/or credits.
- Farm business managers should never loose sight of the two objectives of tax management: 1) all decisions, including tax management, should be make to improve the long-term survivable and profitability of the businesses, and 2) tax management tools are used to level out the year-to-year swings in reported income and subsequent taxes paid. You can use the multitude of tools and techniques written into the tax code for farmers and all businesses to manage income and expenses to even out the wide swings in annual profits and losses that many farmers experience. Leveling out the income tax liabilities year-to-year will lead to lower total taxes being paid.
- Be sure to keep crop records up-to-date during harvest; include yields, machine times and equipment used, weed problems, and differences in hybrids. If you're moving up in the

information age, consider the fully integrated record keeping systems using yield monitors, GPS, handheld computers, and management software on your office computer. One example of this whole farm system (includes accounting, personnel, and livestock records add-ons) is FarmWorks at <http://www.farmworks.com>.

- Be sure to keep livestock records up-to-date during fall sales. At a minimum, include weight, grade, sale prices, and identification numbers of all calves sold and/or purchased.
- Be sure to check on crop insurance policies. A list on agents in your area can be found at the following site: <http://www3.rma.usda.gov/apps/agents/>. Check the following web site for closing dates for all insurance policies: <http://www.rma.usda.gov/data/sales-closing-dates/>
- Agriculture Secretary Ann M. Veneman announced October 1, 2004 that sign-up for the 2005 Direct and Counter-cyclical Payment Program (DCP) begins at USDA Service Centers and that producers can also enroll online starting October 20, 2004. Note: Producers must sign contracts annually under the DCP. Contact your local FSA office for additional details and signup procedures. Local offices can be found at: [http://oip.usda.gov/scripts/ndisapi.dll/oip\\_agency/index?state=va&agency=fsa](http://oip.usda.gov/scripts/ndisapi.dll/oip_agency/index?state=va&agency=fsa).

Other useful information for farmers and professionals:

- Farmers interested in producing products and/or service that are marketed directly to consumers, often referred to as “Value-added” should take a look at the article titled “What I’ve learned about value-added” by Melvin Brees, co-director, Missouri Value-Added Development Center. Find the article at: <http://www.extension.iastate.edu/agdm/articles/others/BreJun04.html>.
- As many farmers expand their business with family labor or with employees, conflict can occur around how best to manage or deliver production. A short and informative article *Using Group Conflict to Improve your Project* by Mary Holz-Clause, Co-Director, Ag Marketing Resource Center, Iowa State University can be found at <http://www.extension.iastate.edu/agdm/wholefarm/html/c6-55.html>.

## **Virginian Named Outstanding Youth Scholar at the 2004 National Institute on Cooperative Education**

By [Dixie Watts Reaves](#), Virginia Tech, Department of Agricultural & Applied Economics, Associate Professor

Virginia Tech was the host location for the 76<sup>th</sup> National Institute on Cooperative Education (NICE). NICE, a four-day educational youth conference focusing on the cooperative form of business, celebrated the theme, *Cultivating Tomorrow’s Cooperative Leaders*. Seventy-two student participants from 11 states across the country vied for market share in a cooperative business simulation, participated in a case study contest, created and operated a student-run cooperative, and learned from cooperative business leaders and agricultural educators from many localities in the United States. In addition to the student participants, more than 30 team leaders and chaperones were in attendance.

One of the highlights of the conference was the selection of the Outstanding Youth Scholars. Each state was given the opportunity to nominate one male and one female candidate for the contest. The students were judged on their written application (focusing on exhibited leadership skills and cooperative knowledge) and their interview before a panel of judges: Martha Arterburn (KY), David Erickson (WI), Becky Hilburn (NC), Hugh Harris (VA), Karen Kuhn (SD), Marie Stiles (SC), and Vicki Lantz (PA). Jeremy Rowe of Virginia and Jodi Marshall of Wisconsin were chosen as this year's Outstanding Youth Scholars. Along with the other six finalists (Sarah Barlow, VA; Meghan Evans, NC ; Tiffany Morgan, PA; Josh Duley, WI ; Keith Frey, PA; and Logan Wilson, KY), these scholars will be invited to serve as team leaders for the 2005 NICE conference in Kentucky. Jeremy and Jodi will also serve on the planning committee for next year's conference.

The conference ran from Sunday afternoon through lunch on Wednesday, with participants enjoying the lodging and dining experience of the scenic Virginia Tech campus. Sunday began with ice breaker and teambuilding activities where the youth scholars had an opportunity to mingle and to compete in relay-style events. The states represented at the conference included Kansas, Kentucky, Minnesota, North Carolina, Oregon, Pennsylvania, South Carolina, South Dakota, Tennessee, Virginia, and Wisconsin. In a leadership development session on Monday, Judith Jones presented insights into leadership styles utilizing the Myers-Briggs type indicator (MBTI). All participants had an opportunity to complete the MBTI test instrument and to learn how knowledge about different personality types can assist them in being better leaders and team members. Other activities on Monday included a tour of the Southern States distribution warehouse in Troutville and retail store in Christiansburg, a pizza party, and a night of competition and socializing at the Squires Student Center Rec Zone, where participants competed in bowling, billiards, and ping pong.

For most of the conference, participants were divided into nine teams, where they worked together in a number of events. Teams were supported by team leaders, including youth who had participated in the conference in the past and individuals from industry, government, or education. Team leaders were Janice Keeley (OR) and Adam Holcomb (KS), the 2003 Outstanding Youth Scholars, Michelle Rudolph (WI), Jessica Jones (VA), Corey Ruff (AR), Adam Hatton (VA), Brad Phillips (KY), Ken Ryan (VA), Johnny Davis (VA), Victor Noble (OR), Brian Wolfe (VA), Lem Metzler (PA), Craig Scroggs (GA), Brian Morris (VA), and Sherisa Brammer (PA).

In the STUCO component of the conference (the student-run cooperative), each team formed its own cooperative, with member-owners paying a membership fee and electing a general manager. The cooperative could then buy items at wholesale from the cooperative distribution warehouse and either resell to its members or market its goods to non-members (participants from other teams and/or leaders and chaperones). Since a cooperative's main goal is not to make a profit, but rather to meet the needs of its members, students were able to obtain quality products at a much lower price than was available to them through normal retail channels. When cooperatives do make a profit, those dollars are distributed back to members on the basis of patronage, the amount of business that they conduct with the cooperative. Therefore, at the close of the conference, all cooperative teams were able to refund their members' initial membership fee and distribute their excess profits. While some teams divided a portion of that profit among the

members, each and every team made a contribution to a scholarship fund created for next year's NICE conference. The nine teams donated a total of \$340.

Teams also participated in a case study competition. Groups were responsible for summarizing the situation, stating the problem, developing alternatives to solve the problem, assessing each alternative, choosing a course of action, and laying out an implementation plan for that action. Drs. Lionel Williamson and Patsy Whitehead from Kentucky judged the cases and moderated a session where the winning teams presented their assessment.

One of the primary activities of the conference was the business simulation conducted by Dixie Watts Reaves of Virginia Tech's Department of Agricultural and Applied Economics. The nine teams were divided into three market areas of three teams each where they competed for market share and net worth. By making decisions about pricing, inventory, personnel, advertising, and borrowing, co-op teams had varying degrees of success in meeting the needs of their customers and increasing their net worth. The simulation allowed students to act as if they were the management team for their cooperative, making business decisions for a two-month period of operation. Over the course of the conference, the teams made five business decisions, and each and every team increased its overall net worth.

The *Outstanding Youth Scholars*, Jeremy and Jodi, were announced at the Tuesday night banquet. At the conclusion of the banquet, Craig Scroggs (GA) presented a music-enhanced powerpoint slide show of the conference. Participants concluded the evening with a student party, including a D.J. and karaoke.

Each participant, both youth and adult, received a conference t-shirt and a copy of the powerpoint slide show, burned on a CD and delivered in a souvenir NICE CD case. Additionally, teams won prizes for top finishes in the business simulation, the case study, and STUCO.

All in all, it was a fun-filled and information-packed four-day conference. The NICE conference, historically held on university campuses, has its roots in the American Institute on Cooperation (AIC). Over time, the conference grew, changed its name to NICE, and was supported by the National Council of Farmer Cooperatives as one of its many educational conferences throughout the year. In addition to the youth scholar component, NICE has historically included a young cooperator element (young farmers), an education professional piece, and a general adult segment (cooperative CEO's, managers, and employees). During the 2002 NICE conference in Chicago, NCFC announced its decision to discontinue NICE and to concentrate its educational efforts in other areas. A number of state cooperative councils indicated the desire to continue the youth component of NICE. At that time, Reaves volunteered to host the youth component of the conference on the Virginia Tech campus in 2003. Following that conference, she was asked to host again in 2004.

Evaluations by both the youth scholars and the state counselors and chaperones deemed the 2004 conference a success. All the respondents indicated that they would recommend the conference to a friend or to another state delegation. Sponsors of the successful 2004 conference were the Virginia Council of Farmer Cooperatives, CHS Foundation, the NCFC Education Foundation,



Growmark Inc., Southern States Cooperative, Dairy Farmers of America, Rappahannock Electric Cooperative, Mecklenburg Electric Cooperative, Shenandoah Valley Electric Cooperative, and Graves Mountain Lodge and Farms. Space and photocopying access was provided by the Department of Agricultural and Applied Economics, the University Honors Program, and the Center for Excellence in Undergraduate Teaching.

The Holiday Inn—Select, Southside Kentucky will be the host site for NICE in 2005. Any individuals or cooperative businesses that would like to be involved in future National Institutes on Cooperative Education should contact Dixie Reaves ([dixie@vt.edu](mailto:dixie@vt.edu), 540-231-6153).

## **A Lesson from “Survivor”: Alliances Get Reward**

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

Fall is here and so is another season of the hit reality TV series “Survivor.” Unfortunately, the show will not be the same without local celebrity Big Tom being a part. Tom Buchanan of Smyth County was certainly . . . entertaining. (I guess that’s the word to describe him.) If you have watched this series, hopefully you have picked up on some principles that you can apply to your farm business.



One of the main principles to be learned is that alliances can be very beneficial in achieving success. On the show, those that remained independent were the first to go when their team lost an immunity challenge. In farming, it is often the same thing. When hard times hit, the farmers who are more independent are usually the first to go out of business.

So what are the opportunities for alliances in farming? First, opportunities for alliances exist on the revenue side by working with other farmers in marketing efforts. Some examples include 1) combining harvested crops to achieve a more desirable quantity, attain a more appropriate sales mix, or improve price negotiating power; 2) combining advertising efforts to increase demand; and 3) controlling the supply of harvested crops.

Next, opportunities for alliances exist on the expense side of farming. Farmers can join efforts in price negotiations for farm supplies. They can share labor, equipment, and other resources to improve cost efficiencies. They can also work together to determine the direction of their farm plans, so their efforts are not counter-productive to each other.

Lastly, opportunities for alliances exist in promoting the good of agriculture. Examples of accomplishments of such an alliance include 1) educating farmers and the general public, 2) influencing legislation for the benefit of farmers, and 3) protecting and defending agricultural enterprises. A wise man once said, “. . . every city or house divided against itself will not stand.”



If farmers work with each other and not against each other, they too can promote the good of agriculture.

I certainly would not encourage farmers to use all the strategies exhibited on “Survivor.” The lying, cheating, and backstabbing are some of the things that will not pay off in the long run. However, the value of alliances is something for which farmers should take notice. It could be what determines your survival.

## **Why Many Virginia Farms Will Be Abandoned in the Years Ahead**

By [Tom Stanley](#), Virginia Cooperative Extension Agent, Farm Business Management, NW

Most people driving down any of Virginia’s rural by-ways would be somewhat startled to see cattle in the road, or at least cattle in the road will quickly get the driver’s attention. The alarming title of this article is intended to draw the reader’s attention in the same way.

Fences have been an issue of concern for Virginia agriculture since colonial times. This article will explain why I believe issues related to farm fencing will lead to the abandonment of many Virginia farms in the next 5 to 15 years.

Most agriculture in Central and Western Virginia transitioned away from small general livestock and crop farms toward more land extensive cattle grazing during the last half of the 20<sup>th</sup> century. The availability of relatively inexpensive fence wire was one factor that made this possible. Today, many of the fences that encircle Virginia’s pastures are composed of materials put in place as far back as the 1950’s. Since the time that these fences were installed, the cost of fence materials relative to the value of the pasture’s product (i.e. cattle) has soared. Today, fences represent one of the most costly fixed investments for a livestock farm. New fencing, depending on type of fence and terrain, will cost a working commercial farm anywhere from \$1.00 to \$4.00 per linear foot. In the past five years alone, the price of woven wire has jumped 50% to 75%.

To put this increase in perspective, suppose a land owner is planning to put all new fencing on 100 acres of pasture. Suppose the landowner chooses an inexpensive type of fence and the total cost of the new fence including labor will be \$2.50 / linear foot. If the 100 acres is to have a whole new perimeter and be split into four pastures in the simplest arrangement possible, the owner is looking at an investment of well over \$31,000.

As people left farming and rented their land to neighboring farmers, the once well maintained fences were neglected. Ask any farmer who depends on rented land, and they will most likely tell you fences are the most worrisome problem with rented farmland. Two reasons explain/address why fences on so much Virginia pastureland have been allowed to decline.

First, many farms rental arrangements are simple verbal agreements renewed annually. Since fences are expensive and have a useful life of at least 15 years, farmer-tenants have been very hesitant to invest a great deal of time and effort into maintaining fences on rented land that they were not sure they would have access to in the years ahead. Second, profit margins in agriculture have narrowed and for the past 25 years less cash has been available to invest in to

fixed investments like fencing. Landlords have tended to focus on the periodic check they could get from a farmer-tenant and not what was happening to their fences. Landlords too often have little appreciation for the relative costs and returns their farmer-tenants are facing.

The cattle market has seen some unprecedented high prices over the past year. Prospects for a profitable cow/calf sector extend as far out as five years. However, virtually all market analysts agree that the price of cattle will decline again eventually and Virginia cattlemen will eventually see hard times again like the marketing years of 1995-96.

I contend that with the next big downturn in the cattle market significant portions of Virginia pasture that are now rented for grazing maybe abandoned. Farmer-tenants are currently willing to 'make-do' on rented land with poor fences because their calves are worth \$1.10 per pound. The next time the calves are only bringing \$0.65 per pound, many of these farmer tenants will throw-up their hands and sell cattle rather than endure the headaches and liability of escaped cattle.

If you are a farmer-tenant or a landlord, I recommend the following to steps to prevent the decline and possible abandonment of a rented farm.

- 1) Develop a written lease that has a provision for the farmer-tenant to keep the lease for multiple years.
- 2) Depending on the relative rental rate for the farm, I think it is good if the landlord agrees to provide fencing materials up to a certain value each year with an understanding they will be used in a manner consistent with the mutual goals of the landowner and the farmer-tenant.
- 3) Both landlord and tenant need to mutually agree what is expected in the way of fence and pasture maintenance and put it in writing. Ideally, at least once per year both the landlord and the tenant should inspect all parts of the farm together.

There are now and will continue to be profitable farming operations in Virginia. The farms that are profitable and well maintained in the future will be so because of the commitment of the owners and/or operators to the care of all the fixed assets of the farm, including its fences.

## **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 44<sup>th</sup> 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.

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### ***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...**

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### ***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

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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](mailto: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](mailto:vttax@vt.edu)

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

## Calendar of Events

### 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](mailto: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](mailto: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](mailto: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](mailto: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](mailto: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](mailto: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](mailto:vttax@vt.edu)
- 9-10 Small Farm Family Conference. Virginia State University, Petersburg, Va. Contact: Andy Hankins at (804) 524-5962; or email: [ahankins@vsu.edu](mailto:ahankins@vsu.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](mailto: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](mailto: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](mailto: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](mailto:vttax@vt.edu)

## **January**

26-29 2005 Virginia Grown Association Conference (VGAC). Richmond, VA. Holiday Inn Select Southside. Details to come.

## **February**

23-26 2005 Mid-Atlantic Direct Marketing Conference & Trade Show, The National Conference Center, Lansdowne, VA Contact: Cathy Belcher by phone 804-786-4046 e-mail [cbelcher@vdacs.state.va.us](mailto:cbelcher@vdacs.state.va.us), or visit the conference web site at <http://www.madmc.com>.