

1999 Instructions for Schedule J, Farm Income Averaging

Use Schedule J (Form 1040) to elect to figure your 1999 tax by averaging, over the previous 3 years, all or part of your 1999 taxable income from your trade or business of farming. Making this election may give you a lower tax if your 1999 income from farming is high and your taxable income for one or more of the 3 prior years was low.

General Instructions



If you owe alternative minimum tax (AMT) for 1999 (figured without regard to farm income averaging), filing Schedule J will not reduce your total tax for 1999. Filing Schedule J may, however, increase your credit for prior year minimum tax in a later tax year.

You will need copies of your income tax returns for 1996, 1997, and 1998 to figure your tax on Schedule J. If you do not have copies of those returns, you can get them by filing **Form 4506**. See your Form 1040 instruction booklet to find out how to get this form.

This election does not apply when figuring your tentative minimum tax on **Form 6251** (i.e., you cannot average your AMT farm income). In addition, you do not have to recompute, because of this election, the tax liability of any minor child who was required to use your tax rates in the prior years.

Specific Instructions

Line 2

Elected Farm Income

To figure elected farm income, first figure your taxable income from farming. **Taxable income from farming** includes all income, gains, losses, and deductions attributable to any farming business. However, it does not include gain from the sale or other disposition of land. Generally, farm income, gains, losses, and deductions are reported on:

- Schedule D,
- Schedule E, Part II,
- Schedule F, and
- Form 4797.

Your **elected farm income** is the amount of your taxable income from farming that you choose to include on line 2. You do not

have to include all of your taxable income from farming on line 2. It may be to your advantage to include less than the full amount, depending on how the amount you include on line 2 affects your tax bracket for the current and prior 3 tax years.

If your taxable income from farming is more than the amount shown on line 1, you should not enter on line 2 more than the amount shown on line 1. Otherwise, you may not receive the maximum benefit from income averaging.

Farming Business. A farming business is the trade or business of cultivating land or raising or harvesting any agricultural or horticultural commodity. This includes:

- Operating a nursery or sod farm.
- Raising or harvesting of trees bearing fruits, nuts, or other crops.
- Raising ornamental trees (but not evergreen trees that are more than 6 years old when severed from the roots).

• Raising, shearing, feeding, caring for, training, and managing animals.

A farming business **does not** include:

- Contract harvesting of an agricultural or horticultural commodity grown or raised by another.
- Merely buying or reselling plants or animals grown or raised by another.

Line 4

Figure the tax on the amount on line 3 using the **1999** Tax Table, Tax Rate Schedules, or Capital Gain Tax Worksheet from your 1999 Form 1040 instruction booklet, or use Schedule D. Enter the tax on line 4.

Lines 5, 9, and 13

If you used the 1998 Schedule J to figure your tax and included the amount from line 22 of that Schedule J on your 1998 Form 1040, line 40, enter the amount from the appropriate line of that Schedule J on lines 5, 9, and 13. Otherwise, enter your taxable income for the applicable year. If you did not file a tax return for 1996, 1997, or 1998, enter the amount you would have reported as your taxable income had you filed a return. If you filed your 1996, 1997, or 1998 tax return using TeleFile, enter your taxable income from line J of your TeleFile Tax Record. If you amended your return or the IRS made changes to it, enter the corrected amount.

Note. Do not enter less than zero on line 5, 9, or 13.

Line 8

Figure the tax on the amount on line 7 using either:

- The 1996 Tax Rate Schedules below, or
- The Capital Gain Tax Worksheet below.

1996 Tax Rate Schedules

Schedule X—Use if your filing status is Single				Schedule Y-2—Use if your filing status is Married filing separately			
If the amount on Schedule J, line 7, is:	<i>But not over—</i>	Enter on Schedule J, line 8	<i>of the amount over—</i>	If the amount on Schedule J, line 7, is:	<i>But not over—</i>	Enter on Schedule J, line 8	<i>of the amount over—</i>
\$0	\$24,000	15%	\$0	\$0	\$20,050	15%	\$0
24,000	58,150	\$3,600.00 + 28%	24,000	20,050	48,450	\$3,007.50 + 28%	20,050
58,150	121,300	13,162.00 + 31%	58,150	48,450	73,850	10,959.50 + 31%	48,450
121,300	263,750	32,738.50 + 36%	121,300	73,850	131,875	18,833.50 + 36%	73,850
263,750	-----	84,020.50 + 39.6%	263,750	131,875	-----	39,722.50 + 39.6%	131,875

Schedule Y-1—Use if your filing status is Married filing jointly or Qualifying widow(er)				Schedule Z—Use if your filing status is Head of household			
If the amount on Schedule J, line 7, is:	<i>But not over—</i>	Enter on Schedule J, line 8	<i>of the amount over—</i>	If the amount on Schedule J, line 7, is:	<i>But not over—</i>	Enter on Schedule J, line 8	<i>of the amount over—</i>
\$0	\$40,100	15%	\$0	\$0	\$32,150	15%	\$0
40,100	96,900	\$6,015.00 + 28%	40,100	32,150	83,050	\$4,822.50 + 28%	32,150
96,900	147,700	21,919.00 + 31%	96,900	83,050	134,500	19,074.50 + 31%	83,050
147,700	263,750	37,667.00 + 36%	147,700	134,500	263,750	35,024.00 + 36%	134,500
263,750	-----	79,445.00 + 39.6%	263,750	263,750	-----	81,554.00 + 39.6%	263,750

1996 Capital Gain Tax Worksheet (keep for your records)



Use this worksheet to figure the tax on line 8 of Schedule J **only** if (a) Schedule D applies for 1996 and both lines 17 and 18 of Schedule D (as refigured) are gains, or (b) you reported capital gain distributions directly on your 1996 Form 1040, line 13, **and**:

Your filing status is:	AND	Schedule J, line 7, is over:	Your filing status is:	AND	Schedule J, line 7, is over:
Single		\$58,150	Married filing separately		\$48,450
Married filing jointly or Qualifying widow(er)		\$96,900	Head of household		\$83,050

- Enter the amount from Schedule J, line 7 **1.** _____
- If Schedule D applies for 1996, enter the **smaller** of Schedule D, line 17 or line 18 (as refigured). Otherwise, enter the capital gain distributions reported on your 1996 Form 1040, line 13 **2.** _____
- If you filed a 1996 Form 4952, enter the amount from Form 4952, line 4e **3.** _____
- Subtract line 3 from line 2. If zero or less, **stop here**; you **cannot** use this worksheet to figure the tax. Instead, use the 1996 Tax Rate Schedules above **4.** _____
- Subtract line 4 from line 1 **5.** _____
- Enter \$24,000 if single; \$40,100 if married filing jointly or qualifying widow(er); \$20,050 if married filing separately; or \$32,150 if head of household **6.** _____
- Enter the **larger** of line 5 or line 6 **7.** _____
- Subtract line 7 from line 1 **8.** _____
- Figure the tax on the amount on line 7. Use the 1996 Tax Rate Schedules above **9.** _____
- Multiply line 8 by 28% (.28) **10.** _____
- Add lines 9 and 10 **11.** _____
- Figure the tax on the amount on line 1. Use the 1996 Tax Rate Schedules above **12.** _____
- Tax.** Enter the **smaller** of line 11 or line 12 here and on Schedule J, line 8 **13.** _____

Line 12

Figure the tax on the amount on line 11 using either:

- The 1997 Tax Rate Schedules below, or
- The Schedule D you filed for 1997 (but use the 1997 Tax Rate Schedules below instead of the Tax Table when figuring the tax on Schedule D, lines 33 and 53).

1997 Tax Rate Schedules

Schedule X—Use if your filing status is Single				Schedule Y-2—Use if your filing status is Married filing separately			
If the amount on Schedule J, line 11, is:		Enter on Schedule J, line 12	<i>of the amount over—</i>	If the amount on Schedule J, line 11, is:		Enter on Schedule J, line 12	<i>of the amount over—</i>
<i>Over—</i>	<i>But not over—</i>			<i>Over—</i>	<i>But not over—</i>		
\$0	\$24,650	..... 15%	\$0	\$0	\$20,600	..... 15%	\$0
24,650	59,750	\$3,697.50 + 28%	24,650	20,600	49,800	\$3,090.00 + 28%	20,600
59,750	124,650	13,525.50 + 31%	59,750	49,800	75,875	11,266.00 + 31%	49,800
124,650	271,050	33,644.50 + 36%	124,650	75,875	135,525	19,349.25 + 36%	75,875
271,050	.....	86,348.50 + 39.6%	271,050	135,525	.....	40,823.25 + 39.6%	135,525
Schedule Y-1—Use if your filing status is Married filing jointly or Qualifying widow(er)				Schedule Z—Use if your filing status is Head of household			
If the amount on Schedule J, line 11, is:		Enter on Schedule J, line 12	<i>of the amount over—</i>	If the amount on Schedule J, line 11, is:		Enter on Schedule J, line 12	<i>of the amount over—</i>
<i>Over—</i>	<i>But not over—</i>			<i>Over—</i>	<i>But not over—</i>		
\$0	\$41,200	..... 15%	\$0	\$0	\$33,050	..... 15%	\$0
41,200	99,600	\$6,180.00 + 28%	41,200	33,050	85,350	\$4,957.50 + 28%	33,050
99,600	151,750	22,532.00 + 31%	99,600	85,350	138,200	19,601.50 + 31%	85,350
151,750	271,050	38,698.50 + 36%	151,750	138,200	271,050	35,985.00 + 36%	138,200
271,050	.....	81,646.50 + 39.6%	271,050	271,050	.....	83,811.00 + 39.6%	271,050

Line 16

Figure the tax on the amount on line 15 using either:

- The 1998 Tax Rate Schedules below, or
- The Schedule D you filed for 1998 (but use the 1998 Tax Rate Schedules below instead of the Tax Table when figuring the tax on Schedule D, lines 33 and 53).

1998 Tax Rate Schedules

Schedule X—Use if your filing status is Single				Schedule Y-2—Use if your filing status is Married filing separately			
If the amount on Schedule J, line 15, is:		Enter on Schedule J, line 16	<i>of the amount over—</i>	If the amount on Schedule J, line 15, is:		Enter on Schedule J, line 16	<i>of the amount over—</i>
<i>Over—</i>	<i>But not over—</i>			<i>Over—</i>	<i>But not over—</i>		
\$0	\$25,350	..... 15%	\$0	\$0	\$21,175	..... 15%	\$0
25,350	61,400	\$3,802.50 + 28%	25,350	21,175	51,150	\$3,176.25 + 28%	21,175
61,400	128,100	13,896.50 + 31%	61,400	51,150	77,975	11,569.25 + 31%	51,150
128,100	278,450	34,573.50 + 36%	128,100	77,975	139,225	19,885.00 + 36%	77,975
278,450	.....	88,699.50 + 39.6%	278,450	139,225	.....	41,935.00 + 39.6%	139,225
Schedule Y-1—Use if your filing status is Married filing jointly or Qualifying widow(er)				Schedule Z—Use if your filing status is Head of household			
If the amount on Schedule J, line 15, is:		Enter on Schedule J, line 16	<i>of the amount over—</i>	If the amount on Schedule J, line 15, is:		Enter on Schedule J, line 16	<i>of the amount over—</i>
<i>Over—</i>	<i>But not over—</i>			<i>Over—</i>	<i>But not over—</i>		
\$0	\$42,350	..... 15%	\$0	\$0	\$33,950	..... 15%	\$0
42,350	102,300	\$6,352.50 + 28%	42,350	33,950	87,700	\$5,092.50 + 28%	33,950
102,300	155,950	23,138.50 + 31%	102,300	87,700	142,000	20,142.50 + 31%	87,700
155,950	278,450	39,770.00 + 36%	155,950	142,000	278,450	36,975.50 + 36%	142,000
278,450	.....	83,870.00 + 39.6%	278,450	278,450	.....	86,097.50 + 39.6%	278,450

Lines 18, 19, and 20

If you used the 1998 Schedule J to figure your tax and included the amount from line 22 of that Schedule J on your 1998 Form 1040, line 40, enter the amount from the appropriate line of that Schedule J on lines 18, 19, and 20. Otherwise, enter your tax for the applicable year. If you filed your 1996, 1997, or 1998 tax return using TeleFile, enter your tax from line J of your TeleFile Tax Record. If you amended your return or the IRS made changes to it, enter the corrected amount.