# Good Tax-Time News for Farmers

**Several new tax laws offer farmers more deduction options.**

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The stress of tax time may be lessened for farm owners who prepare early. Plus, as you prepare for 2006, learn more about additional deductions and options available.  A recent report from Purdue University's College of Agriculture, discusses several major tax provisions passed by lawmakers in recent years have raised the deductions that farmers can claim.

George Patrick, a Purdue University agricultural economist, says, "As a group, farmers have benefited from recent federal tax legislation." Some deductions and changes Patrick says to watch for:

An increase the deduction for machinery and equipment used in farm operation, as well as certain types of livestock and some land improvements like field tile or storage (Section 179 or the expensing option).
A provision known as the "domestic production activities," Patrick says, allows farmers who hire labor to claim a deduction on part of the net farm income they earn. This provision provides a deduction of 3 percent on qualified income. The deduction increases to 6 percent for the 2007 tax year and 9 percent for the 2010 tax year.

Patrick advises farmers to plan their tax strategies earlier rather than later. "Farmers need to sit down before the end of the tax year and figure out where they are in terms of their receipts to date and their expenses to date, because they can make changes until Dec. 31," he says. "After that, it may be hard to accomplish some of the things they are trying to do."

For information about the report, check out Purdue Extension paper 363, "Income Tax Management for Farmers in 2006," or contact the Purdue Extension office toll-free at (888) 398-4636 (EXT INFO).