

Handling CCC Loans Taken as Income in Schedule F Cash to Accrual Analysis

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With the fall 2016 release of FINPACK, government crop loans (CCC loans) are not handled in a separate input section. Any CCC loan is entered as a current loan and the crop is entered along with any other crop inventory.

Along with this change in how CCC loans are entered, the Schedule F Cash to Accrual Analysis changed how it treats CCC loans reported as income for tax purposes. **The analysis does not use the amount entered on line 5a of the Schedule F tax form as income.** Instead, CCC loans are treated as money borrowed in the year received and the total income from sale of the crop is treated as income in the year of sale. Depending on how the tax preparer completed the Schedule F form, the analysis may show a cash discrepancy in the amount of the loan upon final sale of the crop.

Where Did It Go?

A CCC loan reported as income on line 5a can be handled a few different ways upon final sale.

Method #1 – The total sale amount reported on line 1a and the basis of the sale, which is the original amount reported as income on line 5a, reported on line 1b. The net proceeds would be in 1c.

Method #2 – If the final sale was to a cooperative, it would be reported on a 1099-PATR and the total sale amount would be reported on 3a and 3b. The basis of the sale should then be reported on line 32 likely labeled as “CCC loan repayment.”

Method #3 – The net of the final sale, total final sale less the original amount reported as income, reported on line 2.

The first two methods are handled correctly by the Schedule F Cash to Accrual Analysis. For the second method, the amount from line 32 should be entered as “CCC loan principal repayment included in farm expenses” in data entry. The third method is not handled by the analysis and is the most likely reason for

a cash discrepancy. This is not the recommended method of preparation, but the bottom-line for tax purposes is that it results in the correct taxable income.

Suggested Troubleshooting Steps

The most reliable troubleshooting step is to ask the producer for more information on how the final sale was reported.

It is possible to check the data on the Schedule F tax form and balance sheets to estimate an adjustment that can be entered in the Schedule F Cash to Accrual Analysis to correct for a cash discrepancy in the amount of the loan.

Check #1 – If there is an amount on line 5a for the current year, are there CCC loans on the ending balance sheet? If not, this indicates the loan was taken as income and the final sale occurred within the current year. After verifying the ending CCC loan was not missed, the next steps can help determine which of the methods may have been used to report the final sale.

- Method #1 - Line 1b should be greater than or equal to 5a. No other entry should be needed.
- Method #2 - There is an amount on line 3a/3b, with an amount on line 32 indicating a CCC loan repayment. The amount on line 32 should be equal to 5a. If the amount on line 32 is less than 5a, there may be remaining bushels on the ending balance sheet that have not been sold but were under loan. Any amount reported on line 32 should be entered as “CCC loan principal repayment included in farm expenses” in data entry.
- Otherwise, Method #3 may have been used and an adjustment may be necessary. The amount of the adjustment would be the amount on 5a less any ending CCC loan principal balance. This adjustment amount can be entered as “Other income (not on Schedule F)” in the Schedule F Cash to Accrual data entry.

Check #2 – If there are CCC loans on the beginning balance sheet, is there is an amount on line 5a for the previous year? If so, this indicates the loan was reported as income in the previous year and the final sale occurred in the current year. The next steps can help determine which of the above methods may have been used to report the final sale.

- Method #1 - Line 1b in the current year should be greater than or equal to 5a from the previous year. No other entry should be needed.

- Method #2 - There is an amount on line 3a/3b, with an amount on line 32 indicating a CCC loan repayment. The amount on line 32 in the current year should be greater than or equal to 5a from the previous year. Any amount reported on line 32 should be entered as “CCC loan principal repayment included in farm expenses” in data entry.
- Otherwise, Method #3 may have been used and an adjustment may be necessary. The amount of the adjustment would be the amount of CCC loans on the beginning balance sheet. This adjustment amount can be entered as “Other income (not on Schedule F)” in the Schedule F Cash to Accrual data entry.