

2002 Workbook

REVISIONS: 2002 FARM INCOME TAX SCHOOL WORKBOOK

Clicking on the page number will take you to the page that needs the revision.
Once at the page, look for the red box which signifies the correction.
To return to this list, click on the red box or the “Revisions” bookmark.

- Page 5** In top chart, remove Married Filing Separate from heading. There is no credit or phaseout allowed for MFS.
- Page 21** Last bullet, second line, change 2001 to 2002.
- Page 22** The “No” box on line 3 should be checked. The “Yes” box on line 9 should be checked. Replace “30.000” with “30,000” on line 9.
- Page 23** The “No” boxes on lines 3 and 9 should be checked.
- Page 25** The amounts in the “Applicable Credit Amount” column for 2006, 2007 and 2008 should be “780,800”.
- Page 50** In item #1, line 2, change “including” to “excluding”.
- Page 53** In the second line of text under “New AGI Deduction for Teachers”, it should read “\$250 for 2002 & 2003”.
- In **Example 30**, insert “\$250” on line 23, Educator expenses, in the Adjusted Gross Income section of Form 1040.
- Page 74** In **Example 4**, the two lines following, “The computation of the 75% deductible ratio is shown below.” should be shown as a fraction.
- $$\frac{\text{Taxable ministry income (\$30,000 salary)}}{\text{Total ministry income of \$40,000 (\$30,000 + \$10,000)}} = 75\%$$
- Page 76** The amount in Box 1 should read “15888.00”. Remove the commas from the amounts in box 14.
- Page 82** In **Answer 2B**, change “\$2,149” to “\$2,080”.
- Page 86** At the top of page under the “Conclusions” heading, second line, remove “similar to the following” from the sentence.
- Page 91** “333-33-3333 DIV” should be written to the left of the amount on line 60
- Page 93** Box 4 should be “1500.00”.
- Page 107** In **Answer 19D**, omit the word “not” in the third line.
- Page 111** In observation 2 at the top of the page, third line, omit “\$11,633” and change “tax liability” to “income.”
- In observation 1 and 3, change the word “factional” to “factual”.
- Page 121** In the last paragraph before the **Note**, insert the word “value” after “fair market” at the end of the first line.

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- Page 141** The first sentence under heading **Electric Vehicle Credit** should be replaced with the following; “A taxpayer may take a non-refundable credit of 10% of the cost of a qualified electric vehicle placed in service after 2003. The allowable credit, after applying the \$4,000 limitation, is reduced by 25% for 2004, 50% for 2005, and 75% for 2006.”
- Page 147** Near the bottom of the page, replace “\$65” with “\$100” as the monthly amount that may be excluded. In **Caution** box, change “IRV” to “IRB”.
- Page 151** In **Step 4** of **Example 8**, change “\$8,600” to “\$8,400”.
- Page 155** In **Example 11**, delete “during the lease period” from the line “Total depreciation claimed during the lease period”.
- In the first line of **Example 12**, delete “of the lease” and from the second line delete “during the 3-year lease period”.
- In **Example 12** line 2, change “\$10,148” to “\$9,438” and “\$12,685” to “\$11,798”.
- In the calculation for the sale of the 80% business usage, change \$12,685” to “\$9,438” and “(\$915)” to “(\$4,162)”.
- Page 156** In **Example 13**, change “(12,685)” to “(11,798)” and “\$32,315” to “\$33,202”.
- Page 158** There should be a **Note** added before the chart in the middle of the page that reads, “The covenant not to compete has no economic reality and is unseverable from the goodwill. Therefore, the gain on the sale of the covenant is afforded capital gain treatment and is taxed in the same manner as the gain on the sale of goodwill.”
- Page 165** In the next to the last paragraph, second line, insert “page 171” and omit “this page”.
- In the last line, page 169 should be page 172.
- Page 171** In worksheet for 5-Year Gain at bottom of page, insert on line 2 - “21,472”, line 3 - “4,180”, line 5 - “25,652”, line 6 - “14,472”, and line 7 - “11,180”.
- Page 181** In the third computation, remove “computed as follows” and delete the entire computation.
- Page 193** Add after second bullet at the top of the page, “These ‘non-incident materials and supplies’ can not be deducted until the tax year they are furnished or provided to a customer.”
- Page 203** Last paragraph should be moved to last paragraph on page 204.
- Page 213** Under heading “2002 Developments”, in first paragraph, last line should read “CCC loans **to income** may shift at any time to reporting CCC loans as **loans**”.
- Page 274** Second line from bottom of page, change 38.6% to 35%.
- Page 287** In the example at the bottom of the page, “Form 1120” should read “Form 1120-S” in all three instances.
- Page 291** In the paragraph beginning, “**Time Frame Expanded**”, change “November 2002” to “November 2001.”
- Page 294** Replace the word “New” with “Original” in the second sentence of the second paragraph entitled “**New Safe Harbor**”. A period should be placed after the word “vehicle” and the word “that” should be capitalized.
- Page 300** Insert the words “did not” after the word “residence” in the box at the top of the page.

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- Page 302** Change the heading on the “Veterinary Surgical Consultants, P.C.” case from “unreasonable compensation” to “Wages vs. Nonpassive Distributions”.
- Page 313** In **Note**, change last word of first line from “judicial” to “judicious”.
- Page 316** Change “Revenue Procedure 2002-35” to “Rev. Rul. 2002-35” under Disguised Wages.
Add the following paragraph: “Revenue Procedure 2002-41 also applies. It says employers can treat up to \$13 per hour as an accountable plan reimbursement to the welder employees for use of their trucks. Any reimbursements made under the accountable plan rules are not included on the W-2.”
- Page 320** In the first paragraph, change “\$2,400” to \$2,100” and “\$87,300” to “87,000”.
Add a new sentence, “The 2003 Medicare Part B premium is \$58.70.”
- Page 323** In the last sentence on the page, change the word “net” to “gross”.
- Page 324** In the first sentence on the page, change the word “net” to “gross”.
- Page 331** In the R.J. Sorrentino citation, paragraph “50,227” should read “50,228”.
- Page 346** Add the following paragraph after the text for the deemed sale election. “Taxpayers who make the deemed sale election under §311(e) of TRA of 1997 for passive activity assets (such as rental real estate) can include the gain on Form 8852 to absorb current and carryover passive losses from all passive activities. However, the deemed sale cannot be treated as a total disposition to recognize excess losses. For example, if a taxpayer has an apartment building with suspended losses of \$60,000 and a commercial rental building with suspended losses of \$40,000, and he sells the apartment building for a \$105,000 gain, he can deduct all of the suspended losses of both properties. However, if the gain is only \$50,000 he can not deduct the remaining loss of \$10,000 on the apartment building or the \$40,000 suspended loss on the commercial building.”
- Page 349** In the last heading on the page, remove the words “Schedule F of”
- Page 356** Under the **Note** at the top of the page, insert, “IRS News Release IR-2002-100.” This is the beginning of a new ruling, not a continuation of the Diaz case.
- Page 383** In **Example 30**, change “December 31” to “September 30”.
In **Example 32**, change “2003” to “2002”.
- Page 401** In columns 5 & 7, change heading to “Age”.
- Page 415** Under heading **Additional Tax on Excess Contributions**, line 5, change “line 55” to “line 58”.
- Page 432** On line 8 of Worksheet, after \$15,000, insert “(\$30,000 for joint returns)”.
- Page 475** In **Example 9**, change November “1997” to “2001”.
- Page 476** In **Example 10**, second line, change “1998” to “2000”.
- Page 495** The **Note** at the bottom of the page should be replaced with the following; “**Note.** At one time exempt assets were not included in the insolvency calculation. However, the IRS reversed its opinion in 1999 and now includes the exempt assets in the total asset calculation. The court upheld the IRS position in *Roderick E. Carlson and Jeanette S. Carlson v. Commissioner*, 116 TC 87.”

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- Page 507** In **Example 15** the last line of the table should be omitted. In the paragraph below the table, line 1, omit the word “not”.
- Page 510** In step three, delete the sentence beginning with “Divide”. Insert, “Aggregate of basis of property held immediately after discharge, \$266,000, over aggregate of liabilities immediately after discharge, \$444,000; aggregate excess = none.”
- Page 519** The first sentence at the top of the page should read, “If the administrative expenses of the bankruptcy estate are more than its gross income for the tax year, the excess amount may be carried back to either an earlier year of the estate or to a tax year of the individual debtor before commencement of the case.”
- Page 552** Change the amounts on lines 5, 6, 7, 12, 14, and 18 of Form 8839 to “8,000”.
- Page 555** The following information was shown on the 1998 return. It will not be shown on the 2001 return, but may help you in understanding the example.
- | | |
|---------|---------|
| Line 5 | 325,000 |
| Line 6 | 0 |
| Line 7 | 325,000 |
| Line 8 | 220,000 |
| Line 9 | 81,660 |
| Line 10 | 138,340 |
| Line 11 | 17,500 |
| Line 12 | 0 |
| Line 13 | 155,840 |
| Line 14 | 169,160 |
| Line 15 | 0 |
| Line 16 | 169,160 |
| Line 17 | 0 |
| Line 18 | 325,000 |
- Page 567** Change Schedule E line 30 to “6,000”.
- Page 577** The 2002 exemption phaseout for Single is “137,300/259,800” and Head of Household is “171,650/294,150”.
- Page 584** In the heading at the top of the page, replace “OCTOBER” with “SEPTEMBER”.