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Tax Tips for Farming Businesses (and Kashoo How-To's)

Tax season is looming on the horizon. Whether you run a small farm or manage a large farming business operation, farming truly is a different type of business altogether. But just like any business, there are nuisances and overlooked tax items that farmers neglect—or simply don't know about.

Nearly 2 million farming businesses are in operation as of 2019, with the numbers growing year by year, according to USDA's Agricultural Census. As the industry numbers grow, more and more farming businesses need to learn and build their "toolbox" to approach tax season in a way that suits their farming business.

4 Farm Business tax tips to combat this year's tax season.

Tax Tip #1: Know Where Your Business Stands

Farming businesses should identify where their business stands in order to file taxes properly and to claim the right deductions. Individuals who farm as a hobby aren't eligible to deduct expenses or losses. In contrast, if your farming business is operated in a business-like-manner and its activities make up all your time, then that's when you can look into potential tax deductions. Be sure to identify what counts as farming income, and what doesn't.

Tax Tip #2: Keep Your Eyes Peeled for Tax Deductions

Like other types of small businesses, farmers too can deduct all the usual business expenses (and more) from their income. On top of the usual office and vehicle expenses, farming businesses are eligible for livestock, pesticides, fertilizers, feed, straw, and bedding, as well as packing material expenses. Consistent and accurate record keeping is a must, and it's also why switching bookkeeping to the cloud is so beneficial. Farmers are legally required to keep all receipts and vouchers related to their farm business for at least six years, so you have them on hand when requested by the CRA or IRS.

Do it in Kashoo: Kashoo helps farmers organize all their business expenses on a single platform. Whether you're in a rush or sitting at home, Kashoo syncs to your bank account and can pull up to a year's worth of transactions. The software also offers an easy drag & drop feature for receipt matching when you just don't have the time to reconcile your books.

Tax Tip #3: Separate Personal and Business Finances

A big red flag that the CRA or IRS looks for is whether personal expenses are mixed with business. Not only is it difficult to figure out which expense is farm-related, but farmers also lose out on knowing which deductions they can take come tax time.

Do it in Kashoo: Every small business owner should practice the financial habit of separating business and personal finances. Kashoo makes this incredibly easy with our Inbox dashboard. Just tap to categorize as personal and you're done!

Tax Tip #4: Take Time to Get Acquainted With Your Cash Flow

A pivotal role as a farming business owner is understanding your business's finances. Spend quality time with your numbers, and ask questions to dig a little deeper: which areas can I work on to improve my cash flow? Are there certain clients that tend to build a backlog of unpaid invoices, and if so, what can I do about it? Asking these questions, and knowing where to pull financial reports and pertinent data to see if your business is viable is key.

Do it in Kashoo: View your farm business's financial health at a glance easily with our dashboard. Get a birds-eye view on important items such as income and expenses, net income, top expenses, and account balances all on one page.

Start your 14-day free trial of Kashoo now. Go to kashoo.com/trykashoo.