

810-3-14-.03 Gross Income of Farmers.

(1) A taxpayer is engaged in the business of farming if he cultivates, operates, or manages a farm for gain or profit, either as owner or tenant. A taxpayer who receives a rental (either in cash or in kind) which is based upon farm production is engaged in the business of farming. However, a taxpayer who receives a fixed rental (without reference to production) is engaged in the business of farming only if he participates to a material extent in the operation or management of the farm. A taxpayer engaged in forestry or the growing of timber is not thereby engaged in the business of farming. A person cultivating or operating a farm for recreation or pleasure rather than a profit is not engaged in the business of farming. For the purpose of this rule, the term "farm" is used in its ordinary, accepted sense and includes stock, dairy, poultry, fish, fruit, and truck farms, and also plantations, ranches, ranges, and orchards.

(2) A farmer shall make a return using the same taxable year and in accordance with the same method of accounting that the farmer uses for federal income tax purposes, as provided for under §40-18-13, Code of Alabama 1975.

(3) Crop shares shall be included in gross income as of the year in which the crop shares are reduced to money or the equivalent of money.

(4) If farm produce is exchanged for merchandise, groceries, or the like, the market value of the articles received in exchange is to be included in gross income.

(5) Proceeds of insurance, such as hail and fire insurance on growing crops, should be included in gross income, whether received in cash or its equivalent for the crop injured or destroyed.

(6) Inventory shall be taken by a farmer in accordance with the methods and procedures prescribed under § 40-18-11.

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