

Ranch Owner Family Living Expenses/Withdrawals Accounting

It is very important to quantify non-ranch income and owner family living expenses/withdrawals for both IRS compliance and to calculate critical financial measures like liquidity and overall repayment capacity. This spreadsheet addresses these accounting needs.

In the beef cattle sector 90% of the US cow-calf operations have fewer than 100 cows. These small herds cannot support a family so they are part-time operations that are operated and report **as a for-profit business** to comply with IRS compliance.

Accounting software like Intuit QuickBooksPro™ (QB) can be set up for family expenses /withdrawals accounts needs. See Appendix A for a suggested chart of accounts. Change the accounts names to best describe their use. Be sure and communicate with the tax CPA on the setup of the initial accounting systems and defining the charts of accounts.

It is advisable for cow-calf operators to have two accounting entities. One for the ranch for profit business that follows the IRS reporting and management needs. The other for the family living expenses/ withdrawals as well as to record personal tax payments and record earnings from other non-ranch sources. When employees are involved ensure proper payroll and IRS and state taxes reporting is followed.

Make sure the ranch business depreciation schedule only includes assets directly supporting the cattle operation.

Personal Balance Sheet

To complete the ranch IRS 1040 Schedule F “Profit or Loss from Farming” it is not necessary to prepare a balance sheet for the other business or personal activities. However, this is a valuable report for a complete financial reporting for the business and other owner and family living financial activities. Lenders will seek this information when viewing the total financial position and repayment capacity.

Combining this spreadsheet with the data generated by the accounting system with the business sheet allows for preparation of the accrual adjusted financial statement for all-ranch and family activities which is beyond the cash IRS Schedule F report that is not a measure of business profit.

This spreadsheet provides for both the income statement and the personal balance sheet utilizing the QB reports or data from a different accounting software.

See the reference list for information on this topic with the descriptions of decision aids.

Appendix A: Example of Accounts to record Family Living Expenses/Withdrawals

Income-Non-Ranch Cash inflow

Wages & Salaries
Other business income
Interest Income
Retirement Income

Family Living Expense

Clothing
Education
Food and Meals
Furnishings & Equipment
General Supplies
Gifts & Contributions
Health Care
Housing
Insurance
Personal
Recreation
Utilities
Family Vehicle - Operating & Repair

Non-Ranch Loan Payments

Name of loans

Non-Ranch Withdrawals

Item Name

Balance Sheet Accounts

Need list

Reference List

Texas A&M University – Department of Agricultural Economics Beef Cattle Decision Aids
<http://agecoext.tamu.edu/resources/decisionaids/beef>

Farm Financial Standards Council FFSC. Financial Guidelines for Agricultural. revised 2022,
Farm Financial Standards Council, website www.FFSC.org.