

Taxation Tidbit

Excluding CRP Cost-Share Payments From Income

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A new IRS Revenue Ruling (2003-59) paves the way for excluding a portion or all of the cost-share payments received for installing CRP conservation practices. This exclusion extends to CRP practices for soil, water, and wildlife conservation; wetland establishment and restoration; and reforestation. Code Section 126 defines qualifying expenditures and provides the formula for determining the dollar amount of cost-share payments qualifying for exclusion. This exclusion is only applicable to cost-share payments, annual rental payments are not excludable.

While the calculations of the Code Section 126 exclusion can seem somewhat complex upon casual reference, **the possible tax savings warrant the extra study time required on your part.** If you hire someone else to prepare your tax return – make sure they are aware of Revenue Ruling 2003-59. Additional information on Code Section 126 can be found in the IRS's "Farmers Tax Guide" Publication 225.