



Wheatland Kernels

From Wheatland Accounting Service Ltd.

www.wheatlandaccounting.com

Winter 2009

President's Message

On behalf of our team at Wheatland Accounting, I would like to wish you a Happy New Year! 2009 has given us a good dose of old fashioned winter weather already, which ultimately holds the promise of some moisture for spring. For our farm clients 2008 was a roller coaster year with record prices for commodities in the early part of the year, plunging back to very modest prices by the end of the year! With the world economic upheaval we are currently experiencing, it is extremely difficult to project where markets are headed this year, making participation in the risk management programs an important part of management strategy.

As 2008 came to a close we were very busy doing tax planning with our clients who were trying to ensure that their tax situation was manageable before year end. Several are taking their operation to the next level by moving into a partnership or corporation. (See the article "Restructuring your farm business" in this issue explaining the advantage of a partnership prior to incorporation.) Now as we look forward to another busy tax season ahead, we remind you of the RRSP deadline of March 1st 2009 coming up! You can also begin investing in the new Tax Free Savings Account now too, but remember unlike an RRSP there is no tax deduction when you invest; however there is no tax on the income earned on the investment! If you currently have investments outside of an RRSP, consider putting some of those funds into a tax free savings account.

Thank you to everyone who completed the surveys we sent out with our last issue. The names of those who completed the survey were entered for a draw that was held at the client evening we hosted together with Investors Group on November 20th. The winner of the Wheatland Golf Shirt was Doug Beach!

We look forward to meeting with you over the next few weeks!
Kelvin Shultz, Diploma Ag, RPA, CAFA, President: Wheatland Accounting Services Ltd.

Getting Ready for the 2008 Tax Season

Yes it is time to get organized for 2008 tax season to ensure that nothing is overlooked! Clients, for whom we filed a 2007 tax return, will receive an *Client Information (Interview)* sheet with this newsletter. This sheet lists critical information and slips that were a part of your return last year, and is meant to assist you in gathering slips and critical information we will need for your 2008 return!

Some things to be aware of for this year:

- You will benefit from the significant bump in Saskatchewan personal amounts announced in the fall to reduce your provincial tax payable
- 2008 graduates from post secondary education could qualify for a substantial tuition fee rebate under the graduate retention program offered as a refundable tax credit. (Visit www.aeel.gov.sk.ca/grp or call 1-800-597-8278 for more information or to apply)
- Parents with children under 16 years of age at start of 2008 who are enrolled in sports or activities requiring physical exercise could qualify for a children's fitness tax credit. Ensure that you bring the receipts with your tax information. Receipts should include birthdate of child, total amount of program and amount eligible for fitness tax credit, and name of program.
- Anyone providing care in their home for a relative dependant upon them should advise us of the situation as you may qualify for a caregiver credit.
- Anyone with a severe or prolonged impairment in physical or mental functions should check to see if you qualify for the disability tax credit.
- Tuition and education credits available to children taking post secondary education can be transferred to a parent if the child does not have sufficient income to use the credit. The child has to sign the tuition slip authorizing its use by a specified parent.

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Income Tax Deadline!

April 30, 2009

Please bring in your information for your income tax before **April 15, 2009** to ensure completion by April 30, 2009 deadline.

Important Deadlines!

**T4/T5 filing deadline
February 28, 2009**

**RRSP deadline is
March 1st 2009**

**AgStability and AgriInvest
applications for 2008
completed by
September 30, 2009.**

The Government of Canada has once again extended the interest-free period for **Canadian Agricultural Income Stabilization (CAIS) program and AgriStability program overpayments.** Interest will not be charged on overpayments until **January 1, 2010.**

During Income Tax Season,
our Office Hours will be:
Monday – Friday
9am – 5pm

AgriStability Worksheets

AgStability Worksheets have been sent out to clients who participated in the program last year. Please fill these out in as much detail as possible and return them to our office to enable processing of your 2008 AgriStability Program Forms. If you have questions when completing these worksheets please call us at 722-3884.

AgExpert Analyst Software

Wheatland Accounting Services Ltd. uses the AgExpert Analyst Software available from Farm Credit Canada. This software is designed for agricultural producers. Clients using this software need only bring a copy of their data on a zip drive or CD for us to complete their tax or financial statements. A well organized set of these records can save us a lot of time in working with your data!

Wheatland Team members, Vickie and Danielle are AgExpert Analyst Certified Advisers and can assist with the set up of your software.

Visit www.agexpert.ca/en/Downloads/AnalystDemo/analystdemo_e.asp for a demo version to download.

This software is available through our office or through FCC for \$399 (includes program and one year technical support). Updates of the software are \$119 (not including support), and support is \$229.

2009 Federal Budget!

As this goes to print, the budget is soon to come down. There have been leaks indicating there may be some additional funding for agriculture and some new tax incentives coming! We will be following this with interest to see how any of these announcements might benefit our clients!

We focus on agriculture!

- You may claim mileage for medical trips in excess of 40 kms from your home. Please ensure you have some official documentation to prove that the trip was made. (ie., for appointments with specialists, this could be a signed appointment card indicating you attended the office.)

Remember the bookkeeper!

Wheatland Accounting offers full bookkeeping service to our clients! Whether you are using our service or that of a family member, here are some tips that will save your bookkeeper time and you money.

- Use one bank account/credit card for farm business and another for personal
- Attempt to pay all expenses by cheque (or debit card) or farm business credit card and deposit all sales into the farm bank. It is possible to balance bank accounts and credit cards to the records to determine if everything is accounted for, but that is not possible to do with expenses paid by cash or income taken in cash.
- Write on deposit slips what each item is for, and staple the deposit slip to all the income receipts associated with the deposit, for the bookkeeper
- Use the memo part of your cheque to describe what expense is being paid
- Be sure receipts that are paid are marked paid.
- Have one central location for keeping receipts until they are recorded in your records.
- For purpose of farm programs be sure that the physical quantity of grain, livestock and forage sales and purchases are recorded on the receipts.

Regardless who is doing the books, these steps will improve accuracy. For family bookkeepers it will reduce stress and improve relationships and when we do the books it will save us time and you money. (Sounds like a win/win!)

Restructuring your Farm Business

You may have wondered from time to time if you should consider incorporating your farm! **Corporations** benefit from a tax rate of 15.5% on the first \$400,000 of active business income each year. This rate is substantially better than rates up to 44% that similar income would result in personally. But, you must remember that when you remove funds from a corporation to use personally, you will likely be subject to personal tax rates at that time. In this situation a corporation basically gives you a deferral of tax; however, there are situations where a corporation gives you true tax savings such as:

- When it provides the ability to control the amount of income you remove from the corporation each year so that you are taxed at a lower rate than if you had received the original income personally.
- When you can pay down debt in a corporation using income taxed at the corporate rate as opposed to paying down debt personally using income taxed at a higher rate.
- When you take advantage of the Capital Gains Deduction when transferring a qualifying farm partnership into the corporation giving you a substantial shareholder loan that allows you to take funds out of the company tax free!

Creating a **farming partnership** with your spouse or other family member prior to incorporation can enable you to take advantage of significant future tax savings. This partnership could qualify for the capital gains deduction after two years at which time you can transfer your partnership interest to a corporation at its fair market value. Because this transfer is claimed at fair market value on your personal tax return, you may take back a shareholder loan from your corporation for the amount of the equity you have in your farm, entitling you to remove this equity tax free to yourself out of the corporation over time.

A corporation is a very good tool to use if the profit from your business is significantly higher than your personal spending or if you are anticipating exiting the farm in the near future, but planning ahead in order to take advantage of special provisions to utilize your Capital Gains Deduction can be very worthwhile! *To find out more information please contact our office to schedule an appointment to discuss your situation!*