

Don't let Uncle Sam tax your EQIP grant

If you aren't careful, that Environmental Quality Incentive Program grant you received to renovate or upgrade your manure-handling system in 2002 could wind up costing you on your taxes, says Joe Corner, dairy and beef economist at the University of Missouri. That's because many tax-preparers don't know how to handle EQIP grants.

When tax-preparers receive a 1099 form from the Farm Service Agency, they often include the income on a client's Schedule F - similar to soil and water conservation cost-share programs, says Horner. Instead, they need to use a special section of the IRS code - I.R.C. 126 - which excludes large capital project cost-share payments from taxable income and expenses.