

Livestock Proceeds Tax Implications - Explained

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1. The IRS requires that any and all gross income, regardless of purpose/use/source, be reported as income. It may be reflected on Line 18 (Form 1040) as part of Schedule F – Farm Income or (loss), or it may appear on Line 21 (Form 1040) as Other Income. However, all income must be reported and may be subject to taxes. **Bottom line...4-H members must report income.**
2. Issuance of a 1099-MISC by the organization/group that is distributing funds to the 4-H member is determined by the IRS based on certain criteria. One of those criteria includes payments of \$600 or more in “prizes and awards.” **Bottom line...shows/fairs must provide 4-H members/IRS a 1099-MISC for any awards of \$600 or more.**
3. Disposition of the livestock project:
 - a. 4-H member retains ownership of the animal. **Bottom line...4-H member reporting is not affected.**
 - b. The “buyer” at the show’s exhibit auction gains ownership – The value of the livestock project may affect the allowable charitable contribution made by the buyer. If the buyer donates the animal back, the value of the contribution may be affected depending on whether the animal is donated to the show (value possibly deductible) or the exhibitor (value likely not deductible) and who benefits from the actual sale/disposition of the animal. **Bottom line...buyer’s eligible deduction may be impacted by the ownership and disposition of the animal.**
 - c. The show gains ownership and awards resale to the exhibitor – Should the animal become property of the show and is subsequently sold to a livestock barn for market or resale may affect the reporting requirements and applicability of issuing a 1099-MISC by the show. If the proceeds of the resale are returned to the exhibitor, that value must be added to any prize/premium money the exhibitor receives, which impacts 1099-MISC reporting. **Bottom line...resale value plus prize money in excess of \$600 may require the show to issue a 1099-MISC.**
 - d. The show gains ownership and retains value of animal – If the show gains ownership of the animal, sells the animal, and retains the value of the sale there may be exemptions of the show reporting that as income to the organization if the funds are used for certain purposes. **Bottom line...keeping the resale of animals within the show may affect the show’s reported income to IRS.**
4. If the show only “facilitates” the sale of the animal, meaning the show organizes the resale of the animal and redistributes the resale value to exhibitors, there are implications to the show’s report of income to the IRS. **Bottom line...serving as a “conduit” prevents the show from considering the value of the resale as income.**