

**Maine Alpaca Association
Members' Meeting
21 January 2017**

The meeting opened at 11:30 AM

Attendees: 20 Members and 1 Speaker

President: Lois Brace gave the welcoming address. She then stated there were five Board positions open as the current board terms are up. The volunteers for the positions are: Ginny, Rebar, Bill Morgan, Judy Mullins, Anne Gobes and Marilyn Plowman. Steve Sherrets made the motion to accept the nominations and Craig Wanggaard seconded it. All were in favor. After the vote, Lois introduced our speaker, Phillip Doucette, CPA of the firm, Austin Associates from Auburn, Maine.

Treasurer: Pam Drew gave the Treasurer's report and stated that there is a total of \$14,700 in the treasury. You can see the entire report on the website.

We then moved on to getting our lunch and sat down to listen to our speaker's presentation.

Phillip Doucette's firm specializes in farm accounts for taxes. He stated that the IRS interest lies in the farm profits or losses. Excessive losses will get their attention.

- There is an IRS fact sheet that we all should take the time to read. "Is your Farm Hobby a for Profit Endeavor?" <https://www.irs.gov/uac/is-your-hobby-a-for-profit-endeavor>. Some of the questions in this fact sheet:
 - Does the time and effort put into the activity indicate an intention to make a profit?
 - Do you depend on income from the activity?
 - If there are losses, are they due to circumstances beyond your control or did they occur in the start-up phase of the business?
 - Have you changed methods of operation to improve profitability?
 - Do you have the knowledge needed to carry on the activity as a successful business?
 - Have you made a profit in similar activities in the past?
 - Does the activity make a profit in some years?
 - Do you expect to make a profit in the future from the appreciation of assets used in the activity?

Phillip stated that we should have a separate bank account and credit or debit card for our business to keep all of our income and expenses separate from our personal.

A question was asked by a member if we should have our farms as LLCs or just as a Sole Proprietorship. Phillip stated that the general thought is that the LLC would protect you from any personal legal action but this is not the case. LLC is more formal but it is not bullet proof.

We should definitely check with our Homeowner's policy to make sure we have adequate liability coverage.

An "S" Corp is similar to an LLC but still flows through your personal return. You can take a salary from it. The profit is not subject to Self-Employment tax. A "C" Corp has its own tax but does not flow through your personal account.

The next question asked was about Depreciation. Many will take the major depreciation in the first year on a major item. If that item should have an extended payment plan, it might not be wise to do this as you would still have the payments each year but are now unable to deduct the interest.

If your expenses are for your farm you can write it off. Important to keep separate from personal. If you operate your business out of your home, a percentage of the utilities and other expenses can be deducted. A mileage/repair log should be kept for all expenses related to travelling for farm related purposes. The mileage rate for 2017 is \$0.53.

Save your receipts...keep records!

If you are selling products you should be filing both a Schedule F and C.

Apply the sales tax to the gross amount if you have donated something. Then you would record the donation amount.

Donations are deductible with some limitations. Read the IRS fact sheets regarding them.

Phillip stated that he would be happy to make arrangements for one of his staff to come and talk to us regarding the Sales Tax confusion. This might be a good program for a future meeting.

Lois and Pam each made a parting remark as they have finished with their extended terms of service to the MAA. Lois asked that if we should sell any of our alpacas to new owners that we mention the MAA. Try to talk to non-member farms and encourage them to join MAA.

There will be another Alpaca School scheduled for March. Date and time are TBD. A notice will be sent out when schedule is arranged.

The meeting adjourned at 2:30 PM. Ginny Rebar made the motion to close the meeting, Bear Brace seconded it. All were in favor.