

# FARM INCOME AVERAGING

FORM **573**

Enclose this form with your Oklahoma tax return.

Taxpayer's first name and initial	Last name

Taxpayer Social Security Number									
□	□	□	□	□	□	□	□	□	□

## INSTRUCTIONS...

Use Form 573 to elect to figure your 2004 tax by averaging, over the previous 3 years (base years), all or part of your 2004 taxable income from your trade or business of farming. Making this election may give you a lower tax if your 2004 income from farming is high and your taxable income for one or more of the 3 prior years was low.

**Line 2** Your "elected farm income" is the amount of your taxable income from your farming business, as defined in IRC Section 263A(e)(4), that you elect to include on line 2. You do not have to include all of your taxable income from farming on line 2.

A gain from the sale or other disposition of property, other than land, regularly used by you in your farming business for a substantial period shall be treated as attributable to such farming business.

**Lines 10, 14, 19, 23, 28 and 32** If your deductions exceed your gross income for any year that is a base year for 2004 (2001, 2002 or 2003), your taxable income for farm income averaging purposes for such year may be a negative amount. However, when you enter your taxable income, do not include any of an NOL carryover or carryback that was not used (absorbed) in such year. The amount of NOL, from your 511-NOL Schedule B, that is being carried over to the following year should be added back to arrive at the amount of taxable income to enter.

**Line 44** Enter your tax on Form 511, line 18 or Form 511NR, line 36 and check the box for "Farm Income Averaging".

1 Enter the 2004 taxable income from Form 511, line 13 or Form 511NR, line 31 . . . . .	00
2 Enter your elected farm income, but not more than the amount on line 1. (see instructions) . . . . .	00
3 Subtract line 2 from line 1 . . . . .	00
4 Figure the tax on the amount on line 3. Use the 2004 Tax Table 1 . . . . .	00
5 Enter the 2004 taxable income from Form 511, Line 16 or Form 511NR, line 34 . . . . .	00
6 Enter your elected farm income, but not more than the amount on line 5 . . . . .	00
7 Subtract line 6 from line 5 . . . . .	00
8 Figure the tax on the amount on line 7. Use the 2004 Tax Table 2 . . . . .	00
9 Enter the lesser of line 4 or line 8 . . . . .	00
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10 Enter the 2001 Method 1 taxable income. To determine taxable income, see page 3. (if zero or less, see instructions) . . . . .	00
11 Divide the amount on line 2 by 3.0 . . . . .	00
12 Combine lines 10 and 11. If zero or less, enter -0- . . . . .	00
13 Figure the tax on the amount on line 12 using 2001 Method 1 tax rates. (see page 4 for tax rate schedule) . . . . .	00
14 Enter the 2001 Method 2 taxable income. To determine taxable income, see page 3. (if zero or less, see instructions) . . . . .	00
15 Divide the amount on line 2 by 3.0 . . . . .	00
16 Combine lines 14 and 15. If zero or less, enter -0- . . . . .	00
17 Figure the tax on the amount on line 16 using 2001 Method 2 tax rates. (see page 4 for tax rate schedule) . . . . .	00
18 Enter the lesser of line 13 or line 17 . . . . .	00

**2004 Form 573: Farm Income Averaging**  
**Page 2**

19	Enter the 2002 Method 1 taxable income. To determine taxable income, see page 3. (if zero or less, see instructions) . . . . .	00
20	Enter the amount from line 11 . . . . .	00
21	Combine lines 19 and 20. If less than zero, enter as a negative amount . . . . .	00
22	Figure the tax on the amount on line 21 using 2002 Method 1 tax rates. (see page 4 for tax rate schedule) . . . . .	00
23	Enter the 2002 Method 2 taxable income. To determine taxable income, see page 3. (if zero or less, see instructions) . . . . .	00
24	Enter the amount from line 11 . . . . .	00
25	Combine lines 23 and 24. If zero or less, enter as a negative amount . . . . .	00
26	Figure the tax on the amount on line 25 using 2002 Method 2 tax rates. (see page 4 for tax rate schedule) . . . . .	00
27	Enter the lesser of line 22 or line 26 . . . . .	00
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28	Enter the 2003 Method 1 taxable income. To determine taxable income, see page 3. (if zero or less, see instructions) . . . . .	00
29	Enter the amount from line 11 . . . . .	00
30	Combine lines 28 and 29. If less than zero, enter as a negative amount . . . . .	00
31	Figure the tax on the amount on line 30 using 2003 Method 1 tax rates. (see page 4 for tax rate schedule) . . . . .	00
32	Enter the 2003 Method 2 taxable income. To determine taxable income, see page 3. (if zero or less, see instructions) . . . . .	00
33	Enter the amount from line 11 . . . . .	00
34	Combine lines 32 and 33. If zero or less, enter as a negative amount . . . . .	00
35	Figure the tax on the amount on line 34 using 2003 Method 2 tax rates. (see page 4 for tax rate schedule) . . . . .	00
36	Enter the lesser of line 31 or line 35 . . . . .	00
37	Add lines 9, 18, 27 and 36 . . . . .	00
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38	Enter the tax for 2001. To determine tax, see page 3. . . . .	00
39	Enter the tax for 2002. To determine tax, see page 3. . . . .	00
40	Enter the tax for 2003. To determine tax, see page 3. . . . .	00
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41	Add lines 38 through 40 . . . . .	00
42	Subtract line 41 from line 37, enter here and on Form 511, line 18 or Form 511NR, line 36. (Be sure and check the box for "Farm Income Averaging") . . . . .	00

## Determination of Taxable Income and Tax for Tax Years 2001, 2002 and 2003

### 2001 Taxable Income

#### **Line 10**

Enter the sum of the following applicable bulleted items (if zero or less, see instructions):

- If you used Form 573 to figure your tax for 2003, add the amount from line 11 of your 2003 Form 573
- If you used Form 573 to figure your tax for 2002, add the amount from line 11 of your 2002 Form 573
- If you used Form 573 to figure your tax for 2001, add the amount from line 3 of your 2001 Form 573.
- If you did not use Form 573 to figure your tax for 2001, add the amount from your 2001 Form 511, line 13; or Form 511NR, line 31.

#### **Line 14**

Enter the sum of the following applicable bulleted items (if zero or less, see instructions):

- If you used Form 573 to figure your tax for 2003, add the amount from line 11 of your 2003 Form 573
- If you used Form 573 to figure your tax for 2002, add the amount from line 11 of your 2002 Form 573
- If you used Form 573 to figure your tax for 2001, add the amount from line 7 of your 2001 Form 573.
- If you did not use Form 573 to figure your tax for 2001, add the amount from your 2001 Form 511, line 16; or Form 511NR, line 34.

### 2002 Taxable Income

#### **Line 19**

Enter the sum of the following applicable bulleted items (if zero or less, see instructions):

- If you used Form 573 to figure your tax for 2003, add the amount from line 11 of your 2003 Form 573
- If you used Form 573 to figure your tax for 2002, add the amount from line 3 of your 2002 Form 573.
- If you did not use Form 573 to figure your tax for 2002, add the amount from your 2002 Form 511, line 13; or Form 511NR, line 31.

#### **Line 23**

Enter the sum of the following applicable bulleted items (if zero or less, see instructions):

- If you used Form 573 to figure your tax for 2003, add the amount from line 11 of your 2003 Form 573
- If you used Form 573 to figure your tax for 2002, add the amount from line 7 of your 2002 Form 573.
- If you did not use Form 573 to figure your tax for 2002, add the amount from your 2002 Form 511, line 16; or Form 511NR, line 34.

### 2003 Taxable Income

#### **Line 28**

If you used Form 573 to figure your tax for 2003, enter the amount from line 3 of your 2003 Form 573. Otherwise, enter the taxable income from your 2003 Form 511, line 13 or Form 511NR, line 31. (if zero or less, see instructions)

#### **Line 32**

If you used Form 573 to figure your tax for 2003, enter the amount from 7 of your 2003 Form 573. Otherwise, enter the taxable income from your 2003 Form 511, line 16 or Form 511NR, line 34. (if zero or less, see instructions)

### 2001, 2002 & 2003 Tax

#### **Line 38**

If you used Form 573 to figure tax for 2002 or 2003, enter the smaller of the 2001 tax computed on the amounts on lines 10 & 14 from page one of this form. (Use the tax rates on page 4 to compute 2001 tax.) If you used Form 573 for 2001 but not 2002 nor 2003, enter the amount from line 9 of your 2001 Form 573. Otherwise, enter the tax from your 2001 Form 511, line 18 or Form 511NR, line 36.

#### **Line 39**

If you used Form 573 to figure your tax for 2003, enter the smaller of the 2002 tax computed on the amounts on lines 19 & 23 from page two of this form. (Use the tax rates on page 4 to compute 2002 tax.) If you used Form 573 for 2002 but not 2003, enter the amount from line 9 of your 2002 Form 573. Otherwise, enter the tax from your 2002 Form 511, line 18 or Form 511NR, line 36.

#### **Line 40**

If you used Form 573 to figure your tax for 2003, enter the amount from line 9 of your 2003 Form 573. Otherwise, enter the tax from your 2003 Form 511, line 18 or 511NR, line 36.

**OKLAHOMA TAX RATES FOR TAX YEARS 2001**

**METHOD 1** Married Joint, Head of Household and Surviving Spouse Filers

If taxable income is:

-0-	-	2,000	Pay		0.50%		
2,000	-	5,000	Pay	10.00	+ 1%	over	2,000
5,000	-	7,500	Pay	40.00	+ 2%	over	5,000
7,500	-	9,800	Pay	90.00	+ 3%	over	7,500
9,800	-	12,200	Pay	159.00	+ 4%	over	9,800
12,200	-	15,000	Pay	255.00	+ 5%	over	12,200
15,000	-	21,000	Pay	395.00	+ 6%	over	15,000
21,000	-	over	Pay	755.00	+6.75%	over	21,000

**METHOD 1** Single and Married Separate Filers

If taxable income is:

-0-	-	1,000	Pay		0.50%		
1,000	-	2,500	Pay	5.00	+ 1%	over	1,000
2,500	-	3,750	Pay	20.00	+ 2%	over	2,500
3,750	-	4,900	Pay	45.00	+ 3%	over	3,750
4,900	-	6,200	Pay	79.50	+ 4%	over	4,900
6,200	-	7,700	Pay	131.50	+ 5%	over	6,200
7,700	-	10,000	Pay	206.50	+ 6%	over	7,700
10,000	-	over	Pay	344.50	+6.75%	over	10,000

**METHOD 2** Married Joint, Head of Household and Surviving Spouse Filers

If taxable income is:

-0-	-	2,000	Pay		0.50%		
2,000	-	5,000	Pay	10.00	+ 1%	over	2,000
5,000	-	7,500	Pay	40.00	+ 2%	over	5,000
7,500	-	8,900	Pay	90.00	+ 3%	over	7,500
8,900	-	10,400	Pay	132.00	+ 4%	over	8,900
10,400	-	12,000	Pay	192.00	+ 5%	over	10,400
12,000	-	13,250	Pay	272.00	+ 6%	over	12,000
13,250	-	15,000	Pay	347.00	+ 7%	over	13,250
15,000	-	18,000	Pay	469.50	+ 8%	over	15,000
18,000	-	24,000	Pay	709.50	+ 9%	over	18,000
24,000	-	over	Pay	1249.50	+ 10%	over	24,000

**METHOD 2** Single and Married Separate Filers

If taxable income is:

-0-	-	1,000	Pay		0.50%		
1,000	-	2,500	Pay	5.00	+ 1%	over	1,000
2,500	-	3,750	Pay	20.00	+ 2%	over	2,500
3,750	-	4,900	Pay	45.00	+ 3%	over	3,750
4,900	-	6,100	Pay	79.50	+ 4%	over	4,900
6,100	-	7,500	Pay	127.50	+ 5%	over	6,100
7,500	-	9,000	Pay	197.50	+ 6%	over	7,500
9,000	-	10,500	Pay	287.50	+ 7%	over	9,000
10,500	-	12,500	Pay	392.50	+ 8%	over	10,500
12,500	-	16,000	Pay	552.50	+ 9%	over	12,500
16,000	-	over	Pay	867.50	+ 10%	over	16,000

**OKLAHOMA TAX RATES FOR TAX YEARS 2002 AND 2003**

**METHOD 1** Married Joint, Head of Household and Surviving Spouse Filers

If taxable income is:

-0-	-	2,000	Pay		0.50%		
2,000	-	5,000	Pay	10.00	+ 1%	over	2,000
5,000	-	7,500	Pay	40.00	+ 2%	over	5,000
7,500	-	9,800	Pay	90.00	+ 3%	over	7,500
9,800	-	12,200	Pay	159.00	+ 4%	over	9,800
12,200	-	15,000	Pay	255.00	+ 5%	over	12,200
15,000	-	21,000	Pay	395.00	+ 6%	over	15,000
21,000	-	over	Pay	755.00	+ 7%	over	21,000

**METHOD 1** Single and Married Separate Filers

If taxable income is:

-0-	-	1,000	Pay		0.50%		
1,000	-	2,500	Pay	5.00	+ 1%	over	1,000
2,500	-	3,750	Pay	20.00	+ 2%	over	2,500
3,750	-	4,900	Pay	45.00	+ 3%	over	3,750
4,900	-	6,200	Pay	79.50	+ 4%	over	4,900
6,200	-	7,700	Pay	131.50	+ 5%	over	6,200
7,700	-	10,000	Pay	206.50	+ 6%	over	7,700
10,000	-	over	Pay	344.50	+ 7%	over	10,000

**METHOD 2** Married Joint, Head of Household and Surviving Spouse Filers

If taxable income is:

-0-	-	2,000	Pay		0.50%		
2,000	-	5,000	Pay	10.00	+ 1%	over	2,000
5,000	-	7,500	Pay	40.00	+ 2%	over	5,000
7,500	-	8,900	Pay	90.00	+ 3%	over	7,500
8,900	-	10,400	Pay	132.00	+ 4%	over	8,900
10,400	-	12,000	Pay	192.00	+ 5%	over	10,400
12,000	-	13,250	Pay	272.00	+ 6%	over	12,000
13,250	-	15,000	Pay	347.00	+ 7%	over	13,250
15,000	-	18,000	Pay	469.50	+ 8%	over	15,000
18,000	-	24,000	Pay	709.50	+ 9%	over	18,000
24,000	-	over	Pay	1249.50	+ 10%	over	24,000

**METHOD 2** Single and Married Separate Filers

If taxable income is:

-0-	-	1,000	Pay		0.50%		
1,000	-	2,500	Pay	5.00	+ 1%	over	1,000
2,500	-	3,750	Pay	20.00	+ 2%	over	2,500
3,750	-	4,900	Pay	45.00	+ 3%	over	3,750
4,900	-	6,100	Pay	79.50	+ 4%	over	4,900
6,100	-	7,500	Pay	127.50	+ 5%	over	6,100
7,500	-	9,000	Pay	197.50	+ 6%	over	7,500
9,000	-	10,500	Pay	287.50	+ 7%	over	9,000
10,500	-	12,500	Pay	392.50	+ 8%	over	10,500
12,500	-	16,000	Pay	552.50	+ 9%	over	12,500
16,000	-	over	Pay	867.50	+ 10%	over	16,000