Alternatives for Transferring Land

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Farm Succession vs. Estate Planning

- The transfer of:
  - Labor
  - Management
  - Skills
  - Income
  - Assets
  - Debt

A viable business moving into the future

If it’s transfer of the assets/debt, this is asset transfer or an estate plan. Could be either before or after death of the owner

Alternatives for transferring farm assets

1. Sale
2. Gift
3. Transfer at death
4. Trade
5. Transferring to a business entity

Common issues of transferring land

- What do the current owners need from the asset (is it needed as an income?)
- If a sale, can the buyer cash flow the purchase price, whether it's fair market or a discounted price
- Control and management of the asset
- Protection of the asset
- Fairness in distribution to heirs (gifting, inheritance)
- Tax consequences

Sale

- No gift or death tax consequences
- But there are income tax consequences
- Capital gain
  - Federal: 0% - 28%
  - Wisconsin: 60% of gain excluded
- All at once, or over time?
- What about control, protection of the asset?

Transfer by Gift

- Gift tax consequences
- Income tax consequences
- Protection & control

Federal Gift Tax

- Annual exclusion: $14,000/year
- Marital deduction: unlimited
- Lifetime exclusion:
  - 2002 - 2010: $1,000,000
  - 2011: $5,000,000
  - After 2011: $5,000,000 (indexed)
  - ($5,430,000 for 2015)

Transfer at Death

- Estate tax consequences
- Income tax consequences

Federal estate tax

Years	Exclusion
2006-2008	$2,000,000
2009	$3,500,000
2010-2011	$5,000,000
After 2011	$5,000,000 (indexed)

- ($5,430,000 for 2015)

Federal and Wisconsin Income Tax

- Assets passing at death receive an income tax basis equal to the date-of-death value.
- Both halves of marital property get a date-of-death value basis.

Trade

If farm assets are traded for “like-kind” assets, gain or loss is rolled over into the acquired property.

Transferring to a Business Entity

Assets can be exchanged for ownership in an entity without triggering recognition of gain

The “do nothing” strategy

- Raises unpleasant family issues
- Forces people to confront their mortality
- Inability to choose among children or make decisions on distribution of assets
- Too busy doing day-to-day tasks
- Loss of control
- Loss of identity
- Too dependent on the assets for their later years’ expenses
- Reduces options

Risks of not planning for succession

- The business will decline instead of grow
- Business assets will be distributed in a way that is unsustainable for the business
- Entering generation isn’t provided adequate management experience to take over
- Something unexpected that hasn’t been planned for forces decisions the operators would preferably not make

Resources for planning

- Your County UW-Extension office
- WDATCP’s Farm Center – 800.942.2474
- UW Extension publication: **Family Estate Planning in Wisconsin** http://learningstore.uwex.edu/Assets/pdfs/B1442.pdf
- Technical College Farm Business & Management Instructors

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Or contact your local County UW-Extension Agriculture Agent