

1 **Alternatives for
Transferring Land**

2 **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

3 **Alternatives for transferring
farm assets**

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

4 **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
- ◆

5 **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?

6 **Transfer by Gift**

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

7 **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)

8 **Transfer at Death**

- Estate tax consequences
- Income tax consequences

9 **Federal estate tax**

◆ <u>Years</u>	<u>Exclusion</u>
◆ 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)	

10 **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.

11 **Trade**

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

12 **Transferring to a Business Entity**

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

13 **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

14 **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

15 **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

16 **Contact information**

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Or contact your local County UW-Extension Agriculture Agent