



*Caring for You and Your Farm<sup>®</sup>*

*Professional Services for Farmland Owners and Investors*

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## **Tax / Transition Planning**

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Secure Your Farm's Future | Winter 2026



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# AG TRIVIA

On average, how many glasses of milk does a cow produce in a day?

1. 50
2. 100
3. 90
4. 25



# AG TRIVIA

# 90



# AG TRIVIA

The Kona Coast of Hawaii's big island is the only major production area in the U.S. of what crop?

1. Spinach
2. Pineapple
3. Agave
4. Coffee



# AG TRIVIA

## Coffee



# 2025 Federal Tax Brackets and Rates

2025 Tax Rate	Single	Married Filing Jointly	Head of Household	Married Filing Separately
10%	\$0 to \$11,925	\$0 to \$23,850	\$0 to \$17,000	\$0 to \$11,925
12%	\$11,926 to \$48,475	\$23,851 to \$96,950	\$17,001 to \$64,850	\$11,926 to \$48,475
22%	\$48,476 to \$103,350	\$96,951 to \$206,700	\$64,851 to \$103,350	\$48,476 to \$103,350
24%	\$103,351 to \$197,300	\$206,701 to \$394,600	\$103,351 to \$197,300	\$103,351 to \$197,300
32%	\$197,301 to \$250,525	\$394,601 to \$501,050	\$197,301 to \$250,500	\$197,301 to \$250,525
35%	\$250,526 to \$626,350	\$501,051 to \$751,600	\$250,501 to \$626,350	\$250,526 to \$375,800
37%	\$626,351 or more	\$751,601 or more	\$626,351 or more	\$375,801 or more



# Standard Deduction

- \$14,600 for Singles - 2024
- \$15,750 for Singles - 2025
- \$29,200 for Couples - 2024
- \$31,500 for Couples - 2025
- \$21,900 for Head of Household – 2024
- \$23,625 for Head of Household – 2025
- Indexed for inflation



# Standard Deduction

- Raises Standard Deduction for 65 and over by \$6,000 until 2028
- Applies Whether You Itemize or Take Standard Deduction
- Phases Out at \$75K for Individuals \$300K MFJ
- Phases Out at Rate of 6% of Excess



# Capital Gains Rates

Maximum Amounts for Capital Gains Rates for 2024 and 2025

Filing Status	2024 Maximum 0% Rate Amount	2024 Maximum 15% Rate Amount	2025 Maximum 0% Rate Amount	2025 Maximum 15% Rate Amount
Single	\$47,025	\$518,900	\$48,350	\$533,400
Married Filing Separately	\$47,025	\$291,850	\$48,350	\$300,000
Head of Household	\$63,000	\$551,350	\$64,750	\$566,700
Married Filing Jointly	\$94,050	\$583,750	\$96,700	\$600,050
Surviving Spouse	\$94,050	\$583,750	\$96,700	\$600,050
Estates & Trusts	\$3,150	\$15,450	\$3,250	\$15,900



# Net Investment Income Tax (Passive Income Tax)

- Passive Income Tax of 3.8% applies at \$250,000+
- \$200,000 for single individuals
- Applies to real estate sale income
- Applies to any other passive income, including cash rent.



# Corporate Tax Rate

- 21% Flat Rate
- Dividend Tax on Withdrawals 15 - 20%
- Same Brackets as Capital Gains



# Tax Brackets for Trusts & Estates 2025

- 10% of taxable income
- 24% starting at \$3,151
- 35% starting at \$11,451
- 37% starting at \$15,651



# Still Awake???



# Net Operating Losses

- Can be carried back for 2 years.
- Limited to 80% of taxable income.
- Can be carried forward indefinitely.
- What about Capital Losses?

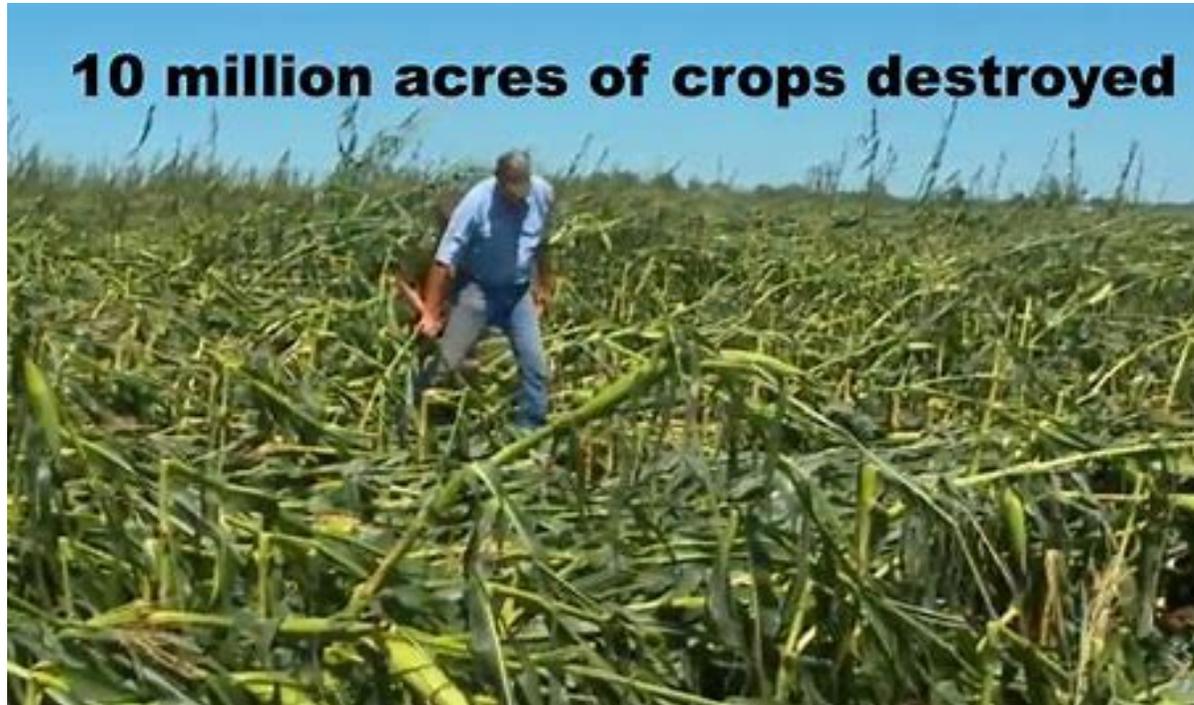


# Tax Options by Lease Type

- Cash Rent
- Flex Rent
- Net Share
  - Custom
- Modified Crop Share
  - Crop Share
- Livestock Share



# Crop Insurance Deferral



- Use Cash accounting
- Receive insurance in the year of damage
- Normally sell part of crop the year after produced



# Section 179 Deduction

- Materially participating leases only
- \$2,500,000 for 2025 (Inflation adjusted)
- Phase out at \$4M
- Not allowed when determining AGI for FSA
- No related party purchases
- New or used qualifying property



# Bonus Depreciation



- Allows Businesses to Write Off 100% of Business Capital Investments
- Deduction Includes **Used Equipment**.
- Available Under any Lease Type.
- No Related Party Purchases.
- More Investments Eligible than Under Section 179 Deduction
- Available Through 2031



# Excess Fertility Deduction Section 180 Deduction

- Soil Test Showing Levels Above Optimum on Newly Acquired Farm
- No Fertilizer Applied by New Owner Before Soil Tests Taken



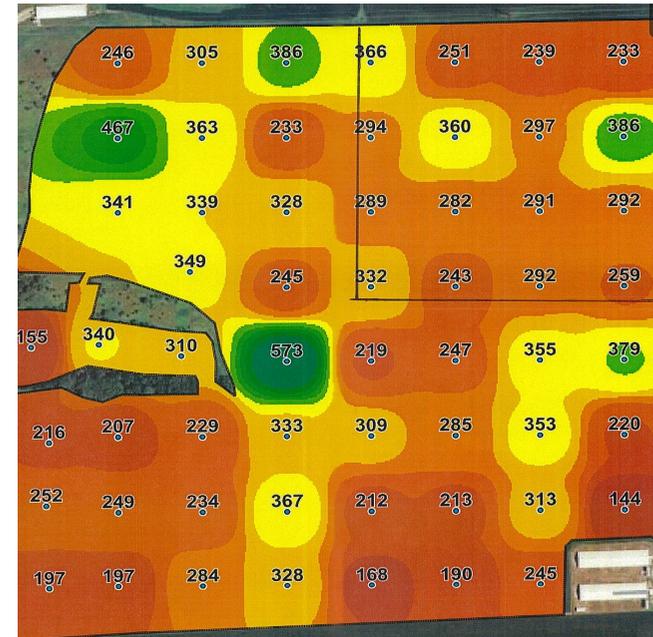
# Excess Fertility Deduction

- **FERTILIZER CARRYOVER**
- Soil Test Results
- Average Phosphorus Level - 65 ppm
- Average Potassium Level - 195 ppm
- Optimum Soil Test Recommendations - ISU
- Phosphorus – 20 ppm
- Potassium – 160 ppm



# Excess Fertility Deduction

- Pounds of Required Nutrient to build 1 ppm
- Phosphorus – 16 pounds
- Potassium – 8 pounds



# Qualified Business Income Section 199A

- Business income deduction of 20% of net income from pass-through entities, such as Sole Proprietorship, S-Corp, Partnership or LLC.
- Cash rent lease makes it difficult to qualify for.
- Deduction is limited to lesser of 20% of Qualified Business Income (QBI) or 20% of net taxable income.



# One Big Beautiful Bill Act (2025 Budget Reconciliation Act)

- Extended many/most of the tax changes from the 2017 Tax Cuts & Jobs Act (TCJA)
- Increases State and Local Taxes (SALT) Cap from \$10,000 to \$40,000. Increases 1% per Year Through 2033. Phases down to \$10,000 above \$505,000 AGI (Indexed) Phase Out Rate is 30%.
- Individual tax rates of 10%, 12%, 22%, 24%, 32%, 35%, and 37% made permanent.



# One Big Beautiful Bill Act

## Cont.

- Deduction for Taxes on up to \$25,000 in Tips under \$150,000 AGI (300K for MFJ)
- Deduction for \$12,500 of Overtime (\$25,000 MFJ) under \$150,000 AGI (\$300K for MFJ)
- Up to a \$10,000 deduction for interest on a personal vehicle for AGI up to \$100,000



# One Big Beautiful Bill Act

## Cont.

- Banks or Insurance Companies Allowed to Exclude 25% of Interest Earned on Ag Real Estate Loans from Taxable Income.
- Capital Gains Tax on the Sale of Farmland can be paid over 4 Equal Annual Installments
  - Farm or Lease to Qualified Farmer for 10 Years Prior to Sale
  - Sell to Qualified Farmer
  - Restrictive Covenant Requiring Land to be Farmed for 10 Years after Sale
  - File Copy of Covenant with First Tax Return



# One Big Beautiful Bill Act

## Cont.

- Deductibility of Home Mortgage interest Limited to first \$750,000 of debt MFJ (\$375,000 single). Unless debt was incurred prior to December 15, 2017 then limits are first \$1,000,000 and \$500,000 respectively
- Allows for individual government payment limits for members of LLCs, S-Corps and LLLPs similar to general partnerships
- Moves annual payment limits from \$125,000 to \$155,000
- And by the way.....raises debt ceiling by another **\$5 Trillion.**



# Estate / Gift Tax

- Annual exclusion for Gifts
  - \$15,000/person – 2020
  - \$15,000/person – 2021
  - \$16,000/person – 2022
  - \$17,000/person – 2023
  - \$18,000/person – 2024
  - \$19,000/person - 2025
- If you exceed \$19,000 annual exclusion, it lowers your Estate/Gift Tax exemption accordingly
- Unlimited Spousal Deduction



# Estate/Gift Taxes

- The estate tax exemption(unified credit) for 2025 - \$13.99 million.
- Set to Sunset 12/31/25.
- One Big Beautiful Bill Act raised to \$15M and made permanent.
- Indexed for inflation
- Estate or Gift tax 40% beyond exemption
- Stepped-up basis and portability continue



# Estate Tax Saving Tools

- Partial interest discounts
- Minority interest discounts
- Section 2032A Special Use Valuation -  $\$1,420,000 \times 40\% = \$568,000$ 
  - 50% of estate value must be in eligible real estate holdings
  - Heirs must own under participating lease for at least 10 years
  - May Cash Rent to Eligible Family Member



# Estate Tax Saving Tools

- Section 6166 Deferred Estate Tax Payment
  - 35% of the estate in closely held business
  - 14 years and 9 months to pay
  - Interest only for first 4 years
  - 2% rate on first \$1.75 million low variable rate beyond that
  - must be an active trade or business (participating lease)
  - Heirs must continue to own for deferral period
  - Interest is not tax deductible



# Who's in Charge?

NO. I'M FOLLOWING YOU



# Ownership Options

- Individual
  - Unlimited Liability
- Partnership
  - Unlimited Liability
- Limited Partnership (LP)
  - Limited Liability for some
- Limited Liability Limited Partnership (LLLP)
  - Limited Liability
- Limited Liability Company (LLC)
  - Limited Liability



# Ownership Options

- C-Corp
  - Limited Liability
  - Double Taxation
- Subchapter S-Corp
  - Limited Liability
  - Conversion vehicle for C-Corp
- Revocable Trust
- Irrevocable Trust



# Land Transfers

- Tax Consequences of Transferring Land
  - LLC
  - LLLP
  - S-Corp
  - C-Corp
  - Revocable Trust
  - Irrevocable Trust



# Stepped up Basis

- When do you get a stepped up basis?
  - LLC
  - LLLP
  - S-Corp
  - C-Corp
  - Revocable Trust
  - Irrevocable Trust



# Now What?



# Wills vs. Revocable Trusts

Will	Revocable Trust
•Requires probate administration	•Does not require probate administration
•Probating a will is a public process	•Trusts are private and not filed with the court
•Does not manage assets during your incapacity	•Manages assets if you're incapacitated
•Does not manage assets while kids are under 18	•Manages assets for children while they're under 18 and beyond
•Less expensive to draft	•More expensive to draft
•More costly and time-consuming to administer	•Faster to administer; however, there may be ongoing Trustee fees
	<ul style="list-style-type: none"> <li>•Asset Protection &amp; Control</li> <li>•Pour-Over Will</li> </ul>



# Pour Over Wills

- Used to “pour” any assets left out of a Revocable Trust into the Trust immediately after death.
- Avoids having to probate estate because an asset was not titled correctly at death.
- Allows for bequeathing personal assets that would not be subject to probate.
- Catch-all



# Documents

- Operating Agreement or By-Laws
  - Buy/Sell Agreement
- Articles of Incorporation for some
  - Trust Agreement



# Operating Agreement Components

- How are decisions made?
- Who is responsible?
- How do you wind down?
- Who can be an Owner?



# Buy/Sell Agreement

- What triggers a sale?
- How are units valued?
- Who pays for valuation?
- How and by whom are they purchased?
- Discounts on certain sales?



# Articles of Incorporation

- Filed with the Secretary of State in the state created and anywhere you will be operating.
- Provides the name of the entity and purpose.
- States the business address
- May or may not include a list of owners.



# Trust Agreement

- Lays out who the Grantor of the Trust is
- States who the Trustee is and their duties and authority
- May list a Co-Trustee or Successor Trustee
- Lists the beneficiaries of the Trust
- Lays out the rules of operation of the Trust
- States reasons and process for replacement of a Trustee.
- Provides the term of the Trust and when assets are distributed.



# Other Considerations

- Inventory of Assets
- Family Dynamics
- On-Farm Versus Off –Farm Heirs
- Fair Versus Equal
- \$4 Million Dollar Exemption Not Tied to Federal Exemption in IL
- Equitable Distribution Law
- Trusted Advisor Team
- Legacy Story



# ***QUESTIONS??***



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The screenshot shows the Hertz Farm Management website. At the top is the Hertz logo and a navigation menu with links: ABOUT, FARM MANAGEMENT, REAL ESTATE, APPRAISAL, AG INFO, SEMINARS, INVEST. Below the navigation is a section titled "Contact one of our offices" featuring a map of the central United States with yellow location pins. To the right of the map is a "How Can We Help?" section with text and a photo of a group of people. Below the map is a "Find a Farmland Professional" search bar. Underneath is a list of 15 office locations, each with a phone number and a "Details" button. To the right of the office list is a contact form with fields for First Name, Last Name, Phone, Email, and Message, along with a "Submit" button and a "Hertz Mailing List" checkbox.

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