



## Helping Farmland Owners Build Wealth Across Generations

Planning for the future of your farm can help ensure the farm remains in the family and provide your heirs with an understanding, not only of the farm operation, but of it's importance to your family Legacy. Are your personal goals and investment objectives driving management decisions for your farm as they should? To achieve these goals and objectives, you must have accurate, detailed accounting, consistent on-farm supervision and assurance that your best interests are represented.

### What should you consider when you look at future generation planning and long-term ownership of your farmland?

Your land is your legacy, so it is important to consider all ramifications when you plan for passing this legacy on to future generations. Depending on your unique situation, some important factors might include:

- Identifying goals and objectives for your farmland and selecting the kind of lease that best fits to help you achieve those goals (see chart)
- The benefits of professional farm management in improving long-term net income, the farm's reputation and assuring a smooth transition from one generation to the next
- The advantages of having farmland in a LLLP or an LLC for gifting and for an estate. The IRS typically recognizes a value reduction because of the limited marketability of the stock/units
- Estate taxes can be paid on an installment basis (IRC Section 6166) as long as the farm has not been cash rented. More than 35 percent of the estate must be in a farm or closely held business to use the installment method

- Reducing the value of farmland in an estate through "Special Use Valuation" (IRC Section 2032A). To qualify for Special Use Valuation in an estate, several conditions must be met:
  - Over 50 percent of the estate must be real or personal farm property
  - There must be material participation by the decedent or a member of the family at least five of the eight years prior to death or retirement. Farmland that has been cash rented is not eligible unless rented to a family member.
  - There must be material participation by a family member for 10 years after the landowner's death
  - The property cannot be sold outside of the family for 10 years.

A Hertz Farmland Professional understands your relationship with your land and applies a stewardship approach to maximize returns. Your Hertz Farmland Professional will be your partner, offering a full range of services that will ensure you meet your goals.

OBJECTIVES	Custom Agreement	Modified Crop Share	Crop Share	Net Share	Variable Cash Rent	Cash Rent
Grain market opportunities	●	●	⊖	⊖	⊖	○
Productivity and technology advances	●	●	●	⊖	⊖	○
Income tax flexibility and deductions	●	●	●	⊖	○	○
Minimal investment	○	○	⊖	●	●	●
Benefit from land improvements like drainage tile	●	●	⊖	⊖	⊖	⊖
Influence farm operations and care	●	●	⊖	⊖	○	○
Participate in a higher value crop (seed corn)	●	●	⊖	⊖	○	○
Conservation practices—cover crops, no-till	●	●	⊖	⊖	○	○
● Highest Benefit    ⊖ Moderate Benefit    ○ Least Benefit						