

Farms, tax planning, and funding a family legacy



Given that there are more than [2 million farms](#) in the United States, most advisors have at least one client who owns farm property. Although the number of farms has been dropping slowly but steadily since 2000, still, millions of dollars of wealth are tied up in farms as agricultural land continues to be [valuable](#).

Farmland, like many other hard-to-value assets, tends to carry with it a lot of [emotional attachment](#). Farmland also can be hard to deal with in an estate plan because of the challenges of multiple owners and the complexity of the [estate tax](#) as it's applied to farm-related assets. For these reasons, it is worth exploring philanthropic options with your clients who own farmland.

Multiple ways to structure a gift

A fund at the community foundation can receive a tax-deductible gift of farmland in a variety of ways. An outright gift is always an option; lifetime gifts of farmland held for more than one year are deductible for income tax purposes at 100% of the fair market value of the property on the date of the gift, which also avoids capital gains tax and reduces the value of the client's taxable estate. Other ways to give farmland include a bargain sale or a transfer to a charitable remainder trust which produces lifetime income for your client.

Keeping the family together

A gift of farmland to a fund at the community foundation doesn't just provide tax benefits. The gift also helps your client overcome the emotional challenges associated with letting go of an asset that in many cases has been in the family for generations.

By donating farmland to a fund at the community foundation, a client can work with the foundation to extend the emotionally important, family-related dynamics that were previously linked to the land, even after the foundation sells the farmland and the client's fund holds the proceeds. For example, multiple generations of family members can serve as advisors to the fund and collectively recommend grants to charities that carry on the values held by the family during the years it operated the farm, such as funding agricultural scholarships, promoting sustainable farming, or supporting programs that educate entrepreneurs about how to build a successful farming operation.

A cautionary note

Closely related to gifts of farmland to charity are conservation easements. Conservation easements can be a tax-effective way for a client to fulfill charitable intentions with real estate, but these vehicles must be carefully constructed to avoid landing on the [IRS's radar](#).

We are happy to help you and your client structure a gift of farmland to a fund at the community foundation so that the client's family members can continue to work together even after the farm is sold. Please reach out anytime!