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The start of a new year finds farmers looking at formulating taxes, secession and estate plans for their farms, and some may be thinking about selling their farm property.

Accompanying increased land values, the estate tax will rise from 35 percent to 55 percent and the amount of money excluded from the estate tax will drop from $5 million to $1 million if Congress does not act on taxes by Jan. 1.

President Barack Obama has pushed for a 45 percent rate on estate assets of $3.5 million or more — a reversion to the estate tax exemption and rates at 2009 levels — though Congress continues to be embroiled in negotiations on the fiscal cliff.

It will be difficult for many farmers to get over the proposed estate tax threshold, so it is smart to remain mindful of retaining control of farm assets, noted Michael Fritten, principal of the Real Estate Team at Somerset CPA, who spoke during the educational seminars hosted by Hoosier Ag Today at the Indiana-Illinois Farm and Outdoor Power Equipment Show.

"If this tax change compromises your current lifestyle, there are a lot of different strategies you can utilize, including family-limited partnerships and limited-liability corporations, where you can transfer the non-voting stock to the next generation," he said.

Farmers who may be thinking about selling the farm probably are concerned about how to treat all the family members fairly, as equity and profitability do not always

go hand in hand.

For farmers looking to sell their farm, the capital gains tax will be their net investment income, Fritten said.

"If a family has farmland worth $9 million and the family's cost basis is $4 million, their tax savings in 2012 will amount to about $5 million in taxable capital gains," he said. "Selling the farm in 2012 and 2013 would net the family an extra $500,000."

Farmers can employ additional strategies including multiple tax minimization and deferral on their farms.

They have the potential to bunch income in 2012 when the 2011 deferred income will be recognized, the accountant said.

Crop insurance proceeds and forced livestock sales also will be recognized in 2012 as livestock farmers have been forced to liquidate and sell quantities of their herds, he said.

Tax provisions of bunching income enable farm families to defer the proceeds on crop insurance. Farmers could have a one-year deferral and potential for a four-year deferral for crop insurance proceeds for the current-year crop, Fritten said.

Farmers who received proceeds in 2012 for crops and normally report their income must have proceeds due to physical damage rather than revenue protection, he said.

For livestock sales, if a farmer is a cash-basis taxpayer, he or she can report their practice in the following year, he said.

Farmers have up to a four-year elected deferral to replace their animals and defer gain over a period of time, Fritten said.

If they have not replaced their livestock at the end of the four years, they will continue to defer that gain, he said.

The Indiana General Assembly passed a law this year phasing out the Indiana