

Table of Contents

Volume 1

CHAPTER 1. ECONOMIC BACKGROUND OF FARM ESTATE AND TAX PLANNING

I. INTRODUCTION

- § 1:1 Generally—Farm economic issues and implications

II. THE FARM AND RANCH UNIT

- § 1:2 Cyclical characteristics
- § 1:3 Financial characteristics
- § 1:4 The vulnerability of agriculture to high debt levels and high real interest rates

III. THE AGRICULTURAL INDUSTRY

- § 1:5 Supply, production, marketing structure, and the industrialization of agriculture
- § 1:6 Market value of land and unit size
- § 1:7 Operating costs
- § 1:8 Effect of management and business technology
- § 1:9 Farm operators in a volatile economy
- § 1:10 Business participation by both husband and wife
- § 1:11 Children entering management
- § 1:12 Other children
- § 1:13 The farm as a way of life
- § 1:14 Preservation of the operating unit
- § 1:15 Balancing the interests of children
- § 1:16 The impact of agricultural public policy on estate planning
- § 1:17 The federal estate, gift, and GST taxes after 2012

IV. ECONOMIC ANALYSIS

- § 1:18 The economic elements of agricultural business
- § 1:19 Organizing the economic elements

V. FINANCING THE OPERATION

- § 1:20 Lending practices
- § 1:21 Equity financing

VI. THE ECONOMIC ELEMENTS IN ESTATE PLANNING

- § 1:22 The family farm cycle

- § 1:23 The discontinued operation
- § 1:24 The ongoing operation
- § 1:25 Adjustment for successor-operator's input
- § 1:26 Adaptation of organizational forms to farming

VII. THE ECONOMICS OF FARM BUSINESS ORGANIZATIONS

- § 1:27 The economics of farm business organizations
- § 1:28 General operating forms
- § 1:29 Compensation arrangements

VIII. RECOMMENDED RESOURCES

- § 1:30 Internet Reference List

CHAPTER 2. PREPARATION FOR PLANNING

I. INTRODUCTION

- § 2:1 Generally
- § 2:2 Return preparer penalties
- § 2:3 Planning for digital resources

II. SPECIAL ASPECTS OF THE FARM FAMILY

- § 2:4 Succession of farm property to children
- § 2:5 Tax minimization
- § 2:6 Preservation of management control
- § 2:7 Financial provisions for the parents
- § 2:8 Retirement
- § 2:9 Long-term care planning
- § 2:10 Acceptability of business and estate planning
- § 2:11 Client communication

III. SPECIAL ASPECTS OF ESTATE PLANNING IN THE AGRICULTURAL CONTEXT

- § 2:12 Use of common planning devices
- § 2:13 Estate planning and business planning
- § 2:14 Necessity for property-holding devices
- § 2:15 Specialized types of agricultural operations

IV. ESTATE PLANNING

- § 2:16 Steps in estate planning
- § 2:17 Basic information
- § 2:18 —Gathering family information
- § 2:19 —Compilation of financial data
- § 2:20 —Basis records
- § 2:21 Taxes

TABLE OF CONTENTS

§ 2:22	Expense projections
§ 2:23	Effect of post-mortem tax options
§ 2:24	Husband and wife property-holding
§ 2:25	Planning for the marital deduction
§ 2:26	Gift program
§ 2:27	Business entity or other property-holding devices
§ 2:28	Transfer on death deeds
§ 2:29	Business relationship among children
§ 2:30	Incentive trusts
§ 2:31	Preparation of legal instruments
§ 2:32	Accounting assistance
§ 2:33	Client education
§ 2:34	Follow up and review
§ 2:35	Buy-sell agreements
§ 2:36	—Option to Purchase
§ 2:37	Asset protection

V. LIQUIDITY PLANNING

§ 2:38	Pre-planning of estate administration
§ 2:39	Minimization of death taxes
§ 2:40	Development of funds for the estate
§ 2:41	Lifetime cash saving
§ 2:42	Life insurance
§ 2:43	Estate tax deferral

VI. FORMS

§ 2:44	Document checklist
§ 2:45	Financial data assembly sheet
§ 2:46	Family data form
§ 2:47	Insurance analysis form
§ 2:48	Real estate inventory and basis form
§ 2:49	Client estate planning checklist
§ 2:50	Client information for family farm transition
§ 2:51	Client information on § 2032A and § 6166
§ 2:52	Client information on basic estate disposition planning
§ 2:53	Client information on basic estate tax planning
§ 2:54	GRATs and GRUTs planning
§ 2:55	Fiduciary powers—Business and farm
§ 2:56	Illustrative severance agreement
§ 2:57	Durable financial power of attorney (with client explanation)
§ 2:58	Power of attorney provisions authorizing electronic transactions
§ 2:59	Power of attorney based on the uniform power of attorney act
§ 2:60	Health care power of attorney based on the uniform power of attorney act

- § 2:61 Durable power of attorney to access and manage online presence
- § 2:62 Transfer on death deed

VII. RECOMMENDED RESOURCES

- § 2:63 Internet reference list

APPENDIX 2-1. Farm Family Transition Control Plans

CHAPTER 3. JOINT TENANCIES AND SPOUSAL PARTNERSHIPS

- § 3:1 Background and estate planning significance
- § 3:2 Legal development of spousal co-ownership
- § 3:3 Common aims of survivorship property holding
- § 3:4 Disadvantages of joint tenancies between spouses and possible solutions
- § 3:5 —Planning inflexibility
- § 3:6 —Inadvertent destruction of the survivorship
- § 3:7 —Post-mortem inflexibility
- § 3:8 Manner of creation of joint tenancies
- § 3:9 Gift and income tax aspects of joint tenancies
- § 3:10 Basis step-up at death of a joint tenant
- § 3:11 Transfers to living trusts
- § 3:12 Federal estate tax aspects of joint tenancies
- § 3:13 Types of contribution by the surviving joint tenant
- § 3:14 Proof of contribution by a surviving spouse: Qualified joint interests not involved
- § 3:15 Contributions by means of services: Qualified joint property not involved
- § 3:16 Partnerships between spouses—State law
- § 3:17 —Federal tax law
- § 3:18 Informal partnerships between spouses
- § 3:19 Factors establishing family partnerships
- § 3:20 The quasi-partnership
- § 3:21 —Exclusion of rentals from self-employment income
- § 3:22 Advisability of partnership agreements
- § 3:23 Partnership as establishing joint tenancy contributions
- § 3:24 —Nonmonetary contributions
- § 3:25 —State cases
- § 3:26 —The Internal Revenue Service position
- § 3:27 Indications of informal spousal farm partnerships—Checklist
- § 3:28 Memorandum agreement for non-partnership mutual ownership
- § 3:29 Joint property agreement

CHAPTER 4. INTERSPOUSAL PROPERTY- HOLDING DURING LIFETIME AND SUCCESSION AT DEATH

I. SPOUSAL PROPERTY OWNERSHIP

- § 4:1 General ownership problems
- § 4:2 Property titled solely in one spouse and loss of unified credit
- § 4:3 Reaching the optimum in asset holding
- § 4:4 Effect of holding as joint tenants or tenants-in-common
- § 4:5 Property-holding in life estate and remainder
- § 4:6 Uniform probate code variations—Specific property titling
- § 4:7 Optimum federal estate tax distribution
- § 4:8 Non-traditional families and unmarried cohabitants

II. PLANNING FOR THE MARITAL DEDUCTION

- § 4:9 Unlimited marital deduction
- § 4:10 Planning after portability
- § 4:11 Elective rights of the surviving spouse
- § 4:12 Direct allocation of assets
- § 4:13 The disclaimer will as a hedge against changing values
- § 4:14 Providing flexibility through trust termination
- § 4:15 Estate tax deferral through the unlimited marital deduction
- § 4:16 —Effective dates: Formula clauses
- § 4:17 —Deferral alternatives
- § 4:18 —Deferral considerations
- § 4:19 —Benefits of deferral
- § 4:20 —Disadvantages of deferral
- § 4:21 —Deferral arithmetic
- § 4:22 Interrelationship of the charitable and marital deductions
- § 4:23 The ABC trust

III. CHOICE OF MARITAL DEDUCTION FORMULA

- § 4:24 Choice of formula and allocation problems
- § 4:25 —The fractional formula
- § 4:26 —Pecuniary formula legacy to the surviving spouse
- § 4:27 —Pecuniary formula legacy to the credit trust
- § 4:28 —Division as to credit shelter and marital share
- § 4:29 —The excess distributions tax
- § 4:30 Making the choice of formula structure

IV. MARITAL DEDUCTION TRUSTS

- § 4:31 The use of marital deduction trusts
- § 4:32 Requirement of annual distribution
- § 4:33 The qualified terminable interest in property
- § 4:34 —Qualified income interest for life
- § 4:35 —Powers of appointment

- § 4:36 —Other QTIP rules
- § 4:37 —The living QTIP
- § 4:38 —Qualification by disclaimer
- § 4:39 —Legal life estates
- § 4:40 —Life use of property through a trust
- § 4:41 —Manner of electing
- § 4:42 —Election of a specific portion
- § 4:43 —Right to reimbursement of tax paid
- § 4:44 —Incapacity of the surviving spouse
- § 4:45 Planning applications of the qualified terminable interest in property trust—Generally
- § 4:46 —Potential uses
- § 4:47 —Potential problems
- § 4:48 Administrative powers jeopardizing the marital deduction
- § 4:49 Aggregation of fractional and entity interests in a QTIP
- § 4:50 —Recovery of estate tax
- § 4:51 —Qualification for special estate tax provisions in the estate of the surviving spouse
- § 4:52 —Charitable remainder trusts
- § 4:53 —Interrelationship with the generation-skipping tax
- § 4:54 —The reverse QTIP election

V. FUNDING THE MARITAL DEDUCTION

- § 4:55 Establishing the correct allocation
- § 4:56 Choosing the form of the marital legacy in the farm estate
- § 4:57 Joint and mutual wills
- § 4:58 —Pecuniary formula distributions
- § 4:59 —Selection of property for funding
- § 4:60 —Funding the pecuniary marital legacy
- § 4:61 —Income tax consequences of marital deduction funding
- § 4:62 —Application to real estate
- § 4:63 —Business organization shares or interests
- § 4:64 Explaining the unlimited marital deduction to clients
- § 4:65 Relating farm special value property to the unlimited marital deduction
- § 4:66 Mathematics of the marital deduction involving farmland
- § 4:67 The optimum marital deduction using farm property
- § 4:68 Restricting or tailoring the § 2032A election
- § 4:69 Funding pecuniary legacies to the credit trust with § 2032A property
- § 4:70 Pecuniary formula legacies to the spouse and farm property
- § 4:71 Effect of debt on farm special value property
- § 4:72 The fractional formula
- § 4:73 Hybrid formula

VI. CREDIT SHELTER ARRANGEMENTS

- § 4:74 The mechanics of credit shelter provisions
- § 4:75 —Surviving spouse as trustee of a credit trust

TABLE OF CONTENTS

- § 4:76 —Disclaimer to a credit trust
- § 4:77 —Facilitation of credit shelter provisions
- § 4:78 The life estate as credit shelter device
- § 4:79 Funding the credit shelter trust
- § 4:80 Credit shelter trusts, portability and income tax planning

VII. OTHER SPOUSAL ESTATE PLANNING CONCERNS

- § 4:81 Indebtedness encumbering the property of the spouses
- § 4:82 Effect of property-holding on life insurance planning
- § 4:83 —Mathematics of spousal life insurance
- § 4:84 Effect of marital problems
- § 4:85 Control of property disposition upon remarriage of surviving spouse
- § 4:86 Trusts with farm assets
- § 4:87 —Trustee powers for agricultural property
- § 4:88 —Non-income producing assets
- § 4:89 Other problems in the placing of business entity interests in trust
- § 4:90 —Legal life estates in subchapter S stock
- § 4:91 —Trust management of interests in entities
- § 4:92 Tax burden clauses
- § 4:93 —Funding the estate tax
- § 4:94 The surviving spouse

VIII. FORMS

- § 4:95 Powers of life tenant
- § 4:96 Life tenant—Power of sale and trust
- § 4:97 Fraction of residue to the credit trust—Residue to spouse outright
- § 4:98 Pecuniary legacy to the credit trust—Residue outright to the spouse
- § 4:99 —Residue to the spouse—Fairly representative funding
- § 4:100 Pecuniary legacy to spouse—Residue to credit trust
- § 4:101 Least tax pecuniary to the spouse marital deduction formulation
- § 4:102 QTIP trust—Minimum benefit to spouse
- § 4:103 —Principal distributions to spouse—Limited power of appointment in spouse
- § 4:104 Marital devise—Estate trust
- § 4:105 —General power of appointment
- § 4:106 Credit shelter trust
- § 4:107 —Life estate (Sub S stock)
- § 4:108 Personal property to spouse—Fraction to the credit trust from land only—Residue to spouse outright
- § 4:109 Explanation of use of marital deduction and by-pass trust to minimize federal estate taxes
- § 4:110 Brief explanation for clients of the use of the marital deduction, QTIP and credit shelter trust

- § 4:111 Possible marital deduction approach for the estate having a large proportion of active farm property (*Hybrid Formula*)
- § 4:112 Alternate provision in the event a substantial portion of the estate is in partnership or corporate form
- § 4:113 Devises of real and personal property—Spouse survives
- § 4:114 Generation-skipping planning—Client information
- § 4:115 Flexible marital deduction formulation
- § 4:116 —Illustrative pecuniary to the marital share provisions applicable during phase-in
- § 4:117 —Illustrative tax burden clause—During phase-in
- § 4:118 Sample language for restriction of lifetime limited power of appointment in credit trust
- § 4:119 Sample premarital agreement
- § 4:120 Sample postnuptial agreement

IX. RECOMMENDED RESOURCES

- § 4:121 Internet Reference List
- APPENDIX 4-1. Planning Diagram Model Marital Deduction A and B Trusts
- APPENDIX 4-2. Simple Marital Deduction and Credit Trust Model
- APPENDIX 4-3. Generation Skipping Wills—One Trust Model
- APPENDIX 4-4. Generation Skipping Wills—Two Trust Model

CHAPTER 5. STATE ESTATE AND INHERITANCE TAXES AFTER EGTRRA

I. INTRODUCTION

- § 5:1 Background
- § 5:2 Economic and social effects of significant state death tax regimes
- § 5:3 State income taxes—Online sales

II. NATURE OF STATE DEATH TAXES AND RELATIONSHIP WITH THE FEDERAL ESTATE TAX

- § 5:4 The structure of state estate and inheritance taxes
- § 5:5 The increasing effect of state taxation at death
- § 5:6 Technical Issues Resulting from the Federal-State Death Tax Dichotomy

III. PLANNING FOR STATE DEATH TAXES

- § 5:7 Planning for state estate and inheritance taxes after EGTRRA and ATRA
- § 5:8 Drafting for the decoupled state estate tax
- § 5:9 Domicile, the tax situs of property and decoupled state tax regimes

TABLE OF CONTENTS

- § 5:10 The effect of equitable conversion through sales or business entities on tax situs
- § 5:11 Allocation of state death tax when the decedent owns property with a tax situs in multiple states
- § 5:12 Planning for basis optimization (the games people play)

IV. FORMS

- § 5:13 Illustrative pecuniary to the marital share provisions applicable during phase-in
- § 5:14 Illustrative language for funding a state QTIP in states with a state QTIP election
- § 5:15 The universal all years—All events QTIP—With state adjustments (intended only to illustrate the issues that arise in drafting for post-mortem flexibility)

V. RECOMMENDED RESOURCES

- § 5:16 Internet reference list
- APPENDIX 5-1. The Joint Committee on Taxation 2005 Report
- APPENDIX 5-2. Hawaii Tax Information Release

CHAPTER 6. APPLICATIONS OF TRUSTS

I. INTRODUCTION

- § 6:1 Trusts and farms
- § 6:2 Specialty trusts
- § 6:3 Rules of distribution from trusts
- § 6:4 Grantor Retained Annuity Trusts

II. REVOCABLE TRUSTS

- § 6:5 Revocable living trusts
- § 6:6 Nature of the revocable trust
- § 6:7 The advantages of revocable trusts
- § 6:8 The disadvantages of revocable trusts
- § 6:9 Tax aspects of revocable trusts during the life of the grantor
- § 6:10 Funding the trust
- § 6:11 Husband and wife funding
- § 6:12 Selection of trustee
- § 6:13 Gifts from a revocable trust

III. IRREVOCABLE TRUSTS—GENERALLY

- § 6:14 Irrevocable trusts
- § 6:15 Retention of family property
- § 6:16 Income taxation of irrevocable trusts
- § 6:17 Planning with Intentionally Defective Grantor Trusts
- § 6:18 The making of gifts from an irrevocable trust
- § 6:19 —Shares of business organizations

- § 6:20 —Real estate
- § 6:21 The Illinois land trust
- § 6:22 Other applications
- § 6:23 —Minor's trust to obtain annual exclusion
- § 6:24 —Withdrawal rights to obtain the annual exclusion
- § 6:25 Total Return Trusts
- § 6:26 Dynasty trusts

IV. INSURANCE TRUSTS

- § 6:27 The function of insurance trusts
- § 6:28 —The insurance partnership alternate
- § 6:29 —Revocable insurance trusts
- § 6:30 —Irrevocable insurance trusts
- § 6:31 —Spouse as beneficiary
- § 6:32 —Insurance payable to testamentary trust
- § 6:33 —Section 2503(c) trust for life insurance
- § 6:34 —Obtaining the annual exclusion for premium gifts
- § 6:35 —Lapse of withdrawal rights
- § 6:36 —The marital deduction and insurance trusts
- § 6:37 Specific problems of estate taxability of irrevocable life insurance trusts
- § 6:38 Other aspects of insurance trusts
- § 6:39 Captive insurance
- § 6:40 —Income tax aspects
- § 6:41 —Estate planning and business aspects of captive insurance
- § 6:42 —Statutory modifications
- § 6:43 —IRS scrutiny, litigation and other developments
- § 6:44 — —Court cases
- § 6:45 —IRS administrative guidance
- § 6:46 —Filing obligations

V. TAXATION OF TRUSTS—GENERALLY

- § 6:47 Retention of administrative powers
- § 6:48 —Retention of control over income—Section 2038
- § 6:49 —Retention of management—Section 2036
- § 6:50 Administrative provisions
- § 6:51 —Agricultural properties
- § 6:52 Taxation of trusts as business entities
- § 6:53 —Taxation as a partnership
- § 6:54 —Taxation as a corporation
- § 6:55 Generation-skipping trusts

VI. FORMS

- § 6:56 Trustee successor provisions
- § 6:57 Partnership and nominee agreements
- § 6:58 Form of irrevocable trust agreement with *Crummey* powers
- § 6:59 Section 2032A trustee designation

TABLE OF CONTENTS

§ 6:60	Business organization trust powers
§ 6:61	Guidelines for the individual trustee
§ 6:62	Funding memorandum
§ 6:63	Trust funding checklist
§ 6:64	Withdrawal notification to trustee and notice to beneficiary
§ 6:65	Insurance trust with lifetime beneficiary
§ 6:66	Irrevocable life insurance trust (single person)
§ 6:67	Irrevocable life insurance trust (joint)
§ 6:68	Trustee powers for irrevocable life insurance trust
§ 6:69	Irrevocable life insurance trust notices and letters
§ 6:70	Horse trust form
§ 6:71	Sample dynasty trust provisions

VII. RECOMMENDED RESOURCES

§ 6:72	Internet Reference List
--------	-------------------------

APPENDIX 6-1. Diagram of Nontaxable Life Insurance Trust

APPENDIX 6-2. Diagram of Spousal Ownership of Business Entity
Through Revocable Trust

CHAPTER 7. GIFT PLANNING

I. THE GIFTING OF BUSINESS ASSETS

§ 7:1	Evaluation of the effect of major gifting
§ 7:2	Gift taxation, generally
§ 7:3	Requirements for an effective gift
§ 7:4	Gifting of encumbered property
§ 7:5	Need for piecemeal gifts
§ 7:6	Effect of gifts on post-mortem estate tax elections
§ 7:7	Control of gifted property
§ 7:8	The statute of limitations—Adjustments in closed years
§ 7:9	The income tax factor in gifting
§ 7:10	The time value of money

II. GIFT TAX TECHNIQUES

§ 7:11	Generally
§ 7:12	Non-entity gift devices
§ 7:13	—Intra-family sales
§ 7:14	—The <i>Haygood</i> case and installment gift arrangements
§ 7:15	Gifts through trusts
§ 7:16	Grantor retained income trusts
§ 7:17	—The GRIT technique and business entities
§ 7:18	—Personal residence trusts
§ 7:19	Charitable gift annuities
§ 7:20	Split ownership of successive interests
§ 7:21	—Private annuities
§ 7:22	Net gifts

- § 7:23 Split gifts
- § 7:24 Open versus closed gift transactions

III. GIFTING OF FRACTIONAL INTERESTS IN LAND AND BUSINESS PROPERTY

- § 7:25 Fractional interests in property
- § 7:26 —Disadvantages of fractional interest gifting
- § 7:27 Business entity solutions
- § 7:28 Intangible interests and the annual exclusion
- § 7:29 Ready transferability of securities
- § 7:30 Value adjustment for lack of marketability or control
- § 7:31 Gifts to minors
- § 7:32 Income tax consequences of entity gifts

IV. GIFTS TO AND FROM A CORPORATION

- § 7:33 Gifts from a corporation
- § 7:34 Indirect gifts—Property in exchange for stock and securities
- § 7:35 Gifts to a corporation
- § 7:36 Gifts to a partnership
- § 7:37 Restricted stock
- § 7:38 Gifts to a business entity with transfer restrictions

V. INADVERTENT GIFTS

- § 7:39 Inadvertent gifts from non-entity transactions
- § 7:40 Inadvertent gifts upon entity formation
- § 7:41 Inadvertent gifts from entity restructuring
- § 7:42 Inadvertent gifts from corporate stock rights

VI. ESTATE TAXABILITY OF EXCESSIVE RETENTION OF INCOME OR CONTROL

- § 7:43 The principle of implied retention of income or control
- § 7:44 Defined value gifts
- § 7:45 Retention of income or other benefit—§ 2036
- § 7:46 —Adequacy of consideration paid by the transferee
- § 7:47 —Retention of crops or rents
- § 7:48 —Reservation of fixed payments
- § 7:49 —Reservation of salary
- § 7:50 —Retention of dividends
- § 7:51 —Retention of possession
- § 7:52 —Use of donated interests as collateral
- § 7:53 —Reservation of the tax attributes of donated property
- § 7:54 Importance of documentation in relation to Section 2036 issues
- § 7:55 Self-canceling notes
- § 7:56 Leaseback of gifted property
- § 7:57 —Income tax consequences of gift-leasebacks

TABLE OF CONTENTS

- § 7:58 —Leaseback of incorporated property
- § 7:59 Retention of control—§ 2038
- § 7:60 —Interplay with § 2036
- § 7:61 —Valuation of gifted property having retained interests
- § 7:62 —Transfers of power back to the donor
- § 7:63 —Estate taxation of controlled stock gifts
- § 7:64 Gift tax versus estate tax consequences
- § 7:65 Effect of corporate fiduciary duties

VII. RETENTION OF THE RIGHT TO VOTE GIFTED CORPORATE STOCK

- § 7:66 Retention of voting power
- § 7:67 —Ruling 67-54: The pre-*Byrum* approach of the service
- § 7:68 —Litigation prior to *Byrum*
- § 7:69 —The *Byrum* case
- § 7:70 —An ascertainable standard
- § 7:71 Anti-*Byrum* legislation—§ 2036(b)
- § 7:72 Section 2036(b)—Indirect control of the vote

VIII. CHARITABLE GIFTS

- § 7:73 Gifts of agricultural land to charity
- § 7:74 —Income tax consequences
- § 7:75 —Transfers of conservation easements
- § 7:76 —Estate tax consequences
- § 7:77 —Charitable Trusts
- § 7:78 Gifts of agricultural personal property to charity
- § 7:79 Gifts of crops to charity
- § 7:80 Improper usage of charitable remainder trusts

IX. FORMS

- § 7:81 Lifetime QTIP
- § 7:82 Grantor retained annuity trust
- § 7:83 Client explanation of GRITs
- § 7:84 Checklist for gift tax return disclosure requirements
- § 7:85 Gift tax return disclosure statement
- § 7:86 Client explanation of planned sales
- § 7:87 Client explanation of qualified personal residence trusts
- § 7:88 Powers to make gifts—Powers of attorney and trusts
- § 7:89 Form for QPRT (one term holder)
- § 7:90 Alternative or optional provisions for sample qualified personal residence trust
- § 7:91 Sample trustee powers for QPRT, GRAT or GRUT
- § 7:92 Sample 2 year GRAT—Individual trustee
- § 7:93 Checklist for charitable remainder trust
- § 7:94 Gift tax return data sheet
- § 7:95 Gift tax disclosure statement

X. RECOMMENDED RESOURCES

§ 7:96 Internet Reference List

APPENDIX 7-1. Contribution of Conservation Easement
Calculation Illustrations

APPENDIX 7-2. Conservation Easement Issue Identification
Worksheet

CHAPTER 8. PARTNERSHIPS AND LIMITED LIABILITY COMPANIES

- § 8:1 Partnerships in estate planning
- § 8:2 Corporate restrictions
- § 8:3 Partnership flexibility
- § 8:4 Limited liability companies
- § 8:5 Partnership mechanics
- § 8:6 Conversion to partnership from corporation
- § 8:7 Limited partnerships
- § 8:8 Informal partnerships between husband and wife
- § 8:9 —Dangers of informal partnerships
- § 8:10 Capital accounts
- § 8:11 —Gain and loss allocations
- § 8:12 —Possible pitfalls of loss allocations
- § 8:13 Interest in profits
- § 8:14 —Guaranteed payments
- § 8:15 —Participation in general profits
- § 8:16 —Distributions distinguished; Nonfarm children
- § 8:17 Income of pass-through entities held in trust
- § 8:18 Special allocations
- § 8:19 Like-kind exchange problems
- § 8:20 Sale or exchange of a partnership interest
- § 8:21 Tax consequences of dissolution
- § 8:22 Three or more partnership interests
- § 8:23 Retained control of family partnerships
- § 8:24 Consequences of retained control under § 2036(a)
- § 8:25 Retirement income and inflation
- § 8:26 —Lease arrangements
- § 8:27 —Consulting fees
- § 8:28 —Sale of partnership units
- § 8:29 Availability of extensions of time to pay estate taxes under
§ 6166
- § 8:30 Summary of estate planning with partnership interests
- § 8:31 Form—Client handout—Explanation of business
types/forms
- § 8:32 — —Explanation of family limited partnerships
- § 8:33 —Limited liability company—Multiclass, manager
managed—Uniform LLC act based
- § 8:34 — —Multiclass, member managed—Uniform LLC act
based—Class A members as managers

TABLE OF CONTENTS

- § 8:35 Internet reference list
- § 8:36 Form for limited liability company—Multiclass, manager managed—Uniform LLC Act based
- APPENDIX 8-1. FLP Checklist

Volume 2

CHAPTER 9. THE FARM CORPORATION

I. INTRODUCTION

- § 9:1 The corporation in farm estate planning

II. CHARACTERISTICS OF A CORPORATION

- § 9:2 Decision to incorporate
- § 9:3 The need for an active business
- § 9:4 Operating effects of incorporation
- § 9:5 Retention of management control by the parents
- § 9:6 Motivation through gifts of minority stock
- § 9:7 A defense against partition
- § 9:8 Overcoming the family farm cycle
- § 9:9 Ready transferability of stock
- § 9:10 Comparison with entities taxed as partnerships
- § 9:11 Discounting the value of stock

III. CORPORATE APPLICATIONS IN FARMING AND RANCHING

- § 9:12 Gifting with corporate stock
- § 9:13 Combining business assets
- § 9:14 Separation of ownership from management

IV. INCOME TAX ISSUES AT INCORPORATION

- § 9:15 The income tax treatment of incorporation
- § 9:16 Methods of asset transfer to a corporation
- § 9:17 Tax-free transfer of assets
- § 9:18 Recapture of depreciation
- § 9:19 Recapture of deductions with respect to land
- § 9:20 Application of the recapture provisions to § 351
- § 9:21 Passive activity income or loss

V. ASSUMPTION OF LIABILITIES

- § 9:22 Tax consequences, generally
- § 9:23 Tax treatment of liabilities in excess of basis
- § 9:24 —Farm and ranch liabilities
- § 9:25 —Accounts payable

VI. OTHER PLANNING ASPECTS OF INCORPORATION

- § 9:26 Selection of assets to be transferred
- § 9:27 —Personal property
- § 9:28 —The family home
- § 9:29 —Appreciated assets which are to be sold after incorporation
- § 9:30 —Decision to transfer land
- § 9:31 Health insurance reimbursement plans

VII. SPECIAL PROBLEMS OF INCORPORATING AN ONGOING BUSINESS

- § 9:32 Transfer of growing crops or livestock to the corporation
- § 9:33 Tax benefit rule
- § 9:34 Assignment of income
- § 9:35 Power to reallocate under § 482
- § 9:36 Structuring the transaction
- § 9:37 Expenses of incorporation
- § 9:38 Accelerated depreciation and used assets
- § 9:39 Using the corporation for FICA tax avoidance
- § 9:40 State law and agricultural corporations

VIII. OPERATIONAL TAXATION OF AGRICULTURAL CORPORATIONS

- § 9:41 Effect of the S election on farm corporations
- § 9:42 Effect of loans to farm S corporations on basis and income
- § 9:43 Elections available upon incorporation—Accounting methods
- § 9:44 —Tax year
- § 9:45 —Fringe benefits and the stockholder-employee
- § 9:46 —Meals and lodging
- § 9:47 —Group life insurance plans
- § 9:48 —Group health and accident plans
- § 9:49 —Key man life insurance
- § 9:50 Salaries of stockholder-employees: Reasonableness
- § 9:51 Deferred compensation
- § 9:52 —Salary for the manager's spouse
- § 9:53 Corporate housekeeping and maintenance
- § 9:54 Accumulated earnings tax

IX. DIVISION OF THE FARM CORPORATION

- § 9:55 Separation of operations
- § 9:56 —The active business test
- § 9:57 —Five years of operation
- § 9:58 —Business purpose requirement
- § 9:59 Recapture problems in corporate separations

TABLE OF CONTENTS

X. SPECIAL PROBLEMS IN LIQUIDATING FARM AND RANCH CORPORATIONS

- § 9:60 Corporate distributions of farm property
- § 9:61 Assignment of income doctrine
- § 9:62 —Power to allocate income and expenses
- § 9:63 —Power to require change in accounting methods
- § 9:64 —Deductions attributable to unharvested crops
- § 9:65 —Tax benefit theory
- § 9:66 —*Corn Products* doctrine

XI. FORMS

- § 9:67 Medical reimbursement plan
- § 9:68 Opening balance sheet—Farm corporation
- § 9:69 Schedule of entity interest valuation
- § 9:70 Real estate inventory—Checklist
- § 9:71 S Corporation—Agricultural operating agreement
- § 9:72 Private letter ruling request re: I.R.C. § 355/§ 1031
(agricultural corporation example—Law and analysis—
Business interruption—§ 1031 exchange)
- § 9:73 Section 105 corporate health plan
- § 9:74 I.R.C § 355 corporate division planning letter: business
interruption
- § 9:75 Liquidation system: small corporation
- § 9:76 Letter re: division of ranch corporation (sample)
- § 9:77 I.R.C. § 355—Corporate action by unanimous consent
(directors and shareholders)
- § 9:78 Agreement and plan of corporate separation and
reorganization

XII. RECOMMENDED RESOURCES

- § 9:79 Internet reference list
- APPENDIX 9-1. FICA Comparison
- APPENDIX 9-2. Basis and Land Inventory Schedule
- APPENDIX 9-3. Tangible Property Basis Calculation

CHAPTER 10. MULTIPLE ENTITIES

- § 10:1 Multiple entities as an estate planning device
- § 10:2 Advantages of multiple entities
- § 10:3 A basic multiple-entity device
- § 10:4 —The operating corporation
- § 10:5 —The real estate partnership
- § 10:6 —General or limited real estate partnerships
- § 10:7 —Limited liability companies
- § 10:8 Alternative multiple-entity devices
- § 10:9 An example multiple entity
- § 10:10 Lease arrangements and administrative complexity

- § 10:11 Basic lease terms
- § 10:12 Options to buy or sell
- § 10:13 Special problems of multiple entities
- § 10:14 Allocation of income and deductions in transactions between related parties
- § 10:15 Capital gain versus ordinary income in recognition transactions between related parties
- § 10:16 Nonrecognition of losses

APPENDIX 10-1. Interrelationship of Farm Economics and Entities

APPENDIX 10-2. Example Multiple Entities

APPENDIX 10-3. FICA, Self-Employment and Medicare Taxes

CHAPTER 11. INSTALLMENT SALES, PRIVATE ANNUITIES, LEASES, FAMILY LOANS, AND LIKE-KIND EXCHANGES

I. INTRODUCTION

- § 11:1 Bargained transactions

II. INSTALLMENT SALES IN GENERAL

- § 11:2 Installment sales
- § 11:3 Advantages of an installment sale
- § 11:4 Disadvantages of an installment sale
- § 11:5 Eligibility for an installment sale
- § 11:6 Mechanics of the installment election
- § 11:7 Gain from the installment sale
- § 11:8 Nondealer dispositions of real property
- § 11:9 Establishing the price and terms
 - § 11:10 —Arm's-length bargaining
 - § 11:11 —Flexibility of terms
 - § 11:12 —Contingent selling price
- § 11:13 Escrow arrangements
- § 11:14 Disposition of installment obligations
 - § 11:15 —Substitution of security and modification
- § 11:16 Repossession
 - § 11:17 —Cancellation of related party's installment obligation
- § 11:18 Transmissions of installment obligations at death and merger in the estate

III. INSTALLMENT SALES IN ESTATE PLANNING

- § 11:19 Estate planning with installment sales: freezing the value of real property
- § 11:20 Use of installment sales to facilitate gifts
 - § 11:21 —Risks involved
 - § 11:22 —Sale-leaseback

TABLE OF CONTENTS

- § 11:23 —Related party transactions
- § 11:24 —Sales to intentionally defective grantor trusts

IV. PRIVATE ANNUITIES

- § 11:25 Private annuities
- § 11:26 Income tax treatment of sellers
- § 11:27 Income tax consequences for the acquiring child
- § 11:28 Part sale-part gift
- § 11:29 The requirement of fixed annuity payments
- § 11:30 Secured transactions
- § 11:31 Personal factors

V. LEASES

- § 11:32 Lease arrangements
- § 11:33 Income taxation of lease arrangements
- § 11:34 Lease characterized as a sale
- § 11:35 Special problems of sale-leaseback
- § 11:36 Effect of rental income on social security

VI. LOANS

- § 11:37 Family loans
- § 11:38 Taxation of loans
- § 11:39 Distinguishing family loans from gifts
- § 11:40 Interest-free and low-interest loans
- § 11:41 Bad debts
- § 11:42 Treatment of loans at death

VII. EXCHANGES

- § 11:43 Like-kind exchanges
- § 11:44 Basic requirements
- § 11:45 —The like-kind requirement
- § 11:46 —Requirement that property be held for productive use or for investment
- § 11:47 —Exclusions from nonrecognition treatment
- § 11:48 Structuring a three-party exchange
- § 11:49 Delayed exchange issues
- § 11:50 Exceptions to nonrecognition rule: treatment of boot
- § 11:51 —Boot given up
- § 11:52 —Boot received
- § 11:53 —Treatment of liabilities
- § 11:54 —Allocation of boot
- § 11:55 —Depreciation recapture
- § 11:56 —Investment credit recapture
- § 11:57 Basis adjustments
- § 11:58 Related party issues in exchanges
- § 11:59 Involuntary conversions

VIII. FORMS

- § 11:60 Private annuity agreement
- § 11:61 Worksheet for computing income on exchange of property
for private annuity
- § 11:62 Lease provisions
- § 11:63 Complete model agricultural lease agreement

IX. INTERNET REFERENCE LIST

- § 11:64 Internet reference list

CHAPTER 12. LIFE INSURANCE

I. LIFE INSURANCE IN ESTATE PLANNING

- § 12:1 Introduction to the role of life insurance in estate planning
- § 12:2 Estate building
- § 12:3 Estate liquidity
- § 12:4 —Proceeds receivable by or for the benefit of the estate
- § 12:5 —Policies pledged as security for loans
- § 12:6 —Extension of time for the payment of estate tax
- § 12:7 Funding buy-out agreements

II. TYPES OF LIFE INSURANCE

- § 12:8 Basic types of life insurance
- § 12:9 Whole life (ordinary)
- § 12:10 Limited pay life
- § 12:11 Term
- § 12:12 —Group term
- § 12:13 Universal life
- § 12:14 Variable life
- § 12:15 Survivorship policies
- § 12:16 Split-dollar
- § 12:17 —Split-dollar funding of § 303 redemptions
- § 12:18 Key person
- § 12:19 Annuities
- § 12:20 Endowment

III. THE LIFE INSURANCE CONTRACT

- § 12:21 The basic contract
- § 12:22 Standard provisions
- § 12:23 Riders
- § 12:24 Settlement options
- § 12:25 —Lump sum option
- § 12:26 —Installment option
- § 12:27 —Interest option
- § 12:28 —Life-income option

TABLE OF CONTENTS

IV. ESTATE TAXATION OF LIFE INSURANCE

- § 12:29 Estate tax treatment of insurance
- § 12:30 —Valuation
- § 12:31 Inclusion under § 2042
- § 12:32 Incidents of ownership
- § 12:33 —Regulations
- § 12:34 —Judicial interpretations
- § 12:35 —Powers held in a fiduciary capacity
- § 12:36 Inclusion in the gross estate: Contemplation of death
- § 12:37 Payment of estate taxes

V. OWNERSHIP PLANNING

- § 12:38 Ownership of the policy
- § 12:39 Irrevocable life insurance trusts
- § 12:40 Ownership of the policy—Contingent ownership problems
- § 12:41 Corporate ownership

VI. NAMING THE BENEFICIARIES

- § 12:42 Beneficiaries of the policy
- § 12:43 —The estate
- § 12:44 —The spouse
- § 12:45 —Contingent beneficiaries

VII. GIFTING OF LIFE INSURANCE

- § 12:46 Gifting of insurance
- § 12:47 Advantages
- § 12:48 Disadvantages
- § 12:49 Direct gifting
- § 12:50 Indirect gifting
- § 12:51 Uniform gifts to minors act
- § 12:52 Gift taxation of insurance
- § 12:53 —Valuation
- § 12:54 —Exclusions
- § 12:55 —Deductions
- § 12:56 Insurance proposal checklist

VIII. FORMS

- § 12:57 Form for client explanation of life insurance planning
- § 12:58 Form for corporate owned life insurance notice

IX. RECOMMENDED RESOURCES

- § 12:59 Internet Reference List
- APPENDIX 12-1. Illustration of Investment Return on Nontaxable Life Insurance
- APPENDIX 12-2. Non-Taxable Life Insurance Trust—Inheritance Substitute

CHAPTER 13. RETIREMENT PLANNING FOR FARMERS AND RANCHERS

I. INTRODUCTION

- § 13:1 Basic retirement planning for farmers
- § 13:2 Basic health care planning for farmers and ranchers

II. BASIC RETIREMENT DEVICES

- § 13:3 Rentals as retirement income
- § 13:4 —Effect of leases on eligibility for post-mortem elections
- § 13:5 —Gift and estate effect of leases
- § 13:6 Installment sales, generally
- § 13:7 —Past use of installment sales
- § 13:8 —Problems with installment sales
- § 13:9 Consulting fees and deferred compensation
- § 13:10 Funded deferred compensation plans
- § 13:11 —Unfunded deferred compensation plans
- § 13:12 Section 401(k) plans
- § 13:13 Corporate debentures
- § 13:14 partnerships and retirement income
- § 13:15 Limited Partnerships as retirement devices
- § 13:16 Partnerships and retirement income—Social security aspects
- § 13:17 —The effect of FCS person determination rules
- § 13:18 Effect of Internal Revenue Code Chapter 14 on retirement planning
- § 13:19 —Section 2701
- § 13:20 —Types of transactions not covered
- § 13:21 Valuation of qualified plans or IRAs for transfer tax purposes

III. INDIVIDUALLY FUNDED RETIREMENT PLANS

- § 13:22 Individual retirement plans
- § 13:23 Individual Keogh or H.R. 10 plans
- § 13:24 Defined contribution Keogh plan
- § 13:25 —Benefits
- § 13:26 —Withdrawal rights
- § 13:27 —Termination rights
- § 13:28 Defined benefit Keogh plan
- § 13:29 —Benefits
- § 13:30 —Withdrawal and termination rights
- § 13:31 —Pension benefit guaranty corporation
- § 13:32 Individual retirement accounts
- § 13:33 —Roth IRAs
- § 13:34 —Stretch IRAs
- § 13:35 —Marital deduction planning with an IRA
- § 13:36 —Deduction limits

TABLE OF CONTENTS

- § 13:37 —Early withdrawals and distributions
- § 13:38 —Vesting
- § 13:39 —Taxation
- § 13:40 —Portability
- § 13:41 —Summary
- § 13:42 The financially distressed farmer

IV. QUALIFIED PLANS

- § 13:43 Corporate qualified plans

V. SOCIAL SECURITY

- § 13:44 Self-employment tax rates
- § 13:45 Avoidance of social security tax—Remuneration in kind
- § 13:46 Avoidance of self-employment—Employee status
- § 13:47 —Rental
- § 13:48 Social security payment strategies

VI. FORMS

- § 13:49 LLC Distributive Share Self-Employment Tax Checklist
- § 13:50 Sample handout for life estate/remainder medicaid planning

VII. RECOMMENDED RESOURCES

- § 13:51 Internet reference list

CHAPTER 14. VALUATION OF INTANGIBLE PROPERTY

I. INTRODUCTION

- § 14:1 Generally

II. VALUATION OF NOTES AND RECEIVABLES

- § 14:2 Valuation of notes, generally; § 7872
- § 14:3 —Effect of section 483
- § 14:4 —Rulings and cases on notes and receivables
- § 14:5 —Circumstances of the obligor
- § 14:6 —Secured obligations
- § 14:7 Valuation of other intangible interests
- § 14:8 Litigation claims as estate assets (and other subsequent events)

III. VALUATION OF STOCK IN THE FAMILY CORPORATION

- § 14:9 Valuation of family corporation stock, generally

- § 14:10 Reporting of gifts of interests in entities
- § 14:11 Application to other entities
- § 14:12 Importance of valuation in the gifting process
- § 14:13 Basic factors in valuation of corporate stock
- § 14:14 —Post-death events
- § 14:15 —Regulations
- § 14:16 —Revenue Ruling 59-60
- § 14:17 —Net worth and asset value
- § 14:18 —Marketability
- § 14:19 —Earning capacity
- § 14:20 —Income capitalization
- § 14:21 —Comparative market analysis
- § 14:22 The realities of marketing close corporation stock
- § 14:23 Judicial philosophy of valuation cases
- § 14:24 Interplay of limited stockholdings and net worth
- § 14:25 —Shareholder legal relationships
- § 14:26 —Analysis of shareholder control
- § 14:27 —Stockholdings in excess of liquidating control
- § 14:28 —Stockholdings in excess of operating control
- § 14:29 —Stockholding of 50 per cent: The deadlock problem
- § 14:30 —Stockholding of 50 per cent: The *Obermer* case
- § 14:31 Stockholdings of less than 50%: State law significance
- § 14:32 Stockholdings of less than 50 per cent: State law
significance—Stockholdings of less than 50 per cent:
Valuation cases
- § 14:33 —Farm corporation cases
- § 14:34 —The realities of corporate control
- § 14:35 —Planned minority positions
- § 14:36 —Disappearing value
- § 14:37 —Layering of marketability and minority discounts
- § 14:38 Stockholdings of less than 50 percent: State law
significance—Lettered stock
- § 14:39 Aggregation of stockholdings, generally
- § 14:40 Aggregation of stockholdings: Bifurcated gifts
- § 14:41 —Aggregation with retained stock
- § 14:42 —The market for gifted stock
- § 14:43 —The Internal Revenue Service position: Prior to *Bright*
- § 14:44 —*Bright* and the Internal Revenue Service reaction

IV. AGGREGATION AND AUGMENTATION

- § 14:45 Contemplation of death situations: Gifted stock
- § 14:46 Contemplation of death: Stock dividends
- § 14:47 Augmentation in value for control
- § 14:48 —Valuation of stockholdings sufficient to cause redemption
- § 14:49 —Majority control only
- § 14:50 —Transfer of control by gift
- § 14:51 —The *Chenoweth* case

TABLE OF CONTENTS

V. VALUATION AFTER SECTION 2704

- § 14:52 Lapsing restrictions
- § 14:53 The historic effect on valuation of lapsing rights and restrictions on liquidation
- § 14:54 Lapsing rights under section 2704(a)—*Harrison*
- § 14:55 Restrictions under section 2704(b)—*Watts*
- § 14:56 —Effect of § 2704 on minority value adjustments
- § 14:57 Current issues under §§ 2703 and 2704

VI. VALUE CONTROL BY INTERESTHOLDER AGREEMENT

- § 14:58 Effect of entity interest restrictions on value

VII. EFFECT OF COSTS AND LIABILITIES INHERENT IN THE CORPORATE STRUCTURE

- § 14:59 Deferred capital gain tax liability
- § 14:60 —Effect of appreciated assets held by a corporation on real purchasers
- § 14:61 Built-in liquidation tax after TRA 1986
- § 14:62 —Purchase price adjustments flowing from built-in gain
- § 14:63 —Effect of the S election
- § 14:64 Effect of retained earnings

VIII. EFFECT OF INTRINSIC RIGHTS IN THE SECURITY BEING VALUED

- § 14:65 Value effect of stock classes
- § 14:66 Valuation of preferred stock, generally
- § 14:67 —Conventional techniques not applicable to valuation in the family business context
- § 14:68 —Preferred stock and the farm or business family
- § 14:69 Preferred stock value factors
- § 14:70 —Dividend rate
- § 14:71 —Dividend cumulative or noncumulative
- § 14:72 —Participation in earnings above the fixed dividend rate
- § 14:73 —Conversion rights
- § 14:74 —Liquidation preference
- § 14:75 Valuation of nonvoting preferred stock
- § 14:76 Nonvoting stock, generally

IX. OTHER CORPORATE VALUATION FACTORS

- § 14:77 S corporation stock
- § 14:78 Insurance owned by the corporation
- § 14:79 —Nontaxability to estate of shareholder
- § 14:80 —Corporation as shareholder's agent
- § 14:81 —Effect on estate options
- § 14:82 Interplay of minority stock and farm special value

§ 14:83 —Planning for flexibility

X. VALUATION OF INTERESTS IN NON-CORPORATE ENTITIES

- § 14:84 Business trusts
- § 14:85 The general partnership
- § 14:86 —Asset-by-asset valuation
- § 14:87 —Partnership valuation adjustments for marketability and lack of control
- § 14:88 Effect of partnership basis adjustments
- § 14:89 Family limited partnership and limited liability company issues
- § 14:90 Limited partnership interests—State law rights and disabilities
- § 14:91 —Limited partnership interests—Value adjustment
- § 14:92 —Value restriction by agreement
- § 14:93 Partnership sale agreements
- § 14:94 Limited liability companies
- § 14:95 Status of assignees, generally
- § 14:96 Effect of appreciated property

XI. VALUATION PENALTIES

- § 14:97 Penalty for undervaluation of assets
- § 14:98 Penalties for overvaluation of assets

XII. FORMS

- § 14:99 Typical request for information—Estate tax examination of limited partnership interest

XIII. RECOMMENDED RESOURCES

- § 14:100 Internet reference list
- APPENDIX 14-1. Priv. Ltr. Rul. 9723009—IRS Positions on Family Limited Partnerships
- APPENDIX 14-2. Unpublished FLP § 2703 TAM
- APPENDIX 14-3. Illustration of Value Control Through the Family Business Entity
- APPENDIX 14-4. Illustrative FLP Audit Document Request
- APPENDIX 14-5. Illustrative FLP Audit Questions
- APPENDIX 14-6. Extract from Internal Revenue Manual 8.18.1, Valuation Assistance Procedures, IRM 8.18.1 (30 Mar 2001)

CHAPTER 15. VALUATION OF REAL AND CHATTEL PROPERTY

I. INTRODUCTION

- § 15:1 Fair market value under § 2031

TABLE OF CONTENTS

II. REAL ESTATE VALUATION

- § 15:2 Legislation regulations related to consistency and value reporting
- § 15:3 Legislation, regulations, and rulings relating to value of land
- § 15:4 —Statutory standards
- § 15:5 —Congressional intent
- § 15:6 —Regulations and rulings
- § 15:7 Professional appraisals
- § 15:8 Valuation factors
- § 15:9 —Fractional interests
- § 15:10 —Urban and recreational influence
- § 15:11 —Assessed values
- § 15:12 —Other factors affecting value
- § 15:13 Valuation of special real estate interests
- § 15:14 —Timberland
- § 15:15 —Grazing permits and leases
- § 15:16 —Mineral interests
- § 15:17 Valuation methods
- § 15:18 —Comparative sales
- § 15:19 —Subjective factors in determining comparability
- § 15:20 —Objective factors: Physical resemblance
- § 15:21 —Adjustments, generally
- § 15:22 —Time adjustments
- § 15:23 —Methods of adjustment
- § 15:24 —Adjustment for sales financed by seller
- § 15:25 —Income capitalization
- § 15:26 Relevance of post-death events
- § 15:27 Negotiations

III. VALUATION OF FARM CHATTELS AND MARKETING RIGHTS

- § 15:28 Generally
- § 15:29 Chattel valuation
- § 15:30 Fixtures
- § 15:31 Marketable inventory
- § 15:32 Marketing rights
- § 15:33 Growing crops

IV. FORMS

- § 15:34 Demand for Internal Revenue Service appraisal

V. RECOMMENDED RESOURCES

- § 15:35 Internet reference list

APPENDIX 15-1. Illustrative Cases Valuing Unimproved Real Estate

APPENDIX 15-2. Timberland Valuation

CHAPTER 16. SPECIAL USE VALUATION

I. BACKGROUND OF SPECIAL USE VALUATION UNDER § 2032A

- § 16:1 The special use valuation method
- § 16:2 Special use value for state estate tax purposes
- § 16:3 Economic implications of farm taxation
- § 16:4 The history of § 2032A
- § 16:5 Relationship between § 2032A valuation and prior case law
- § 16:6 Valuation alternatives under § 2032A
- § 16:7 Extent of valuation relief available
- § 16:8 —Community property
- § 16:9 —Effect of mortgages on qualified land
- § 16:10 The effect of special use value on income tax basis

II. QUALIFICATION FOR ELIGIBILITY

- § 16:11 Qualification requirements
- § 16:12 —Qualification based upon the nature of the property
- § 16:13 —Qualification based upon the relationship of elected property to the gross estate
- § 16:14 —Qualification based upon the proportion of the estate consisting of farm or business property
- § 16:15 —Effect of encumbrances
- § 16:16 —Qualification based upon the use to which the property is put
- § 16:17 —Qualifying period
- § 16:18 —Qualification based upon the method of acquisition of the property by the heirs
- § 16:19 —Qualification based upon the relationship of the decedent to the heirs
- § 16:20 —Qualification based on the relationship of the qualified heir to the property: the present interest requirement
- § 16:21 —Qualification based on the relation of the qualified heir to the property: The successive interest requirement
- § 16:22 Qualification based on the use to which the property is applied: In general
- § 16:23 —Qualification based upon the use to which the property is applied: Pre-death qualified use
- § 16:24 —Qualification based upon the use to which the property is applied: Post-death qualified use
- § 16:25 —Qualification based upon the use to which the property is applied: The United States Department of Agriculture programs
- § 16:26 —Qualification based upon the use to which the property is applied: Exchanges of qualified property
- § 16:27 Economic Recovery Tax Act effective dates

TABLE OF CONTENTS

III. HOLDING OF ELIGIBLE LAND BY LEGAL ENTITIES

- § 16:28 Eligibility of interests in legal entities
- § 16:29 —Satisfaction of the ownership requirement
- § 16:30 —Computation of eligible value in legal entities

IV. VALUATION UNDER § 2032A

- § 16:31 Application of valuation methods
- § 16:32 Farm value method
- § 16:33 —Determination of interest rate
- § 16:34 —Establishing eligibility
- § 16:35 —Determination of average rental
- § 16:36 —The net share rental amendment
- § 16:37 —Calculation under the farm value method
- § 16:38 —The multiple factor method
- § 16:39 Business real estate
- § 16:40 Section 2032A valuation of legal entities
- § 16:41 Exclusivity of valuation methods

V. MAKING THE ELECTION

- § 16:42 Election and filing requirements
- § 16:43 —Method of making the election
- § 16:44 —Substantial compliance
- § 16:45 —Relief under Regulation § 301.9100
- § 16:46 —Time for making the election: Statute and regulations
- § 16:47 —Time for making the election: Rulings and cases
- § 16:48 —Additions to the election
- § 16:49 —Partial elections
- § 16:50 —Protective election
- § 16:51 —Failure to make the election: State law liability
- § 16:52 Agreement by the interested heirs
- § 16:53 —Formalities of the agreement
- § 16:54 —Required parties to the agreement
- § 16:55 —Signature of the agreement by co-tenants
- § 16:56 —Minors and incompetents
- § 16:57 —Perfection during audit
- § 16:58 —Substantial compliance: The consent agreement
- § 16:59 Perfection: TRA 1986 provisions
- § 16:60 —Effect of will provisions on the necessity for consent

VI. THE MATERIAL PARTICIPATION TEST

- § 16:61 Material participation: General requirements
- § 16:62 Relation to § 1402 standards
- § 16:63 Tests under the proposed regulations
- § 16:64 —Final regulations under § 2032A
- § 16:65 —Agreement requirement

- § 16:66 —Effect of self-employment taxes
- § 16:67 Indirect participation
- § 16:68 —Participation through a family member
- § 16:69 Guardian or conservator
- § 16:70 —Activities of an agent
- § 16:71 —Participation by retired persons and disabled persons
- § 16:72 —Participation through active management
- § 16:73 —Participation by a trustee
- § 16:74 Participation decisions under § 1402
- § 16:75 —Health and human services material participation rules
- § 16:76 —Rulings and cases in other contexts
- § 16:77 —Rulings and cases under § 2032A
- § 16:78 —Rulings under § 6166
- § 16:79 Other tax implications of material participation
- § 16:80 —S corporations
- § 16:81 —Gifts of crops
- § 16:82 Participation through entities—Corporations
- § 16:83 —Holding companies
- § 16:84 —Partnerships
- § 16:85 Post-death business activity requirement
- § 16:86 Effect of participation in USDA programs

VII. ESTATE PLANNING WITH REFERENCE TO § 2032A

- § 16:87 Estate planning
- § 16:88 Relation to the generation-skipping tax
- § 16:89 Interrelation with the marital deduction
- § 16:90 —Pecuniary devises
- § 16:91 —Fractional clauses
- § 16:92 —Effect on value
- § 16:93 —Other problems

VIII. STRATEGY OF THE § 2032A ELECTION

- § 16:94 Interrelation with §§ 6166 and 303
- § 16:95 The strategy of the election decision
- § 16:96 Conclusion

IX. FORMS

- § 16:97 Section 2032A worksheet for determination of eligibility
- § 16:98 Management agreement
- § 16:99 Trust provision for management by family member
- § 16:100 Material participation agreement (short form)
- § 16:101 Livestock share operating agreements
- § 16:102 Model material participation agreement
- § 16:103 Checklist of items required per I.R.C. § 2032A and
Treasury Regulation § 20.2032A-8

TABLE OF CONTENTS

§ 16:104	I.R.C. § 2032A checklist—Report (for use by reviewing attorney)
§ 16:105	Format for calculation of eligibility
§ 16:106	Format for computation of value per acre
§ 16:107	Format for calculation of basis-distribution of excess over valuation reduction limit
§ 16:108	Cautionary letter to heirs
§ 16:109	Will provisions re § 2032A election
§ 16:110	Basic client memo regarding 2032A and 6166 qualification
§ 16:111	Letter to appraiser
§ 16:112	Model agister agreement
§ 16:113	—Alternate form

X. RECOMMENDED RESOURCES

§ 16:114	Internet reference list
APPENDIX 16-1.	Notice of Election of Special Valuation Authorized under § 2032A
APPENDIX 16-2.	Agreement Consenting to the Application of § 2032A(c)
APPENDIX 16-3.	IRS Sample Questions Asked Concerning Material Participation By Decedent
APPENDIX 16-4.	IRS Memorandum re § 2032A Appraisals

CHAPTER 17. THE SPECIAL USE VALUE RECAPTURE TAX

I. INTRODUCTION

§ 17:1	Nature of the tax
§ 17:2	Imposing and reporting the tax
§ 17:3	The recapture tax audit

II. RECAPTURE EVENTS

§ 17:4	Disposition of the qualified property
§ 17:5	—Tax-free exchanges
§ 17:6	—Tax-free conversions
§ 17:7	—Tax-free transfer to corporation or partnership
§ 17:8	—Mortgage, foreclosure, and bankruptcy
§ 17:9	—Transfer in trust
§ 17:10	—Disposition to family members
§ 17:11	—Special rules for woodlands
§ 17:12	Cessation of use
§ 17:13	Post-death required participation by qualified heirs
§ 17:14	Death of qualified heir

III. COMPUTING THE RECAPTURE TAX

§ 17:15	Computation of the recapture tax
---------	----------------------------------

- § 17:16 —Redetermination of fair market value
- § 17:17 —Administrative expense and interest on the recapture tax
- § 17:18 —Limitation on the amount of tax
- § 17:19 —Partial disposition
- § 17:20 —Cumulative dispositions
- § 17:21 —Effect of the marital deduction
- § 17:22 Previously-taxed property credit

IV. LIABILITY FOR THE RECAPTURE TAX

- § 17:23 Liability of qualified heir
- § 17:24 Effect of tax burden clause
- § 17:25 Amount and timing of the recapture tax lien
- § 17:26 —Lien procedure
- § 17:27 —Substitution of security and subordination of lien
- § 17:28 Funding the recapture tax
- § 17:29 Basis adjustment
- § 17:30 —Redetermination of basis upon sale
- § 17:31 —Effect on depreciable property
- § 17:32 —Dissolution of electing entities
- § 17:33 —Effect of partial disposition on basis
- § 17:34 Capital gain considerations
- § 17:35 Multiple valuations
- § 17:36 Bond in lieu of personal liability
- § 17:37 Problems in client control

V. FORMS

- § 17:38 Format for calculation of break even holding period of § 2032A elected land (with example)
- § 17:39 Transferee agreement consenting to personal liability under I.R.C. § 2032A(c)—Individual transferee
- § 17:40 Agreement consenting to personal liability under I.R.C. § 2032A(c)—Transfer to an entity
- § 17:41 Model of Form 706A part I—Partial disposition alternate
- § 17:42 Suggested language for application for certificate discharging property from federal estate tax lien
- § 17:43 Agent, heir and general partner ranch operating agreement during recapture tax term

VI. RECOMMENDED RESOURCES

- § 17:44 Internet reference list
- APPENDIX 17-1. IRS Questionnaire Directed to Agent
- APPENDIX 17-2. Form 706-A—United States Additional Estate Tax Return (Rev. August 1999)
- APPENDIX 17-3. IRS Form Letter at the Expiration of the Recapture Tax Period

TABLE OF CONTENTS

APPENDIX 17-4. Certificate of Continued Qualified Use under
Internal Revenue Code Section 2032A

Volume 3

**CHAPTER 18. POST-MORTEM INCOME TAX
PLANNING**

I. INTRODUCTION

- § 18:1 Generally
- § 18:2 Effect of the unlimited marital deduction
- § 18:3 Income tax factors peculiar to the farm estate
- § 18:4 Consequences of the decedent's final return
- § 18:5 Acceleration of gain on installment sale agreements
- § 18:6 Pre-death operating losses
- § 18:7 Filing a joint return with the decedent

II. ESTATE INCOME TAXATION

- § 18:8 Basic estate income taxation
- § 18:9 —Estate losses
- § 18:10 —Income distributions
- § 18:11 —Timing of estate and trust distributions
- § 18:12 —Consequences of distributable net income
- § 18:13 —Effect of termination of the estate on losses in the estate
- § 18:14 —Self-canceling obligations
- § 18:15 Election to pay income tax in quarterly installments
- § 18:16 Selection of fiscal year and accounting method
- § 18:17 —Staggering the fiscal years
- § 18:18 Transferring income through constructive sale
- § 18:19 Election to treat QRT as part of estate for income tax purposes
- § 18:20 Income spreading: Relative tax rates
- § 18:21 Income spreading through trusts
- § 18:22 Income spreading through corporations

**III. PARTNERSHIPS AND CORPORATIONS—INCOME
AND BASIS**

- § 18:23 Partnership income in the year of death
- § 18:24 Post-mortem implications of partnership existence
- § 18:25 S corporation income in the year of death
- § 18:26 Duration of the estate as a taxpayer
- § 18:27 Basis of estate assets in general
- § 18:28 —Treatment of the basis of corporate assets
- § 18:29 —Adjustments on the death of partner

IV. INCOME IN RESPECT OF A DECEDENT

- § 18:30 The concept of income in respect of a decedent

- § 18:31 —Income in respect of a decedent from partnerships
- § 18:32 —Income in respect of a decedent—S corporations
- § 18:33 —Livestock and stored crops as property
- § 18:34 —Livestock and crop share rentals as income in respect of a decedent
- § 18:35 Basis increase through distributable net income
- § 18:36 Income tax deduction for estate tax on income in respect of a decedent

V. ESTATE INCOME

- § 18:37 Growing crops—Crop rentals
- § 18:38 —Active operator
- § 18:39 Capital gain treatment for post-death sales
- § 18:40 Capital gain or ordinary income from sale of crops
- § 18:41 Six-month alternate valuation
- § 18:42 Recapture of pre-death deductions
- § 18:43 Election to take deductions against either estate or income tax
- § 18:44 Effect of payment of administration expenses from post mortem income
- § 18:45 Proposed regulations address estate tax deductions

VI. THE S CORPORATION IN AN ESTATE

- § 18:46 The S corporation election in an estate
- § 18:47 Estates and trusts as S corporation shareholders
- § 18:48 —The qualified subchapter S trust, generally
- § 18:49 Types of trusts and split interests qualifying as QSSTs
- § 18:50 —The QSST election in an estate
- § 18:51 —Number of shareholders
- § 18:52 The problem of previously-taxed income
- § 18:53 —Withdrawal of previously-taxed income
- § 18:54 Income and loss allocations
- § 18:55 Legal life estates and remainders

VII. POST-DEATH REORGANIZATION OF THE FAMILY BUSINESS CORPORATION

- § 18:56 Post-death reorganization, generally
- § 18:57 Nonvoting stock to preserve family control
- § 18:58 Dissolution
- § 18:59 Sale to take advantage of stock basis step-up
- § 18:60 Post-death stock dividends
- § 18:61 Federal income taxes of estates—Checklist
- § 18:62 Post-death QSST election

VIII. FORMS

- § 18:63 QSST eligibility provisions

TABLE OF CONTENTS

IX. RECOMMENDED RESOURCES

§ 18:64 Internet Reference List

CHAPTER 19. CARRYOVER BASIS UNDER EGTRRA 2001

I. CARRYOVER BASIS STATUTORY PROVISIONS

- § 19:1 The step-up in general
- § 19:2 The Basis Increase
- § 19:3 The Spousal Property Basis Increase
- § 19:4 Adjustments to Basis Increase and Spousal Property Basis Increase amounts
- § 19:5 Eligible property
- § 19:6 Property to which the Basis Increases do not apply
- § 19:7 Operation of carryover basis
- § 19:8 Establishing the carryover basis of property

II. ALLOCATION OF BASIS

- § 19:9 Delegation of allocation to executor vs. defined allocation
- § 19:10 Time sequence of allocation of the permitted step-up in basis
- § 19:11 General factors affecting the choice of allocation
- § 19:12 Factors affecting allocation as related to the character of the asset
- § 19:13 The factor of relative amount of gain
- § 19:14 Using all available basis step-up
- § 19:15 Estate administration in the event of carryover basis

III. EFFECT OF ABILITY TO ALLOCATE BASIS ON BUSINESS ENTITY PLANNING

- § 19:16 Post-mortem adjustment of partnership basis step-up
- § 19:17 Factors in entity choice after carryover basis
- § 19:18 Dealing with existing corporations
- § 19:19 Numerical example—Partnership vs. proprietorship

IV. ISSUES AFFECTING THE MECHANICS OF BASIS INCREASE MAXIMIZATION

- § 19:20 Drafting for the \$1.3M Basis Increase to nonspousal heirs
- § 19:21 Drafting for the \$1.3M Basis Increase to nonspousal heirs in the surviving spouse's estate
- § 19:22 Drafting for the \$3M Spousal Property Basis Increase
- § 19:23 Alternate drafting schemes
- § 19:24 Recognition of gain upon funding a pecuniary legacy under § 1022

V. CLAUSES FOR MAXIMIZATION OF THE BASIS INCREASES

- § 19:25 General considerations
- § 19:26 Practical effect of basis to FMV ratio
- § 19:27 Instructions, guidelines and exonerations for the executor

VI. TRANSITION FROM THE PHASE-IN YEARS TO CARRYOVER BASIS

- § 19:28 Loss of Basis Increase for property in pre-2010 credit shelter trusts
- § 19:29 If a typical marital deduction formula will is unchanged in 2010
- § 19:30 Section 2056(b)(7) QTIPs in conjunction with electing carryover basis for decedents dying in 2010
- § 19:31 Possible scenarios

VII. FORMS

- § 19:32 Illustrative pecuniary to the marital share provisions for basis allocation
- § 19:33 Illustrative pecuniary to the family share provisions for basis allocation
- § 19:34 Illustrative instructions and guidelines to the executor for basis allocation
- § 19:35 Illustrative powers and exonerations to the executor for basis allocation
- § 19:36 The universal all years—All events QTIP
- § 19:37 Worksheet for Basis Increase Allocation

VIII. RECOMMENDED RESOURCES

- § 19:38 Internet Reference List

CHAPTER 20. POST-MORTEM ESTATE TAX PLANNING

I. INTRODUCTION

- § 20:1 Generally
- § 20:2 Burden of death taxes, claims, and administration expenses
- § 20:3 Deductibility of administration expenses
- § 20:4 —Audit related administration expense
- § 20:5 —Deductibility of expenses for care and feeding of livestock
- § 20:6 —Sale expenses
- § 20:7 —Deduction of claims against the estate
- § 20:8 —Deduction of interest, generally
- § 20:9 Post-mortem elections, generally

TABLE OF CONTENTS

II. DEFERRAL OF ESTATE TAX FOR CLOSELY-HELD BUSINESS PROPERTY

- § 20:10 The election for deferred payment of deferred payment of estate taxes
- § 20:11 The election for state taxes—Interest rate and amount deferrable
- § 20:12 The election for deferred payment of estate taxes—
Relation with prior § 6166A
- § 20:13 —Threshold requirements
- § 20:14 —Contemplation of death gifts
- § 20:15 —Holding companies
- § 20:16 —Proportion of business ownership
- § 20:17 Advantages of making the § 6166 election
- § 20:18 Disadvantages of making the § 6166 election
- § 20:19 Dollar value of the election
- § 20:20 Pre-death planning for deferring estate tax payments
- § 20:21 The active business requirement
- § 20:22 —Business activity through a family member
- § 20:23 —The business nature of the property itself
- § 20:24 —Participation through an agent
- § 20:25 —Other applications of “trade or business”
- § 20:26 —Effect of business organizations
- § 20:27 —Separate business entities
- § 20:28 Making the § 6166 election
- § 20:29 Deduction of interest on deferred estate tax payments
- § 20:30 —Effect on the marital and charitable deductions
- § 20:31 —Deductibility of projected future interest
- § 20:32 —Procedure for deduction of interest
- § 20:33 —Effect of limitation of income tax deduction of interest on tax deficiencies
- § 20:34 Interrelation of § 6166 deferral and the previously-taxed property credit
- § 20:35 Events causing acceleration of unpaid § 6166 installments
- § 20:36 —Transactions involving business entities
- § 20:37 —Changes in property form or structure
- § 20:38 —The acceleration problems of farm workouts
- § 20:39 Section 6166 audit and litigation procedure
- § 20:40 Effect of deferral of estate tax payments on court jurisdiction of other issues
- § 20:41 Special lien securing deferred estate taxes
- § 20:42 The special lien securing estate tax payment

III. OTHER ASPECTS OF ESTATE TAX PAYMENT

- § 20:43 Section 6161 discretionary deferral of estate tax
- § 20:44 Deduction of long-term commercial interest

IV. STOCK REDEMPTIONS UNDER SECTION 303

- § 20:45 Funding estate tax payments from corporate assets—§ 303 redemptions

- § 20:46 —Post-death recapitalizations for § 303 purposes
- § 20:47 Eligibility for § 303 redemption
- § 20:48 —Persons from whom redemptions may be made
- § 20:49 —Relation of § 303 redemption to the marital deduction
- § 20:50 —Income tax treatment of the § 303 redemption
- § 20:51 —Taxation of the corporation
- § 20:52 —Taxation of the stockholder
- § 20:53 —Quantity of stock to be redeemed
- § 20:54 —Integration with deferred estate tax payments
- § 20:55 —Accumulated earnings tax
- § 20:56 The § 302 alternative

V. POST-DEATH MANAGEMENT OF THE FAMILY FARM OR BUSINESS

- § 20:57 Probate administration of farm property
- § 20:58 —Necessity of court approval to do business
- § 20:59 —Difficulty in dealing with real estate
- § 20:60 —Problems of business continuation
- § 20:61 Probate avoidance with business organizations
- § 20:62 —Separation of business management from probate administration
- § 20:63 Distributions of estate property
- § 20:64 Planning for the optimum marital deduction
- § 20:65 The implications on estates of CERCLA

VI. DISCLAIMERS

- § 20:66 State law effect of disclaimers
- § 20:67 Federal requirements for disclaimer
- § 20:68 —Elements for an effective disclaimer
- § 20:69 —Acceptance of benefits
- § 20:70 —Disclaimer of joint tenancies
- § 20:71 —Partial disclaimer
- § 20:72 —Pre-mortem planning with disclaimers
- § 20:73 —Marital deduction planning with disclaimers
- § 20:74 —Interrelationship of disclaimers and the generation-skipping tax

VII. ESTATE TAX AUDIT

- § 20:75 The estate tax audit and estate tax lien releases

VIII. FORMS

- § 20:76 Notice of election under § 6166
- § 20:77 Simple disclaimer will provision
- § 20:78 Example clause for § 6166 maximization between spousal estates (pecuniary formula)
- § 20:79 Will clause for obtaining § 6166 optimum deferral by disclaimer (pecuniary formula)

TABLE OF CONTENTS

- § 20:80 Section 303 agreement for redemption, and corporate resolution
- § 20:81 Section 303 agreement for redemption, and corporate resolution when *Bahr* deduction taken
- § 20:82 Bill of sale for the transfer of farm personal property from an estate
- § 20:83 Post-death option to purchase
- § 20:84 Longer form of post-death option to purchase
- § 20:85 Post-Death option to lease/purchase with right of first refusal
- § 20:86 Post-death option to purchase agricultural entity
- § 20:87 Option to lease with purchase option—Multi-level option holders
- § 20:88 Right of first refusal
- § 20:89 Right to lease land not actively used in business, or agriculture, by owner
- § 20:90 Right of first refusal and right to lease land not actively farmed by owner—Alternative
- § 20:91 Model for farm lease agreement by estate and trust

IX. RECOMMENDED RESOURCES

- § 20:92 Internet reference list

CHAPTER 21. PLANNING FOR MULTISTATE FARM PROPERTY

I. DEALING WITH MULTISTATE REAL ESTATE HOLDINGS

- § 21:1 Problems of multistate estate planning with farm real estate
- § 21:2 —Legal interests in land
- § 21:3 —Advantages of intangible property in estate planning
- § 21:4 —Equitable conversion of real estate into intangible personalty
- § 21:5 Real estate sales contracts

II. MULTISTATE PLANNING WITH TRUSTS

- § 21:6 Practical applications of the revocable trust
- § 21:7 Issues in construction and determination of the validity of trusts
- § 21:8 Property transfer through the land trust medium
- § 21:9 Control of the land operation
- § 21:10 Business and other irrevocable trusts: Property transfer
- § 21:11 Valuation
- § 21:12 Situs of the trust
- § 21:13 Restraints on the transfer of beneficial interests

III. MULTISTATE PLANNING WITH BUSINESS ENTITIES

- § 21:14 General partnerships: Property transfer
- § 21:15 Limited partnership: Property transfer
- § 21:16 Donees as limited partners
- § 21:17 Limited liability companies: Property transfer
- § 21:18 Partnership special allocations
- § 21:19 Property transfer and control of incorporated real estate
- § 21:20 Value control through the corporation
- § 21:21 Farm special value of corporation land
- § 21:22 Estate administration
- § 21:23 Effect of the entity on eligibility for post-mortem election of estate tax deferral
- § 21:24 Custodianships
- § 21:25 State law entity restrictions

IV. GENERAL CONSIDERATIONS

- § 21:26 State inheritance and estate taxation
- § 21:27 Domicile
- § 21:28 Summary

V. RECOMMENDED RESOURCES

- § 21:29 Internet reference list
- APPENDIX 21-1. Summary of State Law Authorizing Landholding Entities other than Partnerships, Limited Liability Companies and Corporations
- APPENDIX 21-2. States Restricting Corporate Landholding
- APPENDIX 21-3. States Having Statutes or Administrative Practices Affecting Limited Partnership Qualification to Do Business

CHAPTER 22. ESTATE PLANNING FOR THE FINANCIALLY DISTRESSED FARMER

- § 22:1 General planning problems
- § 22:2 Recapture of tax benefits
- § 22:3 Administration of the insolvent estate
- § 22:4 Life insurance
- § 22:5 The need for good planning
- § 22:6 The need for bankruptcy relief in a decedent's estate
- § 22:7 Estate may not file bankruptcy
- § 22:8 Trusts and corporations
- § 22:9 Chapter 7—Liquidation filed before death
- § 22:10 Effect of a will
- § 22:11 Chapters 11 and 13—Reorganization filed before death
- § 22:12 Jointly-owned property
- § 22:13 Tenancy-by-the-entirety

TABLE OF CONTENTS

§ 22:14	Liquidation by bankruptcy trustee
§ 22:15	Sale of joint property
§ 22:16	Insurance
§ 22:17	Probate estate as creditor of bankruptcy debtor
§ 22:18	Introduction to trusts as debtor protection
§ 22:19	Illinois land trusts and statutory counterparts in other states
§ 22:20	Use of trusts to avoid claims of the grantor's creditors
§ 22:21	Use of spendthrift trusts to avoid claims of the beneficiary's creditors
§ 22:22	Drafting requirements for spendthrift trusts
§ 22:23	Beneficial interest in a spendthrift trust as part of a bankruptcy estate
§ 22:24	Bankruptcy of grantor—Property transferred to spendthrift trust
§ 22:25	Spendthrift trusts—Summary
§ 22:26	Flexibility through use of special power of appointment
§ 22:27	Income tax aspects of bankruptcy and workouts in farming and ranching operations
§ 22:28	Information required
§ 22:29	Income tax aspects of sales transactions outside bankruptcy: Payment of debt with property
§ 22:30	Foreclosure of liens
§ 22:31	Deed in lieu of foreclosure
§ 22:32	Income tax aspects of cancellation of indebtedness outside bankruptcy
§ 22:33	General rule
§ 22:34	Exceptions to general rule—Solvent taxpayers
§ 22:35	—Insolvent taxpayers
§ 22:36	Attribute reduction
§ 22:37	Rules for reduction
§ 22:38	Section 108(b)(5) election
§ 22:39	Purchase price adjustment
§ 22:40	Income tax aspects of the transfer of property encumbered by recourse debt exceeding the property's value outside bankruptcy
§ 22:41	One-step approach
§ 22:42	Two-step approach
§ 22:43	One-step versus two-step approach
§ 22:44	Strategies
§ 22:45	Tax liabilities—General rule
§ 22:46	Bankruptcy discharge of taxes
§ 22:47	Collection of tax liabilities
§ 22:48	Tax liabilities accrued prior to bankruptcy
§ 22:49	—Tax strategies in bankruptcy
§ 22:50	—Combatting federal tax liens
§ 22:51	Dischargeability of the recapture tax
§ 22:52	Chapter 11 cases
§ 22:53	Chapter 12 and 13 cases

- § 22:54 Debtor's liability after bankruptcy
- § 22:55 Planning
- § 22:56 Transactions inside bankruptcy: Payment of debt with property
- § 22:57 Attribute reduction
- § 22:58 Tax aspects of bankruptcy estate of an individual taxpayer under Chapter 7
- § 22:59 Allocations
- § 22:60 Other tax attributes
- § 22:61 Tax returns
- § 22:62 Termination of estate
- § 22:63 Taxable year of debtor and estate
- § 22:64 Tax year planning
- § 22:65 Section 108(b)(5) election
- § 22:66 Abandonment by trustee
- § 22:67 Information required—Computation of income from discharge of indebtedness
- § 22:68 Checklist for comprehensive review of the farm operation
- § 22:69 Client letter
- § 22:70 Internet reference list

CHAPTER 23. FARM SPECIFIC ACCOUNTING AND REPORTING RULES

I. INTRODUCTION

- § 23:1 Introduction

II. CLASSIFICATION AS FARMER

- § 23:2 Definition of farmer, generally
- § 23:3 The two-fold test
- § 23:4 Engaging in non-farming business

III. ACCOUNTING METHODS

- § 23:5 Farm accounting methods
- § 23:6 Cash receipt and disbursement method
- § 23:7 Accrual method of income accounting
- § 23:8 Inventory methods
- § 23:9 Costing conventions for the cost method
- § 23:10 Hybrid method of accounting
- § 23:11 The LIFO method of valuation
- § 23:12 Reporting method versus accounting method
- § 23:13 Summary re accounting methods

IV. SALE, EXCHANGE AND CONVERSION

- § 23:14 Sale, exchange or involuntary conversion of farm assets
- § 23:15 Types of assets and their treatment

TABLE OF CONTENTS

§ 23:16	Section 1231 assets
§ 23:17	Sale of property subject to soil and water conservation expense
§ 23:18	Sale of unharvested crops
§ 23:19	Sale of machinery and equipment
§ 23:20	Sale of livestock
§ 23:21	Specific transactions
§ 23:22	Involuntary conversions
§ 23:23	Taxable gain
§ 23:24	Livestock
§ 23:25	Deferral of reporting for drought sales of livestock
§ 23:26	Reporting crop insurance proceeds for destruction or damage

V. HOBBY LOSS

§ 23:27	The hobby loss rules
§ 23:28	Hobby loss activity
§ 23:29	Profit motivation

VI. SPECIALIZED INCOME ISSUES

§ 23:30	Government program payments
§ 23:31	Specific government programs
§ 23:32	CCC loans
§ 23:33	Constructive receipt and deferred income
§ 23:34	Deferred payment contract
§ 23:35	Installment sales
§ 23:36	Alternative minimum tax
§ 23:37	The agency issue
§ 23:38	Value of future income
§ 23:39	Escrow arrangements
§ 23:40	Assignment of income

VII. SPECIALIZED EXPENSE ISSUES

§ 23:41	Purchase of feed
§ 23:42	Pasture and forage
§ 23:43	Farm casualty losses
§ 23:44	Soil conditioning expenditures
§ 23:45	Development expenses
§ 23:46	Soil and water conservation expenditures
§ 23:47	Conservation activities
§ 23:48	Required farming activity and land use
§ 23:49	Limit on the deduction
§ 23:50	Specialized depreciation issues
§ 23:51	Recapture of depreciation taken on real estate
§ 23:51.50	Amortization of base acres
§ 23:52	The expensing election under § 179
§ 23:53	Term interests in property

- § 23:54 Hedging losses
- § 23:55 Chemicals and security expenses

VIII. RECOMMENDED RESOURCES

- § 23:56 Internet reference list

APPENDIX

APPENDIX A. 2021 Proposed Tax Legislation; Implications for
 Clients

APPENDIX B. Federal Income Tax; Transfer Tax; and Social
 Security Tax Information

Table of Laws and Rules

Table of Cases

Index