

Rising farmland values affect estate planning

NEWARK, Dela. — Do you know the current worth of your farmland? Do you have an estate plan that takes into account its rapidly rising value?

Unless you keep this plan updated, your family's inheritance may be much smaller than you meant it to be, once the taxes are taken out.

In one of his seminars on farm estate management last winter, University of Delaware Extension Farm Management Specialist Don Tilmon pointed out that at a 10 percent rate of inflation, the value of farmland doubles in just seven years.

"In just four years," he says, "from 1977 to 1981, farmland value has gone from an average of \$1,250 an acre to \$1,931 an acre. Between February 1, 1980 and February 1, 1981, farmland increased 15 percent in value.

What are the implications of this for the farm family when it comes to inheritance taxes?

If you've taken advantage of special farmland valuation in planning your estate, the consequences probably won't be too great, says Tilmon. But to do so you must meet certain requirements.

To qualify under the special valuation for farmland:

- the value of the farm or other closely held business assets — both real and personal property — must comprise at least 50 percent of the decedent's adjusted gross estate;
- at least 25 percent of the adjusted value of the gross estate must be qualified farm or other

closely held business real property;

— the property must pass to a qualified heir who is a member of the decedent's family

— the real property must have been owned by the decedent and been in its present use for five of the last eight years preceding the decedent's death; and

— the decedent or a member of his family must have materially participated in the operation of the farm or other closely held business for five of the eight years immediately preceding the decedent's death.

But this special valuation can't reduce the decedent's gross estate by more than \$500,000. And this is where rising farmland values can get you, says Tilmon.

If you have a 300-acre farm, its average value on February 1, 1980 would have been \$526,500. That same 300-acre farm was worth \$579,300 February 1, 1981, based on average farmland values. That's an increase of \$52,800 just through inflation in one year.

"Assuming your family isn't able to qualify for the special farmland evaluation, that increase in land value alone would increase their tax liability on your estate by about \$19,500," says Tilmon.

"So if you go along without trying to plan ahead of time for the transfer of your estate to them, you're increasing the tax liability of your heirs," he warns.

Most farm enterprises are notoriously not very liquid. With inflation, there are a lot of cases where, without proper estate

planning, families will be forced to sell the property just to pay the taxes on it. This becomes more critical as land holdings get larger and the tax bracket rises.

"I think people are afraid to begin a tax management program because they think they'll have to give up control of their assets," says the economist. "But this isn't necessarily so. Some of the tools of estate management do involve this. But not all of them do."

Other folks are afraid it will cost too much money to draw up a good estate management plan. But the cost of legal services to develop even a mildly complicated one probably will amount to only \$1000. Most plans, if they involve only wills and trusts, can be done for less than \$500.

"At any rate," says Tilmon, "lawyers are willing to sit down and briefly go over your tax situation with you. So you can find out what estate management services will cost, before you engage them. And you don't have to be afraid to ask."

About 245 people attended the series of eight seminars on estate


planning Tilmon held around Delaware last winter. Since then about 20 farm families have contacted him for further estate planning information.

"This is just a handful of those who should be updating their plans," he says.

One thing that concerns him, Tilmon says, is the fact that, though U.S. farmland values increased an average of 9.3 percent during the year ending February 1, 1981 — well below the 15 percent increase of the year before — the value of Delaware farmland has

continued to rise at the 15 percent rate. By contrast, New Jersey's were up only two percent last year over the year before, while Pennsylvania's were up by four percent. (Maryland farmland values rose even higher than Delaware's, however — a whopping 23 percent last year.)

Whatever the reasons for the continued climb in farmland values, their rapid inflation is something every farmer should consider. Only an up-to-date, well-developed estate plan can do this



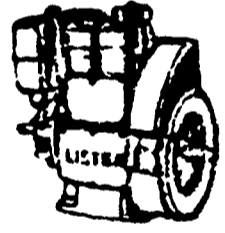

READ LANCASTER FARMING FOR COMPLETE AND UP-TO-DATE MARKET REPORTS

HIGH PRESSURE WASHING
OF POULTRY HOUSES AND VEAL PENS
BARRY L. HERR
1744 Pioneer Road, Lancaster, Pa.
Phone: 717-464-2044

AG-BAGGER
DESIGNED FOR THE 80's
See Page B-20

SMUCKER'S SALES SERVICE, INC.
RD #2, BOX 21
NEW HOLLAND, PA 17557

SALES & SERVICE FOR:
LISTER, PERKINS & DEUTZ DIESELS

2 Cyl F2L-912

We Have SR2 12 h.p. Lister Diesels, as is or rebuilt.

- Good used diesel engines
- New Sputnik wheels and parts

We mount diesels on balers, crimpers, cornpickers, etc.

WINGO Your One Source For Power!
Electricity you can count on anytime, anyplace.



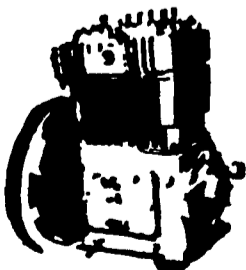
Tractor Driven



Two Bearing

DEALER FOR QUINCY AIR COMPRESSORS

For lower cost per hour power, rely on

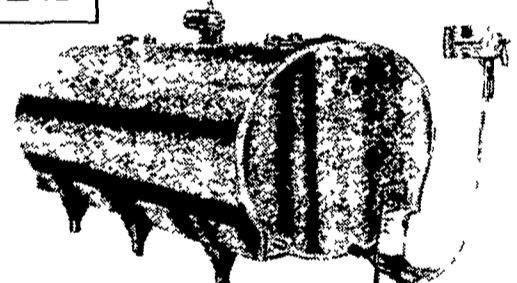


FOR PROMPT SERVICE CALL
717-354-4158 OR IF NO ANSWER
CALL 717-354-4374

JUNE IS DAIRY MONTH!
Call Us For Special Prices On TANKS and THE NEW REFRIGERATED MILK RECEIVER

MUELLER Bulk Milk Coolers

THE ALL STAINLESS STEEL MODEL-C FRE-HEATER FOR ALL BUNK TANKS



ASK US ABOUT LEASE or LEASE PURCHASE ON MILK TANKS

THE MUELLER MODELS OH, MHL, AND MW WITH HIPERFORM MAKE ALL OTHER BULK MILK COOLERS OBSOLETE SEE THE MUELLER NEW MODELS

★ 500 MW ★ 600 MW

The "MW" is one of the Lowest pouring Height Bulk tanks Check with us all the new features on the "MW" bulk tank If you are in the market for a bulk milk cooler and you don't check all the advantages of the Mueller "OH" "MHL", and "MW" you may be buying an obsolete cooler.

USED TANKS

400 gal. D-4 Girton, like new	1000 Gal. Girton	300 Gal. Mojonnier
1 (2) 500 Gal. D-2 Girton	400 Gal. Esco	400 Gal. Dari-Kool
	600 Gal. Esco	500 Gal. Dari-Kool
	800 Gal. Esco	400 Gal. "MHL" Mueller

QUEEN ROAD REFRIGERATION

WE ARE ONE OF THE ORIGINAL MUELLER DEALERS

Box 67, Intercourse, PA 17534
Phone: John D. Weaver - 717-768-9006 or 768-7111 or Answering Service - 717-354-4374

24 HOUR SERVICE