



# Farm Management

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transferring property between unrelated parties. They usually create a tax obligation (capital gains) for the seller and a debt obligation for the buyer. Sometimes parents and child are working a farm together and providing a living for two households. If parents sell this farm to child and the operation continues unchanged, the taxes and debt payments can sink both families into a cash flow crisis.

Discounted sales are often used by parents in sales to a child. The difference between FMV and the sale price is considered by IRS to be a gift. Just make sure that your accountant has enough aspirin to sort out this basis headache!

Sale with life estate sometimes used by mother to sell to son gives her the right to live in the house for the rest of her life. The rent value of the house for the life expectancy of mother should be capitalized and the selling price reduced by that amount.

Like-kind exchange is popular in our region, as it postpones the tax obligation of selling highly appreciated real estate. The tax

basis of the original property transfers to that portion of the property received in equal exchange value.

Gifts given during lifetime can transfer real property. The value of the gift above the annual exclusion (\$11,000 per person) will be deducted from the Unified Credit in the estate of the donor(s). The important thing to remember is that the basis of the property transfers with the gift.

Wills transfer all those things owned by a person at death. What is probated will depend on title. Federal estate taxes appear to be a diminishing problem, but Pennsylvania's inheritance taxes are assessed on all estates. Wills provide an opportunity for families to get a stepped-up basis in property. Estate taxes are changing regularly, so wills should be reviewed and revised every three years or when there is a significant change in laws or family circumstances.

Trusts can be created to own property during life or after death. They may be useful vehicles or an unnecessary complication - depending on your circumstances. Weigh the advice of

trusted CPAs and attorneys on both sides of the argument before you create these things. Remember that with a living trust your job is not completed when the documents are paid for. All property to be transferred through the trust - and that means everything you own if you are to avoid probate - must be titled to the trust. Otherwise you paid a lot of money for a sheaf of useless documents.

Intestate law is the will the state has written to transfer your property at death if you die with no will to be found. It is irresponsible of any property owner to put his/her loved ones through the unnecessary hassles of this form of estate settlement.

### Conclusion

These comments from a management perspective are not intended to be legal advice, nor are they intended to provide you with all the tax implications of every real estate transfer situation. It is vital that everyone planning the transfer of any property use the services and advice of a competent accountant and an attorney qualified in real estate and also estate planning processes.

Keep the family members updated on your intentions while you explore the transfer options. Make sure that heirs are willing to shoulder the responsibilities and obligations of real estate ownership before you thrust it upon them. An important obligation of real estate ownership is to plan for its disposition in such a way that it will not create disputes or hardships among the successors.

# Update On PDA's Ag Education Initiative

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Agriculture Secretary Dennis C Wolff has made agricultural education a priority for the Department of Agriculture (PDA). Since unveiling the plan, PDA has already inspired several efforts that encompass agricultural education activities targeted to school-aged and life-long learners as well as those familiar with agriculture and the non-agriculturally literate public.

Anchoring Wolff's agricultural education initiative, the Department launched a new website, www.marketplaceforthemind.com in late October. The site serves not only teachers and students, but also all citizens of the Commonwealth. Teachers can search the website to find curriculum materials to support state academic standards, grants to fund school based projects, and traveling exhibits, which can bring technical expertise to classrooms. The site also offers listings of higher education institutions conferring agricultural degrees and scholarships to help students defray tuition costs. Consumers can also review a list of farmers markets offering fresh produce, while families can find a grower that allows "cut your own" holiday trees. Moreover, the website can help farmers identify low interest loan programs such as the Machinery and Equipment Loan Fun (MELF). I encourage you to visit the website to sample the myriad of information available.

As part of the initiative, Secretary Wolff has promised to teach lessons about agriculture on a monthly basis. His efforts in November resulted in the teaching of more than 200 students statewide. On Dec. 19, Wolff brought technical information

concerning embryo transfer from his home farm in Columbia County to an advanced biology class at Indian Valley High School in Lewistown. He also met with Larry Welshans, an Indian Valley Middle School Teacher, who developed a junior high science class rooted in agricultural application. Wolff wrapped up his day in Lewistown by reading a story about milk production to elementary students at the Sacred Heart School.

Secretary Wolff promises to continue to focus on his agricultural education initiative in 2004 by expanding the educational emphasis of the Pennsylvania Farm Show and sponsoring agricultural education workshops in the seven Pennsylvania Department of Agriculture regions during February and March. For more information about PDA's Agricultural Education Initiative, contact Dr. MeeCee Baker at c-mebaker@state.pa.us or (717) 705-9512.

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