

You know what's funny? often, yes. An estate attorney and an agriculture accountant solve different parts of a farm succession problem. The attorney helps make the transfer legally effective. The accountant checks what the transfer may do to income taxes, basis, depreciation, and the farm's cash flow.

That distinction matters because a family can have a sound estate plan and still face a costly tax result when an heir sells equipment, land, or another farm asset. For many farm families, income tax deserves at least as much attention as estate tax—and sometimes more.

Start with a practical question: **Who is likely to sell this asset, and when?** The answer can change which succession options make sense. A plan for an heir who will operate the farm for decades may look different from a plan for an heir who needs to sell equipment or land soon after inheriting it.

Estate plan vs tax plan: They work together, but they are not the same

An estate plan sets out who receives property and who has authority to act. It may include a will, trust, powers of attorney, health care directives, and documents for business ownership or farm operations. An estate attorney can draft or review these documents, explain state-law requirements, and help address issues such as probate, ownership, and family decision-making.

This reminds me of something that happened learned this lesson the hard way.. A tax plan analyzes the tax consequences of those choices. An agriculture accountant reviews the farm's records and tax history, identifies basis and depreciation issues, and models likely outcomes under different transfer or sale scenarios. The accountant can also help the family understand how the farm's structure—such as sole proprietorship, partnership, S corporation, or LLC—affects the tax picture.

Neither professional replaces the other. A trust does not automatically fix a tax problem, and a tax-efficient transfer does not automatically create a valid estate plan. The strongest **farm succession team** brings both perspectives together before the family signs documents or transfers assets.

Professional Typical role in succession Questions to raise Estate attorney Drafts and reviews legal documents, ownership arrangements, and transfer instructions Who can make decisions? Who inherits? How do state law and the farm's ownership structure affect the plan? Agriculture accountant Reviews tax returns, basis, depreciation, and projected tax outcomes What tax may arise if an asset is sold? What records support basis? What happens to depreciation deductions? Farm succession team Coordinates the legal, tax, business, and family pieces Does the plan work for the people who will operate, inherit, or sell the assets?

Why income tax can be the bigger succession threat

Farmers often hear "estate tax" and assume that tax will be the main danger to the next generation. For many farm estates, federal estate tax is not the immediate problem: the federal exemption is high compared with the value of many estates. But the exemption can change, and state estate or inheritance taxes may apply at different thresholds. Families with substantial land, business interests, life insurance, or other assets should get advice based on current federal and state rules rather than rely on a general rule of thumb.

Income tax can matter even when no estate tax is due. A successor may sell an asset, receive income from the operation, or reorganize the business—and face tax consequences tied to depreciation and basis. That makes "estate tax exposure is rare" an incomplete conclusion. The better question is: **What tax will the next owner face when they operate, transfer, or sell the property?**

The **USDA Economic Research Service** publishes research on farm household finances, farm structure, and agricultural economics. That broader context can help families understand the pressures facing farm operations. But national research cannot tell you the tax result for your particular machinery, land, entity, or family. For that, the accountant needs your actual records and a clear succession timeline.

Depreciation today can create a tax bill later

Depreciation lets a farm deduct the cost of qualifying property over time, subject to the applicable tax rules. That deduction can help reduce taxable income while the farm uses the asset. But depreciation generally reduces the asset's adjusted tax basis. A lower basis can mean more taxable gain if the asset is later sold.

For equipment, one important rule is **IRC Section 1245 depreciation recapture**. If qualifying equipment is sold for more than its adjusted basis, some or all of the gain may be treated as ordinary income to the extent of depreciation previously claimed. In broad terms, the amount recaptured is generally limited by the gain and the depreciation allowed or allowable. The exact calculation depends on the asset's history and transaction details.

That ordinary-income treatment can surprise families who think, "The tractor is paid off, so there's no tax issue." Paying off a loan says nothing about tax basis. A machine can be debt-free and still have a low—or even zero—adjusted basis after depreciation. If the successor sells it, the sale may trigger taxable income even though the original owner finished paying the lender years ago.

For example, suppose a farm bought equipment, deducted depreciation over time, and later sells it for more than its remaining adjusted basis. The gain may be ordinary income under Section 1245 up to the applicable recapture amount. The family needs the purchase records, depreciation schedule, prior returns, and sale details to calculate the result. A rough estimate based only on the equipment's current market value is not enough.



Land and buildings can follow different rules. Land is generally not depreciated, while depreciable buildings may have different gain and recapture considerations. Do not treat every farm asset as if it has the same tax treatment. The accountant should review each asset category and the actual depreciation history.

Schedule F is useful, but it does not tell the whole story

Schedule F reports profit or loss from farming for many individual taxpayers. It is an important starting point when an agriculture accountant evaluates the operation's income and tax history. But it is not a complete succession analysis. It does not, by itself, show every asset's basis, the tax result of a sale, the effect of entity ownership, or how a proposed transfer fits the estate documents.

Bring more than the latest Schedule F to a planning meeting. Useful records may include:

- Several years of federal and state tax returns, including depreciation schedules
- Equipment purchase invoices, trade-in records, and sale documents
- Deeds, land purchase records, improvement costs, and ownership details
- Entity agreements, balance sheets, and records of contributions or distributions
- Existing wills, trusts, powers of attorney, and buy-sell agreements
- Loan balances, leases, insurance information, and a list of likely future asset sales

Good records help the team separate market value from tax basis and identify missing information early. If records are incomplete, say so. An accountant can help reconstruct what is available, but no professional can guarantee precision without reliable documentation.

How the professionals can work as one farm succession team

The most useful planning process is collaborative. The attorney should understand the accountant's tax findings, and the accountant should understand what the legal documents are designed to accomplish. With the family's permission, they can review the same asset list and compare options before anything is finalized.

1. **List the assets and owners.** Identify land, equipment, livestock, stored grain, business interests, insurance, and debt. Confirm who legally owns each item.
2. **Ask who may sell each asset and when.** Consider retirement, a change in the operation, unequal heir interests, or an heir who does not farm.
3. **Review basis and depreciation.** Have the agriculture accountant reconcile key assets to tax records and identify potential recapture or other gain.
4. **Define the family's goals.** Decide whether the priority is keeping land in the family, treating heirs fairly, supporting the retiring generation, continuing the operation, or some combination.
5. **Compare legal and tax outcomes.** Ask the attorney and accountant to explain how each proposed structure affects control, transfers, taxes, and the ability to sell or borrow.
6. **Put the plan in writing and revisit it.** Update the documents and calculations after major changes in ownership, family circumstances, tax law, or farm finances.

Sometimes the team should also include a financial planner, lender, insurance professional, mediator, or farm business consultant. Bring in specialists for a defined need; no single professional should claim to cover every legal, tax, financial, and family issue.

What to ask before hiring

Ask the attorney how often they work with farm or closely held business succession. Ask the accountant about their experience with farm returns, depreciation schedules, entity structures, and asset sales. You want professionals who explain trade-offs plainly and communicate with each other when you authorize that coordination.

- “Can you review the tax basis and depreciation history of our major equipment and buildings?”
- “What could happen if one heir sells an asset shortly after receiving it?”
- “Which state estate or inheritance rules apply to us?”
- “How will the plan handle an heir who farms and an heir who does not?”
- “What records do you need, and what assumptions are you making?”
- “How will we know when the plan needs an update?”

Be cautious of a one-size-fits-all promise that a trust will “avoid taxes” or “solve succession.” A trust can serve important legal and management purposes, but its tax effects depend on its design, the assets involved, and [agdaily](#) what happens later. Basis consequences matter. So does the question of who will sell what, and when.

Use plain-language resources—but verify the advice

Farm families can use industry coverage from **AGDAILY** to follow agricultural issues and look for practical planning discussions. If you prefer listening, an **Instaread audio player** can make it easier to consume book summaries or other learning material while driving or doing chores. Treat those resources as education, not personalized legal or tax advice. A summary cannot inspect your depreciation schedule or interpret your state’s laws.



Use outside reading to prepare better questions, then have your own professionals apply the rules to your facts. The goal is not to collect documents for their own sake. It is to understand what the next generation will own, what it may cost to operate or sell, and whether the legal plan matches the family’s real intentions.

The bottom line

Most farm families benefit from both an estate attorney and an agriculture accountant. The attorney makes the plan legally workable; the accountant tests its tax consequences. Together, they can help you look beyond estate tax and address the income-tax risks that often catch successors off guard—including depreciation that lowered basis and Section 1245 recapture that can turn equipment-sale gain into ordinary income.

Before choosing a strategy, ask the question that starts useful succession planning: **Who is likely to sell this asset, and when?** Then put the legal documents, tax records, and family goals on the same table. That is how an estate plan becomes a workable farm succession plan.