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TAX & BUSINESS SERVICES, LLC

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# Transition Planning and Tax Considerations for Woodlands

Presented by:

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# Introduction

- **Kacerski Tax & Business Services, LLC**

  - Certified public accounting and business consulting firm

  - Located in Hartford OH

  - Provide a wide range of services for clients

- **Example of services provided:**

  - Tax Consulting and Compliance

  - Payroll Compliance

  - Bookkeeping

  - Estate & Gift Planning

# Farm Transition Planning

- Average age of American farmer is 58
- Will lender work with the next generation
- What is different for farmers
  1. Emotional ties to land
  2. Operations vs land. When to give up control
  3. Deeds. How are assets titled?
  4. How will older generation be compensated?
- **FAIR IS NOT ALWAYS EQUAL**
  1. How do you equitably treat non farming heirs?

# Farm Transition Planning

- Transition Planning – what should be considered?
  1. Never too early to plan
  2. A will that is up to date
  3. Durable Power of Attorney
  4. Living will and health care power of attorney
  5. Beneficiary designations that are up to date and have named contingent beneficiaries
  6. Own property jointly with the right of survivorship, especially with your spouse
  7. Privacy Taxes & Control

# What to consider

- Taxes
  - Estate and Income
- Privacy
  - Avoiding Probate
- Control
  - Deciding who will receive assets and when
- How will assets be transferred
- Team of advisors to accomplish your goals

# Taxes

## ● Federal Estate Tax

- \$13.99 million exemption per person for 2025
- \$15 million exemption per person for 2026. “Permanent” increase due to One Big Beautiful Bill enacted in July
- Federal Estate Tax Rates range from a low of 18% up to 40% of taxable amount over exemption

## ● State Estate Tax

- Ohio has no Estate Tax

## ● Income Taxes

- Estate may be required to file an income tax return if it has assets that generate gross income over \$600

## ● Basis Step Up of Assets

- Cost basis of assets are stepped up to value at date of death

# Basis Step Up

- What type of assets can receive a basis step up
  - Investments
  - Land/Timber
  - Equipment/Buildings
- Be careful how assets are owned
  - Assets owned by a Corporation or certain Trusts won't receive a basis step up
  - Assets owned by entities taxed as a partnership require an election with the tax return to receive basis step up

# Basis Step Up

- Need valuation to substantiate values used for basis step up
  - Real estate appraiser for real estate
  - Auctioneer for equipment appraisals
  - Business valuation for entities
- Consider valuation of land/real property components
  - Buildings/Tile/Woodlands
- Tax Benefits
  - Depreciation of business assets
  - Limit taxable gain if assets are sold by beneficiaries

# Conservation Easements – Tax Benefits

- Can donate or sell an easement
  - Value of donation results in a charitable contribution
  - Charitable contribution is reported on IRS Form 8283.
  - Appraiser and recipient organization need to sign the form.
  - Copy of appraisal needs to be submitted with tax return in year of contribution
  - Unused deduction can be carried over up to 15 years.
  - Sale of an easement is sale of real property. Proceeds received in excess of property's tax basis is taxed as capital gain income
- Charitable deduction up to 100% of Adjusted Gross Income for qualified farmers and ranchers
  - Gross income from trade or business of farming needs to be greater than 50% of the individual's gross income for the taxable year
- Tax savings versus Easement restrictions

# Privacy

- Title assets to avoid probate
  - Use of entity such as LLC or trust
  - Set up assets like bank accounts to transfer on death
- Designating beneficiaries
  - Retirement accounts

# Control

- Who will receive assets and when
  - Dividing up farm assets that maintains farm legacy
  - When is next generation brought in
- What limitations will be placed on beneficiaries
  - Restrictions such as when younger beneficiaries can receive their share
- Reminder - Fair is not always equal

# Thank You



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