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## The Tax Implications of the American Families Plan on Iowa Farmland Owners

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## Executive Summary

President Biden proposed the American Families Plan (AFP) on April 28, 2021, to provide new social programs to millions of Americans. To pay for this \$1.8 trillion benefits package, the AFP proposes significantly changing the way capital gain is taxed. The Administration has explained that “reforms to the taxation of capital gains and qualified dividends will reduce economic disparities among Americans and raise needed revenue.” Specifically, the AFP proposes increasing the top marginal tax rate, taxing some capital gain at ordinary income tax rates, and subjecting more gain to the 3.8% Medicare tax. The AFP would thus boost the top federal rate at which some capital gain is taxed to 43.4% in 2022 and beyond.

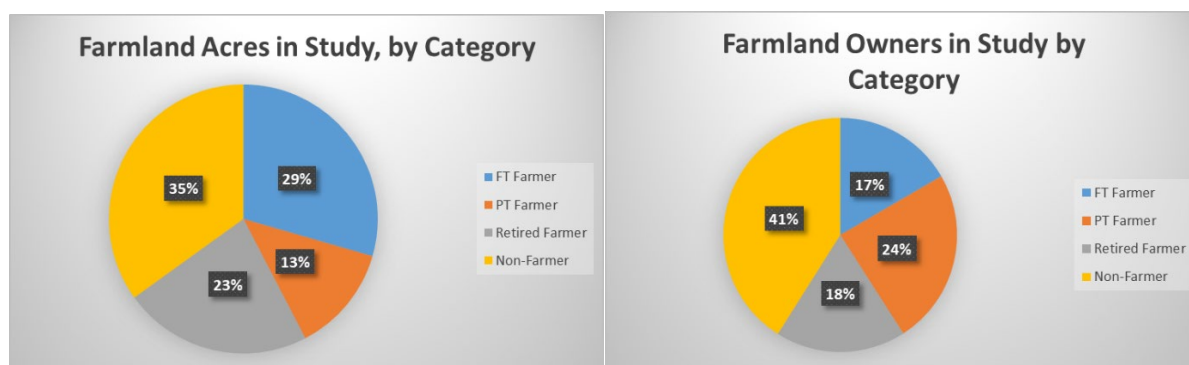
In addition to increasing tax rates, the AFP proposes taxing previously unrealized capital gain upon the transfer of appreciated property at death or by gift. This new tax—never before implemented in the United States—would generally apply to gain exceeding \$1 million per person. It would supplement, not replace, the current estate and gift tax, which—because of a current exclusion of \$11.7 million per person—impacts very few estates. As proposed, the AFP would generally eliminate the tax-free step up in basis for capital gain exceeding \$1 million. This would apply to gain arising from investment assets such as stocks or commercial real estate, as well as gain arising from farmland or other business property. The AFP proposes applying the current \$250,000 per person exclusion for capital gain on a principal residence.

To determine the potential impact of these proposals on the owners of Iowa farmland, we analyze statistically representative data of farmland and landowners in Iowa, collected through the 2017 Iowa Farmland Ownership and Tenure Survey (IFOTS). We determine the basis of the farmland based upon its location and how and when it was acquired. We then calculate potential gain based upon estimated county-level fair market value (FMV) in 2021, which is assumed to be 5% higher than the average county farmland value estimates reported in the ISU Land Value Survey as of November 1, 2020. Because the AFP would treat entities differently from individuals, we exclude entity-owned farmland from our analysis and only consider acres owned by sole owners, joint tenants, tenants in common, or revocable living trusts. As such, our study examines the potential impact of the AFP on 22 million acres of Iowa farmland, which is 72% of the 31 million-acre total. Our study also considers the AFP’s potential impact on 217,548 owners or 80% of the 272,906 farmland owners in Iowa, as shown in figure 1.



**Figure 1. Farmland acres and owners in the study.**

The 217,548 farmland owners and 22,044,707 acres in our study are broken down into four categories: full-time farmers, part-time farmers, retired farmers, and non-farmers (see figure 2). We review the impact of the AFP on owners in these categories throughout the report. The data show that more owners call themselves part-time farmers than full-time farmers, but full-time farmers own 29% of acres in our study, while part-time farmers own 13%. Note that some spouses of current, retired, or deceased farmers are non-farmers, as are off-farm owners of a family farming operation.



**Figure 2. Farmland acres and owners in study, by category.**

*Note:* FT=full-time; PT=part-time.

Throughout the study, we consider spouses to be individual owners of 50% of all jointly-owned property, and we calculate gain accordingly. When determining gain realized at death or upon gift, we apply a separate \$1 million exclusion for each owner/spouse. This means that our calculated tax liability estimate for an owner/spouse is roughly 50% of the tax liability that would exist for the couple if all of the couple's property is jointly owned. It also means that we calculate all estimated owner tax liability averages and medians using this one-spouse, one-owner approach. We present individual land holdings, as well as whole farm size data, which is all farmland in which the individual owner has at least a partial interest. The whole farm data allows us to compare results with other data sources, such as the USDA Census of Agriculture. All tax calculations are based upon the individual's fractional interest in the whole farm.

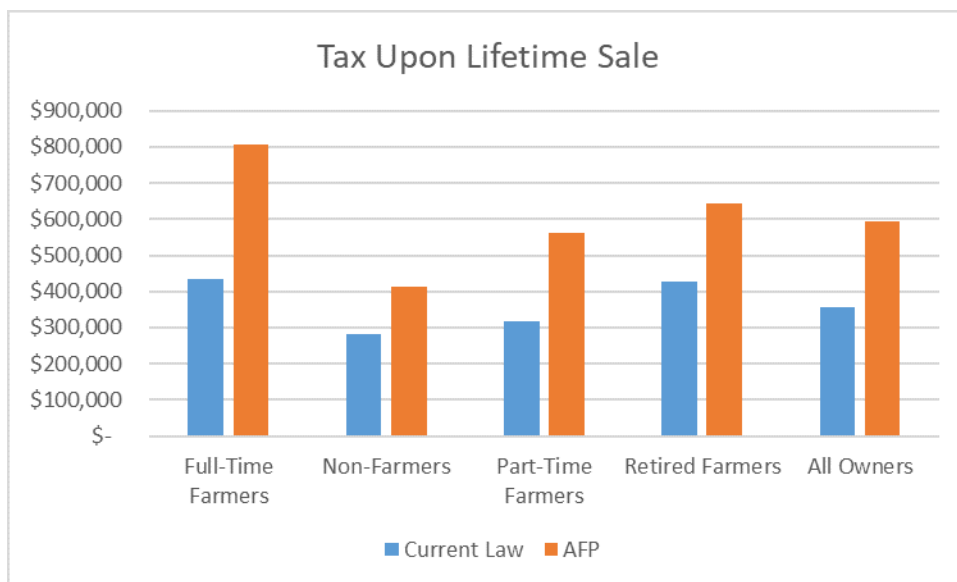
Limiting our data to capital gain arising from the ownership of farmland only, our analysis estimates the average minimum tax liability imposed upon Iowa farmland owners by the AFP in the event of: (a) a lifetime sale; or, (b) the transfer of property at death or by gift. Most owners would have additional income or gain from non-farmland property that would increase overall tax liability beyond our estimates. We must also emphasize that our estimates are limited to the average results of hypothetical events. In other words, to determine the new AFP tax arising at the death of a farmland owner in a particular category, we calculate the average tax liability for all owners in that category as though all owners died in the same year.

### ***Lifetime Sales***

We first review the potential impact of proposed AFP tax rate increases upon the sale of farmland. No exclusions or potential deferrals apply to a lifetime sale. We apply the new rules of

the AFP, as though they applied in 2021, and compare the new liability to that under current law.

- We estimate that the AFP’s higher tax rates would increase the average minimum tax liability flowing from a taxable lifetime sale of an Iowa owner’s farmland by 65%, from \$368,092 to \$607,870. Tax liability across owners varies significantly, depending upon the number of acres owned and the basis of the farmland. On average, we estimate that a full-time farmer owning 358 acres of farmland would see tax liability from a lifetime sale increase from \$475,248 to \$860,572 (81% increase) or from 14.5% to 26% of FMV. As shown in figure 3, active farmers see the most significant increase. We assume that a new 3.8% Medicare tax impacts gain greater than \$400,000 arising from the sale of an active farmer’s land. Non-farmers already pay this tax at a lower income threshold under current law.



**Figure 3. Lifetime sale tax under current law and proposed AFP.**

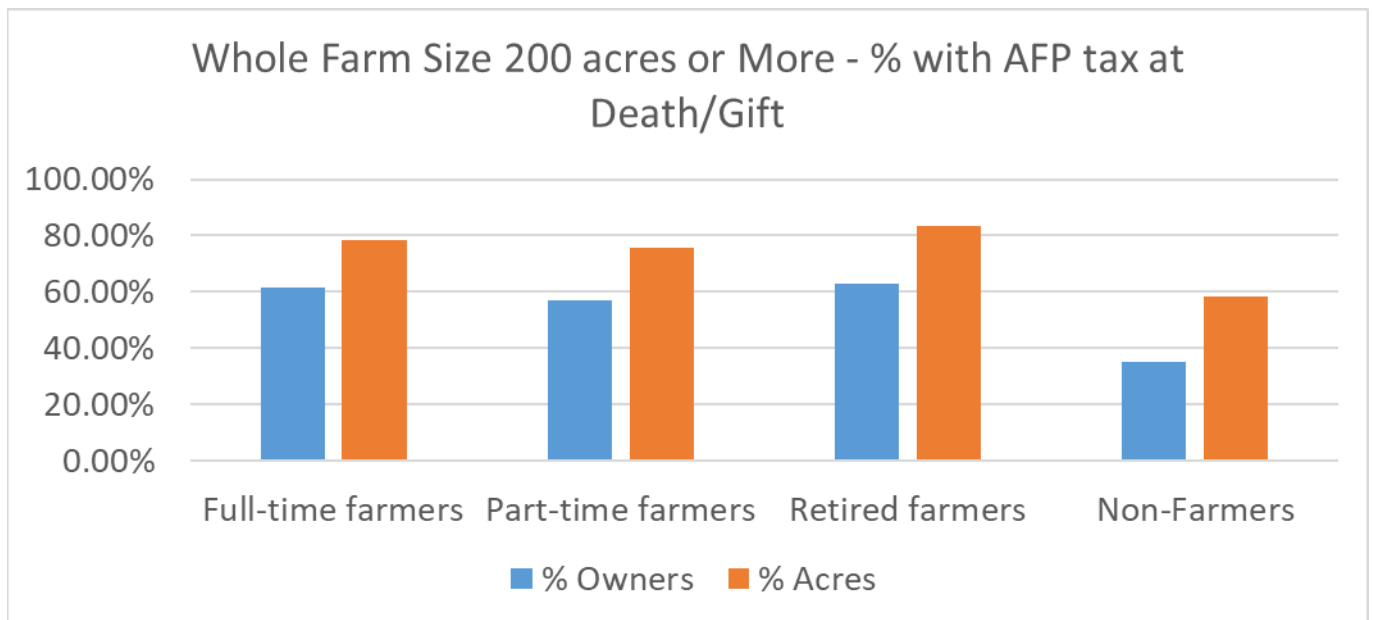
- Example 1:
  - In 2002, an unmarried Cerro Gordo County farmer purchased 422 acres of farmland worth \$2,648/acre or \$1,117,550. In 2021, the FMV of the land is \$3,250,642 or \$7,703/acre. The farmer sells, recognizing \$2,133,092 in gain.
    - **Under current law, the farmer would owe \$398,265 or 12% of the sales price** in tax, assuming no additional income beyond the standard deduction.
    - **Under the AFP, the farmer would owe \$686,208 or 21% of the sales price in tax, a 72% tax increase.**

Lifetime sale information is also relevant because the AFP proposes to limit the tax-deferred like kind exchange of real property to \$500,000 per person each year. Further analysis of the impact of this restriction is beyond the scope of this report.

### Transfers at Death or by Gift

We next review the potential impact of the AFP's imposition of a tax on unrealized gain at death or gift. When triggered, the new transfer tax would be calculated as a sale, using the increased rates detailed above, but each person could exclude \$1 million in gain from recognition. We do not apply the \$250,000/\$500,000 exclusion for a principal residence in our farmland study.

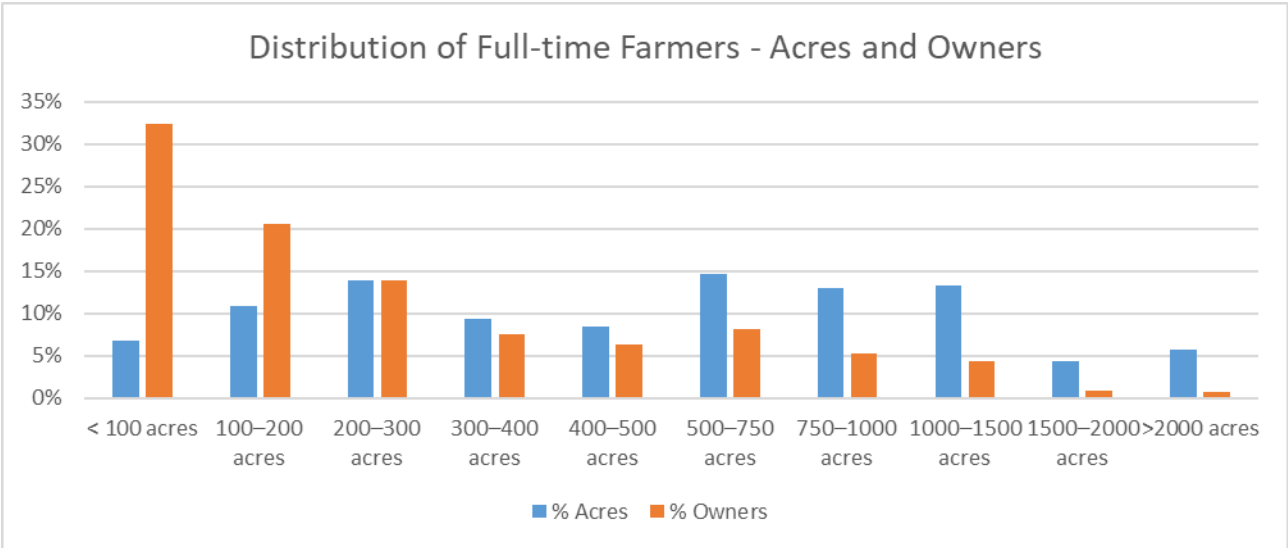
- We begin with an estimate that 53% of all Iowa farmland acres and 17% of all Iowa owners would be impacted by the new AFP tax at death or gift. The average tax for these owners would be \$623,888. These numbers, however, include all types of owners and land holdings, regardless of size.
- Figure 4 shows the percentage of impacted owners and acres, by owner type, when whole farm size is 200 acres or more. We discuss each category below.



**Figure 4. Owner and acre impact, 200 acres or more.**

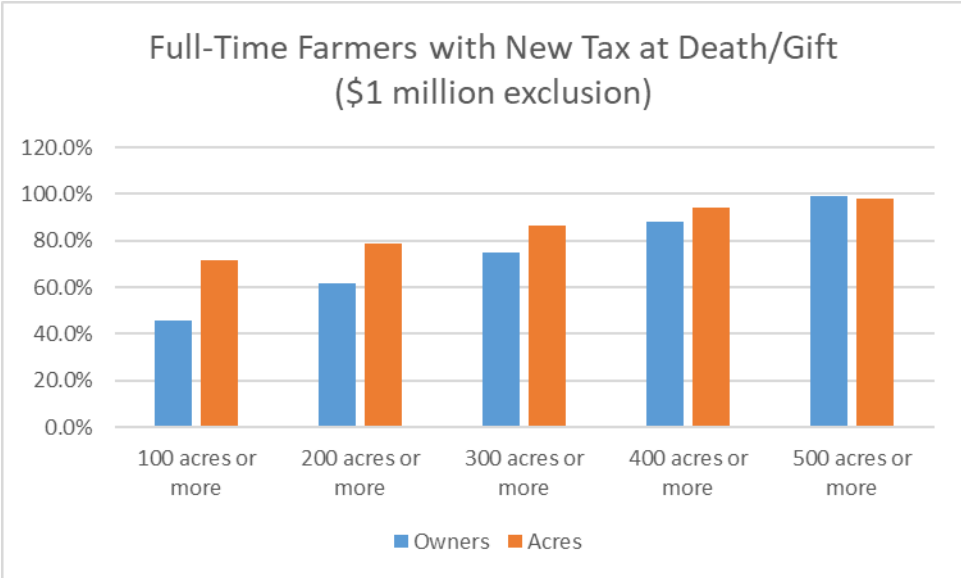
#### *Full-Time/Part-Time Farmers*

Many Iowa farmland owners have an interest in very small parcels of land. These owners will not be impacted by the AFP, based solely upon their farmland holdings, because their gain will not exceed the \$1 million exclusion. The following charts show the number of farmland acres owned by full-time farmers, as well as the whole farm size in which the owners have an interest. As shown in figure 5, 32% of full-time Iowa farmers have an interest in fewer than 100 acres, and 53% own an interest in 200 acres or less. These interests comprise 21% of the acres owned by full-time farmers. Of the owners with an interest in less than 100 acres, the average number of acres owned by these individuals is just 37.



**Figure 5. Farmland owned by full-time farmers, by whole farm size.**

Our data suggest that no owners or acres attributable to whole farms less than 100 acres would face tax liability under the AFP at death or gift. Figure 6 shows new tax liability for whole farms sized at 100 acres or more. These estimates include a \$1 million gain exclusion.



**Figure 6. New AFP liability for full-time farmers, by whole farm size.**

Among full-time farmers with ownership in a whole farm of 100 acres or more, we estimate that 46% of owners and 72% of acres would be impacted by the AFP tax at death or gift. That number jumps to 99% of owners and 98.2% of acres when the whole farm size reaches 500 acres or more. The average number of individual acres owned by a farmer with an interest in 500 acres or more is 656 acres. This group would face an average new tax liability of \$978,342 at death or



gift, although deferral may apply to some of these farmers. The average tax at death or gift for these owners would be 15% of the FMV of their farmland.

- We further estimate that 62% of full-time farmer owners with an interest in 200 acres or more—comprising 79% Iowa farmland acres—would be impacted by the AFP tax at death or gift. The average tax for this group would be \$782,576 or 13% of the FMV of their farmland.

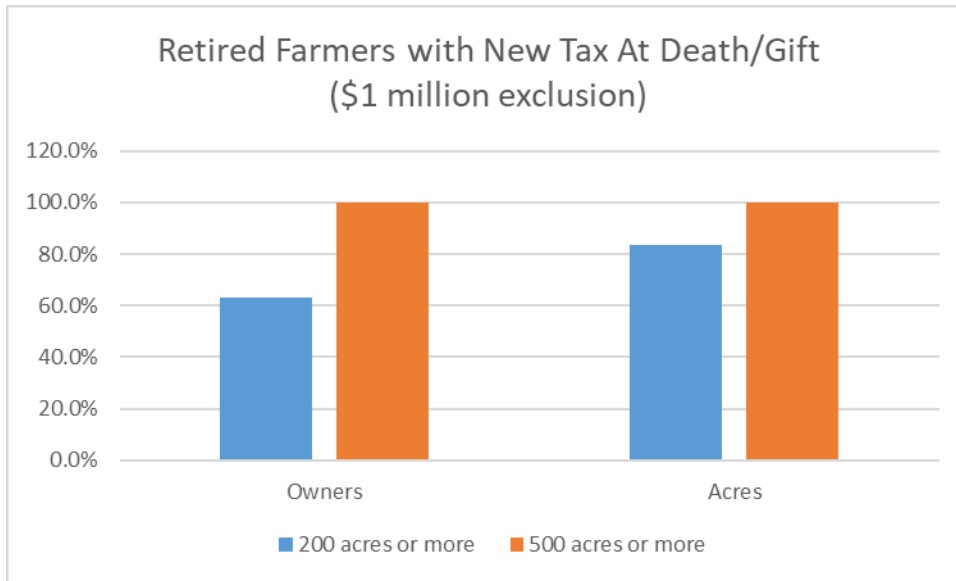
Our data suggest that 57% of part-time farmers with an interest in 200 acres or more and 76% of acres owned by part-time farmers would be subject to liability at death or gift under the AFP. Average tax liability for this group would be \$618,497, averaging 11% of the FMV of the property.

- Example 2
  - Married farmers in Buena Vista County own 722 acres of farmland as joint tenants with right of survivorship. In 2004, they purchased the land for \$3,093/acre or \$2,233,146. In 2021, the land is worth \$9,972/acre, for a total FMV of \$7,199,784. Thus, in 2021, they have \$4,966,638 in unrealized gain in their farmland.
  - The farmers are killed together in a tragic accident in 2021. Under current law, their land would pass to their heirs with no tax liability, and the basis of the property would step up to \$7,199,784.
  - Under the AFP, after applying a \$2 million exclusion, the death of these owners would trigger the realization of \$2,966,638 in gain from their farmland. This would generate \$1,039,122 in tax liability (\$519,561 per spouse), which is 14.4% of the land value. This number increases if the couple had other income or gain in the year of their death. It is possible this transfer could qualify for a deferral of the tax payment, depending upon whether the couple has farming heirs and depending upon the details of any deferral provision.

#### *Retired Farmers and Non-Farmers*

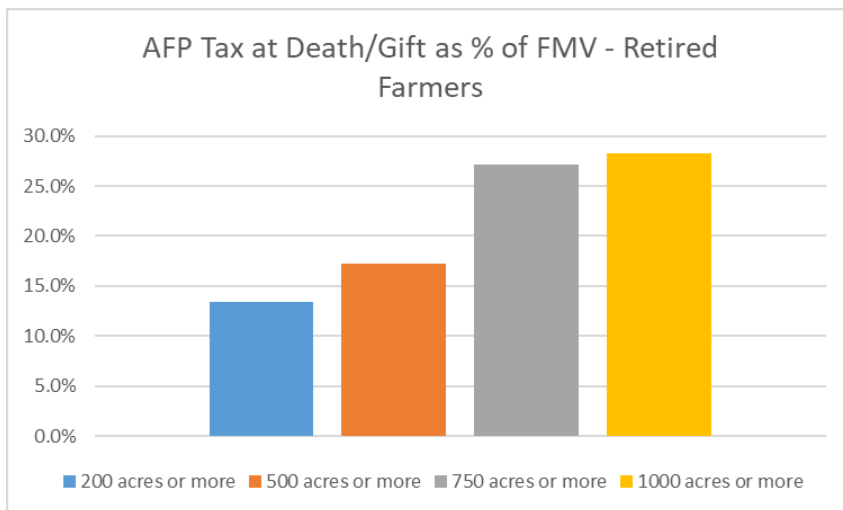
Likewise, we estimate that 29% of retired farmland owners and 10% of non-farmer owners would have new tax liability at death or gift flowing solely from their farmland holdings. We estimate average new tax liability for these categories at \$530,237 and \$527,563, respectively. Sixty-nine percent of all acres owned by retired farmers would be impacted by this new tax at death or upon gift.

As with full-time farmers, however, the data is clearer when examining only those with an interest in a whole farm with 200 acres or more. As shown in figure 7, 63% of retired farmers with an interest in 200 acres of land or more and 84% of the land owned by these retired farmers would be impacted by the AFP tax at death or gift. Nearly all retired farmers and the acres they own would be impacted by the AFP at death or gift where the retired farmer has an interest in 500 acres or more.



**Figure 7. New AFP liability for retired farmers, by whole farm size.**

Our data show that the average new tax liability for retired farmers with an interest in 200 acres or more or 500 acres or more would be \$582,659 and \$1,002,543, respectively. As shown in figure 8, the average tax as a percent of the FMV of the property ranges from 13.4% to 28.3% for retired farmers, based upon their farm size. Retired farmers often have more unrealized gain because they have owned their land longer.



**Figure 8. AFP tax at death/gift as percent of FMV, retired farmers.**

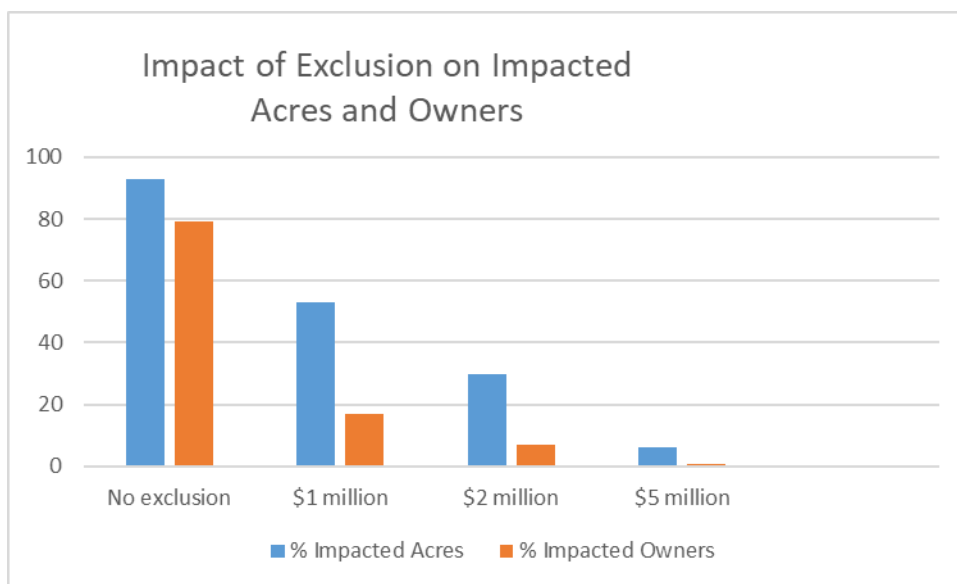
- *Example 3*
  - A retired farmer from Buena Vista County dies in 2021 owning 700 acres of farmland. In 1975, he purchased the land for \$1,450/acre or \$1,015,000. In 2021, it is worth \$9,800/acre or \$6,860,000. He dies with \$5,845,000 in unrealized gain.

- Under the AFP, the retired **farmer’s death creates new tax liability of \$1,863,178**. This is 27% of the FMV of the land.

We also analyze the estimated tax liability for retired farmers and non-farmers, broken down by rental arrangements. This is significant for potential deferral provisions applying to family farms. Forty percent of retired farmers who cash rent to non-relatives, for example, would face new AFP tax liability averaging \$529,145 at death or upon gift. Thirty-eight percent of the farmers who cash rent to a relative would, on average, face an AFP tax of \$261,363 at death or upon gift.

*Exclusion Amount*

All of our findings are based upon a \$1 million capital gain exclusion from recognition (per owner) proposed to apply at the time of death or gift. As shown in figure 9, if the AFP were to remove the \$1 million exclusion, we estimate that 93% of Iowa’s farmland would be impacted by the new transfer tax. If the exclusion were set at \$5 million, we estimate that number would drop to 6%, with only .6% of owners impacted by the AFP tax.



**Figure 9. Estimated impact of exclusion amount on acres and owners.**

*Tax Deferral for Family Owned and Operated Farms*

The AFP suggests a tax deferral for current farmers who transfer their farmland to family members who continue to farm the land—payment of tax on the appreciation of certain family owned and operated businesses would not be due until the interest in the business is sold or the business ceases to be family owned and operated. Without more detail, it is impossible to analyze the impact of a deferral provision. It does appear, however, that the tax would be assessed at death or gift, but the payment deferred until such time as the land is no longer farmed by a family member. The definitions of “farming” and “family owned and operated” would be key to determining the reach of any deferral provision.

When considering the definition of “farmer” it is important to note that only 17% of farmland owners within our study are full-time farmers and they own just 30% of the acres we analyzed. The average age of these full-time farmers was 61.5 years old. The average age of non-farmer

and retired farmland owners in our study was 68.7 and 77.7 years old, respectively. More than 50% of Iowa's farmland is rented, most under a cash rent lease. More information about the demographics, leasing, and transition practices of these farmland owners could be found in the 2017 IFOTS report.<sup>1</sup>

It is also not clear what impact a deferred tax would have on a farmer's ability to obtain credit. Although we did not perform extensive debt or income analysis, our data show that 72.7% of owners who would incur new tax liability at death or gift under the AFP own their property free of debt. That debt-free number falls, however, to around 40% for farmers that own 1,000 or more acres of farmland. Our data do not include information about other debt to which farmland owners are subject.

Although our data do not include information about farm income, we compare the income potential of the farmland in our survey to the potential tax liability associated with that farmland. This could suggest the ability of an owner to pay a new tax at death or upon gift. To do this, we calculate the average cash rental income that could be collected for the farmland acres in our survey, based upon county-level cash rent data. We then estimate that Iowa farmland owners with tax liability could collect, on average, \$165,421 in gross cash rental income from their land each year. This means that the owners' average tax liability at death or gift equates to 377% of the average annual gross cash rental income. The USDA forecasts average net cash farm income for farm businesses at \$91,800 in 2021. This includes farms with annual gross receipts of at least \$350,000 or smaller businesses where farming is reported as the operator's primary occupation.

We emphasize in closing that the AFP is only a proposal. To date, no legislative language exists, and it is unclear whether a majority in Congress will support these or similar provisions. With this study, we present estimates of the AFP's potential tax impact on Iowa farmland owners, as proposed. The provisions will likely evolve as Congress debates a larger budget reconciliation bill this fall.

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<sup>1</sup> Zhang, W., A. Plastina, and W. Sawadgo. 2018. "Iowa Farmland Ownership and Tenure Survey 1982–2017: A Thirty-five Year Perspective." Iowa State University Extension and Outreach, CARD working paper #18-WP 580, <https://store.extension.iastate.edu/product/6492>

## Introduction

On April 28, 2021, President Biden proposed a \$1.8 trillion plan to “grow the middle class, expand the benefits of economic growth to all Americans, and leave the United States more competitive.”<sup>2</sup> As proposed, the American Families Plan (AFP) would provide two years of free community college, free universal preschool, direct support for families with children, paid family and medical leave, and many other new social programs. The AFP proposes paying for these programs through several new tax strategies, including: (a) restoring the top individual tax bracket to what it was before the Tax Cuts and Jobs Act of 2017 (TCJA); and, (b) transforming the tax treatment of appreciated property at death, gift, or sale. On May 28, 2021, the Treasury Department released the General Explanations of the Administration’s Fiscal Year 2022 Revenue Proposals (Green Book),<sup>3</sup> a description of revenue proposals within President Biden’s fiscal year 2022 budget. The Green Book provides more detail on the tax proposals associated with the AFP. The AFP affects not only capital gain from investment assets such as stocks or commercial real estate, but also gain arising from farmland or other business property.

In light of these significant proposals, we reviewed Iowa farmland ownership data to assess the potential impact of the AFP (as explained in the Green Book) on the owners of approximately 22 million acres of Iowa farmland. Specifically, we assess the proposals’ potential impact on transfer events: (a) lifetime sale of farmland and (b) transfer of farmland at death or by gift.

## Current Law - Capital Gain Tax Review

### *Capital Gain*

Under current law, individuals generally pay tax upon the sale or disposition of appreciated assets.<sup>4</sup> Increases in the value of an asset are not “realized” until that asset is sold, exchanged, disposed of, involuntarily converted, or lost in a casualty event.<sup>5</sup> Tax is due for realized gain unless a provision in the tax code prevents it from being “recognized.”<sup>6</sup> Deferral of the recognition of gain, for example, can apply to a like-kind exchange<sup>7</sup> or an involuntary conversion.<sup>8</sup>

Tax for recognized capital gain is calculated based upon whether the gain is short-term, which generally arises when the asset is held for one year or less, or long-term, which usually arises when the asset is held for more than one year.<sup>9</sup> Current law affords a preferential rate schedule for long-term capital gain. Short-term capital gain is generally taxed as ordinary income. Gain is

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<sup>2</sup> <https://www.whitehouse.gov/american-families-plan/> (last accessed July 29, 2021).

<sup>3</sup> <https://home.treasury.gov/system/files/131/General-Explanations-FY2022.pdf> (last accessed July 29, 2021).

<sup>4</sup> IRC § 61(a)(3).

<sup>5</sup> IRC § 1001(b).

<sup>6</sup> IRC § 1001(c).

<sup>7</sup> IRC § 1031.

<sup>8</sup> IRC § 1033.

<sup>9</sup> IRC § 1222. Gain from the sale of appreciated assets used in a trade or business is generally treated as long-term capital gain if the asset was held for more than one year. I.R.C. § 1231(a)(1).

calculated based upon the difference between the owner’s adjusted basis<sup>10</sup> and the sales price.<sup>11</sup> As shown in table 1, the top long-term capital gains tax rate is presently 20%.<sup>12</sup>

**Table 1. Capital Gain Tax Rates for Single Filing and Married Filing Jointly Taxpayers**

Single Taxable Income	MFJ Taxable Income	Capital Gain Tax Rate
0–\$40,400	0–\$80,800	0%
\$40,401–\$445,850	\$80,801–\$501,600	15%
\$445,851+	\$501,601+	20%

*Medicare Tax*

Current law also imposes a net investment income tax<sup>13</sup> (NIIT) on the gain arising from the sale of investment assets. This 3.8% tax is imposed upon taxpayers with net investment income—which also generally includes rental income—when the taxpayer’s modified adjusted gross income<sup>14</sup> exceeds the threshold levels shown in table 2.

**Table 2. Current Threshold Levels of Modified Adjusted Gross Income for Net Investment Income Tax (NIIT)**

Filing Status	Threshold MAGI
Married filing jointly	\$250,000
Married filing separately	\$125,000
Single	\$200,000
Head of household (with qualifying person)	\$200,000
Qualifying widow(er) with dependent child	\$250,000

Also called the “Medicare” tax, Congress instituted the NIIT in 2013 to help pay for the Affordable Care Act.<sup>15</sup> In addition, capital gain is often subject to taxation at the state level. Under current law, active farmers do not pay NIIT upon the sale of their farmland or on their self-rental income. Retired farmers, however, generally pay the NIIT upon the sale of their farmland and on their cash rental income if they exceed the income thresholds.

*Ordinary Income*

Most other income, including depreciation recapture,<sup>16</sup> is taxed at ordinary income tax rates. The TCJA generally lowered ordinary income tax rates from 2018 through 2025. In particular, the TCJA lowered the top marginal tax rate from 39.6% to 37% and increased the income levels at which higher rates are reached.<sup>17</sup>

<sup>10</sup> Adjusted basis is generally cost plus improvements minus depreciation. IRC § 1016.

<sup>11</sup> IRC § 1001.

<sup>12</sup> IRC § 1(h).

<sup>13</sup> IRC § 1411.

<sup>14</sup> IRC § 1411(d).

<sup>15</sup> 124 STAT. 119. PUBLIC LAW 111-148—MAR. 23, 2010.

<sup>16</sup> See, e.g., IRC § 1245(a)(1). Unrecaptured IRC § 1250 gain is taxed at a maximum rate of 25%.

<sup>17</sup> IRC § 1(j)(2).

### *Property Transfers at Death*

Under current law, property transferred at death receives a basis adjustment in the hands of the recipient.<sup>18</sup> Generally, the basis in the hands of the recipient will equal the fair market value (FMV) of the property at the date of death or six months thereafter. This is usually referred to as a “step up” in basis, although it can be a “step down” as well. Under these rules, no tax is assessed on the gain that accrued while the decedent owned the property.

The tax free step up in basis has been explicit in the tax code since at least 1921.<sup>19</sup> Although sometimes explained as a tool to prevent the double taxation of assets subject to the estate tax, the basis adjustment and the estate tax have never been expressly synced. The step up in basis, for example, applies even when estate property is exempt from estate tax. This was as true in 1921 as it is 100 years later.

### *Property Transfers through a Lifetime Gift*

Property transferred through a lifetime gift is treated differently for tax purposes. The gift does not trigger income tax liability, but the recipient of the gift takes the property with the donor’s basis. This means that while gain is not realized when the gift is made, it is not eliminated. If the recipient sells the property, tax will be recognized on the gain, or the difference between the basis and the sales price. This “carryover basis” rule has been in place since 1921.<sup>20</sup> Before that time, owners of appreciated property could escape the capital gains tax by transferring the property to someone else because gifted property also enjoyed a tax-free step up in basis.

### **Current Law - Estate and Gift Tax Review**

Some asset transfers are subject to estate and gift tax consequences.<sup>21</sup> In 2021, however, these taxes impact very few US taxpayers. Under current law, a tax is imposed on the value of property transferred at death and via lifetime gift.<sup>22</sup> A unified credit, however, provides that no tax liability will be imposed unless the sum of lifetime taxable gifts and property transferred at death exceeds the “basic exclusion amount.” In 2021, this basic exclusion amount is \$11.7 million per person. Married couples may receive the benefit of a double exclusion because at the death of the first spouse, “portability” grants the surviving spouse the option to preserve and later apply the deceased spouse’s unused exclusion as well.<sup>23</sup> Although estate and gift tax rates are graduated, transfers in excess of the exemption are currently taxed at 40% because the present exclusion exceeds the top rate threshold of \$1 million.<sup>24</sup>

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<sup>18</sup> IRC § 1014(a).

<sup>19</sup> Revenue Act of 1921, Pub. L. No. 67-98.

<sup>20</sup> IRC § 1015.

<sup>21</sup> The general skipping tax is beyond the scope of this discussion.

<sup>22</sup> IRC §§ 2001, 2501.

<sup>23</sup> IRC § 2010(c)(4).

<sup>24</sup> The executor of an estate required to pay estate tax must file a Form 706 and pay the tax due within nine months of the date of death. An executor must also file a Form 706 if they wish to elect portability on behalf of the surviving spouse.

In addition to the lifetime exclusion amount, current law allows an annual exclusion for lifetime gifts of \$15,000 per year.<sup>25</sup> This means that a person can gift up to \$15,000 per year to as many people as they wish without incurring a gift tax obligation. Gifts over \$15,000 to a single recipient in any year require the donor to file an IRS Form 709, Gift Tax Return. Gift tax is only due, however, if the giver exceeds the basic exclusion amount with the sum of lifetime gifts.

The estate tax basic exclusion amount<sup>26</sup> has increased significantly during the past several decades, as shown in table 3.

**Table 3. Estate Tax Basic Exclusion Amount 2005–2021**

Year	Amount
2005	\$1.5 million
2006	\$2 million
2007	\$2 million
2008	\$2 million
2009	\$3.5 million
2010	\$5 million (or no estate tax with carryover basis)
2011	\$5 million
2012	\$5.12 million
2013	\$5.25 million
2014	\$5.34 million
2015	\$5.43 million
2016	\$5.45 million
2017	\$5.49 million
2018	\$11.18 million
2019	\$11.4 million
2020	\$11.58 million
2021	\$11.7 million

At current exemption levels, very few estates owe estate and gift tax.<sup>27</sup> USDA-ERS recently estimated that of the approximately 31,000 principal farm operators expected to have died in 2020, 189 (0.6%) would be required to file an estate tax return, and only 50 (0.16%) would owe federal estate taxes.<sup>28</sup> Absent intervention from Congress, the basic exclusion is set to go back to \$5 million, indexed for inflation, in 2026.

<sup>25</sup> IRC § 2503(b)(1).

<sup>26</sup> The gift tax and estate tax did not share an exclusion until 2011. The estate tax was introduced in 1916, and the gift tax in 1924.

<sup>27</sup> In 2020, the Tax Policy Center estimated that only .1% of US residents expected to die that year would be subject to estate tax liability. <https://www.taxpolicycenter.org/briefing-book/how-many-people-pay-estate-tax> (last access June 14, 2021).

<sup>28</sup> <https://www.ers.usda.gov/topics/farm-economy/federal-tax-issues/federal-estate-taxes/> (last accessed July 31, 2021).



## AFP Proposed Changes – Increase Tax Rates

### *Increase the Top Individual Tax Rate*

For tax years **beginning in 2022**, the AFP would restore the 39.6% top marginal rate for the individual income tax in effect before the TCJA and lower the income thresholds to which the higher rate applies. In 2022, joint filers with \$509,301 of income would reach the 39.6% top tax rate. In 2021, those filers reach a 37% top rate with \$628,301 of income. Table 4 shows how the AFP would change the top income tax rate in 2022 for each filing status.

**Table 4. Top Tax Rate Increase Proposed in the AFP by Filing Status**

Filing Status	2021 (37%)	2022 (39.6%)
Married Filing Jointly	\$628,301	\$509,301
Single	\$523,601	\$452,701
Head of household (with qualifying person)	\$523,601	\$481,001
Married Filing Separately	\$314,151	\$254,651

### *Eliminate Preferential Capital Gain Tax Rate Where Income >\$1 Million*

The AFP would subject some long-term capital gain to ordinary income tax rates, as opposed to a preferential rate of 20%, where overall income (including gain) exceeds \$1 million. To prevent transfers in anticipation of the increase, the AFP proposes to implement this change retroactively to April 28, 2021.<sup>29</sup> This means that a 37% tax would apply to capital gain in 2021, to the extent that the taxpayer's income exceeds \$1 million. Beginning in 2022, a 39.6% tax rate would apply to all income (including capital gain) that exceeds \$1 million (\$500,000 for married filing separately), indexed for inflation.<sup>30</sup>

### *Expand the Medicare Tax*

For taxpayers with more than \$400,000 in adjusted gross income, the AFP would change the definition of net investment income to include “gross income and gain from any trades or businesses that is not otherwise subject to employment taxes.” Although not entirely clear, this proposal would appear to subject capital gain from the sale of assets used in a trade or business to the 3.8% tax, where adjusted gross income exceeds \$400,000.<sup>31</sup>

## AFP Proposed Changes: Death and Gift as Realization Events

Beginning in 2022, the AFP would treat the transfer of appreciated property at death or by gift as a sale, meaning that unrealized capital gain would be recognized and taxed at the time of death or gift. This would be a new tax, never before imposed in the United States.<sup>32</sup> The Green

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<sup>29</sup> The AFP states that the change would be effective after the date of the April 28, 2021, announcement.

<sup>30</sup> The Green Book explains, “Reforms to the taxation of capital gains and qualified dividends will reduce economic disparities among Americans and raise needed revenue.”

<sup>31</sup> Under IRC § 1231, gain from the sale of property used in a trade or business is taxed as long-term or short-term capital gain where the gain is not subject to special recapture provisions. Because farmland is not depreciable, farmland in the hands of a farmer is a § 1231 asset, subject to capital gain rates upon disposition.

<sup>32</sup> For much of its long history, some have suggested that the tax-free step up in basis is a conceptual error in need of revision. For a detailed history of this provision, see Lawrence Zelenak, *Figuring Out the Tax: Congress, Treasury, and the Design of the Early Modern Income Tax*, Cambridge University press, 2017/2018. Efforts to change the deep-seated rule, however, have met general opposition. A 1976 law—which would

Book states that dying with or gifting appreciated property would trigger taxable income to the decedent on the federal gift or estate tax return or on a separate capital gains return. Gain taxed at death, like gain taxed at sale, would also be subject to the AFP tax increases.

### *\$1 Million Exclusion*

The AFP proposes that individuals could, during their lifetime, exclude up to \$1 million (indexed for inflation) in gain from realization at death or gift. Spouses would each get their own exclusion, which would be portable, meaning that a couple could exempt \$2 million in gain arising from death or gift from taxation. Transfers at death to a surviving spouse would not trigger immediate recognition, but the asset would transfer with a carryover basis. The gain would be recognized at the death of the second spouse (or upon an intervening sale).

Additionally, the proposal would exempt \$250,000 in gain from the sale of a personal residence (\$500,000 for married filing jointly).<sup>33</sup> The current exclusion for capital gain on certain small business stock would also apply.

### *Basis Adjustment*

The Green Book states that if property is transferred at death, the recipient's basis in the property would be the FMV of that property. In other words, there would be a \$1 million tax-free step up in basis attributed to the \$1 million exclusion, and the remainder would step up because the tax would be paid. If property is transferred by gift, the recipient would receive a *carryover basis*, to the extent that the \$1 million exclusion applies. In other words, if a gift triggers a transfer tax, the basis would adjust to FMV only for that portion of the property subject to the tax.

### *Interaction with the Estate and Gift Tax*

The AFP's new taxation of gain at death or gift would be separate and in addition to the current estate and gift tax system. While some in Congress have proposed to lower the estate and gift tax basic exclusion, the AFP does not propose changes.<sup>34</sup> As noted, the exclusion is scheduled to revert to \$5 million, indexed for inflation, in 2026. As such, the current estate and gift tax would continue to apply—in addition to the new AFP tax—if the value of the estate exceeds the basic exclusion amount (\$11.7 million in 2021). The Green Book states that the AFP's new tax would be deductible from the estate value.

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have changed the step up in basis to a carryover basis rule (similar to the current rule for lifetime gifts)—was later repealed retroactively without effect. See Tax Reform Act of 1976, Pub. L. No. 94-455. Opponents argued that a carryover basis rule at death would be unwieldy and unfair. Common concerns included the difficulty of obtaining basis records from the deceased and the burden of tracking historical basis across generations. Without these records, opponents argued that beneficiaries later selling assets would be subject to unfair tax burdens because rules would require them to treat an undocumented basis as zero.

<sup>33</sup> This exemption currently applies to the lifetime sale or disposition of a principal residence. IRC 121.

<sup>34</sup> On March 25, 2021, Senator Bernie Sanders introduced the "99.5 Percent Act." This proposal would lower the basic exclusion to \$3.5 million (\$1 million for lifetime gifts) and increase the highest estate tax rate from 40% to 65%.

### *Special Provisions for Trusts, Partnerships and Other Non-Corporate Entities*

The Green Book states that gain on unrealized appreciation would be recognized by a trust, partnership, or other non-corporate entity (presumably an LLC) that is the owner of property if that property has not been the subject of a recognition event within the prior 90 years, with such testing period beginning on January 1, 1940. Under this proposal, the first possible recognition event for any taxpayer would be December 31, 2030 (90 years from January 1, 1940). No further details are provided.

### *Deferral of Tax for Family Owned and Operated Businesses*

The AFP includes a statement that payment of tax on the appreciation of certain family owned and operated businesses would not be due until the interest in the business is sold or the business ceases to be family owned and operated. No further details are provided on this proposed deferral, but it would appear to apply to both death and gift recognition events. It also appears that the tax would be assessed, but not presently due, and that the land would be subject to a potential lien in the amount of the tax, which would become due upon a future sale or exit from the farm business. The definitions of “farming” and “family owned and operated” would be key to determining the reach of any deferral provision.

### *15-Year Payment Plan*

If a deferral does not apply, the AFP proposes a 15-year fixed-rate *payment plan* for the tax on appreciated assets transferred at death, except for liquid assets, such as publicly traded stock. The payment plan would not apply to family owned and operated businesses that elect a tax deferral.

### *Like Kind Exchange Limit*

Beginning in 2022, the AFP proposes to limit the deferral of gain allowed under an IRC § 1031 like-kind exchange of real property to \$500,000 per person, per year. Gain above this amount would be recognized in the year of transfer.

## **Data and Methodology**

### *Data Description – 2017 Iowa Farmland Ownership and Tenure Survey*

The data we use in this analysis come from the 2017 Iowa Farmland Ownership and Tenure Survey (IFOTS), which is statistically representative of all farmland and landowners in Iowa as of July 1, 2017. The IFOTS started in the 1940s, and since 1989 it has been conducted every five years as mandated by Iowa law. This survey series is the first of its kind in the nation and the only consistent source of information on the ownership, tenure, and transitions of farmland at the state level. For example, unlike producer surveys that often overestimate the use of conservation practices and farmland leasing practices, IFOTS provides credible results that closely match the statistics from the 2017 Census of Agriculture.

The 2017 IFOTS is based on a random sample of 40-acre tracts of farmland that were chosen in 1988. Since no complete list of owners of Iowa farmland is available, landowners were sampled through a two-stage area sampling design. The survey sample is a scientifically drawn random sample of all landowners in Iowa, and the results of this report are statistically representative for all farmland and all landowners in Iowa. The first stage assures a geographic dispersal of sample

sections in each county in a systematic manner—the state of Iowa is divided into seven regions ranging in size from 7 to 23 counties. Within regions, the sample is allocated to counties in approximate proportion to their geographic areas (excluding non-farmland areas). The IFOTS uses crop reporting districts to allow more relevant comparison with other data sources, especially those published by USDA. In the second stage we select a single 40-acre unit at random within each sample section within each county. All landowners within this sample unit are then identified and become potential survey respondents. The IFOTS questionnaire asks landowners about land parcels they own, the ownership type, and leasing arrangements as of July 1, 2017. In particular, respondents are asked how many acres they owned as of July 1 in the particular ownership arrangement of the selected 40-acre plot, and subsequently asked about all acres owned in that particular ownership arrangement. For example, if a 40-acre plot is owned as joint tenancy by John and Jill Farmer together, the survey focuses on all the acres they co-own in Iowa held in the form of joint tenancy. The survey also asks respondents about acres owned other than the particular land ownership type as sole owners and joint with others, and whether their spouses are the co-owners of the other acres they own.

*Land Owner Types Included: Sole Owners, Joint Tenants, Tenants in Common, and Revocable Living Trusts*

Tract landowners were interviewed via telephone by the Iowa State University Center for Survey Statistics and Methodology between October 18, 2017, and February 2, 2018. The target population was owners of land used for agricultural purposes as of July 1, 2017. An appendix to Zhang et al. (2018) includes the full questionnaire, details about the sampling design, and formulas for the landowner and land weights.<sup>35</sup> These weights allow us to make inferences regarding the percent of owners as well as the percent of the farmland owned at the state and region level. We use the R package “Survey” to estimate the proportion of each group of interest (Lumley 2021).<sup>36</sup> In other words, our estimates (median, mean, minimum, maximum and standard deviation) shown in this study are acre- or owner-weighted statistics that are designed to statistically represent the situations for all Iowa acres and owners in these ownership type brackets.

In this study, we consider only farmland owned by individual taxpayers as sole owners, tenants in common, joint tenants, or through a revocable living trust. This is because the AFP would treat land owned by an entity or held by a life tenant differently. In light of these restrictions, we analyze the AFP’s potential impact on the owners of 22 million acres, or 72%, of Iowa’s farmland (30.6 million acres), which are owned by 217,548 or 79.7% of all Iowan farmland owners. We do not assess land owned by a corporation, a partnership, an LLC, unsettled or life estates or irrevocable trusts. Table 5 provides a breakdown of analyzed data by ownership types.

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<sup>35</sup> Zhang, W., A. Plastina, and W. Sawadgo. 2018. Iowa farmland ownership and tenure survey 1982-2017: A thirty-five year perspective. Iowa State University Extension and Outreach PM 1983. Ames, IA: Iowa State University. <https://store.extension.iastate.edu/product/6492>

<sup>36</sup> <https://cran.r-project.org/web/packages/survey/survey.pdf>

**Table 5. Distribution of Acres and Owners in Study by Ownership Type**

<b>Ownership Type</b>	<b># Acres</b>	<b># Owners</b>
Sole Owners	6,272,056	54,874
Joint Tenancy	8,071,466	111,150
Tenancy in Common	2,363,860	24,052
Revocable Living Trust	5,337,325	27,472
<b>Total in Our Study</b>	<b>22,044,707</b>	<b>217,548</b>
<b>Iowa Total</b>	<b>30,622,759</b>	<b>272,906</b>
<b>Percent of Iowa Total</b>	<b>72.0%</b>	<b>79.7%</b>

Determining “farm” size based upon the total acres of Iowa farmland in which each owner has any interest, the average farm size reported is 449 acres. In contrast, the average individual land holdings by a particular owner is 300 acres. If a married owner reported owning 750 acres jointly with a spouse, we calculated and reported 375 acres for each owner and this serves as the basis for the capital gains and tax liability calculations. This is because the AFP’s tax at death or gift would be triggered separately at the death of each spouse, although transfers to a surviving spouse would be exempt from immediate recognition, subject to a carryover basis. Each spouse would receive a \$1 million exemption, and the surviving spouse, at death, could apply any unused exemption of the first deceased spouse. Owners are reported in four categories: (a) full-time farmer currently farming in 2017; (b) part-time farmer; (c) non-operator landowner who retired from farming (had farming experience); and, (d) non-active, non-operator landowner with no previous farming experience. Tables 6–8 report the characteristics of these owners. As explained above, spouses are treated as separate owners of one-half of their jointly held property. Of the farmland we analyzed, 29.5% was owned by full-time farmers, 12.9% by part-time farmers, 22.7% by retired farmers, and 34.9% by non-farming owners. These data show that Iowa farmland owners are older than the general population. On average, the full-time and part-time farmers in our study were 62 years old. The retired farmers were, on average, 77.7 years old, and the non-farmer owners were 68.7 years old. Those not farming include retired farmers and non-farmers, with the distinction between those two groups being whether a respondent said they have farming experience. “Non-farmers” may include non-farming spouses of farmers or their surviving spouses, as well as off-farm heirs who own farmland with a farming sibling or family member.

To be comparable with other data sources such as the USDA 2017 Census of Agriculture, when reporting the results we use whole farm size, which represents the size of the farm in which the owner has an interest. This is usually larger than their individual land holdings. We report in tables 6-8 the average individual land holdings used in the tax liability calculations. For example, almost 15% of all acres owned by full-time farmers have a farm size of 500–750 acres, and the average individual land holdings per owner is 361 acres. This is because many of these farms are co-owned as joint tenants or tenants in common. Tax liability calculations for these owners are based upon their individual land holdings.

**Table 6a. Full-Time Farmers in Study by Land Holdings**

<b>Full-Time Farmer Farm Size</b>	<b>Acres</b>	<b>% Acres</b>	<b>Avg. Individual Land Holdings (acres)</b>	<b>Owners</b>	<b>% Owners</b>	<b>Avg. Age</b>	<b>% Female</b>	<b>% Full-time Iowa residents</b>
< 100 acres	439,887	6.8%	30	11,709	32.4%	66.4	9.1%	100.0%
100–200 acres	705,446	10.9%	102	7,461	20.6%	57.9	17.2%	100.0%
200–300 acres	899,852	13.9%	128	5,012	13.9%	61.3	7.9%	100.0%
300–400 acres	609,541	9.4%	219	2,714	7.5%	54.6	34.0%	95.4%
400–500 acres	544,465	8.4%	289	2,271	6.3%	60.1	23.5%	91.1%
500–750 acres	948,313	14.6%	361	2,940	8.1%	63.3	20.3%	100.0%
750–1000 acres	836,440	12.9%	534	1,913	5.3%	60.2	20.9%	100.0%
1000–1500 acres	864,192	13.3%	662	1,587	4.4%	67.2	51.5%	93.1%
1500–2000 acres	280,281	4.3%	762	327	0.9%	69.4	40.8%	100.0%
>2000 acres	367,964	5.7%	1777	242	0.7%	60.9	30.5%	72.3%
<b>Total Full-Time Farming</b>	<b>7,691,948</b>		<b>395</b>	<b>36,176</b>		<b>61.5</b>	<b>23.7%</b>	<b>96.5%</b>
<b>Total in Study</b>	<b>22,044,707</b>			<b>217,548</b>				
<b>% FT Farming</b>	<b>29.5%</b>			<b>16.6%</b>				

**Table 6b. Part-Time Farmers in Study by Land Holdings**

<b>Part-Time Farmer Farm Size</b>	<b>Acres</b>	<b>% Acres</b>	<b>Avg. Individual Land Holdings (acres)</b>	<b>Owners</b>	<b>% Owners</b>	<b>Avg. Age</b>	<b>% Female</b>	<b>% Full-time Iowa residents</b>
< 200 acres	1,215,295	42.7%	67	43,664	82.6%	57.7	23.1%	91.5%
200–500 acres	942,950	33.2%	217	7,392	14.0%	62.1	51.4%	84.3%
500–750 acres	509,438	17.9%	424	1,258	2.4%	70.8	49.3%	91.9%
750–1000 acres	175,554	6.2%	865	541	1.0%	64.1	55.6%	74.0%
<b>Total Part-Time Farming</b>	<b>2,843,237</b>		<b>295</b>	<b>52,855</b>		<b>62.1</b>	<b>41.0%</b>	<b>86.6%</b>
<b>Total in Study</b>	<b>1,215,295</b>			<b>217,548</b>				
<b>% PT Farming</b>	<b>12.9%</b>	<b>42.7%</b>		<b>24.3%</b>				

**Table 7. Retired Farmers in Study by Land Holdings**

Retired Farmer Farm Size	Acres	% Acres	Avg. Individual land holding (acres)	Owners	% Owners	Avg. Age	% Female	% Full-time Iowa residents
< 200 acres	1,465,517	29.3%	91	24,604	62.7%	76.9	46.3%	89.9%
200–500 acres	2,376,234	47.5%	266	12,091	30.8%	77.6	60.1%	87.3%
500–750 acres	755,242	15.1%	385	2,218	5.7%	79.4	60.0%	78.5%
750–1000 acres	67,556	1.4%	588	55	0.1%	72		100%
1,000–1,500 acres	197,439	3.9%	1028	189	0.5%	80	65.3%	67.3%
1500–2000 acres	74,034	1.5%	1500	34	0.1%	85	100%	100%
>2000 acres	67,556	1.4%	1400	44	0.1%	71	100%	
<b>Total Retired Farmer</b>	<b>5,003,578</b>		<b>301</b>	<b>39,235</b>		<b>77.7</b>	<b>56.8%</b>	<b>85.0%</b>
<b>Total in Study</b>	<b>22,044,707</b>			<b>217,548</b>				
<b>% Retired Farmer</b>	<b>22.7%</b>			<b>18.0%</b>				

**Table 8. Non-Farmers in Study by Land Holdings**

Non-Farmer Farm Size	Acres	% Acres	Avg. Individual Land Holdings (acres)	Owners	% Owners	Avg. Age	% Female	% Full-time Iowa residents
< 200 acres	3,280,182	42.6%	72	69,781	78.2%	66.6	67.0%	75.0%
200–500 acres	2,674,875	34.7%	214	14,458	16.2%	70.5	69.7%	59.2%
500–750 acres	748,970	9.7%	364	2,586	2.9%	70.1	80.9%	57.8%
750–1000 acres	508,384	6.6%	351	1,843	2.1%	68.3	69.3%	69.3%
1,000–1,500 acres	274,920	3.6%	1119	255	0.3%	76.6	49.4%	74.1%
Other	214,180	2.8%		359	0.4%			
<b>Total Non-Farmer</b>	<b>7,701,511</b>		<b>209</b>	<b>89,282</b>		<b>68.7</b>	<b>69.0%</b>	<b>67.1%</b>
<b>Total in Study</b>	<b>22,044,707</b>			<b>217,548</b>				
<b>% Non-Farmer</b>	<b>34.9%</b>			<b>41.0%</b>				

*Approach to Calculating Individual Land Holdings and Basis*

AFP imposes new tax liability upon individuals, not parcels of land. As such, we determine the total acres in which each owner has an interest and divide those acres by the number of owners for each parcel. We make the following assumptions in our calculations:

- Land owned in a trust by an individual or a married couple was held in a revocable living trust and is treated as though it is owned by the individuals at death.
- For married couples, we divide the number of acres in which the participant has an ownership interest with their spouse by two. When making tax calculations for a married person, we apply a married filing jointly tax rate. Otherwise, we use the single rate.

- For land holdings owned by more than two tenants in common, we divide the number of acres in which the participant has an ownership interest by the number of total owners reported.
- We still present the results based on the farm size in which they have an ownership interest to be comparable to the categories in other data sources such as the Census of Agriculture. As mentioned earlier, tax calculations are based upon individual land holdings, and the average for individual per-owner land holdings is reported in tables 6–8.

The 2017 IFOTS data has detailed information about the distribution of each parcel of land across their land holdings and the year the owner acquired that parcel. Using the county of the land parcels and the year of purchase, we merge it with the average county-level farmland values from the annual ISU Land Value Survey. This survey series determines annual land value estimates as of November 1 of each year since 1950 and is available at [www.card.iastate.edu/farmland](http://www.card.iastate.edu/farmland).

The ISU Land Value Survey estimates the value of land and buildings, or the agricultural real estate values, not just the value of cropland. For this study, we assume the data show the FMV of only farmland. We also calculate basis using this value (by county) in the year a parcel was acquired. This calculation will overestimate basis (and underestimate gain) for land transferred by gift or to a remainder interest holder out of a life estate. To calculate the capital gain, we use average land values in 2021 in each county, and aggregate all capital gains across individual parcels owned. To obtain the 2021 county-average land value, we assume a uniform 5% increase for all 99 Iowa counties based on their 2020 average farmland value estimates as reported in the 2020 Iowa Land Value Survey as of November 1, 2020.<sup>37</sup> This calculation could be an underestimation given the near-20% increase in the Midwest farmland market over the past 12 months due to record-level government payments, historically low interest rates, and limited land supply.<sup>38</sup> Thus, our ending land value estimates are lower than the current market value. This too would underestimate tax liability.

#### *Approach to Calculating Potential Tax Liability under AFP*

With the cumulative capital gain for each landowner calculated using the method outlined in the previous section, we calculate the potential tax liability for each landowner using the following assumptions:

- We calculate the potential tax liability for each landowner/participant as though a death or gift occurred in 2021, and the changes proposed by the AFP were fully implemented in 2021. Even though the AFP is not proposed to fully apply until 2022, we use 2021 for simplicity so that we can, for example, compare current rates for lifetime sales to the proposed rates and use current land values for the calculations.
- For each participant, we apply a \$1 million exemption to determine “taxable capital gain” at death or upon gift. This is appropriate for married couples since we divide their joint

<sup>37</sup> <https://www.card.iastate.edu/farmland/isu-survey/2020/>

<sup>38</sup> <https://www.card.iastate.edu/products/publications/synopsis/?p=1328>



holdings in half and spouses are entitled to port their unused exclusion to their surviving spouse. No such exemption applies to a lifetime sale.

- We calculate the proposed tax rate liability based upon the Green Book’s proposal to tax gain (in combination with other income) in excess of \$1 million at the ordinary income tax rate, with the top rate returning to 39.6%. Otherwise, we apply the 2021 capital gain tax rates and breakpoints.
- We calculate the “proposed tax rate liability” by including a 3.8% Medicare tax on all gain over \$400,000, as seemingly proposed in the Green Book. For retired farmers and non-active landowners, we include the 3.8% Medicare tax above \$200,000 (singles) or \$250,000 (MFJ), as required by current law.
- We assume no other income beyond that offset by the standard deduction. In other words, these data do not incorporate other income (which would increase the rate at which this gain was taxed). Furthermore, given the lack of specificity in the proposal, we did not include an analysis of other potential gain, for example I.R.C. § 1245 gain from depreciated and expensed equipment, nor did we analyze stored grain. These data represent farmland holdings only. For this reason, the results under-estimate overall potential tax liability.
- We calculate the potential tax liability for active farmers, retired farmers, and non-farmer landowners, recognizing that the Green Book proposes a possible deferral of payment liability for some active farmers transferring their farming operation to a family member who continues to run the business.
- Our estimates are limited to the average results of hypothetical events. For example, to determine the new AFP tax arising at the death of a farmland owner in a particular category shown later in tables 15–21, we calculate the average tax liability for all owners in that category as though all owners died in the same year.

### **Impact of AFP upon Lifetime Sales<sup>39</sup>**

Because the value of farmland has increased significantly during the past several decades, an owner selling farmland must often recognize significant capital gain. Under current law, we estimate that 79.2% of farmland owners (comprising 93.6% of farmland acres) would be subject to capital gain tax upon a sale of their farmland in 2021, even with no other income. Among owners who would be subject to tax, the average value of their farmland in 2021 is \$2.8 million, of which \$1.8 million would be capital gain.

Under current law, sales of this appreciated property would, on average, result in \$368,092 in tax, which is, on average, 13.2% of the FMV of the property. The increased marginal tax rates of the AFP would increase this average tax liability for a lifetime sale by 65%, to \$607,870 or 18.7% of the FMV. The distribution of tax liability among owners, however, varies significantly,

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<sup>39</sup> Some business assets that do not appreciate in value nonetheless trigger tax at sale under law requiring the recapture of depreciation and expensing benefits. See IRC § 1245. The sale of depreciable personal property, for example, triggers an ordinary income tax on the difference between the original cost basis and any depreciation or expensing taken against the cost of those assets. This tax recaptures the tax benefit received by the taxpayer through accelerated cost recovery. Although the gain is taxed as ordinary income, it is not subject to self-employment tax. Our analysis is limited to farmland sales.

depending upon the number of acres owned and the basis of the property. Those who recently purchased or inherited property under either current law or the AFP would owe little or no tax upon sale.

The impact of the AFP upon a lifetime sale of farmland by full-time and part-time Iowa farmers and retired and non-farmer owners is illustrated in tables 9–14, broken down by type of ownership and the amount of property owned. Generally, tax liability increases with the size of the land holdings, and retired farmers often face higher tax liability because their basis is generally lower. Tables A1 and A3 in the appendix present data for all farmland owners, including those without tax liability.

**Table 9. Percent of Farmland Acres and Farmland Owners with Projected Tax Liability upon Lifetime Sale of Farmland**

Ownership Type	# Acres	% Acres with tax liability	# Owners	% Owners with tax liability
Sole Owners	6,272,056	93.3%	54,874	82.4%
Joint Tenancy	8,071,466	93.2%	111,150	72.6%
Tenancy in Common	2,363,860	96.0%	24,052	88.5%
Revocable Living Trust	5,337,325	92.1%	27,472	91.1%
<b>Total</b>	<b>22,044,707</b>	<b>93.6%</b>	<b>217,548</b>	<b>79.2%</b>

**Table 10. Estimated Average Tax Liability upon Sale of Farmland – All Owners with Liability**

Owner Group	Average Capital Gain	Average Tax Liability (Current)	Average Tax Liability (AFP)	Tax as % of FMV (Current)	Tax as % of FMV (AFP)
Full-time Farmers	\$2,336,734	\$435,504	\$806,491	11.6%	18.9%
Part-time Farmers	\$1,733,702	\$315,976	\$562,865	11.0%	16.5%
Retired Farmers	\$1,962,224	\$426,937	\$643,506	16.6%	22.5%
Non-Farmers	\$1,338,030	\$281,476	\$412,063	12.9%	16.3%
<b>All Owners</b>	<b>\$1,844,780</b>	<b>\$368,092</b>	<b>\$607,870</b>	<b>13.2%</b>	<b>18.7%</b>

**Table 11. Estimated Average Tax Liability upon Sale of Farmland – Active Farmers with Positive Tax Liability**

<b>Full-Time Farmer Farm Size</b>	<b>Average Capital Gain</b>	<b>Average Tax Liability (Current)</b>	<b>Average Tax Liability (AFP)</b>	<b>Tax as % of FMV (Current)</b>	<b>Tax as % of FMV (AFP)</b>
< 100 acres	\$233,455	\$28,093	\$28,211	9.0%	9.1%
100–200 acres	\$521,889	\$77,618	\$95,996	7.6%	8.8%
200–300 acres	\$921,510	\$152,411	\$201,206	12.1%	15.3%
300–400 acres	\$1,184,740	\$204,083	\$315,506	9.6%	13.7%
400–500 acres	\$1,813,474	\$332,436	\$570,172	12.6%	20.4%
500–750 acres	\$2,549,231	\$475,248	\$860,572	14.5%	25.6%
750–1000 acres	\$2,750,561	\$515,271	\$947,706	11.6%	21.1%
1000–1500 acres	\$4,024,117	\$770,326	\$1,514,209	13.0%	25.0%
1500–2000 acres	\$4,890,829	\$942,735	\$1,875,991	14.4%	28.4%
>2000 acres	\$8,618,730	\$1,690,970	\$3,496,558	12.0%	24.8%

**Table 12. Estimated Average Tax Liability upon Sale of Farmland – Part-time Farmers with Positive Tax Liability**

<b>Part-time Farmers Farm Size</b>	<b>Average Capital Gain</b>	<b>Average Tax Liability (Current)</b>	<b>Average Tax Liability (AFP)</b>	<b>Tax as % of FMV (Current)</b>	<b>Tax as % of FMV (AFP)</b>
<200 acres	\$361,748	\$49,685	\$54,215	7.1%	7.5%
200–500 acres	\$1,245,766	\$216,400	\$331,361	11.9%	16.3%
500–750 acres	\$2,459,726	\$458,677	\$823,058	14.9%	26.1%
750–1000 acres	\$2,909,157	\$546,843	\$1,016,388	12.5%	22.5%

**Table 13. Estimated Average Tax Liability upon Sale of Farmland – Retired Farmers with Positive Tax Liability**

Retired Farmers Farm Size	Average Capital Gain	Average Tax Liability (Current)	Average Tax Liability (AFP)	Tax as % of FMV (Current)	Tax as % of FMV (AFP)
<200 acres	\$685,470	\$125,453	\$137,291	13.5%	14.3%
200–500 acres	\$1,801,722	\$388,841	\$562,235	17.1%	23.7%
500–750 acres	\$2,501,683	\$552,722	\$847,057	17.9%	26.7%
750–1000 acres	\$3,080,025	\$695,193	\$1,102,889	21.9%	34.7%
1000–1500 acres	\$6,742,021	\$1,563,799	\$2,689,242	20.8%	35.5%
1500–2000 acres	\$8,249,506	\$1,925,529	\$3,346,444	20.9%	36.4%
>2000 acres	\$5,511,435	\$1,265,022	\$2,149,263	16.7%	28.4%

**Table 14. Estimated Average Tax Liability upon Sale of Farmland – Non-Farmers with Positive Tax Liability**

Non-Farmers Farm Size	Average Capital Gain	Average Tax Liability (Current)	Average Tax Liability (AFP)	Tax as % of FMV (Current)	Tax as % of FMV (AFP)
<200 acres	\$497,698	\$84,621	\$90,997	10.7%	11.1%
200–500 acres	\$1,213,981	\$252,606	\$350,655	12.6%	16.3%
500–750 acres	\$2,640,092	\$586,065	\$907,529	17.3%	25.7%
750–1000 acres	\$2,282,172	\$499,764	\$784,694	15.1%	22.4%
1000–1500 acres	\$6,169,652	\$1,428,755	\$2,442,015	16.3%	27.7%
Other landowners	\$3,432,185	\$658,084	\$1,250,026	18.6%	35.3%

### **Impact of AFP upon Property Transfers at Death or Gift**

As explained above, the AFP proposes taxing the transfer of appreciated assets at death or by gift as a sale. This means that the higher AFP rates detailed above would apply. An important distinction, however, is that the AFP provides a \$1 million exemption per person, including individual spouses. In tables 15–21, we analyze the estimated impact of this new tax. The averages set forth in the tables estimate the *minimum* new tax liability that a farmer or

landowner would face upon death or gift, based solely upon their farmland holdings.<sup>40</sup> Because of the significant variation of tax liability impacting landowners, based upon the year they acquired their property, we also report the minimum and maximum tax liability for each category, shown as a percentage of the FMV of the owner's land. Table 15 reports the number of Iowa owners and acres of Iowa farmland (of the 22 million acres we analyzed) that would be subject to a new tax at death or gift. Tables A2 and A4 in the appendix present the average capital gain and tax liability for all farmland owners, not just those with new tax liability. Table A5 in the appendix presents the median, as opposed to average, capital gain and tax liability statistics.

### *Overall Impact*

- As shown in table 15, we estimate that 53% of Iowa farmland is owned by someone who would face the new AFP tax at death or gift. Seventeen percent of all Iowa farmland owners—regardless of the size of their holdings—would owe a new income tax at death or gift.
- As shown in table 16, for those farmland owners that would face new tax liability, the average *taxable* capital gain (after the \$1 million exemption) would be \$1.9 million per owner. This would result in an average new tax liability at death or gift of \$623,888 per owner.

### *Impact on Farmers*

- As shown in tables 16 and 17, we estimate that 31% of full-time farmers owning 100 acres or more would incur an average new AFP tax of \$760,237 at death or gift, based solely upon their farmland holdings. This new tax would impact 67% of all land owned by full-time farmers.
- Among full-time farmers with ownership in a whole farm of 100 acres or more, we estimate that 46% of owners and 72% of acres would be impacted by the AFP tax at death or gift. That number jumps to 99% of owners and 98.2% of acres when the whole farm size reaches 500 acres or more. The average number of individual acres owned by a farmer with an interest in 500 acres or more is 656 acres. This group would face an average new tax liability of \$978,342 at death or gift, although deferral may apply to some of these farmers. The average tax at death or gift for these owners would be 15% of the FMV of their farmland.

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<sup>40</sup> We did not attempt to estimate tax liability from assets other than farmland for two primary reasons: (a) our data does not include other assets owned by a landowner, and, where possible, we wished to limit our findings to actual, not assumed, data; and, (b) the Green Book states that the AFP would exclude from recognition any gain on “tangible personal property such as household furnishings and personal effects (excluding collectibles).” It is unclear whether all tangible personal property, such as depreciated business equipment, would be covered by this exclusion. It is also unclear how the rules would apply to assets that currently receive a basis adjustment at death where the gain is subject to ordinary, not capital gains, rates. This includes depreciated and expensed equipment and depreciated farm buildings. It is also unclear how stored grain would be treated under the AFP. A lifetime sale of stored grain by a farmer is taxed at ordinary income tax rates. The basis in the grain is zero because the expenses of production were deducted during the farmer's lifetime. At the farmer's death, however, current law adjusts the basis of the grain to FMV.

- As shown in tables 16 and 18, 10% of part-time farmers would face this new tax upon death or gift, with the average tax equaling \$618,497.

**Table 15. Percent of Farmland Acres and Farmland Owners with Projected Tax Liability (after \$1 million exemption)**

Ownership Type	# Acres	% Acres with positive tax liability	# Owners	% Owners with positive tax liability
Sole Owners	6,272,056	61.5%	54,874	22.9%
Joint Tenancy	8,071,466	45.1%	111,150	10.4%
Tenancy in Common	2,363,860	20.9%	24,052	5.5%
Revocable Living Trust	5,337,325	68.4%	27,472	41.0%
<b>Total</b>	<b>22,044,707</b>	<b>52.8%</b>	<b>217,548</b>	<b>16.9%</b>

**Table 16a. Estimated Average Tax Liability upon Death or Gift – All Owners with Positive Tax Liability**

Owner Group	Average Capital Gain	Average Tax Liability (AFP)	Tax as % of FMV (AFP)
Full-time Farmers	\$2,228,213	\$760,237	12.4%
Part-time Farmers	\$1,851,757	\$618,497	10.8%
Retired Farmers	\$1,668,665	\$530,237	12.3%
Non-active Farmers	\$1,663,868	\$527,563	12.1%
<b>All Owners</b>	<b>\$1,893,471</b>	<b>\$623,888</b>	<b>12.2%</b>

**Table 16b. Estimated Average Tax Liability upon Death or Gift – All Owners with Positive Tax Liability by Whole Farm Size**

Owner Group by Whole Farm Size	All owners	Owners w/ tax liability	% Owners with tax liability	All acres	Acres w/ tax liability	% Acres with tax liability
Full-time Farmer; farm size 100 acres or more	24,467	11,132	45.5%	6,056,494	4,327,854	71.5%
Full-time Farmer; farm size 200 acres or more	17,006	10,498	61.7%	5,351,048	4,208,305	78.6%
Full-time Farmer; farm size 300 acres or more	11,994	8,989	74.9%	4,451,196	3,841,664	86.3%
Full-time Farmer; farm size 400 acres or more	9,280	8,177	88.1%	3,841,655	3,617,783	94.2%

Full-time Farmer; farm size 500 acres or more	7,009	6,939	99.0%	3,297,190	3,238,764	98.2%
Full-time Farmer; farm size 750 acres or more	4,069	3,999	98.3%	2,348,877	2,290,451	97.5%
Full-time Farmer; farm size 1000 acres or more	2,156	2,086	96.8%	1,512,437	1,454,011	96.1%
Full-time Farmer; farm size 1500 acres or more	569	569	100.0%	648,245	648,245	100.0%
Full-time Farmer; farm size 2000 acres or more	242	242	100.0%	367,964	367,964	100.0%
<b>All full-time farmers</b>	<b>36,176</b>	<b>11,132</b>	<b>30.8%</b>	<b>6,496,381</b>	<b>4,327,854</b>	<b>66.6%</b>
<b>Part-time Farmers</b>						
Part-time Farmer; farm size 200 acres or more	9,191	5,252	57.1%	1,627,942	1,231,239	75.6%
Part-time Farmer; farm size 500 acres or more	1,799	1,799	100.0%	684,992	684,992	100.0%
Part-time Farmer; farm size 750 acres or more	541	541	100.0%	175,554	175,554	100.0%
<b>All part-time farmers</b>	<b>52,855</b>	<b>5,252</b>	<b>9.9%</b>	<b>2,843,237</b>	<b>1,231,239</b>	<b>43.3%</b>
<b>Retired Farmers</b>						
Retired Farmer; farm size 200 acres or more	14,631	9,232	63.1%	3,538,061	2,958,845	83.6%
Retired Farmer; farm size 500 acres or more	2,540	2,540	100.0%	1,161,827	1,161,827	100.0%
Retired Farmer; farm size 750 acres or more	322	322	100.0%	406,585	406,585	100.0%
Retired Farmer; farm size 1000 acres or more	267	267	100.0%	339,029	339,029	100.0%
Retired Farmer; farm size 1500 acres or more	78	78	100.0%	141,590	141,590	100.0%
Retired Farmer; farm size 2000 acres or more	44	44	100.0%	67,556	67,556	100.0%
<b>All retired farmers</b>	<b>39,235</b>	<b>11,202</b>	<b>28.6%</b>	<b>5,003,578</b>	<b>3,275,502</b>	<b>65.5%</b>
<b>Non-active Farmers</b>						
Non-active Farmer; farm size 200 acres or more	19,142	6,708	35.0%	4,207,149	2,459,953	58.5%
Non-active Farmer; farm size 500 acres or more	4,684	3,609	77.0%	1,532,274	1,400,692	91.4%

Non-active Farmer; farm size 750 acres or more	2,098	1,023	48.8%	783,304	651,722	83.2%
Non-active Farmer; farm size 1000 acres or more	255	255	100.0%	274,920	274,920	100.0%
<b>All non-active farmers</b>	<b>89,282</b>	<b>9,077</b>	<b>10.2%</b>	<b>7,701,511</b>	<b>2,807,697</b>	<b>36.5%</b>
<b>All farmers</b>	<b>217,548</b>	<b>36,663</b>	<b>16.9%</b>	<b>22,044,707</b>	<b>11,642,292</b>	<b>52.6%</b>

**Table 17a. Average New Tax Liability at Death or Gift – Full-Time Farmers (after \$1 million exemption)**

Full-Time Farmer by Whole Farm Size	% Owners with New Tax Liability	# Farmers with Tax Liability	Acres Impacted by Tax Liability	Average New Tax Liability	Minimum Tax as % of FMV	Average Tax as % of FMV	Maximum Tax as % of FMV
100–200 acres	8.5%	634	119,549	\$34,267	2.0%	2.1%	2.3%
200–300 acres	30.1%	1,509	366,641	\$46,631	0.5%	2.9%	5.7%
300–400 acres	29.9%	812	223,881	\$257,257	0.4%	8.4%	12.7%
400–500 acres	54.5%	1,238	379,019	\$359,574	2.6%	11.0%	17.5%
500–750 acres	100.0%	2,940	948,313	\$456,736	0.7%	12.0%	29.2%
750–1000 acres	100.0%	1,913	836,440	\$542,718	0.1%	11.4%	23.7%
1000–1500 acres	95.6%	1,517	805,766	\$1,196,481	10.3%	18.2%	27.7%
1500–2000 acres	100.0%	327	280,281	\$1,441,991	6.9%	21.2%	26.6%
>2000 acres	100.0%	242	367,964	\$3,062,558	15.2%	21.5%	27.4%
<b>Total</b>		<b>11,132 (30.8% of all full-time farmers)</b>	<b>4,327,854 (66.6% of all FT farm acres)</b>				

Although our representative data show that 100% of the participants falling into these categories would be subject to new tax liability, we recognize that there would be some outliers among non-sampled landowners. These data do show, however, that nearly all landowners within these categories would be subject to new tax liability.



**Table 17b. Average New Tax Liability at Death or Gift – Full-Time Farmers by Farm Size (after \$1 million exemption)**

<b>Full-Time Farmer by Whole Farm Size</b>	<b>Average Capital Gains</b>	<b>Average New Tax Liability</b>	<b>Average FMV based on individual holdings</b>	<b>Average Tax as % of FMV</b>	<b>Average Individual Land Holdings (Acres)</b>	<b>Average Farm Size (Acres)</b>
Full-time Farmer; farm size 100 acres or more	\$2,228,213	\$760,237	\$4,627,577	12.3%	548	852
Full-time Farmer; farm size 200 acres or more	\$2,288,514	\$782,576	\$4,720,198	12.7%	559	873
Full-time Farmer; farm size 300 acres or more	\$2,489,988	\$859,139	\$5,048,601	13.7%	599	940
Full-time Farmer; farm size 400 acres or more	\$2,593,084	\$901,128	\$5,217,018	14.0%	620	981
Full-time Farmer; farm size 500 acres or more	\$2,773,290	\$978,342	\$5,502,045	14.6%	656	1,056
Full-time Farmer; farm size 750 acres or more	\$3,366,788	\$1,226,915	\$6,602,630	15.9%	798	1,292
Full-time Farmer; farm size 1000 acres or more	\$4,642,952	\$1,768,521	\$8,027,589	20.0%	993	1,591
Full-time Farmer; farm size 1500 acres or more	\$6,744,876	\$2,682,372	\$11,617,050	22.0%	1,426	2,140
Full-time Farmer; farm size 2000 acres or more	\$7,952,466	\$3,207,172	\$13,971,840	22.2%	1,776	2,357
<b>All full-time farmers</b>	<b>\$2,228,213</b>	<b>\$760,237</b>	<b>\$4,627,577</b>	<b>12.3%</b>	<b>548</b>	<b>852</b>

**Table 18a. Average New Tax Liability at Death or Gift – Part-Time Farmers (after \$1 million exemption)**

Part-Time Farmer by Whole Farm Size	% Owners with New Tax Liability	# Farmers with Tax Liability	Acres Impacted by Tax Liability	Average New Tax Liability	Minimum Tax as % of FMV	Average Tax as % of FMV	Maximum Tax as % of FMV
200–500 acres	57.9%	3,453	546,247	\$220,450	0.1%	6.4%	24.0%
500–750 acres	100.0%	1,258	509,438	\$422,006	3.6%	11.6%	24.0%
750–1000 acres	100.0%	541	175,554	\$611,776	2.4%	11.8%	21.5%
<b>Total</b>		<b>5,252 (9.9% of all part-time farmers)</b>	<b>1,231,239 (43.3% of all part-time farm acres)</b>				

*Impact on Retired Farmers and Non-Farmers*

- As shown in tables 16–20, we estimate that 29% of retired farmland owners and 10% of non-farmer owners would have new AFP tax liability at death or gift flowing solely from their farmland holdings. Their average new tax liability would be \$530,237 and \$527,563, respectively. Sixty-nine percent of all acres owned by retired farmers would be impacted by this new tax if the owners died or gifted the property.
- Sixty-three percent of retired farmers with interest in 200 acres of land or more and 84% of the land owned by these retired farmers would be impacted by the AFP tax at death or gift. Nearly all retired farmers and the acres they own would be impacted by the AFP at death or gift where the retired farmer has an interest in 500 acres or more.
- Table 21 reports the projected new tax liability for non-farmers at death or gift, as broken down by rental activity. As shown, we estimate that 40% of the 7,536 retired farmers who cash rent to non-relatives, for example, would face new AFP tax liability averaging \$529,145 at death or upon gift. Thirty-eight percent of the 2,603 farmers who cash rent to a relative would, on average, face a new tax of \$261,363 at death or gift.

**Table 18b. Average New Tax Liability at Death or Gift – Part-Time Farmers by Farm Size (after \$1 million exemption)**

Part-Time Farmer by Whole Farm Size	Average Capital Gains	Average New Tax Liability	Average FMV based on individual holdings	Average Tax as % of FMV	Average Individual Land Holdings (Acres)	Average Farm Size (Acres)
Part-time Farmer; farm size 200 acres or more	\$1,851,757	\$618,497	\$3,991,212	10.8%	512	756
Part-time Farmer; farm size 500 acres or more	\$2,498,651	\$862,598	\$5,002,239	13.7%	642	969
Part-time Farmer; farm size 750 acres or more	\$3,650,341	\$1,351,499	\$7,091,025	17.0%	865	1,328
<b>All part-time farmers</b>	<b>\$1,851,757</b>	<b>\$618,497</b>	<b>\$3,991,212</b>	<b>10.8%</b>	<b>512</b>	<b>756</b>

**Table 19a. Average New Tax Liability upon Death – Retired Farmers (after \$1 million exemption)**

Retired Farmer by Whole Farm Size	% with New Tax Liability	# Owners with New Tax Liability	Acreage Impacted	Average New Tax Liability	Minimum Tax as % of FMV	Average Tax as % of FMV	Maximum Tax as % of FMV
< 200 acres	8.0%	1,970	316,657	\$42,848	1.2%	2.8%	4.4%
200–500 acres	55.3%	6,692	1,797,018	\$311,718	1.6%	10.9%	26.1%
500–750 acres	100%	2,218	755,242	\$429,997	1.7%	11.5%	23.6%
750–1000 acres	100%	55	67,556	\$668,889	21.0%	21.0%	21.0%
1000–1500 acres	100%	189	197,439	\$2,255,242	21.6%	28.9%	33.5%
1500–2000 acres	100%	34	74,034	\$2,912,444	31.7%	31.7%	31.7%
>2000 acres	100%	44	67,556	\$1,715,263	22.6%	22.6%	22.6%
<b>Total</b>		<b>11,202 (28.6% retired farmers impacted)</b>	<b>3,275,502 (65.5% acreage impacted)</b>				

**Table 19b. Average New Tax Liability upon Death – Retired Farmers by Farm Size (after \$1 million exemption)**

Retired Farmer Farm Size	Average Capital Gains	Average New Tax Liability	Average FMV based on individual holdings	Average Tax as % of FMV	Average Individual Land Holdings (Acres)	Average Farm Size (Acres)
Retired Farmer; farm size 200 acres or more	\$1,816,403	\$582,659	\$3,268,333	13.4%	425	548
Retired Farmer; farm size 500 acres or more	\$2,831,711	\$1,002,543	\$4,528,540	17.2%	626	895
Retired Farmer; farm size 750 acres or more	\$5,219,988	\$2,028,756	\$7,081,767	27.1%	1,102	1,483
Retired Farmer; farm size 1000 acres or more	\$5,845,667	\$22,299,728	\$7,859,266	28.3%	1,205	1,593
Retired Farmer; farm size 1500 acres or more	\$5,943,106	\$2,341,240	\$8,424,458	27.4%	1,452	2,120
Retired Farmer; farm size 2000 acres or more	\$4,511,435	\$1,715,263	\$7,577,634	22.6%	1,400	2,800
<b>All retired farmers</b>	<b>\$1,668,665</b>	<b>\$530,237</b>	<b>\$3,095,691</b>	<b>12.3%</b>	<b>399</b>	<b>510</b>

**Table 20a. Average New Tax Liability upon Death – Non-Farmers (\$1 million exemption)**

Non-Active Farmer by Whole Farm Size	% with New Tax Liability	# Owners with New Tax Liability	Acreage Impacted	Average New Tax Liability	Minimum Tax as % of FMV	Average Tax as % of FMV	Maximum Tax as % of FMV
< 200 acres	2.9%	2.048	211.012	\$47,631	0.6%	3.0%	5.3%
200–500 acres	21.4%	3.099	1.059.261	\$299,115	0.2%	10.5%	22.3%
500–750 acres	100.0%	2.586	748.970	\$517,877	0.9%	12.3%	22.1%
750–1000 acres	41.7%	768	376.802	\$640,582	13.4%	16.3%	22.3%
1000–1500 acres	100.0%	255	274.920	\$2,020,532	1.1%	22.4%	34.8%
Other non-active landowners	89.4%	321	136.732	\$816,026	22.8%	23.0%	23.3%
<b>Total</b>		<b>9,077 (10.2% non-farmers impacted)</b>	<b>2,807,697 (65.5% acreage impacted)</b>				

**Table 20b. Average New Tax Liability upon Death – Non-Farmers by Farm Size (\$1 million exemption)**

<b>Non-Farmer by Whole Farm Size</b>	<b>Average Capital Gains</b>	<b>Average New Tax Liability</b>	<b>Average FMV based on individual holdings</b>	<b>Average Tax as % of FMV</b>	<b>Average Individual Land Holdings (Acres)</b>	<b>Average Farm Size (Acres)</b>
Non-active Farmer; farm size 200 acres or more	\$1,775,549	\$568,189	\$3,696,259	12.8%	443	601
Non-active Farmer; farm size 500 acres or more	\$2,184,352	\$746,916	\$4,432,482	13.8%	533	787
Non-active Farmer; farm size 750 acres or more	\$3,192,600	\$1,152,937	\$6,148,163	18.1%	727	1,032
Non-active Farmer; farm size 1000 acres or more	\$4,825,599	\$1,875,431	\$9,267,977	20.8%	1,119	1,236
<b>All non-farmers</b>	<b>\$1,663,868</b>	<b>\$527,563</b>	<b>\$3,532,799</b>	<b>12.1%</b>	<b>422</b>	<b>568</b>

**Table 21. Average New Tax Liability upon Death – Retired and Non-Active Farmers (\$1 million)**

<b>Retired and Non-Active Farmers</b>	<b>% Owners with New Tax Liability</b>	<b>Average New Tax Liability</b>	<b># of Owners</b>	<b>Acres Owned</b>	<b>Minimum % Tax/FMV Land</b>	<b>Average % Tax/FMV Land</b>	<b>Maximum % Tax/FMV Land</b>
Retired farmer & cash rent to others	40.1%	\$529,145	7,536	2,085,563	1.2%	12.8%	33.5%
Retired farmer & cash rent to relatives	38.2%	\$261,363	2,603	776,799	1.6%	8.3%	21.6%
Retired farmer & crop share with others	8.8%	\$155,232	508	129,871	7.1%	7.2%	7.4%
Retired farmer & crop share with relatives	77.2%	\$1,380,823	373	246,252	8.5%	20.7%	31.6%
Retired farmers - other	2.5%	\$361,034	182	37,017	14.9%	14.9%	14.9%
Non-active farmer & cash rent to others	8.2%	\$343,972	4,039	1,136,417	1.1%	10.2%	22.1%
Non-active farmer & cash rent to relatives	11.6%	\$394,901	1,484	354,670	0.6%	11.1%	22.3%
Non-active farmer & crop share with others	36.5%	\$791,977	1,411	544,515	0.2%	11.4%	30.2%
Non-active farmer & crop share with relatives	53.0%	\$691,430	1,127	392,433	3.1%	15.4%	31.4%
Non-active farmer - Other (timber, pasture)	3.3%	\$1,177,891	695	242,930	8.6%	18.3%	34.8%
Other landowners	89.4%	\$816,026	321	136,732	22.8%	23.0%	23.3%

### *Impact of the Exclusion*

Tables 22 and 23 review the impact of the exclusion upon potential tax liability of all farmland acres and owners, respectively, estimating the impact at death or gift of no exclusion, a \$1 million exclusion (as proposed in the AFP), a \$2 million exclusion, and a \$5 million exclusion.

- Table 22 shows that if the exclusion were zero, 93% of Iowa's farmland would be impacted by a new tax at death or gift. Under the proposed exclusion amount, we estimate that 53% of Iowa farmland would be impacted by the death of the owner or a transfer by gift. We estimate that number would fall to 30% with a \$2 million exclusion, and 6% with a \$5 million exclusion.
- Table 23 reveals that 79% of Iowa farmland owners would be impacted by a new tax at death or gift if there were no exclusion. As proposed in the AFP, with a \$1 million exclusion, 17% of owners would be impacted. This number would fall to 7% of impacted owners with a \$2 million exclusion and less than 1% of owners with a \$5 million exclusion.

**Table 22. Average New Tax Liability upon Death – (Impact of Exclusion on Percent Acres with New Tax Liability)**

<b>Owner Group by Whole Farm Size</b>	<b>% with New Tax Liability – No Exclusion</b>	<b>% with New Tax Liability – \$1 Million Exclusion</b>	<b>% with New Tax Liability - \$2 Million Exclusion</b>	<b>% with New Tax Liability - \$5 Million Exclusion</b>
Full-time Farmer; farm size <100 acres	82.5%	0.0%	0.0%	0.0%
Full-time Farmer; farm size 100–200 acres	90.9%	16.9%	0.0%	0.0%
Full-time Farmer; farm size 200–300 acres	85.6%	40.7%	0.0%	0.0%
Full-time Farmer; farm size 300–400 acres	100.0%	36.7%	25.5%	0.0%
Full-time Farmer; farm size 400–500 acres	100.0%	69.6%	33.9%	0.0%
Full-time Farmer; farm size 500–750 acres	100.0%	100.0%	60.8%	6.4%
Full-time Farmer; farm size 750–1000 acres	100.0%	100.0%	57.8%	0.4%
Full-time Farmer; farm size 1000–1500 acres	100.0%	93.2%	93.2%	25.2%
Full-time Farmer; farm size 1500–2000 acres	100.0%	100.0%	100.0%	45.3%
Full-time Farmer; farm size >2000 acres	100.0%	100.0%	100.0%	100.0%
Part-time Farmer; farm size <200 acres	78.2%	0.0%	0.0%	0.0%
Part-time Farmer; farm size 200–500 acres	100.0%	57.9%	9.2%	0.0%
Part-time Farmer; farm size 500–750 acres	100.0%	100.0%	35.5%	0.0%
Part-time Farmer; farm size 750–1000 acres	100.0%	100.0%	66.2%	0.0%
Retired Farmer; farm size <200 acres	100.0%	21.6%	0.0%	0.0%



Retired Farmer; farm size 200–500 acres	97.8%	75.6%	29.2%	0.0%
Retired Farmer; farm size 500–750 acres	100.0%	100.0%	57.6%	10.9%
Retired Farmer; farm size 750–1000 acres	100.0%	100.0%	100.0%	0.0%
Retired Farmer; farm size 1000–1500 acres	100.0%	100.0%	100.0%	67.3%
Retired Farmer; farm size 1500–2000 acres	100.0%	100.0%	100.0%	100.0%
Retired Farmer; farm size >2000 acres	100.0%	100.0%	100.0%	100.0%
Non-active Farmer; farm size <200 acres	82.2%	6.4%	0.0%	0.0%
Non-active Farmer; farm size 200–500 acres	91.3%	39.6%	26.7%	0.0%
Non-active Farmer; farm size 500–750 acres	100.0%	100.0%	47.0%	0.0%
Non-active Farmer; farm size 750–1000 acres	100.0%	74.1%	74.1%	0.0%
Non-active Farmer; farm size 1000–1500 acres	100.0%	100.0%	73.5%	55.5%
Other landowners	63.8%	63.8%	63.8%	0.0%
<b>All Landowners</b>	<b>93.3%</b>	<b>52.8%</b>	<b>29.7%</b>	<b>5.8%</b>

**Table 23. Average New Tax Liability upon Death – (Impact of Exclusion on Percent Owners with New Tax Liability)**

<b>Owner Group by Whole Farm Size</b>	<b>% with New Tax Liability – No Exclusion</b>	<b>% with New Tax Liability – \$1 Million Exclusion</b>	<b>%with New Tax Liability - \$2 Million Exclusion</b>	<b>% with New Tax Liability - \$5 Million Exclusion</b>
Full-time Farmer; farm size <100 acres	82.8%	0.0%	0.0%	0.0%
Full-time Farmer; farm size 100–200 acres	83.6%	8.5%	0.0%	0.0%
Full-time Farmer; farm size 200–300 acres	83.2%	30.1%	0.0%	0.0%
Full-time Farmer; farm size 300–400 acres	100.0%	29.9%	17.4%	0.0%
Full-time Farmer; farm size 400–500 acres	100.0%	54.5%	23.9%	0.0%
Full-time Farmer; farm size 500–750 acres	100.0%	100.0%	66.1%	2.1%
Full-time Farmer; farm size 750–1000 acres	100.0%	100.0%	67.7%	3.3%
Full-time Farmer; farm size 1000–1500 acres	100.0%	95.6%	95.6%	31.6%
Full-time Farmer; farm size 1500–2000 acres	100.0%	100.0%	100.0%	42.8%
Full-time Farmer; farm size >2000 acres	100.0%	100.0%	100.0%	100.0%
Part-time Farmer; farm size <200 acres	58.9%	0.0%	0.0%	0.0%

Part-time Farmer; farm size 200–500 acres	100.0%	46.7%	3.6%	0.0%
Part-time Farmer; farm size 500–750 acres	100.0%	100.0%	28.1%	0.0%
Part-time Farmer; farm size 750–1000 acres	100.0%	100.0%	80.4%	0.0%
Retired Farmer; farm size <200 acres	97.5%	8.0%	0.0%	0.0%
Retired Farmer; farm size 200–500 acres	99.1%	55.3%	15.7%	0.0%
Retired Farmer; farm size 500–750 acres	100.0%	100.0%	49.2%	4.1%
Retired Farmer; farm size 750–1000 acres	100.0%	100.0%	100.0%	0.0%
Retired Farmer; farm size 1000–1500 acres	100.0%	100.0%	100.0%	43.9%
Retired Farmer; farm size 1500–2000 acres	100.0%	100.0%	100.0%	100.0%
Retired Farmer; farm size >2000 acres	100.0%	100.0%	100.0%	100.0%
Non-active Farmer; farm size <200 acres	68.6%	2.9%	0.0%	0.0%
Non-active Farmer; farm size 200–500 acres	96.2%	21.4%	12.7%	0.0%
Non-active Farmer; farm size 500–750 acres	100.0%	100.0%	43.1%	0.0%
Non-active Farmer; farm size 750–1000 acres	100.0%	41.7%	41.7%	0.0%

Non-active Farmer; farm size 1000–1500 acres	100.0%	100.0%	83.5%	46.7%
Other landowners	89.4%	89.4%	89.4%	0.0%
<b>All landowners</b>	<b>79.2%</b>	<b>16.9%</b>	<b>6.9%</b>	<b>0.6%</b>

### Factors Impacting Ability to Pay the Tax

For those impacted by the new AFP tax, several key factors would influence the ability of an owner to pay it—current debt and current income from the land. In tables 24 and 25, we report the impact of debt on the farmland acres and owners that would be impacted by the new AFP tax at death or gift. These data show that 69.2% of owners with tax liability owned their land free of debt, and their land accounts for 67% of all acres we estimate would be subject to new tax liability.

**Table 24. Impact of Debt upon Land Owned by Those Who Would Have New AFP Tax Liability**

Farmland Acres with Positive Tax Liability by Debt Status and Whole Farm Size							
	All	200–500 Acres	500–750 Acres	750–1000 Acres	1000–1500 Acres	1500–2000 Acres	>2000 Acres
No Debt	66.9%	77.5%	68.3%	48.8%	41.3%	57.0%	57.6%
<20% Acres with Debt	5.2%	0.0%	6.3%	7.9%	19.5%	15.0%	0.0%
20%–50% Acres with Debt	12.0%	4.7%	19.7%	19.4%	18.2%	0.0%	18.8%
50%–99% Acres with Debt	5.7%	6.3%	3.5%	9.2%	6.5%	16.5%	0.0%
100% Acres with Debt	10.2%	11.5%	2.2%	14.7%	14.5%	11.6%	23.6%
Column Sum	100%	100%	100%	100%	100%	100%	100%
<b>Total Acres</b>	<b>11,405,158</b>	<b>4,455,401</b>	<b>2,915,151</b>	<b>1,382,308</b>	<b>1,278,125</b>	<b>354,315</b>	<b>372,640</b>

**Table 25. Impact of Debt upon Farmland Owners Who Would Have New AFP Tax Liability**

# and % of Owners with Positive Tax Liability by Debt Status and Whole Farm Size							
	All	200–500 Acres	500–750 Acres	750–1000 Acres	1000–1500 Acres	1500–2000 Acres	>2000 Acres
No Debt	69.2%	72.4%	69.7%	54.0%	39.2%	41.0%	64.3%
<20% Acres with Debt	2.9%	0.0%	4.0%	8.3%	18.5%	18.8%	0.0%
20%–50% Acres with Debt	11.8%	4.5%	22.0%	19.7%	21.0%	0.0%	17.3%
50%–99% Acres with Debt	7.9%	12.1%	3.5%	8.0%	9.1%	21.6%	0.0%
100% Acres with Debt	8.2%	11.0%	0.8%	10.0%	12.2%	18.6%	18.4%
Column Sum	100%	100%	100%	100%	100%	100%	100%
<b>Total Owners</b>	<b>35,988</b>	<b>16,842</b>	<b>8,806</b>	<b>3,111</b>	<b>1,961</b>	<b>361</b>	<b>255</b>

### Income Analysis

Although we did not conduct a detailed farm income analysis, we did calculate the average estimated gross cash rental income for the owners that would be subject to the new tax, based

upon the county in which the acres were located. We calculate the gross cash rental income as the product of the county-level average cash rental rates from the 2020 ISU Cash Rent Survey and the acres owned for each owner. Even if the farmland is rented out via a crop share arrangement or is owner-operated, the gross cash rental income proxies the market rent the land could generate. The 2017 IFOTS also asked the respondents the share of off-farm income in their household. Using this share and the calculated cash rental income, we calculate the implied household income for each owner, including off-farm sources. If a farm is jointly owned by spouses, the implied household income we present in table 26 is for just one owner.

As shown in table 26, the average yearly gross cash rental income per owner, across all acres with tax liability, was \$165,421, which suggests that the average tax liability per owner, \$623,888, is 377% of this gross cash rental income. In other words, it would take 3.77 years of gross cash rental income to pay the new tax liability.

**Table 26. Gross Cash Rental Income, Household Income and New Tax Liability for those Who Would Have New Tax Liability**

Owner Group by Whole Farm Size	Average New Tax Liability	Cash Rental Income	%Tax Liability Over Cash Rental Income	Household Income Including Off-farm Income	%Tax Liability Over Farm + Off-farm Income
Full-time Farmer; farm size <200 acres	\$34,267	\$122,424	28.0%	\$122,424	28.0%
Full-time Farmer; farm size 200–500 acres	\$46,631	\$73,929	63.1%	\$84,235	55.4%
Full-time Farmer; farm size 500–750 acres	\$456,736	\$87,549	521.7%	\$119,937	380.8%
Full-time Farmer; farm size 750–1000 acres	\$542,718	\$133,068	407.9%	\$190,913	284.3%
Full-time Farmer; farm size 1000–1500 acres	\$1,196,481	\$168,537	709.9%	\$266,439	449.1%
Full-time Farmer; farm size 1500–2000 acres	\$1,441,991	\$199,488	722.8%	\$295,072	488.7%
Full-time Farmer; farm size >2000 acres	\$3,062,558	\$982,695	311.6%	\$1,049,130	291.9%
<b>Full-time Farmer (All)</b>	<b>\$760,237</b>	<b>\$183,615</b>	<b>414.0%</b>	<b>\$23,916</b>	<b>3178.8%</b>
Part-time Farmer; farm size <500 acres	\$168,155	\$79,747	210.9%	\$95,742	175.6%
Part-time Farmer; farm size 500–750 acres	\$517,877	\$134,855	384.0%	\$176,825	292.9%
Part-time Farmer; farm size 750–1000 acres	\$1,351,499	\$213,922	631.8%	\$298,791	452.3%
<b>Part-time Farmer (All)</b>	<b>\$618,497</b>	<b>\$140,839</b>	<b>439.2%</b>	<b>\$187,435</b>	<b>330.0%</b>

Retired Farmer; farm size <200 acres	\$42,848	\$119,936	35.7%	\$119,936	35.7%
Retired Farmer; farm size 200–500 acres	\$311,718	\$101,710	306.5%	\$105,810	294.6%
Retired Farmer; farm size 500–750 acres	\$429,997	\$122,962	349.7%	\$154,810	277.8%
Retired Farmer; farm size 750–1000 acres	\$668,889	\$222,493	300.6%	\$222,493	300.6%
Retired Farmer; farm size 1000–1500 acres	\$2,255,242	\$241,762	932.8%	\$241,762	932.8%
Retired Farmer; farm size 1500–2000 acres	\$2,912,444	\$354,000	822.7%	\$354,000	822.7%
Retired Farmer; farm size >2000 acres	\$1,715,263	\$277,200	618.8%	\$554,400	309.4%
<b>Retired Farmer (All)</b>	<b>\$530,237</b>	<b>\$127,465</b>	<b>416.0%</b>	<b>\$142,775</b>	<b>371.4%</b>
Non-active Farmer; farm size <200 acres	\$47,631	\$220,139	21.6%	\$220,139	21.6%
Non-active Farmer; farm size 200–500 acres	\$299,115	\$105,685	283.0%	\$113,140	264.4%
Non-active Farmer; farm size 500–750 acres	\$517,877	\$124,760	415.1%	\$166,906	310.3%
Non-active Farmer; farm size 750–1000 acres	\$640,582	\$131,150	488.4%	\$230,200	278.3%
Non-active Farmer; farm size 1000–1500 acres	\$2,020,532	\$874,216	231.1%	\$899,963	224.5%
<b>Non-active Farmer (All)</b>	<b>\$527,563</b>	<b>\$202,772</b>	<b>260.2%</b>	<b>\$234,171</b>	<b>225.3%</b>
<b>All landowners</b>	<b>\$623,888</b>	<b>\$165,421</b>	<b>377.2%</b>	<b>\$199,423</b>	<b>312.8%</b>

## Appendix

**Appendix Table A1. Estimated Average Tax Liability upon Sale of Farmland – All Farmers Including those without Tax Liability**

Owner Group	Average Capital Gain	Average Tax Liability (Current)	Average Tax Liability (AFP)	Tax as % of FMV (Current)	Tax as % of FMV (AFP)
All Farmers	\$1,645,178	\$326,470	\$540,768	11.8%	16.7%
Full-time Farmers	\$2,261,583	\$421,422	\$780,411	11.3%	18.3%
Part-time Farmers	\$1,590,421	\$289,506	\$515,712	10.1%	15.1%
Retired Farmers	\$1,941,668	\$422,464	\$636,764	16.5%	22.3%
Non-active Farmers	\$1,193,832	\$250,765	\$367,104	11.5%	14.5%

**Appendix Table A2. Estimated Average Tax Liability upon Death or Gift – All Farmers Including those without Tax Liability**

Farmer Group	Average Capital Gain	Average Tax Liability (AFP)	Tax as % of FMV (AFP)
All Farmers	\$1,003,568	\$330,595	6.5%
Full-time Farmers	\$1,463,016	\$499,162	8.1%
Part-time Farmers	\$908,950	\$303,585	5.3%
Retired Farmers	\$1,093,342	\$347,110	8.1%
Non-active Farmers	\$593,554	\$188,198	4.3%



**Appendix Table A3. Average Capital Gain and Tax Liability for All Landowners upon Sale of Farmland (No Exclusion)**

<b>Owner Group by Whole Farm Size</b>	<b>Average Capital Gain</b>	<b>Average Tax Liability (Current)</b>	<b>Average Tax Liability (AFP)</b>	<b>Tax as % of FMV (Current)</b>	<b>Tax as % of FMV (AFP)</b>
Full-time Farmer; farm size <100 acres	\$182,196	\$21,850	\$21,942	7.9%	7.9%
Full-time Farmer; farm size 100–200 acres	\$477,469	\$70,562	\$87,269	6.9%	8.0%
Full-time Farmer; farm size 200–300 acres	\$790,378	\$130,638	\$172,462	10.3%	13.1%
Full-time Farmer; farm size 300–400 acres	\$1,184,740	\$204,083	\$315,506	9.6%	13.7%
Full-time Farmer; farm size 400–500 acres	\$1,813,474	\$332,436	\$570,172	12.6%	20.4%
Full-time Farmer; farm size 500–750 acres	\$2,549,231	\$475,248	\$860,572	14.5%	25.6%
Full-time Farmer; farm size 750–1000 acres	\$2,750,561	\$515,271	\$947,706	11.6%	21.1%
Full-time Farmer; farm size 1000–1500 acres	\$4,024,117	\$770,326	\$1,514,209	13.0%	25.0%
Full-time Farmer; farm size 1500–2000 acres	\$4,890,829	\$942,735	\$1,875,991	14.4%	28.4%
Full-time Farmer; farm size >2000 acres	\$8,618,730	\$1,690,970	\$3,496,558	12.0%	24.8%
<b>Part-time Farmer</b>					
Part-time Farmer; farm size <200 acres	\$262,636	\$34,779	\$37,951	4.9%	5.2%
Part-time Farmer; farm size 200–500 acres	\$1,245,766	\$216,400	\$331,361	11.9%	16.3%
Part-time Farmer; farm size 500–750 acres	\$2,459,726	\$458,677	\$823,058	14.9%	26.1%
Part-time Farmer; farm size 750–1000 acres	\$2,909,157	\$546,843	\$1,016,388	12.5%	22.5%
<b>Retired Farmer</b>					
Retired Farmer; farm size <200 acres	\$659,105	\$120,628	\$132,011	13.0%	13.7%
Retired Farmer; farm size 200–500 acres	\$1,754,308	\$378,608	\$547,440	16.7%	23.0%
Retired Farmer; farm size 500–750 acres	\$2,501,683	\$552,722	\$847,057	17.9%	26.7%
Retired Farmer; farm size 750–1000 acres	\$3,080,025	\$695,193	\$1,102,889	21.9%	34.7%
Retired Farmer; farm size 1000–1500 acres	\$6,742,021	\$1,563,799	\$2,689,242	20.8%	35.5%

Retired Farmer; farm size 1500–2000 acres	\$8,249,506	\$1,925,529	\$3,346,444	20.9%	36.4%
Retired Farmer; farm size >2000 acres	\$5,511,435	\$1,265,022	\$2,149,263	16.7%	28.4%
<b>Non-active Farmer; farm size &lt;200 acres</b>					
Non-active Farmer; farm size <200 acres	\$393,773	\$66,110	\$71,091	8.4%	8.7%
Non-active Farmer; farm size 200–500 acres	\$1,127,755	\$234,563	\$325,608	11.7%	15.1%
Non-active Farmer; farm size 500–750 acres	\$2,640,092	\$586,065	\$907,529	17.3%	25.7%
Non-active Farmer; farm size 750–1000 acres	\$2,282,172	\$499,764	\$784,694	15.1%	22.4%
Non-active Farmer; farm size 1000–1500 acres	\$6,169,652	\$1,428,755	\$2,442,015	16.3%	27.7%
Other landowners	\$2,288,124	\$438,723	\$833,351	12.4%	23.5%
<b>Total</b>	<b>\$1,645,178</b>	<b>\$326,470</b>	<b>\$540,768</b>	<b>11.8%</b>	<b>16.7%</b>

**Appendix Table A4. Average Capital Gain and Tax Liability for All Landowners at Death or Gift (\$1 million exclusion)**

Owner Group by Whole Farm Size	Average Capital Gain	Average Tax Liability (AFP)	Tax as % of FMV (AFP)
Full-time Farmer; farm size <100 acres	\$ -	\$ -	0.0%
Full-time Farmer; farm size 100–200 acres	\$48,881	\$6,230	0.4%
Full-time Farmer; farm size 200–300 acres	\$124,531	\$16,654	1.0%
Full-time Farmer; farm size 300–400 acres	\$413,748	\$102,903	3.4%
Full-time Farmer; farm size 400–500 acres	\$934,508	\$251,702	7.7%
Full-time Farmer; farm size 500–750 acres	\$1,549,231	\$456,736	12.0%
Full-time Farmer; farm size 750–1000 acres	\$1,750,561	\$542,718	11.4%
Full-time Farmer; farm size 1000–1500 acres	\$3,088,501	\$1,111,018	16.9%
Full-time Farmer; farm size 1500–2000 acres	\$3,890,829	\$1,441,991	21.2%
Full-time Farmer; farm size >2000 acres	\$7,618,730	\$3,062,558	21.5%
<b>Part-time Farmer; farm size &lt;200 acres</b>			
Part-time Farmer; farm size <200 acres	\$ -	\$ -	0.0%
Part-time Farmer; farm size 200–500 acres	\$421,819	\$116,026	3.4%
Part-time Farmer; farm size 500–750 acres	\$1,459,726	\$422,006	11.6%

Part-time Farmer; farm size 750–1000 acres	\$1,909,157	\$611,776	11.8%
<b>Retired Farmer</b>			
Retired Farmer; farm size <200 acres	\$58,068	\$8,240	0.5%
Retired Farmer; farm size 200–500 acres	\$861,352	\$229,687	8.1%
Retired Farmer; farm size 500–750 acres	\$1,501,683	\$429,997	11.5%
Retired Farmer; farm size 750–1000 acres	\$2,080,025	\$668,889	21.0%
Retired Farmer; farm size 1000–1500 acres	\$5,742,021	\$2,255,242	28.9%
Retired Farmer; farm size 1500–2000 acres	\$7,249,506	\$2,912,444	31.7%
Retired Farmer; farm size >2000 acres	\$4,511,435	\$1,715,263	22.6%
<b>Non-active Farmer</b>			
Non-active Farmer; farm size <200 acres	\$25,409	\$3,721	0.2%
Non-active Farmer; farm size 200–500 acres	\$464,498	\$121,070	4.3%
Non-active Farmer; farm size 500–750 acres	\$1,640,092	\$517,877	12.3%
Non-active Farmer; farm size 750–1000 acres	\$1,453,722	\$457,558	11.6%
Non-active Farmer; farm size 1000–1500 acres	\$5,169,652	\$2,020,532	22.4%
Other landowners	\$1,621,457	\$544,018	15.4%
<b>Total</b>	<b>\$953,708</b>	<b>\$314,088</b>	<b>6.2%</b>

**Appendix Table A5. Median Capital Gain and Tax Liability at Death or Gift for those who would have New Tax Liability**

<b>Owner Group by Whole Farm Size</b>	<b>Median Capital Gain</b>	<b>Median Tax Liability (AFP)</b>	<b>Tax as % of FMV (AFP)</b>
Full-time Farmer; farm size 100–200 acres	\$268,846	\$34,267	2.1%
Full-time Farmer; farm size 200–300 acres	\$414,237	\$56,616	3.1%
Full-time Farmer; farm size 300–400 acres	\$1,269,686	\$311,502	10.2%
Full-time Farmer; farm size 400–500 acres	\$1,477,352	\$401,629	14.1%
Full-time Farmer; farm size 500–750 acres	\$1,210,302	\$276,871	10.3%
Full-time Farmer; farm size 750–1000 acres	\$1,673,864	\$478,057	12.5%

Full-time Farmer; farm size 1000–1500 acres	\$2,709,446	\$927,500	16.4%
Full-time Farmer; farm size 1500–2000 acres	\$3,817,846	\$1,408,545	25.4%
Full-time Farmer; farm size >2000 acres	\$6,407,022	\$2,532,248	21.6%
Part-time Farmer; farm size 200–500 acres	\$384,006	\$48,037	2.6%
Part-time Farmer; farm size 500–750 acres	\$1,005,184	\$187,850	7.1%
Part-time Farmer; farm size 750–1000 acres	\$1,657,932	\$471,143	11.7%
Retired Farmer; farm size <200 acres	\$329,315	\$46,351	3.4%
Retired Farmer; farm size 200–500 acres	\$976,225	\$190,065	8.6%
Retired Farmer; farm size 500–750 acres	\$1,083,947	\$227,733	10.5%
Retired Farmer; farm size 750–1000 acres	\$2,080,025	\$668,889	21.0%
Retired Farmer; farm size 1000–1500 acres	\$7,139,840	\$2,864,849	31.6%
Retired Farmer; farm size 1500–2000 acres	\$7,249,506	\$2,912,444	31.7%
Retired Farmer; farm size >2000 acres	\$4,511,435	\$1,715,263	22.6%
Retired farmer & cash rent to others	\$1,000,360	\$200,314	8.8%
Retired farmer & cash rent to relatives	\$919,299	\$180,940	8.3%
Retired farmer & crop share with others	\$829,866	\$155,232	7.2%
Retired farmer & crop share with relatives	\$3,244,223	\$1,169,722	21.3%
Retired farmers - other	\$1,370,681	\$361,034	14.9%
Non-active Farmer; farm size <200 acres	\$325,762	\$45,683	2.9%
Non-active Farmer; farm size 200–500 acres	\$1,054,527	\$223,823	9.9%

Non-active Farmer; farm size 500–750 acres	\$1,453,964	\$392,749	14.0%
Non-active Farmer; farm size 750–1000 acres	\$1,980,575	\$616,869	15.3%
Non-active Farmer; farm size 1000–1500 acres	\$5,402,677	\$2,110,920	30.2%
Non-active farmer & cash rent to others	\$1,051,309	\$222,426	10.2%
Non-active farmer & cash rent to relatives	\$1,087,904	\$238,308	11.1%
Non-active farmer & crop share with others	\$1,298,531	\$373,356	10.2%
Non-active farmer & crop share with relatives	\$1,832,890	\$552,774	15.3%
Non-active farmer - Other (timber, pasture)	\$2,151,378	\$695,427	15.0%
Other landowners	\$2,432,185	\$816,026	23.0%
<b>Total</b>	<b>\$1,316,170</b>	<b>\$327,071</b>	<b>10.8%</b>

**Appendix Table A6. Median Capital Gain and Tax Liability at Death or Gift for those who would have New Tax Liability by Farm Size**

<b>Owner Group by Whole Farm Size</b>	<b>Median Capital Gains</b>	<b>Median New Tax Liability</b>	<b>Median Tax as % of FMV</b>	<b>Median Individual Land Holdings (Acres)</b>	<b>Median Farm Size (Acres)</b>	<b>Median FMV based on individual holdings</b>
Full-time Farmer; farm size 100 acres or more	\$ 1,474,538	\$ 396,672	12.6%	423	710	\$ 3,806,906
Full-time Farmer; farm size 200 acres or more	\$ 1,478,951	\$ 400,407	12.7%	428	755	\$ 3,845,077
Full-time Farmer; farm size 300 acres or more	\$ 1,702,395	\$ 498,295	13.8%	470	800	\$ 3,940,259
Full-time Farmer; farm size 400 acres or more	\$ 1,810,796	\$ 546,343	14.1%	488	820	\$ 3,984,809
Full-time Farmer; farm size 500 acres or more	\$ 2,103,315	\$ 665,694	14.2%	500	855	\$ 4,256,165
Full-time Farmer; farm size 750 acres or more	\$ 2,403,295	\$ 794,630	18.0%	620	1,080	\$ 5,113,556
Full-time Farmer; farm size 1000 acres or more	\$ 4,353,215	\$ 1,640,895	18.9%	741	1,348	\$ 6,887,506

Full-time Farmer; farm size 1500 acres or more	\$ 5,652,852	\$ 2,209,367	24.5%	1,337	2,000	\$10,525,740
Full-time Farmer; farm size 2000 acres or more	\$ 6,102,267	\$ 2,399,984	23.8%	2,000	2,100	\$12,232,430
<b>All full-time farmers</b>	<b>\$ 1,474,538</b>	<b>\$ 396,672</b>	<b>12.6%</b>	<b>423</b>	<b>710</b>	<b>\$ 3,806,906</b>
<b>Part-time Farmers</b>						
Part-time Farmer; farm size 200 acres or more	\$ 1,099,348	\$ 228,717	7.5%	400	620	\$ 3,270,245
Part-time Farmer; farm size 500 acres or more	\$ 2,216,517	\$ 713,568	16.4%	610	798	\$ 4,082,588
Part-time Farmer; farm size 750 acres or more	\$ 3,209,628	\$ 1,144,579	17.1%	777	1,209	\$ 5,719,666
<b>All part-time farmers</b>	<b>\$ 1,099,348</b>	<b>\$ 228,717</b>	<b>7.5%</b>	<b>400</b>	<b>620</b>	<b>\$ 3,270,245</b>
<b>Retired Farmers</b>						
Retired Farmer; farm size 200 acres or more	\$ 1,083,947	\$ 227,733	10.5%	290	396	\$ 2,501,504
Retired Farmer; farm size 500 acres or more	\$ 1,880,095	\$ 582,119	15.7%	575	650	\$ 3,179,900
Retired Farmer; farm size 750 acres or more	\$ 5,825,637	\$ 2,290,056	27.1%	1,248	1,248	\$ 8,071,046
Retired Farmer; farm size 1000 acres or more	\$ 7,139,840	\$ 2,864,849	31.6%	1,260	1,260	\$ 8,564,459
Retired Farmer; farm size 1500 acres or more	\$ 5,880,470	\$ 2,313,853	27.2%	1,450	2,150	\$ 8,387,410
Retired Farmer; farm size 2000 acres or more	\$ 4,511,435	\$ 1,715,263	22.6%	1,400	2,800	\$ 7,577,634
<b>All retired farmers</b>	<b>\$ 994,479</b>	<b>\$ 198,874</b>	<b>8.8%</b>	<b>270</b>	<b>365</b>	<b>\$ 2,409,184</b>
<b>Non-active Farmers</b>						
Non-active Farmer; farm size 200 acres or more	\$ 1,591,757	\$ 448,123	13.4%	420	500	\$ 3,364,012
Non-active Farmer; farm size 500 acres or more	\$ 2,026,201	\$ 636,671	15.9%	489	700	\$ 3,999,053
Non-active Farmer; farm size 750 acres or more	\$ 2,111,651	\$ 673,756	16.0%	564	1,027	\$ 4,616,732
Non-active Farmer; farm size 1000 acres or more	\$ 5,402,677	\$ 2,110,920	30.2%	1,200	1,220	\$ 9,035,484

<b>All non-active farmers</b>	<b>\$ 1,153,011</b>	<b>\$ 266,565</b>	<b>11.3%</b>	<b>344</b>	<b>487</b>	<b>\$ 2,787,576</b>
<b>All farmers</b>	<b>\$ 1,316,170</b>	<b>\$ 327,071</b>	<b>10.8%</b>	<b>375</b>	<b>518</b>	<b>\$ 3,030,599</b>