Income and Gift Tax Planning

A. Self-Employment Tax

Most employees are used to FICA withholding for Social Security and Medicare. For business owners, FICA is replaced with self-employment tax. The IRS considers you self-employed if you carry on – or are a member of – a trade or business as a sole proprietor or independent contractor. Partnerships and limited liability companies can incur self-employment taxes.

In 2018, the total self-employment tax rate is 15.3%, which is comprised of the typical withholding the employee pays and employer contributes for Social Security and Medicare. Typically, the self-employment tax is paid every quarter.

I.R.C. Section 1401 imposes the self-employment tax. I.R.C. Section 1402 instructs how to calculate this tax. Here is a snippet of this section:

> **(a) Net earnings from self-employment.** The term "net earnings from self-employment" means the gross income derived by an individual from any trade or business carried on by such individual, less the deductions allowed by this subtitle which are attributable to such trade or business, plus his distributive share (whether or not distributed) of income or loss described in section 702(a)(8) from any trade or business carried on by a partnership of which he is a member; except that in computing such gross income and deductions and such distributive share of partnership ordinary income or loss—
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> **(1)**
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> there shall be excluded rentals from real estate and from personal property leased with the real estate (including such rentals paid in crop shares, and including payments under section 1233(2) of the Food Security Act of 1985 (16 U.S.C. 3833(2)) [1] to individuals receiving benefits under section 202 or 223 of the Social Security Act) together with the deductions attributable thereto, unless such rentals are received in the course of a trade or business as a real estate dealer; except that the preceding provisions of this paragraph shall not apply to any income derived by the owner or tenant of land if (A) such income is derived under an arrangement, between the owner or tenant and another individual, which provides that such other individual shall produce agricultural or horticultural commodities (including livestock, bees, poultry, and fur-bearing animals and wildlife) on such land, and that there shall be material participation by the owner or tenant (as determined without regard to any activities of an agent of such owner or tenant) in the production or the management of the production of such agricultural or horticultural commodities, and (B) there is material participation by the owner or tenant (as determined without regard to any activities of an agent of such owner or tenant) with respect to any such agricultural or horticultural commodity;
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> **(2)**
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> there shall be excluded dividends on any share of stock, and interest on any bond, debenture, note, or certificate, or other evidence of indebtedness, issued with interest

> coupons or in registered form by any corporation (including one issued by a government or political subdivision thereof), unless such dividends and interest are received in the course of a trade or business as a dealer in stocks or securities . . . .

As the statute shows, in general, rental income from farmland (for both cash rent and crop share) is excluded from the definition of self-employment income (Sec. 1402(a)(1)). *See* McNamara v. Commissioner of Internal Revenue, 236 F.3d 410 (8th Cir. 2000), NOS. 99-3876, 99-3891 and 99-3968 (2000). The McNamara case involved a husband and wife who owned 460 acres they leased to their farming C-Corp. under a cash rent written lease, with payments averaging about $50,000 per year. Michael McNamara was employed full time by the corporation, and Nancy McNamara was employed doing part-time bookkeeping and farm errand duties (annual compensation to her was approximately $2,500 per year). The Court found that the rental arrangement and the employment role must be treated as one, and imposed SE tax on the rental income. The Eighth Circuit reversed the decision and found the exclusion did apply because the taxpayer did not produce agricultural commodities as defined in Sec. 1402(a)(1)(B). The Court focused on the "derived under" requirement in Sec. 1402(a)(1)(B), holding that "the practical effect of the 'derived under' language" was to require a connection between the taxpayer's rents received and the "arrangement" requiring the landlord's material participation. The court found, in relevant part: "The mere existence of an arrangement requiring and resulting in material participation in agricultural production does not automatically transform rents received by the landowner into self-employment income. It is only where the payment of those rents comprise part of such an arrangement that such rents can be said to derive from the arrangement." Under McNamara's interpretation, the IRS needs to prove a connection between the rental and employment arrangements. *See also* Martin, 149 T.C. No. 12 (2017), wherein the Tax Court followed the 8th Circuit's ruling in McNamara.

Notably, a self-employment tax on farm income will be imposed if the following criteria are satisfied: (i) The rental income comes from an agreement between the owner and lessee which requires the lessee to produce agricultural commodities on the land; (ii) the agreement requires the owner to significantly participate in the management or production of agricultural commodities; and (iii) the owner actually materially participates. (Reg. 1.1402(a)-4(b)(1)); Mizell v. Comm. (Tax Court Memo 1995-571, 11-29-95).

For an illustration where self-employment tax on farm rental income applies (e.g. taxpayer loses), refer to the above-referenced Mizell case: first reported decision to determine whether real estate is exempt from self-employment income for a landlord leasing to his own active farming entity. The taxpayer, Mizell, had been a farm proprietor. In 1986, Mizell formed a farm partnership with his three sons, with each partner holding a 25% ownership interest. The taxpayer, Lee Mizell, was a 25%

partner in an active farming partnership with his three sons. He also was a lessor, leasing about 730 acres of Arkansas farmland to the farm partnership. The lease called for Mizell to receive a 1/4 share of the crop; the partnership was responsible for all expenses. Mizell reported his 25% share of partnership income as SE earnings. However, the crop share rent on the land lease was treated as rental income that was **exempt** from SE tax.

Both the IRS and the taxpayer agreed that he materially participated in the agricultural production of his farming operation. Mizel argued that the crop share lease did not involve material participation and that the crop share rental income should be exempt from SE tax. The IRS disagreed and assessed SE tax on the crop share lease income. The IRS took the position that the crop share rental and the farming partnership constituted an arrangement that needed to be considered **in the aggregate** in measuring self-employed earned income. The Tax Court focused on the word **"arrangement"** in both the statute and the regulations, noting that this implied a broader view than simply the single contract or lease for the use of the land between the landlord and tenant. By measuring material participation with consideration to both the crop share lease and Mizell's obligations as a partner in the partnership, the court found that the rental income must be included in Mizell's net earnings for self-employment purposes.

The Tax Court's decision illustrates a definite risk for the common situation where a materially participating owner leases farmland to an operating entity.

Practice tips:

- Consider clarifying language in the lease that the landlord/lessor is not providing services or participation under the rental arrangement.
- If the lessor is providing services, include a separate written employment agreement which describes the duties and establishes reasonable compensation for those services.
- Keep land rentals at fair value / consistent with the market (McNamara Court: "Rents that are consistent with market rates very strongly suggest that the rental arrangement stands on its own as an independent transaction and cannot be said to be part of an 'arrangement' for participation in agricultural production."). High rents and low compensation are a red flag for the IRS, giving it the chance to argue the rents are disguised compensation. *See* Gerald E. Johnson v. Comm. (TC Memo 2004-56, 3-9-2004)).

B. Reporting Farm Income

Farmers often earn income from several sources, such as the sale of livestock, grain, and produce, as well as bartering, cooperative (coop) payments, agricultural program payments, crop insurance proceeds, and custom hire income. This total income, including money and the fair market value of any property or services, is reported on Schedule 1040F (a.k.a. Schedule F). Schedule C is used to report business profit and loss related to farming, but which does not qualify for Schedule F (e.g. landlords whose only income is from renting farmland).

Part 1 of Schedule F requires farm taxpayers to set forth their farm income. The taxpayer must answer a series of questions, including but not limited to, how much livestock was bought for resale, crops which were raised and sold, and cooperative distributions and payments from various farm programs. Part 2 of Schedule F concerns how much gross income was earned and how that money was distributed for farming expenses. To calculate farming income, see Publication 225, *Farmer's Tax Guide*, https://www.irs.gov/pub/irs-pdf/p225.pdf, (2017)). For the most current developments of Publication 225, please refer to https://www.irs.gov/forms-pubs/about-publication-225.

Once the gross income and distributions are calculated, the total farming expenses are then deducted to show the net profit or loss of the activity. A farmer may deduct ordinary and necessary expenses of operating a farm. An ordinary expense is an expense which is common and accepted in the business. A necessary expense is one which is appropriate for the business. Publication 225 provides great detail on the deductions allowed. A few examples of common farm income deductions include: (1) amounts paid for farm labor; (2) depreciation of tangible property such as buildings, machinery, equipment, vehicles, and certain livestock; (3) repair and maintenance of farm property; and (4) fertilizer, lime, and other materials applied to the farmland.

Some expenses during the tax year may be harder to distinguish, especially if they are partially business and partially personal. E.g. fuel, oil, water, rent, electricity, phone, repairs, insurance, and travel. The farmer is well advised to keep adequate records in order to have a reasonable basis for allocating the personal expenses from those related to the farming business. To be deductible, the expenses must be used in the farmer's business, have a defined lifespan, and have a useful life extending substantially beyond the year placed in service.

Amortization might also be used to spread the cost of certain expenses over a period of years for tax purposes. Internal Revenue Service Publication 535, *Business Expenses* (2017) at https://www.irs.gov/pub/irs-pdf/p535.pdf, provides additional guidance in identifying and utilizing available business expenses in general.

C. Reporting Tax on Deferred and Installment Payments Received Installment Sales

When times are good and a farmer anticipates a lot of income in a single tax year, the farmer may be well advised to consider two different techniques to defer income:

Deferred Payment Contracts

By reporting sold/delivered grain under a deferred payment contract, a farmer who uses cash method accounting has the option of reporting the income in the current year or the following year. This allows the farmer much more flexibility in managing his/her taxable income in the current year. A deferred payment contract states the date and amount of payment, however, ownership of the grain passes from the farmer to buyer when delivery is made, regardless of when the money is exchanged. Often times, to provide for optimal flexibility, the farmer will break his/her product into multiple deferred payment contracts. With multiple contracts, the revenue from any of the contracts may be reported in either year.

Deferred payment contracts should be: (1) binding upon the parties; and (2) non-assignable and nontransferable. It is also best practice for deferred payment contracts: (1) not to be modified after signing; (2) for the account not to be debited at year end to pay for inputs (fertilizer, seed, feed) from the same merchant; and (3) for payment not to be accelerated from the defined payment date.

Installment Sales

Since 1980, upon the enactment of the Installment Sales Revision Act, farmers who use a cash method accounting (e.g. is not required to maintain an inventory) may defer income on installment sales. Note, a farmer may not use the installment method if he/she uses the accrual accounting method. Under the cash method, the farmer includes gross income from all sources actually or constructively received during the tax year (money, property, and services received).

Chapter 10 of IRS Publication 225 provides instructions for installment sales.

An installment sale is a sale of property when at least one payment is received after the tax year of the sale. If a gain is realized on the sale and a cash method of accounting is used, the farmer generally can report part of the gain upon receipt of each payment. If the sale qualifies as an installment sale, the gain must be reported under the installment method unless the farmer elects out of this method. Installment sale income is reported on IRS Form 6252.

To calculate the installment sale income, consider that each payment on an installment sale generally has three parts: (1) Interest income; (2) Return of adjusted basis in the property; and (3) Gain on the sale. Reported income must include interest and the gain in each year payment is received, but not the return on the adjusted basis.

Example (as reported in IRS Publication 225):

You sell property at a contract price of $60,000 and your gross profit is $15,000. Your gross profit percentage is 25% ($15,000 ÷ $60,000). After subtracting interest from each payment, you report 25% of each payment, including the down payment, as installment sale income from the sale for the tax year you receive the payment. The remainder (balance) of each payment is the tax-free return of your adjusted basis.

D. Taking Advantage of Farm Deductions

Like other business owners, farmers may deduct "ordinary and necessary expenses paid . . . in carrying on any trade or business." IRC § 162. In the farming business, these ordinary and necessary expenses include things such as vehicle expenses, fertilizer, seed, rent, insurance, fuel, and other costs of operation. Schedule F (Form 1040), Part II, sets forth the available deductions:

1. Car and truck expenses;
2. Chemicals;
3. Conservation expenses;
4. Custom hire (machine work);
5. Depreciation and Section 179 expenses;
6. Employee benefit programs;
7. Feed;
8. Fertilizer and lime;
9. Freight and trucking;
10. Gasoline, fuel, and oil;
11. Insurance (other than health);
12. Interest
    a. Mortgage (paid to banks, etc.);
    b. Other
13. Labor hired
14. Pension & Profit Sharing Plans;
15. Rent or lease;
    a. Vehicles, machinery & equipment;
    b. Other (land, animals, etc.);
16. Repairs and maintenance;
17. Seeds and plants;
18. Storage and warehousing;
19. Supplies;

20. Taxes;

21. Utilities;

22. Veterinary, breeding, and medicine;

23. Other.

Under the *Tax Cuts and Jobs Act*, a new pass-through business deduction is allowed for noncorporate taxpayers (e.g. sole proprietorships; partnerships; S-corporations) – which includes farming income. The deduction is available for the 2018–2025 tax years, and is 20% of the domestic qualified business income (QBI) from each qualified business activity, subject to certain restrictions.

This new deduction includes specific treatment for qualified cooperative dividends (QCD). QCD includes any patronage dividends received in cash, per-unit retain allocations (commodity sales to the cooperative) and any qualified written notices of allocation which are included in gross income during the tax year. The deduction is based not upon net income basis, but rather, upon gross revenue for QCDs.

E. Farm Equipment Depreciation

When a farmer gets property for his/her farming business which is expected to last more than one year, the entire cost of such expense generally cannot be deducted in the year acquired. Instead, such costs must be recovered over time, and deducted in parts each year on Schedule F as depreciation or amortization. Regarding farm equipment, depreciation is a cost due to use and age of a machine. The degree of mechanical wear may cause the value of a certain machine to be above or below average value for similar machines. First, the economic life for the machine and the salvage value at the end of the economic life is calculated. According to Iowa State University Extension and Outreach studies, a common economic life for most farm machines is 10-12 years, while tractors usually have a 15-year economic life. On the other hand, salvage value is the amount anticipated to be received as a trade-in allowance, an estimate of the used market value if the machine were sold outright, or zero if the machine will be kept until it reaches the end of its economic life.

Depreciation deductions should be reported on IRS Form 4562.

In lieu of depreciation, I.R.C. Section 179 allows a business to deduct all or some of the cost of certain qualifying property, subject to limitations. The deduction must be taken in the year the property was placed into service. A farmer may elect the section 179 expense deduction instead of recovering the cost by taking depreciation deductions.

The 2018 deduction limit is $1 Million. The spending cap on equipment purchases is $2.5 Million. The spending cap is the maximum amount which can be spent on equipment before the

available Section 179 Deduction begins to reduced dollar-for-dollar. In addition, there is a 100% "Bonus Depreciation" which can be exercised after the Section 179 Spending Cap.

This Bonus Depreciation option was part of the Protecting Americans from Tax Hikes Act of 2015 ("PATH Act"). As part of the PATH Act, the Section 179 deduction was expanded to $500,000 annually, with a maximum bonus depreciation of 50% for equipment put in service until December 31, 2017. As of January 1, 2018, the Bonus Depreciation will phase out due to the PATH Act. In 2018, for qualifying equipment, the special depreciation allowance will be phased down to 40% for certain property placed into service after 2017. Certain aircraft or property with a long production period acquired before 2020 may receive a 50% special depreciation allowance. In 2019, the Bonus Depreciation is reduced to 30%. Notably, the State of Iowa has not yet coupled with the bonus depreciation provisions allowed for federal tax purposes, has a limit of $25,000, and begins to phase out after $200,000.

To qualify for these special allowances, the qualified property must also satisfy the following criteria: (1) was purchased after 2007; (2) was placed into service between 2008 and 2019; and (3) The purchaser is the original user of the property.

To obtain an estimate of the depreciation amount, refer to the Section 179 Calculator – http://www.section179.org/section_179_calculator.php:

Example 1: A $400,000 equipment purchase yields a Section 179 deduction of $400,000, for a cost savings of $140,000 (assuming a 35% tax bracket), and a true cost of the equipment of $260,000.

Example 2 (bonus): A $2.5M equipment purchase yields a Section 179 deduction of $1M, a bonus depreciation deduction of $1.5M, for a total cash savings of $875,000 (true equipment cost of $1,625,000).

F. Family-Owned Business Deductions

26 U.S.C. Section 2057, *Family Owned Business Interests*, was enacted by the Taxpayer Relief Act of 1997 and amended in 1998. The statute was designed to provide federal estate tax relief for farms and closely-held small businesses, and allowed certain tax deductions. I.R.C. Section 2057 was repealed in December, 2014. However, I.R.C. Section 2032A remains intact.

For qualifying family farms, I.R.C. 2032A allows an inflation-adjusted reduction as follows:

2014: $1,090,000

2015: $1,100,000

2016: $1,110,000

2017: $1,120,000

2018: $1,140,000

Under I.R.C. Section 2032A(b), "qualified real property" real property in the United States which was acquired from or passed from the decedent to a qualified heir of the decedent and which, on the date of the decedent's death, was being used for a qualified use by the decedent or a member of the decedent's family, but only if:

(A) at least 50% of the adjusted value of the gross estate consists of the adjusted value of real or personal property which - (i) on the date of the decedent's death, was being used for a qualified use by the decedent or a member of the decedent's family, and (ii) was acquired from or passed from the decedent to a qualified heir of the decedent;

(B) at least 25% of the adjusted value of the gross estate consists of the adjusted value of real property which meets the requirements of subparagraphs (A)(ii) and (C);

(C) during the 8-year period ending on the date of the decedent's death there have been periods aggregating 5+ years during which - (i) such real property was owned by the decedent or a member of the decedent's family and used for a qualified use by the decedent or a member of the decedent's family, and (ii) there was *material participation* by the decedent or a member of the decedent's family in the operation of the farm or other business; **and**

(D) such real property is designated in the agreement referred to in subsection (d)(2).

To be a "qualified use" for purposes of the Section 2032A deduction, the property must be used as a farm or for farming purposes, or alternatively, used in a trade or business. "Material participation" is defined in the statute, and there is case law when this issue has been litigated in tax courts. Passive collection of rents, salaries, draws, dividends, or other farm income is not material participation. Similarly, advancing capital or reviewing a business proposal and financial reports would not constitute material participation. Treas. Reg. § 20.2032A-3(a).

There are many caveats and special rules under Section 2032A, so it is important to review the entire code provision.

G. Use of conservation easements

26 United States Code § 170 addresses charitable contributions and gifts. Generally, charitable contributions of partial property interests cannot be deducted. I.R.C. § 170(f)(3). There is an exception to the partial interest rule, however, for contributions of qualified conservation easements. §170(f)(3)(B)(iii).

A qualified conservation contribution ("QCC") is a contribution of (1) a qualified real property interest (the use of the real property is restricted in perpetuity) (2) to a qualified organization (3)

exclusively for conservation purposes. I.R.C. §170(h)(1). Tax benefits of conservation easements include, among other things: (i) income tax deduction from the QCC; (ii) possible decrease in local property tax valuation; and (iii) reduction in the value of the donor's estate (minimizing potential estate tax). Generally, taxpayers may receive a QCC deduction of up to 50% of their adjusted gross income contribution base. §170(b)(1)(E)(i)). QCC exceeding this limit may be carried forward fifteen years. §170(b)(1)(E)(ii). However, there are special rules for a qualified farmer or rancher.

A qualified farmer or rancher is a taxpayer whose gross income from the trade or business of farming (within the meaning of I.R.C. Section 2032A(e)(5)) is greater than 50% of the taxpayer's gross income for the taxable year. §170(b)(1)(E)(v)). A qualified farmer or rancher may receive a QCC deduction of up to 100% of their adjusted gross income contribution base. §170(b)(1)(E)(iv)(I)).

A QCC made by a corporation which – for the taxable year during which the contribution is made – is a qualified farmer or rancher and the stock of which is not readily tradeable on an established securities market at any time during such year and which is a contribution of property indefinitely for agricultural and livestock production shall be to the extent the aggregate of such contributions do not exceed the excess of the taxpayer's taxable income over the amount of allowable charitable contributions. §170(b)(2)((B)(i).

There are four types of deductible conservation contributions, as outlined in I.R.C. §170(h)(4)(A): (1) Preservation of land areas for outdoor recreation by, or the education of, the general public; (2) Protection of a relatively natural habitat of fish, wildlife, or plants, or similar ecosystem; (3) Preservation of open space (including farmland and forest land; (4) Preservation of a historically important land area or a certified historic structure.

The IRC and accompanying Treasury regulations outline the requirements for a contribution to be deductible. For an illustration of conservation easements, consider Kiva Dunes Conservation LLC, et al. v. Comm'r, TC Memo 2009-145 (June 22, 2009). There, the taxpayer bought 251 acres in Alabama on the Gulf of Mexico for 1.05 Million. Later, the taxpayer conveyed his interest in the real property to a limited liability company (LLC) he created. The LLC then developed the property into a gated residential resort known as Kiva Dunes, as well as a large golf course. The golf course was thereafter conveyed to another LLC which the taxpayer had also formed, Kiva Dunes LLC. Years later, this LLC placed a perpetual conservation easement on the golf course and donated the easement to a qualified land trust. The real estate subject to the easement could be used as a golf course, park, or agricultural enterprise. The LLC (which was taxed as a partnership) took a $30.6 million charitable contribution deduction for the easement on its 2002 tax return. The IRS audited and, while conceding

that the taxpayer was entitled to a charitable contribution, disallowed a large portion of the deduction by valuing the easement at $10 million. The IRS also assessed an accuracy-related penalty.

The Tax Court noted that determining the proper value required examination of the current use of the property and its highest and best use. Experts for the IRS and taxpayer agreed the highest and best use of the easement was as a residential subdivision. Because neither expert presented much evidence of comparable easement sales, the Tax Court used the default test of the regulations — the before and after approach.

The Tax Court focused on three criteria in assessing the value of the donated property before the easement restriction was placed on the property, (i) the number of lots available for sale on the easement area in the hypothetical residential subdivision; (ii) the average sales price of the lots; and (iii) the rate at which the lots would sell.

The taxpayer's expert valuation persuaded the Tax Court. However, the Court increased the real property's post-easement value because of improvements to the golf course. After considering those adjustments and an added value enhancement on the taxpayer's property which was not subject to the easement, the Tax Court found the post-easement value of the property was $3.3 Million. Deducting that amount from the property's pre-restriction value resulted in a charitable deduction for the donated easement worth $28.6 Million.

H. Corporate stock as a Major Estate Asset

It is a common strategy for family farmers to establish a corporation (or other corporate structure). There are many advantage or incentives to create corporate structure, including but not limited to: (i) achieve tax advantages; (ii) protect farming assets from creditors; and (iii) establish a business succession plan to keep the farm in the family for future generations. While the advantages of a corporate structure can be great, the likelihood of seeing those advantages often depends upon whether the taxpayer has consistently worked with a qualified attorney, certified public accountant (CPA), and financial planner.

Farmers often establish one of the following entities:

1. Family Limited Partnership;
2. Limited Liability Company; and
3. Corporation.

The corporation is a separate legal entity created under state law. It is a bit more complex than limited liabilities companies, partnerships, or other forms of business organizations. The corporation is separate from its shareholders (the owners). A small group of shareholders own closely held

corporations (versus big U.S. corporations which are publicly owned with stock being vastly owned and traded). Farm corporations are generally closely.

Corporations are often characterized as C corporations or S corporations. The C corporation creates a separate taxing unit, allowing a split of income between the corporation (retained earnings) and the individuals (salaries, rents, and interest). The corporation's after-tax earnings must be retained in and reinvested in order to prevent the earnings from being taxed at both the corporate and individual level. The C-corporation may be useful when there is a growing business with retained earnings to be reinvested for the business.

An S corporation is like a C corporation, but the corporation itself pays no income tax. Net income and capital gains pass through to the stockholders and are taxed at the personal level. The owners and operators of the corporation may be employees, and as such, be eligible for more fringe benefits (e.g. retirement plans; health insurance; group term life insurance; and tax-free meals and lodging in some cases) compared to self-employed farmers or business owners. In turn, the corporation may deduct these benefits as a business expense.

Like limited liability companies, corporations are also useful from an estate planning perspective to help transfer shares of stock to farming children or other farming heirs, both during life and at death. For example, a husband and wife who are the sole shareholders of the farming corporation may desire to gift one share of stock to each farming child per year, thereby reducing the size of the husband and wife's estate. So long as husband and wife retain at least 51% of the common stock, they can also retain control of the farming business during their lives. In some cases, a closely held farming corporation may issue two types of stock: common (voting) stock and preferred (non-voting) stock. Individuals who own preferred stock cannot vote but may be given special dividend rights.

While the corporation generally results in a tax-free formation, termination of the corporation or sale of the shares may result in significant capital gains tax. For closely-held farming corporations, shareholders often transfer their shares upon death, or they may also offer their shares for redemption by existing shareholders. In other words, corporate stock may be redeemed to retire the stock of senior generation shareholders. While a shareholder who sells his/her stock is subject to capital gains tax in any type of sale, whether a redemption or not, the stock redemption benefits the successor owners. This is due to the ability to fund the non-deductible stock acquisition with tax favorable corporate earnings (e.g. low rate of 15%).

Buy-sell agreements involving closely held-corporate stock should require the corporation to distribute enough income to cover tax liabilities. This is especially important until the stock value is set and the shares purchased. Lee v. Meloan, No. 0-286/09-1328 (Iowa Ct. App., Jun. 30, 2010).

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