



**COLORADO STATE UNIVERSITY
EXTENSION**

Selected Financial Issues

2021 Ag Lender Meetings

October 12th ~ San Luis Valley

October 13th ~ Rocky Ford

October 14th ~ Akron



Tax Code - Current & Possible

	CURRENT (2021)	FUTURE (current law expires 12/31/25)	FUTURE (possible legislation)
Estate tax credit	\$11.7 mill	\$3.5 million (approx.)	\$1 million? \$3.5 million?
Lifetime Gifting Exemption	\$11.7 mill	\$3.5 million (approx.)	\$1 million?
Annual Gifting	\$15,000	\$15,000 (approx.)	??
Portability	Yes	Yes	Yes?
Basis			
➤ At death	Step-up	Step-up	Capital gains on assets transferred?
➤ Before death	Same	Same	

Estate Tax Rates (2021)

Taxable Amount	Taxes	Tax Rate on Excess (of lower amount)
\$0 - \$10,000	\$0	18%
\$10,000 - \$20,000	1,800	20%
\$20,000 - \$40,000	3,800	22%
\$40,000 - \$60,000	8,200	24%
\$60,000 - \$80,000	13,000	26%
\$80,000 - \$100,000	18,200	28%
\$100,000 - \$150,000	23,000	30%
\$150,000 - \$250,000	38,800	32%
\$250,000 - \$500,000	70,800	34%
\$500,000 - \$750,000	155,800	37%
\$750,000 - \$1,000,000	248,300	39%
\$1,000,000 - _____	345,800	40%

Capital Gain Rates (2021)

Taxable Income	Rate
\$0 - \$80,000	0%
\$80,001 - \$496,600	15%
\$496,601,601	20%

Assumptions:

- Married Filing Jointly
- Gains that are NOT collectibles gain, gain on small business stock, or Uncaptured section1250 gain.

Example 1

Asset	FMV	Basis	Capital Gain
Land/Water	\$3,535,500	\$421,250	\$3,114,250
❖ Irrigated land (600 ac)	\$5,000	\$500	
❖ Dryland (640 ac)	\$450	\$125	
❖ Pasture (825 ac)	\$300	\$50	
Equipment	\$800,000	\$0	\$800,000
Cows + Bulls	\$140,000	\$0	\$140,000
Totals	\$4,475,500		\$4,054,250

Example 1 - Taxes

Value of Estate	\$4,475,500	\$8,000,000	\$12,000,000	\$20,000,000
Taxable Amount (>\$11,700,000)	\$0	\$0	\$300,000	\$8,300,000
Estate Taxes	\$0	\$0	\$70,800 <u>17,000</u> \$87,800	\$345,800 <u>2,920,000</u> \$3,265,800

Need Your Help!

Producer has an “extra” \$100,000 of profits for 2021.

What does he/she do? (possible strategies)

1. Purchase depreciable asset (i.e. equipment).
2. Reduce debt.
3. Prepay expenses.
4. Buy land.
5. Put into savings.
6. Invest in IRA.
7. Invest in Roth IRA.