Farm Estate GPS
Generational Planning Strategies

306: Farm Entities

Study Guide

1) Why don't you want to own farmland inside a C-corporation?

2) What are the three traditional ways get income out of a C-Corporation?

3) What problems could come up for an off-farm heirs who inherit C-corp stock?

4) What are two ways to avoid co-ownership of corporate stock between farming and off-farm heirs through an estate distribution?

5) How is an LLC different from a C-corp or S-corp?

6) Circle all answers that apply for each of the following questions:
   -- *Assume that the LLC is taxed as partnership in this example*

   a. Which file their own tax return (separate tax bracket)? C-Corp : S-Corp : LLC : All : None
   b. Which are considered a "flow through" entity? C-Corp : S-Corp : LLC : All : None
   c. Which entities can pay out a salary? C-Corp : S-Corp : LLC : All : None
   d. Which distributes cash easier to retirees and off-farm heirs? C-Corp : S-Corp : LLC : All : None
   e. Which can pass on profits without double taxation? C-Corp : S-Corp : LLC : All : None
   f. Which entity gets a stepped-up basis on stock upon death? C-Corp : S-Corp : LLC : All : None
   g. Which receives a stepped-up basis on underlying assets? C-Corp : S-Corp : LLC : All : None

7) If you have a farm entity, what management rules, rental options, and exit strategies have been defined within the operating agreement? Is it coordinated with your estate and farm succession strategies?

8) What would you see as some of the best advantages or disadvantages of a farm entity for your operation?