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trigger price level. Note that the minimum total revenue per bushel is around \$2.33 per bushel for corn and \$5.50 per bushel for soybeans. Without the direct payments the minimum revenues are \$2.14 and \$5.21, respectively. These values will change some if current acres and yields differ from production levels recorded from 1998 through 2001.

In summary, LDPs provide a price floor for actual production. Counter cyclical payments provide some additional price protection. Both of

these are fixed through 2007, except that the loan rate for corn will drop by \$0.03 in 2004. Neither of these features provides any protection against yield risk. Farmers in the Great Plains and the eastern Corn Belt found this out in 2002. Many of them suffered large yield losses due to drought, yet, since prices increased, they received only the direct payment under the new bill. As a result Congress approved emergency disaster payments for some affected areas.



Purchasing QFOBI Assets from the Estate *

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Typically, assets in a qualified family-owned business interest (QFOBI) pass by inheritance to qualified heirs. The statute requires that the aggregate value of the decedent's qualified family-owned business interests exceed 50 percent of the adjusted gross estate (gross estate less allowable deductions), and that amount or more must be "acquired by any qualified heir from, or passed to any qualified heir from, the decedent..." The question is whether QFOBI assets can pass to qualified heirs by purchase with eligibility retained for the family-owned business deduction and, if so, what the income tax consequences of the sale are to a qualified heir or heirs.

Purchase of land under special use valuation from the estate

Many of the provisions of the family-owned business deduction parallel those for special use valuation. For purposes of special use valuation, the statute specified that, for eligibility for the provision, it was necessary for qualified real property to be "acquired from or passed from the decedent to a qualified heir of the decedent." Until a 1981 amendment was enacted, property was deemed to have been acquired from the decedent if so considered under I.R.C. § 1014(b) which meant that land was ineligible if pur-

chases occurred or options were exercised before the land passed to the qualified heirs. The fact that the title to realty passed immediately to the heirs as a matter of state law subject to being retaken by the estate representative to pay debts and costs apparently was sufficient to meet the test.

The 1981 amendment, retroactive to January 1, 1977, permits property to pass by purchase and not lose eligibility for special use valuation. Under the 1981 amendment, land is considered to have been acquired from or to have passed from the decedent if:

- 1) the property is so considered to have passed under I.R.C. § 1014(b) relating to income tax basis of property acquired from the decedent;
- 2) the property is acquired by "any person" from the estate; or
- 3) the property was acquired by "any person" from a trust (to the extent the property was includible in the decedent's estate.)

Purchase of qualified family-owned business interests

Under the provision for a deduction for qualified family-owned business interests, the assets

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are eligible for a deduction if the qualified family-owned business interests "...are acquired by any qualified heir from, or passed to any qualified heir from, the decedent...." That statement is conditioned by the qualifying requirement that the passage must be within the meaning of I.R.C. § 2032A(e)(9). That is the passage, added in 1981, that allowed property to pass from the estate to qualified heirs by purchase from the estate for purposes of special use valuation. That assures that property can pass by purchase and not lose eligibility for purposes of the family-owned business deduction if the purchase transaction meets any one of the three tests applicable to special use valuation purchases from the estate.

What about the income tax basis?

I.R.C. § 1040, enacted to solve problems of income tax basis where land is purchased from the estate, assures that the only gain recognized to an estate in the event of a sale or taxable exchange by the estate is the difference between the fair market value on disposition and the federal estate tax value. That provision was needed for special use valuation because, otherwise, the difference between the special use

value and the value on disposition would be taxable gain to the estate.

In the case of the family-owned business deduction, a basis is assured for the assets comprising the qualified family-owned business interest (or for the entity holding those assets) equal to the fair market value at death or the alternate valuation date. Therefore, the gain recognized on sale of qualified family-owned business interests is the difference between the federal estate tax value (fair market value at death or the alternate valuation date) and the value on sale or taxable exchange. If the purchase of assets from the estate is at the federal estate tax value (and fair market value on purchase is no greater than the federal estate tax value), there should be no gain on sale by the estate to a qualified heir or heirs.

Repeal of the family-owned business deduction

The family-owned business deduction does not apply to estates of decedents dying after December 31, 2003. Thus, it appears that the provision will remain in effect for purposes of recapture for estates of decedents dying before January 1, 2004, if an election was made under I.R.C. § 2057.

Income-rich Saudi Arabia Prefers Grow-Their-Own Food Security *

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Food security is a policy goal of many nations. One obvious reason a country might adopt food security as a national policy goal is to protect it against the possibility of the loss of the ability to obtain imports due to an embargo, poor crops in exporting nations and events such as war which might cut off or delay needed food imports. In addition, countries may opt for domestic food production as a means of improving their balance of payments by reducing the amount of imported food or as a means of providing employment for a portion of the population.

Given the fact that one-third of its area is the world's largest sand desert and average rainfall is four inches, one of the places one would least expect to adopt a grow-your-own food security goal is Saudi Arabia. Unlike some less developed nations, with its position over some of the world's largest oil reserves, Saudi Arabia has sufficient income to import as much food as it needs.

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