

How are Thousands of Landowners Receiving an average of \$1,700 Per Acre in Tax Savings?

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The
LandReport

HOW ARE THOUSANDS OF LANDOWNERS RECEIVING AN AVERAGE OF \$1,700 PER ACRE IN TAX SAVINGS?

As agricultural landowners, we deeply appreciate the value of our land. It's not just about heritage and pride—it's also a vital financial asset that offers cash flow, appreciation, and protection against inflation. The IRS also allows us to depreciate a whole array of items that can help protect our cash flows. While many of us are familiar with depreciating tangible assets like fencing, irrigation systems, and drainage tiles, fewer are aware that we can depreciate the value of the soil nutrients that were present in the land at the time of acquisition or inheritance.

LEGACY NUTRIENT DEDUCTIONS:

The opportunity to depreciate those soil nutrients is called a Legacy Nutrient Deduction. It is a one-time-per-owner deduction that has been available to landowners since the early 1960s. However, historically, the cost and limited accuracy of soil testing often made it economically unfeasible to pursue these deductions. Today, with advancements in testing methods and significant increases in land and nutrient values, properties purchased or inherited from the early 2000s onwards could see substantial financial benefits through these Legacy Nutrient Deductions.

WHAT LAND QUALIFIES:

To qualify for a Legacy Nutrient Deduction, the land must be actively engaged in agricultural production. Eligible properties include cropland, ranchland, and timberland.

BOA SAFRA AG'S ROLE:

Boa Safra Ag specializes in the data collection, analytics, and reporting necessary to enable agricultural landowners to benefit from these deductions. We have provided these services to over 3,000 clients across the lower 48 states, collaborating with hundreds of CPA firms, brokers, lenders, and land managers to systematically support their clients. The average deduction achieved is \$1,700 per acre.

OUR THREE-STEP PROCESS:

1. Assess the Soil Nutrients:

We conduct a thorough assessment of the volume of soil nutrients at the time of purchase or inheritance. This may involve taking new soil tests or reviewing existing soil tests, along with any prior records of application, crop production, or grazing activities.

2. Ascribe Value to the Nutrients:

We determine the economic value of the nutrients by matching the type of nutrient to its market price and geographic location at the time of the land's acquisition. This precise approach ensures the valuation is accurate and reflects the true potential benefit to the landowner.

3. Report with Strict Adherence to IRS Guidelines:

We document the value of the Legacy Nutrients in a report that strictly adheres to IRS guidelines. Landowners then share this report with their CPAs, who determine the most beneficial way to apply these deductions under one of the four relevant tax code sections.

ADDITIONAL ELIGIBILITY AND FILING DETAILS:

If you meet the IRS criteria for being “in the business” of farming or ranching, you may qualify for the tax code section that allows you to take the entire deduction in the year of filing. If you simply collect cash rent, you may qualify for three other sections of the tax code that allow you to spread the deduction over several years.

HOW LEGACY NUTRIENT DEDUCTIONS CAN BENEFIT YOU:

Protect Your Income:

Legacy Nutrient Deductions are not just a tax strategy; they’re a way to protect the hard-earned income from your farm or ranch. Depending on how you hold title to your property, the deduction may be available to protect on-farm and off-farm income as well. While it’s true that taking these deductions can lower the tax basis of your property—a concern if you’re thinking of selling within the next 18 months—it’s a move that can significantly shield your cash flow if you plan on keeping your land longer.

Speed Up Your Sale:

If you’re considering selling your property in the near future, quantifying the value of the nutrients present in your soils allows you to market the tax advantages of buying your land. It’s a compelling way to boost your land’s appeal and can accelerate sales transactions. Numerous sellers and brokers have successfully used this strategy to secure better prices faster.

Gain an Edge in Buying:

As a buyer, assessing the potential for Legacy Nutrient Deductions can give you a clear advantage. Incorporating these tax savings into your purchase offers ensures you’re making a shrewd investment. It’s a strategic approach that keeps you competitive—because, let’s face it, no one likes being left at the altar with the second-highest bid on a piece of land they truly want!

Invest Your Savings Wisely:

Furthermore, many landowners reinvest the financial benefits gained from these deductions into enhancing their properties—be it through upgrading irrigation systems or even using the funds as down payments for expanding their acreage. It’s about turning a good move on paper into practical growth and improvements on your land.

CAN THIS TAX STRATEGY WORK FOR YOU?

My team and I are ready to guide you through how these deductions can significantly benefit your operations and financial outlook.

Reach out now for a personalized and confidential consultation.



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