

GROUNDING INSIGHT: UNDERSTANDING 1031 EXCHANGES IN AGRICULTURAL REAL ESTATE

For agricultural landowners, this financial strategy can help preserve your equity, increase your purchasing power and open the door to a more diversified land portfolio.



A 1031 EXCHANGE DEFINED

If you're considering selling farmland, ranchland or other agricultural property, a 1031 exchange may be one of the most powerful financial strategies available. Named after Section 1031 of the Internal Revenue Code, this provision enables property owners to defer capital gains taxes when selling investment or business-use real estate—as long as the proceeds are reinvested into another qualifying “like-kind” property.

SOLUTIONS

The IRS defines “like-kind” broadly, especially when it comes to property and it opens up a wide range of possibilities. You might sell farmland and reinvest in ranchland, timberland or raw acreage elsewhere as long as it's held for business or investment purposes. Examples include:

- Farmland → Farmland (different crops or locations)
- Farmland → Ranchland or Grazing Land
- Ag Land → Commercial-use land (if held for investment)

HOW IT WORKS

A 1031 Exchange process is relatively simple, but timing and rules are critical, so it's essential to work with professionals who understand both the technical requirements and the nuances of agricultural real estate

Four important elements to keep in mind:

1. A Qualified Intermediary (QI) must hold the funds, you cannot take possession.
2. You must identify a replacement property within 45 days of the sale.
3. You need to close on that replacement within 180 days to complete the exchange.
4. All proceeds must be reinvested and match or exceed the original debt for full tax deferral.

“Tim helped us every step of the way as we sold our property and completed a successful 1031 exchange. His expertise, network, and reliability provided me with exactly what we needed.”

Jean Cihigoyenetché
C-Hi Farms

SMARTER WAY TO SELL & REINVEST

This strategy is about keeping more of your money working for you by reinvesting your equity into better land, relocating to stronger markets or climates, or transitioning from active operations to a more hands-off, income-generating investment. It's also a powerful tool for succession planning, helping you preserve wealth and pass it on with intention.

GETTING STARTED: LET'S TALK 1031

Maximize your agricultural asset's value with our expert 1031 exchange guidance. We are with you every step of the way, from pre-sale planning to property selection and deadline management. Ready to unlock your land's potential?

Let's chat.