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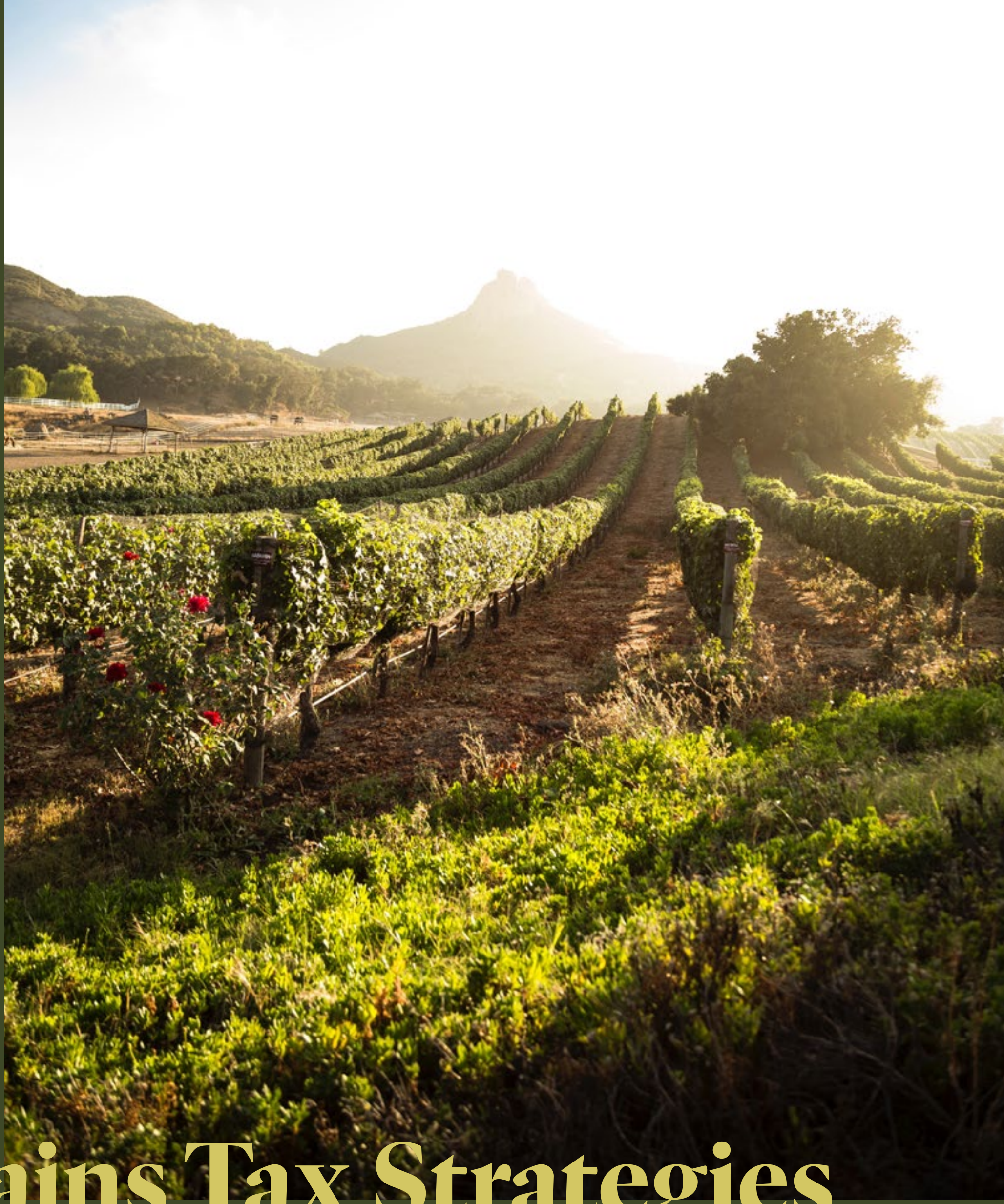


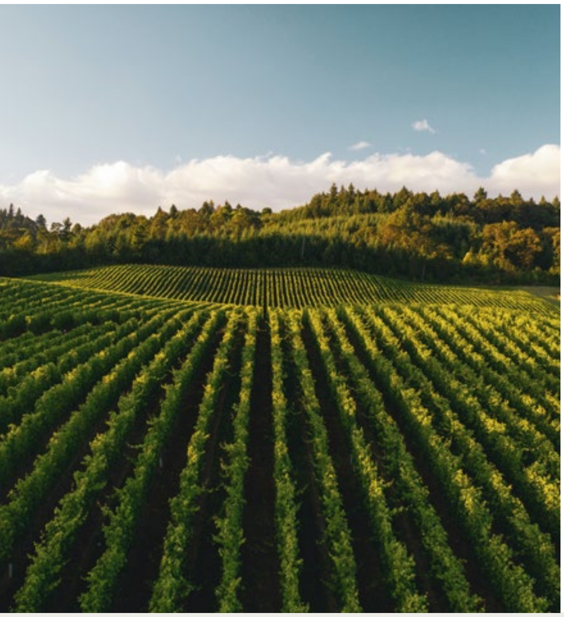
Capital Gains Tax Strategies for Selling Farmland, Ranches, or Vineyards

DEFINED BY THE IRS AS PROPERTY ACTIVELY USED TO "CULTIVATE, OPERATE, OR MANAGE" LAND FOR PROFIT, FARMLAND MUST BE USED AS A MAJOR PROFIT SOURCE. CAPITAL GAINS TAX CAN'T BE AVOIDED WHEN SELLING FARMLAND, BUT BY UTILIZING THE FOLLOWING STRATEGIES IT IS POSSIBLE TO DEFER OR REDUCE THE AMOUNT OF TAXES OWED.

1031 Exchange

Internal Revenue Code 26 § 1031 allows you to exchange currently held real estate for a "like-kind" piece of real estate. In a 1031 Exchange, "like-kind" doesn't necessarily mean that farmland must be exchanged for farmland, instead farmland can be exchanged for an apartment or office building—as long as it is of equal or greater value to the farmland. When adhered to, the 1031 Exchange process can help defer capital gains taxes.

If you're not interested in being an active landlord, you may consider a passive 1031 Exchange investment structure such as a Delaware Statutory Trust (DST). When you invest in real estate that is held in a Delaware Statutory Trust, you are considered to have acquired an undivided interest in that property (or properties), and therefore own a direct interest in the real property in proportion to your investment percentage. This allows you to qualify your investment as replacement property under the like-kind exchange rules of a 1031 Exchange. Because the DST sponsor manages and operates the property, investors in the property enjoy the benefits of their investment with no management headaches.



Property Transfer

While transferring farmland to heirs or beneficiaries doesn't get rid of the capital gains tax, the heirs or beneficiaries can receive the land as a step-up in basis to the current fair-market value. If they eventually decide to sell the farmland, the capital gains taxes could be reduced.

Deferred Sale

A deferred sale allows the seller to push an asset's sales date into the next year, potentially reducing capital gains and the amount of taxes owed.

Installment Sale

Performing an installment sale allows the seller to receive the proceeds from a sale over a period of time, potentially reducing capital gains and the amount of taxes owed.

Donations

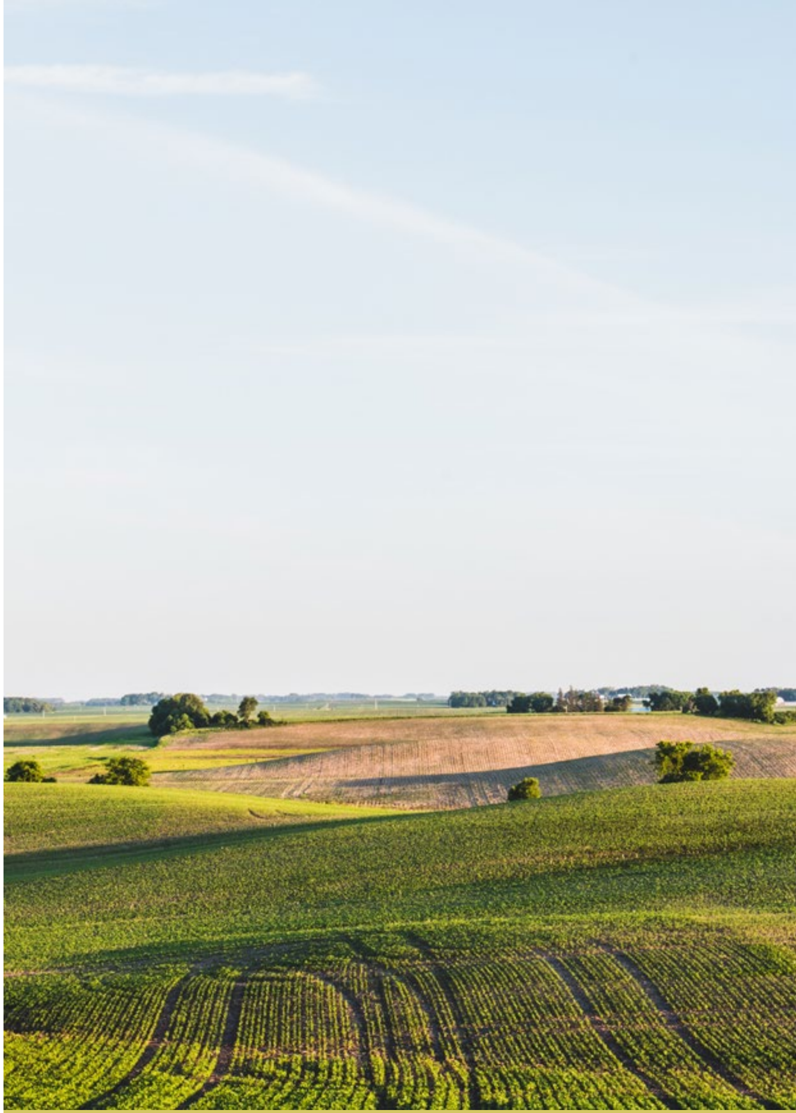
It's possible to donate farmland to charity and deduct the full market value of that donated property from your income. It is important to note that while charitable donation deductions can be limited to a percentage of adjusted gross income, excess contributions can be carried forward for up to five years.

Opportunity Zone

An investor that re-invests capital gains from the sale of their farmland into an Opportunity Zone Fund can defer paying federal taxes on those realized gains until as late as December 31, 2026, and may receive a reduction in the taxes owed at that time. In addition, the investor may be able to eliminate federal taxes on future gains if the Investor holds the investment in the Opportunity Zone Fund for at least ten years.

Conservation Easements

Conservation easements can be voluntarily donated or sold by landowners to a qualified organization. When donated, the owner may reduce their tax liability. When sold, the proceeds may be eligible for a tax-deferred 1031 exchange via Private Letter Ruling 9621012, allowing the seller to apply the proceeds to the acquisition of new property.



Growing up in the central valley of California, our founders were surrounded by farmland and the hard working families who grew their wealth through farming.

Because of these roots, we are deeply familiar with the complex issues surrounding the transition of your lifetime of hard work and farmland into your legacy. When it is time to make the decision to sell your farmland, you have more options available to you than you may think. We are here to help you decide which one is right for you.

Contact us today for professional, tailored guidance on your passive real estate investment needs:

legacyire.com (916) 908-1031

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Because investor situations and objectives vary this information is not intended to indicate that an investment is appropriate for or is being recommended to any individual investor.

This is for informational purposes only, does not constitute individual investment advice, and should not be relied upon as tax or legal advice. Please consult the appropriate professional regarding your individual circumstance.

There are material risks associated with investing in real estate securities including liquidity, tenant vacancies, general market conditions and competition, lack of operating history, interest rate risks, the risk of new supply coming to market and softening rental rates, general risks of owning/operating commercial and multifamily properties, short term leases associated with multi-family properties, financing risks, potential adverse tax consequences, general economic risks, development risks, long hold periods, and potential loss of the entire investment principal.

The rules and regulations of the QOZ Program are complex, and compliance with the QOZ Program comes with significant challenges such as appreciation unpredictability, certain neighborhoods may be less accommodating to development, illiquidity for up to ten or more years, availability and cost of construction and development financing uncertainty, development and redevelopment real estate risks, as well as a number of Jobs Act interpretation uncertainty which may impact future risks, if any.

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