

Agribusiness & Real Estate Webinar Series

Course 3 - Agricultural Legislation, Taxation, and Financing

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Presented by:






Time	Topic
0 - 5 minutes	Introduction, agenda and speakers.
5 - 15 minutes	Dealing with Municipal Districts: -County and municipal issues and concerns when selling a farm or selling farmland.
15-30 minutes	Succession Planning & Dealing with family issues and non-farm children: -How to address family issues or concerns. -Farm succession planning tools.
30-45 minutes	Working with Revenue Canada (taxation): -Tax issues to be aware of when selling a farm or selling farmland.
45 - 60 minutes	Question and Answer period

Agenda

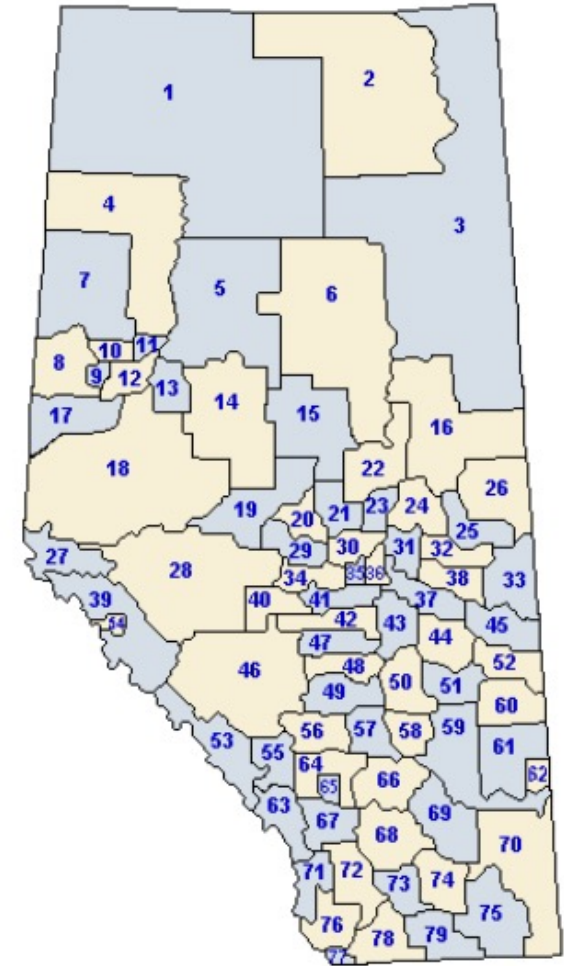
- Municipalities and Ag Land
- Appropriate development
- Weed Management
- Agricultural diversity



https://en.wikipedia.org/wiki/List_of_municipal_districts_in_Alberta#/media/File:Alberta's_Municipal_Districts.png

- 
- Bylaws – yours and the neighbors
 - Management Plans
 - Oil and Gas

- Water
- Septic
- Transportation & Road Networks
- Working with the County
- RPRs and Permits



County map courtesy of
<http://www.geneofun.on.ca/canadagenweb/alberta/alberta-genealogy-regions.html>

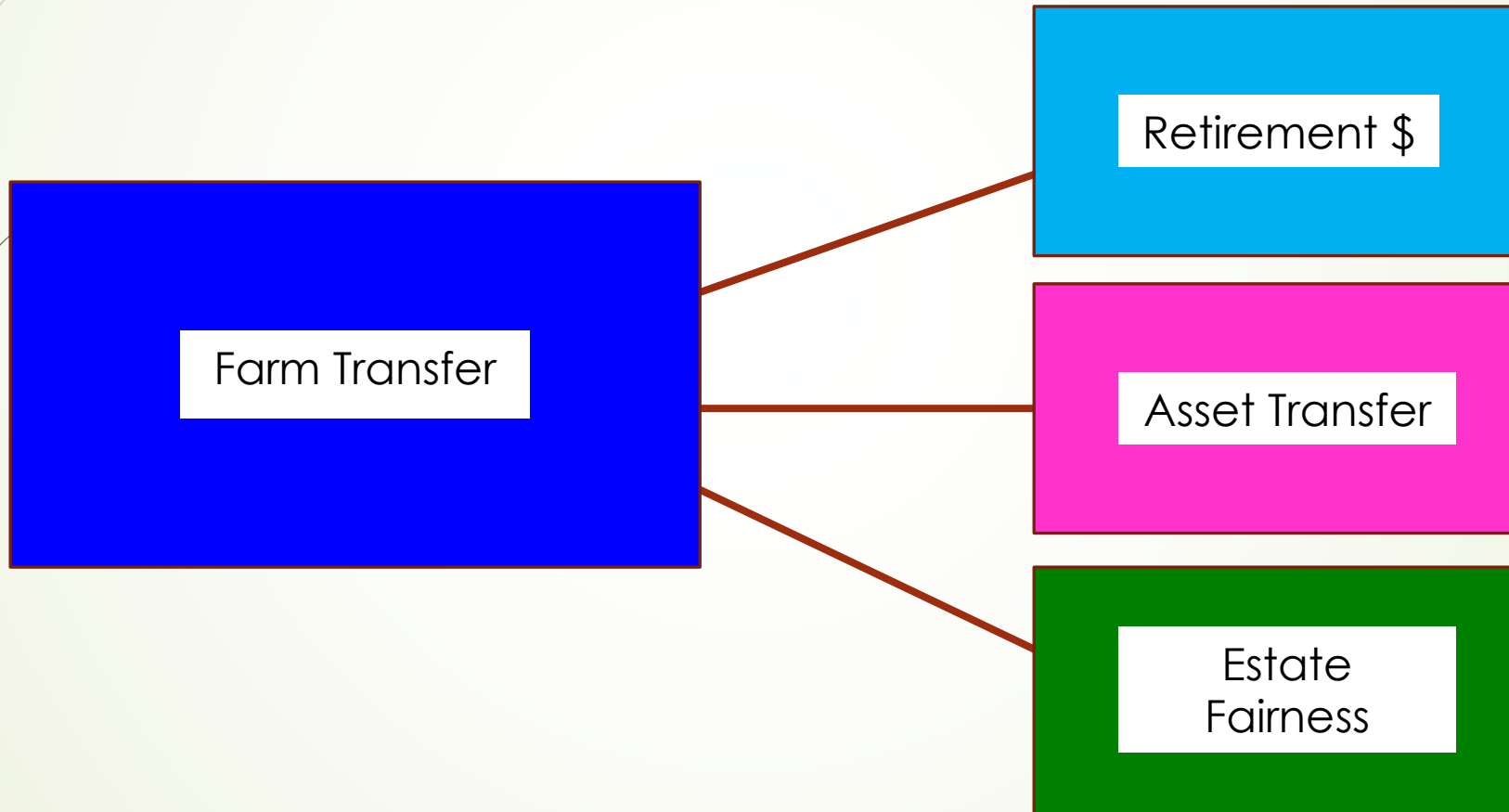
Retiring From Farming?

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graph TD; A[Retiring From Farming?] --> B[Farm Transfer]; A --> C[Farm Sale];
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Farm
Transfer

Farm
Sale

Farm Transfer – “Succession”





Retirement \$

- Summarize non-farm assets/resources
- Cash flow needs
- Projections to determine \$ needed from farm assets



Asset Transfer

- Rollover
- Sale - Financing
- Capital gains exemption
- Agreement for sale
- Forgiveness of debt



Estate Fairness

- Current estate distribution (Will)
- Revised distribution – based on farm transfer plan
- Evaluate Fairness - calculations
- Identify & Evaluate Options – Farmer pays, use life Insurance?
- Implement

Farm Sale

- Take Stock – Summarize all assets
- Understand Ownership Structure – Proprietor, partnership, corporation?
- Assets to Sell
- Impact of Tax – Capital gains exemption, tax on recapture, tax on inventory
- Identify Options – Primarily tax strategies
- Evaluate the options
- Post Sale – What does life look like after the sale?
- Financial Plan – Cash flow to come from very different type of asset

Farm Sale

Biggest Issues:

Understanding WHAT You Own

What is Being Sold

What the Ownership Structure is

Above dictates what options are to be explored

MUST Prepare for Post Sale – Very different way of using assets/income to live on



Farm Taxes - Dealing With CRA

Topics: Importance of Farm Tax Planning

Objectives of Tax Management

- The goal of the manager should be to maximize long-run, after-tax profit.
- Effective tax management requires continuous evaluation of how decisions will affect income taxes.
- The Farm Owner will want to avoid payment of any taxes not legally due and to postpone payment of taxes whenever possible.

Tax Accounting Methods

- The Cash Method
- The Accrual Method



Tax Record Requirements

Complete and accurate records are essential for

- good tax management and
- proper reporting of taxable income.

Complete records include

- a list of receipts and expenses for the year,
- a depreciation schedule, and
- records on real estate and other capital items.

The Tax System and Tax Rates

Taxable income includes:

1. farm income as well as
2. income from all other sources
3. minus personal exemptions and deductions.

Sample Tax Management Strategies

- Form of business organization
- Income leveling
- Income averaging
- Deferring or postponing taxes
- Each year farm owners should talk to their Accountant about the appropriate Tax Strategy for their upcoming production year.

Depreciation: AKA Capital Cost Allowance (CCA)

- Depreciation plays an important role in tax management.
- It is a non-cash, tax-deductible expense.
- Some flexibility is permitted in calculating tax depreciation.
- For tax purposes Depreciation is called Capital Cost Allowance (CCA) and is depreciated using Revenue Canada CCA Rates.

Capital Gains

- Capital gains can result from the sale or exchange of certain types of qualified assets.
- It is the gain or profit made by selling an asset for more than its original purchase price.
- Each farm owner is entitled to realize \$1 Million of Capital Gains Tax Free on Qualifying farming property in their lifetime.



Question & Answer

Course 4: Marketing and
Negotiation For Rural
Properties – May 19, 2021,
from 10 AM -11 AM

Course 5: Easements in
Agricultural Properties –
June 16, 2021, from 10 AM
-11 AM

**NEW Question & Answer
Session** – June 23, 2021
from 10 AM – 11 AM

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