



SUMMER/FALL 2022 • ISSUE 29

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RECK AGRI REALTY & AUCTION • 535 E CHESTNUT // PO BOX 407 // STERLING, CO 80751 // 970.522.7770 // reckagri.com

Letter from Marc Reck



Greetings and I hope this article finds each of you well. We've had an active last 6 months at Reck Agri Realty & Auction, selling 17,657 acres for over \$42 million. Of these, 13 were private treaty sales and 18 were successful auctions, resulting in 98% of listed properties sold. 58% of these properties were located in Colorado and 42% in Nebraska. The motives for selling these properties differ, but all of these clients chose Reck Agri Realty & Auction because they trusted us to help them navigate their situation with expertise and integrity.

Last year was the perfect storm with low rates, limited land for sale, and higher commodity prices, which created buyer demand and drove higher land values. As we look forward, considering the disruption and turmoil in the world and markets, many are wondering if the current land values will last? It's truly unknown. Agriculture remains a bright spot in the economy. Despite these challenges, experts indicate commodity prices should remain strong. This combined with inflation and solid ag balance sheets will likely support demand for land into late 2022 and early 2023. However, concerns about higher input costs and rising interest rates may temper this demand with level or single digit decreases in land values. My concern is the wildcard of ongoing drought and volatile weather as well as commodity prices in late 2023 into 2024; if prices decrease, with higher input costs and interest rates being historically slower to decrease, it may translate into balancing or dampening land values. Land value changes can impact people in many ways, including when planning for the future.

What is your plan? Do you know what you will do with your land once you're gone? So the question is raised: what does land ownership mean to you? Has it been or is it a current way of life, entrepreneurial business, investment opportunity, retirement, inheritance, and/or a way to continue a legacy and transfer to future generations? Reality hits – legacies come to an end – the unexpected death occurs. You may have the best estate plan in place or no plan at all, but the major question to be answered will be, how healthy is your relationship between parents, family members, heirs, and/or partners? How smooth will the transfer and/or division of property be? Have you had the hard discussion on dividing your property? Are you going to let the children figure it out after you're dead? What is fair and equitable? The list goes on. How you approach this subject will determine whether you will ever speak to each other again or enjoy the holidays together.

To that end, we are thrilled to be able to bring world-known speaker and facilitator Jolene Brown to Sterling on August 23, 2022. For over 30 years, Jolene has worked with hundreds of families at their kitchen tables, listening to their stories, and helping them to facilitate solutions for their situations. Jolene is known as "Agriculture's Dr. Phil". For many of you, you do not know where to start or you're in a situation you do not know how to get out of. Jolene will share her experiences and insights on real life situations and solutions. We've heard from people all over the country how she's had a positive impact on their family and circumstances, and that her seminars are high-energy and engaging. I want to personally extend an invitation to each of you to attend her seminar here in Sterling on August 23. We sincerely hope that bringing her to our area results in lives changed for the better and relationships preserved.

- Marc

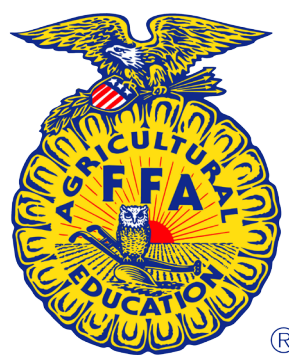
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Featured Sold Properties

DUNDY COUNTY PIVOT IRRIGATED LAND AUCTION Dundy County, NE - \$7,000,000	JMB FEEDERS, LLC Cheyenne County, NE - \$3,662,500	WEST BRULE IRRIGATED AUCTION Keith County, NE - \$1,220,000	CCWCD (GMS) IRRIGATED WATER ALLOTMENT CONTRACT AUCTION Adams County, CO - \$662,000
BRUNNER IRRIGATED FARM Logan County, CO - \$1,725,000	HOLZWORTH FARMS CRP Morgan County, CO - \$400,000	SIMLA PASTURE & HOME Elbert County, CO - \$1,020,000	YUMA/WASHINGTON COUNTY LAND AUCTION Yuma/Washington County, CO - \$2,635,000

Reck Agri Realty & Auction FFA Scholarship Winners



We are excited to announce the winners of the Reck Agri Realty & Auction FFA Scholarship! Investing in the future of rural America is very important to our team, and we couldn't be more excited.

Kansas - Macey Rae Lamb, Oakley FFA Chapter, \$2,500 recipient

Colorado - Faye Glenda, Fort Morgan FFA Chapter, \$2,500 recipient

Additional funds in the amount of \$3,000 were distributed to FFA chapters in western Nebraska through the Nebraska FFA Foundation's 'I Believe in the Future of Ag' program. Congratulations to all of this year's graduating seniors and scholarship winners, we can't wait to see the great things you will do!



Jolene Brown, International family business consultant

Jolene Brown Seminar in Sterling August 23

Jolene Brown, international family business consultant and Successful Farming columnist, will be sharing ways to preserve family relationships and navigate the transfer of ag businesses to the next generation in Sterling on August 23, 2022.

More information about the seminar and a link to purchase tickets can be found at: reckagri.com/jolene-brown-seminar or by calling Reck Agri Realty & Auction at 970-522-7770.

Jolene has been called agriculture's version of Dr. Phil, and her 30+ years of working with farm families have taught her valuable lessons of what works...and what doesn't. Her years of experience will benefit attendees and their operations as they learn how to transition labor, management, leadership and ownership – and leave with tools that they need to do just that. In addition to working with Jolene, attendees will be able to interact with a panel of experts in accounting, estate planning, real estate and law.

Nationally, one-third of family-run businesses, including farms and ranches, have transferred the business successfully to the next generation – from the first generation to the second. However, the rate falls to 14% when transferring from the second generation to the third, and to less than 3% from the third-generation plus. Proper planning can help mitigate the issues surrounding family farm estates and keep families together at the holiday table. The timing is critical, as the National Ag Statistics Service estimates that around 70% of the farmland across the U.S. will be changing hands in the next 20 years.

What Past Jolene Brown Attendees are saying:

"Came away from Jolene's keynote and workshop, energized and with a written list of things we will do to better lead and manage our family business. Can't wait to get started!"

– Manitoba Farm Women's Conference



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Insight on Capital Gains

Written by: Jordan N. Jensen, EA
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Northeast Agri-Services, LLC



Most taxpayers will face capital gain taxation at some point during their lifetime. We have all heard the term capital gain, but what is it and how bad is it really? While capital gains tax can sound scary, there are multiple strategies & existing tax tools that can help mitigate the tax impacts. Before using these strategies and tools, it is important to understand some basics about capital gains.

Capital assets are defined as significant pieces of property such as land, homes, investment properties, stocks, bonds, and even collectibles or art. Capital gains are derived when capital assets appreciate and are sold, for example, dryland farm ground that was purchased 30 years ago. Capital gains are calculated by taking the gross sale proceeds, subtracting selling expenses and subtracting adjusted basis to arrive at your net capital gain. Historical basis can be difficult to substantiate and can also make a large

impact when determining the capital gain. Usually, basis is what you paid for the asset less any adjustments. Depletion of resources, depreciation taken, and step up in basis are some common adjustments. Maintaining accurate basis records that reflect historical cost and any adjustments is the best ammunition against Uncle Sam's capital gain taxation.

Capital gains have a preferential & favored tax rate. When a taxpayer has long term capital gains while having total taxable income inside the federal 12% tax bracket, the capital gain is taxed at 0%. For example, a married couple filing jointly could have up to \$83,550 of taxable income from long term capital gains before paying any federal tax (*assuming this was their only income). When taxable income is in the 22% or even the 32% tax bracket, the long-term capital gains are still only taxed at 15%; even when the ordinary income is being taxed at a higher rate. An important reminder is that states do not always reciprocate the preferential taxation of capital gains; for example, in Colorado and Nebraska capital gains tax rates are the same as the ordinary income tax rates. So, if your taxable income is low, you may catch a tax break on federal taxes, but you still have state tax to consider.

Capital gain taxation can usually be minimized or even avoided all together. A few common tools to combat against capital gains are 1031 exchanges, installment sale reporting of gains,

and step up in basis. One of the most common tools utilized is step up in basis. A scenario including step up in basis: when a parent gives their children the family farm that was purchased in the 1970's, the children's basis is still the original purchase price from the 1970's. If the farm was sold, there would likely be a substantial capital gain. If the same parent would have held on to the farm until their passing, the children would receive what we call a step up in basis (basis becomes fair market value as of date of death of the owner i.e., was \$200/acre & now it could be \$1,000/acre). This means if the child were to sell the farm after his parent's death, there would be little to zero tax implications. Death is a non-negotiable occurrence, making step up in basis the most common occurrence. Appraisals and third-party valuations near the time of death are crucial in substantiating the "stepped up" basis of the decedent's assets.

For more information on the capital gains, strategies, and tools to minimize the tax impact of capital gains, consult your tax professional.

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Understanding Buy and Sell Agreements in Partnerships

Written by: Ben Gardiner,
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Disclaimer: This article is intended for general informational purposes, not legal or financial advice. Please consult your financial and/or legal professional for formal guidance.

Buy and sell agreements are designed to help partners manage potentially difficult situations in ways that protect the business and their own personal and family interests.

Buy and Sell Agreements are commonly used legal documents for sole proprietorships, partnerships, and limited liability corporations. They are legally binding standalone documents that spell out how a partner's share of a business may be reassigned if that partner dies or otherwise leaves the business, and are sometimes called business prenups, business wills or buyout agreements.

Buy and Sell Agreements are created with both an attorney and accountant with the goal of ensuring the business can continue in the absence of a partner in the future. These agreements basically outline the following:

- Identify what will trigger the use of the buy-sell agreement
- Establish and specifically identify who has rights and purchase obligations
- Set a purchase price or valuation method with applicable discounts for the purchase
- Outline purchase and payment terms and timing, as well as valuation method
- Declare the consequences of not utilizing purchase rights
- Define the reassignment and distribution of the shares

Many types of Buy and Sell Agreements exist, including:

- **Cross-Purchase Agreements**, where the remaining owners purchase the share of the business that is for sale.
- **Redemption Agreements**, where the business entity buys the share of the business.

- **Hybrid Buy-Sell Agreements** (often called wait and see agreements), where a company/shareholders usually have the option to acquire shares after a triggering event.
- **Company Purchase Agreements**, where upon the triggering event, the remaining business participants purchase the remainder of the business for previously agreed upon terms and conditions (includes obligations, liabilities and warranties).
- **Asset Purchase Agreements**, which may fall under a buy-sell agreement when business transactions include the transfer of assets like property, real estate and equipment.

In the case of the death of a partner, the estate must agree to sell. In order to ensure that funds are available, partners in the business commonly purchase life insurance policies on the other partners. In the event of a death, the proceeds from the policy will be used towards the purchase of the deceased's business interest. When a sole proprietor dies, a key employee may be designated as the buyer or successor.

Buy and Sell Agreements are designed to help partners manage potentially difficult situations in ways that protect the business and their own personal and family interests. For example, the agreement can restrict owners from selling their interests to outside investors without approval from the remaining owners. Similar protection can be provided in the event of a partner's death. A typical agreement might stipulate that a deceased partner's interest be sold back to the business or remaining owners. This prevents the estate from selling the interest to an outsider.

In addition to controlling ownership of the business, buy and sell agreements spell out the means to be used in assessing the value of a partner's share. This answers the questions that exist outside the of the process of buying and selling shares. For example, if there is a dispute among owners about the value of the company or of a partner's interest, the valuation methods included in the buy and sell agreement would be outlined in the agreement.

Featured Properties For Sale



JCR Feedlot

- Logan County, CO - \$4,200,000
- 10,000± Head Feedlot
- 17 mi W of Sterling, CO via Hwy #14. Pipe & steel panel - cement bunk & apron. CAFO permit for 25,000 hd. Design & infrastructure for expansion in place. Includes rolling stock.



Kahl Dryland and Farmstead

- Cheyenne County, NE - \$550,000
- 144± acres
- Excellent farmstead located 12± mi SE of Sidney, NE along paved road. 133± tillable acres with productive soils. Spacious ranch style home, garage/workshop, Morton building and mature trees.



Clarkville Dryland

- Yuma County, CO - \$450,000
- 318± acres
- Productive dry cropland in northern Yuma County near Clarkville just 3 miles E of Hwy 59. Approx. 261.5± tillable acres in wheat/fallow; balance in grass. Immediate possession.



28783 CO RD L, Brush, CO

- Morgan County, CO - \$975,000
- 407± Acres
- Hard to find property with enough pasture for all your animals! Located 7± mi S of Brush, CO just 1± mile west of Hwy 71. House, open shed with runs, tack shed, shop/garage and hay storage!



-Online Only Auction-

NE Panhandle CRP Auction

- Online Only Auction - Bidding Opens @ 8am and Closes @ 12 noon on August 18, 2022
- Kimball & Banner Counties, NE
- 1197± acres in 3 parcels located from 10 to 14 miles from Kimball, Nebraska. 2022 Possession and seller will convey all owned mineral rights.



Kimball County CRP Grasslands

- Kimball County, NE - \$372,000
- 626± acres
- A full section of CRP enrolled in the Grasslands Program with a new 10-year contract. Annual payment of \$9,282 (\$15/ac) and land can still be grazed. Great access just west of Hwy 71.



Logan County Ranch Combo

- Logan County, CO - \$3,700,000
- 5769± acres
- Diversified ranch near Sterling, CO. Offered in two units - Sterling Unit features 3,513± ac along the S. Platte River with irrigation; Fleming Unit consists of 2,256± ac sandhill pasture.



Harnapp Pasture

- Crowley County, CO - \$285,000
- 540 acres±
- Located 1 to 4.75± miles east of Olney Springs, CO. Native pasture in two tracts in northern Crowley County. Situated along Hwy 71 - 80± acres on west side; 460± on east side.

Coming Soon:

- 1400± acres of Logan County, CO dryland
- 2440± acres of pasture and 1237± acres of dryland in Arapahoe County, CO



Update Your Contact Info

Are you getting multiple issues of the newsletter or property flyers? Do we need to update your address or contact information? Please let us know so we can update our database - you can drop us a line at info@reckagri.com, call us at 800-748-2589 or 970-522-7770, or direct message us on Facebook or Instagram (@ReckAgriRealtyAuction). Thank you!

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