



MAXIMIZE TAX SAVINGS WITH SOIL FERTILITY VALUATION

OVERVIEW

WHAT IS IRS SECTION 180?

IRS Section 180 or Excess Soil Fertility Accelerated Depreciation Tax Service is a tax deduction that allows farm operators to deduct the value of soil fertility as an input expense when they acquire land.

While it's been around for over 45 years, too many landowners are unaware how to claim the benefits, how it works, or what land is eligible. For that reason, many lose out on potentially big tax breaks.

At AgAmerica, we believe in equipping landowners with the knowledge and resources they need to make informed financial decisions. That's why we have partnered with a leading service provider to evaluate soil fertility on newly acquired land, helping you uncover the tax-saving potential within your own property.

How does IRS Section 180 benefit rural landowners?

Tax Deduction: By measuring the pre-existing soil fertility on your newly acquired land, you can deduct the associated costs for agricultural production, resulting in significant tax savings.

Estate Planning: Incorporating tax-saving strategies into your long-term estate plan can help you preserve and transfer your agricultural legacy to future generations more efficiently.

Financial Flexibility: By reducing your tax burden, you can allocate more resources to critical areas such as equipment upgrades, land improvements, and research and development.

Conservation Stewardship: By claiming this tax deduction, it not only benefits your operation but also contributes to the preservation of our agricultural heritage for future generations.

Community Benefits: You can optimize tax savings, generating more revenue that can be reinvested into your operation and local community.

What types of properties qualify for the tax deduction under Section 180?

To qualify for the tax deduction under IRS Section 180, the property must meet certain criteria. The land must be:

- Newly purchased, exchanged, or inherited (within the last three years)
- Used for agricultural purposes

What expenses can be deducted under IRS Section 180?

Farming operations can deduct expenses related to the acquisition of soil fertility, including the cost of soil amendments, soil testing, and other inputs that contribute to enhancing or maintaining soil fertility.

You can also claim the cost of the soil evaluation and documentation.

Are there any limitations on the tax deduction?

If the transition occurred more than three years ago, the eligibility for the deduction may depend on the quality of records surrounding soil inputs. It is essential to maintain accurate documentation and consult with tax professionals to ensure compliance with IRS regulations.



What documentation or records do I need to support my tax deduction claim?

The following documents are typically required:

Land Acquisition Records: Keep records of the land acquisition transaction, including purchase agreements, deeds, or other legal documents that establish ownership.

Ownership Change Documentation: If the land was acquired through exchange or inheritance, maintain documentation that verifies the change in ownership and the relevant dates.

Soil Analysis Report: Obtain a soil analysis report conducted by a qualified professional. The report should assess the residual fertility value of the soil at the time of land purchase.

Receipts and Invoices for Cost of Consulting: If you consulted with experts, advisors, or consultants to determine the residual fertility value, retain receipts and invoices for their services as evidence of the associated costs.

Correspondence with Experts, Advisors, or Consultants: Keep a record of any correspondence or communication with professionals involved in the valuation process. This includes emails, letters, or notes that outline the methodology and findings related to the soil fertility valuation.

How can I ensure that I comply with all IRS regulations when claiming the deduction?

Navigating IRS regulations can be complex, especially when it comes to tax deductions. AgAmerica has partnered with experts that understand the intricacies of IRS Section 180 and can provide valuable guidance to ensure compliance with all regulations. Our team of experts is well-versed in agricultural finance and tax strategies. We can help you maximize tax savings through soil fertility valuation.

Disclaimer: This material has been prepared by AgAmerica for informational purposes only and should not be relied on for tax, legal, or accounting purposes. It is essential to consult with qualified professionals to assess your specific situation and determine the best course of action.

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At AgAmerica, we are dedicated to maximizing value for clients in the agriculture industry. Our experienced team understands the unique challenges and opportunities that farmers face, and we are committed to providing tailored solutions that help you thrive. To learn more about how IRS Section 180 and other financial strategies can benefit your operation, contact us today.

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