2025 NATIONAL INCOME TAX WORKBOOK

Land Grant University Tax Education Foundation

Chapter 8: Agricultural Tax Issues

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LEARNING OBJECTIVE

Issue 7 – Death of a Farmer – Unused Carryovers

Understand what losses, deductions, and credits of a deceased taxpayer may be available to the estate.

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LOSS CARRYOVERS

PG 305-306

1. NOL Carryovers

Net Operating Loss (NOL) Basics

- Definition under IRC § 172(a) and § 172(c)
- NOL = deductions > gross income (with modifications)
- NOLs can carry forward indefinitely post-2017
- NOL deduction limit and excess business loss limit for 2025: – $313,000 ($626,000 MFJ)

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LOSS CARRYOVERS

PG 305-306

1. NOL Carryovers (Continued)

Decedent's Final Return - NOL

- NOL may be deducted only on decedent's final return
- Cannot be used by estate or after final return
- Farming NOL may apply to **two prior years**
- Surviving spouse may use unused NOLs on final joint return – Example: selling appreciated assets to use NOLs

Surviving spouse cannot use decedent's unused NOL after final return

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LOSS CARRYOVERS

PG 305-306

2. Capital Loss Carryovers

- Capital loss limit: $3,000 ($1,500 if MFS)
- Losses can be carried forward if they exceed capital gains
- **No carryover allowed after death**
- Only deductible on decedent's final return
- Estate and surviving spouse cannot use excess carryovers

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LOSS CARRYOVERS

PG 305-306

3. Charitable Contribution Carryovers

Deduction limits:

- Charitable deductions limited to 50% of AGI
- Cash Contributions to qualified organizations: 60% of AGI
- Property: 30% or 20% of AGI depending on type

Carryover rules: – Standard: 5 years

Decedent's carryovers deductible only on final return

Not transferable to estate or surviving spouse

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LOSS CARRYOVERS

PG 306

Example 8.30 Excess Contribution

$20,000 excess charitable deduction in 2024

Danny died in 2025

Tanya used $10,000 in joint return

Remaining $6,000 (Danny's portion) **not deductible** in later years

Tanya's $4,000 can be carried over

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PRACTITIONER NOTE

PG 307

Other Deductions and Credits

IRC § 691(b)(1): – Expenses, interest, taxes, and foreign tax credits may be used by estate – Must relate to liabilities estate discharges or inherited property

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PRACTITIONER NOTE

PG 307

Medical Expense Deduction

Medical expenses paid by estate may be claimed on final return

Must be paid within **1 year** of death

Election by survivor or personal representative required

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QUESTIONS?

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