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Case Study : Regional Farm ESOP Cooperative

How multiple farm families preserved their land,
deferred millions in taxes, and built a generational
shield against corporate buyouts

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Background

Across the Midwest, family-owned farms found themselves land rich but cash poor. Their acreage and equipment were worth \$10 to \$24 million per farm, yet they lacked the liquidity to handle estate taxes, buyouts, or modernization. Without proper estate planning, heirs risked being forced to sell land just to pay the IRS. At the same time, foreign investors and non-local corporations circled, ready to buy up farmland and consolidate operations. One by one, farming families were being muscled out, with generations of hard work at risk of vanishing.

The families knew they needed a way to preserve their land and protect their legacy while still creating financial security for retiring members. They turned to an Employee Stock Ownership Plan (ESOP). By pooling their operations into an ESOP-owned cooperative, they could sell shares into a trust that transferred ownership to employees and the next generation. This structure allowed them to eliminate capital gains taxes, build liquidity to service debts, and protect shares from being stripped away when someone retired or left the business. That same liquidity gave them the ability to acquire neighboring farms, ensuring farmland stayed in local hands instead of being lost to corporate consolidators.

What began as a strategy to solve estate tax and succession problems quickly became a generational shield. Instead of selling off land piece by piece, the families created a tax-efficient, debt-servicing structure that grew stronger with every acquisition. Employees became owners, community pride was restored, and capital that would have been lost to taxes was reinvested into farmland and operations. For these farming families, the ESOP not only preserved their legacy but also turned the threat of corporate buyouts into an opportunity for long-term growth and stability.

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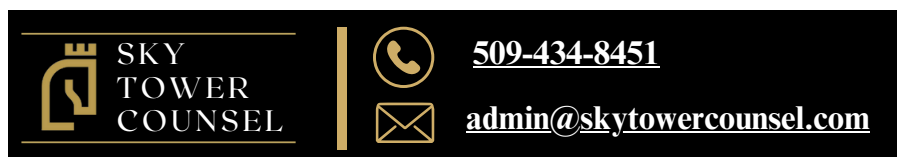
WHY AN ESOP

An Employee Stock Ownership Plan (ESOP) offered these families a way forward. By selling shares into an ESOP trust, they created a cooperative structure that shifted ownership to employees while protecting farmland from corporate takeover. When structured properly, an ESOP allows retiring farmers to defer or even eliminate capital gains tax if ownership is passed to the next generation. ESOPs require careful planning and a buildup of liquidity to service debt, repurchase shares from retiring or departing employees, and fund future growth. That same liquidity provides a powerful tool to acquire neighboring farms, ensuring local families—not outside corporations—control regional farmland.

BENEFITS OF AN ESOP

- *Liquidity*
- *Growth*
- *Legacy*

With tax-free income and the ability to recycle capital back into operations, ESOP-owned farms can reinvest profits, pay down debt, and grow stronger year after year. Liquidity created by ESOPs doesn't just protect families from estate tax burdens; it also gives them the flexibility to expand through acquisitions without incurring taxable events, keeping capital working inside the community. For farming families, this means protecting generational wealth, preserving land, and strengthening local economies rather than watching them erode under the weight of corporate consolidation



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THE PROBLEM

Each farm family struggled with:

- *Estate tax exposure that could force heirs to sell land to cover IRS bills*
- *Capital gains tax liability if farms were sold outright*
- *Succession gaps — younger generations often lacked the liquidity to buy out parents*
- *Competitive pressure from mega-corporations buying up farmland and consolidating operations*
- *Depreciation maxed out - no room for further deductions*

Without a coordinated plan, generational farmland was at risk of being sold off piece by piece.



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THE GAME PLAN: REGIONAL FARM ESOP STRATEGY

We used a layered approach to turn “land rich, cash poor” farms into a tax-efficient, generational enterprise:

1. Formed Regional Farm ESOP Company

- Multiple farm operating companies contributed/sold shares to a single ESOP trust
- Farms pooled resources for stronger balance sheet and borrowing capacity

2. [§1042](#) Capital Gains Rollover for Owners

- Retiring owners converted to C-Corp pre-sale
- Proceeds from ESOP stock sale rolled into Qualified Replacement Property (QRP)
- Deferred millions in capital gains taxes

3. Tax-Free Income via 100% ESOP S-Corp

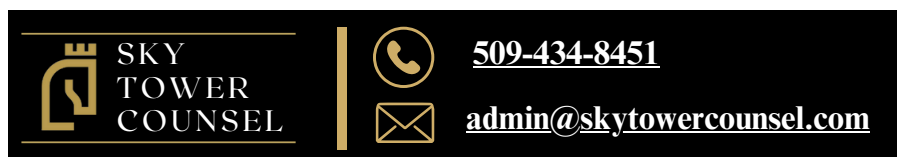
- Regional Farm ESOP Co. elected S-Corp status post-transaction
- All operating income exempt from federal (and most state) income taxes
- Freed up cash flow used to service ESOP debt and fund acquisitions

4. Liquidity for Estate Planning

- ESOP proceeds provided retiring farmers with liquidity to cover estate taxes
- Prevented forced liquidation of farmland at death

5. Roll-Up Acquisitions

- Using tax savings and combined scale, the cooperative acquired neighboring farms
- Preserved farmland locally instead of selling to outsiders



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6. Employee Ownership & Retention

- Farmhands, managers, and younger family members became ESOP participants
- Created pride and alignment: employees now worked as owners

7. Generational Stability Tools

- ESOP-owned life insurance on key founders under IRC [§101\(j\)](#) built a liquidity reserve
- ESOP-owned captive insurance under [IRC §831\(b\)](#) protected against unique risks (environmental disputes, supply chain disruptions, weather volatility)

8. Micro-Captive Insurance ([IRC §831\(b\)](#))

- Established a captive to insure “business-killer” risks:
- Environmental litigation from corporate neighbors.
- Supply chain disruptions (seed/fertilizer).
- Weather-driven revenue volatility beyond crop insurance.
- Regulatory crackdowns.
- Premiums were deductible, reserves built long-term resilience.



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THE RESULTS

- Estate Tax Savings of \$52M + Collectively Avoided Across Participating Families
- Capital Gains Deferral of \$15M + Deferred via §1042 rollovers
- Income Tax Elimination of \$5M + Per Year in Collective Tax Savings Reinvested into Operations
- Legacy Preserved: Land Stayed in Family Ownership through the ESOP Trust
- Regional Resilience: Employee-Owners Across Multiple Farms Shared in Ownership
- Risk Protected: Micro-captive created a buffer against catastrophic threats unique to agriculture

“Instead of selling off acre by acre to pay estate taxes, we joined forces. The ESOP gave us **liquidity, protected our families, and kept our land in farming hands** -not corporate ones.”

~Johnson & Martinez Families

WANT RESULTS LIKE THIS?

Want to learn more about ESOPS to see if one could be right for you? Start with a strategy call—before the IRS gets theirs.





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