

Case studies

Group activity #1 – Students will complete form L&A22 based on the following information:

Don and Helen Farmer have listed their 100 acre ranch in Stevens County with Steve at A&B Realty for \$450,000. You are the buyer agent for Tim and Susie Wannabe who are from the city and have the dream of getting out of town to live a simpler lifestyle. They intend to use all of the property, but may want to subdivide the property at a later date since they intend to use this land as their retirement fund. The property lines appear to be well established since all of the farm is fenced including barns and home. The house water comes from the hand dug well along with water rights and irrigation equipment to water a portion of the land that is in cultivation. While viewing the property, Tim asked where the city sewer line comes across the property and Don laughed and pointed to the green spot behind the house, indicating the location of the drain field. Most of the acreage is open farm ground with just a few trees around the home and is being used to graze cattle and grow hay. The proposed closing date is September just after the harvest. The listing data sheet indicates that the seller is using a portion of proceeds in a 1031 exchange and that they want the buyer to sign a notice of tax classification continuance.

Case study: activity 2

- (A) You represent the buyer on the purchase of a 20 acre parcel. This parcel is a portion of a large farm that is currently in Open Space Agriculture tax classification and the seller insists that it remain in this classification and that the buyer sign a continuance. The buyer plans on building a home later which means that they will have to prove to the county that they have a plan for farming and can prove income from ag use. The buyer is squeamish about inheriting the 7 years of liability from the compensating taxes. Explain how the program works generally and how it can be an advantage to them to continue this tax classification and how it might be a financial burden to the seller if it is removed from this classification.
- (B) You represent the seller on a 30 acre parcel that is partially cleared, but mostly in timber. You noticed when you took the listing that it is in "classified timber" tax designation. The owner has been using approx. 10 acres (the cleared portion) to pasture horses. The seller has no clue what that tax designation means, even though they have lived there for many years. Explain to the seller in general about the open space taxation law and the financial implications should the new buyer not agree to sign a continuance.
- (C) You represent a buyer/investor who wants to purchase a certain large parcel of land for later development that is all treed. You have checked with the county assessor who tells you that it is currently in Designated Timber tax classification. The seller insists that they will not pay the compensating tax to take it out of that classification and they further insist that the new buyer must agree to sign a continuance document or they won't sell. Explain to the buyer/investor what their options might be and what the financial implications are to them and to the seller for either scenario.