

FARMLAND SALE CAPITAL GAINS TREATMENT



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TOPLINE: The One Big Beautiful Bill (OB3) allows taxpayers to pay capital gains on certain farmland sales in installments over 4 years.

BACKGROUND: When individuals and businesses sell property that has increased in value since they acquired it, the gain on that property is potentially subject to capital gains taxes. Capital gains taxes apply to most properties: from stocks to art collections to farmland. Most long-term capital gains on farmland sales are taxed at a 15% or 20% federal rate (potentially higher for short-term gains and sales of passive investments).

How Capital Gains Taxes Hurt Farmers:

One issue with capital gains taxes is that they don't distinguish between real increases in property value versus increases in property value that reflect economywide price changes. Consider a farm owner who acquired \$300,000 of farmland in 1975 who sells the same land for \$2.3 million in 2025. That would be a \$2 million gain for tax purposes. But after adjusting for inflation, the \$300,000 the taxpayer put down on the farmland in 1975 would be worth about \$1.8 million today, meaning the real gain on the property would only be about \$500,000 in today's dollars. So, the taxpayer would effectively be paying capital gains taxes on \$1.5 million worth of inflation.

What OB3 Did:

- [Allowed](#) taxpayers to elect to pay capital gains on U.S. farmland sales in equal installments over 4 tax years if the property and sale meet certain requirements.
 - The land must have been used by the seller for farming (including leases to other farmers) for substantially all of the previous 10 years.
 - The sold property must be subject to a legally binding restriction that it cannot be used for non-farm purposes for at least 10 years after the sale.

Why It Matters?

- Capital gains taxes on farmland sales can be a major imposition on farming families, especially when the gains are driven by inflation, not real value.
 - Allowing taxes to be paid in 4-year installments helps soften the blow.
- At current debt levels, inflation will likely be a persistent problem for decades.
- According to JCT estimates, this provision cuts taxes by about [\\$7 billion](#) over 10 years.

Where Can I Find the Changes? OB3 Section [70437](#); [26 U.S.C. § 1062](#).

BOTTOMLINE: A more comprehensive fix to the tax code to index capital gains for inflation would be ideal. In the meantime, allowing capital gains taxes on long-term assets like farmland to be paid over 4 years is at least moving in the right direction.

