



WINTER 2026

Phone (507) 288-5567

How Minnesota Farmers Can Use the Annual Gift Tax Exclusion — Even If You Missed Using It In 2025!

As we step into another year in Minnesota, it's worth revisiting one of the simplest — and most overlooked — strategies available to families: the annual gift tax exclusion. Many farmers come into our office convinced they can't give cash, machinery, land interests, or other farm assets to their children without paying gift tax. Fortunately, that's usually not true. When used correctly, the annual exclusion can quietly move significant value off your balance sheet while reducing future estate tax liability.



Understanding the Annual Gift Tax Exclusion

For 2026, the annual exclusion allows you to give **\$19,000 per recipient** every year without triggering gift tax and without using any of your lifetime federal exemption. Your spouse can do the same, and there is no limit to how many people you can gift to. For a married couple, that means \$38,000 per child each year. If that child is married, the couple can receive \$76,000 annually — entirely tax free.

This can apply to cash, stock, and machinery valued under \$19,000, gifted-down purchase price adjustments, and ownership units in LLCs, partnerships, or farm entities. For many Minnesota families, this is the easiest way to start shifting value to the next generation while also shrinking what may now be or eventually become a taxable estate.

Federal Gift and Estate Tax: Why Most Families Don't Need to Worry

While the federal government does impose a gift tax, most farmers will never come close to owing it. The federal estate and gift tax exemption is unified, meaning you can use it during life or at death. In 2026, that exemption is **\$15 million per person**. For a married couple, that means a combined exemption of **\$30 million**. Annual exclusion gifts do not use any portion of this exemption, which means you can continue gifting \$19,000 per recipient each year without reducing your federal cushion!

The Minnesota Estate Tax: Why Annual Gifting Matters Even More

Minnesota is one of the few states with its own estate tax, and the rules are not as generous as the federal system. Minnesota has a **\$3 million exemption per person**, a tax rate that climbs as high as **16%**, and a three-year lookback for taxable gifts. However — and this is essential for families — **Minnesota never pulls identified annual exclusion gifts back into the estate**.

A properly structured \$19,000 gift to a child, or a \$76,000 gift to a married child from both parents, is permanently removed from the estate. If those assets remain in a parent's name at death and the estate is taxable, they could be subject to up to 16% Minnesota estate tax. By making annual exclusion gifts early and consistently, farm families can remove value every year without triggering the lookback and without using their estate tax exemption.

This is why we encourage clients with possible estate tax exposure to make these gifts early in the year — and not skip a single year. If you missed gifting in 2025, be sure to plan your gifting strategy for 2026 and beyond.

What Minnesota Families Can Gift

Minnesota families have many options beyond simply writing a check. A piece of machinery valued at \$19,000 or less can qualify. Land interests can be transferred through units of an LLC or partnership. Ownership interests in a dairy herd or livestock operation can be moved through entity structures or partial interests. For grandchildren, gift trusts allow substantial gifting while holding the assets until they reach a responsible age, such as 25 or 30.

These tools give families the ability to gradually transfer valuable assets without disrupting operations or triggering unintended tax consequences.

Why Annual Gifting Is Essential for Succession Planning

Annual exclusion gifting is one of the most consistent and effective ways to reduce Minnesota estate tax exposure while transferring ownership to the next generation. It helps prevent a large “wall of value” from accumulating in the parents’ estate. It works seamlessly with LLCs, family limited partnerships, and gift trusts.

Over time, these annual gifts create meaningful progress without touching your federal lifetime exemption.

Work With a Farm-Focused Estate Planning Attorney

The annual gift tax exclusion becomes even more powerful when coordinated with a full estate plan — especially when combined with Minnesota’s unique rules and the **\$2 million Family Farmland Deduction**. At Wagner Oehler, Ltd., our attorneys help Minnesota farm families structure strategic gift plans, organize farm entities, protect farmland, navigate Minnesota estate tax, and set up trusts for children and grandchildren. You can work with any attorney on our team.

Ready to protect your farm and reduce future taxes? Reach out to us today to schedule your gifting strategy appointment.

Avoid Living Probate: How to Keep Guardians and Conservators Out of Your Estate

Many people create an estate plan believing it only matters after death. In reality, one of the most valuable benefits of estate planning is the protection it provides **while you are still alive**—especially if you become unable to manage your own affairs.

Without proper planning, incapacity can trigger court involvement through guardianship or conservatorship proceedings, often referred to as *living probate*. With a comprehensive estate plan, this outcome is usually avoidable.

Planning for Incapacity

Incapacity means the inability to manage personal, financial, or medical decisions due to a mental or cognitive condition. This can happen at any age. Nearly **29% of adults** live with some form of disability, and about **14% experience cognitive impairment**. Among adults over 75, that number rises to more than **50%**.

Common causes of incapacity include dementia, Alzheimer’s disease, stroke, or other age-related cognitive decline. When incapacity occurs without a clear legal plan in place, families are often left scrambling—uncertain who has authority to act or what their loved one would have wanted.

A comprehensive estate plan allows you to **choose decision-makers in advance**, protect your privacy, and ensure your wishes are honored without court involvement.

A Common (and Avoidable) Scenario

Alex created a simple will in his 40s that outlined who would receive his property after death. Years later, after developing Alzheimer’s disease in his late 70s, his family discovered there were no documents authorizing anyone to manage his finances or make healthcare decisions.

Because Alex had not planned for incapacity, the court had to appoint a guardian to act on his behalf—introducing cost, delay, and stress during an already difficult time.

What Is a Guardian or Conservator?

A guardian or conservator is a person appointed by the court to make decisions for someone who has lost capacity and did not legally appoint an agent ahead of time.

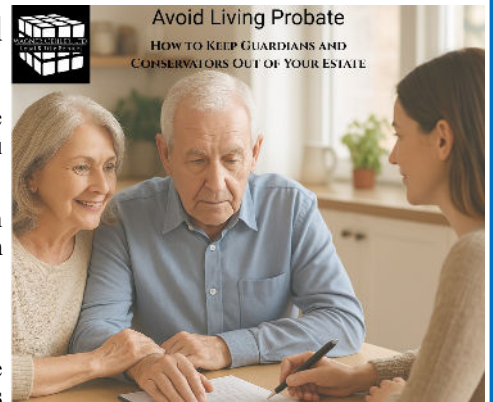
- A **guardian of the person** makes medical and personal care decisions
- A **guardian of the estate** manages financial and legal matters

Terminology varies by state, but the result is the same: the court—not you—decides who is in charge. These proceedings are often called **guardianship, conservatorship**, or informally, **living probate**.

Four Reasons to Avoid Living Probate

While courts aim to act in an incapacitated person’s best interests, guardianship and conservatorship come with significant downsides:

1. **High costs:** Court filings, attorney fees, ongoing reporting requirements, and supervision expenses can quickly drain financial resources.
2. **Family conflict:** Disagreements over who should serve—or how decisions should be made—can escalate into emotional and expensive disputes.



3. **Loss of privacy:** Living probate is public. Personal, medical, and financial details often become part of the public record.
4. **Lack of control and clarity:** Without legally documented wishes, the court must guess what you would have wanted and may appoint someone you would not have chosen.

How to Structure Your Estate Plan to Avoid Guardianship

The good news is that living probate is largely preventable with proactive planning.

Powers of Attorney

Durable powers of attorney allow you to appoint trusted individuals to act on your behalf if you become incapacitated.

- A **healthcare power of attorney** authorizes medical and personal care decisions
- A **financial power of attorney** allows an agent to manage finances, pay bills, handle investments, or oversee business matters

These documents keep decision-making out of the courtroom and in the hands of people you trust. They can also include nominations for a guardian or conservator, giving the court clear guidance if involvement ever becomes necessary.


Long-Term Care and Advance Planning

Incorporating long-term care planning into your estate plan helps ensure care decisions align with your values and goals. Advance directives allow you to outline preferences for medical treatment and end-of-life care, while also helping protect assets from unnecessary depletion.

Take the Next Step

Avoiding guardianship, conservatorship, and living probate is far easier—and far less stressful—when addressed early. A thoughtful estate plan protects your independence, your privacy, and your loved ones.

Schedule a review today to ensure your estate plan is current, comprehensive, and built to protect you through every stage of life. Our estate planning packages address these living issues, so you know you're covered.



Farm Facts: Minnesota is home to more than *67,000 farms* – and **over 97% are still owned and operated by families**. Our state's agricultural roots run deep, with many farms passing from one generation to the next.

Updated Estate and Gift Tax Information for 2026

As we enter 2026, here is a quick reference on updated estate and gift tax information.

Federal Exemptions for 2026

- Annual Gift exclusion remains unchanged at \$19,000. However, as mentioned in the opening article, when used in conjunction with a spouse, this can be a powerful tool for transferring wealth during your lifetime.
- Estate Tax Exemption is now \$15,000,000 per person and includes portability. This means a couple has a \$30,000,000 combined federal estate tax exemption.

Minnesota Exemptions for 2026

- The Minnesota exemption remains at \$3,000,000 per individual or \$6,000,000 for a married couple. Tax rates continue to range from 13 percent to 16 percent, with the top rate applied to estate value over \$10.1 million.
- Unlike federal estate tax, Minnesota does not allow for portability. Married couples in Minnesota must plan for using both exemptions, or run the risk of losing the use of one upon the death of the first spouse.
- Minnesota farmers and small business owners may benefit from an additional \$2,000,000 exemption with proper planning and reporting.

Office Hours and Locations

Rochester: 1801 Greenview Drive SW, Ste. 102

Monday – Thursday 8:30 – 4:30

Friday 8:30 – 3:30

Winona: 65 Johnson Street

Monday – Thursday 8:30 – 4:00

Friday 8:30 – 3:30

Lake City: 120 W Center Street

Monday – Thursday 8:30 – 4:30

Friday 8:30 – 3:30

St. Charles: 819 Whitewater Ave

Tuesday 12:30 – 4:30

By appointment

To schedule an appointment in any of our offices, please call (507) 288-5567.



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Wagner Oehler, Ltd.
(507) 288-5567



Events Schedule

Farm Succession Planning Never Stops—Plainview

Friday, January 23, 2026, 9:30 to 11:00 AM

Copperfield Terrace

24371 550th Street

Plainview, Minnesota

Farm Succession Planning Never Stops—St. Charles

Tuesday, February 17, 2026, 2:00 to 3:30 PM

931 Hazel House

931 Whitewater Avenue

St. Charles, Minnesota

Farm Succession Planning Never Stops—Cannon Falls

Wednesday, March 18, 2026, 2:00 to 3:30 PM

Cannon Falls Public Library

306 Mill Street

Cannon Falls, Minnesota

Visit <https://www.wagnerlegalmn.com/events/> for our current list of seminars.

If you have questions, contact Marketing Lead, Janice Domke, at janice.domke@wagnerlegalmn.com.

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