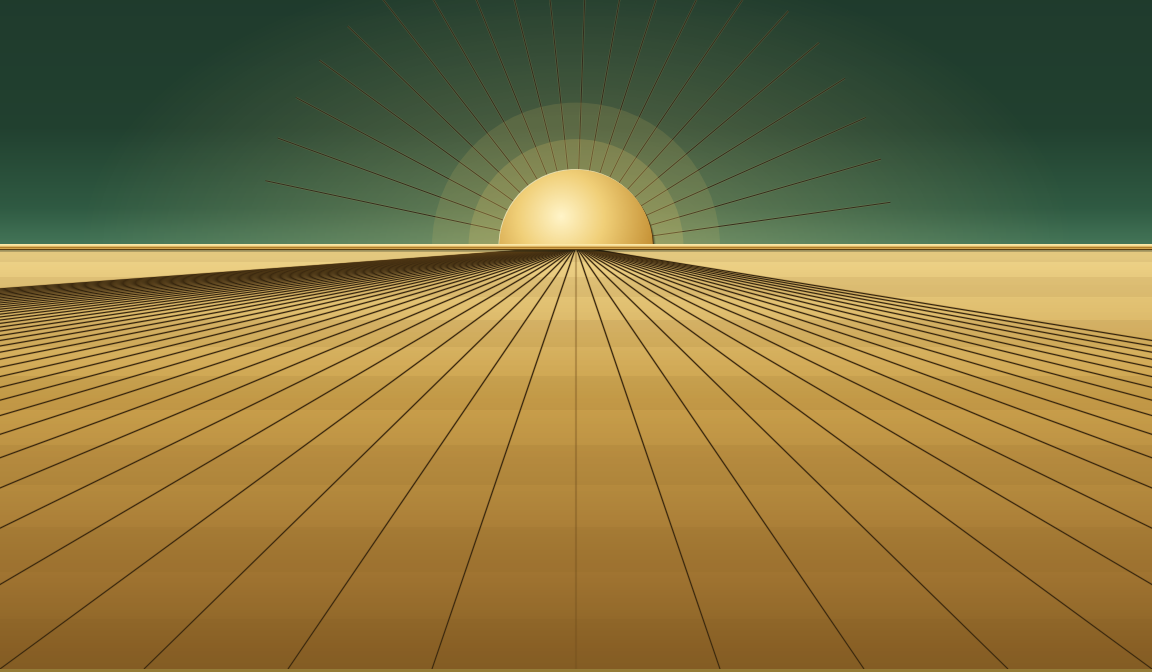


ALBERTA EDITION 2026

THE FARM TAX BIBLE



*What every Alberta farm family should know
before the tax bill comes due*



DERIK GODBOUT

PBA, CEA, DMA

The Farm Tax Bible

What every Alberta farm family should know before the tax bill comes due

DERIK GODBOUT · ALBERTA EDITION 2026

Please read this first

This book is general education about Canadian and Alberta farm tax and estate planning. It is not legal, tax, accounting or financial advice, and it is not a substitute for advice on your own facts.

TaxOnTax Advisory Ltd. is a tax and estate strategy practice. Wills, trust deeds, articles, shareholder and co-ownership agreements, and other legal documents are prepared by your own lawyer.

Reviewed against the law and figures in force in October 2026.

Tax law changes, and several figures in this book are indexed or revised every year. Dollar amounts and rates are stated for 2026 and must be confirmed before anyone relies on them. Examples are illustrations, not predictions, and nothing in this book promises a particular result for any family.

This book is written for farms held under ordinary Alberta land title. Farms on reserve land, on Métis Settlements and Hutterite colonies follow different rules, outlined in a note at the back of this book.

Every farm family's facts are different. A strategy that works well for one can fail for another. Please do not act on anything here without first confirming it against current law and your own numbers.

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Before you turn the page

Most farm families I meet have done the hard part. They built something that lasted, often across more than one generation. What they have not done, usually, is look at what the tax system will do to it on the day it changes hands.

This book walks through that day, and the years before it, in four parts: the essentials every farm family should know, the land and what comes with it, the situations that do not follow the usual path, and the yearly business of paying people and keeping the farm in good standing. It is written for farm owners and the families who farm beside them, and the advisers who work with them will find it useful too. It covers what happens to land, equipment, grain, livestock and corporations when an owner retires or dies, which reliefs exist, which structures families use, and where plans most often go wrong.

It is drawn from the working reference I use in my own practice, a very large binder I call the Farm Estate Planning Bible. I have kept the ideas and left out most of the section numbers. Words you may hear often, such as *crystallize*, *purify*, *recapture* and *rights or things*, are explained in the glossary at the back.

Two commitments about what follows. First, nothing in this book promises a result. Every family's facts differ, and the law changes. Second, where something cannot be known without your numbers, I will say so, instead of guessing.

If a page raises a question about your own farm, write it in the margin and bring the book to a meeting. That is what it is for.

Derik Godbout, PBA, CEA,
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Founder, TaxOnTax Advisory Ltd.

PART ONE

The essentials

The tax bill at death, the reliefs that reduce it, the yearly decisions that shape it, the structures families use, and the people who make a plan work. If you read only one part of this book, read this one.

- 1 The tax bill nobody sees coming
- 2 Your land, and what it really cost
- 3 The lifetime exemption, and how it slips away
- 4 Passing it to the next generation
- 5 The estate freeze
- The 12Event Planning Model
- 6 Order matters
- 7 Your kind of farm
- 8 The farm's tax year
- 9 When the paycheck comes from town
- 10 The Alberta legal layer
- 11 Equal is not the same as fair
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- 13 Paying the final bill
- 14 The executor year

The tax bill nobody sees coming

Canada has no inheritance tax and no estate tax. It has something that can feel exactly the same.

The rule works like this. On the day a person dies, the tax system treats them as having sold everything they own, at fair market value, immediately before death. Decades of growth in land, shares, rental property and investments become taxable on one final return. Nothing was sold. No cash arrived. A filing deadline arrives anyway.

For a farm family, this is often the largest tax event of a lifetime.

AN ILLUSTRATION, NOT A PREDICTION

A family bought 640 acres at \$200 an acre. The land is now worth \$3,000 an acre. The gain is \$1,792,000. Half of a capital gain is taxable, so \$896,000 is added to income. Taxed at 2026 rates, most of it at the top combined Alberta rate of 48%, the tax is roughly \$390,000 if there is no other income that year, *before* any relief is applied.

Reliefs may reduce or defer this. Later chapters show which, and what they depend on.

It is rarely just the land

Equipment. A line of machinery that has been written down to almost nothing can produce a large amount of ordinary income when it is treated as sold.

Grain and market livestock. For a cash-basis farmer these carry almost no cost for tax purposes, so their full value is income.

Registered plans. The whole remaining RRSP or RRIF balance is added to income at death, unless it passes to a spouse or certain dependants.

Shares and partnership interests. These are treated as sold at fair market value like any other capital property.

The second death is the main event

Property left to a spouse or common-law partner generally passes at cost, with no tax at the first death. That is a deferral, not a cancellation. It stacks the entire bill onto the second death, usually in the top bracket, in a single year.

So every plan in this book is a two-death plan. We work out the second death first, then plan the living years and the first death around it.

The tax does not need a sale to arrive, and it does not wait for the family to be ready.

Four things a plan can do

Reduce

Cap the growth that will be taxed, with a freeze.

Shelter

Use the lifetime exemption while it is available.

Defer

Move property to the next generation under the rollover rules.

Fund

Make sure cash exists to pay what remains.

The next chapters take these in turn. The good news is that most of the planning happens while you are alive and in control.

Your land, and what it really cost

Every number in a farm plan starts with the cost base of the land. If that number is wrong, every number after it is wrong.

Land is usually 60 to 80% of a farm estate's value. It carries the deepest gains, and it is the one asset the next generation cannot operate without. Yet the cost base is often a guess.

Digging for the real cost

On long-held land, the starting point is rarely the purchase price. Five things are worth finding before any other planning begins.

The 1971 value. For land owned on December 31, 1971, tax is generally measured from its value on that date, not from what was paid.

The 1994 election. When the \$100,000 general exemption ended in 1994, many farm families elected to raise the cost of their property, and have since forgotten. The paperwork may still be in an old file, and it can change the numbers a great deal.

Improvements. Certain costs added to the land over the years can increase its cost base.

Earlier transfers. A partial rollover years ago may have changed the cost of what remains.

Land taken for roads or pipelines. When land is expropriated, the gain can often be deferred if replacement land is bought within about two tax years. Payments for a well site or right of way can also change the land's cost (Chapter 16).

We call this cost-base archaeology. It is unglamorous work, and it is where plans are often won or lost.

The cash rent question

Many farmers retire by renting the land to a neighbour and keeping the yard. It is a sensible way to wind down. Does it damage the tax position?

Renting land to someone outside the family does not, by itself, end the family's access to the rollover to children, or to the lifetime exemption. But it deserves a careful look, parcel by parcel. For land bought after June 17, 1987, the exemption tests look at who has been using the land and how much of the family's income came from farming. Land bought before that date can qualify on a more generous test.

One GST point: crop-share rent paid in a GST-free (zero-rated) crop is generally GST-free if the tenant is registered. Cash rent, or a fixed cash part, is taxable if the landlord is registered; a landlord with taxable sales under \$30,000 a year need not register.

TWO TESTS, NOT ONE

The test for the rollover to a child and the test for the lifetime exemption are *not the same*. Land can pass one and fail the other. Never assume that passing one proves the other. Each parcel should be tested separately, in writing, for each purpose.

If a parcel does not qualify

There are repairs, in rising order of effort: a crop-share arrangement with real sharing of risk, a joint venture between the retiring owner and the operator, or returning the land to family use for the qualifying period. These work only if they are real. A paper arrangement that nobody lives by is worse than none.

The yard site and the home quarter

Severing the yard site touches several rules at once: GST, the spouse's dower rights, municipal subdivision approval, and what remains qualifying farmland. The approvals should be sequenced before anyone promises a structure to the family.

The lifetime exemption, and how it slips away

Every Canadian has a lifetime exemption from tax on certain gains. For farm families it can be the most valuable relief in the plan.

For 2026 the lifetime capital gains exemption is **\$1,275,000** per person, and it is indexed to inflation. A farming couple can shelter more than \$2.5 million. It is a lifetime total; anything claimed since 1985 counts against it.

Two ways in

Qualified farm property. Land, buildings and quota used mainly in the family farming business; shares of a family farm corporation; and interests in a family farm partnership. These must pass ownership, use and income tests that depend on when the property was acquired.

Qualified small business corporation shares. Shares of a Canadian-controlled private company, if at least 90% of the company's assets are used in an active business at the time of sale, and more than 50% throughout the prior 24 months. The shares must also be held for 24 months.

The exemption is a perishable asset. Qualification can be lost by things that happen slowly and quietly, and it cannot be repaired after death.

How it slips away

Cash piling up in the company. Too much passive money inside a farm corporation can break the 90% test just when the family needs it.

Old investment losses. A balance of cumulative net investment losses, often from rental losses or interest-heavy portfolios, can delay access to the exemption.

Earlier use. Exemption claimed in the past, including under the 1994 election, reduces what remains.

Minimum tax. A very large gain in a single year can trigger the alternative minimum tax. That tax is recoverable only over seven years, against regular tax a retiring person may never owe. It does not apply in the year of death. So whether to take a gain while alive or leave it to the final return is a real choice.

Old Age Security and income-tested benefits. The exemption is a deduction, not an exclusion. The gain still counts toward net income, which can claw back OAS and reduce other benefits.

Run it as a family program

The exemption belongs to each person, but the opportunity belongs to the family. A good plan inventories every family member's remaining room, and then decides whose room absorbs which gain, in which year. Sometimes a family trust is used to route gains to more than one person.

A CAUTION

A family that starts with a couple's room may find more capacity once everyone is counted. That is capacity to be *tested*, not a result to be promised. Several rules limit this, including minimum tax, the tax on split income and the general anti-avoidance rule. Each person's position must be checked before it is counted.

The amounts above are 2026 figures and move every year. Confirm them before relying on them.

Passing it to the next generation

Farm families have a tool that most Canadian property owners do not: the ability to move qualifying farm property to a child without paying the tax right away.

These are called the intergenerational rollovers. They apply during life or at death, to farmland and depreciable property used mainly in farming by the family, to shares of a family farm corporation, and to interests in a family farm partnership.

You choose the price, within a range

The defining feature is that the transfer can happen anywhere between the parents' tax cost and fair market value. That gives a family room to set the price so that it triggers *exactly enough gain* to use the exemption room that is available, and rolls the rest at cost.

This is the engine behind most farm succession plans. It is also why the exemption and the rollover must be designed together, never separately.

Who counts as a child

The word is broad: children, adopted children, stepchildren, a child's spouse, grandchildren and great-grandchildren. The person receiving the property must be a resident of Canada, and the property must have been used mainly in a farming business in which the family was actively engaged on a regular and continuous basis.

Moving the farm into a company

A common first step is to move farm assets into a corporation, at a jointly chosen value, in exchange for shares. This is the section 85 rollover, and it is how many farms incorporate. We prepare the tax elections; your lawyer drafts the transfer agreement.

Selling shares to a child's company

For years, selling shares to a company controlled by your own child turned the gain into a dividend, taxed more heavily than a sale to a stranger. Relief first arrived in 2021; stricter rules replaced it from January 1, 2024. They now allow capital gains treatment on a sale to a child's company, if strict conditions are met. There are two pathways, one immediate and one gradual.

The conditions concern control, management and the parents' remaining interest, and the clocks are measured in years. These rules are demanding and the details matter. Please do not try them without advice.

Spreading the tax over time

When farm property is sold to a child for a note and paid over time, a capital gains reserve can spread the gain across as many as ten years. The note payments can also fund the parents' retirement. The reserve does not carry past death, except to a spouse or spousal trust.

Three traps worth knowing

Conditions in a will. On death, the property must be fully and unconditionally the child's within 36 months. A will that says the land goes to Sarah "provided she still farms it in five years" can lose the rollover entirely. Wills must be drafted with this in mind.

The old tax bill. If parents transfer property to a child for less than full value while the parents owe tax, the child can become liable for it, and there is no time limit. A statement of account from the Canada Revenue Agency (CRA) at closing helps, but it does not catch later reassessments of earlier years, so the risk belongs in the agreement.

Skipping a generation. A transfer to a grandchild can be sensible. But if the real plan is for the child or grandchild to sell within three years, an anti-avoidance rule can undo it, and the tax lands on the person who made the transfer.

The estate freeze

A freeze fixes the value of what you own today, so that future growth belongs to the next generation. You keep control and income.

In a typical freeze of a family corporation, the owner exchanges common shares for fixed-value preferred shares worth the same as the company today. New common shares are issued for a nominal amount to the next generation, or to a family trust. From that moment, all the growth belongs to them.

The value on which the owner's final tax will be computed is capped at today's value. A single large bill in the future becomes many smaller ones across the owner's retirement.

What the freeze keeps for you

Control. The preferred shares can carry the votes, or a separate class can.

Income. You draw retirement income by having the company buy back the preferred shares over time. That income is taxed as a dividend, so it is planned against your tax brackets.

A fixed value. As long as the company's assets continue to support it.

A freeze also gives something up: the future growth on the part of the business that has been frozen. Before you decide, you should see both lists side by side, what you keep and what you give, in your own numbers.

The craft is in the details

The terms of the shares matter: how they are redeemed, what priority they have, and a price-adjustment clause that corrects the numbers if the valuation is challenged. The preferred dividend must be fixed or capped, or growth can leak back to the owner.

What is never on the menu is freezing below fair market value. An undervalued freeze invites trouble with the CRA. The protection is a defensible valuation file, on every freeze, every time.

A dial, not a monument

A freeze can be adjusted. If values fall, a **refreeze** resets the fixed value down. If values stall, a **melt** redeems the shares faster. A **partial freeze** exchanges only some of the owner's shares, keeping a growth slice, which is the right structure when a full transfer of growth would be premature.

FREEZING TOO EARLY

A freeze locks in a floor as well as a ceiling. Freezing too early, or at too high a value, creates problems of its own. The right time is judged against whether the successor is ready to carry the business, not against the calendar.

Trusts carry a clock

Many freezes use a family trust to hold the growth shares. Trusts are deemed to sell their property every 21 years, and they have annual reporting duties. Every trust should be entered on a calendar the day it is created.

The trust deed itself is drawn by your lawyer. Our part is the tax design: who can receive what, the attribution rules, and the dates.

The 12Event Planning Model

A farming lifetime contains twelve major tax events. Most of them happen while you are alive. Each one sets up the next.

- 1 Personal Tax Strategy, Benefits & Life Events**
Marriage, separation, remarriage, the successor's spouse

- 2 Cash Flow, Budgeting & Major Purchases**
Buying land well; financing the next generation's buy-in

- 3 Retirement Income & Long-Term Planning**
Turning the farm into income you can live on

- 4 Investments & Portfolio Alignment**
Registered plans, TFSAs and insurance in the right hands

- 5 Corporate Tax Strategy & Year-End Planning**
Testing the corporation's purity every year

- 6 Business Startup, Incorporation & Structure**
Choosing and building the right structure

- 7 Corporate Surplus, Dividends & Shareholder Income**
Paying the family without tripping the rules

- 8 Corporate Reorganizations & Advanced Structuring**
Purify, freeze, crystallize, settle the trust

- 9 Business Exit, Succession & Windup**
Rollovers to children, a sale, or a planned wind-down

- 10 Real Estate, Rentals & CCA Strategy**
Land you keep and rent; buildings, equipment, the home

- 11 Estate Planning, Wills, POA & Beneficiaries**
Wills, powers of attorney, insurance, executors

- 12 Death, Executor Advisory & Final Tax Planning**
First death, second death, and the estate's first 36 months

- An event number says where a step belongs, not when it happens.

Order matters

The same tools, used in a different order, can produce a very different tax result.

We follow this order on every farm file, unless there is a written reason to change it.

1

Purify

Move passive cash and investments out of the operating company so it qualifies and keeps qualifying. It cannot be done after death, so it comes first.

2

Freeze

Fix the value of the parents' shares, so growth accrues to the next generation.

3

Crystallize

Deliberately realize gain to use exemption room while the shares qualify and the owner is alive to plan around minimum tax.

4

Roll

Move land and shares to the next generation at chosen values that use whatever room remains.

Rolling first can waste exemption room that the corporate side needed. Freezing before purifying can freeze in a problem.

Three more rules of sequence

Calendar every trust the day it is created (Chapter 5). **Place life insurance while you are insurable** (Chapter 13). And **let the successor's readiness set the pace** (Chapter 12).

Your kind of farm

The same law lands differently on different operations. Here is where the pressure usually falls.

Grain and oilseed

The most common Alberta profile. On grain farms land often makes up 70 to 85% of the balance sheet, with high-value equipment and a large cash-basis inventory: grain in the bin, deferred tickets, prepaid inputs.

Pressure points. A full bin yard at death is ordinary income with almost no cost base. Recapture on equipment is often underestimated. A drill, sprayer and combine written down near zero can add six figures to income. Staged sales to the successor across low-income years can soften it.

Retiring by renting the land out is common and does not by itself end the family's position, but it should be tested parcel by parcel (Chapter 2).

A typical pattern. Purify, freeze the operating company, crystallize, roll the quarters the successor farms at chosen values, lease or option the rest, and equalize the off-farm children with insurance.

Grain farms are usually land-rich and cash-poor, so the plan has to say early where the off-farm children's share will come from.

Beef: cow-calf, backgrounding and feedlots

A cow-calf operation rests on land and pasture, owned and leased, with a breeding herd as its productive core. Feedlots are different: throughput businesses with feed, receivables and contracts.

Pressure points. The breeding herd and the market animals are treated differently for tax. Dispersing a whole herd in one year can stack ordinary income into the top bracket. Drought deferrals apply to breeding stock only. Crown lease assignments need provincial approval, and grazing association memberships the association's approval, in step with the tax work.

Feedlot corporations are especially exposed to failing the 90% purity test, because of their large cash cycles. For them, purification is an annual program.

Dairy

The quota-anchored operation. Milk quota can rival or exceed the value of the land, alongside single-purpose facilities such as parlours and robots.

Pressure points. Selling quota triggers recapture plus gain, though quota is eligible for the lifetime exemption while qualification holds. The milk board's transfer policy decides whether and how quota moves, so the plan clears the board first. Specialized barns have little alternative use, so valuation support matters more here than anywhere.

Dairy is almost always an incorporated, freeze-and-trust file. The steady milk cheque funds long redemption schedules, which tends to support smooth retirement income.

Everything else

Market gardens, greenhouses, nurseries, apiaries, poultry, eggs, hogs, equine and lifestyle operations each have their own wrinkles. Ask.

The farm's tax year

The estate result is set years earlier, one return at a time. A few yearly choices matter far more than most families realize.

The cash basis cuts both ways

Reporting income when the cheque arrives and expenses when they are paid gives a farm real control over its income from year to year. It also builds a quiet liability: every year of deferral adds to the grain, livestock and prepaid inputs that have never been taxed. That amount surfaces on a sale, a wind-down or a death, and it belongs in every estate plan.

The two inventory adjustments

The mandatory adjustment. If the farm shows a loss on the cash basis, the loss must be reduced by the value of purchased inventory still on hand at year-end. You cannot manufacture a loss by buying cattle in December. For horses and, by election, registered cattle, there is a range of values to choose from.

The optional adjustment. You may add an amount to income this year, which comes back out next year. Used well, it fills low tax brackets that would otherwise be wasted, and it helps manage minimum tax and OAS in transition years. Neither adjustment applies in the year of death.

December 31 matters

A farmer whose chief source of income is farming generally makes one tax instalment a year, due December 31, instead of four. Late-year decisions, such as the optional adjustment, share redemptions, RRIF withdrawals and reserves, change the instalment as well as the return. Instalment interest is not deductible, so an underpaid December is an avoidable cost.

Other levers worth knowing

Land clearing, levelling and drainage. These costs can be deducted instead of added to the land's cost, and the timing of the claim is flexible. Only the person carrying on the farming business can claim them, and unclaimed amounts do not travel with the land, so claim them before any rollover or sale.

Drought and flood herd sales. When breeding stock must be sold because of drought or flood in a region the government has listed, part of the income can be deferred. The deferral can run for several years in a long drought, but it ends at death, which matters for estate timing.

Part-time farms. Where farming is not the chief source of income, farm losses usable against other income are capped, and the exemption can be harder to reach (Chapter 9).

The farm programs

AgriStability payments are farm income. History belongs to the person or company that enrolled, so it does not move automatically when the farm incorporates or reorganizes.

AgriInvest has two parts. Your own deposits come out tax-free. The government's matching money and the interest are fully taxable, and they come out first. That taxable part is best drawn down in low-income retirement years, not left to land on the final return.

Surface lease rent and crop damage payments are income each year (Chapter 16).

Insurance and the tax return

Payouts are income. Crop, hail and livestock price insurance payments are farm income in the year you receive them, and premiums are deductible. A late claim can land on top of a big sales year, so it belongs in year-end planning.

Insured losses. An insurance payment for a barn that burned or a combine that was destroyed is treated as a sale. It can bring back recapture or create a gain, unless replacement property is bought within about two tax years.

Coverage follows the operator. Policies, contracts and program IDs must move to the new owner on every structure change. AFSC can carry AgriStability history to a new corporation on application, with proof of the transfer, such as the section 85 election; ask how your crop coverage and history move before the change, not after the first claim.

The person behind it all. If the plan depends on one person's work, ask your broker about disability and key-person coverage, and tell your tax adviser what is in place.

GST ON TRANSFERS

Farmland and equipment transfers carry GST rules of their own, with elections and exemptions that must be chosen at closing. GST is the classic afterthought that turns a clean rollover into a cash problem.

When the paycheque comes from town

Many Alberta farms are kept going by a job in town or custom work for the neighbours. That extra income helps the farm, but it can quietly change the tax rules the family is counting on.

The exemption on land bought after 1987

For land bought after June 17, 1987, the lifetime exemption (Chapter 3) usually needs a farm income history. The land must have been owned in the family for at least 24 months, and in at least two years a family member actively farming that land must have had gross revenue from that farm, meaning sales before expenses, higher than all of their other income. A good wage can fail that test year after year.

The two years can be any years while the family owned the land, and the farmer can be you, your spouse, a child or a parent. So find those two years now and keep the returns that prove them. There is a second route: land used for at least 24 months by a family farm corporation or partnership, with a family member actively farming, has no income test at all. Where a job makes the first route doubtful, the second may be the one to build.

Farm losses against your wages

If farming is not your chief source of income, only part of a farm loss can be used against your wages: the first \$2,500 and half of the next \$30,000, up to \$17,500 a year. The rest carries forward against future farm income. The CRA looks at the whole picture: your time, the money invested, the income history and where your working life is centred. A full-time job elsewhere usually means farming is not the chief source.

Instalments

The single December 31 instalment (Chapter 8) is for farmers whose chief source of income is farming. With a job in town, quarterly instalments may apply instead, unless the tax left owing after payroll deductions stays at \$3,000 or less.

Insurance that ends with the job

Group life insurance through an employer usually ends when the job ends or at retirement, often with only a short window to convert it. If the plan counts on that policy to pay the final tax bill or to provide for the off-farm children, put coverage of your own in place while you are still insurable.

Retirement income stacks up

A workplace pension, RRSP or RRIF withdrawals and CPP arrive on top of land rent, inventory sales and any capital gain. Together they can push income into higher brackets, trigger minimum tax and claw back Old Age Security. Land sales and gains are best spread across years planned around the pension, not stacked on top of it (Chapter 13).

The successor with a job in town

Many successors work off the farm for years. The rollover to a child looks at whether the family farmed the land on a regular and continuous basis, so a job does not rule it out. Keep a record of who did the farming, and when.

Custom work for the neighbours

Many farmers earn extra with equipment they already own: combining, seeding, spraying, silage, hauling, or flying a spray plane. The CRA treats custom work that is incidental to your own farm as farming income, reported on the farm statement. When custom work grows into a business of its own, it can be taxed as a separate business, with different results.

GST. Custom work is a taxable service, even when the product applied would be GST-free on its own. If you are registered, as most farms are, you charge GST on it.

AgriStability. Custom work and machine rental income do not count in your AgriStability margin, and in Alberta 30% of that income is taken off your allowable expenses. Report it on its own line.

The farm tests. A custom business of its own can weigh against farming as your chief source of income and against the gross revenue test, both described earlier in this chapter. Equipment in the farm company that mostly works for others can also put the company's family farm status at risk, which affects the lifetime exemption and the rollover to a child. Sometimes a separate company, or a simple log of how the equipment is used, is the answer.

Succession. A custom business runs on one person's skill, customers and reputation. The equipment can pass to a child; the business may not, unless the child does the work. A child's own custom work company is covered in Chapter 22.

The farmer who flies

A spray plane adds its own questions. The aircraft is a large asset, often written down for tax, so selling it or dying with it can bring back a large recapture. Personal trips in a company-owned plane are a taxable benefit. The operating certificate and applicator licences belong to the pilot or the company and do not pass by will. And life insurance for pilots often carries an aviation exclusion or an extra premium, among the highest for crop spraying, so read the policy before counting on it to pay the final tax bill.

The paycheque that kept the farm going

Off-farm wages and custom work often paid for land, equipment or a hard year. That deserves a place in the family's conversation about what is fair (Chapter 11).

Bring the last several years of returns for everyone who has farmed the land, with any custom work shown separately. They show which tests are already met.

A question worth asking at home: who in the family farms, who works off the farm or does custom work, and which company owns the equipment each one uses?

The Alberta legal layer

Tax is only half of the picture. Alberta law decides who gets what if the paperwork is missing, and who can challenge it if it is not.

Probate: a smaller issue than you may think

Alberta has no probate tax. Court fees are capped at \$525 for the largest estates. Probate avoidance is therefore almost never a tax strategy here. It is a strategy for privacy, speed and incapacity, and ideas imported from Ontario or British Columbia should be treated with care.

If there is no will, the law writes one

Under the Wills and Succession Act, if all of the deceased's children are also the surviving spouse's children, the spouse takes the whole estate. In a blended family, the spouse or adult interdependent partner takes \$150,000 or half of the net estate, whichever is greater, and the rest goes to the descendants. That split almost never matches a farm plan, and it can leave land held in fractions by people who do not farm.

Spouses and dependent children can also bring family maintenance and support claims that may override a will.

Dower rights

Where a married owner's land includes the home, the spouse holds dower rights; adult interdependent partners do not. On a farm, the home quarter is almost always dower land. Selling, mortgaging or transferring it, including into the farm company or onto a child's title, needs the spouse's written consent, and dower protection can end once the land leaves the owner's sole name. Your lawyer handles the consent and explains what the spouse gives up.

The Family Property Act

Since 2020, Alberta's property-division rules cover married spouses and adult interdependent partners. Gifts and inheritances are set aside at their value when received, but the growth in value during the relationship can be divided.

That has a plain consequence. Land given or rolled to a child early in the child's marriage can expose decades of growth to division if that marriage ends. Agreements prepared by counsel, holding growth shares in a trust, and good timing can all help. This is one reason families ask their lawyer whether a trust would protect better than a direct transfer.

Incapacity

An enduring power of attorney and a personal directive should be signed before any long handover begins. A freeze with a ten-year redemption schedule can fail if the person drawing on it loses capacity in year three and has no one authorized to act.

Signing authority at the corporation, banking arrangements and authorizations with the CRA should be reviewed at the same time.

WHO DOES WHAT

Wills, powers of attorney, trust deeds and agreements are drafted by your lawyer. We flag what each document must achieve for the tax plan, we check that it does, and we prepare the elections and tax computations that follow.

Figures such as the probate fee cap and the fixed amount in the intestacy rules can be changed by regulation. Confirm them for the date that matters.

Equal is not the same as fair

Equal is not fair when one child's livelihood is the asset.

A farm cannot be cut into equal pieces without destroying what made it worth leaving. A strictly equal split by value can force the sale of the very land the plan exists to keep. An unequal split that nobody explained invites a lawsuit.

Tools that bridge the gap

Insurance for the off-farm children. A joint policy that pays on the second death can provide cash to children who will not receive land.

Equalization charges sized to what the operation can actually carry.

Land to non-farming children, with a lease or option back to the farming child.

A landlord and operating split, so the land and the business can be owned differently.

Dividing the farm company. When two children each farm, a family farm company can sometimes be split into two companies, one for each family, without tax today. The rules are strict and the steps must be planned well ahead.

Which tools fit depends on the family's facts, and they are paid for in the liquidity plan (Chapter 13).

The most protective step is not a structure

It is a facilitated family meeting where the parents explain their reasoning while they are alive to answer for it. The meeting record shows the parents' reasons and may reduce disputes. It cannot stop a support claim by a family member in need, but it fills the silence that lawsuits grow from.

Why equal feels fair and usually is not

Dividing things equally is the human default because it needs no justification. Reasoning by contribution, risk and need produces better farm outcomes, but it has to be explained, and an unexplained difference reads as favouritism.

Three predictable distortions do the damage. The home quarter becomes sacred beyond any price. The sibling in the city sees the land's wealth without its burden. And in-laws often hear only one side of it. None of these is a character flaw. They are defaults, and the process has to be designed around them.

Process is the product

People judge fairness by process at least as much as by outcome: whether they had a voice, whether the rules were consistent, whether the decision was explained. That is why the family meeting matters.

The order of disclosure matters too. **Values first, the shape of the plan second, numbers last.** Numbers presented first become positions to argue. Numbers presented last are conclusions.

Pick the right week

There are wrong weeks for this work: a fresh diagnosis, the first harvest after a death, the seeding and calving crunch, a marital separation. Grief and stress make it hard to weigh the give and take a plan needs. A meeting that is postponed on purpose is fairness in action, not lost momentum.

A written charter

Families that keep the peace tend to have a written family charter covering who decides what, how often the family meets, and what happens in a dispute, with notes kept so no one relies on memory. Where there is live resentment or a voice that cannot be balanced in the room, a neutral facilitator should be brought in.

Why good plans stall

Most farm plans fail on people, not on tax. The numbers can be right and the plan can still go nowhere.

The founding generation

For many founders, the farm is far more than an asset. It holds their parents' memory, their own life's work and the family's place in the district. Many owners tell us that retirement sounds less like a reward and more like stepping off the land.

That is a reasonable feeling, and a good plan respects it instead of arguing with it. You can keep voting control, hand over authority in stages, and use structures that can be adjusted later as the family's situation changes.

The generation now retiring lived through the high interest rates of the 1980s, BSE and drought. Keeping cash on hand and a hand on every lever is hard-earned experience, not stubbornness. It is also why plans that can be adjusted tend to get signed, while plans that feel final tend to get put off.

Putting off the will

Few people enjoy planning around their own death, and most put it off, often for understandable reasons. That is one reason the 12Event model starts with the living. Most of the twelve events happen while you are alive and running the farm, so the conversation begins with your working years, not a funeral.

When two children will own it together

Their shareholder agreement decides what happens when they disagree. A shotgun clause, where one names a price and the other must buy or sell at it, tends to favour whoever has more cash, which is rarely the one who farms. Keep the estate out of its reach, and cover death with a separate, insured buy-sell agreement.

The successor

A 45-year-old who runs the daily work without signing authority is the most common successor, and frustration on both sides can build quietly for years. A written schedule that hands over authority on fixed dates converts "someday" into a career. It also builds the evidence of active management that some of the tax rules require. One document serves two audiences.

Promises made in the kitchen. Decades of below-market work in exchange for the promise of the farm can, in some circumstances, support a legal claim against the estate. The remedy is paperwork as you go: real wage records, written understandings when an arrangement is made, and a will updated when a promise is made. Ask your lawyer where your family stands.

The successor's spouse is the most under-consulted person in farm succession, yet has real interests under Alberta's Family Property Act. Include them early.

The debt mountain. Successors often see a buyout as generational debt, the fear of buying a job at land prices. What helps is seeing the same after-tax numbers the parents see: the price range, how the note payments fall each year, redemption schedules matched to what the farm can pay, and milestones for releasing guarantees. Unequal information is where fear grows.

The house in the yard. A successor buying the house after the yard site is subdivided can put up to \$100,000 per person toward it from a First Home Savings Account and the Home Buyers' Plan, if they are first-time buyers. A parent can be the seller, but bare land counts only with a written agreement to build. A spouse's past home ownership often rules them out, so check both histories.

A question worth asking at home: does everyone who will live with this plan, including the successor's spouse, understand what it is meant to do?

Paying the final bill

The liquidity model is a simple projection that answers one question: on the second death, is there cash for the tax, the promises to the other children and the costs, without selling land the successor needs?

The bill

The final tax after every relief has been applied, plus any equalization promises to the off-farm children, plus the costs of administering the estate. Where a capital gains reserve was being used to spread a gain over several years, the unused balance generally comes into income at death, unless it continues to a spouse or spousal trust, and so joins the bill.

The sources, in order

1. Estate cash and portfolios.

2. Insurance. Life insurance proceeds, including corporate-owned policies where the structure is designed for it. The gap between the bill and the other sources is what sizes the insurance.

3. Paying the tax over time. Tax on the deemed sale at death and on rights or things may be paid in up to ten equal annual instalments, with security the CRA accepts. Interest is fixed at the CRA's prescribed rate on the election date and compounded daily, a relief valve, not free money.

4. Land carve-outs, last. Parcels identified in advance as sellable without hurting the operation.

A MODEL THAT IS TOO OLD IS A LIABILITY

The liquidity model should be run again after every land revaluation, every freeze or refreeze, and every change in the family. A model more than two years old is a liability, not a plan.

Why start while you are healthy

Insurance is the most common funding tool and the one most often placed too late. Premiums are set by age and health, and neither improves; after a diagnosis, a policy may be unavailable.

Retirement income is part of the same system

The tools that shrink the final bill also shape your retirement income: redemptions of frozen shares, a reserve received over time, and inventory and registered plans drawn down over low-income years, so the two plans are drafted together.

Pension income splitting. Up to half can be split with your spouse: a workplace pension at any age, RRIF payments from 65, but not CPP or OAS.

Registered plans for the next generation

A child or grandchild with a disability. A Registered Disability Savings Plan (RDSP) can hold up to \$200,000 of contributions, plus government grants, for someone who qualifies for the disability tax credit. At death, an RRSP or RRIF can roll tax-deferred into the RDSP of that financially dependent child or grandchild. RDSP savings and trust assets are exempt for Alberta's AISH and ADAP disability programs, but trust payments can reduce benefits.

Grandchildren's education. A Registered Education Savings Plan (RESP) belongs to the person who opened it, not the child. Name a successor subscriber in your will; if it is collapsed, grants are repaid and growth is taxed with a penalty.

A first home. Parents can help an adult child fund their own First Home Savings Account (Chapter 12).

The charitable year

Donations, including land or conservation easements, can offset much of the final bill; limits are generous in the year of death. Grain or cattle given away is farm income at its value, offset by the receipt.

The executor year

An estate with a farm in it does not wait. The crop is in the ground, the animals need feeding, and the deadlines have started.

The executor's work follows a rough timeline. Every estate is different, so bring in your advisers early.

Weeks 1 to 4	Secure assets. File insurance claims. Notify banks and boards. Confirm who has signing authority at the corporation. Pull the will, the corporate records and the list of leases, policies and accounts. Bring in your advisers.
Months 1 to 6	Apply for probate if needed. Commission valuations at the date of death for land, quota and shares. Designate the estate a graduated rate estate for the lower rates. Decide how the farm will run in the meantime.
By the final return deadline	File the final personal return, generally by April 30 or June 15 of the following year, or six months after death if later. Tax owing is generally due April 30 even when the return is due June 15. Identify income earned but unpaid at death. Consider every election.
Months 6 to 18	Estate returns begin. For a death after August 11, 2024, losses a graduated rate estate realizes in its first three tax years can, by election, be carried back against the final return. The corporate plan after death is carried out.
Before distributing	Obtain the clearance certificate. Distributing without it can make the executor personally liable for unpaid tax.
Months 18 to 36	Complete the rollovers and transfers. Fund the trusts. Finish before the estate's lower rates end at 36 months.

Levers that are often missed

Rights or things. For a cash-basis farmer, harvested crops and unpaid receivables at death can often go on a separate return with its own brackets and credits, or pass to beneficiaries to be taxed as they sell. It is one of the most commonly missed executor choices on a farm estate.

Electing out of the spousal rollover. The executor can choose, property by property, to trigger gain on the first death to use the deceased's remaining exemption, losses and lower brackets. This matters most when both spouses die in the same year.

Quota at death. Quota generally passes at its tax cost, with no gain, whoever receives it. Your executor can elect fair market value instead to use the exemption, but recapture comes first and is fully taxed, so model it.

Government benefits. Apply promptly for CPP death and survivor benefits.

Payees on the land. Surface leases and other agreements on the land need a new payee (Chapter 16).

The 36-month deadline. Farm property must pass to the child unconditionally within 36 months of death (Chapter 4). Review the will and title midway through.

Is your executor up to it? A farm estate demands tax knowledge, patience and time. Discuss fitness and a backup while the choice can still be made.

TaxOnTax supports executors through these steps; the estate's lawyer handles probate and legal matters.

WHERE WE COME IN

If these chapters describe your farm, a Discovery Meeting is the place to start: your final bill, modelled on your own numbers.

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PART TWO

Your land and what comes with it

The house in the yard, the well site, the tower, the grazing lease, and whose name is on the title. Each has rules of its own, and each needs a step when the farm changes hands.

15 The farm home

16 Oil, gas and pipelines on your land

17 Towers and grazing land

18 Whose name is on the title

The farm home

Every farm has a house on it, and on a farm the home's tax rules have a twist.

A home the family ordinarily lives in can be designated as a **principal residence**, which shelters its gain. One home per family can be designated for each year.

How much land goes with the house

That exemption covers the house and up to half a hectare of land, a little over an acre, or more only where truly needed to enjoy the home, such as a zoning minimum. The rest of the farm is not sheltered.

Two ways to do the arithmetic

Separate the house and lot. Work out the gain on the house and its lot, which is sheltered, and the gain on the rest of the land, which is not.

The farm method. Or elect to reduce the gain on the whole property by \$1,000, plus \$1,000 for each year the house was your principal residence. Run both.

Things that catch families out

Report it. Even a fully sheltered home must be reported in the year of sale or death; a late designation can carry a penalty.

A suite for the parents. A self-contained suite with its own entrance, kitchen and bathroom may count as a separate housing unit your designation does not shelter. Have it reviewed before you build. A federal credit can help with the cost for a senior or a family member with a disability.

A company-owned house. A corporation cannot claim the exemption, and family use raises shareholder benefit questions.

Oil, gas and pipelines on your land

Many Alberta farms carry a well site, a pipeline or a power line, and each payment from them is taxed in its own way.

The agreements

A **surface lease** lets an operator use part of your land for a well or facility. A **right-of-entry order** does the same without a lease. A **right of way** is registered on title for a pipeline or power line. All of them stay with the land when it is sold, rolled to a child or passes at death.

How the payments are taxed

The first-year payment. The CRA's long-standing view splits it. The part equal to the yearly rent you will receive later is income. The rest, paid for the use of the land, its loss in value and damage to land without a crop, is generally treated as a sale of part of the land, which is capital.

Annual rent. Yearly payments for loss of use, nuisance and inconvenience are income; if you farm the leased land, generally farm income.

Damage. Crop damage payments are income; payment for damage to fences or buildings is generally capital.

Rights of way. A one-time pipeline or power line payment is generally treated as a sale of part of the land, as is a payment for lost value on the rest.

KEEP THE PAPER

Keep the lease, every amendment and each yearly payment letter with your tax records.

Rent reviews and unpaid rent

In Alberta, the yearly rent under a surface lease or right-of-entry order can be reviewed at every fifth anniversary. The operator must give notice of the anniversary. If you cannot agree, either side can apply to the Land and Property Rights Tribunal, which looks at your loss of use and the effect on the rest of your land, including nuisance and noise.

If an operator stops paying, apply to the same Tribunal. It can direct the province to pay you and can end the operator's right to be on your land.

Before you sell your lease rent

Some companies offer a lump sum for the future rent from a surface lease. Alberta's Farmers' Advocate Office cautions that selling gives up the five-year review and your say over new development. Get independent tax advice first.

When the land changes hands

Every rollover or sale, and every estate, should include a letter to each operator naming the new payee. Executors should check for rent that stopped arriving; it may be recoverable. If a lease reaches the yard site, ask how it affects the principal residence exemption.

Two common questions

Do the leased acres affect the exemption? Not by themselves.

Where the minerals are held separately from the surface, a well site on land you farm does not usually cost you the exemption. If you own the minerals, they are a separate resource property that does not qualify for the exemption or the farm rollover. A parcel no longer used mainly for farming is also at risk. Test each parcel.

Does GST apply? Payments for a well site used for drilling or production are generally outside GST. Payments for a pipeline to market, a processing site or other uses can be taxable, so if you are registered, check each part of the agreement.

Towers and grazing land

Two more arrangements are common on Alberta farms: a tower on your land, and cattle grazing on land you do not own.

A tower on your land

Yearly rent. Rent from a cell, radio or other tower lease is income each year, generally reported as rental income.

Buyout offers. Some companies offer a lump sum to buy out the lease or take a long-term easement. The part that buys a lasting right in your land is generally capital; the part that replaces rent is income. The agreement's wording weighs heavily, so get tax advice before you sign.

GST. Rent for land, other than housing, is generally subject to GST. If you are registered, ask whether you should be charging it.

The land. The lease stays with the land, so tell the tower company when the land changes hands. The tower site is used by someone else, so test whether the parcel still qualifies for the exemption.

Crown grazing land

Many ranchers graze cattle on public land under a grazing lease, licence or permit from the province. Rent is charged per animal unit month and set each year with cattle prices. For 2026 it is \$9.94 per animal unit month south of the North Saskatchewan River and \$6.97 north of it. Grazing rent is a farm expense.

The lease is not your land. You hold it from the Crown.

Transferring it, even to a family member, needs an application to the province and a fee, \$3,150 in 2026. Plan that step with the rest of the succession, the way you would with quota.

Leases change hands for a price. The price paid for a Crown grazing lease is generally written off over time as a leasehold interest, not deducted at once, and the seller may have a taxable gain. A grazing permit is treated differently. Get advice before the deal is done.

Oil and gas on a grazing lease. Under current Alberta rules, the leaseholder generally receives the compensation operators pay for activity on the lease, and the tax rules in Chapter 16 apply to it.

Grazing associations and community pastures

Fees. What you pay a grazing association or community pasture to graze your cattle is a farm expense.

Membership and equity. If you are a member of a grazing association or co-operative, your member equity and any patronage payments have value and tax rules of their own. Cash patronage is income when you receive it. Some equity is paid out only on death or when you leave, so it belongs in the estate plan.

Passing it on. A membership or grazing allocation may need the association's approval to move to a successor. Check the bylaws before the plan assumes it will.

FOR YOUR FILE

Keep the tower lease, every grazing lease, licence or permit, your association membership papers and your co-op equity statements together. Each one has value, and each one needs a step when the farm changes hands.

Whose name is on the title

How property is held decides who gets it at death, and can bring tax and filing duties sooner.

Joint ownership. Land held as joint tenants passes to the survivor outside the will and probate; tenants in common do not, so check your title. Neither avoids tax: unless the survivor is a spouse, or a child taking qualifying farm property, the share is taxed as if sold.

Adding a child to the title

It can trigger tax now. Giving a child half can be a sale of half, taxing half the gain, unless the farm rollover to a child applies. It also exposes the property to the child's creditors and divorce.

It may not mean what you think. An adult child added without payment may be presumed to hold it for the estate unless a gift is proved, so put your intent in writing. With probate fees capped (Chapter 10), avoiding probate is rarely worth giving up control.

A new filing rule for bare trusts

Land titled to Dad but owned by the farm company, a child on title for convenience, or an "in trust for" account is often a bare trust. From 2026 it must file a trust return, first due March 31, 2027, unless an exception applies: a joint account where every holder is a real owner, relatives on title to a home one of them lives in, or a trust worth under \$50,000 all year. A missed return can cost \$25 a day, up to \$2,500, even with no tax owing, and far more if deliberate. Check every title and account held for another.

WHERE WE COME IN

Bring your leases, permits and titles to a Discovery Meeting, and we will show you where each one fits in your plan. **825-977-7999** · taxontax.com

PART THREE

Special situations

What to do if the CRA calls, and the plans that do not follow the usual path: a farm with no successor, and a farm sold to a child over time.

19 If the CRA calls

20 When there is no successor

21 Selling to your child on a note

If the CRA calls

Most audit trouble on farm files is not about the law. It is paperwork that could have been kept cheaply years earlier.

What the CRA looks at on farms

The shareholder account. Money owed between you and your farm company, personal use of vehicles, and a house on corporate land.

Family pay and dividends. Whether family members really work in the business, and records of their hours.

Values in family deals. Every freeze, rollover and family sale rests on a value that can be defended.

Whether a farming business exists at all, the gateway to the exemption and rollovers.

When the books look thin

The CRA can trace every deposit in every account, personal and corporate, and treat unexplained deposits as income. It can also compare the growth in your net worth to the income you reported. Family members' and the family company's records can be reached too.

The file that protects you

1. Monthly bank reconciliations that name the source of every non-sales deposit.
2. A record of every gift and inheritance, with its date and value.
3. Hours logs and written arrangements for family members paid by the farm.
4. A valuation file behind every family transaction.

No one can promise the CRA will never call. The aim is a file built for that call before it comes.

Behind on filing?

Some farm families fall a few years behind, often after a death, an illness or a hard stretch. The worst plan is to wait for the CRA to find it.

The Voluntary Disclosures Program. If you come forward before the CRA contacts you about the issue, penalties can be waived and 75% of the interest relieved. After the CRA raises the issue, penalties can still be waived, but interest relief falls to 25%. Once an audit of you or a related taxpayer starts, the program is closed. The disclosure must be complete, it must include at least one year more than a year past its due date, and it comes with payment or a payment arrangement. The tax itself is always owed.

Taxpayer relief. Penalties and interest can also be cancelled for extraordinary circumstances, such as a serious illness or a disaster, for errors by the CRA, or where a person truly cannot pay. A request can reach back ten calendar years.

Directors are on the hook too

If a farm corporation does not remit the payroll deductions it withheld, or the GST it collected, the directors can be held personally liable along with the company. On many family farm corporations the directors are the two spouses. That is the most direct way a company tax debt becomes the family's debt, so payroll and GST remittances deserve the same attention as the year-end.

When there is no successor

Not every farm has a child coming home. That calls for a different plan, with the same care.

The four broad choices: sell to a third party, wind down in stages, sell to an employee ownership trust, or keep the land and retire as a landlord.

Selling: shares or assets

A seller usually prefers to sell shares, because the gain may qualify for the lifetime exemption. A buyer usually prefers assets, for a fresh cost and none of the company's history. Model both sides' after-tax result before agreeing on a price.

A planned wind-down

A wind-down is a project, not an auction day. Time the listing, tender or auction against the market year. Spread closings across tax years, make exemption and reserve choices parcel by parcel, and place equipment recapture into planned brackets.

Retiring as a landlord

Leasing the land keeps it in the family, and surface lease rent continues. Past family farming generally protects the rollover and the exemption, but run the Chapter 2 tests on each parcel.

The employee ownership trust

Since 2024, an owner can sell control of the operating company to a trust held for its employees. The sellers together can shelter up to \$10,000,000 of gain on a qualifying sale, on top of the lifetime exemption, and that relief was made permanent in June 2026. It fits larger operations with a crew that could run without the founders. The land usually stays with the parents, leased to the company. The conditions are strict and last for years.

Selling to your child on a note

When the farm passes for a promissory note, the parents become lenders to their own child.

Secure the note. A note backed by a mortgage on the land, with payments set on the same calendar as the capital gains reserve, is a plan; an unsecured family IOU is a hope. Holding company loans to the operating company deserve the same security.

Release the parents' guarantees on a schedule. Parents often guarantee the farm's bank debt. The transfer agreement should say when those guarantees come off, tied to milestones such as equity levels or seasons completed.

Decide in advance what happens to any balance

Forgiving a business debt during life can cut the child's future deductions and create income. A balance released directly by the will, as part of equalizing among the children, is generally outside those rules. So set any forgiveness out in the will your lawyer drafts, and show the family the arithmetic.

On the parents' side, the reserve on the note ends at death unless it goes to a spouse (Chapter 4), so model it before signing the will.

If the farm runs into trouble

Under federal farm debt mediation rules, a secured creditor must give notice before enforcing, and the farmer can ask for a pause on collection during mediation. Stabilize, restructure, then resume the transfer.

WHERE WE COME IN

These situations are easier to handle early than late. A Discovery Meeting carries no obligation to go further. **825-977-7999** · taxontax.com

PART FOUR

Running the farm business

Paying the people who work the farm, family included, and the yearly filings that keep the farm and its company in good standing.

22 Paying the people who work the farm

23 The paperwork year

Paying the people who work the farm

Hired hands at harvest, a full-time worker, a spouse who keeps the books, children who drive the grain truck. How each one is paid decides what the farm can deduct, what comes off the cheque and what the paperwork must show.

Employee or contractor?

The label you use does not decide it. What matters is the whole relationship: who controls the work, who owns the tools, who takes the risk of loss and who can make a profit. A neighbour who brings his own combine and works for several farms is usually in business for himself. A worker who runs your equipment on your schedule is usually your employee.

What comes off an employee's pay

For an employee, the farm withholds income tax, Canada Pension Plan (CPP) and Employment Insurance (EI), adds its own share, and sends it all to the CRA, usually by the 15th of the next month. In 2026 the CPP rate is 5.95% each for the worker and the farm on earnings up to \$74,600, with a smaller second tier above that. The worker's EI rate is 1.63% on earnings up to \$68,900, and the farm pays 1.4 times that.

The casual harvest hand

Farm work has its own short-term rules. CPP does not apply to a farm worker you pay less than \$250 in cash in the year, or employ for cash for fewer than 25 working days in the year. EI does not apply to farm work of fewer than seven days in a year, or to a worker paid no cash at all. Past those limits the usual deductions apply, even for a few weeks of work. Income tax is still withheld under the payroll tables, however short the job.

Alberta's farm rules

Hours of work and overtime rules do not apply to farm and ranch workers. A farm with five or fewer paid, non-family, long-term employees is exempt from employment standards altogether. A larger farm owes those workers minimum wage (\$15 an hour), days of rest, general holidays, vacation with vacation pay of at least 4%, and notice of termination. Family members of the owners are outside these rules.

Your spouse on the payroll

A sole proprietor can pay a spouse a wage for real work, at the rate a stranger would be paid, actually paid from the farm account. The wage is deductible to the farm and taxed to your spouse, it needs a T4 slip, and CPP applies. EI usually does not, because family employment is treated as not at arm's length unless the job looks like one a stranger would take. A spouse who is your partner in the business cannot also be its employee; partners share the profit instead.

Children on the payroll

Children can be paid for real work at a rate that fits their age and what you would pay someone else. Pay by cheque or deposit, or have the child sign a receipt for cash, and issue a T4. Wages can even be paid in grain or livestock: the value counts as a sale and as a wage expense for you, and as income for the child. CPP starts at 18.

Family as partners

When a spouse or children farm with you as partners, there are no wages between you. Each partner reports a share of the profit and pays both halves of CPP. The shares should follow the money and the work each person puts in, because the CRA can reset an unreasonable split between family members. A written agreement helps prove the partnership is real.

The child with a custom work company

Some successors set up their own company and seed, spray or haul for the family farm under contract (Chapter 9 covers custom work the farm does for others). That can work well if it is real: a written agreement, market rates, the child's own equipment and other customers, and GST on every invoice. A company that is really an employee in disguise can lose the small business deduction and pay much more tax. And if the two companies are linked through share ownership, they may have to share one small business deduction limit.

WCB is cheap protection. In Alberta, a farm with five or fewer paid non-family workers can choose whether to carry WCB; with six or more, WCB or private insurance is required. Many farms skip it, yet it is often the cheapest disability cover available, and it keeps an injured worker's claim out of court. Owners and family members can opt in. In 2026, a grain farm pays \$2.25 and a cattle or dairy farm \$3.73 per \$100 of covered earnings. Benefits are not taxed, but they count in income for OAS and other benefits.

Housing, meals and the farm truck

Many farms pay partly in kind. A house or room and meals given to a hired worker are a taxable benefit at their fair value, shown on the T4, unless the worker pays a reasonable charge. A farm pickup used almost entirely to haul goods is not treated like a car, but personal driving, including the drive between home and the farm, is still a benefit. Board and lodging you give your own spouse or children is not a farm expense at all. A year-end bonus to a worker is wages too, deductible only if the company pays it within 179 days after its year-end.

Keep a time sheet for every family member you pay. It supports the deduction today, protects family income from the split income rules, and records each person's contribution when the family later talks about what is fair (Chapter 11).

The paperwork year

Most compliance problems on a farm are calendar problems: a slip not filed, a return missed, a minute book years behind. Here is the year at a glance.

December 31	Farmer instalment. Year-end income decisions, such as the optional inventory adjustment. A company bonus must be paid within 179 days after the company's year-end.
End of February	T4, T4A and T5 slips (for 2026, by March 1, 2027).
March 31	Partnership return, where one is required. Trust returns for calendar-year trusts, now including many bare trusts for 2026.
April 30	Personal tax owing, even for self-employed farmers. GST payment for a sole proprietor filing yearly.
June 15	Personal returns for self-employed farmers and their spouses. Annual GST return for a sole proprietor.
Six months after year-end	Company returns: the federal T2 and Alberta's AT1. Tax is due two or three months after year-end.
Anniversary month	Alberta annual return for the company.
Every year	Minute book resolutions, payroll records, and the head count of paid workers.

T4 or T4A?

Employees get a T4. Fees paid to a contractor for services go on a T4A once they pass \$500 in the year. Both are due by the end of February, and more than five slips must be filed online.

Alberta's own company return

Alberta collects its own corporate income tax, so an Alberta company files an Alberta return, the AT1, as well as the federal T2, unless it meets Alberta's narrow exemption. Since 2025, most companies must file the AT1 electronically; a paper return can bring a \$1,000 penalty. Since April 2026 Alberta sends most letters to the company's online tax account once it is enrolled, and the old way of signing up for that account by requesting a PIN ends on November 14, 2026, so get access set up now.

The annual return

Separately from tax, every Alberta company files an annual return with the Corporate Registry each year around the anniversary of its incorporation, through a registry agent. The registry sends a reminder a month ahead. A company that keeps missing it can be dissolved, and reviving it means filing every missed return.

The minute book

The minute book is the company's memory. Each year the directors approve the financial statements and every dividend before it is paid, and the shareholders sign the annual resolutions, usually in writing instead of holding a meeting, including their consent not to appoint an auditor. The dividends in the minutes must match the T5 slips and the books. A minute book that is years behind is a common reason a sale, a rollover or an estate stalls, and lenders and buyers will ask for it.

BRING TO YOUR YEAR-END MEETING

Payroll records and slips, the minute book, the registry's annual return reminder, any partnership or trust papers, and a list of everyone who did paid work on the farm.

One family, start to finish

The Boutamands are fictional. Their story combines common situations to show how the pieces fit together. Every family's facts, and results, are different.

Walt and June farm grain and run a cow-calf herd east of Edmonton. Their son Kyle farms with them. Their two daughters live in the city. The farm incorporated years ago, and the company has built up a large cash balance.

Year one. The cost-base work turns up a 1994 election that nobody remembered, which raises the cost of two quarters. Each parcel is tested in writing for the rollover and the exemption. Surplus cash is moved out of the operating company so its shares qualify. Wills, powers of attorney and personal directives are updated by their lawyer.

Year two. Walt and June freeze their shares. New shares go to a family trust, and the trust's 21-year date goes on the calendar. Gains are crystallized in stages, sized to manage minimum tax. A joint life insurance policy is placed while both are insurable, to provide for the daughters.

The family meeting. Walt and June explain their reasoning to all three children, and to Kyle's wife. Values first, the plan's shape second, numbers last. The meeting is recorded.

Years three to ten. Kyle takes on signing authority on a written schedule. The quarters he farms roll to him at chosen values. Retirement income comes from share redemptions, the AgriInvest balance and inventory sold across low-income years.

Every year. The purity test, the liquidity model and the figures are reviewed and updated.

A CHECKLIST

Ten questions to ask before your next meeting

- 1 Do you know what each parcel cost, including its 1971 value and any 1994 election?

- 2 Has each parcel been tested in writing, for both the rollover and the lifetime exemption, including the farm income history if anyone works off the farm?

- 3 How much exemption room does each family member still have?

- 4 Have cash or investments built up inside your corporation, and has the purity test been run this year?

- 5 If both spouses died this year, how much tax would be owed, and where would the cash come from?

- 6 Who is your successor, and are they ready to hold authority, not just do the work?

- 7 Do your wills still match the plan, and will they survive the 36-month vesting deadline?

- 8 Are your enduring powers of attorney and personal directives current, and do your bank and corporation recognize them?

- 9 Have your children, and their spouses, heard the reasoning from you?

- 10 Who is your executor, and could they carry the job?

Unsure of three or more? Bring this page to a Discovery Meeting.

Farms under different rules

This book is written for farms held under ordinary Alberta land title. Three groups of farm families live under different rules.

First Nations farms on reserve land

Land. Reserve land is held by the Crown for the First Nation. A member may hold the right to a parcel, often by a certificate of possession, but generally cannot sell it or leave it outside the band, so the rollovers and freezes in this book work differently. Some First Nations have their own land code.

Tax. Under the Indian Act, the personal property of a registered Indian situated on a reserve, including income, is exempt. Farm income can be partly exempt, depending on connecting factors; a corporation does not qualify, and Treaty 8 gives no separate exemption.

Estates and homes. For a registered Indian living on a reserve, the federal Minister oversees the estate, and family homes follow federal rules or the First Nation's own law, not Alberta's.

Métis Settlements

The Metis Settlements General Council holds the underlying title. Members hold Métis title or allotments, and only a member or the Settlement can hold them. Ordinary tax rules apply, but the land rules shape any succession plan.

Hutterite colonies

Members do not own property individually. The colony is taxed as a trust that can elect each year to allocate its income to member families. With no individual owner, the freeze, the rollover and the exemption do not work the usual way.

If one of these describes your family, look for an adviser and a lawyer who do this work regularly.

YOUR NOTES

Questions to bring to the meeting

Your farm at a glance: the people

Fill this in before your first planning meeting. Who farms, who works off the farm, and who is expected to take over decides which rules can apply (chapters 4, 9 and 11).

Name	Relationship	Age	Farms now? Hours a week	Off farm job or income	Role in the plan

Your farm at a glance: the land

One line per parcel. What each parcel cost, who holds title and who has farmed it decide the tax at transfer (chapters 2, 3 and 18).

Legal land description	Name(s) on title	Year acquired	Cost, 1971 value or 1994 election	Who farms it now	Farmed by the family before?

Your farm at a glance: everything else

The corporation, quota, equipment, leases, registered plans and insurance. List the owner exactly as the documents show it.

Asset or account	Owner, as on the documents	Approximate value	Notes

A CHECKLIST

Documents to gather before your meeting

- ☐ Certificates of title for every parcel, and any leases on them
- ☐ Purchase records showing what each parcel cost, any 1971 valuation, and any 1994 capital gains election (Form T664)
- ☐ Your last three years of personal tax returns and notices of assessment
- ☐ For a farm corporation: financial statements, T2 returns and the minute book
- ☐ Shareholder, partnership or co-ownership agreements
- ☐ Wills, enduring powers of attorney and personal directives
- ☐ Life insurance policies, and the named beneficiaries
- ☐ RRSP, RRIF and TFSA statements, with the named beneficiaries or successor holders
- ☐ AgriStability and AgriInvest statements
- ☐ Surface lease, right of way, cash rent and grazing lease agreements
- ☐ Quota statements from the marketing board
- ☐ Any past appraisal or valuation of the land or the corporation
- ☐ Any letter or notice from the CRA in the last three years

Bring what you can find. A missing record is worth knowing about early, while there is still time to rebuild it.

Meeting notes

DATE	WHO ATTENDED

WHAT WE DISCUSSED

WHAT WE DECIDED

NEXT STEPS, WHO DOES THEM AND BY WHEN

Meeting notes

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Glossary: the words you will hear

Plain meanings for terms farm families hear from accountants, lawyers and lenders. These are simplified; the exact rules have conditions.

Adjusted cost base (ACB). Often just called the cost base. What a property cost you for tax purposes: the purchase price plus certain costs, adjusted for things such as a 1971 value or a 1994 election. The gain is the sale price minus this amount.

Alternative minimum tax (AMT). A second, parallel tax calculation that limits how much certain deductions and exemptions can reduce your tax in one year. If it is higher than regular tax, you pay the difference, and you can recover it against regular tax over the next seven years. It does not apply in the year of death.

Animal unit month (AUM). The forage one cow, with or without a calf, eats in a month. Alberta sets Crown grazing rent per animal unit month.

Arm's length. Dealing as strangers would, each looking after their own interest. Family members, and the companies they control, are generally not at arm's length, which brings special rules for prices, wages and EI.

Attribution rules. Rules that can tax income or gains back to you when you transfer or lend property to a spouse, a minor child, or, in some cases, a corporation or trust that benefits them.

Bare trust. An arrangement where one person holds legal title to property for someone else, who is the real owner, and acts only on that owner's direction. Many must file a trust return for years ending on or after December 31, 2026.

Butterfly. A reorganization that splits one corporation into two or more, each taking a proportional share of every kind of property, without tax today. Often used to divide a family company between children's families. The rules are strict, and a family farm corporation may have a simpler route.

Buy-sell agreement. An agreement among the owners of a company that sets who buys an owner's shares, at what price and on what terms, when that owner dies, becomes disabled, retires or leaves. On a death it is usually paid for with life insurance.

Capital cost allowance (CCA). The tax version of depreciation on buildings, equipment and quota. Each year you deduct part of the cost, which lowers the property's remaining tax value.

Capital gain. The amount by which the selling price, or deemed selling price, of land, shares or other capital property exceeds its cost. Half of a capital gain is added to income.

Capital gains reserve. A way to spread the tax on a gain over several years when you are paid over time. Generally up to five years, and up to ten years for qualifying farm property or farm shares sold to a child.

Cash basis. Farmers may report income when the money is received and expenses when they are paid, instead of when they are earned. That is why grain in the bin, unsold livestock and unpaid receivables usually have not been taxed yet.

Chief source of income. The test of whether farming is the centre of your working life and income. If it is not, farm losses usable against other income are capped and the single December 31 instalment does not apply.

Clearance certificate. A certificate from the Canada Revenue Agency confirming that a deceased person's and the estate's taxes have been paid. An executor who distributes the estate without one can become personally liable for tax that is still owing.

Common and preferred shares.

Common shares share in the company's growth. Preferred shares, in a freeze, have a fixed value and do not grow. They can still carry votes.

Crystallize. To trigger a capital gain on purpose, without selling to an outsider, so that some of your lifetime exemption is used now while the property qualifies. It also raises the property's cost base for the future.

Cumulative net investment loss (CNIL).

A running total of your investment expenses, such as interest and rental losses, minus investment income, since 1988. A balance can delay your use of the lifetime exemption.

Deemed disposition. When the tax rules treat property as sold at fair market value even though no sale took place. The most important example happens at death.

Dower rights. Under Alberta's Dower Act, a married spouse's rights in the home the owner lives or has lived in. The spouse must consent to its transfer and, if it is still in the owner's sole name at death, gains a life interest in it.

Enduring power of attorney. A legal document naming someone to manage your money and property if you lose the capacity to do it yourself. A personal directive does the same for health and personal decisions.

Equalization. Ways of treating children who do not take over the farm fairly, such as life insurance, cash, other assets, or payments over time, without breaking up the land.

Estate freeze. A reorganization that fixes the value of your shares at today's value, so that future growth goes to the next generation or a family trust while you keep control and income.

Fair market value (FMV). The highest price that a willing buyer and a willing seller, both informed and neither under pressure, would agree on in an open market.

Family farm corporation. A Canadian corporation whose value comes, all or substantially all, from property used mainly in farming by family members who are actively engaged in it. Its shares can qualify for the rollover and the lifetime exemption.

Family trust. A trust, usually created for family members, that can hold shares or other property. It is often used in a freeze to hold the growth shares.

Final return. The personal tax return for the year of death, also called the terminal return. It reports income up to the date of death and the deemed disposition of property.

General anti-avoidance rule (GAAR). A rule that lets the Canada Revenue Agency deny a tax benefit from transactions that misuse or abuse the tax rules, even if each step is technically allowed.

Graduated rate estate (GRE). An estate that can be taxed at graduated rates, not the top rate, for up to 36 months after death. Only one estate per person can qualify.

Gross revenue test. For land bought after June 17, 1987, the requirement that the land was owned in the family for 24 months and that in at least two years a family member actively farming it had gross revenue from that farm higher than all of their other income. One route to the lifetime exemption.

Holding company. A corporation that owns shares or investments instead of running the farm. It is often used to move surplus cash out of the operating company.

Intergenerational rollover. Rules that let qualifying farmland, depreciable farm property, farm shares and farm partnership interests pass to a child, during life or at death, without immediate tax, at a value chosen within a range.

Intestacy. Dying without a valid will. In Alberta, the Wills and Succession Act then decides who receives the estate.

Lifetime capital gains exemption (LCGE). A lifetime deduction, usable over one or more years, that shelters capital gains on qualified farm property and qualified small business corporation shares. For 2026 it is \$1,275,000 per person, indexed each year.

Minute book. A company's official record book: its articles, bylaws, share register, and the resolutions of its directors and shareholders. It should be brought up to date every year.

Probate. The court process that confirms a will and the executor's authority. In Alberta, the court fee is capped and there is no probate tax.

Purify. To move passive assets, such as surplus cash and investments, out of a farm or business corporation, so that its shares meet the tests for the lifetime exemption.

Qualified farm property. Land, buildings and quota used mainly in a family farming business, shares of a family farm corporation, and interests in a family farm partnership that pass the ownership, use and income tests.

Qualified small business corporation shares. Shares of a Canadian-controlled private company that meet asset and holding period tests, which can qualify for the lifetime exemption.

Quota. A right to produce or market a supply-managed product, such as milk, eggs or poultry. For tax purposes it is treated as depreciable property.

Recapture. When equipment, buildings or quota are sold, or treated as sold, for more than their remaining tax value, the depreciation (CCA) claimed earlier comes back into income and is taxed as ordinary income, not as a capital gain.

Redemption. When a company buys back its own shares, for example the preferred shares from a freeze. The amount above the shares' paid-up capital is generally taxed as a dividend.

Replacement property. Rules that can defer the gain and recapture when property is expropriated or destroyed, or a business property is sold, and a replacement is bought within a set time.

Restricted farm loss. The part of a farm loss that cannot be used against other income when farming is not the chief source of income. It can be carried to other years against farm income.

Rights or things. Amounts a person was owed at death that had not yet been taxed, such as a cash-basis farmer's harvested crops and livestock, unpaid receivables or declared dividends. The executor can report them on a separate return with its own brackets and credits, or pass them to beneficiaries within a time limit.

Section 84.1. A rule that can turn the sale of shares to a related company into a dividend. Since 2024, genuine transfers to a child's company can qualify for capital gains treatment if strict conditions are met.

Section 85 rollover. A tax election that lets you transfer property, such as farm assets, into a corporation for shares at a jointly chosen value, so that tax can be deferred.

Shotgun clause. A clause in a shareholder agreement that lets one owner name a price for another owner's shares. The other must sell at that price or buy the first owner's shares at the same price. It breaks deadlocks but favours whoever can raise cash fastest.

Small business deduction. A lower corporate tax rate on the first \$500,000 a year of active business income of a Canadian-controlled private corporation. Associated companies share one limit.

Spousal rollover. Property left to a spouse or common-law partner, or to a qualifying spousal trust, generally passes at cost with no tax until the survivor dies or sells. The executor can choose to elect out, property by property.

Spousal trust. A trust in which the spouse is entitled to all of the income for life and no one else can receive the capital while the spouse is alive. It qualifies for the spousal rollover.

T4 and T4A slips. Information slips filed with the CRA by the end of February. A T4 reports an employee's pay and deductions; a T4A reports other amounts, such as fees paid to a contractor for services.

Tax on split income (TOSI). Rules that tax certain income paid to family members at the top rate, unless an exclusion applies, such as active work in the business.

21-year rule. Most family trusts are treated as selling their capital property at fair market value every 21 years. The date should be calendared the day the trust is created.

Undepreciated capital cost (UCC). The remaining tax value of depreciable property after the CCA already claimed.

Vested indefeasibly. Owned outright, with no conditions that could take the property away. For the farm rollover at death, the property must vest this way in the child within 36 months.

With you and with your lawyer

TaxOnTax Advisory is a strategy-first tax and estate practice. Legal documents are prepared by your own lawyer, and our work runs alongside theirs, not in place of it.

Discovery Meeting	One focused meeting. A first estimate of your final tax bill from the facts you bring, and which of the twelve events apply to you, in what order.
Gathering the facts	Your intake documents, the cost-base work, and the qualification tests, parcel by parcel.
The model	The two-death model, the minimum tax and OAS effects, and where the cash will come from.
The design	A sequenced plan, the structure decisions, and a fair split for your family.
Family meeting	Facilitated, so your reasoning is heard and recorded while you are here to explain it.
Implementation	Your lawyer drafts wills, share terms and corporate records. We prepare the tax elections and filings. Insurance is placed. Dates are calendared.
Annual review	Figures refreshed, purity tested, liquidity rerun.
Executor advisory	When the day comes.

Tax elections, tax computations, filings and GST compliance are prepared by the practice or referred where the file requires it. Legal instruments are drafted by your lawyer.

YOUR NEXT STEP

Bring your numbers. We will model the bill.

A Discovery Meeting is the simplest place to begin. You bring the basics of what you own and who is in the family. We estimate your final tax bill from your own facts, show which of the twelve events apply to you, and set out what a plan could look like.

There is no obligation to go further, and no promise of any particular result. To book, call 825-977-7999 or email derik@taxontax.com.

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Please see the notice on page 1.

The land may be worth millions. The tax bill should never be a surprise.



Most farm families have never seen what the tax system will do to their land, equipment, grain, livestock and corporation on the day it changes hands. *The Farm Tax Bible* shows you, in plain language, before it happens.

INSIDE

- What the final tax bill really looks like, and why the second death is the main event
- Where the true cost of your land hides, and how the lifetime exemption slips away
- Rollovers, freezes, and the order that makes them work
- Why equal is not fair, and why good plans stall
- The executor year, and ten questions to ask before your next meeting
- Wages for hired help and family, and the yearly paperwork

Ready to see your own numbers?
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