



THE SALE OF HIGHLY APPRECIATED ASSETS

ADVANCED TAX-EFFICIENCY & LEGACY STRATEGIES



There are a variety of techniques to potentially reduce capital gains and help realize tax savings on the sale of highly appreciated assets. Some of the key strategies are covered in this document. Several of them are designed to spread the taxable income into future years in order to take advantage of lower capital gains tax rates, as illustrated.



2026 LONG-TERM CAPITAL GAINS TAX RATES

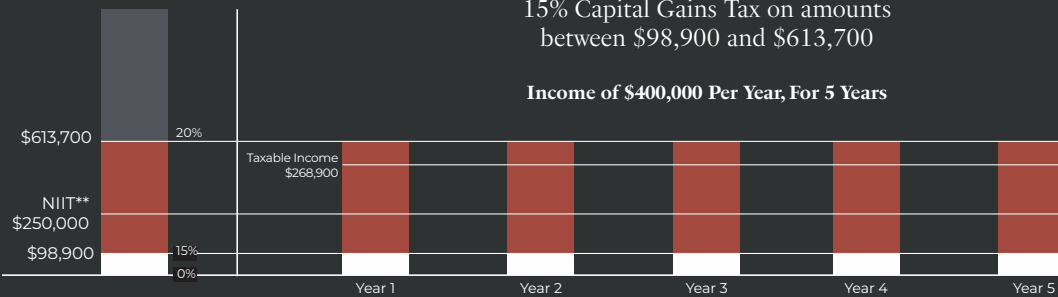
Lump Sum
20% Tax Rate
for amounts above
\$613,700

Married Filing Jointly
Example of a sale generating \$2 million
in income assuming no additional income

Taxable Income* \$1,868,900

Deferring Payments Over 5 Years
15% Capital Gains Tax on amounts
between \$98,900 and \$613,700

Income of \$400,000 Per Year, For 5 Years



Married Filing Jointly
Total Tax = \$414,540

Annual Tax at \$46,035
Total tax at \$230,175
Tax Savings = \$184,365 or 44%

*The taxable income calculation includes the standard deduction of \$32,200 for a married couple under age 65 filing jointly.

**Amounts over \$250,000 would also be subject to the additional 3.8% net investment income tax (NIIT). This is included in the total tax amount shown.

The tax rate thresholds shown here apply to married couples. For singles, the 15% tax rate kicks in for amounts over \$49,450 and the 20% tax rate is for amounts over \$545,500. The NIIT threshold for singles is \$200,000.

This is a hypothetical example provided for illustrative purposes only; it does not represent a real-life scenario, and should not be construed as advice designed to meet the particular needs of an individual's situation.

Garret Watson and Alex Durante. Tax Foundation. Oct. 9, 2025. "2026 Tax Brackets". <https://taxfoundation.org/data/all/federal/2026-tax-brackets/>. Accessed Oct. 14, 2025.

IRS. Sept. 13, 2025. "Questions and Answers on the Net Investment Income Tax." <https://www.irs.gov/newsroom/questions-and-answers-on-the-net-investment-income-tax>. Accessed Oct. 14, 2025.



STRATEGY #1: INSTALLMENT SALES

**For use with these asset types:
business, real estate**

There are two types of installment sales that can help to spread capital gains and other taxes owed over a period of years rather than being realized all at once. They are:

- Direct installment sale
- Structured installment sale

STRATEGY #2: IRC SEC. 1062 FARMLAND SALES

For use with farmland property

Under the new tax law enacted on July 4, 2025, farmers selling qualified farmland to other qualified farmers can defer capital gains taxes through four equal annual installments instead of a lump sum payment.¹

- Pay Capital Gains Taxes in Four Annual Installments
- Sellers Receive Full Proceeds Upfront
- Available Starting Jan. 1, 2026

STRATEGY #3: EXCHANGES

For use with this asset type: real estate

This strategy allows sellers to defer capital gains resulting from a real estate sale by using the proceeds from the sale to purchase another like-kind property for personal, business or investment purposes.

- IRC 1031 Exchange
- IRC 721 Exchange
- DST - Delaware Statutory Trust

STRATEGY #4: CHARITABLE REMAINDER UNITRUST

**For use with these asset types:
securities, business, real estate**

Using this strategy, tax-deferred sale proceeds are used to establish a trust that spreads taxable income to beneficiaries over a specified term, with the assets remaining at the end of the term paying out to qualified charitable organizations.

¹ *Agricultural Law and Taxation by Rober McEowen. Sept. 9, 2025. "New I.R.C. Sec. 1062 - Selling Farmland to a Farmer." <https://mceowenaglawandtax.substack.com/p/new-irc-sec-1062-selling-farmland>. Accessed Nov. 24, 2025.*

STRATEGY #5: QUALIFIED OPPORTUNITY ZONE FUND

For use with these asset types: securities, business, real estate

Investing sale assets in economically distressed regions can result in preferential tax treatment.

STRATEGY #6: IRC SECTION 1202

For use with C corporations.

For founders of C corporations, up to \$15 million (annually inflation-adjusted) or 10 times the taxpayer's basis in the stock may be excluded for income taxation on the sale of qualified small-business stock held for more than five years.²

STRATEGY #7: EMPLOYEE STOCK OWNERSHIP PLAN (ESOP)

For use with this asset type: business

A tax-deferred way to sell a business to employees using a specific type of tax-qualified retirement plan that can use commercial banks to lend money for the purchase, if needed.

STRATEGY #8: TAX DEDUCTIBLE ACCREDITED INVESTMENTS IN OIL, GREEN ENERGY, REAL ESTATE AND EQUITIES

For use with these asset types: business, real estate, securities

These investments may allow up to 90% of the initial investment to be used as a deduction in the year of investment. If used in the year of the sale of another asset, this may offset or reduce the taxes due.³

² Christopher T. Tassone and Javan A. Kline. July 9, 2025. "One Big Beautiful Bill Enhances QSBS Tax Benefits." <https://www.taftlaw.com/news-events/law-bulletins/one-big-beautiful-bill-enhances-qsbs-tax-benefits/>. Accessed Aug. 5, 2025.

³ Daniel Goodwin. Kiplinger. March 26, 2025. "Tax Advantages of Oil and Gas Investments: What You Need to Know." <https://www.kiplinger.com/investing/tax-advantages-of-oil-and-gas-investments-what-to-know>. Accessed Nov. 24, 2025.

IMPORTANT QUESTIONS TO CONSIDER WHEN SELECTING AN APPROPRIATE STRATEGY

Which is the ideal strategy for you? Here are some of the questions to consider as you and your financial professional identify the appropriate option:

- 1. What type of assets will be sold?**
- 2. Are there any outstanding liabilities attached to the asset?**
- 3. How much of the sale represents depreciation recapture, capital gains and cost basis?**
- 4. How much capital is needed in year one, and how much could be deferred into future years?**
- 5. What will be the ongoing annual adjusted gross income (AGI), excluding the income or assets, from this sale?**
- 6. Is there a need to replace the income lost from the sale of the asset? If so, how much income needs to be replaced?**
- 7. If the asset is a business, how is the entity taxed (e.g., C corp, S corp. etc.)?**





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