



## **The Conservation Tax Incentive**

In 2015 Congress enacted legislation that enhances the tax benefits of protecting your land by donating a voluntary conservation agreement. If you own land with important natural or historic resources, donating a voluntary conservation agreement can be one of the smartest ways to conserve the land you love, while maintaining your private property rights and possibly realizing significant federal tax benefits.

These incentives make it easier for average Americans, including working family farmers and ranchers, to donate the development rights on their land. The incentives benefit donors by:

- Raising the maximum deduction a landowner can take for donating a voluntary conservation agreement to 50% of your adjusted gross income (AGI);
- Allows you to deduct up to 100% of your AGI if you qualify as a farmer or rancher;
- Increases the number of years over which you can take deductions from 5 years to 15 years. These benefits are available for outright donations of conservation easements, or for “bargain sales” of easements for less than full appraised value.

If you are considering the donation of a conservation easement, talking with a tax professional would be an important step.

What do you need to know to enter into a voluntary conservation agreement? Here are the facts:

- A voluntary conservation agreement, also known as a conservation easement, is a legal agreement between a landowner and a nonprofit land trust, like the Compatible Lands Foundation (CLF) or government agency that permanently limits uses of the land in order to protect important conservation values. It allows you to continue to own and use your land and to sell it or pass it on to heirs.
- When you enter into a voluntary conservation agreement with a land trust, you give up some of the rights associated with the land. For example, you might give up the right to subdivide your land or build additional houses, while retaining the full right to grow crops. Future owners also will be bound by the agreement’s terms. The land trust is responsible for making sure the terms of the agreement are followed.
- Voluntary conservation easements vary widely. In most cases, easements protect natural resources such as farm or timber lands while allowing continued compatible land uses such as farming, ranching, appropriate timber harvesting, and passive recreational uses. The construction of residential or commercial structures, surface mining, and other activities that damage a property’s natural values are generally not permitted.

- A conservation donation requires both a willing landowner and a qualified conservation organization to accept the donation. That organization needs to be able to show that the donation fits its particular charitable mission. A land trust will not accept a donation that does not fit its mission and purposes.
- A voluntary conservation agreement can help a landowner pass land on intact to the next generation. By limiting the land's development potential, the agreement lowers its market value, which in turn lowers estate tax. Your family may also be eligible for an additional estate tax exclusion. Whether the agreement is donated during life or by will, it can make a critical difference in the heirs' ability to keep the land intact. Again, talking with a tax professional if you are considering this is important.
- If a conservation agreement benefits the public by permanently protecting important conservation resources and meets other federal tax code requirements, it can qualify as a tax-deductible charitable contribution. The amount of the donation is the difference between the land's appraised value with the agreement and its value without the agreement.
- To qualify as a charitable donation, a conservation agreement must be permanent and meet other specific requirements discussed at: [www.lta.org/incentive-faqs](http://www.lta.org/incentive-faqs). A landowner should get professional financial planning and legal advice before making such a major donation.
- “Bargain sales” may also qualify for these tax benefits. Bargain sales occur when an easement is purchased at a price below full appraised value. The difference between appraised value and the reduced sales price is generally tax deductible.

To learn more about protecting your land with a voluntary conservation agreement, please contact Robert Gregory of the Compatible Lands Foundation at (918) 289-9228 or at [rgregory@compatiblelands.org](mailto:rgregory@compatiblelands.org)

The Compatible Lands Foundation is a nonprofit land conservation organization whose mission is to promote and create compatible land uses through land conservation activities and projects which improve the quality of life. For more information about CLF, please visit our website [compatiblelands.org](http://compatiblelands.org).