

Renewed incentives for land conservation

Conservation Solutions

The Upper Valley Land Trust helps people conserve land.

We provide conservation leadership, tools and expertise to permanently protect working farms, forested ridges, wildlife habitat, water resources, trail and scenic landscapes.

Our conservation transactions include donated conservation agreements and purchases, land received through bequests or bought with local conservation funds. We conserve heritage parcels that will pass through a family for generations, and we conserve property that are for sale right now - all through voluntary efforts of landowners and communities.

Our primary conservation tool is a conservation easement deed, a powerful, permanent legal agreement that specifies how a property can be used and developed, no matter who owns the land in the future. The conserved land usually remains in private ownership, used for farming and forestry, or as open space and natural areas. In this way, our conservation work sustains the patterns of stewardship that have created the Valley's rural landscape.

For each parcel we protect, we are committed forever to uphold the conservation values entrusted to us. To ensure that we can fulfill this obligation, UVLT maintains an active monitoring program backed by a dedicated endowment fund.



To learn more, visit: www.UVLT.org
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ONCE AGAIN, FOR A SHORT TIME, YOU CAN TAKE ADVANTAGE OF FEDERAL TAX INCENTIVES TO CONSERVE YOUR LAND
Conserving land is a major financial decision. To recognize the generosity of landowners who donate easements and to encourage voluntary land conservation, Congress has passed laws allowing gifts of conservation easements to be treated as charitable contributions for federal income tax purposes. A recent extension of the enhanced easement incentive makes it more likely that moderate income landowners will be able to deduct the full value of their conservation easement gifts.

This incentive is now **effective until December 31, 2011.**
(A previous provision had expired in December 2009.)

Family farmers, ranchers, foresters, and moderate-income landowners now have an opportunity to obtain fair recognition of their charitable donation.



Upper Valley Land Trust

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INCREASED INCENTIVES

The legislation increases the tax incentive for conservation easements by allowing conservation easement donors to:

- Deduct up to 50% of their adjusted gross income in any year (up from 30%);
- Deduct up to 100% of their adjusted gross income if the majority of that income came from farming, ranching or forestry (e.g., *pay no federal income tax*); and
- Continue to take deductions for as long as 16 years (up from 6 years).

WHO QUALIFIES AS A FARMER, RANCHER, OR TREE FARMER?

The new law defines a farmer or rancher as someone who receives more than 50% of their income from “the trade or business of farming.” The law references an estate tax provision (Internal Revenue Code (IRC) 2032A(e)(5)) to define activities that count as farming. Specifically, those activities include:

- cultivating the soil or raising or harvesting any agricultural or horticultural commodity (including the raising, shearing, feeding, caring for, training, and management of animals) on a farm;
- handling, drying, packing, grading, or storing on a farm any agricultural or horticultural commodity in its unmanufactured state, but only if the owner, tenant, or operator of the farm regularly produces more than one-half of the commodity so treated; and
- the planting, cultivating, caring for, or cutting of trees, or the preparation (other than milling) of trees for market.

WHAT ABOUT DEDUCTIONS FOR BARGAIN SALES OR GIFTS OF LAND?

The tax provision also applies to bargain sales of conservation easements that qualify under Internal Revenue Code (IRC) 170(h). The new law does not apply to donations of land in fee; yet, other incentives in place do apply to a donation of land to UVLT.

HOW DOES IT WORK? *

The [Land Trust Alliance \(www.lta.org\)](http://www.lta.org) provides the following hypothetical example:

Mr. Brown owns 80 acres of land with significant conservation value that he wants to protect forever. Mr. Brown's annual taxable income is \$100,000. He wants to donate his property's development rights to a land trust through a conservation easement. The donation is valued at \$700,000.

| Under the Old Law | Under the New Law |
|--|--|
| Mr. Brown is allowed to deduct only 30% of his taxable income and only has 6 years total to use up the deduction: | Mr. Brown is allowed to deduct 50% of his taxable income and has up to 16 years to use up the deduction: |
| Total value of the gift = \$700,000 Mr. Brown's annual tax deduction = \$30,000 (30% of his \$100,000 taxable income) | Total value of gift = \$700,000 Mr. Brown's annual tax deduction = \$50,000 (50% of his \$100,000 taxable income) |
| Eligible time period = 6 years (year of the gift + 5-year carry-forward) | Eligible time period = 16 years (year of the gift + 15-year carry-forward) |
| Tax deduction claimed = \$180,000 (\$30,000/year x 6 years). | Tax deduction claimed = \$700,000 (\$50,000/year through first 14 years). |
| Allowable Tax deduction lost = \$520,000 (\$700,000 value - \$180,000 deduction) | Allowable Tax deduction lost = \$0 (\$700,000 value - \$700,000 deduction) |

* *Landowners considering conservation easement donations should obtain independent legal and financial advice from qualified professionals. The tax law includes strict appraisal standards for such gifts and strong penalties for appraisers who violate the standards.*