



TAX ADVISORY:

FEDERAL LAW GIVES TAX BREAK FOR CONSERVATION EASEMENT DONATIONS

If you donate part or all of the value of land or convey a conservation easement to North Central Conservancy Trust, Inc., your contribution is tax deductible to the full extent of the law, in that the Conservancy is a 501(c)(3) nonprofit corporation.

Tax Code Requirements. If you intend to claim a federal or state income tax deduction, or state tax credit for a land or conservation easement donation or partial donation, please be advised that the project must meet the requirements of Internal Revenue Code (IRC) §170 and the accompanying Treasury Department regulations and/or any other federal or state requirements.

Appraisals. Please be aware of IRC appraisal requirements for a qualified appraisal prepared by a qualified appraiser for gifts of property or conservation easements valued at more than \$5,000, including requirements as to the timing of the appraisal. You, as the donor, are responsible for any determination of the value of the donation; you should use a qualified appraiser who follows Uniform Standards of Professional Appraisal Practice. Please note that NCCT will request a copy of the completed appraisal and that the Conservancy will not knowingly participate in projects where it has significant concerns about the tax deduction.

No Assurances on Deductibility or Tax Benefits. North Central Conservancy Trust does not make assurances as to whether a particular land or easement donation will be deductible, what monetary value of the gift the Internal Revenue Service (IRS) and/or state will accept, what the resulting tax benefits of the deduction will be, or whether the donor's appraisal is accurate.

Conservancy Responsibilities – North Central Conservancy Trust will sign Form 8283 only if the information in Section B, Part 1, “Information on Donated Property,” and Part 3, “Declaration of Appraiser,” is complete. If the Conservancy believes no gift has been made or the property has not been accurately described, it will refuse to sign the form. If the land trust has significant reservations about the value of the gift, particularly as it may impact the credibility of the Conservancy, it may seek additional substantiation of value or may disclose its reservations to the donor.

Landowner Steps (proceed in this order only):

1. Secure an appraisal that complies with the Uniform Standards of Professional Appraisal Practice (USPAP) from a “qualified appraiser” as defined by IRS. The appraisal must be made not earlier than 60 days before the date you contribute the property.
2. Have your tax preparer complete IRS Form 8283.
3. Have the appraiser complete and sign *Part III Declaration of Appraiser* on Form 8283.
4. Provide the completed Form 8283 to NCCT to complete *Part IV Donee Acknowledgement*
5. The Conservancy will then send the signed form back to you or your accountant to submit with your taxes.

Disclaimer: The information above is general in nature and should not be treated as legal, accounting or tax advice. Always seek an opinion from your own legal and financial advisors about the specifics of your situation before making any decisions about donating part or all of the value of land or development rights to a land trust if you intend to seek a tax deduction or tax savings of any kind.

Tax Incentive Fact Sheet

Tax Break for Voluntary Conservation Easements

Federal law includes tax benefits for protecting your land by donating a voluntary conservation easement. If you own land with important natural wildlife habitat, or working land, donating a voluntary conservation easement can be one of the smartest ways to conserve the land you love and protect America's natural heritage, while maintaining your private property rights and possibly realizing significant federal tax benefits.

The legislation allows the following:

- A conservation easement donor can deduct up to 50% of their adjusted gross income in any year;
- Qualifying farmers and ranchers can deduct up to 100% of their adjusted gross income; and
- Donors can carry over deductions for their contribution for as many as 15 years.

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

- A voluntary conservation easement is a legal agreement between a landowner and a nonprofit land trust (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 easement with a land trust, you decide what can and cannot be done with the land now and in the future. For example, you might restrict anyone from subdividing or building additional houses on your land, while retaining the full right to grow crops. Future owners also will be bound by the easement's terms. The land trust is responsible for making sure the terms of the easement are followed.
- Voluntary conservation easements vary widely. Some easements will protect rare wildlife habitat and prohibit any development. Other conservation easements might allow continued farming and the construction of additional agricultural structures. Conservation easements may apply only to a portion of a property. Public access is another variable; with some easements allowing for public access (often when government funding is involved) and some easements that keep the land completely private.
- A conservation easement donation requires both a willing donor and a qualified conservation organization to accept the donation. That organization needs to be able to show that the donation closely fits its particular charitable mission. A land trust will not accept a donation that does not fit its mission and purposes.
- A voluntary conservation easement can help a landowner pass land on intact to the next generation. By limiting the land's development potential, the easement lowers its market

value, which in turn lowers estate tax. Whether the easement is donated during life or by will, it can make a critical difference in the heirs' ability to keep the land intact.

- If a conservation easement benefits the public by permanently protecting important conservation resources and meets other federal tax code requirements, it can qualify as a tax-deductible charitable donation. The amount of the donation is the difference between the land's value with the easement and its value without the easement.
- The value of the easement and donation must be calculated by a qualified professional appraiser.
- To qualify as a charitable donation, a conservation easement must be permanent. A landowner should get professional financial planning and legal advice before making a major donation.

Learn More:

To learn more about protecting your land with a voluntary conservation easement, contact:

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Or visit our website: www.NCCTWI.org

Please Note:

The information contained in this Fact Sheet is provided by the Land Trust Alliance. This Fact Sheet does not constitute legal, accounting, or tax advice. Please consult your tax preparer as to how these new tax rules may apply to your specific circumstances.