

Sunsetting Tax Incentives for Conservation Easement Donations

If you are considering conservation of your land, now is the time to act.

With the enactment of the Pension Protection Act and an extension of those benefits, there are new federal tax incentives to promote donations of conservation easements by private landowners, adding to powerful tax incentives in North Carolina. This legislation contains a provision that enhances benefits for those who want to permanently protect their land. These incentives sunset in December 2009.

The New Law:

- Raises the charitable deduction a donor can take from 30% of his or her adjusted gross income (AGI) in any year to 50%;
- Allows a qualifying farmer to annually deduct up to 100% of his or her adjusted gross income; and
- Increases the time period over which a donor can take those deductions from 6 years to 16 years.

This new law ensures that most conservation easement donors will realize more tax-savings (in total). Conservation organizations are working with the federal government to make this change permanent, but as it stands it will expire at the end of 2009.

FOR EXAMPLE:

Under the previous rules, a landowner with an AGI of \$50,000 a year who donated a \$400,000 conservation easement could take a \$15,000 deduction in the year of the donation and \$15,000 per year for the next five years. The total deduction would be \$90,000.

The new rules allow that landowner to deduct \$25,000 in the year of the donation and then \$25,000 per year for an additional 15 years. In this case, the total deduction would be about \$400,000, the total value of the conservation easement.

Frequently Asked Questions

1. Why should I consider a conservation easement donation?

- A conservation easement protects your land from development for all future generations. The land continues to be privately owned but it carries with it protective restrictions that are forever upheld by Catawba Lands Conservancy. The easement protects the conservation values of your land such as the agricultural or forestry resources, rare plants or wildlife habitat, the scenic value and general open space.
- Easements can reduce income and estate taxes. A conservation easement gift is considered a charitable donation and may provide an income tax deduction. In restricting the overall value of the land through a conservation easement, you may also reduce the total value of your estate.

“The piece of family property I have protected under a conservation easement gives me assurance that the financial and natural benefits will be significant now and in the future. Land conservation is the only permanent thing I have done in my life—it’s a real legacy.”

*Frank Bragg, Landowner
220 acres conserved*

- Easements are flexible and easily tailored to a family’s needs.
- Easements are permanent. A conservation easement is forever upheld by the Conservancy whose goal is to protect the easement.

2. What are Catawba Land Conservancy’s requirements in accepting conservation easement donations?

Conservation easements that the Conservancy accepts are on forestland, recreational land, farmland, natural habitat, and open land with substantial scenic or community value.

Occasionally Catawba Lands Conservancy accepts easements on lands with primarily historic value. The Conservancy's decision to accept a conservation easement may also depend on the location and size of the parcel.

3. How does a conservation easement impact property taxes?

A conservation easement generally reduces the value of property because it removes some of the rights, such as the right to develop land. If the land is enrolled in the state's Present Use Value Program, the land will still be assessed at a "use value" that represents only the income-producing potential for agriculture or forestry. This use value is usually lower than the conserved value, so landowners would simply continue to pay taxes based on the use value.

"We've always known we wanted to protect our land. This gives us the opportunity to continue to use it the way people have for centuries and preserve it for our children and grandchildren."

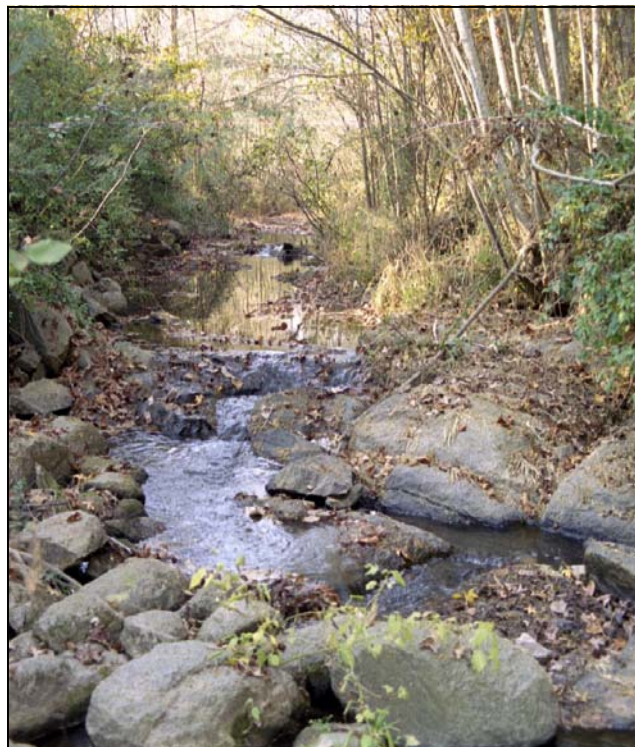
*Charles Edwards, Landowner
1,200 acres conserved*

If an easement is placed on land that is not enrolled in Present Use, it is likely that the listed value of the property will be reduced.

4. How do I donate a conservation easement to Catawba Lands Conservancy?

Catawba Lands Conservancy can provide a wide range of information about conservation easements, other conservation options, and the effects of conservation easements on taxes. Interested landowners should call the Conservancy so that we can assist you and your family with the various options that can meet all of your objectives. Information can also be found on our website at www.catawbalands.org.

We recommend that you engage a lawyer or financial advisor to assist with this decision. In addition, the IRS requires a qualified appraiser to prepare the appraisal for income tax purposes that meets certain regulatory standards.



NORTH CAROLINA CONSERVATION CREDIT

25% of the value of the donation up to \$250,000 for individuals, \$500,000 for corporations

- Deductible to extent of tax liability
- May be carried forward up to 5 years
- Non-transferable
- Must qualify for federal deduction and apply to NC DENR

To learn more or to begin the process of donating a conservation easement, please call Catawba Lands Conservancy. A local representative will meet with you directly to discuss your interest.

Catawba Lands Conservancy
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