

A Guide for North Carolina Landowners

Sunsetting Tax Incentives for Conservation Easement Donations

Heightened Federal Deduction:

Congress renewed the heightened charitable deduction

- 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 to 16 years.

Conservation organizations are working with the federal government to make this change permanent, but as it stands it will expire at the end of 2011.

North Carolina Tax Credit:

The donor applies for a tax credit in the amount of 25% of the value of the donation up to \$250,000 for individuals, \$500,000 for corporations

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

FOR EXAMPLE:

The landowner with an AGI of \$50,000 a year who donated a \$400,000 conservation easement could take...

Federal-current heightened

A federal income tax deduction of \$25,000 in the year of the donation and \$25,000 per year for the next fifteen years. The total deduction would be \$400,000.

Federal-previous rule

A federal income tax deduction of \$15,000 in the year of the donation and \$15,000 per year for the next five years. The total deduction would be \$90,000

North Carolina

A state tax credit of \$100,000 for an individual and the state taxable income is reduced per the federal deduction to \$70,000.

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.



"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 & preserve it for our children & grandchildren."

*Charles Edwards, Landowner
1,200 acres conserved*

- 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.
- 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 land according to 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.

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.

"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*

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 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.

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.

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