

Tax Benefits of Conservation

Agricultural Stewardship Association



For a landowner, selling or donating a conservation easement is a way to protect a treasured place and ensure the land is never developed.

It's also a decision with major financial implications. When landowners sell or donate a conservation easement, they give up the right to future development, which may be worth a significant amount. The easement value is always determined by a qualified appraiser. Available tax incentives can offset some of that loss in property value, creating an added incentive for conservation.



SALE OF A CONSERVATION EASEMENT

When landowners sell their property's development rights, they gain a source of capital to meet any number of needs. The proceeds from the sale of a property's development rights are subject to federal and state capital gains taxes. Some landowners may benefit from a bargain sale (combination of sale and donation) to reduce their capital gains exposure.

Bargain Sales

In a bargain sale, a landowner decides to sell an easement at less than its appraised value. In other words, you are selling a portion of the easement value and donating the rest. Each bargain sale is

unique to the landowner – there is no set percentage of what portion of the easement value needs to be donated. ASA can work with each landowner to make sure it is the right fit for them.

By donating a portion of the easement value through bargain sale, a landowner may claim a federal tax deduction for the donated portion of the easement value. To benefit from the tax deduction, an appraisal will be needed showing the donation value. Landowners are responsible for the cost of this appraisal. Landowners should consult with a tax advisor.

EXAMPLE 1

Appraised easement value = **\$400,000**
Sale price of easement = **\$350,000**
Donated value of easement = **\$50,000 + eligible for tax deduction**

EXAMPLE 2

Appraised easement value = **\$400,000**
Sale price of easement = **\$200,000**
Donated value of easement = **\$200,000 + eligible for tax deduction**



ASA@AGSTEWARDSHIP.ORG | 518.692.7285 | AGSTEWARDSHIP.ORG
2531 STATE ROUTE 40, GREENWICH, NEW YORK 12834



Tax Benefits of Conservation

Agricultural Stewardship Association



DONATION OF A CONSERVATION EASEMENT

When a landowner chooses to donate a conservation easement on their land, they may qualify for a charitable tax deduction on their federal income tax return.

As with a bargain sale, an appraisal is needed to benefit from these tax deductions. An independent appraisal determines the value of a conservation easement (and the charitable deduction). Appraisers look at the value of the land before and after conservation. The difference between the two numbers is the potential deduction.

There are many potential tax benefits to donating a conservation easement. Donating an easement may offset capital gains tax and some costs of donating an easement may qualify for tax deductions. Because federal and state tax laws change frequently, landowners considering a donation or bargain sale of an easement should consult with a tax advisor regarding current applicable federal and state conservation tax provisions.

EXAMPLE 3

Appraised easement value = **\$200,000**

Donated value of easement = **\$200,000 (full appraised value), eligible for tax deduction**



ENHANCED FEDERAL TAX INCENTIVE FOR CONSERVATION EASEMENTS

If a conservation easement is donated to a land trust, and it benefits the public by permanently protecting important conservation resources, it can qualify as a charitable tax deduction on the donor's federal income tax return.

First enacted temporarily in 2006, this enhanced tax deduction for conservation easements was made permanent in 2015. It allows non-farming landowners to claim a deduction of up to 50 percent of their adjusted gross income in any given year and to carry-forward those deductions over a period of 15 additional years, not to exceed the maximum deduction amount.

For qualified farmers—the annual deduction is significantly larger. Farmers may deduct the value of their easement up to 100 percent of their adjusted gross income in any given year for a total of 16 years. The IRS defines a qualified farmer as someone who receives more than 50 percent of gross income from “the trade or business of farming” for the taxable year.



ASA@AGSTEWARDSHIP.ORG | 518.692.7285 | AGSTEWARDSHIP.ORG
2531 STATE ROUTE 40, GREENWICH, NEW YORK 12834



Tax Benefits of Conservation

Agricultural Stewardship Association



NEW YORK STATE CONSERVATION EASEMENT TAX CREDIT

New York State offers a refundable tax credit every year in an amount equivalent to 25 percent of the property taxes (town, county and school) paid on land only under a conservation easement. The taxes paid on structures and improvements are not eligible for the tax credit. The maximum annual Conservation Easement Tax Credit (CETC) available is \$5,000. The property tax credit rides with the land and doesn't have an "expiration date", so future landowners of the property will be able to claim the credit.

In order to take advantage of the credit, an existing easement must be registered with the Department of Environmental Conservation (DEC), which ASA helps to coordinate. The date that the easement was established does not matter for eligibility. If you have an easement on your land and want to take advantage of the CETC, please contact ASA for help.



SEEK PROFESSIONAL TAX ADVICE

ASA cannot provide legal or tax advice related to conservation easement projects. Tax laws are constantly changing, and every landowner's tax situation is unique and individual. ASA strongly recommends that landowners interested in conserving their land seek professional tax advice.



For more information
on information on tax
benefits of conservation
easements, contact:

Agricultural Stewardship Association



518.692.7285



asa@agstewardship.org



www.agstewardship.org



See our website
for more
information

asa@agstewardship.org



ASA@AGSTEWARDSHIP.ORG | 518.692.7285 | AGSTEWARDSHIP.ORG
2531 STATE ROUTE 40, GREENWICH, NEW YORK 12834

