

TAX INFORMATION
FOR DONATIONS OR PARTIAL DONATIONS OF CONSERVATION EASEMENTS

As of January 2016

Conservation tax laws and programs are subject to change at any time. For the most up-to-date information, consult your personal tax advisor.

Federal Income Tax

If a landowner donates a permanent conservation easement on his or her land, the donor may claim a federal income tax deduction for the fair market value of the conservation easement as determined by a licensed appraiser. This deduction can also be claimed for a charitable sale, or “bargain sale,” in which the easement is sold for less than market value.

The existing incentives, which Congress made permanent in December 2015, include:

- Landowners can claim a deduction of up to 50 percent of their adjusted gross income in any year;
- Qualifying farmers and ranchers can deduct up to 100 percent of their adjusted gross income in any year; and
- Landowners can take those deductions the year of the gift and carry them forward for up to 15 years (or until the value of the deduction is exhausted).

For example, a landowner who donates a permanent conservation easement valued at \$1 million and who has an annual adjusted gross income of \$100,000 may deduct 50 percent of \$100,000 (\$50,000) in each of years 1-15 for a total of \$750,000 in deductions. The remaining \$250,000 may not be carried over or used after year 15.

The conservation easement donation must meet the requirements of Section 170(h) of the IRS tax code, and every deduction must be based on a thorough, honest, realistic and independent appraisal prepared by a qualified and licensed appraiser. The appraiser, landowner and land trust accepting the easement all sign IRS form 8283.

Federal Estate Tax

Conservation easements can be ideal for landowners who want to protect their land permanently while reducing its taxable value by giving up certain development rights. This may help prevent the breakup of family farms or estates necessitated by otherwise heavy estate tax liability.

When a landowner places a conservation easement on his or her land, the “highest and best use” of the land is restricted by the terms of the conservation easement and estate taxes are assessed according to that measure at the owner’s death.

A landowner may also provide for a conservation easement to be donated to a land trust in his or her will. If the land trust accepts, then the donor’s estate may claim a charitable deduction for the value of the conservation easement.

State Income Tax

The appraised value of the donated component of the easement may be deducted like any other charitable deduction from your state income tax, similar to other allowable federal and state charitable contributions. Although North Carolina established an income tax *credit* for donated conservation easements and conservation

lands in 1983, the General Assembly repealed it effective January 1, 2014, so landowners may no longer claim this state income tax credit. During its existence, the NC Conservation Tax Credit helped conserve approximately 250,000 acres of natural areas and farms throughout the state. Land trusts will urge the state legislature to reinstate this successful program, which provided tremendous public benefits (protection of clean air and water, wildlife habitat, working farms, and scenic vistas) and incredible value to all North Carolinians.

County Property Tax

When a landowner places a conservation easement on his or her land, the taxable value of the land is reduced by the terms of the conservation easement. Reduced taxable value as assessed by the county equates to lower annual property taxes. Valuation of conserved property varies from county to county, so the amount of reduction in assessed value is difficult to determine until it is reassessed by the county. Landowners will need to complete an application for reduction in assessed value due to the easement. In addition, if the land is enrolled in the Present Use Value (PUV) program for agricultural, forestry, wildlife or horticultural land at the time the easement is placed on the land, the property can continue in PUV regardless of whether the production or management requirements of the program are met, as long as at least 25 percent of the appraised value of the easement is donated.

Thank you for considering conservation as an option for the future of your property. Please note that a land trust cannot guarantee approval of any application for county, state or federal tax benefits associated with a conservation easement donation. Furthermore, land trusts cannot provide legal or financial advice. We encourage you to consult with an attorney or financial planner for details specific to your situation.

North Carolina
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Saving the Places You Love