

Conservation Tools

You Can Make A Difference!



What is a Land Trust?

A land trust is a private, nonprofit organization that actively works to conserve land by undertaking or assisting with direct land transactions – primarily the purchase or acceptance of donations of land or conservation easements. Land trusts vary greatly in scope and scale, but all of them share the common mission of working cooperatively with landowners to protect and conserve land for its natural, recreational, scenic, historic, or productive value.

Some land trusts focus on distinct areas, such as a single town, county or region, and support grassroots efforts to conserve lands important to local communities. Others operate throughout an entire state or even several states. As thousands of acres of open space are lost to development annually, the public is turning more and more frequently to land trusts, which are filling a national need to protect and steward open lands in perpetuity. Land trusts are also sometimes called conservancies, foundations and associations. The country's first land trusts were established in Massachusetts during the 1850s for the purpose of protecting small parcels of land for public use. They were often known as "village improvement

societies." One hundred years later in 1950, there were 53 land trusts operating in 26 states. Since that time, the increase in numbers of land trusts and the acres they have protected has been dramatic.

Today, there are more than 1,500 local and regional land trusts across the nation protecting more than nine million acres of farmland, wetlands, ranches, forests, watersheds, river corridors, and other land types, as well as several national land trusts that have protected millions more acres. There are also a growing number of land trusts outside the U.S. in countries such as Canada, Costa Rica and Australia. The Edward L. Rose Conservancy is one of only 207 land trusts accredited by the Land Trust Alliance.

If you would like to discuss options for protecting your property, please contact the Edward L. Rose Conservancy at **570-278-9500**. We recognize that each property is unique as are the needs of the landowners. We would be happy to come visit your property and offer our assistance. We work with all types of landscapes and all kinds of land uses.

What Conservation Tools Do Land Trusts Use?

Land trusts use a variety of tools to help landowners protect their land. The most commonly used protection methods are purchasing or accepting donations of conservation easements and land.

Conservation Easements

A conservation easement is a voluntary legal agreement between a landowner and a land trust (or government entity) that permanently restricts certain aspects of development to protect the conservation values of the property. Landowners may either donate or sell a conservation easement. When a landowner places a conservation easement on his/her land, he/she maintains ownership and use of the property and can sell it or pass it on to heirs. The land is subject to certain restrictions agreed upon by the landowner and the land trust. For example, a landowner might agree to limit development on his/her property to one residence.

Future landowners are bound by these restrictions as well, and the land trust is responsible for upholding the terms of the easement.

Benefits of Conservation Easements

In addition to the satisfaction landowners get from knowing their land is protected in perpetuity, there are also three potential tax advantages to granting an easement: an income tax deduction; an estate tax benefit; and, possibly, a reduction in property taxes. An easement donation that meets certain federal tax code regulations – that is, one that is perpetual, is given to a qualified conservation organization and is given “exclusively for conservation purposes” can qualify as a tax-deductible charitable gift. (See Internal Revenue Code Section 170(h)(1)). By removing or decreasing a property's development potential, a conservation easement may also result in the reduction of property taxes in some states and estate tax benefits for the landowner and his or her heirs. (Landowners should consult a tax attorney for more information on the potential tax benefits.)

In order for a landowner to take a tax deduction, an appraiser must value the property at its full development potential. Then, the property is appraised at the value with the easement restrictions in place. The difference between those two numbers is the value of the easement. That easement value is the value of the charitable donation and in most cases can be taken as a tax deduction. We'll see some examples coming up.

Land Donations

Land can be given to a land trust as an outright donation, or it can be donated to a land trust in a number of other ways, such as through a remainder interest or a bequest. Most land is donated to land trusts for its important conservation values and is protected in perpetuity; however, commercial and residential property can also be donated to a land trust with the understanding that it will be sold to support the organization's conservation work.

Outright Donation

A donation of land to a land trust can be an effective conservation strategy for one who does not wish to pass land on to heirs; no longer uses the land they own; wishes to reduce estate tax burdens; or are no longer willing or able to manage and care for the land. By donating land to a land trust, an owner may realize substantial income and estate tax benefits while avoiding capital gains taxes that may have resulted from the sale of the property.

Remainder Interest

A gift of a remainder interest (also known as a reserved life estate) is granted when a landowner donates land to a trust during his/her lifetime, but reserves the right for him/herself, and any other named party, to continue to live on the land until their death(s) or voluntary release of the interest. Donors of remainder interests may be eligible for income tax deductions.

Land Donation by Will or by Devise

A landowner can continue to own and manage his or her land during his or her lifetime, but still ensure its ultimate protection after death by donating land to a land trust through his or her will. This is called a gift by devise. If a landowner is interested in donating an easement or land through his or her will, he or she should discuss his or her plans with the recipient organization to ensure that the organization is willing and able to accept the gift.

Land Sales

A landowner may want to protect his or her land permanently but be unable or unwilling to relinquish that land without receiving financial compensation. In this case, the landowner may choose to sell his or her land to a land trust. The property may be sold at fair market value or at a price below fair market value, which is referred to as a bargain sale. These are some of the more common conservation tools used by land trusts. There are many other strategies employed, as well.

Source: Land Trust Alliance

How might an easement work?

Sam and Sally Smith

Sam and Sally are 2nd generation dairy farmers with two children. They have 200 acres with one house and several barns. One of their kids wants to take over the farm eventually. The other does not. Sam & Sally have an annual income of \$50,000. They decide to donate a conservation easement on their property. They reserve the right to build one additional house (for the child who wants to continue farming) and the right to build agricultural structures as needed. Other than that, the farm cannot be developed.



The Value of the Easement:

~ pre-easement appraised value:	\$2,000,000
~ the appraised value w. easement:	<u>\$1,500,000</u>
~ Easement economic value:	\$ 500,000

To take the easement value as a tax deduction:

~ Land owner adjusted gross income (from tax return):	\$50,000
~ Amount the Land Owner can deduct the year of the easement: (50% of AGI)	\$25,000
~ Amount the Land Owner can deduct each of the next 15 years:	<u>\$25,000</u>
~ Total deductions (16 x \$25,000) =	\$400,000

What happens next?

Sam & Sally hired an appraiser who determined that the property was worth \$2M at its full development potential. He then took the development restrictions of the easement into account and determined that the property would be worth \$1.5M. So, the value of the development rights they gave up (and therefore the value of the easement) is \$500K. That is the amount that Sam & Sally can take as a tax deduction. There are yearly limits but landowners currently have 16 years to take the deductions. The concept is illustrated to the left.

Jack & Jenny Jones

Jack & Jenny own 50 acres of land with no structures on it. They and their four children use the property for recreational purposes. They decide they want to protect it with a conservation easement. They want to reserve the right to build one large cabin for a family retreat center and some storage structures to store their outdoor gear. Other than that, they want to keep it natural.

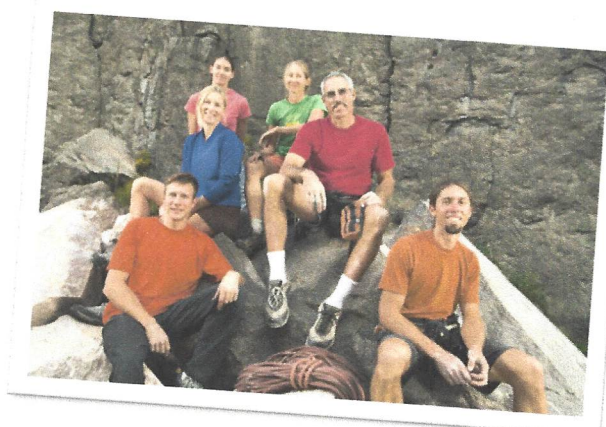
The Value of the Easement:

~ pre-easement appraised value:	\$ 425,000
~ the appraised value w. easement:	<u>\$ 375,000</u>
~ Easement economic value:	\$ 50,000

To take the easement value as a tax deduction:

~ Land owner adjusted gross income (from tax return):	\$75,000
~ Amount the Land Owner can deduct the year of the easement: (50% of AGI)	\$37,500
~ Amount the Land Owner can deduct each of the following year:	<u>\$12,500</u>
~ Total deductions =	\$ 50,000

Jack & Jenny can deduct the full value of their donated easement within 2 years.



How do the numbers work?

The appraiser determines that their property is worth \$425K with its full development potential. He then factors in the conservation easement restrictions and determines that the restricted property would be worth \$375K. That makes the value of the easement \$50K. That is the amount that Jack & Jenny can take as a tax deduction. Their adjusted gross income (from their tax returns) is \$75K per year. Let's see how this plays out in the box to the left. (These are examples rather than real cases.)

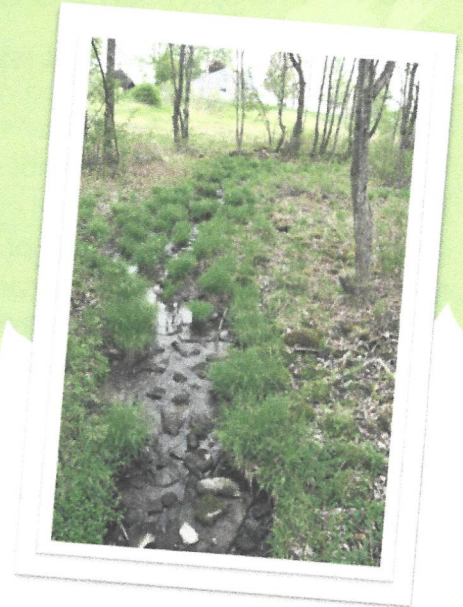
Come find out what you can do to
protect your land and benefit your wallet!

*The Edward L. Rose Conservancy is here to help you
protect your land for yourself and future generations.
There can be significant tax benefits involved. Come talk
to us about your property and your land protection goals.*



Contact us today!!!
570-278-9500

or visit our website:
www.elrose.org



The Edward L. Rose Conservancy

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