

Tax incentives for conservation

If you donate a conservation easement that meets federal tax code requirements, the value of the conservation easement may be treated as a charitable gift and deducted from your income tax to the extent your particular tax situation allows. We recommend that you seek qualified legal and financial advice before donating land or interest in land to Little Forks.

Federal Law Increases Tax Benefits

The enhanced federal tax incentive for donating conservation easements, which has been offered on and off since 2006, has been made permanent!

The permanent incentive raises the maximum deduction a donor can take for donating a conservation easement to 50% of their adjusted gross income in any year. Qualified farmers and ranchers may deduct up to 100% of their adjusted gross income. It also increases the number of years over which a donor can take deductions from 6 years to 16 years.

If you have questions about how this deduction will affect your personal tax situation, contact a qualified financial advisor.

State Law Caps Taxable Value

Until the signing of Public Act 446, property taxes on conservation lands were reassessed upon their sale or transfer. Property taxes on conservation lands rose significantly even though their development is permanently limited.

Public Act 446 eliminates the "pop-up" property tax on the transfer of lands protected by a conservation easement. Residences and buildings on the lands are still subject to reassessment to the current state equalized value.

Example: An 80-acre non-farm property, which has no buildings, with a current taxable value of \$43,000 and a state equalized value of \$252,000 would have been subject to \$4,395 in annual property tax payments after the transfer. Under this law, if a conservation easement covers the property, annual property taxes will remain at their current level after transfer -- \$750 per year -- and may not increase from one year to the next by more than 5% or the increase in the consumer price index, whichever is lower.

Other Benefits

More benefits may apply to you, including property and estate tax incentives. Each landowner's taxes are unique, so contact your legal and financial advisors to learn how these may affect you.

Property Taxes

The amount of property taxes a landowner pays is determined by the fair market value of the property based on its "highest and best use." For many properties, it is assumed that the highest and best use is for residential development. If a conservation easement reduces the type or level of development and this results in a reduction in the fair market value of the property, then property taxes may also be reduced. It is the responsibility of the landowner to contact their local assessor to see that their property is properly assessed.

Estate taxes

If the conservation easement permanently reduces the value of your property, its value for estate tax purposes would be lowered by that amount and thus reduce the estate tax.

Determining the Value of a Conservation Easement

A qualified appraiser may determine the property is worth \$200,000 without a conservation easement. The appraiser then determines that the conservation easement reduces the property value to \$120,000. The potential value of the donation is \$80,000.