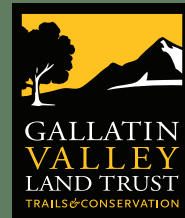


# TAX BENEFITS *for* CONSERVATION EASEMENT DONORS



A conservation easement is a voluntary legal agreement that protects natural resources from unwanted development and fragmentation. By placing a conservation easement on your property, you can preserve your land's open space, agricultural heritage, and wildlife habitat for future generations – while continuing to own the land.

Donating a qualified conservation easement to a reputable land trust like GVLТ may also provide you with significant tax benefits. As a donor, you may be able to deduct up to 50% of your income for up to 16 years, depending on the value of the gift and your taxable income. Farmers and ranchers may deduct 100% of their income for the same period, and all landowners may receive important estate tax and other benefits.

This worksheet provides an overview of these potential tax advantages. As a land trust, GVLТ cannot provide legal or tax advice. We encourage you to obtain your own legal and tax counsel to help you determine how donating a conservation easement may benefit you.

## HOW DO CONSERVATION EASEMENTS QUALIFY FOR TAX BENEFITS?

To be eligible for tax benefits, an easement must qualify as a charitable gift under the Internal Revenue Code (IRC) §170(h). It must be:

- ✓ Perpetual.  
*All of GVLТ's conservation easements are perpetual.*
- ✓ Granted to a qualified organization, typically a government agency or public charity with conservation goals.  
*GVLТ, a well-established and reputable non-profit conservation organization, meets this qualification.*
- ✓ Protects relatively natural habitat, preserves open space that yields a significant public benefit (such as working farms or forest land), or provides outdoor recreation.  
*GVLТ will work with you to determine if your land can qualify.*

The following requirements must also be met:

- ✓ The donation cannot be a bargained-for benefit, or granted "quid pro quo" in return for something else.  
*GVLТ easements comply with this charitable gift law.*
- ✓ If there are any mortgages on the property, the lender must subordinate its interests to GVLТ.  
*GVLТ will work with you and your lender to subordinate any mortgages, liens, or other third party interests.*
- ✓ If the landowner does not hold the mineral rights, a mineral assessment must be completed that shows the possibility of mineral development is unlikely.  
*GVLТ will investigate the mineral ownership and can contract with a geologist to complete the required report.*
- ✓ A baseline documentation report must be completed to inventory and document the current condition of the property.  
*GVLТ's professional stewardship staff will complete a baseline documentation report for your review and signature.*

The tax advantages of donating a conservation easement can be significant.

**1 INCOME TAX BENEFITS:** The value of the easement may be considered a charitable gift that is deductible from your federal income tax.

If your easement donation meets IRS requirements, you may be eligible to deduct up to 50% of your adjusted gross income for up to sixteen years, or until the value of your gift has been fully deducted. (See Example A.)

If you earn at least half of your income from agriculture, you can deduct 100% of your adjusted gross income for up to sixteen years, or until the value of the easement is reached. (See Example B.)

S-corporations, LLCs, partnerships, and other pass-through entities usually receive the same benefits as individuals, with the deduction divided proportionally among shareholders or members. C-corporations may deduct 10% of their adjusted gross income, unless more than half of their income comes from farming or ranching, in which case they may deduct 50% for up to 16 years, or until the value of the gift has been fully deducted.

The value of your easement must be determined by a qualified appraisal. If your conservation easement is partially purchased through funding programs (such as the Gallatin County Open Space Bonds), you may claim a deduction for the easement value less the purchase price of the easement. Consult your lawyer and tax advisor to determine your potential income tax deductions.

**2 ESTATE TAX BENEFITS:** The easement may reduce your estate tax liability

A conservation easement may reduce your estate taxes by decreasing the appraised fair market value of your property on the date of death. Under §2031(c) of the Internal Revenue Code, if the easement meets certain requirements (including limiting commercial recreational use to a minimum) your heirs may be able to exclude an additional 40% of the conservation easement land value from the estate tax base. (This reduction is capped at \$500,000 for most conservation gifts.) Consult your lawyer and tax advisor to determine your potential estate tax benefits.

**3 DEDUCTING EXPENSES:** Expenses related to your conservation easement may be deductible.

Expenses related to establishing your conservation easement may be deductible, such as the appraisal and your legal or tax planning. Additionally, a donation to GVLТ’s Stewardship Fund, which ensures GVLТ can monitor and defend your easement over time, may be considered a deductible charitable donation. Consult your lawyer and tax advisor to determine which expenses you may be eligible to deduct.

Example A:  
INCOME TAX DEDUCTION  
FOR LANDOWNERS

Joe Landowner has an Adjusted Gross Income (AGI) of \$100,000 and is not a farmer or rancher. He donates a conservation easement that is appraised at \$300,000, 30% of his property’s fair market value.

Example B:  
INCOME TAX DEDUCTION  
FOR FARMERS AND  
RANCHERS

Sally Farmer has an Adjusted Gross Income of \$40,000. She makes more than half of her income from agriculture, so is considered a farmer or rancher. She donates a conservation easement that is worth 40% of her property’s fair market value of \$1,000,000.

Estimate your potential tax benefits:

Use the empty column on the right to estimate your own possible deduction, using the example that applies to you. You can continue claiming the deduction for up to 16 years or until the total deductible gift is reached.

	Example A: Joe Landowner	Example B: Sally Farmer	You
Fair Market Value of Property <i>Before Easement</i>	\$1,000,000	\$1,000,000	
Estimated Conservation Easement Value <i>Total Deductible Gift</i>	\$300,000	\$400,000	
Adjusted Gross Income	\$100,000	\$40,000	
Allowable Annual Deduction <i>Landowners - 50% of AGI</i>	\$50,000	n/a	
Allowable Annual Deduction <i>Farmers &amp; Ranchers - 100% of AGI</i>	n/a	\$40,000	
Deduction Year 1	\$50,000	\$40,000	
Deduction Year 2	\$50,000	\$40,000	
Deduction Year 3	\$50,000	\$40,000	
Deduction Year 4	\$50,000	\$40,000	
Deduction Year 5	\$50,000	\$40,000	
Deduction Year 6	\$50,000	\$40,000	
Deduction Year 7	--	\$40,000	
Deduction Year 8	--	\$40,000	
Deduction Year 9	--	\$40,000	
Deduction Year 10	--	\$40,000	
Deduction Year 11	--	--	
Deduction Year 12	--	--	
Deduction Year 13	--	--	
Deduction Year 14	--	--	
Deduction Year 15	--	--	
Deduction Year 16	--	--	
TOTAL Deduction Reached	\$300,000	\$400,000	

## HOW TO CLAIM TAX BENEFITS FROM YOUR CONSERVATION EASEMENT

To be eligible for a tax deduction, a conservation easement must meet the requirements of IRC §170(h). (These are listed in the checklist on the first page.) To claim these tax benefits, you must also follow these Treasury Department regulations pertaining to valuation of gifts of conservation easements:

- ☐ Obtain a written, qualified appraisal.

*As the donor, you are responsible for determining the value of the conservation easement donation.*

- The IRS requires a qualified appraisal for gifts valued at more than \$5,000. This appraisal should follow US Treasury Department Regulations pertaining to the valuation of gifts of conservation easements.
- The appraisal may be completed up to 60 days before the easement is donated. If the appraisal is completed after the donation is made, it must reflect the easement's value on the date of the gift. The appraisal must be completed before you file your tax return.
- The appraisal must be prepared by a qualified appraiser who follows the Uniform Standards of Professional Appraisal Practice (USPAP) and has experience working with conservation easements.
- A copy of the appraisal must be provided to GVLТ.

- ☐ Complete IRS Form 8283 (Noncash Charitable Contributions) and supplemental statement and attach them to your federal income tax return.

*This document provides information about your donation, including its location, conservation purposes, and the deduction claimed. The appraiser and GVLТ are both required to sign Form 8283 and to acknowledge that GVLТ received a gift of the conservation easement from you. Before signing, GVLТ requires that:*

- The appraiser completes their information and signs the form first.
- GVLТ is provided with a copy of the complete appraisal and supplemental statement.
- GVLТ has at least ten (10) business days to review the appraisal and Form 8283 and to acknowledge that GVLТ received a gift of the conservation easement from you.
- GVLТ will not participate in a project if there are significant concerns about the tax deduction.

- ☐ Consult your own tax advisor and legal counsel.

*GVLТ does not provide legal or tax advice.*

- GVLТ strives to make the conservation easement process as easy as possible. We will work with you and your advisors on appraisal and tax issues, but we cannot provide legal or tax advice or make assurances about the specific valuation or tax benefits of a conservation easement.



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