

CONSERVATION EASEMENTS: A BENEFIT TO ALL

WHAT IS A CONSERVATION EASEMENT?

A conservation easement is a legal document in which a landowner donates the right to develop land intensively for residential, commercial or industrial purposes to a state agency or land trust. The purpose of a conservation easement is to conserve an aspect of the land that is of value to the community such as prime farmland, scenic views, historic sites, wildlife habitat and open space.

The terms of a conservation easement are negotiated between the landowner and the prospective easement holder. In Virginia, conservation easements are usually held by the Virginia Outdoors Foundation. It holds the easement in public trust in perpetuity and monitors and enforces the easement. Preservation of our farm and forest lands, scenic views and open spaces will be a lasting benefit to all who live, work and travel in the New River region.

WHY SHOULD A LANDOWNER DONATE A CONSERVATION EASEMENT?

Some landowners want to use a conservation easement to ensure that their family farm is never intensively developed. An easement thereby preserves farmland, woodlands, wildlife habitats, and scenic vistas. Others may be attracted by the substantial tax advantages arising from the donation of a conservation easement. Landowners can continue all the traditional uses of their land under easement, including farming and forestry. Land subject to conservation easement may be freely sold, donated, passed on to heirs, and transferred in every normal fashion, so long as it remains subject to the restrictions of the easement.

Because each landowner's circumstances are different, the terms of an easement are crafted to meet the needs and goals of the landowner. Tax benefits include a Virginia tax credit equal to 50 percent of the value of the easement that a landowner can use or sell for cash, federal and state charitable gift tax deductions, and property and estate tax reductions that result from the lowered value of the property due to removal of development rights. Easements help assure land will remain in farm and forestry and allow landowners traditional use of their lands while protecting them from incompatible development. Landowners can benefit both financially and in realizing their visions for the future of their lands.

HOW DOES A LANDOWNER ENTER INTO A CONSERVATION EASEMENT?

A prospective easement donor should contact the New River Land Trust to talk to a staff member about all aspects of a conservation easement. The New River Land Trust will provide information and assistance and work with the landowner and the Virginia Outdoors Foundation, which will negotiate the terms of the easement. It is also recommended that donors seek the advice of their own attorneys and accountants.

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"Conserving the natural beauty and cultural heritage of the New River region."



CASH FOR CONSERVATION

Virginia rewards landowners who want to conserve their land by allowing them to turn **50 percent** of the value of a conservation easement into cash. Farmers or other landowners who create a conservation easement receive **state income tax** credits that they can use themselves or sell for cash. These credits can total thousands of dollars and be used over six years. For land-rich and cash-poor farmers, this can make a conservation easement a smart financial move.

Landowners should be able to sell their tax credits for 70 cents on the dollar through a broker or up to 80 to 85 cents through their own personal contacts. Landowners also receive federal and state income-tax deductions as well as significant estate tax benefits.

A Summary of Tax Advantages

A conservation easement can save a landowner thousands of dollars in taxes as well as generate cash from the sale of tax credits. You still own your farm and can continue all its traditional uses.

I. State tax credit = Cash

Virginia gives landowners who donate a conservation easement a tax credit worth 50 percent of the easement's value — usually thousands of dollars. [The value of a conservation easement is the difference between the land's value with all its development rights and its value after most development rights are removed.]

The landowner can use the credit to reduce or eliminate state income taxes over six years. Or this credit can be sold for cash. This can be an enormous benefit to landowners with a small state tax liability. Brokers will purchase these credits at approximately 70 cents on the dollar to re-sell to other Virginia taxpayers. A landowner can also recruit buyers at 80 or 85 cents on the dollar.

II. State and federal income tax deductions

Landowners also qualify for state and federal charitable deductions for the value of their donated easement. The landowner can apply this deduction to reduce the amount of income on which he pays taxes by up to 30 percent each year for six years.

III. Estate taxes

It doesn't take much land these days to bump into the \$1.5 million inheritance tax ceiling. A conservation easement can dramatically lower the value of a farm and shrink or even eliminate inheritance taxes. In addition, the IRS exempts from inheritance taxes 40 percent of the remaining value of land under easement up to a limit of \$500,000.

**To learn more about conservation easements, call: Elizabeth Obenshain,
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NEW RIVER LAND TRUST

*“Conserving farmland,
forests, open spaces and
historic places in Virginia’s New River region.”*

REDUCE YOUR STATE INCOME TAXES

If you are a taxpayer in Virginia, either an individual or corporation, you can reduce your 2005 state income-tax bill by 15 to 20 percent by buying conservation tax credits.

Landowners who permanently protect their working farms or productive forests receive a generous state income tax credit. If they cannot use all their tax credit, Virginia now lets them sell their tax credits to you and other taxpayers.

HOW YOU CAN BENEFIT

You can buy these credits from one of your neighbors or from a landowner anywhere in the state. You pay the landowner 80 or 85 cents for each \$1 of tax credit. So if you owed \$5,000 in state income taxes, you could pay the landowner \$4,000 for a \$5,000 tax credit, saving yourself 20 percent — or \$1,000 — on your state taxes. You would also help a local landowner by turning a tax credit the landowner could not use into cash. You can carry forward to the next tax year any unused portion of a purchased tax credit.

To buy a tax credit, contact the New River Land Trust. We will put you in touch with a landowner who has credits to sell.

HOW YOU CAN HELP CONSERVE LAND

In recognition of the work being done by local Land Trusts in promoting conservation easements and the preservation of our beautiful Virginia countryside, we encourage you to qualify for yet another charitable deduction by donating part of your tax savings to your local land trust. Then you will both save on taxes and save Virginia’s natural landscape.

For more information, contact:

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