**CHARITABLE PLANNING**

# Powerful Ideas: Conservation Easements

# Conservation Easements

## Conservation Easements – In General

If you own land with important natural, historic, or agricultural resources, you may be eligible to grant a conservation easement to a charity and claim an income, estate or gift tax charitable deduction.

## What Is a Conservation Easement?

A conservation easement is a legally binding agreement between a landowner and a charity, such as a land trust or public agency. By making a gift of a conservation easement, a landowner is essentially giving away some of the rights associated with the land in order preserve it. The easement may apply to all or a part of the property and may allow for public access to the property. Future owners, including heirs and purchasers, are bound by the terms of the easement.

Generally, a conservation easement will restrict the use of the property for one or more of the following purposes: (1) preserving land for education of the general public; (2) preserving land for outdoor recreation of the general public; (3) preserving a historically important land area or certified historic structure; (4) protecting fish, wildlife or plants, or similar ecosystems; or (5) preserving open space.

## What Is the Value of the Deduction?

The deduction for a gift of a conservation easement is generally the fair market value of the restriction at the time of the gift. This value is typically determined by the reduction in the property's value as a result of the conservation restriction.

Qualified appraisals of the property before the easement is given and after the imposition of the easement must be obtained to establish the value of the contribution.

Deductions of conservation easements are equal to the fair market value of the property contributed and are limited to 50% of the taxpayer's adjusted gross income (AGI). Any deduction in excess of this limitation may be carried forward and utilized in the subsequent 15 years. In addition, the deduction for a conservation easement is taken into account after other donations, subject to the various percentage limitations, are calculated.

Lastly, qualifying farmers and ranchers can offset 100% of their AGI with the deduction for contributions of conservation easements if the property is required to remain available for livestock production or agriculture. In general, a farmer or rancher is someone who receives more than half of his or her gross income from the "trade or business of farming."

## How Is the Deduction Taken?

**Example 1:** Jack and Chrissy own land worth approximately $2 million. Their annual AGI is $250,000. They establish a qualifying easement for part of their land, resulting in a deductible value of $500,000. Because their AGI is $250,000, they can deduct $125,000 in the first year and carry forward the balance of $375,000 for up to 15 years. Each year the 50% AGI limitation will apply.

**Example 2:** Darrin and Samantha own land worth approximately $1 million and have adjusted gross income of $150,000. They make cash contributions of $85,000 to a public charity, as well as a qualified contribution easement with a deductible value of $200,000. As a result, Darrin and Samantha may deduct $75,000 of the cash contribution and none of the conservation easement. However, they may carry forward $10,000 of the cash contribution for up to five years and the $200,000 for the conservation contribution for up to 15 years.