

Financial Incentives for Donating a Conservation Easement – 10/17

*The Central Virginia Land Conservancy is providing the following summary of the tax benefits of conservation easements for informational purposes only. **Please consult your attorney and/or accountant for professional advice on the implications for your own tax situation.** Congress determines applicable tax benefits for conservation easements. These are the current benefits.*

Federal Charitable Gift Deduction

Federal tax deductions for donation of qualifying open-space easements are limited to 50 percent of the taxpayer's adjusted gross income (AGI) which if not used up in the year of donation, may be carried forward at 50 percent of AGI for a period of fifteen years. In addition, a farmer or rancher who receives more than 50 percent of AGI from the trade or business of farming or ranching is eligible for a tax deduction of 100 percent of adjusted gross income. The deduction may not be transferred.

Virginia State Tax Credit

The state of Virginia has one of the most generous preservation tax credits in the nation. The credit, valued at 40 percent of the value of the easement, can be used to offset the donor's Virginia income tax liability dollar-for-dollar. The amount of the credit that may be used by a taxpayer may not exceed \$50,000 for taxable year 2017 and each taxable year thereafter, but any unexpended portion may be carried forward for the next 13 taxable years. In addition, any unexpended portion may be transferred or sold to another Virginia taxpayer. State income tax credits under the Virginia Land Conservation Incentives Act in excess of \$1 million must be reviewed and approved by the Virginia Department of Conservation and Recreation in accordance with adopted review criteria.

Federal Estate Tax Exemption

If certain requirements are satisfied, up to an additional 40 percent of the after-easement value of the land can be excluded from a landowner's estate for estate tax purposes. The maximum amount that may be excluded is \$500,000. Heirs might be able to retain land they otherwise would have been forced to sell in order to pay estate taxes.

Local Property Taxes

Local property taxes may be reduced; however, if land is already assessed at "use value," in other words, enrolled in a local Land Use Assessment Taxation Program, additional reductions in taxes are unlikely.