

## Financial Incentives for Donating a Conservation Easement – 8/19

*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.*

**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. Taxpayers may use up to \$20,000 per year through 2020 and \$50,000 per year in subsequent tax years. Tax credits may be carried forward for up to 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 Charitable Gift Deduction** - The Internal Revenue Service (IRS) considers the donation of a conservation easement to be a special charitable gift. The value of the easement not used for state tax credits may be deducted from the donor's income when calculating income taxes. Landowners can claim a deduction of 50% of their adjusted gross income (AGI), which if not used up in the year the donation is given, may be carried forward at 50% of AGI for an additional fifteen years or until the donation is fully expended. In addition, a farmer or rancher who will receive more than 50% of adjusted gross income from the trade or business of farming or ranching is eligible for a tax deduction of 100% of adjusted gross income. The deduction may not be transferred.

**Federal Estate Tax Exemption** - If certain requirements are satisfied, up to an additional 40% 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.