

Example of Deduction Available for Conservation Easements

Assumptions

1. 100 acre farm in close proximity to city or other development.

2. The appraised value of the farm for development is, say:

\$6,000 per acre;	Total: \$600,000
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3. The appraised value of the farm restricted for farm use only is, say:

\$4,000 per acre	Total: \$400,000
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4. Total value of the value of the easement: **\$200,000**

5. Since a Conservation Easement is a capital asset, the donation of the easement allows the donor to deduct the value of the easement up to 30% of the donor's income for the year of donation. Any unused portion of the donation may be carried forward and deducted at the same rate for the 5 succeeding years following the year of donation.*

Special Rule for 2008 and 2009.

During a period ending on December 31, 2009, the IRS allowed a more generous deduction. Under this special rule, a donor could deduct the value of the easement at the rate of 50% of the donor's federal income for a period of up to 16 years. If the donor received more than 50% of his income from farming, he could deduct the value of the easement up to 100% of his income for the 16 year period. Land trusts are encouraging Congress to renew this special rule. Progress on this legislative matter can be discerned by reviewing the information available on the Land Trust Alliance website at <http://www.landtrustalliance.org/>.

Additional Estate Tax Benefits.

In addition to the federal income tax benefits described above, the donor may also be entitled to certain estate tax benefits.

*The income tax deduction is only available against federal income tax.

Caution: Landowners should seek the advice of their legal and tax advisers regarding all matters pertaining to their applicable tax deductions.