

Conservation Easements More Appealing with New Tax Advantages

By Carol Ryan Dumas, Ag Weekly editor

TWIN FALLS, Idaho Farmers and ranchers wanting to keep their land from development might consider an appealing deduction of up to 100 percent of their adjusted gross income on their income tax -- for 15 years -- for putting land into a conservation easement.

That deduction is a result of reform to HR 4, a bill concerning pension plans and conservation easements, was passed by Congress and signed into law in August 2006. The reform raised the deduction from 30 percent for farmers and ranchers -- and to 50 percent (from 30 percent) for other landowners -- and extended the tax deduction from five years to 15 years.

That's a pretty appealing option, said Ben Collins, Buhl, secretary of the Southern Idaho Land Trust.

Here's an example of how it works: A non-agricultural landowner who earns \$50,000 a year and donates his \$1 million property as a conservation easement could deduct \$25,000 for the year of the donation and then \$25,000 a year for an additional 15 years. That's \$400,000 in deductions. If the landowner qualifies as a farmer or rancher, he could take a maximum of \$800,000 in deductions for his million-dollar gift.

Collins said many farmers and ranchers are concerned with preserving agricultural and open spaces and passing on their operations to future generations but are often "land rich and cash poor." A conservation easement gives them an option on how to preserve the land and receive monetary benefit from doing so.

Landowners can donate all or a portion of their land, and they retain ownership of the land. They can continue to work the land but have to agree not to develop it. The easement is in perpetuity and stays with the property if sold.

It could be a great opportunity for many landowners -- but it is crucial that property owners take a look at this opportunity now, since it is only available during the 2007 tax year, Collins said.

The heightened tax incentive is meant to preserve open space and natural resources for the public interest. The Land Trust Alliance lobbied for the better incentives and is working to make the change permanent -- but there are no guarantees, Collins said.

Jack Kulm, DDS, Wendell, president of the Southern Idaho Land Trust, said the new tax incentives are beneficial to both the public and to landowners.

"With the booming growth we are seeing here in the Magic Valley, we are seeing some of our best farmland eaten up by subdivisions," he said. "This new law will help preserve open space as well as provide a vehicle for people who want to save their farms and ranches without putting their family's economic future at risk."

Landowners who donate voluntary conservation agreements, or conservation easements, to the Southern Idaho Land Trust are inspired by many things, Kulm said.

"They love the Magic Valley Region, they feel connected to their land, and they wish to leave a legacy to future generations. This inspiration is at the heart of our work to permanently protect valuable natural resource," he said. "But also, the new law makes it possible for certain property owners who are 'land rich but cash poor' to keep their property rather than being forced to sell it to a developer."

David Mead, Twin Falls, a founding board member of the Southern Idaho Land Trust, said land conservation in general is a very good thing and part of an increasing awareness of the value of open spaces and natural resources.

"And this old story ... it's not the economy vs. the environment or the environment vs. the economy any more; they go hand in hand now," he said. "If you want to have a good economy, you have to have a good environment; and if you want a good environment, you have to have a good economy."

The Southern Idaho Land Trust is a member of the Land Trust Alliance, which promotes voluntary land conservation nationwide by providing the strategic leadership, training, and resources to the nation's 1,537 local and regional land trusts to succeed in conserving land for the benefit of communities and natural systems.

For more information, visit www.lta.org; or call or e-mail the Southern Idaho Land Trust at (208) 432-5527 or SILT@safelink.net.

Putting land into conservation easements

- Farmers, ranchers can deduct 100 percent of income from income taxes.
- Other landowners can deduct 50 percent of income from income taxes.
- The income deduction can be taken the year of the donation and for an additional 15 years.
- The new tax incentives only apply to easements signed in 2007

Example scenario

- A farm or ranch landowner with \$50,000 annual income grants a conservation easement for land valued at \$1 million.
- He deducts 100 percent of his income - \$50,000 - a year for the first year and the next 15 years
- He receives a maximum of \$800,000 in deductions for his million-dollar gift.

* The law defines a farmer or rancher as someone who receives more than 50 percent of his or her income from the "trade or business of farming."