



## **DONATE A CONSERVATION EASEMENT: HOW FEDERAL BENEFITS PUT MONEY IN YOUR POCKET!**

Currently, federal tax benefits allow a deduction of 30% of your adjusted gross income when you make a conservation easement donation. This means that a donor earning \$100,000 per year would be able to deduct \$30,000 in the year of the donation. The law allows a donor to carry the deduction forward for five additional years. Unfortunately, if the full deduction isn't used in those six years (year of the donation plus five years), the rest of the deduction is lost. While beneficial, it is hoped that Congress may yet renew a recently expired 'enhanced incentive' that allowed landowners to deduct much more than is allowed with the current law.

Here's how that enhanced incentive worked. In August 2006, Congress passed a bill that gave middle-class Americans and farmers a huge incentive to preserve their land with a conservation easement. That law, which was extended through 2013, allowed landowners that donated a conservation easement between 2006 and 2013 to deduct up to 50% of their adjusted gross income and carry the excess deduction forward for an additional 15 years. With the same example above, a donor earning \$100,000 per year could deduct \$50,000 each year and would be able to continue doing that until the deduction was used up or 16 years had passed (year of the donation plus 15 years), whichever came first. If we use an example of a \$500,000 donation, under the current law, the landowner earning \$100,000 per year would be able to use \$180,000 of their \$500,000 deduction (\$30,000 per year x 6 years). They would have to essentially throw away \$320,000 in deductions. Under the expired enhanced incentive law, the same landowner earning \$100,000 per year would be able to deduct the full \$500,000 (\$50,000 x 10 years) and use up their deduction with time to spare.

If you were a farmer or rancher, the benefits were even better under the expired law. If more than 50% of your **gross income** came from farming and ranching activities, you were a "qualified farmer or rancher". Farming and ranching corporations, if closely held, could also qualify. Because farming isn't always as profitable as we would like it to be, many farmers supplement their income with other jobs. This didn't necessarily disqualify them from being a qualified farmer or rancher though, because the expired law looked at **gross income**, which is determined before the subtraction of your farming costs. If you qualified, instead of being able to deduct 50% of your adjusted gross income, you would have been able to deduct 100% of your adjusted gross income. That means you wouldn't have paid Uncle Sam a penny in federal income tax until you had used up your whole deduction or for 16 years, whichever came first.

The conservation community is hopeful that Congress will recognize the benefits of this program and will vote to renew the enhanced incentives. The enhanced incentives have been allowed to expire before in previous years, but each time Congress has eventually voted to renew them, making them retroactive to the beginning of the year. Please contact your Congressmen and encourage them to do the same for 2014, or better yet, make the enhanced incentives permanent. Until that happens, the more limited benefits are available to those interested in making a conservation easement donation. If you would like to take advantage of this benefit, contact your favorite land conservation organization today and start working on a conservation easement!

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