



## Legacy & Estate Planning for Virginia Forest Landowners

# Conservation Easements and Succession Planning

by Rex Linville

**A** conservation easement is an agreement that a landowner voluntarily enters into with a private non-profit “land trust” or governmental conservation agency such as the Virginia Department of Forestry, the Virginia Outdoors Foundation, or others. The purpose of the agreement is to ensure that conservation values such as productive forest and farm land, wildlife habitat, scenic views, and clean water and air are preserved and protected for the benefit of future generations. The agreement accomplishes this primarily by limiting the future subdivision and development that is allowed on the property.

When rural land passes from one generation to the next, it is often vulnerable to subdivision and development for a variety of reasons. The heirs might have differing ideas about what to do with the land, or they may not have the same commitment to forestry or agriculture as the prior generation. Even when heirs do desire to keep the land intact, they may find

that the only way to settle the estate is to sell the family land. A conservation easement can help ensure that the land is not developed and the conservation values will be protected forever, even if the family sells the property.

In addition to the peace of mind that comes with knowing that the family land is protected to be enjoyed and productive for the next generation, a conservation easement donation could result in various financial benefits. The two main financial benefits are a Virginia Land Preservation Tax Credit (LPTC) and a Federal income tax deduction. The Virginia LPTC is one of the most successful land conservation programs in the nation and has resulted in the protection of more than 750,000 acres since its inception in 2000.

From an estate tax perspective, land in a conservation easement will have a lower value in the taxable estate, and therefore the heirs won't pay estate taxes on the foregone

development rights. Further, when land under easement passes to the donor's heirs up to 40 percent of the remaining value of the land may be excluded from the estate.

Finally, in those counties that do not have land use assessment programs, local property taxes on property subject to a conservation easement may be reduced with respect to land (but not dwellings, farm buildings, or other improvements to the land). However, if land is already enrolled in a local land-use assessment taxation program, an additional reduction in taxes from a conservation easement is unlikely. ✎

***The details on these tax benefits can be complicated, and it is always a good idea to consult with a qualified tax and legal advisor.***

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