



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

We're excited to report that Congress voted to give landowners an extra reward for conserving their land with a conservation easement. The current rules are now permanent so you and your advisors can make plans for your taxes.

Here's what your federal rewards look like in a nutshell:

- Donor can deduct 50% of their adjusted gross income up to the amount of the gift;
- Allows qualifying farmers and ranchers to deduct up to 100% of their income; and
- Allows a donor to carry the deductions forward for up to 15 years.

The enhanced incentive allows landowners that donated a conservation easement to deduct up to 50% of their adjusted gross income and carry the excess deduction forward for an additional 15 years. A donor earning \$100,000 per year can deduct \$50,000 each year and will be able to continue doing that until the deduction is used up or 16 years has passed (year of the donation plus 15 years), whichever comes first. If we use an example of a \$500,000 donation, a landowner earning \$100,000 per year is able to deduct \$50,000 per year and carry forward the remaining deductions. At the end of the tenth year, the \$500,000 deduction would all be used up (\$50,000 x 10 years) with time to spare.

If you are a farmer or rancher, the benefits are even better under this law. If more than 50% of your **gross income** comes from farming and ranching activities, you are a "qualified farmer or rancher". Farming and ranching corporations, if closely held, can 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 doesn't necessarily disqualify them from being a qualified farmer or rancher though, because the law looks at **gross income**, which is determined before the subtraction of your farming costs. If you qualify, instead of being able to deduct 50% of your adjusted gross income, you are able to deduct 100% of your adjusted gross income. That means you won't pay Uncle Sam a penny in federal income tax until you have used up your whole deduction or for 16 years, whichever comes first. Make sure to work with your land conservation organization to include a restriction in your conservation easement that the property will remain available for agricultural or livestock production—this is the other piece needed to qualify.

Donating a voluntary conservation easement can be one of the smartest ways to conserve the land you love, while maintaining your private property rights and possibly realizing significant state and federal tax benefits. If you would like to take advantage of these tax benefits, contact your favorite land conservation organization today and start working on a conservation easement!

For more information, please contact:

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This information is not intended to be legal or financial advice. Please consult your own advisor.