



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

In addition to the Colorado credit, landowners can receive an extra reward for conserving their land with a conservation easement.

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

- For donations made on or after August 27, 2018, donors can deduct 50% of their adjusted gross income up to the amount of the gift less the value of the Colorado conservation easement tax credit;
- 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 an easement was donated on or after August 27, 2018 and we use an example of a \$500,000 donation and a \$450,000 Colorado conservation easement tax credit, the deduction will be valued at \$50,000 (\$500,000 - \$450,000).

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 in the year of your donation, 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 or reach out to us and we'll make an introduction!

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.