



5 FINANCIAL BENEFITS TO CONSERVATION EASEMENTS

1. Federal Income Tax Deduction

IRS Code (Sec. 170 (h)) allows qualified conservation contributions to be counted as charitable gifts, which are then eligible for an income tax deduction. Qualified contributions include the donation of land in fee or the donation of a perpetual conservation easement. In exchange for a qualified conservation contribution, a landowner may take an income deduction of up to 50% of their adjusted gross income (AGI) in the year of the gift. Qualifying farmers and foresters can claim a deduction of up to 100% of AGI. If not exhausted the first year, the amount of the gift can be carried forward for as many as 15 subsequent years.

2. Federal Estate Tax Deduction

IRS Code allows for an estate tax exclusion from federal estate taxes up to 40% of the value of land under conservation easement. The exclusion is capped at \$500,000. To qualify, the easement must be perpetual and must meet the conservation purposes of Sec. 170(h) (except that preservation of a historic area or structure is excluded). The easement may be given by a landowner who has owned their land for at least three years, by a family member, or the executor of the estate of such a landowner. The intent of this provision is to provide relief from estate taxes for farmers and ranchers passing land to their children who might otherwise be forced to sell the land to pay estate taxes.

3. Virginia State Income Tax Benefits

A landowner who takes a charitable gift deduction for a conservation easement or fee simple land donation on a federal tax return also receives the same diminution in taxable income for state income tax purposes. In exchange for a qualified conservation contribution, a landowner may take an income deduction of up to 50% of their adjusted gross income (AGI) in the year of the gift. Qualifying farmers and foresters can claim a deduction of up to 100% of AGI. If not exhausted the first year, the amount of the gift can be carried forward for as many as 15 subsequent years.

4. Land Preservation Tax Credit

In addition, Virginia has a Land Preservation Tax Credit program, which allows a tax credit of an amount equal to 40 percent of the value of a qualified gift of easement or land. In 2022, taxpayers may use up to \$20,000 per year. Tax credits may be carried forward for up to 10 years after the year of donation, and any portion of the tax credit can be transferred or sold to other taxpayers. To be eligible for tax credits, the easement must qualify as a charitable deduction under IRS Code and meet additional requirements set out in the program. DCR is responsible for verifying the conservation value of donations for which the donor claims a state tax credit of \$1 million or more.

5. Shenandoah County Land Use Taxation

In 1971, the Virginia General Assembly enacted a law permitting localities to adopt a program of special assessments for agriculture, horticultural, forest and open space lands (Section 58.1-3299 through 58.1-3244 of the Code of Virginia). When your land qualifies for Land Use Taxation, the parcel receives a lower assessment than the fair market assessment. With a Conservation Easement, you automatically qualify each year and never need to refile.