

BY Russell Shay and Sean Robertson

Fiscal Cliff Story: **ESCAPE, VICTORY, AND THE NEXT EPISODE...**

Going into December's showdown on the fiscal cliff, land trusts faced one of the greatest threats to their work ever—the idea of capping tax deductions at \$25,000 per taxpayer per year. In a stroke, such a cap would have largely eliminated most of the tax incentive for donations and bargain sales of land or easements and its effect on cash gifts would have made it harder for land trusts to steward the places they've already conserved.

Charitable gifts make up about one-third of all tax deductions taken by individual taxpayers. Mortgage interest and state and local taxes make up much of the rest. Mortgage interest and local taxes must be paid, deduction or no deduction, and they amount to \$22,233 for the average itemizer. So the effect of a cap on deductions would first and foremost fall on charitable donations, which, by their nature, are entirely optional.

Working closely with Independent Sector, the Land Trust Alliance mobilized land trusts nationwide to make sure House and Senate members understood that a cap would bring land conservation to a halt in many parts of the country. We also brought this issue to our colleagues in the environmental community (who, for better or worse, do not generally follow tax policy issues) and got them engaged. We contacted friends of land conservation in the administration to make them aware of how a cap on deductions would affect land conservation.

It worked!

We were successful in taking this proposal off the table in the final fiscal cliff negotiations. But the fiscal cliff deal does not leave charitable deductions untouched. It brings back a version of the "Pease Amendment," which gradually reduces the value of itemized deductions for upper-income taxpayers. Its effect should be much smaller than a cap, or the president's proposal to reduce the tax benefit of deductions—but it will affect some donors.



When the charitable deduction came under attack, Western Reserve Land Conservancy trustee Kathy Leavenworth (right) joined Alliance Executive Vice President Mary Pope Hutson (second from right) and leaders of other Ohio nonprofits for the Charitable Giving Coalition's Protect Giving D.C. Days. This year, dozens of land trusts from key districts will descend on Washington for Land Trust Advocacy Day, March 12–13.

And now Congress faces new deadlines: the debt ceiling running out in the spring, the return of “sequestration” on March 1, the expiring legislation funding the government through March 24 (the “continuing resolution”) and a call for comprehensive tax reform to be completed in 2013. At each deadline, policymakers will be looking for ways to raise more revenue for the government without raising tax rates—and that will return their attention to the idea of new limits on deductions. We have won a great victory (see more about that below), but this battle is far from over. We may have gone from the “fiscal cliff” to “The Perils of Pauline.”

Now, more than ever, your land trust needs to invest in building strong relationships with your senators and representative. If they don’t understand and value your work, and see how much support you have in your community, they won’t be able to help us keep the tools we all need to succeed.

Ready to get to work? Visit www.lta.org/charitable-deduction or let us know how we can help by sending an email to policy@lta.org. —RUSSELL SHAY

Enhanced Easement Incentive Renewed!

At the same time the fiscal cliff negotiations were threatening all charitable deductions, we were able to convince the negotiators to renew the enhanced tax incentive for donations of conservation easements in 2012 and 2013. This means that 2012 and 2013 donors can deduct 50% of their adjusted gross income (AGI) for such a donation, and carry over contributions in excess of that for up to 15 additional years, with qualifying farmers and ranchers able to deduct 100% of their AGI.

It also means that if there is major tax reform this year, we start it with the incentive on the books, which means a much better chance of making this incentive permanent

in that reform, so that donations are affordable for modest-income donors.

This extension will help land trusts work with farmers, ranchers and other modest-income landowners to increase the pace of conservation by about a third—but unless Congress acts, it will expire again on December 31, 2013. To help land trusts get the word out to landowners as quickly and easily as possible, we’ve updated the Grassroots Toolkit (www.lta.org/grassrootstoolkit) with more than a dozen outreach tools. You’ll also find materials for thanking Congress—an important step as we work to make the incentive permanent this year.

The renewal of the incentive is the best possible evidence that we can prevail in maintaining key conservation tools, despite the fractious politics of the moment and the fiscal problems facing our nation. The key is simple: your land trust’s involvement.

Farm Bill Delayed

In 2012, bipartisan majorities on the House and Senate agriculture committees advanced farm bills that achieved many of the goals we had set for helping land trusts access funding to purchase conservation easements on working lands.

Regrettably, in the end, the fiscal cliff bill merely extended existing law through September 2013. The extension allows important programs like FRPP, GRP and WRP to conserve more land in 2013, but Congress must now renegotiate the new Farm Bill under a shrinking budget baseline that directly threatens our ability to keep the \$1.3 to \$1.5 billion we secured for working land easements in the 2012 bills. We will once again work with land trust leaders to engage the agriculture committees as they craft this legislation in the months ahead. Read more at www.lta.org/farmbill.

A Brief Reprieve from Sequestration

The fiscal cliff deal included a two-month delay of sequestration, which threatened automatic 8.2% cuts to discretionary spending, including conservation programs like the Land and Water Conservation Fund and North American Wetlands Conservation Act.

This March 1 deadline will drive a new round of negotiations, and we must work hard to ensure that the cure isn’t worse than the disease. Some in Congress are pushing even deeper cuts to “non-defense discretionary” to avoid 9.4% cuts to defense spending. While less dramatic than sequestration, one manifestation of this trend is continuing reductions in the overall budget caps that the appropriations committees must operate under. For example,

In the Know

What else was in the fiscal cliff deal?

From estate tax changes to employee withholding, there are many other elements of the deal that land trusts should know about. Check out our *20 Questions about the Fiscal Cliff Deal* at www.lta.org/policy/cliff.

this delay was partially paid for with a \$6 billion reduction in discretionary spending caps for future years—that’s a relatively painless half percent, but enacting such reductions several times a year would force appropriators to make tough choices that could shortchange important conservation priorities.

Learn how you can help defend federal funding for land conservation at www.lta.org/conservationfunding.