



Resolution on Conservation Easement Tax Incentives

Issue: Continuation of enhanced federal tax deduction for donations of conservation easements.

Adopted Policy: NACO supports continuation of the enhanced federal tax deduction for donations of conservation and trail easements to facilitate their use by counties, special districts and other units of local government as a land planning, conservation and management tool.

Background: The National Association of County Park and Recreation Officials, a NACO affiliate, supports continuation of enhanced federal tax incentives for conservation and trail easements. County park departments, forest preserve, conservation and other special districts, and water management agencies, frequently purchase or accept donation of such easements as a cost-effective tool to conserve natural resources, preserve open space, connect regional trail and greenway corridors, or create other green infrastructure networks.

Conservation easements also help protect working farm, ranch and forest lands, and historic sites. Such easements are a voluntary means of allowing private land holders to retain ownership, while permanently protecting important conservation values, which may include wildlife habitat, watershed protection, recreational access or other public benefits at a lower cost than fee-simple purchase of the land by a public agency. Allowing conserved lands to remain in private hands also lessens land management costs for public agencies, keeps land on the tax rolls, and avoids the cost of providing services to far-flung residential developments.

Since 2006, an enhanced tax incentive has allowed family farmers, ranchers, and other moderate-income landowners to get a significant tax benefit for donating a conservation easement on their land. Conservation easements allow private landowners to permanently retire development rights to protect significant natural resources or open space, while trail easements provide similar tax benefits for allowing construction of public access trails across private property. Thanks to strong bipartisan Congressional support, the enhanced federal tax incentive was renewed in 2010 through the end of 2011. Continuation of the tax incentive again is needed, and multi-year or permanent renewal would be of special value. Donating development rights to land requires careful consideration by the private landowner, often taking years from initial conversations to execution of an agreement. It would be a great advantage for such landowners not to be pressured with the artificial deadline of each year not knowing if the incentive will be continued for the following year.

Under previous law, landowners with modest incomes received little or no federal tax benefit from donating what may be their family's most valuable asset. The enhanced federal incentive helps such landowners afford to support conservation, outdoor recreation or other public needs by: raising the maximum deduction a donor can take for donating a conservation easement from 30 percent of their adjusted gross income (AGI) in any year to 50%; allowing qualified farmers and ranchers to deduct up to 100 percent of their AGI; and increasing the number of years over which a donor can take deductions from 6 to 16 years. Without the enhanced easement incentive, an agricultural landowner earning \$50,000 a year who donated a conservation easement worth \$1 million could take a total of no more than \$90,000 in tax deductions. Under the enhanced incentive, that landowner can take as much as \$800,000 in tax deductions spread out over as many as 16 years, still less than the full value of their donation, but a significant increase.

Fiscal/Urban/Rural Impact: The enhanced incentive helps to encourage "bargain sales" of easements purchased by local, state and federal conservation agencies, whereby the voluntary sale of the property right to a charity or government agency is for less than its full fair market value.

Adopted July 19, 2011