

Congress Boosts Incentives for Land Conservation – Summer 2006

Farmers and other landowners should take note of the new incentives the federal government has provided for taxpayers who choose to permanently limit development on their property. President Bush has signed into law changes that will greatly reduce the tax burden for property owners willing to protect their land.

"This is the most significant change in federal land conservation policy in years," said John Eckman, Executive Director of the Valley Conservation Council. "People in the Valley have shown a lot of interest in saving land before these changes and now we expect many more will want to see if permanently protecting their land is right for them."

The new law raises the deduction for a charitable contribution a landowner can take for donating a qualified conservation easement from up to 30% of their adjusted gross income in any year to up to 50%. Qualifying farmers can now deduct as much as 100% of their adjusted gross income. The new law also allows landowners to spread these tax deductions over 15 years.

These changes are especially important for people who do not usually pay much in taxes and need to be fairly compensated for keeping their land less developed. In the right situation, this could mean is that a landowner who receives at least 50% of their income from farming might eliminate much if not all of their federal tax liability for up to 16 years with a qualified easement donation of a sufficient size.

Conservation easements are a legal tool that allows landowners to protect their land while still owning it, farming it and having the ability to sell the property or pass it on to their children. Eckman explains, "Our primary interest is protecting the land from extensive division--from breaking it up into smaller pieces. Keeping rural land whole and intact is good for farming and forestry and good for our Valley communities. We hope all landowners will weigh their options."

The federal incentive is only part of the equation. Virginia also has one of the most generous tax credit programs in the country. The General Assembly will consider changes next week providing 40% of the value of an easement in transferable state tax credits that can be used to pay off taxes or can be sold to other taxpayers for cash.

"In planning to expand our farm operation, we realized that doing an easement and selling state tax credits will allow us to purchase another property we might not have been able to afford," said Dayton farmer, Ray Showalter. "If you want to keep your land together for your children, it makes sense to conserve it and get some money you can put away for retirement or other uses."

Landowners should consult their own attorneys and financial advisors. Eckman points out that easements are not for everyone. "Most people with a good sized farm and a desire to protect their land find that it makes a lot of sense for them once they run the numbers. It's a very personal decision. But remember, paving land and building homes is also a permanent choice."

Valley Conservation Council is a nonprofit, member-supported land trust based in Staunton and serving 11 counties in the Shenandoah Valley region since 1990. Staff members are available for free consultations to help landowners consider their land protection options. For more information visit www.valleyconservation.org or call 540.886.3541