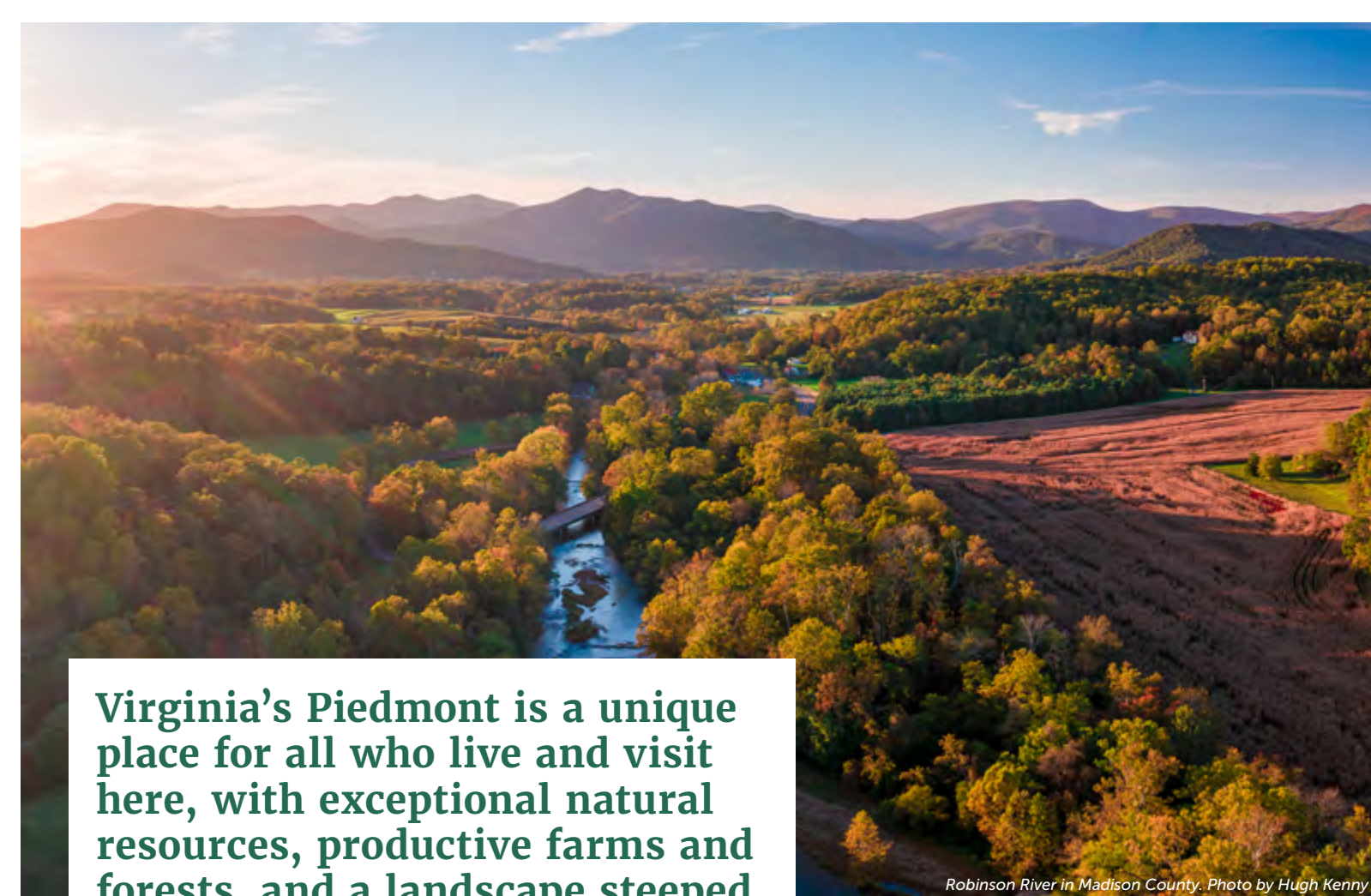




Protecting Your Land with a Conservation Easement





Robinson River in Madison County. Photo by Hugh Kenny

Virginia's Piedmont is a unique place for all who live and visit here, with exceptional natural resources, productive farms and forests, and a landscape steeped in history.

Our farms and forests have long been part of Virginia's culture; as two of Virginia's largest industries, agriculture and forestry together contribute over \$91 billion and more than 334,000 jobs to Virginia's economy each year.¹ Our many streams and rivers supply drinking water and sustain the fisheries that support commercial and recreational fishing industries. Hundreds of thousands of tourists come to experience our natural wonders, undisturbed scenic views, and historic heritage, contributing about \$21.5 billion to the state's economy annually.

In Virginia's Piedmont region, our natural lands benefit the public by providing clean air and drinking water, absorbing carbon from the atmosphere, supporting agriculture, forestry, and recreation, and strengthening our quality of life and sense of place. Yet, its location on the narrow edge of some of the fastest growing areas of the country puts this idyllic region and all the qualities that define it at grave risk. Residential sprawl has radiated outward from Washington, D.C. and other urban centers in Virginia at a tremendous pace.

The good news is that you can do something to ensure that the beauty and abundance of the Piedmont endures for the benefit of all, that this place is forever characterized by its open spaces, beautiful vistas, healthy environment, and cultural heritage. You can permanently protect your land from development through the gift of a conservation easement.

¹ <https://www.vdacs.virginia.gov/markets-and-finance-agriculture-facts-and-figures.shtml>



The Piedmont Environmental Council's nine-county region. See full-size map on page seven.

Cover photos: Landscape by Hugh Kenny. Farm couple by Katherine Vance. Three friends by Oya Simpson. White-throated sparrow by Will Parson. Chesapeake Bay Program.

What Is a Conservation Easement? And Is It Right For Me?

A conservation easement is an agreement between a landowner and a private land trust or a governmental conservation agency that limits future development on a property. In doing so, an easement protects the land you love for the benefit of current and future generations.

The purpose of a conservation easement is to protect a property's particular conservation values, whether that be its farm, forest, water, scenic or cultural attributes. Conservation easements offer flexibility and each one is unique; the terms of an easement and the protections placed on the property are negotiated between the landowner and the conservation organization. Typically, those terms:

- Limit the amount of subdivision and development allowed on the property;
- Protect important natural resources, including streams, productive agricultural soils, forests and natural habitat areas;
- Limit dumping, mining, grading, blasting on the property;
- Allow continuation of productive rural uses, such as agriculture, forestry, hunting, and fishing;

The restrictions in the easement run with the land and apply to all future landowners. The landowner who donates the easement continues to own, use and control the land subject to the terms of the easement. The landowner still decides who has access to the property and for what purpose, just as before. The conservation organization is responsible for enforcing the terms of the conservation easement.

Landowners who donate conservation easements make a difference in their communities. People donate easements because of their love of the land and their desire to see it protected forever. Their actions also foster land and resource stewardship that benefits all of us with: clean water, productive farm and forestland, thriving natural habitats, climate resiliency, and beautiful vistas. For these and many other benefits associated with conserving their land, landowners may also be eligible to receive tax benefits for their charitable donation.



Photo by David Anhold

“ [A conservation easement] allowed us to stay on the farm and keep it in the family and keep the land open, keep the property intact and beautiful. It was a life preserver for us that was thrown out and we're still hanging onto it. You take care of the land and the land takes care of you. ”

Dean and Carina Elgin
Mountain Hollow Farm, Fauquier County
Dairy and cattle operation, Virginia Century Farm.





Tax Benefits of a Conservation Easement Donation

Photo by Hugh Kenny

Most conservation easements in Virginia are donated by a landowner, although in limited circumstances a conservation organization may be able to purchase a conservation easement. Both options bring the peace of mind that the land is protected forever; however, by donating a conservation easement, a landowner may be eligible for income and property tax benefits due to the significant public benefit associated with the protection of the land. Tax benefits will be based on the difference between the market value of the land before the donation and after the conservation easement is in place. These values are determined by a qualified appraiser of the landowner's choice.

Virginia Land Preservation Tax Credit

In Virginia, landowners who donate a conservation easement may be eligible for a Land Preservation Tax Credit (LPTC) equal to 40% of the value of their donation. These tax credits can be used to directly pay the landowner's Virginia income tax liability, and as a result, each \$1 of credit is actually worth \$1 to the landowner.

- Each individual taxpayer can use no more than \$20,000 in LPTCs per year.
- Unused LPTCs may be carried forward for an additional 10 years (up to 11 years in total).
- Virginia caps the statewide total amount of LPTCs issued to landowners in any one calendar year at \$75 million.
- Landowners may also choose to transfer or sell their LPTCs to other Virginia taxpayers, an incentive that may be particularly beneficial to those that do not have the income to use all the credits themselves.

For example: A landowner who donates an easement worth \$500,000 would receive \$200,000 in land preservation tax credits (40% of \$500,000). The landowner could use those credits to offset their own Virginia income (up to the \$20,000 per year individual annual cap) and sell the rest to other Virginia taxpayers.

Credits can be traded among private parties or through an attorney, accountant, or tax credit broker. After paying Virginia Department of Taxation fees and other transaction costs, landowners typically net about 80 cents on the dollar when they sell their credits.

The explanation of complex tax and land planning issues provided in this fact sheet has been greatly simplified. For more detailed information and to ensure that a conservation easement donation will qualify for the described tax deductions in your particular situation, you are encouraged to seek professional legal and tax advice. Piedmont Environmental Council staff cannot assure the deductibility of a conservation easement donation or the applicability of the benefits described.



Photo by Marco Sánchez

Enjoying the view of protected landscape after a hike to PEC's Piedmont Memorial Overlook in Paris, VA.



Tax Benefits of a Conservation Easement Donation continued

Photo by David Anhold

Federal Income Tax Deduction

Conservation easement donors also may be eligible for a federal income tax deduction. This deduction would be equal to the value of their easement donation, minus the value of any state income tax credits, such as the LPTC, received in exchange for the donation.

The landowner can claim that deduction at the rate of 50% of their federal Adjusted Gross Income (AGI) per year. Any remaining deduction may be carried forward an additional 15 years (up to 16 years in total).

Further, landowners who are farmers earning more than 50% of their income from agriculture in the year they donate the conservation easement may deduct the donation at the rate of 100% of AGI every year the deduction is available.

For example: A landowner who donates an easement worth \$500,000 and receives \$200,000 in Virginia LPTCs, could be eligible for a \$300,000 federal tax deduction to be used at the 50% rate (or 100% rate for farmers) and carried forward up to 15 years as described above.

Estate Taxes

Very few Americans have estate taxes due upon their death. In the rare circumstances where the value of the estate is exceptional, the estate tax rate is 40% of the total assets over an IRS-determined exclusion amount. In such circumstances, donating an easement may help reduce the estate tax burden by lowering the value of the taxable estate and allowing for an exclusion of up to \$500,000 of the protected property's value from the estate.

Reduced Property Taxes

Some counties use Virginia's Land Use Assessment Program for determining property taxes. In these counties, land that is protected with a conservation easement may be taxed based on its "use value," which could result in a lower property tax bill than if the property were taxed at its "market value."

Counties that do not use Land Use Assessment, simply tax land under conservation easement at its reduced value under the easement.

“ We look at all the different farms in the area—families we know—and many are struggling to survive in agriculture. We want our kids to be able to farm and provide for future generations. And that's kind of the whole goal of this. ”

Tom and Kim Nixon
Glenmary Farm, Orange County
Cattle, turkey and grain operation.



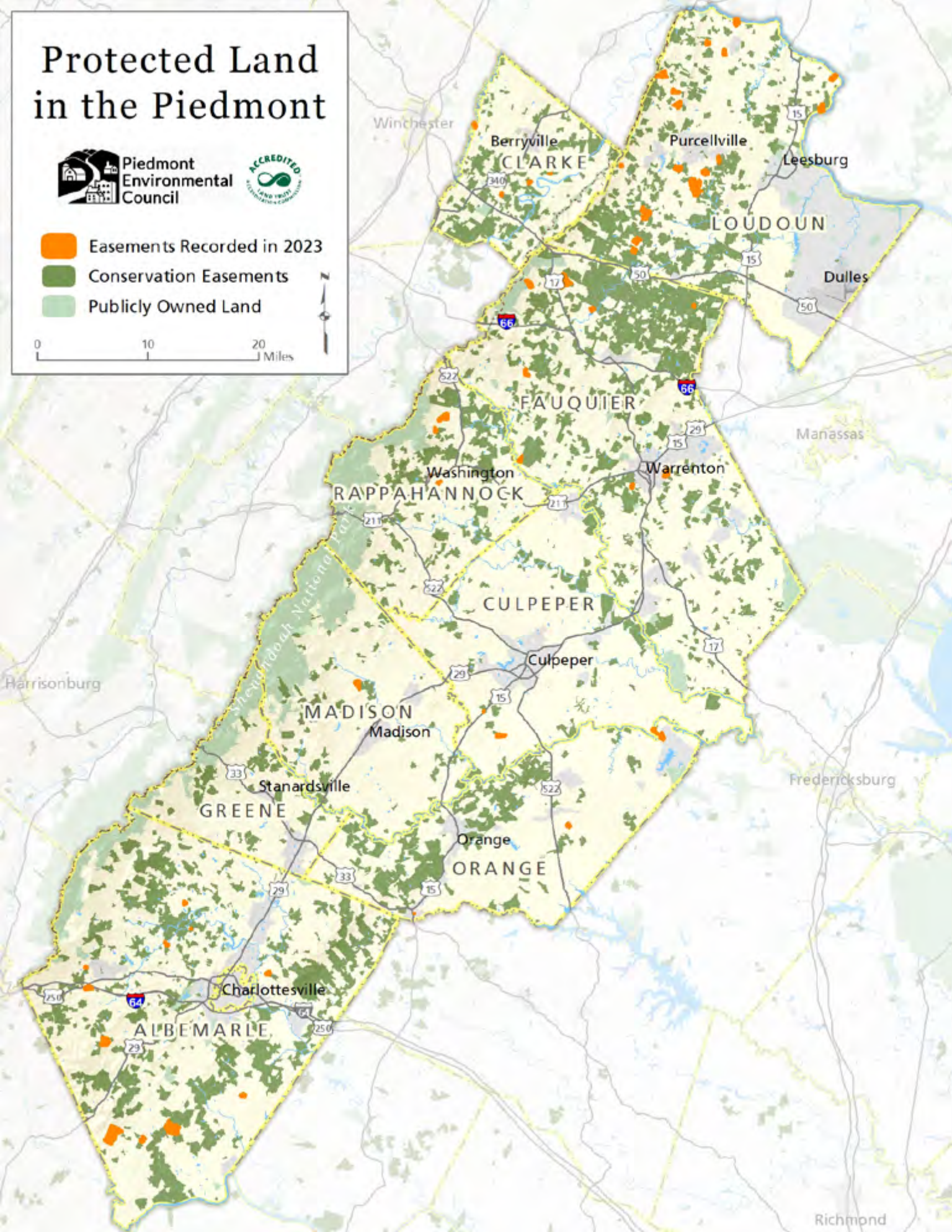
Glenmary Farm owners, Tom and Kim Nixon, with their daughter Elizabeth and son Robert.



Photo by Bruce Jones



Photo by Marco Sánchez



Cost & Cost Assistance

As with most real estate transactions, a landowner may incur the costs of working with legal counsel, an appraiser, an accountant, and sometimes a surveyor. Additionally, conservation organizations and agencies that hold easements may ask the landowner for a stewardship donation to help cover the expense of ensuring the easement terms are forever upheld. In certain circumstances, PEC and other conservation organizations have funds available to alleviate some of the costs associated with protecting a property.

“ We are blessed to have springs, fields, and forests bringing a diverse array of plants and animals to our property. By placing our land in conservation easement, we could ensure all of it is protected for our children and grandchildren to enjoy. ”

How Do I Get Started?

The first step in donating an easement is to contact the Piedmont Environmental Council (PEC). PEC is a private nonprofit land trust whose knowledgeable staff can guide you through the easement donation process and provide you with up-to-date information on tax incentives.

In Virginia, easements can be donated to a number of public and private entities. The majority of conservation easements in Virginia are held by the Virginia Outdoors Foundation (VOF), which is a quasi-state agency. In some cases, the Virginia Department of Historic Resources, the Virginia Department of Forestry, or a local county government may be the best entity to accept your easement. PEC staff will work with you closely to evaluate your options and help you choose the right easement holder for you and your land.



Sam Adhoot
Rappahannock County
Landowner.

For further information about the donation of easements, please contact PEC:
540.347.2334
easementinfo@pecva.org



*The Piedmont Environmental Council, founded in 1972, is an accredited land trust and community-supported non-profit organization dedicated to protecting and restoring the lands and waters of the Virginia Piedmont, while building stronger, more sustainable communities. **Learn more at pecva.org.***

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