



French Broad
Training Center

Conservation Easements

What is a conservation easement?

A conservation easement is a voluntary legal agreement that benefits landowners and the public because it protects land while leaving it in private ownership. Conservation easements limit the uses of property to those consistent with the landowner's and the easement holder's conservation objectives.

The benefits of a conservation easement to landowners include:

- protecting features of their property that they wish to preserve;
- potentially receiving significant tax relief that sometimes help keep family land in the family;
- maintaining private ownership of the land.

The public benefits because the easement protects and conserves natural resources such as water and unique lands.

Each conservation easement is unique and negotiated between the landowner and the easement holder. The landowner retains the property's ownership and use, while giving up certain rights in part or in full, such as the right to subdivide and develop the land. Conservation easements do not remove land from property tax rolls, but can sometimes reduce the amount of property taxes paid.

To qualify as a charitable contribution for federal and state income tax purposes, an easement must be perpetual and made to a qualified grantee (a nonprofit organization or public agency) for the public benefit. The easement must meet one or more of the following conservation purposes:

- preservation of land for public outdoor recreation or education;
- protection of relatively natural habitats of fish, wildlife or plants;
- preservation of historically important land or buildings or other conservation purpose;
- scenic enjoyment of the general public.

Best situations for conservation easements

Conservation easements can protect family farms, coastal beaches, mountaintops, river corridors, working forests, historic landscapes, ecotourism destinations, undeveloped scenic land and habitats of many animals and plants, and may include other public benefits.

Conservation easements work best when the landowner is motivated to conserve and preserve the land, and to mesh

current and future land uses compatible with preservation of its natural features.

Aspects of conservation easements

- The landowner retains ownership, and in the case of farmland or other productive land, usually continues using the land for farming or forestry.
- The land provides public benefits by conserving open lands, farms, forests and other natural resources.
- If reserved rights limit development, the land is devalued, potentially reducing property taxes.
- Conservation easements are individually tailored. Some allow for limited land subdivision, selective timbering, agricultural use, hunting and fishing and limited construction of homes or other buildings. Others are more restrictive.
- Landowners can restrict public access to land. The conservation easement holder arranges with the landowner to visit the property, usually once a year, to document that the land is being protected as agreed.

Federal tax incentives

The Income Tax Charitable Contribution Deduction is a key federal incentive to encourage landowners to make a qualified conservation contribution. The donation of a conservation easement normally qualifies as a charitable contribution, which may entitle the donor to receive federal income tax deductions. The value of a conservation easement is based on the reduction of the land's value after the easement is in place. Generally, a conservation easement donor may take a federal income tax deduction of up to 30 percent of their adjusted gross income, and any excess amount may be carried forward and deducted over the five succeeding years.

Under certain circumstances, families inheriting land can reduce estate taxes by placing a conservation easement on the property within nine months after the decedent owner's death. The equivalent development value of the property given up may then be taken as a charitable deduction against the value of the gross estate.

Estate beneficiaries also can exclude from the taxable estate 40 percent of the land's value up to \$500,000, subject to qualifying conservation easements. For information, consult an independent tax professional experienced with conservation easements.

North Carolina tax incentives

In addition to a federal charitable contribution, North Carolina offers a tax credit of 25 percent of the fair market value of the donated property interest, up to \$250,000 for individuals and \$500,000 for corporations. Any unused portion of the credit may be carried forward for five succeeding years.

The tax credit for the donation of conservation land or a conservation easement must be certified by the N.C. Department of Environment and Natural Resources and a letter from them attached to the state tax return.

For information, call your local Cooperative Extension center.

Assistance also is available at these agencies:

● Carolina Mountain Land Conservancy

P.O. Box 2822, Hendersonville, NC 28793-2822
phone: 828-697-5777

Web site: www.main.nc.us/cmlc

A local nonprofit organization that works with families and landowners to preserve the land important to them and the community; helps landowners achieve their conservation and financial goals through voluntary options such as conservation easements, land donations and purchases.

● Southern Appalachian Highlands Conservancy

34 Wall Street, Suite 802, Asheville, NC 28801-2710 phone: 828.253.0095

Web site: www.appalachian.org

Works with landowners and communities to permanently protect natural features and traditional uses of mountain land in the Southern Appalachians of western North Carolina and eastern Tennessee.

● Conservation Trust for North Carolina – Blue Ridge Parkway Corridor

P.O. Box 33333, Raleigh, NC, 27636-3333
phone: 919.828.450

Web site: www.ctnc.org

Conserves land resources throughout North Carolina through direct action and by helping communities, private land trusts and landowners protect lands most important to them for natural, scenic, historic and recreational values.

● N.C. Conservation Tax Credit Program

1601 Mail Service Center, Raleigh, NC, 27699-1601
phone: 919.715.4191

Web site: <http://ncctc.enr.state.nc.us/>

An incentive program to assist land-owners in protecting the environment and the quality of life. A credit is allowed against individual and corporate income taxes when real property is donated for conservation purposes.



**Soil & Water
Environmental
Technology Center**



The information provided in this publication is not a substitute for legal advice, nor is it intended to be a comprehensive statement of the law. If you need legal services, please consult an attorney.

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1,000 copies of this public document were printed at a cost of \$202.68 or \$.20 per copy.

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Nonprofit Organization
U.S. Postage Paid
Raleigh, NC
Permit No. 2353