



The Federal Income Tax and Conservation Easement Donations

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General Rule

Prior to 2006

The Internal Revenue Code allows an income tax deduction for a qualified donation of a conservation easement. Generally the deduction is up to 30% of the taxpayer's adjusted gross income (AGI) in a year. Any excess donation over the 30% limit may be carried forward to the next 5 years.

Example: *An individual donated a qualified conservation easement of \$100,000 in value. His adjusted gross income was \$50,000 for that year. He can take a conservation donation deduction of up to 30% of his income of \$50,000 (\$15,000) in the first year. The excess amount of donation, \$85,000, can be carried forward to the next 5 years subject to the 30% AGI limitation in each year.*

Special Incentives

Since 2006

However, increased tax incentives for deducting qualified conservation easement donations have been enacted since 2006:

- ▶ For 2006 and 2007, the tax deduction for qualified conservation easement donations was increased from the general 30% to 50% of the taxpayer's adjusted gross income; and **for qualified farmers, ranchers, and woodland owners, such deduction percentage was raised to 100%** (the Pension Protection Act of 2006).

Qualified farmers, ranchers and woodland owners are those whose gross income from farming or woodland are more than 50%.

Also, a donor may carry forward excess deductions into the next 15 years, instead of the general 5 years.

- ▶ For 2008 and 2009, the Farm Bill of 2008 extended the 50% and 100% deduction limits for qualified conservation easement donations. Also, the increased carry-forward period of 15-year (vs. the general 5-year) was also extended.
- ▶ For 2010 and 2011, Congress once again renewed the 50% and 100% income deduction limit for conservation easement donations, retroactive to January 1, 2010 (through the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010 (P.L. 111-312) on December 17, 2010). The 15-year carry-forward deduction period was also renewed.

2011 Proposed Bills in Congress

Absent Congressional action, the special federal income tax incentives on conservation easement donations is scheduled to expire after December 31, 2011.

The special tax incentives were proposed to be made permanent by:

House Bill: Conservation Easement Incentive Act (H.R.1964 of 2011), introduced 5/24/2011

Senate Bill: Rural Heritage Conservation Extension Act of 2011 (S. 339), introduced on 2/14/2011

For More Information

Land Trust Alliance website

<http://www.landtrustalliance.org/policy/tax-matters/campaigns/the-enhanced-easement-incentive>

National Timber Tax Website

www.timbertax.org