

TAX INCENTIVES FOR LANDOWNERS WHO DONATE CONSERVATION RESTRICTIONS AND/OR EASEMENTS

In December 2010, Congress renewed the enhanced tax incentive for private landowners who donate a conservation easement, known under Massachusetts law as a conservation restriction. The incentive will continue to help commissions work with willing landowners in your communities to permanently protect critical natural areas and historic resources through December 31, 2011.

This incentive applies to a landowner's **federal income tax** by raising the deduction a donor can take for donating a voluntary conservation agreement from 30% of their income in any year to 50%; allows farmers and ranchers to deduct up to 100% of their income; and increases the number of years over which a donor can take deductions from 6 to 16 years.

The enhanced federal tax incentive for donated conservation easements has increased the pace of land conservation since the law first passed in 2006. In the past four years, there has been nearly a 40 percent increase in acreage protected using easements amounting to more than a million acres of land across the United States.

In addition to the federal incentive, the **state's new conservation income tax credit will go into effect in January 2011**. In combination, these two incentives will go a long way.

The new Massachusetts law allows landowners who voluntarily donate qualifying conservation land to a city or town to receive a tax credit. The state's Executive Office of Energy and Environmental Affairs (EOEEA) must first determine that a property proposed for donation meets public interest standards for natural resource protection. Eligible lands include those that protect drinking water supplies, wildlife habitat, scenic vistas, and those that boost the tourism, agricultural and forest product industries. The incentive further requires that gifts of land are permanently protected. The tax credit is valued at 50 percent of the appraised fair market value of the land, and each tax payer is limited to \$50,000 per gift; the credit cannot exceed the donor's annual state income tax liability, but may be carried forward for 10 consecutive years. The federal tax deduction and state income tax credit may be used together as part of one donation of land. When combined with other local, state and federal funding tools, such as state bond and grant funding, local communities across Massachusetts will be able to increase the protection of natural resources.