



# Protecting the ACE: CONSERVATION EASEMENTS, GRANTS, & TAX DEDUCTIONS

## Protecting the ACE Basin and Edisto Island

There are two main ways a landowner can help protect and preserve these treasured local landscapes: conservation easements (CE) and land donations. Both actions must be carefully considered and may provide tax benefits to the landowner. This handout provides an overview of options. Please contact us if you have any questions.

## What Is a Conservation Easement?

A conservation easement is a legal agreement between a landowner and a land trust or government agency that permanently limits uses of the land in order to protect its conservation values. Landowners can continue to own, use, and live on their land. An easement does not prevent a landowner from selling or passing the land on to their heirs.

When you donate a conservation easement to a land trust, you give up certain rights associated with the land. For example, you might give up the right to build additional structures or subdivide, while retaining the right to grow crops and timber. Future owners will also be bound by the easement's terms. The land trust is responsible for making sure the easement's terms are followed, forever.

## Qualifying for a Federal Tax Deduction

A landowner sometimes sells a conservation easement but most often easements are donated to a land trust. If the donation benefits the public by permanently protecting important conservation resources, and meets other federal tax code requirements, it can qualify as a tax-deductible charitable donation. You can deduct 50% of your income for up to 16 years, or until you reach the value of your easement, whichever happens first. Qualified farmers can deduct 100% of their taxable income.

*Example: A landowner earning \$50,000 a year donates a \$500,000 conservation easement. The Federal Tax Enhancement allows that landowner to deduct \$25,000 from his or her taxable income for the year of the donation and then for an additional 15 years. In total the landowner would receive \$400,000 in deductions over 16 tax years.*

## Qualifying for SC Income Tax Credits

If your donation meets the federal guidelines, you can qualify for tax credits on your South Carolina Income Taxes. These credits are valid forever, can be used in one or more years, assigned, transferred, or sold. You can claim a tax credit up to 25% of your federal deductions or \$250 per acre under easement, whichever is less. You can claim up to \$52,500 in credits each year and they never expire.

*Example: A landowner donates an easement on 100 acres of land and receives a \$500,000 federal tax deduction. Their tax credit would be figured using the \$250 cap per acre, for a SC state tax credit of \$25,000.*

## Reduce Your Estate Tax

The conservation easement reduces the value of the land, thereby reducing the taxable amount of your estate. Your heirs may also be able to exclude an additional 40% of the land's value at your death when a CE is on the land.

*Example: The original value of the land (before the conservation easement) was \$1,000,000. The reduced value after the easement is \$500,000. The additional 40% reduction after death is \$200,000. So the reduced taxable value of the land after the easement is now \$300,000.*

*To preserve the rural quality of life on Edisto by protecting lands, waterways, scenic vistas, and heritage through conservation and education.*





## Land Donation Options

While conservation easements have proven to be useful and versatile tools for landowners, they are not the only way to protect conservation values and ensure traditional uses. In some cases, a CE may not suit a landowner's needs. Other options that can produce desirable long-term conservation and financial solutions include the following:

**Fee-Simple Donation:** Under this strategy, all interest in the property is gifted to a land trust or other conservation organization. The charitable contribution reflects the full value of the property.

**Life Estate:** Under this option, a remainder interest in the property is donated to a land trust, but a designated family member is given the right to use the property until their death, at which time the land trust acquires full ownership.

## Grants to Purchase Conservation Easements

Sometimes tax reductions are not a sufficient incentive for a landowner. For example, the landowner is retired with little taxable income and the value of their land donation far exceeds what they can deduct in the 16 year window. In a situation like this, a land trust can apply for grants to purchase a CE when needed. Grant applications can only be submitted during a brief window each year and may take several months to complete. Grants require additional effort to pursue and are not a guaranteed success. However if awarded funds, the land trust can compensate a landowner with cash for a portion of their donation! The SC Conservation Bank and the Charleston County Greenbelt Program both offer grants to purchase a CE.

*Example: A CE appraised at \$400,000 could receive \$100,000 in grant compensation, in addition to any eligible tax reductions from the donation of the remaining \$300,000.*

## What is the Land Trust's Role?

Potential land conservation donors should know that donating a permanent conservation easement or making a land donation is a big commitment requiring careful consideration and independent legal advice. Donating a conservation easement or land requires a working partnership with a land trust—and time for careful drafting of documents and maps, baseline documentation, and a specialized conservation easement appraisal. Landowners should understand that a land trust may decline to accept a donation that does not meet both the legal requirements and the land trust's own specific charitable mission or strategic plan. In addition, land trusts will need to receive a professional appraisal before accepting a gift of land.

## About the Edisto Island Open Land Trust

A nationally accredited non-profit organization founded in 1994, today the Edisto Island Open Land Trust protects thousands of scenic and natural acres on Edisto Island. Our mission is, *"To preserve the rural quality of life on Edisto by protecting lands, waterways, scenic vistas, and heritage through conservation and education."* We acquire voluntary conservation easements or land donations, to limit development on critical properties. Putting these lands in trust insures that the scenic views, natural resources and wildlife habitat of Edisto are protected for all time.

### For More Information

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