



# 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 EIOLT 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 someone donates a conservation easement to a land trust, they give up certain rights associated with the land. For example, they 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 upheld, forever.

## Qualifying for a Federal Income Tax Deduction

A landowner can sell 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. The donor could deduct 50% of their adjusted gross income (AGI) for up to 16 years, or until they use up the full value of their donation, whichever happens first. Qualified farmers could deduct 100% of their taxable income.

*Example: A landowner with an AGI of \$50,000 a year donates a \$500,000 conservation easement. The IRS allows that landowner to deduct \$25,000 from his or her taxable income for the year of the donation plus an additional 15 years. In total the landowner could utilize \$400,000 in deductions over 16 years.*

## Qualifying for SC Income Tax Credits

If a donation meets the federal guidelines, it can qualify for South Carolina Income tax credits. These credits are valid forever and can be used in one or more years, assigned, transferred, or sold. A donor can claim a tax credit up to 25% of their charitable contribution or \$250 per high-ground acre under easement, whichever is less. One can claim up to \$52,500 in credits each year and they never expire.

*Example: A landowner donates an easement on 100 acres of uplands 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.*

## Potentially Reduce Annual Property Tax

The conservation easement reduces the value of the land. So the donor can apply to their local assessor's office to have the eased land's assessed value and property taxes reduced. If the assessor accepts the application, it could reduce their annual property taxes on the property under easement.

*Example: The original value of the land (before the conservation easement) was \$1,000,000. The reduced value after the easement is \$600,000, or 40% less. The property taxes before the easement were \$5,000/yr. After reassessment they could be reduced by 40% to \$3,000/yr.*

*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 the land trust. 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 could apply for grants to purchase the CE. Grant applications can only be submitted during a brief window each year and may take several months to complete. Grants require substantial 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 public grants to purchase CEs.

*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, 501(c)(3) non-profit organization founded in 1994, 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 ensures that the scenic views, natural resources, and wildlife habitat of Edisto are protected, *forever*.

### For More Information:

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