

A Landowners Guide To Conservation Easements



Central Pennsylvania Conservancy

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Conserving for tomorrow...today!!

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A Landowners Guide to Conservation Easements

This guide has been developed to help private landowners understand the process of donating a conservation easement to the Central Pennsylvania Conservancy. The goal is to explain what a conservation easement is, what motivates landowners to donate conservation easements, and to provide a step-by-step guide to the process of permanently protecting your cherished land.



What is a Conservation Easement?

A conservation easement is a legal agreement between a landowner and a nonprofit land trust that permanently limits a property's uses in order to protect its resources.

- The purpose of an easement is to permanently protect the natural, scenic, or historic values of a property.
- Landowners continue to maintain private ownership of the property and the ability to sell the property or pass it on to heirs.
- Landowners continue to use the property subject to the restrictions that are agreed upon in the easement.
- Conservation Easements are *perpetual agreements* and will apply to all future owners.

How a Conservation Easement Works

Each property is unique and the Conservancy works closely with each landowner to personalize a conservation easement that reflects both the landowner's objectives and the land trust's mission to protect the resources on the property.

An easement with the Central Pennsylvania Conservancy typically:

- Restricts the uses of a property as necessary to protect its important natural, scenic, and historic features.
- Restricts the number, type, and location of dwellings and other buildings.
- Prohibits quarrying and excavation of minerals.
- Limits the removal of trees without a forest management plan.
- Restricts or prohibits industrial and commercial activities, except for agriculture.
- *Does not permit public access* to the protected property unless specifically desired by the landowner and the land trust.
- *Does not change ownership of the land.*
- *Does not prohibit all subdivision.* Often the agreement allows that the property be subdivided, subject to the terms of the easement.

Why Do Private Landowners Donate Conservation Easements?

Conservation easements provide many benefits to landowners:

- An easement ensures that a landowner's legacy will endure no matter who owns the property in the future.
- Landowners can feel confident that the land they have lived and worked on for many years will be protected and cared for in the future.
- Easements can provide *significant financial benefits* through a reduction in federal income taxes, estate taxes and/or gift taxes.
- Landowners can make a significant contribution to the protection of scenic viewsheds, natural resources, and cultural heritage in their community.
- Landowners can leave a lasting legacy for their children, grandchildren, family, and friends.



Financial Considerations

The donation of a conservation easement offers landowners the opportunity to protect their land and *possibly gain significant financial benefits* without selling or losing the land.

At the Conservancy, we know owning land is a substantial investment. High land values, real estate taxes, and development pressures make the sale of land tempting. Inheritance taxes may force heirs to sell family land that would otherwise remain as the family home or farm.

We strongly encourage landowners to seek professional tax advice to learn how these benefits may apply to you.

Federal Estate Tax Benefits

Because conservation easements reduce the fair market value of land, an easement donated by the landowner prior to death (or by will) can reduce the total value of the taxable estate, which in turn reduces estate taxes.

In many cases, this allows heirs to keep the property and continue to live there and maintain practices like farming and agriculture.

Conservation easements provide the opportunity for landowners to leave a lasting legacy that gives them security in knowing that in the future their families will be able to enjoy the land that they lived and worked on and that the land will be cared for.

Federal Income Tax Benefits

The donations of a conservation easement may qualify as a charitable contribution and can allow landowners to realize significant financial benefits on their federal income taxes.

The monetary value of an easement donation is established through a *real estate appraisal of the property*.

The value of the deduction is the difference between the fair market value of the property without a conservation easement and the value of the property with an easement.

New Law Increases Tax Benefits

Congress recently passed a law to enhance the tax benefits of protecting your land by donating a conservation easement in the following ways:

- A conservation easement donor may deduct up to **50%** of their adjusted gross income in any year;
- Qualifying farmers may deduct up to **100%** of their adjusted gross income; and
- Donors may take deductions for their contribution over as many as **16 years**.

Project Selection Criteria

The Central Pennsylvania Conservancy works diligently with each landowner to identify the best tools to protect their cherished land. Every property is evaluated to ensure that its permanent protection is consistent with our mission, strategic land conservation goals, and the standards that Congress established in order for an easement donation to qualify as a tax deductible contribution with the Internal Revenue Service.

The following are the four strategic goals that guide land protection at the Central Pennsylvania Conservancy:

- **Our Mission:** To conserve natural and cultural resources for the benefit of current and future generations through the protection of open space in the central Pennsylvania region;
- **Forested Ridges:** Protection of forested mountain ridges, especially the Kittatinny Ridge, a critically important migratory bird route with local, national, and international significance;
- **Agricultural and Farmland Preservation:** Protection of farmlands that are located in areas that have been designated for agriculture, have significant soil resources, and that have streams and water sources located on the property;
- **Water Resource Protection:** Protection of high quality streams and springs, forested stream buffers, and limestone and coldwater streams.

Passing the Conservation Test

In order to qualify as a charitable donation the easement must pass the *Conservation Purposes Test* by the Internal Revenue Service (IRS). The easement must meet *at least one* of the following conservation purposes:

- The preservation of land areas for recreation or education by the general public;
- The protection of a relatively natural habitat of fish, wildlife, plants, or similar ecosystem;



- The protection of open space, including woodland and farmland for the scenic enjoyment of the general public or when such preservation is pursuant to a clearly delineated government policy. In either case, a significant public benefit must result from the open space preservation;
- The preservation of a historically important land or certified historic structure.

Stewardship

Every time the Conservancy accepts an easement donation from a landowner we make a commitment to look after the land *in perpetuity*.



The Conservancy is granted the responsibility to ensure that the easements covenants are upheld and the land is maintained in its natural state for the benefit of current and future generations.

Each property is visited annually by Central Pennsylvania Conservancy staff. Our professional staff meets with landowners to answer any questions they have regarding their easement and to take the opportunity and walk the property with them.

We value the partnership that is formed and the relationship that is developed over time with landowners. We understand that each landowner has a strong sense of stewardship for their land and we share the common goal of protecting these cherished natural lands.

Estimating the Cost of a Conservation Easement

The Central Pennsylvania Conservancy is a member-supported nonprofit land trust with limited funds to cover its operating costs. Many of the requirements for conservation easements are funded by the Conservancy through grants. In the event that grant funding is available for a project, we look to use any remaining funds to reimburse the landowner for eligible expenses. The following are the costs that the Conservancy incurs:



- Staff time to evaluate the property and meet with landowners to explain the easement process and develop a project proposal for the Board of Directors approval;
- Staff time to draft the easement agreement;
- Title search to ensure that the property is clear of any liens or encumbrances;
- Staff time to prepare the Baseline Documentation. This is a report that documents the condition of the property at the time the easement is donated. It includes photos, maps, and a written description of the land. Baseline Documentation is a requirement by the IRS for landowners to be eligible for a tax deduction as well as for Stewardship at the Conservancy

Landowner Costs

Landowners should anticipate incurring the following costs not included in those that the Conservancy can cover:

- **Survey Costs.** If a good survey is available, these costs should be minimal. The property boundaries must be clearly marked.
- **Appraisal Fee.** The Conservancy strongly encourages using a qualified appraiser who has substantial experience in valuing conservation easements.
- **Fees for tax and legal advisors.**

About the Central Pennsylvania Conservancy

The Central Pennsylvania Conservancy has permanently preserved over *3,000 acres* since receiving our first land donation in 1993. We have worked with private landowners in 8 counties in the central Pennsylvania region to preserve the areas natural, scenic, and cultural heritage. These include Dauphin, Cumberland, Perry, Mifflin, Juniata, Huntingdon, Franklin, and Snyder counties.

Through a variety of land protection tools that include conservation easements, fee simple acquisition, and donation of land, we have formed partnerships with private landowners in an effort to conserve natural and cultural resources for the benefit of current and future generations through the protection of open space in the central Pennsylvania region together.

Thank You!

We appreciate your commitment to land preservation and thank you for the opportunity to provide you with information on how your local land trust can help you permanently protect your cherished land!

For more information, please contact our Director of Land Protection, Stephanie Rynders at (717) 233-0221 or visit us on the web at www.centralpaconservancy.org



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