Charitable Deductions
If you donate a conservation easement, give your land to a conservation organization, or sell an easement or land for less than fair market value (i.e., make a bargain sale) to a conservation agency or organization, you may be able to claim the full fair market value of the gift as a charitable deduction on your federal income tax form.

The resulting reduction in taxable income can also decrease state income taxes. If the value of the donation is large relative to your income, you may be able to spread the deduction over a number of years. A qualified, independent appraiser must determine the value of the gift.

Virginia Income Tax Credits
Virginia allows an income tax credit for forty percent of the value of donated land or conservation easements. Taxpayers may use up to $100,000 per year for the year of sale and the ten subsequent tax years. Unused credits may be sold, allowing individuals with little or no Virginia income tax burden to take advantage of this benefit.

To be eligible for tax credits, the easement must qualify as a charitable deduction under the Internal Revenue Code and also must meet additional requirements under the Virginia Land Conservation Incentives Act.

For more information about land conservation opportunities, contact DCR’s office of Land Conservation at Call (804) 225-2048 email landcon@dcr.virginia.gov or visit: www.dcr.virginia.gov/olc

Virginia Outdoors Foundation

This information is not intended to be a substitute for tax advice. Please contact your tax advisor for information that is tailored to your situation.
Revised December, 2006

TAX BENEFITS OF LAND CONSERVATION IN VIRGINIA
If you own land that you would like to donate or sell to a conservation agency or organization or place under a permanent conservation easement, several tax considerations will factor into your decision. This brochure briefly describes some of these tax advantages and the situations in which they might apply. Please be aware that tax laws are complex and change frequently. This information is not intended as tax advice, but is provided to help you seek more thorough advice from tax professionals before you carry out a property transaction.

Virginia State Taxable Income Exclusion
If you sell land or an easement for conservation, you may be eligible to exclude any profit on the sale from your Virginia taxable income. As long as the land is dedicated to open-space use for at least thirty years, the state will not tax profit on the sale.

Estate and Gift Tax Benefits
Land that has been placed under a conservation easement – whether sold or donated – may be eligible for reduced real property taxes. Localities that have land-use tax assessment programs are required to enroll land that is protected with a conservation easement in the land-use program.

In many cases, such land is already enrolled in the program and the taxpayer will not realize any further benefits. Localities that do not have a land-use program are required to recognize the reduced value of land with a conservation easement in place, and this should decrease real estate taxes.

Bargain Sale
In a bargain sale, you sell your property for less than its fair market value, and you can claim a charitable tax deduction for the difference between the bargain sale price and the fair market value. The deduction can offset taxes on your capital gain from the sale of the property.

Local Tax Benefits
Land that is restricted by a conservation easement – whether sold or donated – may be eligible for reduced real property taxes. Localities that have land-use tax assessment programs are required to enroll land that is protected with a conservation easement in the land-use program.

In many cases, such land is already enrolled in the program and the taxpayer will not realize any further benefits. Localities that do not have a land-use program are required to recognize the reduced value of land with a conservation easement in place, and this should decrease real estate taxes.

Section 1031 Exchanges
While this tax benefit is not unique to conservation lands, it may help you reduce your tax burden if you decide to sell your land for conservation. Under a special provision of the Internal Revenue Code, sellers whose property was bought as an investment (not as a residence) may exchange real property for other “like-kind” property – i.e., real estate held for investment – without having to pay taxes on the capital gain from the transaction.

These exchanges allow a landowner to continue to invest in valuable real estate while transferring the original property to a land conservation agency or organization. Consult a real estate lawyer for information on structuring such a tax-deferred exchange.

Potential Tax Benefits of Land Conservation

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