

Protecting Your Farm With a Conservation Easement

One of the most effective tools for protecting working farms in North Carolina is a conservation easement. Conservation easements have been used across North Carolina to protect farms from development and provide financial benefits to farmers.

What is a conservation easement?

A conservation easement is a written agreement between a landowner and a qualified conservation organization (land trust) or public agency under which:

- the landowner (Grantor/Donor) agrees to keep the land available for agriculture and/or forestry and restrict subdivision or non-farm development and other uses that are incompatible with commercial agriculture and forestry.
- the conservation organization or public agency (Grantee) is responsible for monitoring the easement to ensure the terms of the easement are met.

How do agricultural conservation easements protect productive farmland?

Agricultural conservation easements:

- are designed to keep land available for farming and forestry.
- are tailored to meet the property owner's goals and needs.
- may allow homesites to be reserved for family members.
- may permit new buildings related to the farm operation.
- may place minimal requirements on farming practices, typically requiring implementation of best management practices.

After granting an agricultural conservation easement, landowners:

- retain ownership of their property.
- may be eligible for federal and state tax benefits.
- remain eligible for the present use property tax program.
- can still farm, hunt and restrict public access on their property.
- may use the land as collateral for a loan and lease or sell the property.
- are still eligible for federal and state farm programs.

Land subject to an easement remains on the local tax rolls.

What are the benefits of conservation easements for farmers and landowners?

To receive federal and state tax benefits, agricultural conservation easements must be permanent and a portion of the easement value donated. Landowners can pass the land along to heirs or sell the property, but future owners must abide by the terms agreed to in the easement.

Conservation easements can be donated or, depending on the availability of funding, may be purchased by a land trust or local, state, or federal program. North Carolina farmers who donate conservation easements are providing a significant public

benefit and, as a result, can take advantage of a variety of tax incentives, including a federal income tax deduction, a state income tax credit, and possible estate tax benefits.

How are conservation easements valued for tax purposes?

The value of an agricultural conservation easement is generally the fair market value of the property minus its restricted value according to the terms of the easement agreement, as determined by an appraiser. In general, more restrictive agreements and intense development pressure result in higher easement values.
Easement Value = Fair Market Value of Land – Value of Land With Restrictions

How do I get more information about how conservation easements can protect my farm?

For more detailed information about conservation easements, please contact your local land trust and/or consult the publication “Voluntary Conservation Agreements: An Introduction for North Carolina Landowners” available from the Conservation Trust for North Carolina at www.ctnc.org or from local land trusts at no charge. Before finalizing a conservation easement, as with any real estate transaction, landowners should consult their legal and tax advisors.

What are the tax benefits of donating a conservation easement?

By donating an easement, qualified farmers are eligible for a federal tax deduction of up to 100 percent of a farmer’s adjusted gross income, which can be carried forward for 15 years for donations made through 2009. Donations made after 2009 may return to the standard cap on deduction of 30 percent unless Congress extends the expanded tax deduction. This deduction can be especially helpful to tobacco buyout participants who are seeking to reduce their income tax liability from the proceeds of the buyout program. Farmers and landowners placing their land under a permanent conservation easement are eligible for a state income tax credit equal to 25 percent of the donated value of the easement up to \$250,000, which can be carried forward for five years. Placing a conservation easement on a property also reduces the property's value in the owner's estate, resulting in a lower estate tax.

For more information, contact:

Conservation Trust for North Carolina: www.ctnc.org, 919-828-4199

Blue Ridge Forever: www.blueridgeforever.info, (828) 253-0095 ext. 212

Soil and Water Conservation Districts: www.enr.state.nc.us/DSWC

NC Agricultural Development and Farmland Preservation Trust Fund:

www.ncadfp.org, 919-733-7125