



# Conservation Options Coverts 2010

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## Conservation Options

- Deed Restrictions
- Donations of Land
  - Outright Gift
  - Remainder Interest with Reserved Life Estate
  - By Will
- Bargain Sale
- Conservation Easements
- Combining Tools



*Cecropia Moth, Pondicherry NWR*

## Deed Restrictions

- Restrictions placed within a deed that control the use of the property
- Travel with the deed and cannot generally be removed by new owners
- Relatively Inexpensive
- May be the only choice in certain circumstances
- Only previous owners, abutters and named entities may enforce
- Unreliable long term track record

## Give It Away

- Outright Donation - potential for maximum estate value reduction while assuring continued long term stewardship
- Donation of Remainder Interest with a Reserved Life Estate - gift now; landowner continues to use and manage the land for lifetime
- Donation by Will - risky
- Choose who will receive the gift wisely!
- Ensure permanence & get added tax benefits by gifting a conservation easement to a separate organization before gifting



# Conservation Easement Definition

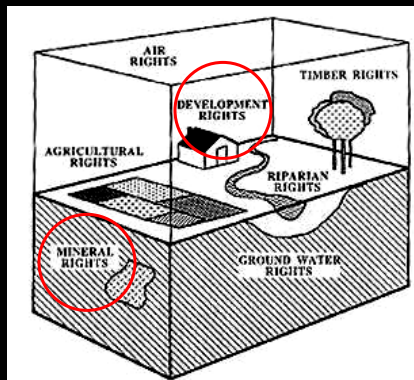
Voluntary legal agreement between a landowner and "easement holder" that permanently limits certain property uses in order to protect conservation values



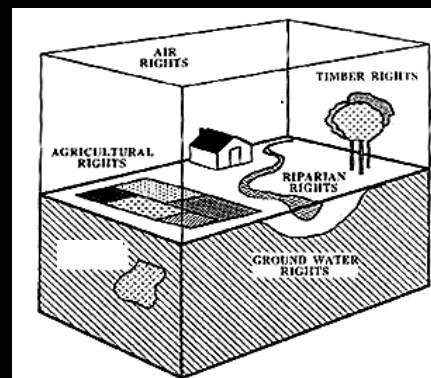
Rayne's Farm, Exeter, NH

## Conservation Easements & the Bundle of Rights of Land Ownership

Before CE



After CE



## Potential Easement Holders

- Land Trusts - Bear-Paw Regional Greenways, Monadnock Conservancy, Upper Valley Land Trust, Southeast Land Trust of NH, Society for the Protection of NH Forests, The Nature Conservancy
- Government Entity - Towns, State or Federal Agencies
- Conservation Districts - Currently only Strafford & Rockingham Counties



*Box Turtle, Windham, NH*

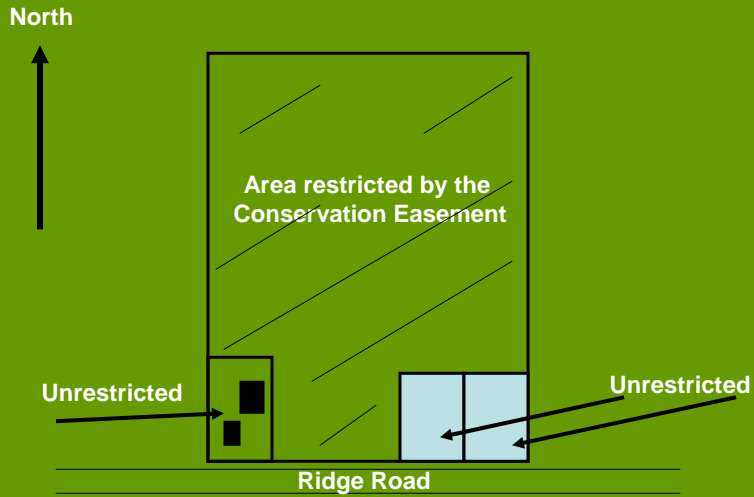
## Easement Holder Responsibilities

- Baseline Documentation
- Easement Monitoring - Annual Visits
- Enforcement
- New Landowner Contact
- Contingency Plans/Back-ups

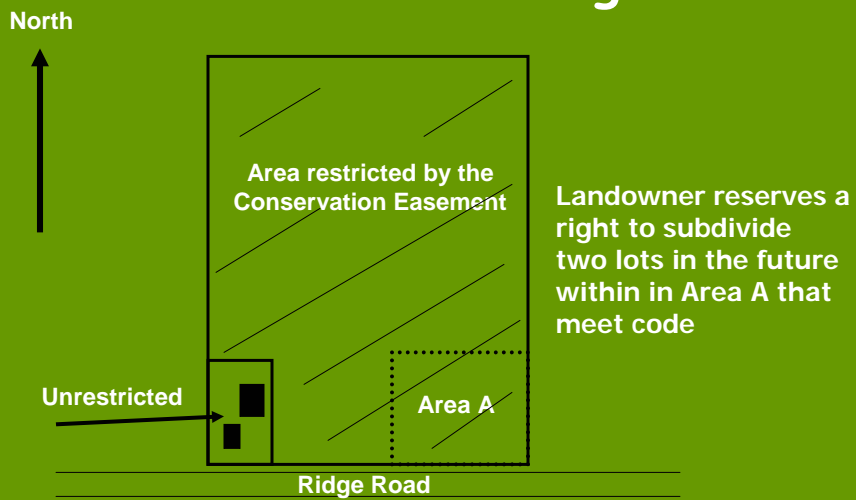


*600 Yr Old Black Gum, Nottingham, NH*

## How to Exclude Portions of the Parcel - Traditional Method



## How to Exclude Portions of the Parcel - Reserved Rights



## Conservation Easement Features

- parcel size is important but not critical
- inherent conservation values are key for IRS
- IRS Qualifying Conservation Purposes:
  - Public recreation or education
  - Significant natural habitat
  - Open space for scenic enjoyment/significant public benefit
  - Open space pursuant to clearly delineated governmental policy/significant public benefit
  - Certified historic structure (new definition)

## The "30/6" Income Tax Deduction Rule

assumptions - \$60,000/yr income  
\$100,000 gift

Year	Deduction	Remainder	Tax Savings
1	\$18,000	\$82,000	\$4,500
2	\$18,000	\$64,000	\$4,500
3	\$18,000	\$46,000	\$4,500
4	\$18,000	\$28,000	\$4,500
5	\$18,000	\$10,000	\$4,500
6	\$10,000	0	\$2,500
<b>Total</b>	<b>\$100,000</b>		<b>\$25,000</b>

Source: "Conserving Your Land", Brenda Lind, CLCA 2005

## The "50/16" Income Tax Deduction Rules

- Full appraised value is deductible
- Deduction limited to 50% of Adjusted Gross Income (AGI) for each tax year
- 16 years to deduct the full appraised value, the year of the gift and a 15 year carry forward period!!
- Farmers and woodlot owners who earn 50% or more of income from agriculture or timber in the year of the gift can deduct up to 100% of AGI and 15 year carry forward

### Example of "50/16" Rule

assumptions - \$60,000/yr income  
\$400,000 gift

Year	Deduction	Remainder	Tax Savings
1	\$30,000	\$370,000	\$7,500
2	\$30,000	\$340,000	\$15,000
3	\$30,000	\$310,000	\$22,500
4	\$30,000	\$280,000	\$30,500
5	\$30,000	\$250,000	\$37,500
6	\$30,000	\$220,000	\$45,000
6yr Total	\$180,000		\$45,000

## Example of “50/16” Rules

assumptions - \$60,000/yr income

\$400,000 gift

Year	Deduction	Remainder	Tax Savings
7	\$30,000	\$190,000	\$52,500
8	\$30,000	\$160,000	\$60,000
9	\$30,000	\$130,000	\$67,500
10	\$30,000	\$100,000	\$75,000
11	\$30,000	\$70,000	\$82,500
12	\$30,000	\$40,000	\$90,000
13	\$30,000	\$10,000	\$92,500
14	\$10,000	0	
14yr Total	\$400,000		\$92,500

## Qualified Appraisals

- Essential for determining values to comply with
  - Grant source requirements
  - LTA Standards and Practices
  - IRS rules and potential audits
- Appraiser lists are kept by land trusts
- Conservation Easement appraisals are really two appraisals in one
  - “before” = Fair Market Value
  - “after” = Restricted Value

## Bargain Sale

- Difference between appraised market value and sale price is considered a tax-deductible charitable donation
- Gain realized on sale portion will require basis allocation
- Deduction may be combined with savings on capital gains taxes and brokers' commissions
- Increases the chance that a conservation organization can afford the purchase
- Attractive for landowners - particularly those in higher tax brackets or those selling highly appreciated property

## Costs Potential Land Conservation

- Survey - may or may not be necessary
- Appraisal - required for income tax purposes or negotiated sales; landowners making full gifts of development rights must pay for the appraisal
- Legal Fees
- Title Search
- Land Trust Agent Fees - land trusts may charge for staff time or contracted services
- Stewardship Fund Contribution - most land trusts request contributions to these funds

## Financial Help/ Funding Sources

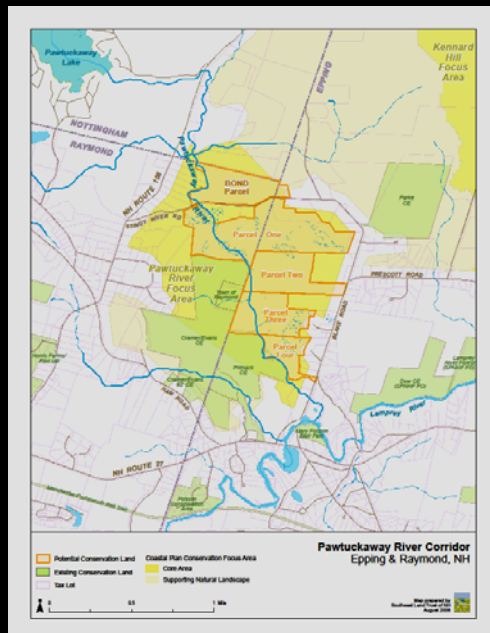
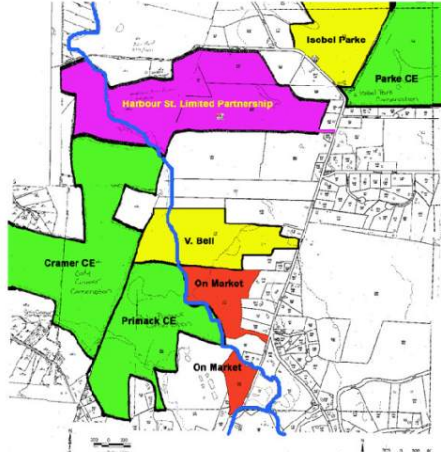
- Communities - nearly \$200 million in the last 10 years appropriated by NH communities toward land conservation
- State Programs - Land and Community Heritage Investment Program (LCHIP), Water Supply Land Grant Program
- Federal Sources - Farm and Ranchland Protection Program, Wetlands Reserve Program, Coastal Estuarine Land Conservation Program, Forest Legacy
- Private Funds - grants and private fund raising initiatives
- **Note: fund providers usually expect something in return for their investment (public access, hunting and fishing etc.)**

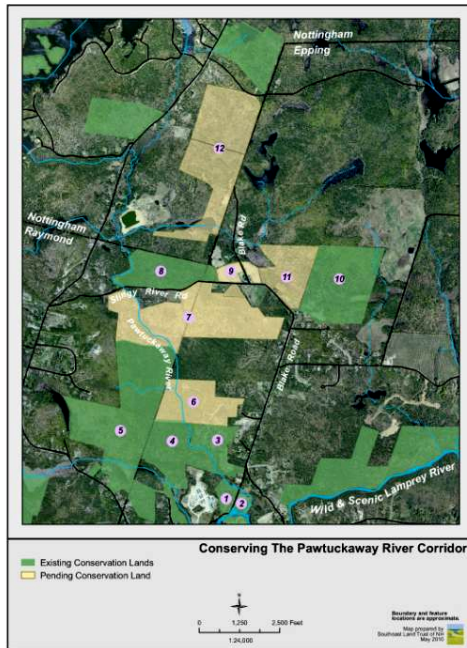
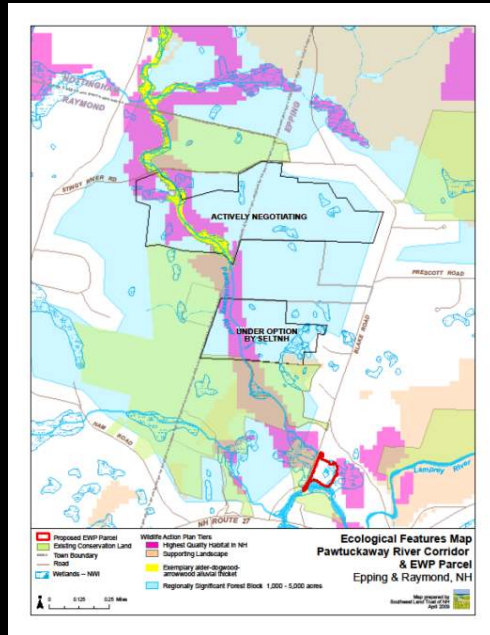
## Conservation Partnerships

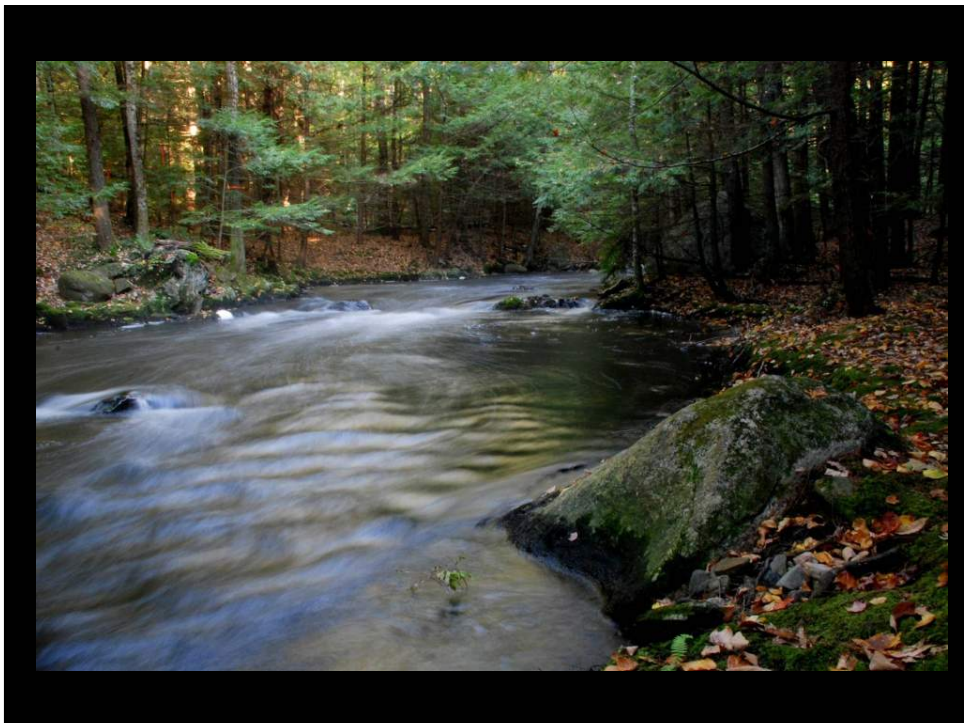
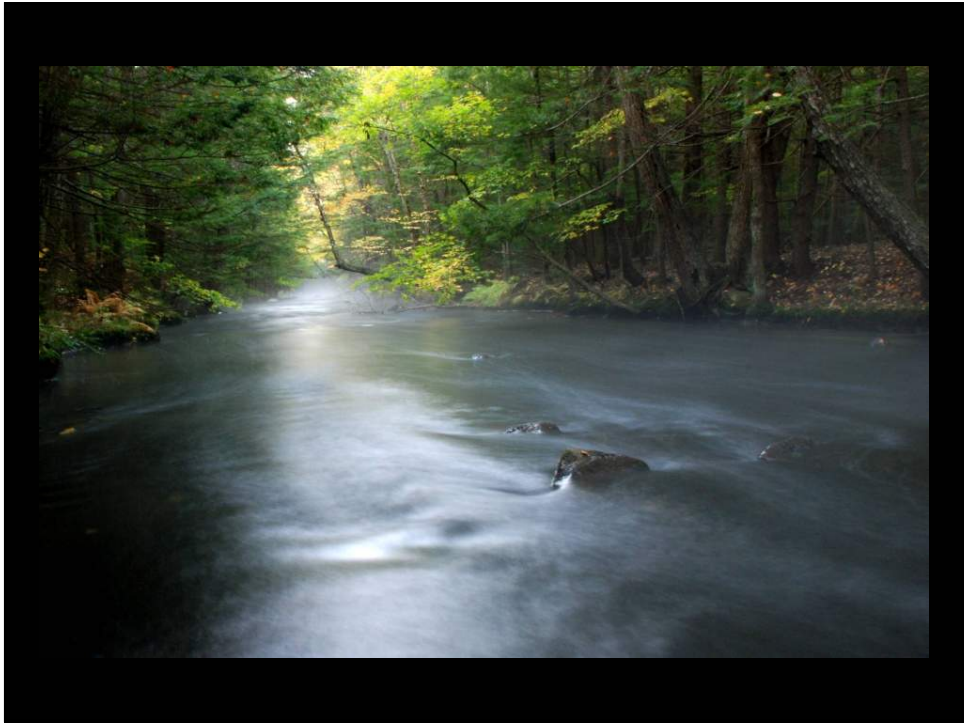


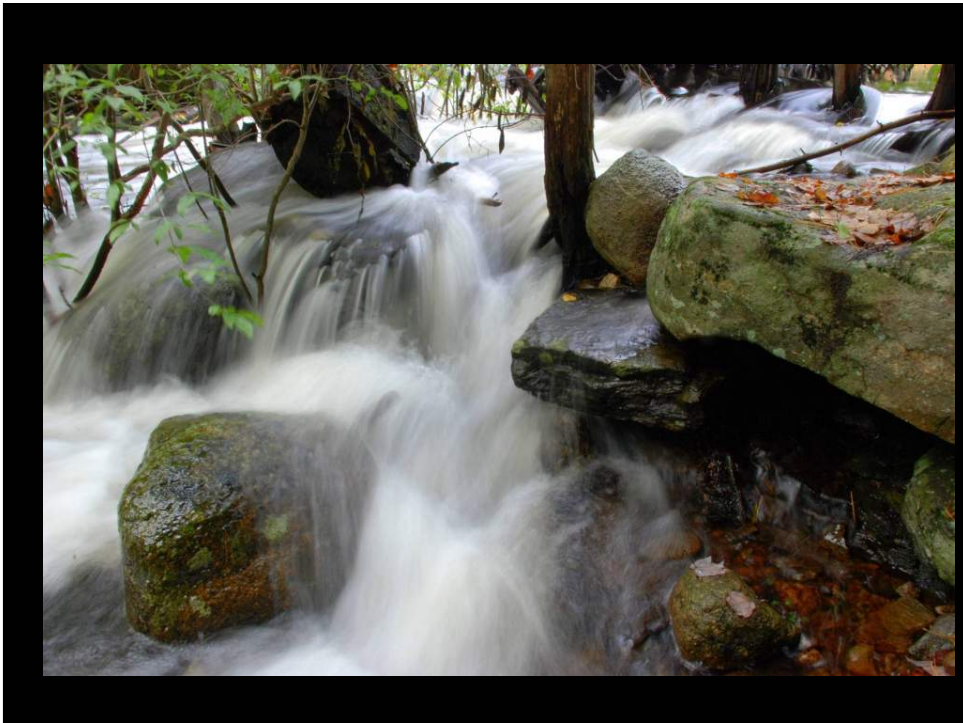
# Pawtuckaway River Project

Southeast Land Trust of NH

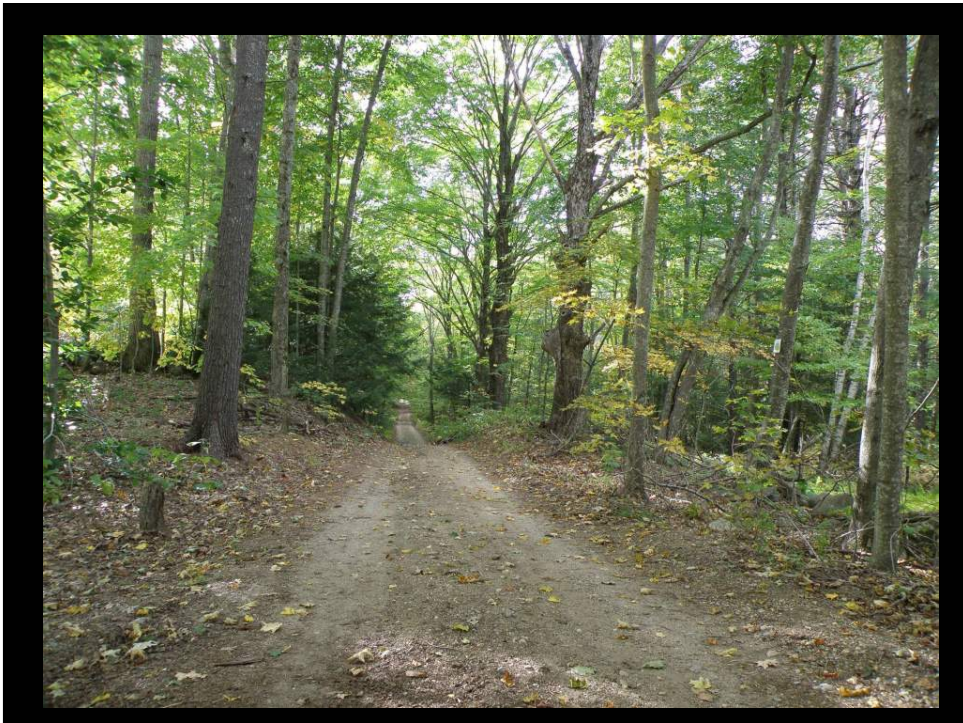
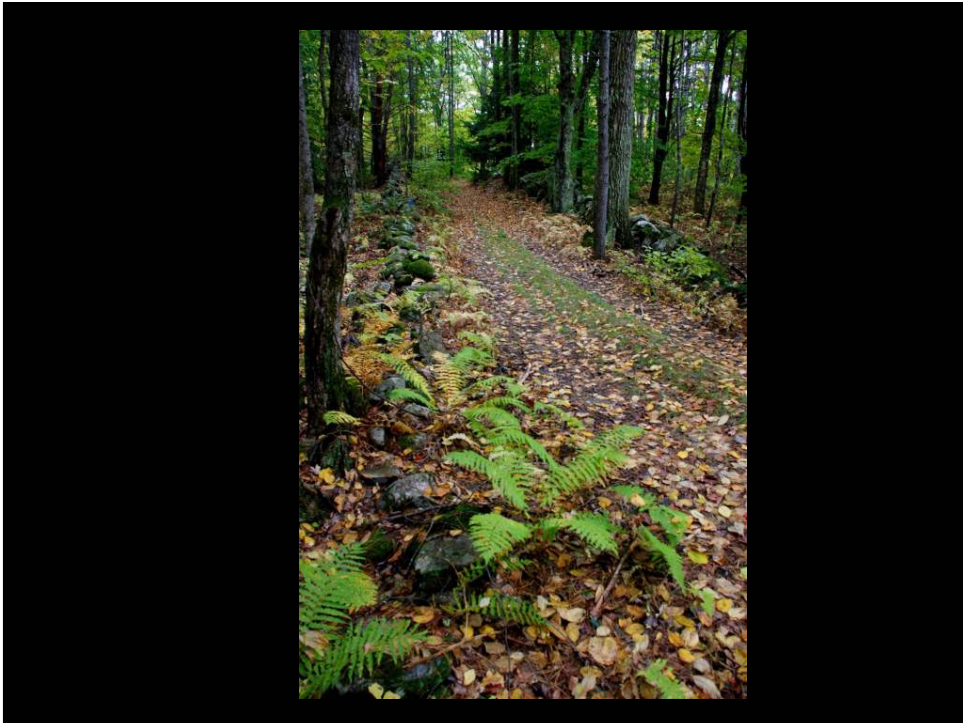


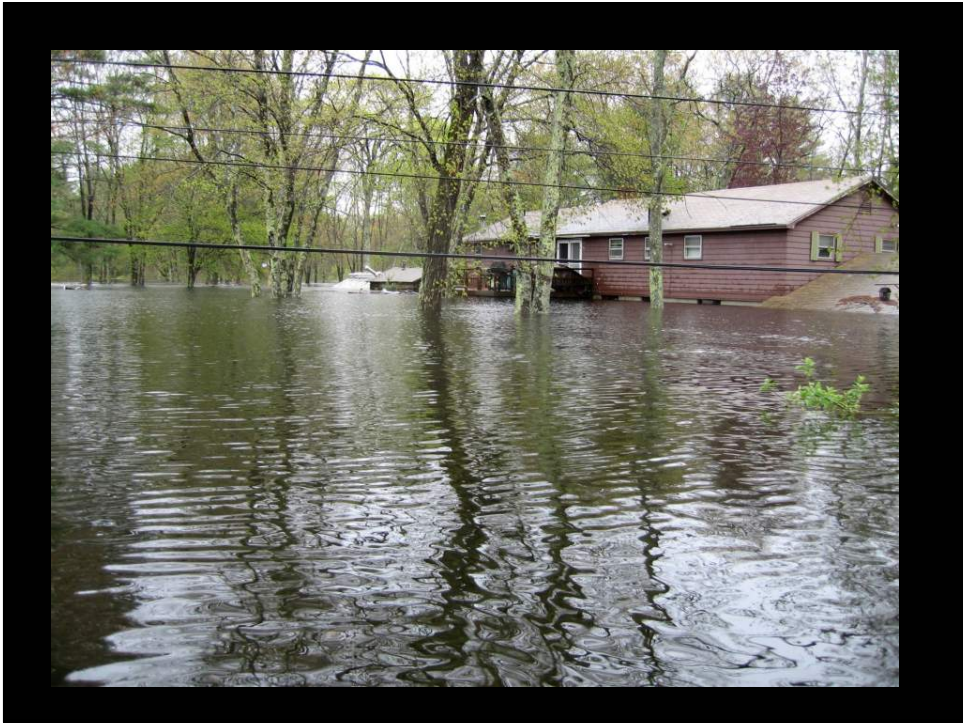


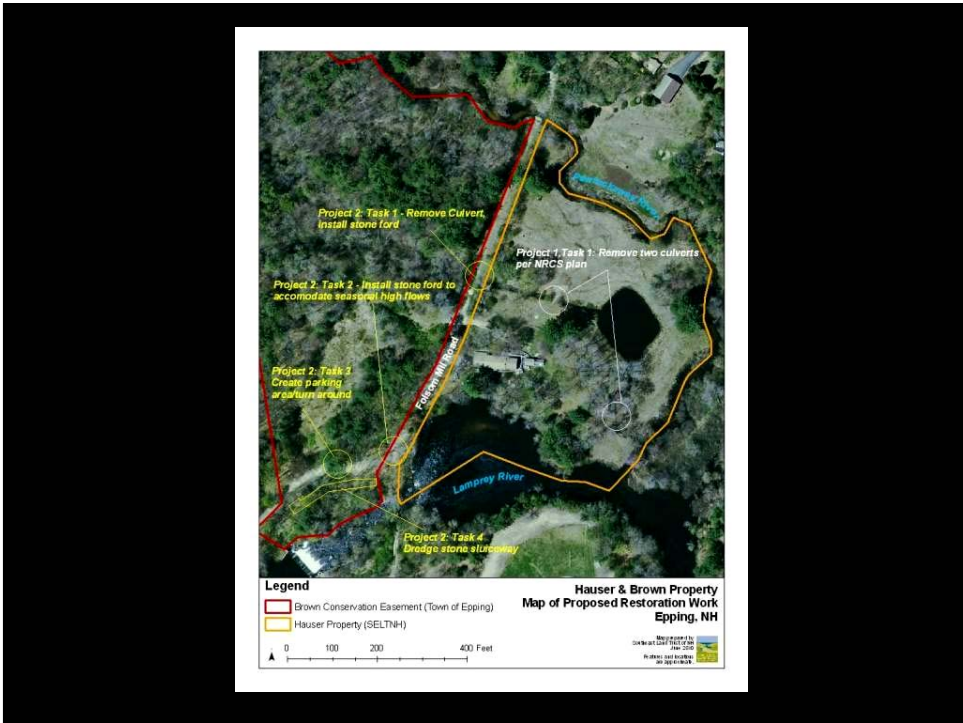




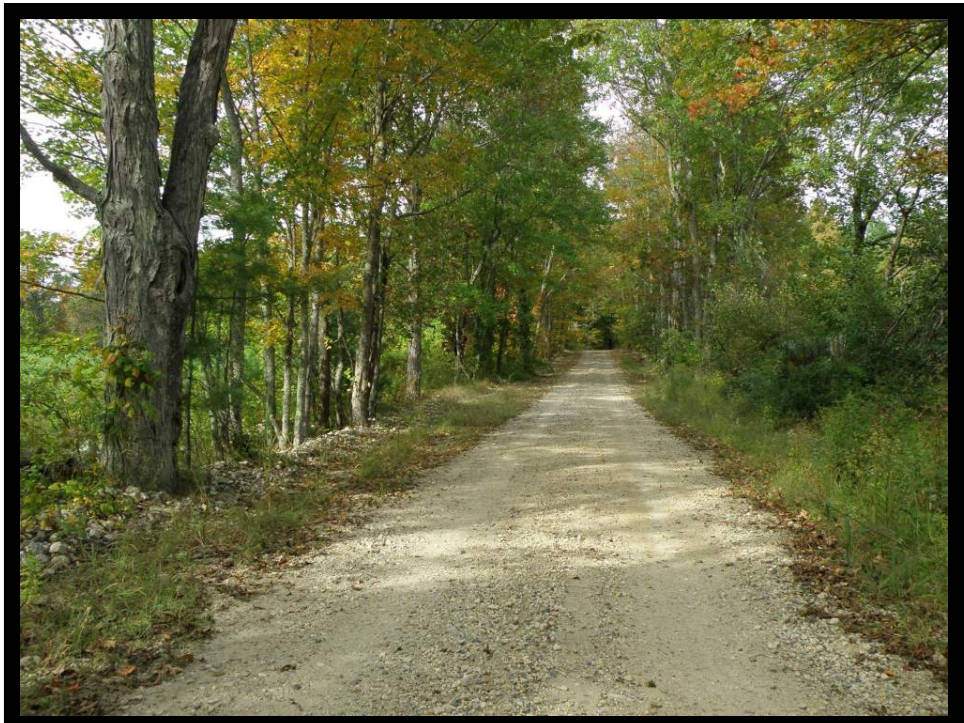














## Pawtuckaway River Project Costs & Funding Sources

• Hauser 7.2 ac	\$245,000 (EWP, LRAC)
• Brown 11.7 ac	\$95,000 (LRAC, Epping)
• Primack 91 ac.	<\$10,000 SLTNH
• Cramer 150 ac.	\$12,000 Raymond cons fund
• Pernokas 34 ac.	\$310,000 (LRAC)
• Bell 60 ac.	\$96,000 (LRAC, OSI, LCHIP)
• Harbor Street 103 ac.	\$899,000 (OSI, LCHIP, WRP, NAWCA)
• Bond 60 ac.	\$300,000 (private, SWIG, Raymond cons. fund)
• Sullos farmland 18 ac.	\$200,000 (FRPP, ?)
• Sullos woodlands 175 ac.	\$315,000 (WRP, private, ?)
• Parke I 109 ac.	\$250,000 (NH DES wetlands mitigation)
• Parke II 55 ac.	\$196,000 (WRP)
• Total 862 acres	\$2,928,000

## Pawtuckaway River Project Summary

- Total Project involves 11 landowners, 862 acres & approx 3 miles of river corridor (83% of the entire river)
- 3 parcels totaling 405 acres remain in private landowner ownership
- 1 new town owned parcel 11 acres
- 446 acres acquired by Southeast Land Trust of NH
- all parcels except one will have CE's in place by the end of 2010