

## TAX BENEFITS FOR LANDOWNERS

There are numerous potential tax incentives for landowners who choose to protect all or part of their land, including, but not limited to, income tax deductions, estate tax benefits, and avoided capital gains taxes. Please note that this overview is *for informational purposes only*. Landowners must consult with their own attorney and tax advisor for complete information on their personal financial situation.

### Income Tax Incentives

**When a landowner donates their property or a conservation easement to a land trust, they may be eligible for federal income tax incentives.**

For qualified gifts of...

- *Land in fee (depending on land value)*: deduction of 30% of donor's annual income with a carry forward of five years
  - If property has been owned for less than one year, donor's deduction is limited
- *A conservation easement (depending on easement value)*: deduction of 50% of donor's annual income with a carry forward of 15 years
  - Deduction raised to 100% of annual income for qualifying farmers
  - *For more information on the enhanced federal tax incentive for easement donations, please refer to [this brochure](#), prepared by The Land Trust Alliance*

For qualified bargain sales of...

- *Land in fee*: deduction equal to the difference between a property's fair market value and its sale price
- *A conservation easement*: deduction equal to the difference between an easement's fair market value and its sale price

#### **A note on the integrity of conservation donations:**

Federal income tax deductions for conservation donations have, on occasion, been abused to create illegal tax shelters. While the IRS has [taken action](#) against certain unusual transactions, traditional donations are still eligible for tax incentives and will not be subject to additional scrutiny.

For more information: <http://bit.ly/LTAadvisory>

### Estate Tax Incentives

**Donating a conservation easement may be an effective method for keeping land preserved for future generations, while reducing the associated tax burden.**

- In protecting land from development, an easement may lower overall property value, which - in turn - may lower estate taxes

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- In certain circumstances, up to 40% of the value of the land under easement may be excluded from the value of the estate for tax purposes
  - For more information on the qualifications for this incentive, please refer to [this guide](#) from The Pennsylvania Land Trust Association

## Property Tax Incentives

**By protecting land with a conservation easement granted to a land trust, government agency, or other qualified organization, a landowner may also reduce their property taxes.**

- With the restrictions that it places on development, an easement may allow for a considerable reduction in property taxes
- This potential reduction is at the discretion of each town's assessor, leading to town-by-town variation in property taxes on land conserved by easement across the state of Connecticut

**For more information on tax considerations for landowners, please visit the CLCC [Resource Library](#).**

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## Glossary

- *Bargain Sale*: a sale of property at a bargain price (i.e., less than fair market value)
- *Conservation Easement*: a voluntary legal agreement between a landowner and a land trust (or government entity) that permanently restricts certain aspects of land use in order to protect the conservation values of the property
- *Land in Fee*: full ownership of a property - all rights, title, and interest
- *Qualified Organization*: an organization such as a conservation organization or government agency, that qualifies as a tax-exempt entity under IRS Code Sect. 501(c)(3) and meets public support requirements established by the IRS

## Resources Cited

- Pennsylvania Land Trust Association. (2019). *Reducing Federal Estate Tax: A Conservation Easement Benefit for Large Estates*. [https://conservationtools-production.s3.amazonaws.com/library\\_item\\_files/2101/2399/CT\\_FederalEstateTax\\_191010.pdf](https://conservationtools-production.s3.amazonaws.com/library_item_files/2101/2399/CT_FederalEstateTax_191010.pdf)
- Land Trust Alliance. (2016). *Using the Conservation Tax incentive*. <http://s3.amazonaws.com/landtrustalliance.org/ConservationEasementTaxIncentiveBrochure2016.pdf>
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