

Tax Incentives & Benefits of Conservation Easements

Federal and state laws, and Internal Revenue Service regulations, provide income and estate tax incentives for conservation easements and other forms of land conservation. All of these are based on the concept that protecting certain conservation values have significant public benefit. Federal- and State of New Mexico-recognized conservation values include the protection of:

- relatively natural habitat
- historical or culturally important lands or structures
- scenic views and open space
- public recreational and educational opportunities.

The preservation of open space can include farm, ranch and forest land when it is for the scenic enjoyment of the general public or when such preservation is in accordance with a specific governmental conservation or agricultural land preservation policy.

Please Note: The New Mexico Land Conservancy cannot provide tax and legal advice, and recommends that you consult with your own tax and legal advisors when considering placing your land into a conservation easement.

- **Federal Tax Deduction**

The donation of a conservation easement that meets federal tax code requirements may be considered a charitable gift, which may qualify for a charitable income **tax deduction**. The value of the gift is the difference between the value of the property prior to the easement donation and the value of the property after the easement donation, as determined by a qualified appraiser.

The enhanced federal tax incentive for conservation easements was recently made permanent by Congress in 2015. Under the enhanced incentive, landowners are allowed to offset up to 50% of their AGI in the year the gift was made and as needed for up to 15 additional years, or until the value of the charitable contribution was used up. Additionally, under the enhanced incentive, qualifying farmers and ranchers can deduct up to 100% of their AGI in the year the gift was made, and as needed for up to 15 additional years or until the value of the charitable contribution was used up.

- **Estate Tax Incentive**

Extinguishing some or all of the development rights for a property through a conservation easement may reduce the value of the land for estate tax purposes to the after-easement value, thus reducing the estate taxes. This could provide a substantial benefit for family members to keep the property, or to offer an opportunity to buy the property to the “next generation” of land stewards who might otherwise not be able to afford it.

- **New Mexico State Tax Credits**

New Mexico taxpayers may be eligible for a transferable state income tax credit for the donation of a qualified conservation contribution. Unlike a deduction, a **tax credit** provides a dollar for dollar write-off

on taxes owed. The tax credit is valued at 50% of conservation easement value up to \$250,000 and can be used over a 20-year period. The donor of the qualified conservation contribution can also transfer all or part of the tax credit to other taxpayers through a broker at approximately 80% of the value . NMLC can provide information on conservation easement tax credit brokers who assist with the sale of tax

Grant-Funding

In rare cases, NMLC may be able to raise funds through various grant programs to pay for a portion of the value of your conservation easement. These funding programs are highly competitive and may require specific restrictions in a conservation easement. NMLC will work with you to determine if your property qualifies for available funding programs. Even when we can raise funds for a conservation easement, a certain percentage of the value of the conservation easement is typically donated. You may then be eligible for tax benefits for any donated portion of the conservation easement value.

The information on this website does not constitute legal, financial or tax advice. Landowners are strongly encouraged to retain qualified legal and other advice before conserving their land.