

Tax changes to hit conservationists

Laws that reward land donations for preservation become less generous at year's end

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North Carolina conservationists raced this month to close a flood of preservation deals before state and federal tax incentives expire.

The tax laws reward landowners who donate their land for conservation or sign easements that protect it from development. But the favorable tax treatment becomes less generous at year's end.

A state tax credit of up to 25 percent of the gift's market value expires Jan. 1. Federal tax deductions for easement donors, unless renewed, drop from up to 50 percent of adjusted gross income over 16

years to 30 percent over six years.

December is typically a busy time for local land trusts, but they went into overdrive to close deals this year.

"I suspect this will be my least enjoyable Christmas" because of the December rush, Jason Walser, executive director of LandTrust for Central North Carolina said jokingly. "But it's good for land conservation."

The Salisbury-based conservation group worked to close nine agreements, totaling 1,100 to 1,200 acres, by year's end. That's three times the number of donations completed earlier in 2013.

Most landowners involved in the late-year rush were motivated by the expiration of the state tax credit, Walser said. Conservation owners who don't make the Dec. 31 deadline can still take deductions for their gifts, he said.

"So far what I'm getting are questions about the projects, and indications are that this is going to be a really big year," said Scott Pohlman, director of the state office that certifies properties eligible for tax credits.

North Carolina became the first state to allow an income-tax credit for donated easements in 1983. The credit has helped protect 238,000

acres — more than the land in the state park system — with a donation value of \$1.3 billion since then.

Legislators killed that and other tax credits in a flurry of tax reform this year.

The conservation credit cost the state \$146 million in revenue between 2003 and 2010 but protected land worth \$975 million, said Reid Wilson, executive director of the statewide group Conservation Trust for North Carolina.

The legislature also cut off the revenue streams of two conservation programs, the state natural heritage and parks trust funds. The

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natural heritage fund was rolled into the Clean Water Management Trust Fund, a major source of conservation grants.

"I think we will see a noticeable decrease in the number of conservation properties protected" in 2014, when tax incentives will be reduced, Wilson said. "It's hard to say how significant it will be."

The incentives are of varying importance to donors, conservation professionals say, with some primarily benefiting high-income donors.

"These changes do not help us, and all things being equal you would think they would reduce (conservation donation) volume," said executive director Tom Okel of the Charlotte-based Catawba Lands Conservancy. "But there's still a lot of people who want to do it for the sake of conservation, not just for the deduction."

The Catawba conservancy, which had closed on two conservation agreements this year, hoped to bring in 14 to 16 more by the end of the month.

Conservationists hope to eventually persuade legislators to restore the state tax credit and trust-fund revenue. There's also pressure on Congress to make the 50 percent federal deductions permanent.

For now, the Conservation Trust planned to spend up to \$1.5 million to help North Carolina's 23 local land trusts pay for surveys, appraisals and legal fees to close preservation deals by Dec. 31.

One million dollars of that came from a revolving loan fund Salisbury philanthropists Fred and Alice Stanback set up more than a decade ago. An unidentified donor added up to \$300,000 more.

One of those grants allowed the Davidson Lands Conservancy to complete an easement, in the works since 2008, that will protect native orchids on a 27-acre tract. The agreement was announced earlier this month.

The Conservation Trust expected to approve about 60 grants of up to \$25,000 each to cover transaction costs between September and the end of the year.

"It's been a mad dash to the finish," Wilson said.

Enhanced federal

deduction: Since 2006, the maximum deduction for donating a conservation easement has been 50 percent of adjusted gross income, up from 30 percent. Qualified farmers and ranchers could deduct up to 100 percent of AGI. The number of years over which landowners could take the deductions increased from six years to 16 years.

Without the enhanced incentive, says the Land Trust Alliance, an agricultural landowner who earns \$50,000 a year and donated an easement worth \$1 million could take no more than \$90,000 in deductions. With it, that landowner could take up to \$800,000 in tax deductions.

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How the tax incentives work

State tax credit: In place since 1983, it allows donors of land or conservation easements a state income tax credit of 25 percent of the donated property's fair market value, up to \$250,000 for individuals and \$500,000 for couples. Unused portions of the credit may be carried forward for five years.