

SPECIAL ALERT – August 14, 2006

**New Federal Law Gives Better Tax Breaks For
Conservation Easements**

The U.S. Congress just approved a far-reaching expansion of the federal tax incentives for private landowners who donate conservation easements on their property. The incentives are part of the Pension Protection Act (PPA) of 2006. President Bush is expected to sign the bill soon. The new law creates tremendous opportunities for landowners to conserve their property and realize significant federal income and estate tax savings. The law is expected to have significant impact on conservation efforts in Texas because the federal tax deduction is the principal financial incentive to landowners considering donations or bargain-sales of conservation easements on Texas land.

The new law:

- Raises the deduction a landowner can take for donating a conservation easement from 30% of their adjusted gross income (AGI) in any year to 50% AGI;
- Allows qualifying farmers and ranchers with more than 50% of their gross income from agricultural activities to deduct up to 100% of their AGI; and
- Increases the number of years over which a donor can take those deductions from 6 years to 16 years.

The new legislation only applies to permanent conservation easements donated in 2006 and 2007. We will be working closely with other members of the conservation community to make these changes permanent.

In the meantime, landowners are advised to begin immediately to explore the application of the new law to their specific tax and land ownership situations by contacting Braun & Associates. We can quickly analyze the specific opportunity to use this new law for the client's advantage and represent the client in all phases of this complex transaction. Many of our clients have decided to move forward with conservation projects as a result of the new tax incentives.

Under the previous law, a landowner with an AGI of \$50,000 a year who donated a conservation easement valued at \$1,000,000 could take a \$15,000 deduction for the year of the donation and for an additional 5 years – a total of \$90,000 in tax deductions.

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The new law allows that landowner to deduct \$25,000 for the year of the donation and then for an additional 15 years. That's \$400,000 in deductions.

If the landowner qualifies as a farmer or rancher, that is, with more than 50% of their gross income from agricultural activities, they can zero out their taxes. In the above example, they could take a maximum of \$800,000 in deductions for their \$1,000,000 gift. The qualified farmer or rancher provision also applies to farmers who are organized as C corporations.

A conservation easement is a way for landowners to donate some of the development rights to their land to a conservation charity such as a land trust in order to permanently protect important natural resources on the property. A conservation easement allows the landowner:

- to continue to own, use and live on the property;
- to sell, gift or otherwise transfer the property subject to the terms of the conservation easement;
- to make it easier for rural families to leave land to their children by reducing or eliminating the burden of the federal estate tax; and
- to protect the natural areas, open space, water and rural character of the land.

With careful planning, our firm can tailor a conservation easement to meet the specific goals of each landowner and protect their rights under the agreement.

Most landowners are inspired to protect their property and natural resources because they love their land. But donating a conservation easement is a financial decision also. The new tax incentives make this option much more attractive to all those who own rural land in Texas.

Braun & Associates can bring to bear its extensive experience and unique expertise in working with owners of rural land, land trusts, government agencies, and conservation organizations to assist private landowners to achieve their goals in these complex transactions. More information about the new law will be available soon. For additional information, please contact:

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