Good News

The economy is in turmoil. The price of oil is prohibitive. The real estate market is dead. You would like to retire, but you own a farm, of all things.

I have good news.

Hidden within the depths of last May's Farm Bill was an extension of the Federal tax incentive for donated land protection agreements, commonly called conservation easements. With a voluntary donation, you can:

1) protect what you love best about your land.
2) reduce your federal taxes for sixteen years,
3) lower your property taxes,
4) decrease inheritance taxes on your land,
5) preserve your agricultural heritage, and
6) retain ownership.

Land protection agreements are voluntary, permanent restrictions on what can be done with your land. You figure out what you want to preserve, whether it's agriculture, scenic views, or that free-running stream. Find a qualified nonprofit, such as the San Juan Preservation Trust, whose mission fits your goals for your land. Then you, the conservation organization, your lawyer, and accountant set it down on paper. This part takes time, since the protection agreements are individually crafted to fit each landowner, the property, and the values of the conservation organization.

To reach a monetary value for your donation, a qualified appraiser will figure out both the present value of the land and its value including the protection agreement. The difference will be the monetary value of the agreement. Once the agreement is signed, the conservation organization will monitor the property to be sure your requirements are being followed. The protection agreement stays with the land, so the next owners will continue to comply with the rules you have established.

There is more good news. The IRS recognizes the value of your donation. It will let you deduct up to 50% of your Adjusted Gross Income for the next sixteen years to help recoup that value. And if you fit the IRS definition of a farmer, you can deduct up to 100% of your AGI for sixteen years. The Farm Bill made this deduction retroactive to January 1, 2008, but it ends on December 31, 2009. Since the process of creating each protection agreement can take six months to a year, now is the time to seriously look at this option.

Once you have donated a conservation agreement, your land will have a reduced monetary value. You will pay lower property taxes each year. Your heirs will pay fewer taxes. It may make the difference between selling part of the land to pay taxes or keeping it whole. And if the price of land has grown, a protection agreement can harvest that growth in a way that's easier to swallow than dividing your land.

There are many other benefits to preserving your land. You may not get a medal, but your neighbors will still enjoy its open space and food. You can deservedly feel good about preserving its agricultural heritage. The work of setting up a protection agreement now can reduce headaches later in life. You may even help someone start out in farming who couldn't afford it otherwise.

Here come the warnings: Don't attempt this without a good lawyer, accountant, and appraiser. The IRS may audit a donation, and this is no time for mistakes. Check out conservation easements at the American Farmland Trust (www.farmland.org), the Land Trust Alliance (www.landtrustalliance.org), the San Juan County Land Bank (www.sjclandbank.org), and the San Juan Preservation Trust (www.sjpt.org). Talk to someone local whom you can trust—there are hundreds of protection agreements already in place in the county.

It’s hard enough to farm in San Juan County. Conservation agreements can take a little of the unknown out of the future, and put a little back in your pocket at the same time. It’s worth a look.