



## TURNING CONSERVATION TAX CREDITS INTO CASH: WHAT SHOULD I EXPECT?

Once you have preserved your land with a conservation easement, you might be wondering exactly how you will turn these conservation income tax credits you received into cash. Here is a quick overview of how the tax credits are calculated and what to expect when you work with a qualified intermediary.

For donating your land or a conservation easement, the value of the credits is based on a qualified appraisal. For a conservation easement, the appraiser will determine how much value you are giving up by permanently restricting the use of your land. For example, if your property was worth \$1,000,000 as a potential subdivision (what could be done today), but is only worth \$600,000 as farm ground and a house site (uses allowed after the conservation easement), the donation value would be the difference between the two or \$400,000. Based on the donation value of your land or conservation easement, you will earn tax credits at the rate of 50% of your donation value, in this case \$200,000 (\$400,000 donation value x 50%). The maximum amount of credits you can earn in one year is \$250,000 (based on \$500,000 donation value) for a single conservation easement donation.

If you don't want to use all of your credits yourself, you have the option of selling all or some of your credits through a qualified intermediary and receive cash for your credits. The amount of money you will receive is approximately 80% of the face value of the credit; for example if you sell a \$100,000 tax credit, you will receive a check for \$80,000.

You will want to register with a qualified intermediary early so you will have a top priority for getting your tax credits sold. The donation must be complete and credits sold by December 31<sup>st</sup> of the year of the donation in order for the buyer to use the credits against that year's taxes. As a qualified intermediary, Tax Credit Connection, Inc. will take care of all the of the state's eligibility and certification application process details and work with your land trust and the state to ensure your applications are complete and timely. In addition, Tax Credit Connection, Inc. reviews all of the documents regarding your conservation donation, such as the deed of conservation easement, the appraisal, title work, baseline inventory, mineral report, state approval letter, state certificate, IRS Form 8283, and any other documents that may be required based on your particular circumstances, so be prepared to send us copies. If we find a problem, we will work with you and the appropriate professionals to try to fix it. Once we are comfortable that the rules have been followed and you have received your state certificate, we will match you up with a New Mexico taxpayer who is interested in saving money on their taxes by buying your credits.

In addition to finding a buyer for your credits, Tax Credit Connection, Inc. will prepare sales documents for you and the buyer to sign. One standard provision is that if the donation is ever challenged by the IRS or the state of New Mexico, you will pay back any expenses the buyer incurs from the credits being reduced or disallowed; therefore, it is important to work with only the best team of professionals. For guidance you can use in hiring your professional team, please visit [www.taxcreditconnection.com](http://www.taxcreditconnection.com).

After the documents are signed by you and your credit's buyer, Tax Credit Connection, Inc. will send you a check for the sale of your tax credits. This is the part that makes all of the work worthwhile!

### **For more information, please contact:**

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*This information is not intended to be legal or financial advice. Please consult your own advisor.*