



**NOW IS THE TIME TO DONATE A CONSERVATION EASEMENT:
HOW THE NEW FEDERAL BENEFITS PUT EXTRA MONEY IN YOUR POCKET!**

In August 2006, Congress passed a bill that gave middle-class Americans and farmers a huge incentive to preserve their land with a conservation easement. Prior to the tax change, many Americans could not use the full tax deduction they earned by donating a conservation easement because of strict limits on how much they could deduct each year. The law once limited deductions to 30% of the donor's adjusted gross income, which meant that a donor earning \$100,000 per year would only be able to deduct \$30,000, no matter how big their donation was. The old law also only allowed a donor to carry the deduction forward for five additional years, so if the full deduction wasn't used in those six years (year of the donation plus five years), the rest of the deduction would be lost.

The new law, which has been extended through 2009, allows landowners that donated a conservation easement in 2009 to deduct up to 50% of their adjusted gross income and carry the excess deduction forward for an additional 15 years. With the same example above, a donor earning \$100,000 per year can deduct \$50,000 each year and will be able to continue doing that until the deduction is used up or 16 years have passed (year of the donation plus 15 years), whichever comes first. If we use an example of a \$500,000 donation above, under the old laws, the landowner earning \$100,000 per year would only be able to use \$180,000 of their \$500,000 deduction (\$30,000 per year x 6 years). They would have to essentially throw away \$320,000 in deductions. Under the new law, the same landowner earning \$100,000 per year would be able to deduct the full \$500,000 (\$50,000 x 10 years) and use up their deduction with time to spare.

If you are a farmer or rancher, the benefits are even better. If more than 50% of your **gross income** comes from farming and ranching activities, you are a "qualified farmer or rancher". Because we all know that farming isn't always as profitable as we would like it to be, many farmers supplement their income with other jobs. This doesn't necessarily disqualify you from being a qualified farmer or rancher because the law looks at **gross income**, which is before you subtract all of your farming costs. Therefore, it is extremely important for you to talk to your own tax and legal advisor to find out whether you qualify. If you do qualify, instead of being able to deduct 50% of your adjusted gross income, you will be able to deduct 100% of your adjusted gross income. That means you won't pay Uncle Sam a penny in federal income tax until you use up your whole deduction or for 16 years, whichever comes first.

The farmer and rancher benefits are also available for farming and ranching corporations, which is extremely helpful for farming families who have their land in a family corporation. The corporation must be closely held and earn more than 50% of its gross income from farming and ranching activities in order to qualify. If it does qualify, it will also be able to deduct 100% of its gross income until it uses up the donation value or the 16 years pass, whichever comes first.

If you would like to take advantage of this great benefit, contact your favorite land conservation organization today and start working on a conservation easement!

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.