



CAN I REALLY PRESERVE MY LAND AND MAKE MONEY? HOW TO TURN CONSERVATION TAX CREDITS INTO CASH

Conservation tax credits are a relatively new land preservation tool available to help New Mexico landowners preserve their farm or ranchland, protect important wildlife habitat and conserve scenic views. With these tax credits, you can get compensation for the development potential of your land without actually developing it. You can use conservation tax credits against your New Mexico personal, corporate or fiduciary income tax bill. To be eligible to earn these tax credits, you must donate either land or a conservation easement to a qualified conservation organization.

A conservation easement is a permanent restriction on how the land can be used, often preventing or limiting commercial, industrial and residential development in order to protect conservation values (wildlife habitat, open space, public recreation, working agricultural lands and scenic vistas, among others).

Your major reward for donating land or a conservation easement is to be eligible to earn conservation tax credits. The value of the credits is based on a qualified appraisal. For a conservation easement, the qualified appraisal determines 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 (use restricted by the conservation easement), your donation value would be the difference between the two or \$400,000. After learning the donation value of your conservation easement or land, you will earn tax credits at the rate of 50% of the donation value up to a cap of \$250,000 (based on a \$500,000 donation value). In this example of a conservation easement donation value of \$400,000, the tax credit would be \$200,000.

You can use tax credits to offset up to 20 years of your state income tax liability. For many people, their state income tax liability is low enough that using all of their tax credits is not attractive. The other option is to sell all or some of the credits through a qualified intermediary for approximately 82% of the face value of the credit. Given the example above, if you decided to sell your \$200,000 tax credit, you would receive \$164,000 ($\$200,000 \text{ tax credit} \times 82\%$). As a qualified intermediary, Tax Credit Connection, Inc. helps landowners through every step of the Energy, Minerals and Natural Resources Department's assessment and certificate of eligibility application processes to earn their conservation tax credits. We will take care of all the application 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 the donation of the conservation easement or land. Once we are comfortable that the rules have been followed and you have received approval from the state, we will sell the credits to a New Mexico taxpayer who is interested in saving money on their taxes.

Buyers of the credits have an incentive because they buy the credits at a discount, saving money on their taxes. Tax Credit Connection, Inc. offers incentives for buyers to purchase credits early so you won't have to wait to sell your tax credits at the end of the year. For example, a buyer may purchase \$100,000 in tax credits in June 2014 for 86% of face value or \$86,000 and save \$14,000 on their state taxes. Buyers are interested in purchasing tax credits that are capable of withstanding any challenges by the IRS or the State of New Mexico, therefore it is important that landowners hire qualified professionals and work with experienced land trusts. Guidance to help you select the best professional team is available at www.taxcreditconnection.com.

Making a conservation easement donation isn't the best fit for all landowners, but for people who want to stay on their land and ensure that it remains undeveloped, it can allow for a cash infusion and the peace of mind that the farm will always remain a farm and the pronghorns will always have a place to graze.

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.*