



## **Conservation Easements: Donated, Funded or Bargain**

A conservation easement is when a landowner voluntarily chooses to place a perpetual restriction limiting commercial development or building on the land. It is an agreement between the landowner and a qualified land trust. The landowner retains ownership of the property and is responsible for taxes on the property. The landowner can sell or gift the property at any time, but the restrictions are permanently attached to the land deed.

A landowner can choose to participate in a donated, funded (sometimes referred to as purchased) or bargain easement. When placing an easement restriction, it decreases the overall value of the land. On average, the decrease is about 25% of the land's value. Depending on the type of easement, the landowner may receive compensation through either a cash payment or a tax deduction for the decreased value. Landowners are typically responsible for transaction fees that are due before or at project conclusion. These fees range from \$20,000 to \$50,000 depending on the scale of the project.

Conservation easements can take one to three years to complete depending on which type of easement is right for the landowner. Factors that contribute to the process include fundraising, the scale of the project and the current status of the land to be considered.

### **There are three types of conservation easements:**

#### **Donated Easement**

The easement is donated by the owner. Tax incentives offset the loss of value when restrictions are placed on the land. There is no cash compensation for the loss of value. The 2018 Farm Bill and recent IRS rule changes now allow the tax deduction to carry-forward for 15 years at 50% of the landowner's AGI or if the landowner qualifies, at a rate of 100% of AGI. Landowners are typically responsible for transaction fees. Donated easements are a quicker form of conservation easement and take one to two years to complete.

#### **Funded or Purchased Easement**

Compensation is in the form of a cash payment to the landowner. These funds are either raised through RTK fundraising efforts or through government incentive programs. This compensation is equal to the decreased value of the land. This decrease is determined by two appraisals; one before the land has restrictions and an appraisal of the land if the restrictions were to be applied. This type of easement can take two to three years to complete.

#### **Bargain Easement (a combined donated and funded easement)**

A bargain easement is a combination of a donated and funded easement. It is completed with both cash compensation and donations by the landowner. This type of easement can take two to three years to complete.