



Conservation Easements – The Costs and Benefits of Conserving Land

Protecting the ranching heritage, the Kansas landscape and wildlife habitat are the primary goals of all RTK conservation easements and should be for prospective applicants as well. Along with conservation, there are multiple financial and non-financial benefits for conveying land into a perpetual conservation easement. Various government entities and private organizations provide financial incentives to landowners or assistance for transactional costs. Depending on the type of conservation easement that is best for the landowner, incentives can be in the form of tax deductions, reduced property or inheritance taxes or in some cases if funding can be identified, a cash payment for the value of the easement.

Financial Benefits

Depending on the type of conservation easement a landowner chooses, there are typically four financial benefits:

- Federal Tax Deductions
- Possible Estate Tax Deductions
- Cash Payments
- Succession Planning

Federal Tax Deduction

The 2018 Farm Bill and IRS guidelines treat a donated easement as a charitable donation, allowing qualified landowners to deduct the easement's value up to 50% of his/her Adjusted Gross Income (AGI) followed by a 15 year carry-over. Ranchers and farmers who qualify may deduct 100% of his/her adjusted gross income with a 15 year carry-over period.

Estate Tax Benefit

Placing land in a qualifying conservation easement conveys the development rights to a land trust like RTK. A qualifying conservation easement will not affect the value of your land for agricultural purposes, but in most cases, it will decrease the value of your land for federal estate tax purposes. This in turn may reduce or eliminate the federal estate taxes owed upon death and help ensure your family's ranching legacy.

Cash Payment

When funds can be accessed from various private and public funding sources, a cash payment can be made as full compensation for the reduction of land value. In a bargain or combined easement, a portion of the reduction is purchased and compensates the owner with a cash payment. The remaining percentage is treated as a donation from the landowner as outlined above.

Additional Benefits

Succession planning and the 1031 Exchange tax code may assist with divestiture and minimizing capital gains.

Non-Financial Benefits

A landowner may choose to convey their land to ensure the ranching heritage remains in place on that land for future generations. Some have spent a lifetime of effort and expense to improve the land and want the investment of human capital and funds to continue for the benefit of agriculture. Others restrict non-agricultural development to protect scenic view sheds and the wildlife that inhabits the land. Choosing to create a perpetual easement is a very personal and unique decision and is the right of any private landowner.

The fees listed below are estimates based on historical transactions and vary by type of easement, size of parcel and the number of owners associated with the parcel being conveyed. Not all transactions are necessary for every application and the typical transaction fee total is at the bottom or the middle of the range.

SERVICE OR TRANSACTION	ESTIMATED FEE	COMMENTS
Title Services and Closing Fees	\$500 - \$1,500	Due at closing.
Conservation Easement IRS Appraisal	\$4,500 - \$12,000	Required by IRS <u>if</u> obtaining tax incentives.
Conservation Easement Appraisal	\$4,500 - \$12,000	Required by some grantors if receiving payment for easement. May or may not be paid for by grantor.
Baseline Inventory	\$0 - \$7,500	May or may not be provided by partner entity.
Mineral Report	Variable, if applicable	Required if the landowner does not have all mineral rights.
Environmental Assessment	\$300 - \$5,000	Required to establish the environmental status of the land.
RTK Legal Fees	\$250 - \$2,500	The legal fees, if necessary, are expected to be covered by the landowner. \$250 will cover a basic review.
Landowner Legal Fees	?	Varies by land complexity.
RTK Stewardship Fund	\$20,000	To be paid at closing. This fund supports the perpetual existence and monitoring of the easement and any unforeseen need to defend the easement for generations to come.
RTK Coordination Fee	Donated: \$7,500 Funded or Bargain: \$15,000	This fee supports approximately half of the total expenses incurred by RTK to act as project coordinator for 1 to 3 years.
TOTAL RANGE	\$37,550 - \$75,500	Transaction costs are often closer to the middle or bottom of the range (sometimes even below).

***RTK cannot give legal or tax advice. All applicants should obtain legal and tax advice from a professional regarding eligible tax deductions and capital gain requirements.**

(Revised 08-24-2022)