Plan for Legacy—Protect Your Land for the Future

As a landowner, you likely have a close connection to your land. It may be your dream property, your business, or an asset in your portfolio. Looking to the future, you may be seeking a way to preserve or conserve that land. You may be interested in making a gift of forest or farmland but want assurance that it will not be developed; you may envision the preservation of some natural attribute or the continuity of a working farm or forest. Penn State University's Office of Gift Planning can help you design a gift plan that permanently protects your land with a conservation easement yet allows for its status as farm, forest, or natural area to continue through future landowners. Partnering with Penn State creates an opportunity to avoid the loss of productive farm, forest, or exceptional natural area to development, and it provides an alternative way to avoid large capital gains taxes from being assessed if the property is simply sold. In addition, you can create a major gift legacy to support the mission of Pennsylvania's land grant institution.

Conservation easements are legally binding deed restrictions that permanently limit certain uses of the land in order to advance a specified conservation purpose and prevent all future owners from developing or otherwise using the land contrary to the specified conservation purpose. They ensure that the land is carefully conserved in perpetuity. When a qualified conservation easement is donated to a land trust, conservancy, or a unit of government (e.g., a park system), the owner is typically entitled to a federal income tax deduction. The deduction can be used in the current year and carried forward and applied against as many as five subsequent years' income. Placing an easement on a property also reduces the monetary value of the farm or forest land for federal gift and estate tax purposes.

What Benefits are Available to Landowners?

You may accomplish the following goals:

–Permanently protect your forest land/farm.
–Generate income for your retirement.
–Ensure that your land passes to another owner with a conservation stewardship mindset.
–Establish family/corporate legacy.
–Avoid capital gains taxes.
–Reduce income taxes.
–Lower tax assessments.
–Benefit from an estate tax charitable deduction or removal of the value of property and subsequent appreciation from a taxable estate.
–Use the gift of land as a way to fund a charitable trust or to establish or contribute to an established endowment.

We can work with you to help you create a land legacy. Please give us a call.

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How Does a Gift of a Conservation Easement Work?

>> Penn State works with you to identify a suitable land trust, conservancy, or government entity to hold and enforce the conservation easement. (Find land trusts and conservancies working in Pennsylvania on the Pennsylvania Land Trust Association website, **conserveland.org**.)

>> You work with your chosen land trust or conservancy to craft a unique conservation easement carefully designed to secure your objectives for the land in perpetuity.

>> You donate the completed conservation easement to the land trust. You will be asked to contribute to a stewardship fund for monitoring and enforcing the easement.

How Does the Conservation Easement Combine with a Gift to Penn State?

>> Upon completion of the easement, you donate the land, restricted by the terms of the conservation easement, to Penn State; this triggers a second tax deduction for the value of the land.

>> According to your personalized agreement with the University, Penn State finds a buyer for the easement-restricted land, selling the land at a price, which reflects the limited allowable uses of the property.

When combined, the two deductions typically available to the landowner will presumably equal the tax deduction for the land if it were simply donated outright, without a conservation easement that ensures the land's protection. For owners of land worthy of such protection, this is a can't-lose arrangement: The land is permanently protected,

tax deductions equal to the fair-market value of the unrestricted land are available, Penn State receives a legacy gift, and the land is made available to a subsequent owner and steward at a price often less than the value would have been before the easement-restriction.

Options for Landowners

By partnering with Penn State, landowners have many options for meeting their financial, gifting, and conservation objectives. All of the following options involve land with a conservation easement.

Outright Gift

An outright gift of a property to Penn State offers the landowner maximum immediate tax benefits. You may receive the full market value of the property as a charitable tax deduction and can avoid the capital gains tax that would have resulted from a sale.

Charitable Remainder Trust

A charitable remainder trust is an irrevocable agreement that provides lifetime income for you and your spouse or other beneficiary. After an easement is placed on the property, you transfer the property's title to a trust administered by Penn State to create a charitable remainder trust. The trust then sells the property to another landowner who must abide by the easement. The proceeds of the sale are invested by Penn State and used to generate annual income for you. The annual income may fluctuate year to year depending upon the trust structure, age of the landowner(s) and/or other beneficiaries, the value of the property funding the trust, and other factors. Upon the death of the landowner(s) and any other beneficiary, any remaining assets in the trust pass to Penn State.

You, the landowner, receive an initial charitable deduction for donating the conservation easement, and, upon funding the charitable remainder trust, you receive an additional charitable income tax deduction equal to the present value of the remainder interest that will pass to Penn State when the trust terminates, typically upon your death(s). If the trust has appreciated in value since it was originally acquired by you, the trust can sell the property free of any capital gains tax liability. Finally, because the remainder interest of the trust passes to Penn State at the landowner's death, the trust is not included in your taxable estate.

Retained Life Estate

This planned giving technique allows the owner(s) to continue to live on the land while they convey title to the property to Penn State. As life tenants, you continue to pay the property taxes, keep the premises insured, and generally keep the land and buildings in good condition. If the property generates rental or other income during your lifetime(s), you may keep that income. Following the death(s) of the life tenant(s), or sooner if you choose, the property passes to Penn State. A conservation easement could be placed on the land either before or after transferring the property to Penn State. You, the landowner(s), receive(s) an immediate income tax deduction for the value of the land, limited to the present value of the remainder interest that is being given to Penn State (based on actuarial tables published by the Internal Revenue Service) if the conservation easement is done before the gift is made.

Penn State can be a resource for solving your land conservation concerns considering your tax and income needs. To discuss your options, please contact:

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