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## Land Donation

### Private Landowner Options for Land Donation

#### Are you a landowner interested in adding to Sandown's protected open spaces?

*Here are some options that might help you help Sandown, while protecting your investments:*

You and your family have kept your land free from harmful development for years. Whether your land is a working farm, forest, shoreline, or other open space, you would like to ensure that it remains as it is, for your children and for future generations.

The good news is that **you can protect your land**. Working with a land trust (a private, nonprofit conservation organization) or government agency, there are many ways you can save land of conservation, historic, scenic, or other open space value – but only if you make plans for your land's preservation. You can also work directly with the town to discuss various options including civic donations and possible land purchases.

Why must you take action, when you simply want to keep your land as it is? **Federal estate taxes** are one reason. They can be as high as 55% of a property's fair market value, virtually forcing heirs to sell all or part of their land to pay the taxes. In addition, future owners may be compelled by ever-increasing property values –or simply by a lack of appreciation for the land –to sell it for development.

As the conservation techniques briefly described within these pages make clear, there are many ways you can protect your land that can make good financial sense for you and your family:

#### **Conservation Easement**

- Leaves land in private ownership. Can result in an income tax deduction and reduced property and estate taxes.

#### **Land Donation**

- Can result in a substantial income tax deduction. Can be structured in a way that allows you to continue to live on the land or receive a lifetime income.

#### **Bargain Sale of Land**

- Combines income-producing benefit of sale with tax-reducing benefit of donation.

### Your Next Step

Contact a land trust. If you do not know of one in your area, the Land Trust Alliance or the Sandown Conservation Commission may be able to put you in touch with one. A land trust can help you create a conservation plan that makes the most sense for you, and it can put you in touch with attorneys, appraisers, accountants, and land planners familiar with conservation techniques.

Talk with your own legal and financial advisors. (The brief explanations provided here are intended only to give you an idea of what can be done.) You should make decisions affecting the ownership and use of your land property only after careful consideration and professional consultation.

The Land Trust Alliance sells several publications discussing easements and other conservation techniques.

*They include:*

Conservation Options: A Landowner's Guide to Conserving Your Land for Future Generations

Preserving Family Land

The Conservation Easement Handbook

### Conservation Easement

A conservation easement is a legal agreement between a landowner and a land trust that permanently limits use of the land in order to preserve its conservation values. It allows you to continue to own and use the land and to sell it or pass it down to heirs.

When you donate a conservation easement to a land trust, you permanently give up some of the rights associated with the land. For example, you might give up the right to build additional residences, while retaining the right to grow crops. Future owners also will be bound by the easement's terms, and the land trust is responsible for making sure the easement's terms are followed.

Conservation easements are flexible land protection tools. An easement on property containing rare wildlife habitat might prohibit any development, for example, while one on a farm might allow continued farming and the building of additional agricultural structures. An easement can allow appropriate development and even permit some commercial use of the land. It may apply to just a portion of the property, and it need not require public access. In short, an easement must protect the land's conservation values, but beyond that core requirement it can be fashioned to meet the financial and personal needs of the landowner.

Your conservation easement donation may qualify as a **tax-deductible charitable donation** if it meets federal tax code requirements -- in essence, if it provides public benefit by permanently protecting important conservation resources. For income tax purposes, the value of the donation is the difference between the land's value with the easement and its value without the easement.

Placing an easement on your property may also result in **property tax savings**.

Perhaps most important, a conservation easement can be essential for passing land on to the next generation. By removing that land's development potential, the easement lowers its market value, which in turn lowers estate tax. Whether the easement is donated during life or by will, it can make a critical difference in your heir's ability to keep the land intact.

## **Bargain Sale of Land**

If you need to realize some immediate income from your land, yet would like the property to go to a land trust, a bargain sale might be the answer. In a bargain sale, you sell the land for less than its fair market value. This not only makes it more affordable for the land trust, but offers several benefits to you: it provides cash, avoids some capital gains tax, and entitles you to a charitable income tax deduction based on the difference between the land's fair market value and its sale price.

## **Less Development Means Lower Taxes - A Chester, NH Study**

Concerns arose in Chester when projected development was expected to increase 34% between 1990 and the year 2000. More and more previously undeveloped areas of Chester were being developed into neighborhoods of single family homes. More and more people were choosing to "live in the country" so that their children could enjoy a rural lifestyle. Unfortunately, the building of these homes was threatening the very rural character that is so attractive in the town.

Traditionally, towns in New Hampshire have relied heavily on property taxation as the primary source of revenue. A common argument is that, if more of the town's land is conserved, the tax base of the town declines because that land becomes valued at its current use.

The Chester Conservation Commission set out to see if this theory was true. A study was prepared by a graduate student of Economics at Antioch College, which provided interesting findings on how increasing development in Chester would affect the tax rate.

For the analysis, the revenue to Chester from four different neighborhoods was compared to the additional expense of educating those neighborhoods' children, in order to estimate the annual net fiscal impact of those neighborhoods to the town. The findings showed that educating the children from the 117 new homes cost the community \$449,206 more than those new residents paid in taxes.

Pine Ridge in Peterborough followed suit and discovered that in the 188-home development, Pine Ridge's cost to the town was \$128,124 more than it raised in taxes.

One thing was very clear. Land conservation, without the burden of schools and service needs, helped the town fiscally--excessive building did not.

Today Sandown, like Chester and Peterborough, is at a crossroads. Our infrastructure is not supporting the development boom. In order to ensure that Sandown remains a great place to live, we much keep a controlled growth pattern, complemented by a balance of areas of open space.

Setting aside more land as permanently protected open space provides a buffer against increasing property taxes due to increased development.

After all, as some people have commented, "You don't send cows to school."