

## **Financial Benefits Of Protecting Your Land**

If you have questions about the information we have provided below, or simply want more information about your specific situation, please call us at (508) 771-2585 or visit our office.

### **Federal Income Tax Deductions**

Appraisals are needed when the claimed value of a gift or sale of land is more than \$5,000. If the land is a gift, the value of the land can be taken as a tax deduction. If the land is sold at less than fair market value, the seller may be entitled to an income tax deduction for a charitable contribution and to a reduction in capital gains tax. The value of the income tax charitable contribution is equal to the difference between fair market value and the lower negotiated selling price for charity.

### **MASSACHUSETTS TAX CREDIT PROGRAM**

Once land of important natural resource value is certified it may qualify the landowner for a \$75,000 Massachusetts state tax credit. The land must be protected in perpetuity.

#### **Type of land conservation transactions that may qualify:**

- Donations and bargain sales of land and conservation restrictions (CR)
- Must be a perpetual conveyance of:
  - land to state agency or town, or
  - land to incorporated land trust, subject to CR, or
  - CR to state agency, town, or incorporated land trust
- Must protect natural resources

#### **How to take the credit**

- Landowner does not need to be a Massachusetts income taxpayer or resident
- Need certification by the State that the land is eligible
- Tax credit is applied to the donor's state tax liability during the year of the donation
- If credit is larger than the liability, the State will issue a check for the remainder of the approved credit. There is no carry forward into future tax years.
- Credit is allocated in proportion to each owner's interest in the property

- Tax credit can be taken in addition to a claim for federal income tax deduction

### **Limitations on the taxpayer**

- Credit is lesser of 50% of appraised fair market value of land (or CR), or \$75,000
- If married, must file joint return with spouse
- Non-transferable (that is, the tax credit is specific to the donors/taxpayers)

### **Potential Estate Tax Benefit**

A gift or sale of land reduces the estate, resulting in a potential estate tax benefit.

### **Relief from Property Taxes**

By gifting land or a conservation restriction to a land trust the landowner is no longer responsible for property taxes as of the beginning of the following fiscal year.