

Conservation incentives act for Massachusetts



The Nature Conservancy recently received a gift of land in Middlefield (above) A state income tax credit will encourage landowners to donate land that might otherwise be lost to development.

Gobble Mountain © Rob Warren

Natural areas safeguard fragile drinking water resources, support thriving tourism, agriculture and forestry industries, provide habitat for wildlife, and preserve quality of life in our communities. Through careful planning, we can maintain a landscape of healthy rivers, working farms, productive forests, wildlife habitat, and scenic vistas.

The Commonwealth has the opportunity to establish a new land preservation tool that is highly effective in 13 other states: an income tax credit for individuals willing to donate conservation land.

Why does Massachusetts need conservation incentives?

According to Mass Audubon's *Losing Ground* (2003), more than 40 acres are lost to development every day in Massachusetts. To ensure protection of our valuable natural resources, we must employ a variety of conservation tools, from improved local zoning measures and increased state capital investments in land management to enhanced tax incentives for voluntary land donations by private landowners.

For many landowners interested in protecting ecologically valuable land from development, a state tax credit - when used in conjunction with an existing federal tax deduction for gifts of land - is the incentive needed to tip the balance in favor of preservation.

MASSACHUSETTS AT A GLANCE

135,845	acres in conservation restrictions
172	working farms with state-held agricultural preservation restrictions
140	number of nonprofit conservation organizations
40+	acres permanently lost to development each day

ABOUT THE CONSERVATION INCENTIVES ACT

The Act will provide a state income tax credit to taxpayers that donate certified land to the state or a nonprofit conservation organization.

- The state must certify eligible lands as ecologically valuable and in the public interest.
- Gifts of land must be permanent.
- Gifts may include a fee interest or less-than-fee interest in land.
- The donated portion of a bargain sale may qualify for tax credit.
- Credit is valued at 50% of the appraised fair market value of the land.
- Credit is limited to \$50,000.
- Credit cannot exceed the donor's annual state income tax liability.
- Credit may be carried forward for 10 consecutive years.



Herring Creek Farm © Phil Henderson

Out-of-pocket expenses involved in making a gift (such as attorney fees, appraisal costs) discourage some landowners from donating property, particularly those who are "land rich and cash poor." Expanding incentives to include a state income tax credit will increase the conservation of private lands and protect them from poorly planned development.

What lands would be eligible for the tax credit?

Under the Act, the Massachusetts Executive Office of Environmental Affairs must first determine whether lands proposed for donation are in the public interest for natural resource protection. Lands that protect drinking water supplies, unfragmented wildlife habitat, agricultural and forest products, archaeological and historical resources, scenic vistas, and recreational opportunities may be eligible. All donated lands must be permanently protected.

How does the Conservation Incentives Act work?

The Act grants a state income credit based on 50% of the appraised fair market value of the land. The credit is worth up to \$50,000 to landowners who donate natural areas to the state or a nonprofit conservation organization. For example, if donated property is valued at \$40,000, the landowner receives a \$20,000 credit towards his/her state income tax. The credit cannot exceed one's annual tax liability; however, it may be carried forward for ten consecutive years. In this example, the donor could receive a \$2,000 credit toward his/her state income tax each year for the next ten years.



Family enjoying the Berkshires © Kay Sadighi

How much will such incentives cost?

Based on an informal poll of state agencies and nonprofit conservation organizations, each year approximately 100 Massachusetts taxpayers file for a federal tax deduction for a donation of an interest in land (not all donors file for a deduction for their gifts). Accordingly, the estimated cost of this new state incentive would range between a few hundred thousand to a few million dollars annually.

Massachusetts has a long and proud history of conservation, forestry, and agriculture, creating America's first public park and supporting the greatest number of private land conservation organizations of any state in the nation. The proposed state income tax credit would sustain and build upon the Commonwealth's rich heritage of philanthropy while preserving and renewing our quality of life.

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