



Possible Tax Benefits of Land Conservation Transactions¹

Federal:

- Federal Income Tax Deduction for Working Farmland Easements. A landowner who donates a working farmland easement, or who sells it at less than its appraised fair market value (a bargain sale) may be eligible to claim the donated value as a federal income tax deduction. For qualifying easements, such deductions **may shield up to 50% of adjusted gross income from federal income tax; qualified farmers/ranchers² may shield up to 100%. Any unused portion of the deduction may be carried forward for up to 15 additional years.** A landowner selling a working farmland easement at full market value is not eligible for this deduction.
- Federal Income Tax Deduction for Fee Simple (Outright) Land Sales. A landowner who donates or sells land outright at less than its appraised fair market value may be eligible to claim the donated value as a federal income tax deduction. In such instances, a landowner **may shield up to 30% of their adjusted gross income from federal income tax. Any unused portion of the deduction may be carried forward for up to 5 additional years.** Property sales at full market value are not eligible for this deduction.
- Estate Tax Benefits for Properties Protected by Working Farmland Easements. **The taxable value of an estate is typically reduced by the value of a donated working farmland easement.** A working farmland easement can significantly reduce overall estate taxes. In addition, landowners **may be eligible to exclude an additional 40% of the value of the conserved property from the estate,** which can further reduce estate tax liability (this benefit may also accrue to future heirs of the estate). Families have utilized working farmland easements to **help keep land in the family and significantly reduce the cost of transferring land** between generations.

Oregon:

- State Income Tax. A landowner who qualifies for and takes a federal income tax deduction for the donation or bargain sale of a working farmland easement or a fee simple interest **reduces the federal taxable income reported and taxed on the Oregon state income tax return.**
- Property Tax Assessment. Landowners that protect their lands with a working farmland easement are **eligible for a reduced special property tax assessment.** For those properties already benefiting from a reduced assessment via a farm and/or forest use assessment, this incentive ensures that a similar property tax benefit remains available.

¹ East Multnomah Soil & Water Conservation District cannot guarantee that you will receive any tax benefits in connection with a conservation transaction. Each landowner must decide, in consultation with a professional tax advisor and attorney, whether or not to pursue any tax benefits that may arise from a conservation transaction. Refer to the document entitled “Potential Considerations for the Tax Implications of Donations or Bargain Sales of Conservation Easements or Land (Fee Title)” for additional important information.

² The IRS defines a qualified farmer/rancher as someone making greater than 50% of their gross income from the trade or business of farming.