Possible Tax Benefits of Land Conservation Transactions

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/ranchers\(^2\) 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.

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\(^1\) 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.