



Virginia Tax Credits

DONATION OF A CONSERVATION EASEMENT

Conservation easements are voluntary restrictions that landowners place on their land in perpetuity to preserve conservation values. Easements generally limit the extent to which land can be developed. Each easement is individually negotiated and tailored to meet that landowner's needs. Donation of a conservation easement ensures future use of the land is consistent with the donor's (landowner) wishes.

VIRGINIA INCOME TAX RELIEF

Virginia has the most generous tax credit in the nation for landowners who conserve their land. Starting January 1, 2007, landowners who donate an easement will receive a state income tax credit of 40 percent of any market value they give up by restricting their land. Landowners can use that tax credit themselves to erase their state income taxes for 11 years or they can sell or transfer their tax credits to other taxpayers, turning their extra tax credits into cash. The New River Land Trust assists landowners in finding local buyers for their credits. This year, we are recommending a purchase price of **85 cents** on the dollar.

For easements completed between 2002-2006, tax credits are good for six years, counting the year of the easement donation. For easements donated from January 1, 2007 on, the tax credit extends for 11 years – the year of the easement donation plus a 10-year carry forward. If you use a tax credit to reduce your state income tax, any excess state estimated tax or withholding you've already paid will be refunded to you when you file your 2006 return. You can "turn off" your future withholding by contacting your payroll office and claiming "exempt" from state tax. (You also should discontinue state estimated tax payments.)

Which taxpayers can sell conservation tax credits? Any person who owns land in Virginia and who donates an easement is eligible for a tax credit which they can elect to sell. This means out-of-state landowners can benefit from Virginia tax credits.

Is the income from a tax credit sale taxable to the seller? Virginia does not tax the sale of the tax credit. But the IRS does. For federal taxes, experts generally agree that income from the sale of tax credits is ordinary income to the easement holder and that the seller has no basis in the tax credit itself. **Notably, tax credit sellers can use their federal tax deduction to reduce the impact of this income.**

Which taxpayers can purchase and use VA tax credits? Individuals and businesses (corporations, partnerships, limited liability companies LLCs) can use this tax credit to reduce their Virginia income tax bill.

How will a landowner benefit? Landowners benefit by receiving income from tax credits that might otherwise go unused. They are also harvesting today's considerable development premium from their land without having to sell any of their land. All Virginia residents benefit from protection of the state's natural environment, open spaces, farmland, and wildlife habitat. **The New River Land Trust (NRLT) will be glad to assist landowners in finding buyers for their tax credits.**

Where can I get more information? Call Elizabeth Obenshain or John Eustis at the NRLT [540] 951-1704. You can also get information and a tax credit application at www.tax.state.va.us, the Virginia tax Website where you can download form LPC (listed both under individual and business credits).