

Conservation Easements and the Benefits

Conservation easements have emerged as powerful tools for preserving natural landscapes and protecting the environment while providing landowners with financial incentives and tax benefits. They are structured in accordance with state law and guidelines established by organizations such as the Ohio Department of Natural Resources (ODNR) and local land trusts, and are governed by state law, particularly the Ohio Revised Code (ORC) Title XVII, Chapter 5301.

The process begins with the landowner and a qualified organization or agency (Gates Mills Land Conservancy) negotiating the terms of the easement, by identifying the specific conservation values of the property, determining allowable land uses, and establishing monitoring and enforcement mechanisms.

The conservation easement is formalized through a legal document recorded with the County Recorder's office. This document binds both the current landowner and all future owners to the terms of the easement, ensuring its long-term enforceability. The easement also includes provisions for periodic monitoring to ensure compliance with the agreed-upon restrictions. Both federal and state tax benefits may be available to grantors in Ohio.

- **Federal Tax Benefits:** Under the Internal Revenue Code (IRC) Section 170(h), landowners who donate a conservation easement to a qualified organization may be eligible for a federal income tax deduction equal to the appraised value of the easement. This deduction can be up to 50% of the donor's adjusted gross income (AGI) for individuals and up to 100% for qualifying farmers or ranchers. Any unused deduction can be carried forward for up to 15 years.
- **State Tax Benefits:** In Ohio, landowners may also be eligible for state income tax credits for donating conservation easements. The Ohio Department of Natural Resources (ODNR) administers the Clean Ohio Conservation Fund, which provides tax credits to individuals or corporations that donate or sell easements on eligible properties. The amount of the tax credit varies depending on factors such as the appraised value of the easement and the conservation values protected.

The value of an easement is considered to be the amount by which the value of the property is reduced as a result of restricting the land from its highest and best use, which is presumably full development.

In other words, if a \$50,000 appraised tract is appraised at \$30,000 after the easement is granted, the value of the easement for income tax charitable deduction purposes is \$20,000. Likewise, when the owner dies owning the land it is worth that much less in his estate and therefore is subject to that much less in the estate taxes.

The County Auditor will recognize the diminished value of the property and carry it in his tax rolls for real estate tax purposes at the decreased value thereby resulting in a reduction in real estate taxes.