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Conservation Easements



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Conservation easements – In general

If you own land with important natural, historic, or agricultural features, you may be eligible to grant a conservation easement to a qualified charity. In doing so, you may receive a charitable income, estate, or gift tax deduction while ensuring the long-term preservation of the property.

A conservation easement can be a powerful planning tool for landowners who wish to balance tax efficiency with conservation and legacy objectives.

What is a conservation easement?

A conservation easement is a permanent legal agreement that restricts certain uses of land in order to protect its conservation value. The landowner grants the easement to a qualified charitable organization, such as a land trust or a governmental entity, which serves as the holder and enforcer of the easement.

The easement may apply to all or a portion of the property and may or may not permit public access. Importantly, the easement runs with the land, meaning future owners, including heirs and purchasers, are legally bound by its terms.

To qualify for a charitable deduction, a conservation easement must be granted exclusively for one or more of the following conservation purposes:

- Preservation of land areas for outdoor recreation or education of the general public.
- Protection of a relatively natural habitat of fish, wildlife, or plants.
- Preservation of open space, including farmland or forest land, for the scenic enjoyment of the general public or pursuant to a clearly defined governmental conservation policy.
- Preservation of a historically important land area or a certified historic structure.

What is the value of the deduction?

The charitable deduction for a conservation easement is generally equal to the fair market value of the easement at the time of the gift. This value is typically measured by the reduction in the property's fair market value resulting from the permanent restrictions imposed by the easement.

To substantiate the deduction, the donor must obtain a qualified appraisal that determines the property's value before and after the easement is granted. The appraisal must meet detailed IRS requirements, including being prepared by a qualified appraiser and dated no earlier than 60 days before the contribution.

Limitations on the deduction

Under current law, including amendments made permanent by the One Big Beautiful Bill Act, the charitable deduction for a qualified conservation easement is generally limited to 50% of the taxpayer's adjusted gross income (AGI) in the year of the contribution. Any unused deduction may be carried forward for up to 15 additional years, subject to the same annual limitation.

Special rules apply to qualifying farmers and ranchers. A qualifying farmer or rancher may deduct conservation easement contributions of qualifying agricultural property up to 100% of AGI, provided the land remains available for agricultural or livestock production. For this purpose, a qualifying farmer or rancher is generally a taxpayer who derives more than half of gross income from the trade or business of farming.

Charitable contribution deductions are applied in a prescribed order, and conservation easement deductions are calculated after other charitable contributions.

Important considerations

While conservation easements offer significant tax and non-tax benefits, they require careful planning, strict compliance, and thorough documentation. The Internal Revenue Service closely scrutinizes conservation easement transactions, particularly syndicated conservation easement arrangements.

Recent legislation and regulatory guidance have imposed stricter rules on certain syndicated transactions, including enhanced valuation standards, holding period requirements, and limitations designed to prevent abusive practices. As a result, conservation easements are generally most appropriate for landowners with genuine conservation intent who are working with experienced legal, tax, and valuation professionals.

How is the deduction taken?

Example 1: Jack and Chrissy own land valued at approximately \$2 million and have annual adjusted gross income of \$250,000. They grant a qualifying conservation easement that results in a deductible value of \$500,000.

Because their AGI is \$250,000, they may deduct \$125,000 (50% of AGI) in the year of the contribution. The remaining \$375,000 may be carried forward and deducted over the next 15 years, subject to the same annual AGI limitation.

Example 2: Darrin and Samantha own land valued at approximately \$1 million and have adjusted gross income of \$150,000. In the same year, they make cash charitable contributions of \$85,000 to a public charity and grant a qualified conservation easement with a deductible value of \$200,000.

Because the 50% AGI limitation applies to total charitable contributions, Darrin and Samantha may deduct \$75,000 of the cash contribution in the current year. The remaining \$10,000 cash contribution may be carried forward for up to five years. The full \$200,000 conservation easement deduction is carried forward and may be used over the subsequent 15 years, subject to annual limitations.

As a result of H.R.1 of the 119th Congress (commonly known as the One Big Beautiful Bill Act), the estate, gift, and generation skipping tax exemptions amounts enacted under the Tax Cuts and Jobs Act of 2017 were made permanent. Effective January 1, 2026, the exemption amount will be \$15 million per person (\$30 million for a married couple), with annual adjustments for inflation. For asset transfers in excess of the applicable exemption amount and otherwise subject to such taxes, the highest applicable federal tax rate remains at 40%. In addition, under different rates, rules, and exemption amounts (if any), there may be state and local estate, inheritance, or gift taxes that apply in your circumstances. Please consult your own tax or legal advisor for advice pertaining to your specific situation. This tax-related discussion reflects an understanding of generally applicable rules and was prepared to assist in the promotion or marketing of the transactions or matters addressed. It is not intended (and cannot be used by any taxpayer) for the purpose of avoiding any IRS penalties that may be imposed upon the taxpayer. New York Life Insurance Company, its agents and employees may not give legal, tax or accounting advice. Individuals should consult their own professional advisors before implementing any planning strategies. These materials are prepared by The Nautilus Group®, a service of New York Life Insurance Company, and are made available to all Nautilus Group member agents and, as a courtesy, to select agents of New York Life Insurance Company. SMRU 5018786 Exp. 12.31.2028