

**2007 TAX INFORMATION
FOR
CONSERVATION AGREEMENTS
(Federal and North Carolina Income Tax Laws as of January 1, 2007)**

While the tax benefits of protecting the natural character of land for the future is only one reason to consider a Conservation Agreement (sometimes referred to as a Conservation Easement), it is an important factor for some landowners. The tax laws described below apply to charitable conservation gifts of real property or conservation easements completed in 2007 to a qualifying organization such as the State, local government, or a qualifying non-profit land conservation organization. The conservation purposes of the gift must include preservation of: land for outdoor recreation, natural habitat, open space (including farm and forest land) for scenic enjoyment, or historic structures.

Federal Income Tax

Congress made several significant changes to the federal income tax laws in 2006 to encourage landowners to preserve land through the use of Conservation Agreements. These modifications will allow more moderate income landowners to utilize the tax benefits of conservation planning. The current federal rules (which expire December 31, 2007) are:

1. A landowner can take a charitable deduction of up to 50% of their adjusted gross income for granting a Conservation Agreement to preserve their property.
2. Qualifying farmers, ranchers and forest landowners may be able to deduct up to 100% of their taxable income by making a conservation contribution. This deduction requires that the land continue to be generally available for farming, livestock or horticulture production after the donation is made.
3. A charitable deduction is allowed in the year the conservation gift is made, and any unused part of the charitable deduction can be carried forward and used over the next 15 years (a total of 16 years to use the deduction).

North Carolina Income Tax

A tax credit is allowed for donating interests in North Carolina real property for land conservation purposes. A "credit" means that each \$1 of conservation credit offsets \$1 of North Carolina income tax actually owed. The current North Carolina rules are:

1. The property must be located in North Carolina and certified by the North Carolina Department of Environment and Natural Resources as having qualifying conservation purposes.
2. An individual landowner is allowed a credit equal to 25% of the fair market value of the conservation interest donated, up to a maximum of \$250,000 in any one year. A separate maximum credit of \$250,000 is available for each real property donation, but the annual \$250,000 limit still applies.
3. A tax credit is allowed in the year the real property donation is made, and any unused part of the credit can be carried forward and used over the next 5 years (a total of 6 years to use the credit).

Enhanced federal and state income tax benefits for land conservation contributions are available in 2007. Please consult a professional tax advisor to receive more information about the benefits which may be available to you and to update this information for any changes in the law after January 1, 2007.