



Landowner Factsheet

Agricultural Conservation Easements

El Rio Reyes Conservation Trust (El Rio Reyes) is a non-profit organization that works directly with landowners in placing Agricultural Conservation Easements on farmland and riparian lands. Our mission is to safeguard the Kings River and its lands for future generations. We are governed by a board of directors that has deep agricultural roots and natural resource experience in Fresno County.

As members of the California Council of Land Trusts, El Rio Reyes adheres to best management practices for land trusts and the conservation of privately owned lands. We work with uncompromising ethics in regard to protection and conservation of the Kings River landscape.

El Rio Reyes is looking for landowners who are interested in permanently protecting their land from conversion to non-ag uses. An agricultural conservation easement (ACE) is a voluntary agreement to sell or donate certain development rights to ensure that land remains as productive farmland and/or riparian habitat. No public access on private land is required.

Land with an ACE can be sold, leased, inherited by family members, and/or further encumbered for financing. ACEs can also meet mitigation needs. The owners may change the crops they grow and can make allowance for future farm buildings or homes for children or farm workers. Families are free to use the proceeds from an ACE sale any way they see fit. Some common uses are to retire long-term debt, buy out other family members or complete a tax deferred exchange for additional land.

The land just needs to stay in production agriculture and/or riparian habitat. Naturally, the water rights must stay with the land and cannot be permanently severed from the property. The laws protecting ACEs are very strong, so for all practical purposes, ACEs should be considered permanent.

Anyone who is interested or just curious can call El Rio Reyes to determine if a project would be feasible. There is no cost or obligation to do this. After getting more information, we recommend you consult with legal, tax advisors and most importantly the entire family.

Want to learn more?

Visit our website at: www.elrioreyestrust.org

Call our office at: (559) 355-7983

Or email at: k.kinney@elrioreyestrust.org

Considering a Conservation Easement

An agricultural conservation easement (ACE) helps protect farming as a way of life for you, your children, and for all those who love the land and depend on its bounty.

Agricultural conservation easements:

- are voluntary,
- you remain the property owner,
- no public access to your land unless you allow it,
- and the nonprofit land trust that purchases the easement is responsible for ensuring that continuing land uses are consistent with the easement terms.

Selling an ACE

Landowners can either donate an ACE to generate tax benefits or they can sell an ACE. Most common are sales based on the full value of the ACE which generates cash and may create some tax benefits. In some instances, a landowner may choose to donate a portion of the ACE value.

The sale of an ACE may have tax consequences and you should discuss the entire transaction with a tax advisor.

ACEs:

- Can help a landowner pass land intact to the next generation. Estate taxes may be reduced by placing an ACE on your property.
- May reduce property taxes by reducing the value of the property. If all or part of the easement value is donated, the landowner receives income tax benefits – see enhanced federal tax incentive for easements information at right.
- Provide an infusion of cash for farming or ranching operations or any other use.

What is the Value of an Agricultural Conservation Easement? A SIMPLE EQUATION...

- # of acres x value per acre without easement = before easement value
- # of acres x value per acre with easement = total after easement
- Before easement value – after easement value = easement payment to landowner

Sample ACE Value Equation

Hypothetical example of 100 acres of prime irrigated land:

- Fair market value of bare land (before the ACE): \$25K/ac
- Fair market value after ACE is placed: 20K/ac
- Indicated ACE value: \$5K/ac

The \$5,000 is what would be paid the landowner per acre of land.

- It is El Rio's policy to request a donation by the landowner of approx. 3% of the ACE value to help monitor, steward and protect the ACE into perpetuity. This may be considered a tax-deductible donation. The landowner pays

for the appraisal but this and some transaction costs may be paid/reimbursed by El Rio Reyes at the closing. Landowners cover their own legal or accounting costs.

Donating an ACE

In 2015, Congress enacted one of the most powerful conservation measures in decades: the enhanced federal tax incentive for conservation easement donations.

If you own land with important natural, agricultural or historic resources, donating a conservation easement can be a prudent way to

- both save the land you love forever and to realize significant federal tax savings.

The incentive increases the benefits to landowners by:

- Raising the deduction a donor can take for donating a conservation easement to 50%, from 30%, of his or her annual income (if more than 50% of income is generated from ag);
- Extending the carry-forward period for a donor to take a tax deduction for a conservation agreement to 15 years from the previous 5 years; and
- Allowing qualifying farmers and ranchers to deduct up to 100% of their adjusted gross income, increased from 50%.



EL RIO REYES
CONSERVATION TRUST
Safeguarding the Kings River for Future Generations