

## TAX BENEFITS TO LANDOWNERS

Donations of land or conservation easements can create tremendous tax benefits for the donor.

### Federal Income Tax

Outright gifting of land, or a partial interest in the land through a conservation easement, to a qualified Land Trust could result in significant tax benefits for the landowner:

- ❖ The tax benefits of providing a gift of land or an easement on capital property fall under regular charitable gifting rules under the *Income Tax Act*
- ❖ The value of the tax receipt received is determined by a qualified appraiser and, in the case of a conservation easement, using the "before and after" method: what the land was worth before the easement was granted, and what it was worth after - the difference is the value of the easement

If the conservation easement or land gifted can be certified as 'ecologically sensitive,' additional tax benefits may accrue through the federal Ecological Gifts (Ecogifts) Program, which encourages individuals and corporations with ecologically sensitive land to protect nature and leave a legacy for future generations. Made possible by the terms of the *Income Tax Act*, it offers significant tax benefits to landowners who donate land or a partial interest in land to a qualified recipient. Recipients ensure that the land's biodiversity and environmental heritage are conserved in perpetuity<sup>1</sup>:

- ❖ Corporations can deduct directly from their taxable income the value of the donated conservation easement
- ❖ An Ecogift can be credited against up to 100% of the donor's income in a given year; any unused portion of the credit can be carried forward up to five years
- ❖ Capital gains realized are tax exempt
- ❖ Contact Environment Canada at (780) 951-8826 to determine whether or not the land would be ecologically sensitive

Provincial taxes may also be affected by the donation of land or a conservation easement:

- ❖ In Alberta, charitable gifts over the first \$250 result in a tax refund, including the federal incentive, of approximately 50% of the value of the gift.

### Municipal Property Taxes

There are no consistent rules or guidelines in place for property tax assessments of conservation easement lands. Municipalities may decide to apply property taxes at a level commensurate with agricultural land or that of recreational land. This has significant impact as a change in assessment from agricultural to recreational land most often results in increased property taxes.

How municipalities characterize land with a conservation easement placed on it for tax purposes is therefore central to determining whether entering into a conservation easement will be beneficial, detrimental or neutral in relation to municipal property tax assessments.

Landowners are encouraged to get legal, financial and accounting advice from professional advisors.

<sup>1</sup> The Canadian Ecological Gifts Program Handbook 2005

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