

# CONSERVATION OPTIONS

*for protecting your farm or ranch*





**T**he long-term protection of your farm or ranch goes together with estate planning strategies that help you transition your farm or ranch to the next generation. Land protection options like agricultural conservation easements can often be integrated into farm succession, transfer and estate planning. The following is a primer on some of the available strategies to help you ensure a future for your farmland or ranchland.



## Conservation options can help you...

- Ensure your farm or ranch will remain in agriculture
- Generate income for retirement
- Avoid or reduce capital gains taxes
- Avoid or reduce gift and estate taxes
- Ensure your land is managed with sound farming and ranching practices
- Support conservation organizations



## **Agricultural Conservation Easements**

Conservation easements are deed restrictions that landowners voluntarily place on their property to prohibit certain kinds of development. Legally, agricultural easements are a form of conservation easement, but because their purpose is to keep the land available for farming, most agricultural easements are structured with far more flexibility than standard conservation easements. In general, agricultural easements limit subdivisions and land uses that are incompatible with farming, but allow for new farm buildings that support operations, including housing for the farm family.

Landowners can sell or donate an agricultural conservation easement to a qualified conservation organization or government body. The value of an agricultural easement is generally the fair market value of the property without an easement, minus its restricted value with an easement, as determined by a qualified appraiser. In general, more restrictive agreements and intense development pressure result in higher easement values. Finding an appraiser who is experienced with conservation easements is critical.

# Integrating Agricultural Easements with Estate Planning

Agricultural easements are intended to limit land uses inconsistent with productive agriculture and to provide maximum flexibility for agricultural operations now and in the future. With a lifetime sale or donation, such easements can be integrated into estate planning or incorporated into a will or trust. It is important to note that agricultural easements should be part of the estate plan and not a substitute for it.

Agricultural easements can serve as a catalyst for succession, transfer and estate planning as well. A thorough, thoughtful discussion of agricultural easements raises critical issues such as:

- What will be the impact on the farm/ranching business now and in the future?
- What land and site planning are necessary to assure both flexibility and resource protection?
- What are the tax implications (income, gift and estate)?
- How will the easement impact succession, transfer and estate planning?



Agricultural easements may also help to address planning challenges in these ways:

- A sale of an agricultural easement can generate cash proceeds to buy out business partners or other family members.
- They can help treat heirs fairly, if not necessarily equally—farming heirs can receive the land but not the development value.
- By preventing non-agricultural development on the property, agricultural easements can help make land more affordable for the next generation to purchase.
- When easements are sold, the proceeds can be used to improve farm and ranch business viability.
- The sale of an agricultural easement can provide funds for retirement without having to sell the land outright.





## Other Conservation Options

There may be circumstances where a farm or ranch owner has no successor or heir but still wants to ensure that their land stays in agricultural production. Some additional options in these situations include:

- Donation of a farm or ranch to a nonprofit conservation organization, such as American Farmland Trust (AFT):
  - \* Organization may own and sustainably manage land directly
  - \* Organization may own and provide long-term leasing opportunities that enhance soil health
  - \* Organization may conserve the land with an agricultural easement and re-sell it to a farmer or rancher
- Charitable Remainder Trust—land is sold and generates retirement income
- Charitable Gift Annuity—income stream annuity in exchange for gift of farm or ranch
- Life Estate—donation while retaining lifetime use of farm or ranch



**For more information on conservation options for your land, contact Jerry Cosgrove, Farm Legacy Director, (518) 281-5074 or [jcosgrove@farmland.org](mailto:jcosgrove@farmland.org).**

**For information on donating a conservation easement, contact Ben Kurtzman, Senior Manager of Stewardship and Law, (413) 586-9330 ext. 12 or [bkurtzman@farmland.org](mailto:bkurtzman@farmland.org).**

**For a collection of resources about farmland protection and stewardship, visit AFT's Farmland Information Center at [www.farmlandinfo.org](http://www.farmlandinfo.org) or call toll-free: (800) 370-4879.**