

What is stewardship?

At the Okanogan Valley Land Council, we define stewardship as caring for the land. The OVLC helps community members be good land stewards in many ways, ranging from educational natural history lectures, to special projects, to providing specific information to our conservation easement owners about land management.

In our conservation easement stewardship program, we follow consistent methods for baseline documentation, photo point monitoring and annual reports. We have a careful system to store and back-up the information for each easement, and a Geographic Information System which we use for habitat and land-use mapping.

Who enforces conservation easement restrictions?

The Okanogan Valley Land Council Stewardship staff reads the easement and baseline documents, updates photo points each year and monitors whether land uses are consistent with the easement restrictions.

The Stewardship staff reports a suspected easement violation to the President of the Board and Stewardship Committee for review. If a violation has occurred, the President of the Board immediately notifies the landowner both by phone and in writing. The Okanogan Valley Land Council is committed to resolving conflicts outside of a courtroom setting, and legal recourse is our last resort in enforcement. We greatly prefer to take an education-based approach to defending easement restrictions.

What is the stewardship endowment?

An important part of caring for the land is making sure that there is a cache of information about each property, and a reserve of money to draw from if problems arise. In order to make sure that the Okanogan Valley Land Council can monitor and defend easements far into the foreseeable future, we have a Stewardship Endowment. We request that each conservation easement landowner give to the Endowment. The size of the donation depends on the size and circumstances of the property. A Stewardship donation typically ranges from \$2,000-\$10,000 which is tax deductible. Only the interest from this fund is used for monitoring and defending easements. The principle remains invested to assure perpetual income to met these expenses.



When does a conservation easement have monetary value?

Depending on which uses are restricted, some easements may have a monetary value. Of all the conservation values, typically development rights have the most economic value. Payments for easements may come from grant programs through the Okanogan Valley Land Council, or as charitable income tax deductions.

The monetary value of a conservation easement must be determined by a licensed appraiser. Appraisers determine the value of an easement by finding the difference between the value before and after the conservation easement.

An example:

Mary owns 40 acres on the Okanogan River, which is in 5-acre zoning. The land has no houses. Before the conservation easement, the highest and best use value is \$600,000. If the development options are reduced from 8 houses to 2, an appraiser might say that the easement reduces the value of the property from \$600,000 to \$400,000. In this example the conservation easement would be worth \$200,000.



What are the costs of creating a conservation easement?

Transaction costs for an easement range from \$1,000-\$10,000. These costs include a title report, an appraisal (if a tax deduction is anticipated), a baseline survey, easement drafting, legal review and Okanogan Valley Land Council staff time.

Donations from the public pay for Okanogan Valley Land Council staff time to work with landowners, while the landowner usually pays other costs. When grant funding is available, the Okanogan Valley Land Council may pay part or all of the transaction costs.

The Okanogan Valley Land Council board or staff representatives will estimate the transaction costs and payment options for an easement before the landowner and a Board representative sign a non-binding Letter of Intent.



Potential tax implications

It is essential that all easement donors consult with their own professional legal and financial advisors. The Okanogan Valley Land Council does not provide legal or financial advice for landowners.

Charitable deduction: The first requirement of a charitable deduction is that the “donative intent” is clearly stated. Donative intent means there is no anticipated benefit for donating an easement beyond the desire to protect the property, and there are no strings attached to the gift. When a transaction qualifies as a charitable donation, the donated portion of the easement value may qualify as a charitable deduction from federal income taxes. This deduction may be taken over the course of six years, including the year that the donation is made.

If the easement is a charitable gift (which may qualify for a federal income tax deduction), the IRS requires that:

- - the easement is permanent
- - the easement provides ecological, educational, recreational and/or scenic benefits,
- - the benefits can be documented,
- - surface mining is prohibited,
- - mortgage holders must agree to the conservation easement,
- - a licensed appraiser determines conservation easement value.

Capital gains: Any payment received for the value of an easement is considered a capital gain to the property owner, and is taxed as income in the year the payment is received.

Estate tax: An easement may reduce the appraised estate value, which can help to lower federal estate taxes. Easements can be enacted by will upon death and still lower the overall estate tax burden. Heirs (or estate executors) can also elect to place a conservation easement upon real property of the estate and qualify for an estate tax charitable deduction.



Tax Implications (Continued)

Property tax: Property tax values are determined by the County Assessor's Office, and are not necessarily affected by a conservation easement. Agriculture and forest designations continue on property that continue working as farms and forests.

An example of a potential federal income tax implication from a \$200,000 easement donation:

Assume that Mary has an adjusted gross income (AGI) of \$60,000 per year, and she donates a \$200,000 easement to the Okanogan Valley Land Council. Given that the easement meets the federal requirements for easements, and that the land is subject to long-term capital gains taxes, Mary may deduct 30% of her AGI over 6 years, up to the total value of the easement. Mary's total deduction: \$120,000. (Legislation is pending which would permit full deduction of conservation value over a longer period of time for agricultural lands.)

