



ECO-ESTATE PLANNING



**Preserving Land with Conservation Easements
and Life Insurance Wealth Replacement Trusts**

Preserving Land with Conservation Easements and Life Insurance Wealth Replacement Trusts

You own a stretch of beautiful, undeveloped, and scenic property that has been in your family for generations. You would like to protect the untouched nature of the land and all of the wildlife residing there for the benefit of your loved ones, but you don't want to limit or decrease the value of the inheritance your family will receive.

If you find yourself in this dilemma, you may want to consider donating a conservation easement to a Land Trust. With the donation of a limited restriction

on your property, you can prevent any future development of the land and still allow its current usage—farming, recreational, or vacationing—to continue. Moreover, you may be eligible for federal, state, and possibly even local tax deductions or credits for the value of the easement. In order to preserve the value of the legacy you leave to your loved ones, a life insurance trust funded with the tax savings from the donation can help replace the value of the donated restriction.

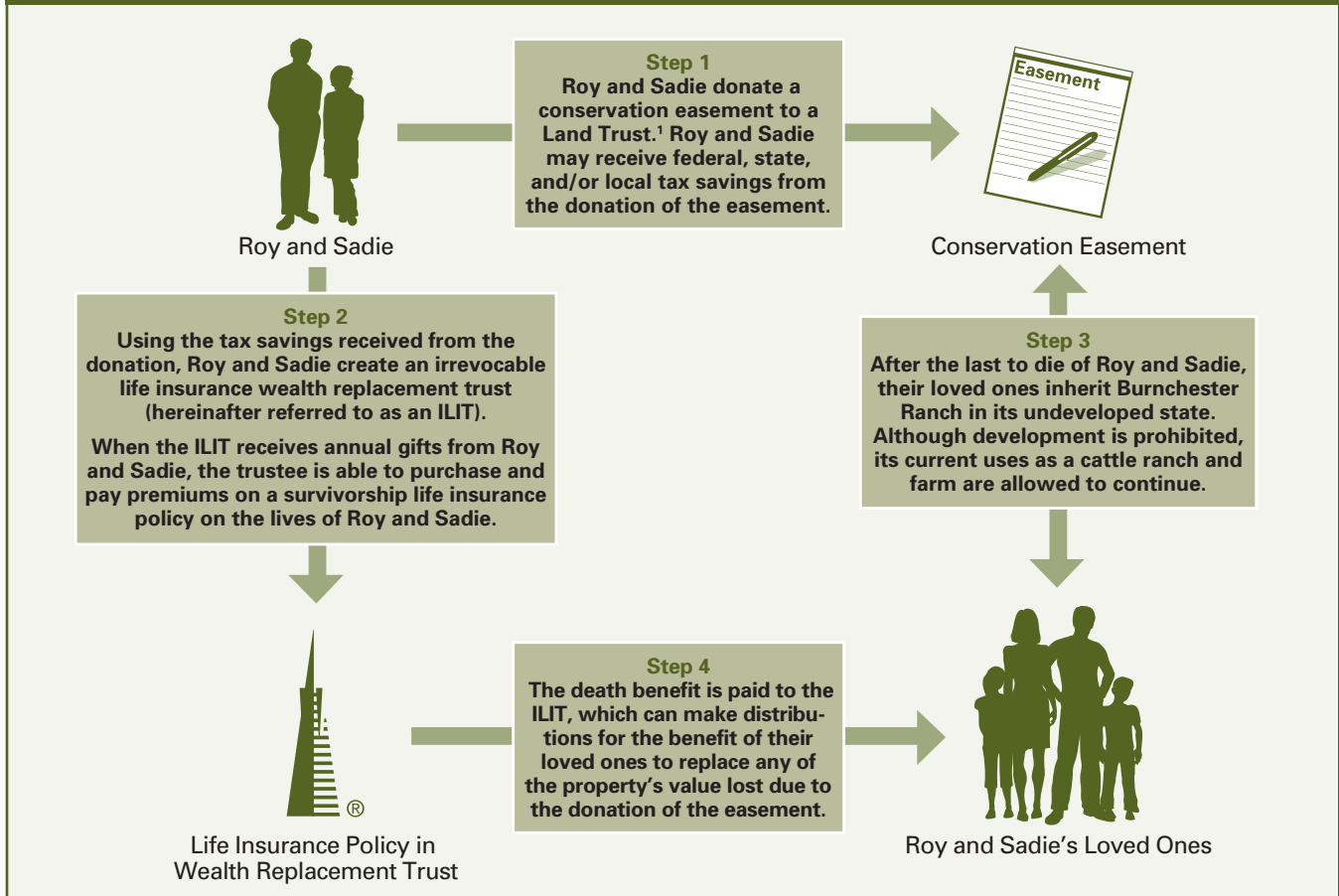
Meet Roy and Sadie



Roy's family has owned the 2,000-acre Burnchester Cattle Ranch just outside of a metropolitan city since the 1800s. The property has rolling pastures, timber forests, and a rocky stream. The Burnchesters often receive offers from developers who want to turn the property into a housing subdivision or business park. The current value of the ranch is approximately \$5 million.

- Roy and Sadie would like to keep the property in the family, in its undeveloped state.
- They are concerned that placing an easement on the property would greatly diminish the legacy they leave to their loved ones.
- They are not sure how to incorporate both of these seemingly contradictory goals into their estate plan.

Here's How It Works:



What are some of the tax benefits Roy and Sadie can receive from the donation of a conservation easement?

- 1. Federal Charitable Income Tax Deduction:** By donating a perpetual conservation easement that meets federal tax code requirements, Roy and Sadie may be able to qualify for a federal income tax-deductible charitable donation.² The amount of the donation is the difference between the land's appraised values with and without the easement.
- 2. State Income Tax Deduction or Credit:** Some states offer either a charitable income tax deduction or income tax credits to encourage landowners to preserve their property.³
- 3. Local Property Tax Savings:** In some areas, an owner donating a conservation easement may qualify for local property tax savings.
- 4. Federal Estate Tax Exclusion:** Landowners of restricted property may exclude a maximum of 40% or \$500,000 of the land's value from their taxable estates.

What have Roy and Sadie achieved?

- The Burnchester Ranch will remain, with Roy and Sadie's loved ones as well as all future owners, in its undeveloped pristine condition.
- Roy and Sadie's estate value is decreased due to the lower value of the ranch resulting from the easement.
- Through the use of an ILIT, the decreased value of the ranch resulting from the conservation easement is replaced for the benefit of Roy and Sadie's loved ones.
- The life insurance policy held within the ILIT gives the family more flexibility to make planning decisions.

¹ A Land Trust is a nonprofit organization created to conserve land by acquiring conservation easements. The Land Trust's role is to monitor usage of the property and ensure that current and future landowners adhere to the easement's terms.

² See IRC § 170(h) for the federal income tax charitable deduction requirements. The charitable income tax deduction is available to be taken up to a percentage of a donor's adjusted gross income, and any unused deduction in excess of the percentage limit may be carried forward for a number of years.

³ IRC § 2031(c).

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